How to Develop an Accounting Policies & Procedures Manual

50th Annual LASBO Spring Conference
Policies vs. Procedures

• Chicken or egg?
  - Policies
  - Procedures
• Force of law
• Mandates
• Accounting vs. operating
Examples of Accounting Related Policies

- Investment
- Cash
- Debt
- Budget
- Purchasing
- Capital assets
Procedures

• Operating
  - For off site locations
  - From off site locations

• Accounting
  - For off site locations
  - For other internal functions/departments
Examples of Accounting Related Procedures

- Cash receipts
- Cash disbursements
- Purchasing
- Billing & collection
- Grants
Specific Accounting Related Procedures

- School receipts
  - Fees
  - Cafeteria
  - Related organizations
  - NSF checks
  - Deposits
  - Reports
Specific Accounting Related Procedures

• Purchasing
  - Purchase orders
  - Purchase requisitions
  - Check requests
  - Bids & quotes
Critical Considerations

• Time needed
• Availability & expertise of staff
• Comprehensiveness of manual
General Considerations

• Critical vs. significant P&P
  - Cash/revenue driven/dependent
  - Significant workload
  - Expertise required
• Existing P&P
  - Accounting vs. operating
• Prioritization of content
  - Phasing
General Considerations

- Criticality of policy/process
  - Formal mandate
  - Significant operation
  - Audit findings

- Frequency of reorganizations
  - Accounting/finance
  - Entity-wide
  - Controlled vs. internal
    - Turnover in governing board
General Considerations

• Frequency of changes in accounting operations
  - Status of personnel
  - IT changes
    • Initiate vs. operate
    • System upgrades
      - Software
      - Hardware
General Approaches

- Externally driven
  - Mandated
    - Formal vs. informal
  - Financial statement users
    - Financial statement amounts
    - Classes of accounts
General Approaches

• Internally driven
  - Workload
  - Operations vs. accounting
    • User needs
  - Cross training tool

• Top down or bottom up
Planning the Project

• “Why you are doing” drives “what you do”
  - Content
  - Process

• Proper planning = success
Planning
Step #1

• Determine why you are doing this
  - Mandated
  - Voluntary
    • Quality initiative
    • Internal control
  - Involuntary
    • Audit findings
    • Leadership initiative
Planning
Step #2

• Determine ultimate content ("wish list")
  - Policies
  - Policies & accounting procedures
  - Policies & accounting & operating procedures
  - Accounting procedures
  - Accounting & operating procedures
Planning
Step #3

- Inventory existing P&P
  - Accounting & related operating
  - Individual vs. group exercise
  - Individual driven exercise
Planning
Step #4

• Evaluate usability of existing P&P
  - Consider
    • Format
    • Extent of revisions required
    • Critical vs. significant policy or procedure
Planning Step #5

- Evaluate staff availability & expertise
  - Individual vs. group
  - Assignment vs. volunteer
Planning
Step #6

• Prioritize contents ("wish list")
  - Consider
    • Mandates
    • Critical vs. significant
    • Useability of existing documents
    • Staffing needs & availability
Planning Step #7

- Develop initial time line
  - Consider
    - Workload demands/compression
    - Mandates
    - Critical vs. significant
    - Useability of existing documents
    - Staffing availability
Planning
Step #8

• Determine staffing needs
  - Content Prioritization
  - Perfect world vs. real world
Planning
Step #9

• Select staff
  - Consider
    • Workload demands/compression
    • Extent of previous experience
    • Content
    • Chain of command
Planning
Step #10

- Develop implementation & evaluation timelines
  - Consider
    - Prioritization issues/considerations
      - Workload demands/compression
      - Mandate
      - Organizational & system changes
    - Staff availability
Developing the Manual

- Plan your work & work your plan
- Initial considerations
- Start with the basics
- Development
- Adoption
- Implementation
- Evaluation & revision
Developing the Manual
Step #1 - Initial Considerations

• Mandated vs. voluntary
  - Adoption
  - Contents

• Decisions
  - Revise
  - Reinvent
  - Initial development
Developing the Manual
Step #1 - Initial Considerations

- Policies
  - Cut & paste or reinvent the wheel?

- Sources
  - GFOA
  - LaGFOA
  - ICMA
  - Independent School Management
  - Association of School Business Officials
  - National School Boards Association
  - Other
Developing the Manual
Step #2 - The Basics

• Format
  - Word
  - Excel
  - Electronic or paper
Developing the Manual

Step #2 - The Basics

• Format
  - Style
    • Positions vs. people
  - Template content
    • Title
    • Policy/procedure number
    • Page numbers
    • Legal reference
    • Preparer name
    • Dates
    • Sections
Developing the Manual
Step #2 - The Basics

• Format
  - Template content - Dates
    • Prepared
    • Adopted
    • Implemented
    • Evaluation, review, etc.
Developing the Manual
Step #2 - The Basics

• Format
  - Template content - Sections
    • Purpose
    • Review
    • Policy/procedure specifics
      - Definitions
      - Responsibilities
      - Specifics
      - Contact info
Developing the Manual
Step #3 - Development

• Work your plan
  - Don't forget to celebrate milestones!
• Coordinate with planned implementation date
  - Tracking progress
  - Consider
    • Fiscal year start/end
    • Education efforts
      - Leadership
      - Governing body
Developing the Manual
Step #3 - Development

- Flow charts
  - Financial statement account approach
  - Process approach
    - General
    - Specific
- Software
  - Word/Excel/PowerPoint
  - Visio
  - Smart Draw
Developing the Manual
Step #3 - Development

• Obtain information
  - Method
    • Inquiry/observation
    • Questionnaires
    • Combination
Developing the Manual

Step #3 - Development

• Obtain information
  - Consider workloads/schedules
    • More time
    • Better info
    • Higher acceptance
Developing the Manual
Step #4 - Evaluation

• Revisions
  - When
    • Annual vs. periodic
    • As needed
    • Coordinate with schedule of governing body, etc.
Developing the Manual
Step #4 - Evaluation

- Revisions
  - Who
    - Consider impact on job descriptions
    - Coordinate with workload demand/compression
    - Appropriateness in light of anticipated staff changes/reassignments
Developing the Manual
Step #4 - Evaluation

• Evaluate
  - Continued need for policy/procedure
  - Effectiveness of policy/procedure
    • Purpose section
  - Efficiency of review schedule