

Creating An Efficient Accounts Payable Policy & Procedures Manual



Mary S. Schaeffer

AP Now

www.ap-now.com

At Aurora Training Advantage, we take great care in producing educational webinars of the highest quality. Unfortunately, there are parties that have been illegally using our content and marketing it as their own. To protect the integrity of our content, please contact us if you are viewing this webinar through any company other than Aurora Training Advantage. Our Customer Support number is 407-542-4317 and email is support@auroratrainingadvantage.com.

Your cooperation is greatly appreciated.



About Mary Schaeffer

- Host AP Now Podcast and YouTube Channel
- Recipient of 2022 Top AP Influencer, 2021 Wellness for Others Award, and 2020 Lifetime Achievement Award from AP Association
- Creator of monthly newsletter, webinars, seminars, CPE self-study courses
- Writes free twice-a-week ezine about AP issues
- Author 21 books including
 - 127 Best Practices for Accounts Payable
 - Fundamentals of Accounts Payable 2nd edition
 - Change in Accounts Payable
- Frequent speaker both online and at live events
- BS Math; MBA Finance



Agenda

- Introductory Remarks
- Crisis Management
- Getting the Most out of the Manual
- What to Include/Not to Include
- Getting Started
- Tips on Creating a User-Friendly Manual
- Updating the Policy
- Using AI
- Best Practices/Worst Practices
- Concluding Remarks



Creating An Efficient Accounts Payable
Policy & Procedures Manual

INTRODUCTORY REMARKS

AP Manuals and Remote Work

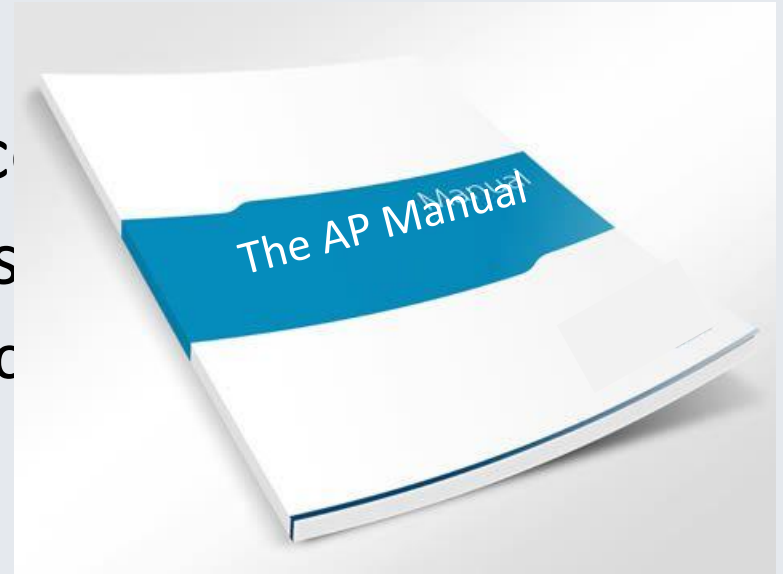


Everyone
should update
their manuals

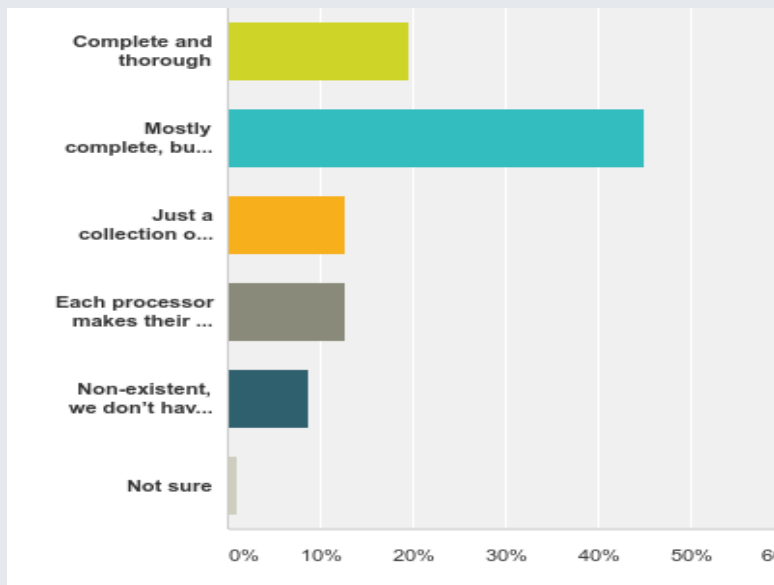
- Changed practices
- More technology
- Differing fraud protection regimens
- Update Remote Work reimbursement policy
- 1099 NEC + 1099 MISC

What Is A Policy and Procedures Manual?

- Written document
 - Not necessarily printed
- Delineates policies & procedures
- Documents actual processes
 - Not theoretical best practices
- Not set in stone
 - Regularly updated



The State of AP Policy & Procedures Manuals

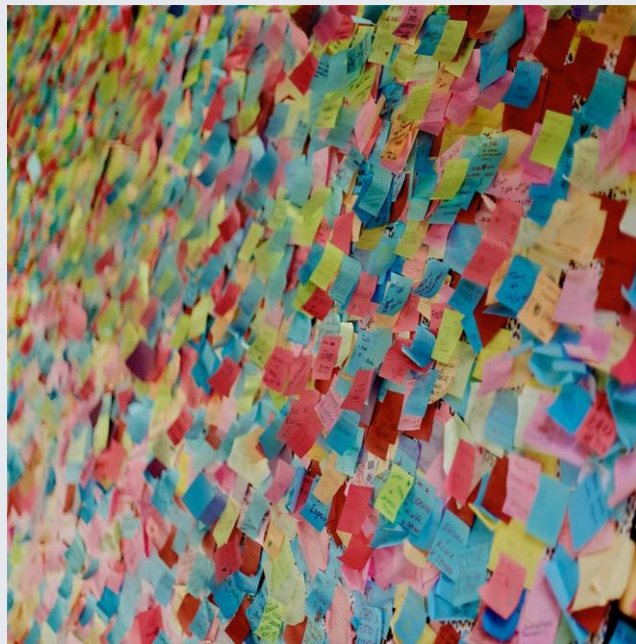


- Complete and thorough 19.61%
- Mostly complete, but some sections definitely need some updating 45.10%
- Just a collection of memos and notes in a folder 12.75%
- Each processor makes their own notes; so it varies 12.75%
- Non-existent, we don't have one 8.82%
- Not sure .98%

What It Is Not

- A collection of memos
- Handwritten notes
- Handwritten instructions

- An oral history passed from one manager to the next
- “that’s the way we always did it”
 - Lots of change in AP



Creating An Efficient Accounts Payable
Policy & Procedures Manual

CRISIS MANAGEMENT

Problem #1

- If your company forbade travel, what do you do with expenses for travel by those who disregarded the mandate?
 - Uniform management backed policy
- If your company forbade “all but essential” travel, how do you define essential?

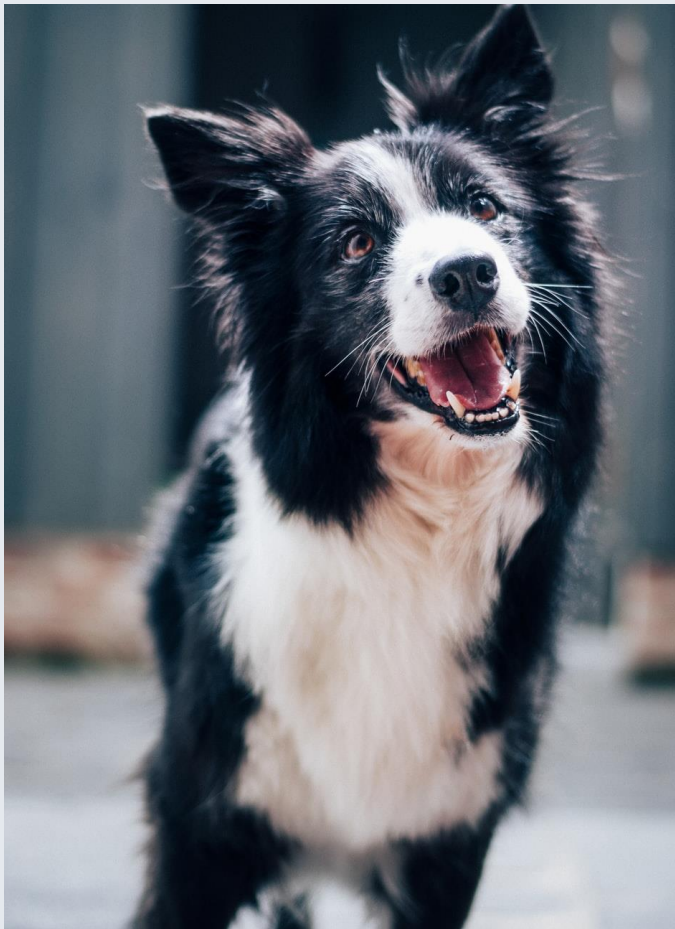
The Remote Work Dilemma



- Employee vs. employer
- New hiring issue
- Expands the pool of potential hires
- Can be an incentive

Remote Working Expenses

- Do you have a policy for reimbursing for:
 - Working at home expenses
 - What about newly purchased technology that does not meet company standards (Apple vs. Windows; security etc.)
 - Use of certain online meeting technologies
 - Slack
 - Zoom
 - Teams
 - Whats App



Remote Working

- Expect other problems and issues
- Expect questionable reimbursement requests 😞
- Meals
 - DoorDash when working late

Remote Work: Reimbursement Policy

- Update policy
- Conform to IRS rules
- Fairness
- Return of items



Remote Work: Reimbursement Policy

- If your AP staff belongs to a union, check the union contract before refusing reimbursement



Remote Work: Reimbursement Policy

- One last consideration
- If you don't reimburse certain expenses
- Below minimum wage

many states raise
their minimum wages
on or about New
Year's Day

The \$15 hour Minimum Wage

- \$15/hour equates to \$30,000 per annum
- Many will get there over the next few years
- Fast becoming the norm
- Check state websites

More on Minimum Wage a/o/ January 1, 2023

- Mountain View \$18.15
- Sunnyvale CA \$17.95
- Many other California cities
- Denver \$17.29
- Seattle \$18.69 (\$37,380 per annum)

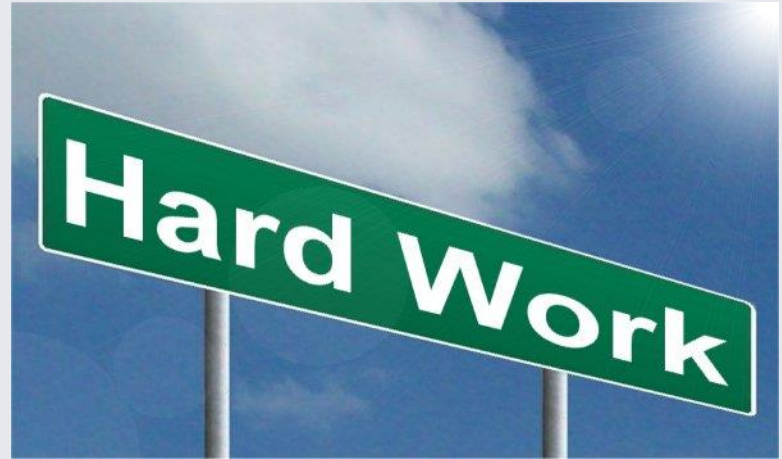
- Check out your local rates!!!

Creating An Efficient Accounts Payable
Policy & Procedures Manual

GETTING THE MOST OUT OF YOUR MANUAL

What The Manual Represents

- Lots of hard work
- If done properly, documentation for your actual processes
- The roadmap for how the accounts payable function operates
- In theory – the bible for your AP processes



Let's Get The Most out of It



Documentation



Training tool



Reference Guide

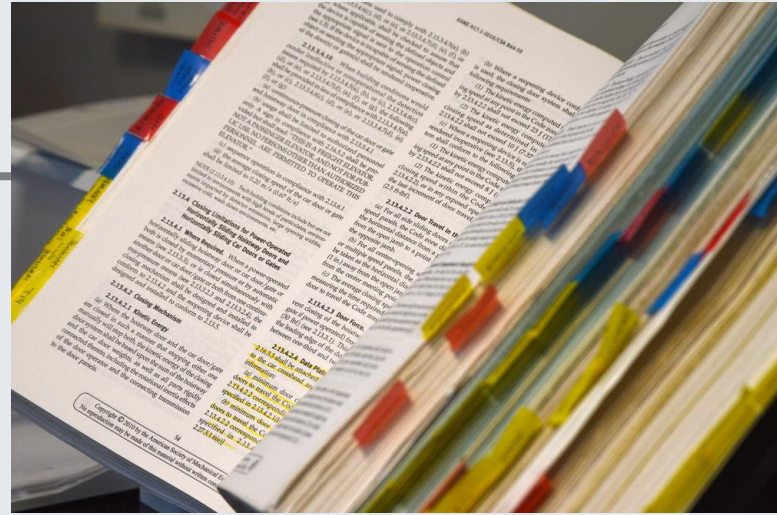


Help with auditors



What else???

Documentation



- The last word
- When anyone asks
- Periodically verify processors are doing what the manual says
 - If not figure out if they have a better way or are just creating problems or weakening controls

Training Guide

- For new employees
 - And old employees new to a position
- Each should be given a copy
- They can use it instead of taking notes
- Allows them to focus on what's being said rather than taking copious notes



Reference Guide

- For the questions the manager always answer
 - A way to make the staff more self-reliant
 - Give a man a fish
 - Make the manager more efficient
- For those once a year tasks
- For those tasks that only come up rarely

Help with the Auditors

- Make sure manual conforms to:
 - Company policy (internal)
 - IRS rules (information reporting)
 - State law
 - (When they ask how you are going something, hand them the appropriate section of the manual)
 - Make sure staff is conforming
 - Especially 1099 stuff



Other Ways

- Policy isn't a secret document
- Interactions with other departments?
- Share cut-off schedule for payments
 - Especially T&E, if this is an issue



Creating An Efficient Accounts Payable
Policy & Procedures Manual

WHAT TO INCLUDE/NOT TO INCLUDE

A Manual that Works

- Reflect what is actually being done
 - May not be best practices
 - Manual is worthless if it doesn't document actual processes
- Step-by-step instructions for a novice
 - Don't assume anything
- Some screen shots
 - Don't go overboard showing everything
 - Often a judgment call



Instructions

Always use titles
Not names!!

Use hard cut-off dates wherever applicable
Deadlines
Especially for month end and year end close
Keep in mind, some of this will be shared with
others outside AP
Cut-off schedules
IRS guidelines (T&E, 1099 etc.)

Sharable Pages

- Outsiders will not thumb through your policy; you *might* get them to read one page
- Have certain information on pages that can be printed to a pdf and shared
 - Cut off dates for payments !!!!!
 - Parts of T&E policy
 - Cut off dates
 - Documentation requirements (get this from IRS)
 - W-9 requirements for new vendors
 - Anything else related to common questions or errors



Just AP Processes or More

- Anything handled in AP
- Travel & Entertainment
 - The policy part – shared with all employees
 - The documentation requirements (work in IRS wherever possible)
 - The AP review process – do NOT share with those outside AP (especially if using spot checking or other cutoffs for review!!!)
- W-9/1099 etc.
 - Again, work in IRS requirements



Addendums

- Additional information
 - discretionary
- Some use for once a year tasks
 - 1099 reporting
 - Unclaimed Property reporting and remitting
 - Specialty regulatory reporting
 - Board of directors reporting
 - Special instructions for the year end close
- Some use for ancillary reading
 - IRS bulletins
 - Management directives
 - Board of Directors delegations
- Some don't include at all



Creating An Efficient Accounts Payable
Policy & Procedures Manual

GETTING STARTED

When You Have Nothing

- Borrow someone else's

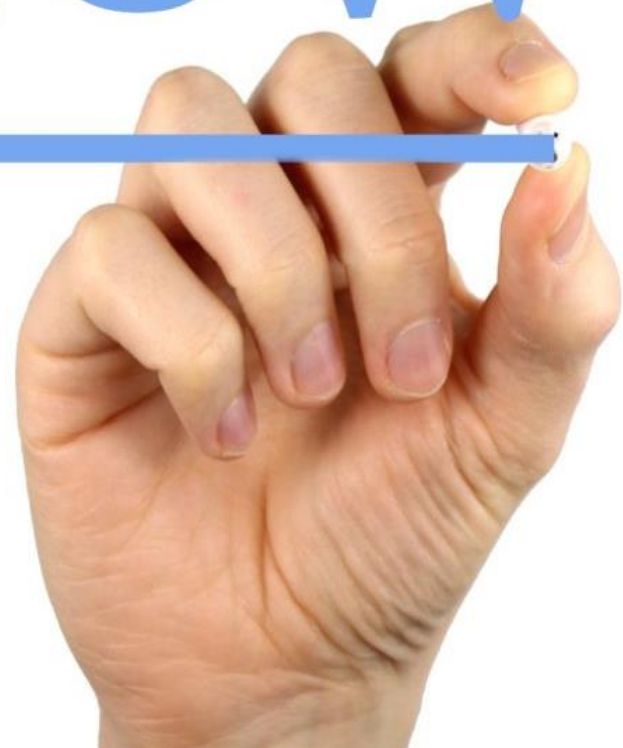


START

- Start with an outline

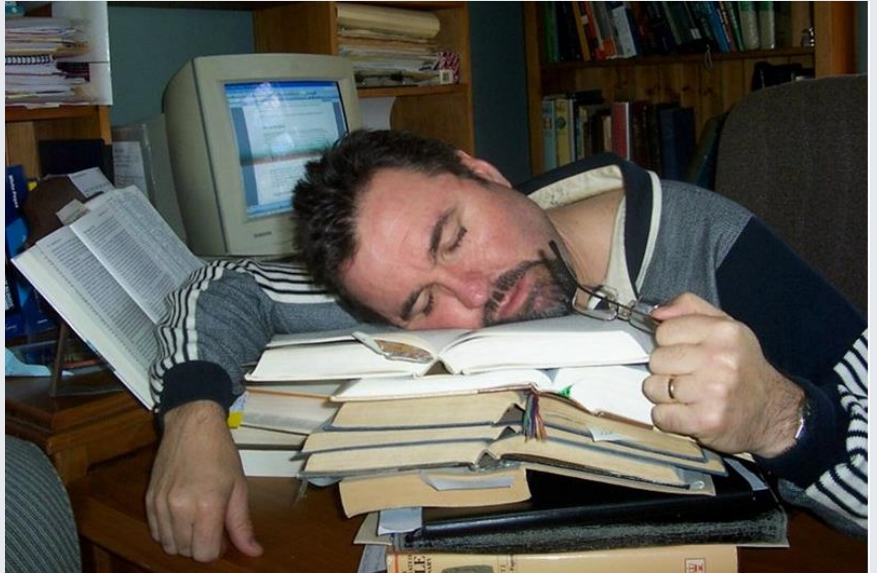
BORROW

- Online
 - Search
 - Many colleges and Universities
- Purchase
- Ask a friend



Using Someone Else's Policy

- Review
 - Content
 - What's missing
 - What doesn't apply
- Names
- Numbering
- Other References
- A lot more work than you'd think



Creating from Scratch

- Make an outline of all topics to be covered
 - See additional handout (for a sample or for a starting point)
 - What's missing
 - What doesn't apply
- Review with all impacted parties
- Ask for input
- Don't be overwhelmed!!



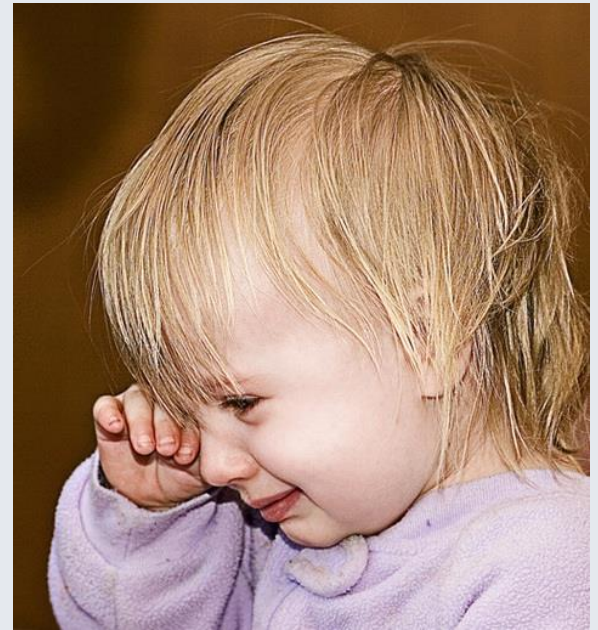
After the Outline

- If assigned to one person as a “special project”
 - Unlikely to ever be completed
 - Unlikely one person has all the information
- Make this a group project
 - Provide guidelines & possibly even a sample section
 - Assign sections to responsible parties
 - i.e. have processors work on invoice handling section



When the First Draft Is Completed

- Have another staff member review for accuracy only
- Make this point clear or you will have a lot of hurt feelings
- A few people may not be able to help themselves and will try and rewrite because they feel they are better writers
 - Do not let them!
 - Some will be better writers, but some will be worse



Reviewing Accuracy Comments

- All changes should be reviewed by the original creator
 - They were the SME
 - The manager should resolve any disputes
 - Also, investigate because it is possible two staff members are doing the same task differently – which can create problems



Creating the Final Document



- Different people write differently
- A light editing job should be done to correct any grammatical errors
- This should be done by one person (possibly the manager) once.

The Final Manual

- Should have a cover page on it
- Shared with everyone
- Credit should be given to each person who participated in the creating the manual
- Don't indicate who worked on which pages
- The manual should show the creation date and later the dates when updates were done



Creating An Efficient Accounts Payable
Policy & Procedures Manual

TIPS ON CREATING A USER-FRIENDLY MANUAL

Don't Be Overwhelmed

- There will be 30 -50 sections, possibly even more
- If you have 10 people working on it vs. 3 people working on it
- Look at it as a series of small projects, or memos
- By focusing on the smaller pieces, rather than the whole, the project becomes manageable.



Where to Start

- Build confidence
- Start with the easiest section
 - Not necessary to go in order
 - Don't worry about grammar, the first time
- List out the steps
- Go back and write a short introduction
- The next day, go back and review briefly for completeness, consistency and grammar



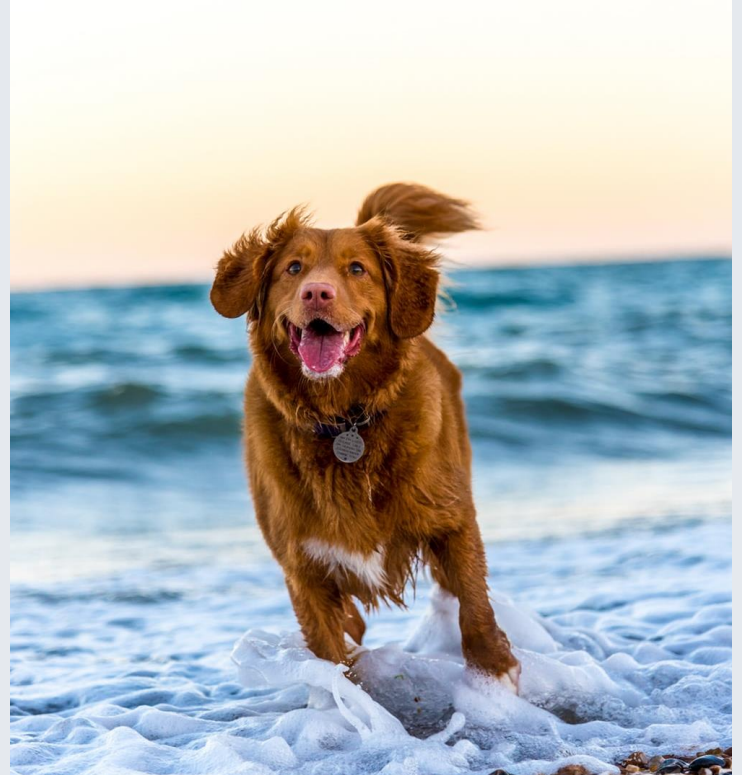
Making the Policy Readable

- Don't assume the reader knows too much
- Use a lot of bullet points or steps
- Use short sentences
- Also, short paragraphs
- Consider having an abbreviation section



Making the Policy User-Friendly

- Refer to titles, rather than individuals
 - Can be a problem, if people don't always have the same titles
- Include dates, where applicable
- Include pages that can be printed to a pdf, when you need to share information
 - Cut off schedules
 - Documentation requirements for T&E



Things to Avoid

- Long sentences; long paragraphs
- Extraneous information
- Jargon
- Peoples' names
- Never underline
(people might think it's
a hyperlink)
- Sensitive information



The Importance of a Table of Contents

- Similar to the outline
 - May actually be the outline
- More user-friendly
- Make sure the page numbers are updated whenever content is updates
- Should show the date of the last update

TABLE OF CONTENTS

TABLE OF CONTENTS

1	First chapter	
1.1	First section	
1.2	Second section	
1.3	Last section	
2	Second chapter	
2.1	First section	
2.2	Second section	
2.3	Last section	
3	Last chapter	
3.1	First section	
3.2	Second section	
3.3	Last section	

Sample Information for Each Section

- Title
- Number – if you are numbering each section
- Effective date
- Date of last revision
- Responsible party
(for questions)
- Reviewed by
- Approved by



Should the Manual Be Printed?

- Personal preference
- Can be produced as a pdf
 - Makes it easier (and more cost-effective) to do updates and share them
- Some prefer to have a printed document
- Many still print



Creating An Efficient Accounts Payable Policy & Procedures Manual

USING AI

AI Tools (no cost, right now)

- ChatGPT
- Bard
- Whatever else

How to Use AI

- Asking AI to write your policy is like taking someone else's policy
- Use it as an aid, not in place of you doing the work

How You Can Use AI

- Write a bare bones outline, with the facts
- Ask AI to rewrite the policy making it:
 - More user friendly
 - More professional
 - Fix the grammar

Some Caveats

- Verify, verify, verify
- The nuance problem
- It the language acceptable
- Verify, verify, verify

Can I use it for updates?

- Not really; not now
- Use as described on prior slides
 - As a writing aid

Creating An Efficient Accounts Payable
Policy & Procedures Manual

UPDATING THE POLICY

Frequency

- Unfortunately –
not good forever
- Updates
 - Once a year review
 - Whenever there is a change
- If not, gradually becomes worthless

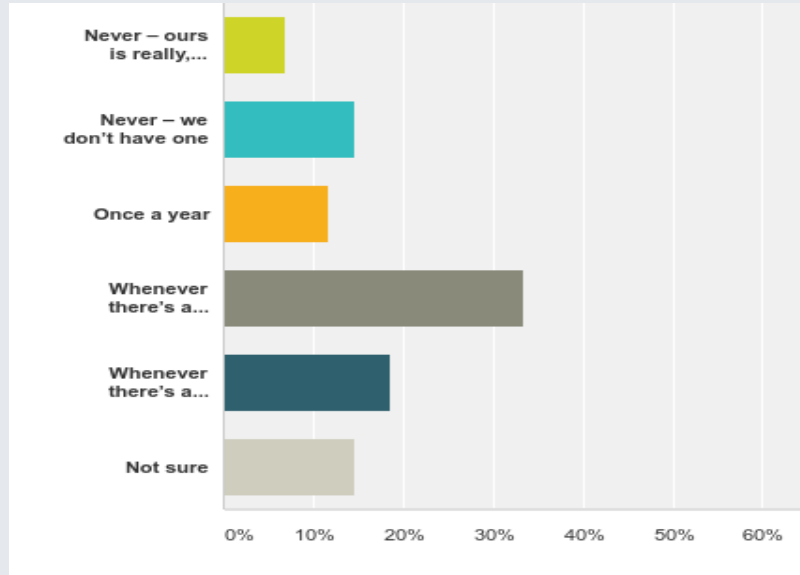


The Annual Review

- Have we had any problems that could be addressed by a process change
- What's changed in the last year
- New technology
- Any consolidations
- Have we started:
 - Invoice automation
 - Same Day ACH
 - New fraud prevention techniques



Reality Check: Frequency of Updates



- Never – ours is really, really old. 6.86%
- Never – we don't have one 14.71%
- Once a year 11.76%
- Whenever there's a change in process 33.33%
- Whenever there's a change + once a year 18.63%
- Not sure 14.71%

Timing of the Review

- If not regularly scheduled
 - Will get back-burnered and never done
- When are you less busy
 - Maybe the summer
- Multi-party review vs. One person
- What about a new hire
 - As a mini audit



Creating An Efficient Accounts Payable
Policy & Procedures Manual

BEST/WORST PRACTICES

- Written
 - Detailed
 - Pdf or printed
- Shared with everyone who needs it
- Updated regularly
 - Whenever there's a change
 - Whenever there's a major problem
 - At least once a year



- Not having a written policy
- Not making sure the policy conforms to all legal and regulatory requirements
 - IRS for T&E
 - IRS for Information Reporting (1099 etc.)
 - States for unclaimed property and sales & use tax
 - Note: Some states have 1099 reporting



Worst

PRACTICE

continued



- Never reviewing
 - Assuming no changes
- Not sharing with everyone in AP
- Not adhering to the policy
- Taking someone else's without making major modifications

Creating An Efficient Accounts Payable
Policy & Procedures Manual

CONCLUDING THOUGHTS

Don't Forget

- The manual should be the guidebook for the AP operations
- Created effectively, it can serve as:
 - Training guide
 - Reference guide
 - Help with federal and state audits



Thank You/Questions/Comments

Mary Schaeffer

marys@ap-now.com

302 836 0540

Listen to the AP Now podcast, wherever you normally listen to podcasts or on YouTube at [YouTube.com/c/APNow](https://www.youtube.com/c/APNow)

