BUSINESS PROCESS IMPROVEMENT:
INTEGRATED THINKING

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Objectives

- Identify signs of process improvement needs within their own organization

- Gain awareness of process improvement tools, techniques and benefits

- Understand how to design improvements with internal controls in mind

Agenda

- Introductions

- About Process Improvement

- Process Improvement Opportunities and Techniques

- Internal Control Considerations

On-The-Job Training

Implementation of New Systems

Regulatory and Industry Requirements

Little Time to Examine Processes

Background on Process Improvement
LOTS OF METHODOLOGIES

- Lean
- Six Sigma
- Lean Six Sigma
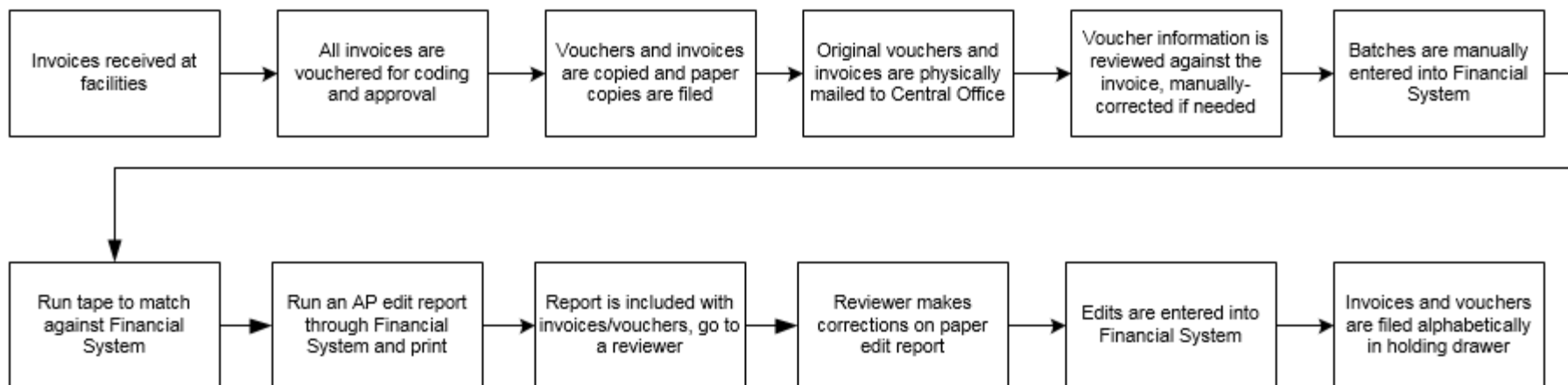- Total Quality Management

Eliminate Waste

- Over-production
- Correction (defects)
- Inventory
- Motion
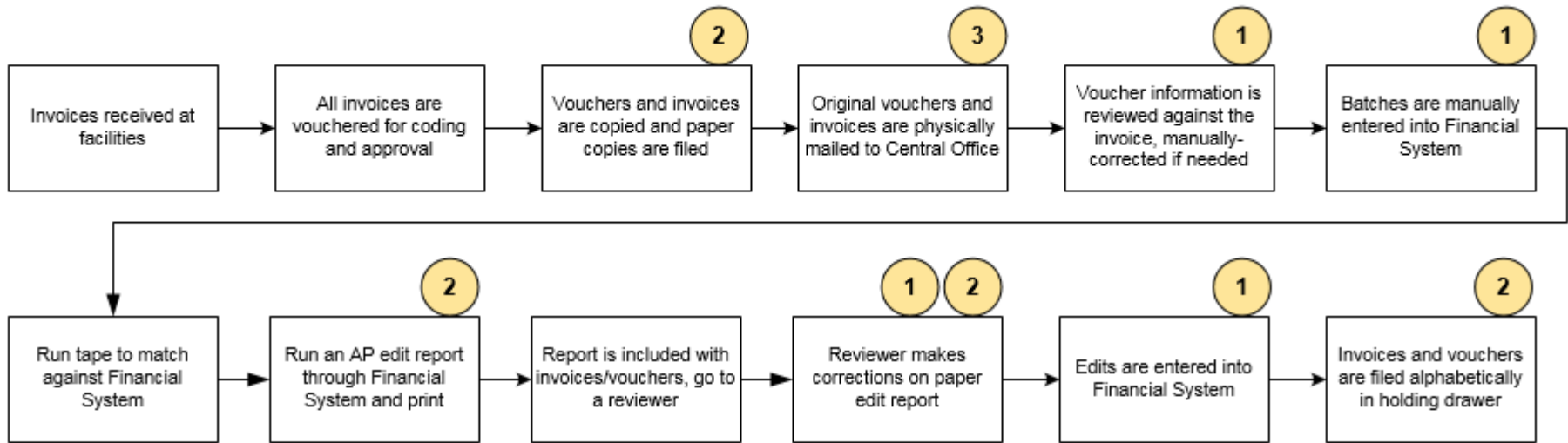- Over-processing
- Conveyance
- Waiting

Reduce Variation / Error

Workflow Example: Accounts Payable

| Invoices received at facilities | → | All invoices are vouchered for coding and approval | → | Vouchers and invoices are copied and paper copies are filed | → | Original vouchers and invoices are physically mailed to Central Office | → | Voucher information is reviewed against the invoice, manually-corrected if needed | → | Batches are manually entered into Financial System |

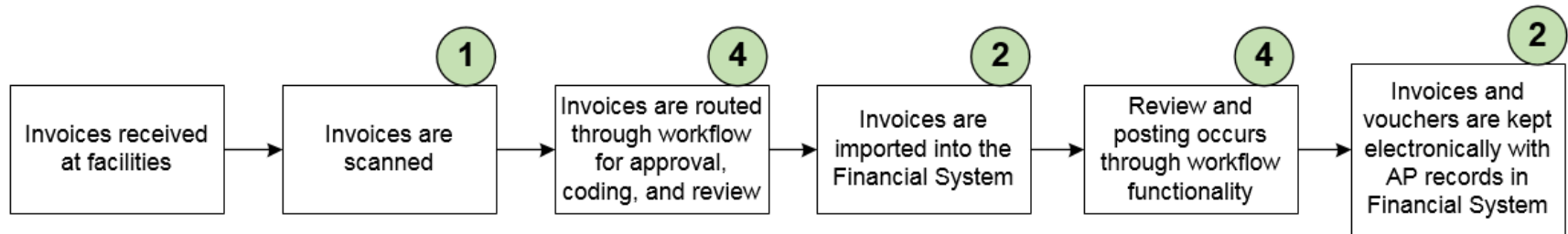| Run tape to match against Financial System | → | Run an AP edit report through Financial System and print | → | Report is included with invoices/vouchers, go to a reviewer | → | Reviewer makes corrections on paper edit report | → | Edits are entered into Financial System | → | Invoices and vouchers are filed alphabetically in holding drawer |

Workflow Example: Accounts Payable

Process Finding:
1 = Manual entry/process
2 = Converting between paper and electronic versions
3 = Lag in documentation available

Workflow Example: Accounts Payable


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(1)  Invoices received      (1)  Invoices are     (4)  Invoices are routed    (2)  Invoices are        (4)  Review and          (2)  Invoices and
     at facilities                scanned              through workflow             imported into the        posting occurs             vouchers are kept
                                                       for approval,                Financial System         through workflow           electronically with
                                                       coding, and review                                    functionality              AP records in
                                                                                                                                         Financial System
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Principles:
(#)
1 = Eliminate paper early
2 = Increased system functionality
3 = Electronic interface
4 = Workflow tools

Principles of Process Improvement

- Eliminate paper early
- Capture data once electronically
- Electronic interface
- Direct lookup
- Increased system functionality
- Workflow tools
- Standardize communication
- Train to desired process

Potential Areas of Improvement
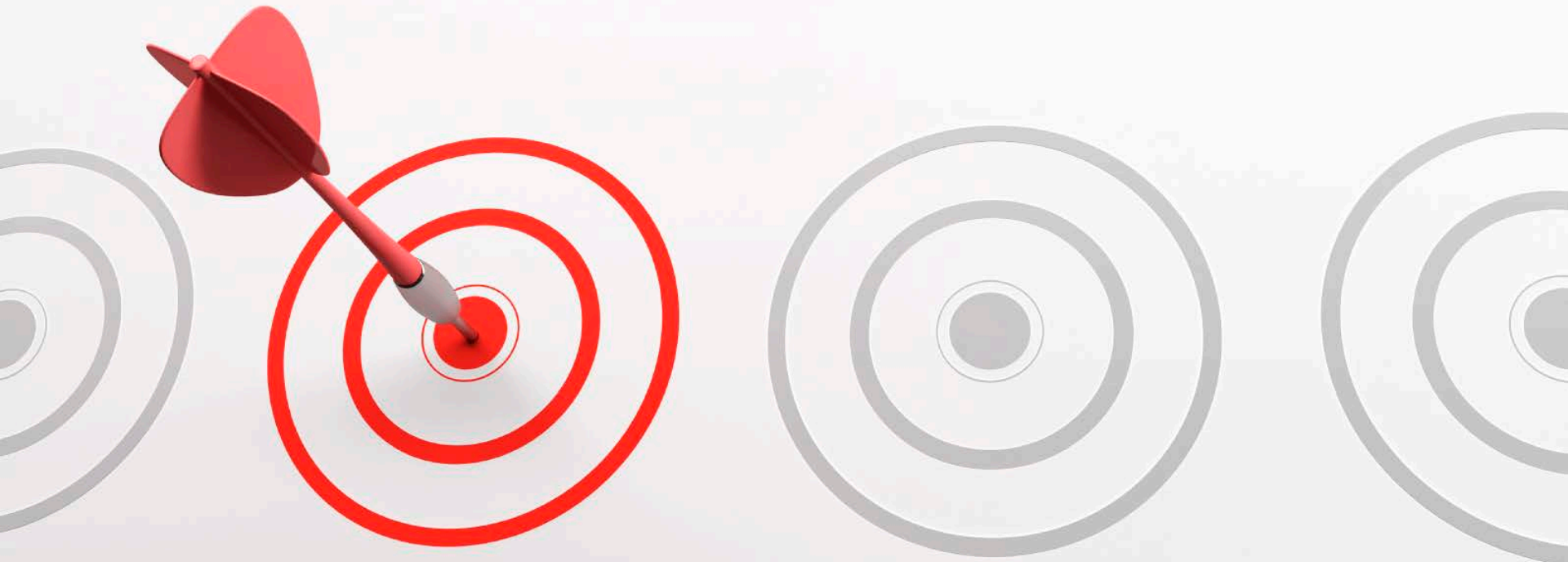
Accounts Payable

- Fewer last minute vendor payments or overdue invoices
- Increase in term discounts
- Lower level of grief managing the process

Month End

- Less cumbersome monthly close
- Financial reports available faster
- Decrease "cumbersome" tasks
- Fewer last minute preparations for the board meeting

Billing and Collections

- Reduce denials
- Improve collections and aging
- Increase revenue
- Decrease time to resolve issues

Staff Scheduling and Payroll

- Decrease time spent managing the schedule
- Reduce overtime and/or agency staff
- Fewer scheduling conflicts
- Less after payroll corrections

Purchasing, Ordering, and Inventory

- Operate with a smaller inventory
- Reduce rush ordering for inventory shortages
- Purchase in more optimal patterns

Fundraising

- More efficient outreach
- Increased accuracy in donation classification
- Faster correspondence to donors

Registration and Intake

- Fewer steps to register a patient, client, or student to receive services
- Improve alignment with eligible services
- Decrease repeated questions

IT Support

- Decrease IT support ticket volume
- Alleviate some of the "fire fighting" the team does
- Increased end customer satisfaction

But…. The Auditors Said

What is the Purpose of Internal Controls?

- Safeguard assets
- Reliability and integrity of financial information
- Compliance with laws and regulations
- Efficient and effective operations

Everyday Examples of Internal Control

COSO Framework

information &
communication

monitoring

control activities

risk assessment

control environment
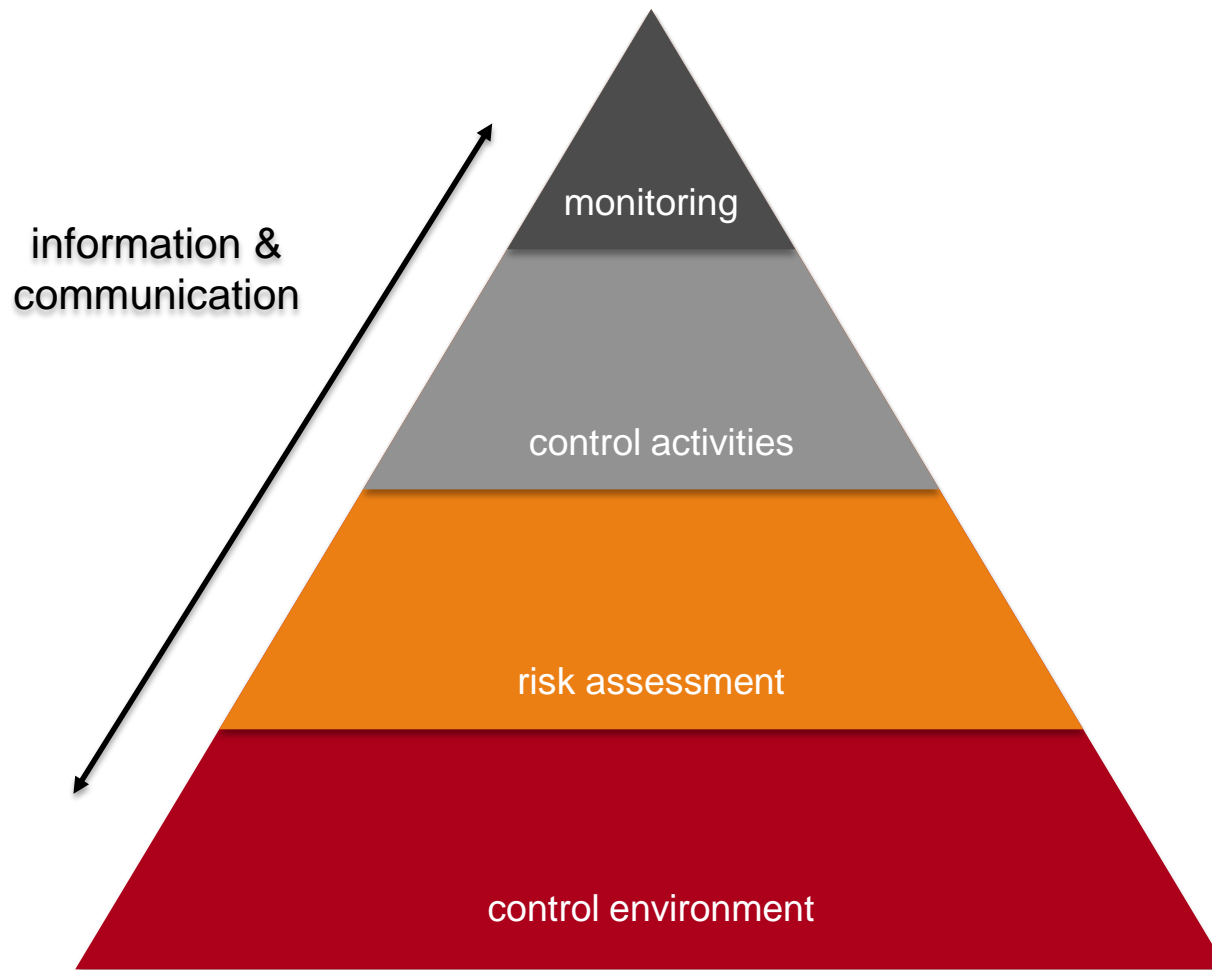
Control Environment

Tone at the Top

Risk Assessment

- Identification and analysis of risks to the achievement of business objectives

- Forms a basis for determining how risks should be managed

Control Activities

- Policies and procedures that help ensure that the risk responses, as well as other entity directives, are carried out

- Occur throughout the organization, at all levels and in all functions

- Include application and general information technology controls

Types of Control Activities

- Directive
- Preventive
- Detective
- Corrective
- Recovery
- Automated

Monitoring

Are controls operating as intended?

Key Internal Controls

- Segregation of Duties
- Authorization and approval
- Reconciliation and Review
- Physical Security

Designing
Internal Controls
IN A PAPERLESS ENVIRONMENT

- Establish prevention procedures

- Enforce segregation of duties

- Automate

- Perform regular internal audits

Contact Us

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Questions?