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Preparing for a Systems Survey

Lois L. Cohn, CPA

The time is now. The place is a small to medium-sized office. You are the office manager or chief accountant. An executive of your company has just discussed with you his plan to bring in an "outsider" to make a survey of your office methods and procedures. The outsider may be a management consultant, a systems specialist from a public accounting firm, or a machine salesman. Whoever he may be, you know that your office routine will be disrupted, that someone will be asking hundreds of questions, reviewing all reports prepared by your department, watching your employees going about their tasks and making notes. What can you do to minimize the work interruption and yet contribute to the success of the survey?

First, remember that the key to any systems undertaking is people. You, as the manager, will set the climate for the survey in your office—your enthusiasm will be contagious, but alas, so will your pessimism! Management is depending on your support in this, as they have in all other phases of business, and you must not disappoint them. A systems study cannot be done in secrecy; nor should it be, and you should advise the employees of the impending survey as soon as possible. Don't let rumors get started! Let them hear about it first from you.

Second, try to enlarge the scope of your knowledge of manual and mechanical office systems. If you live in a fairly large city, there will probably be business shows which you can attend. There are monthly publications devoted to office methods; and most public libraries have them available for your perusal. Many universities now offer evening courses in systems study.

Simultaneously with your educational endeavor, you will want to learn all that you can about your office. Does that sound facetious? It isn't! Rare is the manager who really knows in detail his employees' duties. Take the time to sit at each desk and study each operation as if you were seeing it for the first time. Make sure that both you and the employee know not only how to do each task, but why it has to be done. Make as many notes as possible at each desk, and prepare a statistical data sheet. The data sheet should include volumes of all documents prepared in your office (checks, invoices, credit memos, etc.), the frequency of their preparation, the lines per document, the number of monthly statements mailed, and any other information which a survey team would want. Some of these statistics are not readily available and if

you can develop them before the systems team begins, you will save that much survey time. Don't take a short cut by guessing—prepare worksheets to back up your figures. These worksheets will be very important in the survey. For example, the number of invoices prepared in the height of a seasonal activity has no meaning other than being the maximum number. A worksheet listing the number of invoices for each week during a six month period would disclose the minimum and maximum number of documents, as well as the duration of maximum activity. The fact that you write five hundred checks a month is not as meaningful as the fact that you write four hundred checks by the tenth of the month and one hundred checks during the remainder of the month.

Your data sheet should provide estimates of the time involved in each task. If the employee who regularly performs the task is subject to frequent interruptions, such as answering the telephone, this fact should be noted with the time estimate. Check the estimates by actually timing the operations where possible. The survey team will time the operation also; but your timing will provide you with a guide to the efficiency of the employee and an overall appraisal of work distribution in the office.

Prepare an analysis of effective working hours in your department. The analysis should include, by job title, the number of man hours available each week, the number of hours worked (regular and overtime shown separately), the number of hours off for sick leave, vacations or personal reasons. The analysis should cover at least six months. Study it carefully. It may point out a more serious problem in your area than you had realized. Refer to the analysis as you work at each desk and try to determine reasons for excessive overtime on a particular job, or excessive absenteeism by a particular employee. The survey team will ask the same questions, and it will be well for you to do some ground work before they arrive.

Analyze all reports prepared in your office. Make a worksheet showing a description of each report, how often it is prepared, how many copies are made, and to whom they are sent. If they are routed internally, follow them to their destinations and discuss them with the recipients to determine the real need for the reports. A person's initial reaction to a question concerning his need for information is usually quite emphatic; by asking him if he really needs it, you are inferring that he might

not, that he has been negligent in not informing you. A positive approach would be to tell him that you were considering revising the report so that it might be more meaningful to him, and ask him for his suggestions on the revision. If it is a weekly report, ask him if a monthly report would suffice. If he gets multiple copies of the report, find out if one copy would be enough. If there is a similar report being prepared in your department for some other purpose, show him a copy of it and ask him if it is acceptable for his use. If the report is prepared just for him, be very specific in pointing this out. Whatever the results of your conversation, he will be informed that reports going to him, or prepared for him, are under review and he will probably take a second look at the material he is receiving.

One method was used by a company which, while rather extreme, produced very good results. Each internal report going out from the accounting department during a certain period of time carried a memorandum which said very briefly, "Due to a change in our accounting systems, this report will no longer be prepared." The supervisor received several calls from departments which explained their need for the information and those reports were re-scheduled, but at least 50% of the reports died a quiet natural death and were prepared no more.

During the course of your review, you will begin to see your office as a systems group will see it. By discussing each operation with each employee, you may both see a better way to do the job. By reviewing all desks within a short period of time, you will probably see duplications of which you were not aware. If minor changes are involved, make them immediately. For major changes, make notes of improvements which you feel would be beneficial and pass them along to the survey team when they arrive.

By all means, eliminate the things which would prove embarrassing to you if disclosed by a systems team—and they do exist in every office! Is your accounts payable clerk filing away two copies of a paid invoice? Are your paid invoices hand-cancelled when they could be machine-perforated or stamped? Are checks held beyond the date of receipt and handled by several different employees? Is your cashier keeping a "kitty" composed of cash overages and shortages each day, rather than reporting the cash differences? Are you using forms which have been out-dated and require new headings or other time-consuming changes? Are your employees typing information on checks or invoices which could be pre-printed? Do your bookkeeping journals require the posting of information which is no longer used? Do you have pro-forma worksheets for

weekly or monthly reports? Are the office duties properly assigned and scheduled? Does more than one employee know how to do each task?

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Last, but most important, is the work in your office up to date? Keep in mind that no new system could be instituted in an office which is not current. If the accounts receivable are not in balance, putting them on a machine will not balance them. As you review each desk, prepare some plan for each task that is lagging behind. If peak activity is expected on any desk within the next few weeks, such as quarterly reports on a payroll desk, plan some assistance for that desk so the clerk will have time to spend with the survey team. The team will have to talk to each employee, and a harried employee is not very helpful to a person seeking detailed information.

These are some of the things you can do before the survey team arrives. The main objective is to be able to answer questions quickly and accurately, to have as much data as possible accumulated in advance, to familiarize your employees with the purpose of the survey, and to create an atmosphere of enthusiasm in your office. The results will be more than gratifying.

Internal Control of Cash

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One person should have full responsibility of the fund; and reimbursement checks should be made out to the custodian of the fund.

There should be a maximum limit placed on a single petty cash disbursement, and employees should not be allowed to borrow from the fund in the form of postdated checks or I.O.U.'s. The best policy is to eliminate cashing of employee checks, either payroll or personal.

Bonding of any employee who has access to company cash is another good control, which provides many psychological advantages. An insurance company is more likely to prosecute an offender than the employer who is emotionally involved. The insurance company will usually investigate the employee before he is bonded and may decide whether this employee should be put in a position of trust according to his past record. This action should help to prevent fraud.¹⁰

There are many examples of specific methods used to provide internal control over cash. The weak point in a retail organization is the point of sale. Some suggested controls to prevent unrecorded cash sales in a retail organization are a central cashier, duplicate sales tickets, signs reminding customers to request cash register receipts, store detectives, and independent "spotters."¹¹

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