Great Policies & Procedures for Your Organization

By Sheila Shanker

They're the cornerstones on which everything else rests. Be sure they're as solid as they can be.

Policies and procedures are valuable management tools. They define roles and limitations, allowing managers to guide operations without constant intervention.

> "Choose a format that's easy to upload."

People are happier in organizations with explicit policies and procedures (also known as P&Ps). When workers have P&Ps to follow, they feel safer and suffer less stress.

What Are Policies & Procedures?

Policies are guiding principles reflecting your organization's broad, long term goals. They're linked with your organization's mission statement, code of ethics, and core values.

Many organizations keep their policies online. The Arthritis Foundation, for instance, records its policies as part of its Code of Ethics at http://www.arthritis.org/code-of-ethics.php.

Procedures are processes used to implement policies. They provide specific answers to questions such as how, when, who, and how many times something will be done to achieve the broader goal of a policy.

For example, a policy might be to provide safety to employees working with clients in the field. A related procedure could be to furnish cell phones to field workers to help keep them safe.

You may need several procedures to accomplish one policy. For example, a policy might say, "Employees should be paid in a timely manner." Procedures to accomplish this goal would include at least two separate procedures: one for timesheets and another for expense reimbursements.

Sometimes the lines become blurry as to what is policy and what is procedure. The more detailed a "policy" is, the more likely it is to be a "procedure."

Procedures change much more often than policies. Changes in laws and computer systems may force changes in procedures, but not necessarily in policies. Procedures are used to train new personnel, containing examples that may become old, requiring regular updates.

In order for procedures to work, managers and board members must be behind them and see them as important to the organization and its mission. Whoever doesn't follow procedures should suffer consequences. People not following the rules can create confusion and decrease the organization's effectiveness.

How to Develop Policies & Procedures

The best way to come up with your policies and procedures is to interview your staff and keep your eyes and ears open. Ask questions, listen carefully, take notes, and go back later to confirm information.

Follow the paper trail. Who does what and why? Gather examples of paperwork, such as deposit slips and reports. The more concrete examples you have, the better.

As you're developing procedures, you may note odd things and duplications of effort. For example, if an invoice number is being entered more than once in a computer, something is obviously not right and the process isn't efficient. Use this opportunity to identify processes that can be streamlined. If a step is being duplicated, it's time to fix it.

"You can purchase P&Ps online."

How to Write Great Policies & Procedures

Good grammar is a must in writing any business documentation. Policies and procedures are visible, important documents available to everyone in the organization. Even the best policies and procedures lose respect and value because of bad grammar and spelling mistakes.

A template is very useful to organize the process and make your policies and procedures easy to follow (see Figure 1). Since you may post policies and procedures online, choose a format that's easy to upload.

FIGURE 1: EXAMPLE OF A DETAILED TEMPLATE

Many nonprofits organize P&Ps by functional area. For example, you could identify administrative P&Ps as "A," grant management P&Ps as "B," development as "C." Then, within these areas, you could use more identifiers: The Accounting Department could be A10. Any P&P with this number would relate to accounting.

Some organizations use abbreviations to identify functions, such as HR for all human resource P&Ps. Then they use numbers to reflect different sectors within HR. Example:

HR030	Organizational Structure
HR040	Performance Management
HR100	Employment

For a detailed example of a policy and procedure, see Figure 2.

Here are more tips for writing policies and procedures:

- **Be consistent in your wording.** For instance, use the term "Accounting Department" throughout; don't switch to calling it the "Finance Department" or "Bookkeeping."
- **Don't use employees' names, only positions' names.** For example, "The receptionist opens the mail every morning," not "Jane Smith opens the mail every morning."
- **Use present tense.** Once in a while, future or past tense may be necessary, but it is the exception and not the rule.
- **Use short sentences** and no jargon.
- **Avoid passive voice,** such as "Mail is opened and forwarded to each department." Who opens the mail? Who forwards it to whom in each department?

Writing policies and procedures from scratch can be daunting, and many organizations use ready-made P&Ps. You can purchase P&Ps online as software (see "Resources" on this page), but don't use them right out of the box. They may be 80% applicable, but they still need to be tailored to your organization.

After you've finished writing your policies and procedures, have supervisors and managers review them. Be sure to review P&Ps at least once a year — more often in cases of major organizational change. The result will be a better managed organization and a great place to work.

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FIGURE 2: SAMPLE OF A POLICY & PROCEDURE

AR (Accounts Receivable) Missing Payment Procedure

Document #:AR 432-03- 0237
Effective Date: January 1, 2010
Approval:

Policy # AR 432-03

Written procedures are to be developed and followed to ensure that past due receivables are followed up promptly and in a manner that is cost effective for the overall collection program.

1.0 Purpose/Discussion

This procedure explains how to resolve donor inquiries regarding payments not applied to the donor pledge account.

When donors inquire about lost payments, usually one of three situations has happened:

- We have misplaced the payment.
- We have misapplied the payment.
- We cannot find the payment.

2.0 Persons affected

Accountant
Controller

3.0 Procedures for resolution

Step 1: Seek the missing payment.

- Check the donor's account in the accounting system to see if the payment has been posted.
- Check current check batches to see if the payment is waiting to be posted.
- Check recently posted batches to see if the payment was misapplied.
- Check donor accounts above and below the subject account to see if the payment was misapplied.
- Check for any notes on donors' database.
- Check the mailroom.

Step 2: Notify the donor with the results of your examination.

If payment is found: Notify the donor that the payment was found and apologize for any inconvenience. Calling the donor on the phone is best, unless the donors' database gives different instructions.

If payment has been misapplied: Inform the donor and apologize for any inconvenience.

If payment is not found: Inform the donor that we have no record of the missing payment. Ask for a copy of the cancelled check or receipt.

Step 3: Complete any necessary transaction.

Already posted and in-process batch payments: No additional action is necessary in accounting. Add a note to the donor's file in the donors' database.

Misapplied payments: The controller makes all AR adjustments. Contact the controller for instructions.

Payment not found: Wait for the donor to provide additional documentation (see above). Contact the controller and add a note to the donor's file in the donors' database.

Resources

Software for Creating Policies & Procedures

- bizmanualz.com
- imagineids.com/non-profit-document-management
- swingsoftware.com
- policytech.com
- copedia.com