

Choate it design



Overall, the current system design has many positive aspects, which will make it much easier to correct the few deficiencies. The fact that the current system is considered satisfactory by the auditors is a major plus. The fact it is causing hardship for the employees, regarding repayment of expenses, is a major weakness. Below is a detail of the issues being considered with the design of the current system: Current System Strengths The current system design utilized by Choate and Choate has several strengths, making any possible system corrections easier to complete.

The most important attribute is the requirement for everyone to submit an expense report, with the backup for those expenses included in the request. The review process of reviewing the reports prior to submission to data entry is a solid segregation of duties aspect. The person reviewing the expense report should not be entering the same report into the accounts payable system. Weaknesses of the Current System The current system has a few weaknesses, which are relatively easy to correct.

First and foremost, the timing of the check runs is not satisfactory or beneficial to commissioned staff. Most companies conduct accounts payable check runs on a weekly basis, in order to reduce the size of the batches being processed. This would also allow for Choate and Choate to correct another deficiency, and increase employee satisfaction. The company would be able to convert to a bi-weekly payroll run. This would also aid with employee satisfaction, because they would not be required to wait for expense reimbursement and avoid interest rates associated with carrying credit card debt.

There does not appear to be any type of edit reports for review, after the data entry component is complete. This step allows the user to cross check the batch of items being entered with the actual entries in the batch. Also of concern relating to the existing process is the estimate by the auditors of possible "padding" of the expense reports. This is a possible sign of inadequate review procedures by immediate supervisors. Recommended Internal Controls Accounts payable is usually a highly regulated process with most companies, as it is also one of the areas of highest abuse and fraud.

In order to implement a more stable process, the following internal controls are recommended for Choate and Choate, in order to minimize the possibility of fraud and abuse: Supervisor Review It is customary for most companies to require an "approver" signature for an expense report submission. As an example, an employee is required to submit their expense report to their immediate supervisor for signed approval. This allows the supervisor to review what is being submitted for possible fraud or "padding", thereby alleviating what has been identified previously by the auditors.

Supervisors should receive periodic training and updating, regarding the types of expenses which are allowable for reimbursement. This will provide more power to the approver to ask questions relating to suspect reimbursement requests. Segregation of Duties Normally, it is recommended to have separation of duties between the employee who reviews the accounts payable submissions, and the person who is actually entering the data in to the accounts payable system. This is something currently practiced by Choate and Choate, and should be continued with any new process implementation.

This control adds one more review step in the process and does not require much in the way of additional time, and will help to reduce the instances of abuse and fraud. More Frequent Check Runs Currently, Choate and Choate only generate a check run from accounts payable on a monthly basis.

Beyond the customer service and employee satisfaction issues, the current process could be contributing to processing speed problems and possible accuracy issues. By breaking payable batches into smaller components, it is easier to track down errors in processing.

By having weekly check runs, it places less pressure on sales staff and approvers to submit and approve all payables by a certain time of the month. It also will reduce the issues associated with slow payment. User Access to the Payable System Most accounts payable systems allow for the ability to control access to the system, and can also be integrated with the network environment. Specialized access to the accounts payable system can also be developed in conjunction with specialized position duties within the accounts payable department.

For instance, setting up the system to not allow the reviewer to make batch changes, but instead requiring the batch entry person to correct issues. By the same token, setting up control to not allow the data entry person to post a payables batch, but instead giving this power to the reviewer. Batch Review Edit Reporting Although not specified in the current procedure, most processes include a batch entry report for review after the data entry for each batch is complete. The total entered in the system is compared to the amount of the batch, in an effort to reduce data entry errors.