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MSU Business Process Review Business Case: Accounts Payable Manual Checks

Executive Summary

Each campus produces manual checks in emergency situations (e.g., a check didn't arrive from SABHRS and payment is needed immediately, student refunds or loans didn't process as expected and students need their money, etc). Each campus follows similar processes in producing these. The disbursement out of these off-line (Revolving) checking accounts must then be recorded in Banner and funds in the Revolving checking account replenished. Currently the vendor details are kept in separate logs.

At the end of Phase I of the Business Process Review, the Accounts Payable Team recommended modification of the funds replenishment process. Currently, the Revolving checking account is reimbursed through a check issued payable to the campus. Although this works well, the vendor history and 1099 data are not captured for later inquiry and reporting. Investigation of existing Banner functionality (Form FAAONLC) was recommended. This form allows entry of manually issued checks to Banner to capture the required information under the individual vendor record.

During the discovery portion of Phase II significant issues in the Banner-SABHRS interface were found in the processing of FAAONLC. The bank codes used for the manual check accounts (codes 23, 24, 26, 27) were not recognized in the interface and caused the interface to malfunction.

In addition, SABHRS must issue a reimbursement check or electronic payment (ACH, direct deposit) to the campus to replenish the manual check account. However, SABHRS must be told, through the interface, to issue the check to the campus, in this special instance, and not to the individual shown as the vendor.

During discussion of these problems it was also discovered that the Billings campus is successfully capturing the vendor history and 1099 data through use of the 'Check Vendor' field on the FAAINVE form and receiving replenishment checks payable to the campus which are deposited to the off-line checking account.

RECOMMENDATION: Implement on all campuses the use of the 'Check Vendor' field on the FAAINVE form. This can be done at no cost, will achieve commonality among the campuses and will result in more accurate vendor history and 1099 data recorded in Banner. We also recommend implementation immediately upon approval by the Oversight Committee and President Gamble.

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A. Introduction

1. MSU Business Process Review

The 4 campuses of MSU were invited to participate in a business process review of all administrative and financial business processes across the 4 campuses.

There were several strategic objectives:

- develop a single process to be used by the 4 campuses,
- have a consistent set of definitions for all data elements, and
- improve institutional and system efficiencies and effectiveness.

Each of the processes will be:

- Redesigned,
- Modified, or
- Remain unchanged.

Each process will have a business case and cost benefit analysis to support the final recommendations.

The investigation and development phases (Phases I and II) occurred during 2006. Implementation of approved recommendations will occur during 2006 and 2007 in alignment with business cycles and resources availability.

a. Summary of Processes to be Redesigned or Modified: Accounts Payable

Process Title	June 28th 2006 Recommendations	Oversight Committee Recommendations
Vendor Set Up	No Change	No Change
Warrant Maintenance	No Change	No Change
Manual Checks	Modify	Modify
1099s	Modify	Modify
Data Entry	Modify	Modify
Invoice Payment	Redesign	Redesign
Purchasing Card	No Change	Redesign
Travel	No Change	Redesign

During Phase I, the Accounts Payable Team reviewed the eight processes listed above and recommendations were brought to the Oversight Committee in June. The Team's and the Oversight Committee's suggestions are shown above. The Accounts Payable Team investigated the feasibility of the Modify and Redesign recommendations during Phase II.

b. Business Process Review Objectives

President Geoff Gamble's letter to the MSU campuses focused on 6 major desired outcomes of the BPR project:

1. A strategic effort to enhance all of the University's business processes that fall under the general umbrella of Administration and Finance operations.
2. Establish a University wide information system based upon a set of common, standardized data elements and business processes used by all campuses and agencies.
3. The BPR teams will review all processes and develop a standardized design for all data elements and business processes which will be selected for President Gamble's final approval.
4. The BPR outcomes will be a visible example of a more operationally consistent Montana State University.
5. MSU will enjoy a higher level of efficiency and effectiveness throughout our administrative operations and information systems
6. MSU's commitment to the Board of Regents in support of their Strategic Goal III – Improving institutional and system efficiency and effectiveness.

These 6 major strategies can be translated into 6 subordinate strategies or tactics that can be identified and measured for many of the individual processes to demonstrate achievement and accountability:

- Improved institutional and systems efficiencies and effectiveness;
 - Single process across 4 campuses,
 - Data consistency,
 - Quality process,
 - High level of customer service, and
 - Timeliness of product or service delivery.
- Reduction of paper based transactions.
- Improved records management.
- Improved technical functionality.
- Development of Business Continuity Plan.
- Implementation of Front Office/Back Office concept

The Accounts Payable Team's goals for the Manual Check process are to:

- Achieve a single process across the four campuses
- Achieve data consistency
- Improve the quality of data, thus achieving
- A higher level of customer service

c. Scope of This Case – Manual Checks

As proposed by President Gamble, the BPR project will review all administrative and financial processes across all four MSU campuses. During 2006 BPR Teams collected and analyzed data as part of the assessment and recommendation periods, being Phase I and II respectively. Implementation will occur during 2007.

It was assumed that since the BPR project could only make recommendations pertaining to administration and finance policies and procedures, any investigation would be contained to within central administration and finance departments. Cost benefit analysis will

include estimates for the whole organization based on detailed analysis in central administration and finance, and extrapolated analysis of other departments.

Recommendations pertaining to other Divisions, for example, Student Administration, or Office of Sponsored Programs, could be made based on the Administration and Finance Division data collection and analysis. Although the implementation of such recommendations would be determined by the Executive of these other Divisions.

The manual check process includes issuance of checks manually out of Revolving checking accounts for emergency purposes, recording the expenditure in Banner and SABHRS, replenishing the Revolving account cash and capturing required vendor history information and 1099 data, as applicable, for future reporting to the IRS.

At the end of Phase I, the Accounts Payable Team recommended investigating unused Banner functionality (Form FAAONLC) which allows entry of data regarding manually issued checks. The Oversight Committee endorsed this recommendation.

d. Recommendation

During investigation of the FAAONLC functionality in Banner, it was found that there are significant difficulties in processing the data through the Banner-SABHRS interface and within SABHRS itself. It is necessary to involve SABHRS in order to maintain balance between the University's and the State's accounting systems.

Those problems include:

- the interface didn't recognize the specific Bank codes used for the Revolving bank accounts
- SABHRS must recognize these manual check entries as Warrants Already Written (WAWs) thereby not issuing another check to the original payee
- SABHRS must issue a check to the campus in order to reimburse the Revolving checking account

Resolving these issues was estimated to require a minimum of sixty hours of programming, testing and review time.

During discussions of these issues, it was learned that the Billings campus is successfully using familiar Banner functionality (FAAINVE) to accomplish the same objective. That form presents the ability to enter accounting data under the original vendor's name and tax id number while designating a separate name for the check payee ('check vendor'). The Great Falls campus is currently testing this functionality and Billings will provide written procedures in order to allow Bozeman and Havre to test as well.

Using the FAAINVE form will allow campuses to utilize familiar functionality which will reduce training time, will not require IT research and programming time to make changes to the interface program thereby keeping cost to an absolute minimum, and will achieve commonality of forms and function across all campuses.

2. Business Case Purpose

This business case describes the Manual Check process and the one point of difficulty campuses have: entering information to Banner and SABHRS to establish detailed vendor history of the expenditure along with 1099 data as required.

3. Background

At a very high level, the background to the MSU Business Process review is based on:

- a commitment by President Gamble to the Board of Regents to improve the institutional and system efficiency and effectiveness of MSU, and
- addressing issues that were identified by the Pappas Consultants (see Appendix 1) being:
 - decision-making lacks a system wide perspective,
 - inefficient business processes,
 - suboptimal use of technology, and
 - operational information, expertise and best practices are not systematically identified and shared across MSU Administration and finance organizations

The Accounts Payable function has a high impact on the campuses and on the outside world. Paying obligations accurately and on time reflects directly on the reputation of the campuses and their administrations. While a small portion of the overall Accounts Payable function (less than 1,700 manual checks were issued in FY 06), the issuance of manual checks to satisfy emergency situations also reflects on the entire institution.

While the issuance process runs smoothly across the campuses and is accomplished in very similar manner, the back-end process of accumulating accurate vendor history and 1099 data has been a problem for all four campuses.

a. Problems and/or Opportunities Addressed by BPR

As is the case with other BPR teams, Accounts Payable sees several opportunities presented by BPR. However, not all of the overall issues are applicable to this team. Those that we explicitly considered during our review included:

- Single process across 4 campuses to promote efficiency, succession planning, training, and improved ability to meet peak demands.
- Data consistency to improve the reliability of management reports both from an individual campus perspective and a comparative, cross campus perspective.
- Improved technical functionality by implementing Banner functionality that MSU already owns
- Implementation of Front Office/Back Office concept, *if appropriate*

b. Connections to other Projects/Products or Programs

The Accounts Payable Team has ongoing links with:

- BPR Purchasing Team
- Accounting Functions Team

c. Other, Alternative Actions

If the Oversight Committee or President Gamble do not approve our recommendation to utilize existing Banner technology on the FAAINVE form, our alternative suggestion is to implement utilization of the FAAONLC form with the attendant cost of programming changes to the Banner-SABHRS interface program – estimated to be a minimum of sixty hours totaling about \$2,500.

d. Current Problems or Limitations

While the issuance of manual checks has no inherent problems, recording of the information was identified as the problem to be addressed. The proposed solution has no financial constraints, does not impact the cultures on the four different campuses, and has so significant change management issues other than becoming accustomed to a slightly different use of the FAAINVE form which all accounts payable functions are thoroughly familiar with.

B. Methods and Assumptions

In Phase I, the Accounts Payable Team developed flowcharts for each process under review, comparing steps involved on all campuses. We collected data on the amount of time each step takes (flowchart analysis) as well as how much of each employee's FTE is devoted to the process overall (workload distribution analysis). There is significant agreement among the campuses in the steps of the process, data definitions, and reporting needs in Accounts Payable in general and in the Manual Check process, specifically.

Because the Oversight Committee gave us fairly explicit direction to explore existing Banner functionality, our Phase II research focused on that issue. The result was the discovery that a fairly easy fix for entering detailed data into Banner exists and can be implemented on all campuses thus achieving the commonality goal expressed by President Gamble.

1. Financial Metrics

Because the proposed solution involves keying data into Banner as opposed to maintaining logs of data regarding manual checks, there will be no significant cost impact.

However, there are non-financial considerations including commonality of form and function across the campuses as well as accuracy of reporting on 1099s and completeness of vendor history files.

2. Business Case Scope and Boundaries

This business case covers the four campuses. The agencies (Extension Service, Ag Experiment Stations and Fire Service) all utilize the Bozeman Business Service office to issue manual checks the agencies may need.

a. Organizations

- Financial Services or the equivalent across the four campuses.

b. Functions and Positions

The manual check process is part of the Accounts Payable function found on each campus.

c. Technology

No technology costs are included in this business case as the recommendation uses tools already on hand.

3. Scenario Design

In this case, because the solution is simple and already in use on one campus, continuation of the status quo is unacceptable.

4. The Cost Model

There are no costs involved in implementing the recommended solution.

5. The Benefits Rationale

The non-monetary benefits include commonality of forms and function, increased accuracy of reporting earnings on 1099s, and improved detailed vendor history available in Banner.

6. Data Structure

N/A

7. Data Sources and Methods

The benefits are non-monetary in nature and the solution has no cost to implement.

8. Assumptions

Because this recommendation involves using current Banner functionality and a form already familiar to the Accounts Payable function and because the solution is already in use on one campus, it is assumed all campuses will put this solution in place upon approval of the Oversight Committee.

C. Business Impacts

The impacts of implementing this recommendation are non-monetary in nature and include the use of a common process across all campuses, improved data integrity and improved reporting.

D. Sensitivity, Security and Risk Analysis

The goal of our review of the Manual Check process was to determine a common method of capturing, in Banner, accurate expenditure information for each vendor for whom a manual check is issued. If the suggested solution of using the ‘check vendor’ function within the FAAINVE form is not implemented, the risk of capturing incorrect data on check logs or of transcribing incorrect information from these logs is quite high – the current status quo.

By using existing Banner functionality and not needing to use outside methods to capture data, current Banner security is utilized.

E. Conclusions and Recommendations

The Accounts Payable Team recommends each campus adopt using the ‘check vendor’ field of the FAAINVE form in Banner when recording the issuance of manual checks.

- All campuses will use the same process
- Available data on vendors will be consistent across all campuses
- Reporting of 1099 data, as applicable, will be more complete and accurate
- Implementation will be the final step to complete commonality of function across the four campuses