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**MSU Business Process Review Business Case: Accounts Receivable Team**

**Accounts Receivable – Recommendations: Refunding**

The Accounts Receivable Team recommends the utilization of customized, non-Banner delivered student refunding reports across all four campuses. The Bozeman campus has been using such reports since before the Business Process Review project began with great success. No dramatic changes are required with regards to the actual student refunding process within Banner, however the customized refunding reports will provide efficiencies in student account review time and the timely issuance of student refund checks along with minimizing the number of refund checks issued in error.

The Accounts Receivable Team also recommends investigating the option to proceed with ACH refunding via Nelnet QuikPAY enterprise-wide solution to enable students to receive direct deposit refunds.

**A. Introduction**

**1. MSU Business Process Review**

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

There were several strategic objectives:

- develop a single process to be used by the four 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:

- o Redesigned,
- o Modified, or
- o 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 resource availability.

**a. Summary of Accounts Receivable Processes to be Redesigned or Modified**

<b>Process Title</b>	<b>June 28<sup>th</sup> 2006 Recommendations</b>
Cashiering (Web Payment)	Redesign
Student Fee Billing	Redesign
Refunding	Modify
Non-Student Rec.	Modify

**b. Business Process Review Objectives**

President Geoff Gamble's letter to the MSU campuses focused on six 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 six major strategies can be translated into six 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 four 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.

### **Refunding Process Objectives**

- Improve customer service
- Improve efficiency of student refund processing
- Reduce waiting times for receipt of refund checks
- Reduce complaints
- Reduce the errors in processing refund checks

### **c. Scope of This Case**

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 either has occurred during 2006 or will occur during 2007 for all campuses.

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. The implementation of such recommendations would be determined by the Executive of these other Divisions.

### **Scope of Refunding Process**

Customized refund reporting will improve the efficiency of the refunding process and provide a more convenient, more accurate and more efficient means to refund students across all four campuses.

## **2. Business Process Review Business Case Purpose**

This business case is to provide an overall project perspective and high level recommendations to the Oversight Committee, and in turn, President Gamble, to seek approval for Phase II recommendations, and development and approval of Phase II implementation plans and timeframes.

## **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 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.

### **Refunding Background**

Historically, the student refund process has been laborious and time intensive involving the continual review of a student's account. Each student account with a credit balance for a selected semester is reviewed manually for certain criteria, which would inhibit or prevent the processing of a refund check. The criteria may include, but is not

limited to the following: adding/dropping credits, university withdrawals, suspensions, erroneously applied payments and pending rescinded financial aid.

**a. Problems and/or Opportunities Addressed by Business Process Review**

- Opportunities presented by BPR to address problems identified through the Pappas Review process include:
  - Single process across four 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.
  - Quality process to improve quality, reduce error rates and improve the targeting of training and reference materials.
  - Improved timeliness of product or service delivery thus improving ongoing process efficiency.
- Reduction of paper-based transactions will reduce the cost of paper, usage and associated costs of printers, cartridges, and photocopiers. In addition, there is an opportunity to improve records management by moving towards electronic transactions, irrespective of whether document imaging is implemented.
- Improved technical functionality by implementing Banner functionality that MSU already owns, but has not implemented, as well as potential to purchase and implement other IT enhancements subject to budgetary constraints.
- Development of Business Continuity Plan (BCP) based on a risk assessment of improved processes. A BCP will also link in with an IT Disaster Recovery plan.
- Implementation of Front Office/Back Office concept. This concept was proposed by the Pappas consultants where the client interface still occurs on a face to face basis with the client dealing with “their” own campus. Any transactions that do not include a face to face client interaction, a “moment of truth”, can be processed at any campus where there are available resources. This will improve overall efficiency and effectiveness and smooth out resource demands across the four campuses.

## **b. Connections to other Projects/Products or Programs**

The BPR project has ongoing links with:

- Business Continuity Planning
- Disaster Recovery Planning
- Pre-Disaster Mitigation Planning
- National Industry Benchmarking
- BPR Student Administration (future)
- Potentially The Baldrige Award (future)

## **c. Current Problems or Limitations**

Current problems or limitations include:

- Financial constraints on:
  - Implementation projects
  - Purchase of IT enhancements
  - Human resource availability
- Different cultures across the four campuses
- Change management issues – resistance to change

## **d. Other Important Historical or Situational Information**

Heavy student refunding occurs typically at the beginning of each semester for all four campuses. This is also the time of the semester when Student Accounts/Accounts Receivable staff are spending much of their time assisting students either on the phone or in person with other account-related questions or problems. Other departments within the University Business Services Office are also impacted because they are called upon to answer the telephones.

## **B. Methods and Assumptions**

Phase I:

The Accounts Receivable data collection began with a high-level review of salary costs and a physical documentation of the paper flow. Costs were captured through Work Distribution Data Collection Sheets, which were completed by each individual campus. The physical documentation was captured through Process Model – flowcharting software.

At the completion of Phase I, the Accounts Receivable Team analyzed all high-level data using Work Distribution Analysis and reviewed the Process Model charts to create Phase I recommendations. Phase I recommendations

were approved by the Oversight Committee in June and the Accounts Receivable Team moved forward with a detailed review of the refunding process on all four campuses.

## Phase II:

More detailed refund processing data was collected during Phase II through employee visits, weekly conference calls, face-to-face meetings with all team members, refined Work Distribution Data and flowcharts.

This business case encompasses an overview of all data collected during the BPR process and the resulting recommendations. All documents collected/created have been compiled into one comprehensive package.

### **1. Financial Metrics**

Many of the BPR initiatives are targeting improved efficiencies and effectiveness which are quite complex to calculate. In addition, these benefits are not directly cost driven. Improved client service is an important objective and recommendations that improve client service are likely to be implemented even if the improvement comes at an apparent cost to the organization.

### **2. Business Case Scope and Boundaries**

The Accounts Receivable Team collected salary and processing costs from each of the four campuses.

#### **a. The Analysis Period**

The analysis period for each business process needs to be evaluated over a five-year timeframe from the date of completed implementation. For example, on the assumption that the last part of Phase II included the development of an implementation plan, policies and procedures, documentation, and a training program, then the date of implementation would be a predetermined date after everyone had completed training.

The Accounts Receivable analysis period included a review of the current student refunding processes.

#### **b. Geography or Location**

The BPR recommendations, in the majority of cases, will be for implementation across the four campuses. Only in exceptional cases, where it would be inefficient to implement the same process in all four campuses, will a multiple process be recommended.

Recommendations need to take into account the principle of front office/back office to achieve optimal efficiency and effectiveness as well as ensuring a high level of client satisfaction with face to face interactions.

The analysis will take into account the costs and benefits from each campus as well as a whole of organization approach.

The Accounts Receivable Team recommends the implementation of customized student refund reports to be utilized by all four campuses. Customer service will be enhanced by providing a more efficient, timely and accurate method for processing refund checks.

### **c. Organizations**

The organizations covered by this business case include the administrative and finance processes across the following:

Montana State University

- Billings campus
- Bozeman campus
- Great Falls campus
- Northern campus

### **d. Functions and Positions**

The recommendation made in these business cases will apply to processes and functions that fall under the central administrative and finance portfolio. To the extent that other departments operate under administration and finance policies, these recommendations will directly affect these departments.

The Accounts Receivable Team for the BPR review focused on the Vice President of Administration & Finance process only at this time as it was specific to student refunding.

### **e. Technology**

Technology enhancements are not required for this recommendation. Refunding reports will need to be modified from the current version that the Bozeman campus is using to accommodate Billings, Northern and Great Falls' individual needs and requirements.

## **3. Scenario Design**

Each Redesign process will provide a full business case proposal supporting the recommendations.

If the Redesign recommendation includes IT enhancements that may, or may not, be funded, the recommendation should include a comparative scenario between the preferred recommendation (IT enhancement) and a contingency or transitional approach.

Any modified recommendations can provide an initial concise business case to support the modification recommendation but must have a full business case prepared at the end of Phase II.

During BPR, it was discovered that refunding is slightly different across the four campuses. Each campus uses the same Banner process but the refunding schedules are different. On the Bozeman and Billings campus, refunding begins as soon as Financial Aid is rolled onto the students account so checks are available on the first day of class. On the Havre and Great Falls campuses, refunding does not begin until after the 15<sup>th</sup> class day. All campuses use basically the same procedures to review a student account to decide if a credit balance justifies a refund. Many of these edit checks can be captured onto a single report enabling the A/R staff to analyze the student's account without having to access multiple Banner screens to gather the same information.

#### **4. The Cost Model**

The Accounts Receivable Team collected salary costs for all actions mentioned specific to student refunding. These costs were evaluated using the present case (manual processing) scenario and the new case (customized reports) to determine whether there would be a cost savings by implementing the customized reports.

#### **5. The Benefits Rationale**

The biggest benefits of customized reports will include:

- Increased accuracy of refund checks
- Increased efficiency and timeliness of check processing
- Improved customer service
- Improved student/parent satisfaction
- Similar process on all four campuses

#### **Performance Measures:**

The Accounts Receivable Team recommendations include continued monitoring of the accuracy and timeliness of student refunds. Such information will be helpful in determining the adequacy of the reports.

## **6. Data Structure**

Costs of processing student refund checks for FY 2006 were compiled from all four campuses to determine current processing costs.

## **7. Data Sources and Methods**

All data was collected using work distribution data from employees, process model data, a customer survey, and various focus groups.

### **a. Data Sources**

- Work Distribution Chart
- Process Model Flow Charts
- Formal Customer Survey
- Face-to-Face Focus Groups
- Performance Metrics

### **b. Methods for Estimating Costs and Benefits**

The Accounts Receivable Team used Cost Benefit Analysis to determine costs and projected savings.

## **8. Assumptions**

The Accounts Receivable Team made the following assumptions:

- All campuses had opportunities for increased efficiencies
- Customized reports can be developed for each campus

## **C. Business Impacts**

The Accounts Receivable Team recognizes these business impacts:

- Reduction in staffing time related to refunds
- Increased customer satisfaction

## 1. Analysis of Results

Utilizing a refund report on the Bozeman campus has decreased the turn-around time and the amount of staff time used in reviewing student accounts. Prior to the customized refunding report, four to five A/R staff were required to evaluate and flag over 2,000 student accounts for refunds during a two-day period at the beginning of each term.

The report pre-sorts the students using the same edit checks from the manual process and over 1,000 students are able to be flagged automatically using a Banner job. The need for extra staff to manually review and flag each of these students is eliminated. Students that do not meet the refund criteria are broken into categories that can be easily reviewed by one to two A/R staff instead of the four to five staff that were used prior to the reports.

A shadow system consisting of a list of 'Do Not Refund' students has been replaced with Banner functionality using the comment form to capture the information. This allows all A/R staff to view the comments in Banner rather than updating and mailing the list out daily. This report should have similar results at the other campuses, however the results may not be as dramatic, due to the fewer number of students and the later refunding periods at the smaller campuses.

MSU Administration and Finance Business Process Review								
Flowchart Data Collection Template								
(Touch) Time to Complete (Hours)								
	Description	BAU Avg Minutes		BAU Annual Time Hours	Resource Cost	BAU Annual Cost		
	TSAAREV-Review each account individually	4/account		266.67	\$17.00	\$4,533.33		
	TSAACCT-check boxes on accts. OK to refund	1/account		66.67	\$17.00	\$1,133.33		
	Refunding based on 2,000 transactions x 2 Terms (Fall/Spring)	4000 accounts		333.34		\$5,666.66		

## 2. Non-financial and Non-quantified results

By using the refunding reports, students should receive their refunds quicker, thus increasing student satisfaction.

## **D. Conclusions and Recommendations**

Implementing customized refund reports will realize the following benefits:

- Improvement in efficiency and effectiveness of business processes
- Reduction in errors and an increase in data integrity as a result of the automated processes
- Reduction in the waiting time during peak demand times
- ACH will reduce check processing and mailing costs

The Accounts Receivable Team is confident that the benefits of implementing the reports and ACH will improve efficiencies of operations and more importantly provide a service to our customers that meets their demands.

## **E. Appendixes and References**

Appendix I: Sample Refund Report

Appendix II: List of Banner Forms used in evaluating and flagging refunds