

**2008 SACUBO BEST PRACTICES ENTRY:
RE-ENERGIZING THE UNIVERSITY OF GEORGIA'S CHECK
REQUEST PROCESS**

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Abstract

The University of Georgia Accounts Payable Department has revitalized the check request process by creating a Web-based system for submitting small dollar, non-Purchase Order payments. The steps of the new electronic check request (ECR) system mirror the paper-based system. This was done intentionally to reduce the challenges of implementing an entirely new system.

The Web-based system:

- *Improves Sarbanes-Oxley compliance by greatly increasing internal controls. Passwords are required, and electronic approvals are recorded. Two independent employees are required to create and approve a payment.*
- *Allows campus clients to monitor a specific request as it is processed and ultimately see the payment date and check number.*
- *Eliminates lost paperwork. Paper check requests were sometimes lost while they were routed between departments for approval.*
- *Increases edit checks to indicate error conditions during request creation. This monitoring allows for contemporaneous correction and expedited payments because incorrect documents are not submitted and processed. Several campus users have suggested additional edit checks that have been incorporated into the system.*
- *Eliminates data entry errors since the Accounts Payable Department uses the data keyed by the requesting departments and verified by the Information Management System (IMS) mainframe system.*
- *Greatly reduces the amount of paper circulating through campus and coming into Accounts Payable. Departments have several options to scan the invoice into the system. This process also reduces data entry indexing errors.*

Campus clients have embraced the electronic check request system because it empowers them to do their jobs more effectively. Representatives from campus departments assisted in the initial design of the system, making the campus community a stakeholder in its success. Continuous suggestions for enhancements already have been built into the system, and departments feel excited to be active participants in the ongoing improvement of the University's business processes.

Introduction of the Organization

The University of Georgia (UGA), established in 1785 as the nation's first state-chartered university, is the flagship institution among the 35 colleges and universities in the University System of Georgia. With nearly 34,000 students, approximately 9,000 faculty and staff, and an annual budget of \$1.4 billion, UGA is the largest and most comprehensive educational institution in Georgia and a driving force in the state's economic growth.

The University of Georgia's academic reputation is on the rise, and admission is increasingly competitive. More than 17,000 applicants applied for the fall 2007 class of approximately 5,000 freshmen. For the past nine years, the University of Georgia has been ranked among the nation's top 22 public universities by *U.S. News & World Report*, and the institution is consistently recognized as one of the best values in American higher education.

More than 1,600 employees serve in the University's Office of Finance and Administration, striving to provide the essential support required by the University of Georgia to achieve its ambitious land-grant mission of teaching, research and service. Seven divisions are housed under the auspices of Finance and Administration, managing the University's fiscal, human and physical resources.

The Office of the Controller is one of the divisions under Finance and Administration; within it is the Accounts Payable Department. Twenty-six staff members work in this department, eight of them in the check request section.

Statement (Restatement) of the Problem/Initiative

The State of Georgia requires state agencies to pay invoices within 30 days of their receipt. The process begins with University departmental employees who complete, approve and submit check requests, along with appropriate supporting documentation, to the Accounts Payable Department. Even under the best of circumstances, obtaining all the requisite approvals through a traditional paper process jeopardized the ability to meet the payment deadline. More problematic, the approval signatures could not be verified consistently by Accounts Payable (AP).

During Fiscal Year 2006, the Accounts Payable Department disbursed more than \$607 million and processed 299,017 invoices. The 80/20 rule held true at the University of Georgia, with 80 percent of the invoices being for 20 percent of the total expenditures. AP was drowning in a sea of invoices for small dollar check requests. Furthermore, when the University exceeded the 30-day payment requirement, the delay generally was caused because a paper check request could not be transmitted and approved in a timely manner by numerous offices.

From the campus perspective, the most troublesome problem was the inability to monitor the progress of the paper check request. The departmental approval process varied from a single approver in a single location to multiple approvers located throughout the state or even multi-state locations. AP's problem was managing this payment process in a more efficient and accurate manner while simultaneously enhancing internal controls.

Design

The administration searched several years for a feasible alternative to the entirely manual system that the Accounts Payable Department was using to process check request invoices. The critical need for process improvement was compounded by the University's increase in stature. As enrollment grew and programs expanded, the demands on the AP staff increased. However, the size of the Accounts Payable staff was not enlarged. Therefore, greater efficiency had to be achieved.

The administration used the following general parameters to evaluate potential replacement systems.

1. Budget constraints meant that no funds were available to purchase a system.
2. A new check request system could not require adding staff because no funds were available to increase the AP payroll.
3. A new check request system could not necessitate major changes in procedures or processes because the University's size would require a significant and expensive re-training effort.
4. A new check request system must be Web-based, easy to use and fully compatible with the University's mainframe system.

The only conceivable option to meet these requirements was to design the system internally. Because of the scope of the project, members of UGA's Administrative Information Systems (AIS) staff were unsure if they could meet their ongoing programming obligations while adding this system design to their workload. After several scope and timeline meetings with AP, both sides compromised and AIS agreed to begin

the initial phase of the project. AP arranged for several business managers from representative departments to attend these meetings and assist in the initial design.

The system was designed to mimic the current procedures as much as possible but to allow for additional edit checks and enhancements whenever feasible. It was to be located on the University's mainframe, which meant that no computer hardware upgrades would be necessary for Accounts Payable. Some departments, with offices located throughout the state, needed the ability to attach scanned invoices to the electronic check request so that the document could be reviewed in its entirety. These departments purchased their own inexpensive desktop scanners. Other departments wanted the ability to fax the invoice directly into AP's ImageWeb; a spare computer was used and off-the-shelf software purchased to enable this procedure.

Accounts Payable added budgetary and other mathematical edits at every practical point in the programming. As a result, the entire campus constituency gained a more accurate and efficient process for a nominal investment (other than programming resources).

Implementation

The electronic check request (ECR) system enables unmanageable mountains of paper to be converted into electronic files and documents that are convenient, controllable and flexible. The new ECR system provides the initiator with the ability to create an ECR that is more accurate, and this results in a faster payment. More important to the campus community, clients (primarily business managers in the schools, colleges and units) can monitor their outstanding and completed ECRs and be informed of progress and precise payment dates.

Users sign into the system using their University-assigned identification and password. Only the formally designated budgetary authority (generally the dean, director or department head) can authorize AP to grant an employee ECR approval authority. The names of each initiator and approver, as well as the time of their actions, are recorded on the ECR. This simple step of displaying everyone's responsibility and their actions has increased internal controls and attentiveness.

The system also facilitates the AP processors' input of payment information into the University's payment system. The account number to be charged and the amount of the payment can be "scraped" directly from the ECR to the payment screen. Since the account number has been verified as accurate and active, this step eliminates data processing input errors by the department initiator and by the AP processor. The ECR has become a trusted communication device which has eliminated numerous misunderstandings that previously occurred with the paper check request system.

Benefits

Accounts Payable introduced the new electronic check request system in July 2005. Its implementation has significantly expedited payment for clients and vendors and has made a dramatic and positive change in the work environment for the Accounts Payable staff. The backlog of unpaid check requests is smaller and manageable, with a general turnaround of less than two days. The ECR system has facilitated cross-training among AP employees and enhanced the department's flexibility and agility. The atmosphere in the Check Request section of the Accounts Payable Department is now much more calm and professional.

When Accounts Payable previously missed the 30-day payment deadline, it was usually because departments submitted paperwork late and the only way to process those requests was on a first-in, first-out basis. Accounts Payable now can query the system 14 ways for numerous reports, including:

- determining which ECRs must be expedited in order to avoid missing the payment deadline;
- determining which ECRs have been dormant for more than 10 days and thus, require attention; and
- determining all ECRs created by a UGA employee.

When Accounts Payable began to pilot the new ECR system, requests for implementation flooded in from the rest of campus. Excited new users had spread the good news to friends and colleagues. An additional request for programming outside the basic system was received from many business managers, who wanted to be able to submit requests for out-of-state travel electronically. This enhancement was made. Also during the initial introduction, several departments requested an automatic email when their electronic request had been rejected, and AP and AIS were able to accommodate their request. This extraordinary cooperation between AP, AIS and campus units greatly increased the effectiveness of the new system and fostered a new cooperative environment for everyday operations.

One unintended benefit is the ability for all ECRs to be processed regardless of location of the AP operator. This has facilitated the department's ability to operate remotely in the event of a disaster or pandemic flu that renders the current offices unusable. Since the University mainframe is located more than a mile from AP's offices,

the data is more secure now that the functions of data storage and data processing are separated.

Retrospect

The ECR system was put into production as rapidly as was practical. One factor that had to be considered in executing an effective roll-out was securing support from the campus community. While the campus had been clamoring for an improved business procedure, AP still faced significant pushback from some business managers who were resistant to change. AP had a choice: either to introduce the ECR system as a finished product or as a work in progress. Management felt that the more rapid introduction of a basic ECR system would minimize pushback by providing the entire campus the ability to suggest enhancements along the way. This process would achieve buy-in and build momentum for what would eventually become a mandated system.

However, practicality dictated that Accounts Payable not rush implementation. The staff needed time to acclimate to the new system while maintaining the old paper-based system as the transition was underway. In retrospect, had Accounts Payable known how successful the system would be, the management team might have given more consideration to waiting to introduce the system in its entirety. Still, a gradual process to achieve buy-in did yield many benefits and contributed to a smoother transition.