

**KCTCS – Office of Business Services Best Practices**  
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## **Abstract**

*The Office of Business Services, a unit within the System Office of Kentucky Community and Technical College System (KCTCS), began a “best practices” program in FY2007 to improve operational efficiency by defining, identifying, and documenting the best practices that were occurring for business services processes within KCTCS. The goal was to break down obstacles causing processing inefficiencies with specific focus on the things being done correctly, timely and efficiently. Further, attention would focus on improving operations by publishing and communicating metrics for the areas of Accounting, Accounts Payable, Purchasing and Payroll. For each area, emphasis was placed on doing things right the first time versus having to do re-work and to share those positive practices KCTCS wide for others to observe and apply within their own unit/college as a means of process improvement locally and system wide. Additionally, this initiative was used to bring recognition to the great work that was (is) being accomplished on a day-to-day, day-in-day-out basis throughout KCTCS. Lastly, this initiative was a result of the KCTCS system office facing regular complaints, a lack of good communication, and overall inefficiencies with processing within the areas of Accounting, Accounts Payable, Purchasing and Payroll.*

*The results of the Business Services Best Practices Awards has been a significant improvement in communication resulting in reduction of processing errors (with requisitions and purchase orders, match exceptions, procurement card processing and documentation, journal entries, payroll payments and tax remittances, check requests, travel and employee reimbursements, etc., almost all processing functions of Accounting, Accounts Payable, Purchasing and Payroll). Further, this improvement in accuracy and timelines in the processing of documents and general business operational matters ensured the timely closing of the financial books on KCTCS on a monthly and fiscal year basis.*

*Some of the by-products of the Best Practice Awards were: 1) friendly competition; 2) showcasing of the pride employees have and take in their work, and 3), the fact that all colleges stepped up (and stepped up big) to the challenge.*

## **Introduction of the Organization**

The Kentucky Community and Technical College System is a system of sixteen [16] independently accredited two-year comprehensive community and technical colleges, all across the Commonwealth of Kentucky with sixty-seven [67] campuses and for credit enrollment of 92,000+ students. Business services functions such as, but not limited to, accounting, accounts payable, purchasing, payroll, treasury operations, etc., are centralized at the system office with the colleges feeding information into KCTCS' enterprise resource plan (ERP – PeopleSoft) for final processing. The result of the Business Services - Best Practices Awards has been a significant reduction of processing errors (with requisitions and purchase orders, match exceptions, procurement card processing and documentation, journal entries, payroll payments and tax remittances, check requests, travel and employee reimbursements, etc., almost all processing functions of Accounting, Accounts Payable, Purchasing and Payroll). Further, this improvement in accuracy and timelines in the processing of documents and general business operational matters ensured the timely closing of the financial books of KCTCS on a monthly and fiscal year basis. Communication from and to the colleges also significantly improved. Some of the by-products of the Best Practice Awards were also: 1) friendly competition; 2) showcasing of the pride employees have and take in their work, and 3), the fact that all colleges stepped up (and stepped up big) to the challenge.

## **Statement (restatement) of the Problem/Initiative**

KCTCS faced a significant issue of errors and timeliness in processing of its business documents. There was opportunity for improvement in the ability to process the thousands of documents of a large, combined system of colleges over the geographic expanse of an entire state

and close our books timely – monthly and/or annually. Processes were codified, but not necessarily followed. In many instances a large amount of time was spent with returning documents to correct errors or to obtain the necessary supporting documentation. To further complicate the situation, these “opportunities” added to not being consistently able to close the general ledger timely on a month to month basis. Communication to and from the units was lacking or not in a manner to address the problems or reduce future issues. This in turn caused the financial audit to run longer than scheduled, resulting in concern of meeting the deadline required for reporting the fiscal year’s audited financial activity to the KCTCS Board of Regents and Commonwealth of Kentucky. Many times journal entries or documents would not post or could not be processed due to budget errors, improper coding, lack of signatures and supporting documentation, or other discrepancies that lead to operational or internal control issues and potential audit exposures and/or management comments. Also, an obstacle of opportunity, but no less an item of consideration to establishing “best practices” was the distance of staff – distance beyond the physical location of business office staffs, e.g., staff being at odds with each other and lacking a willingness to work as an extended team – at times what might be described as an “us” versus “them” mentality with the system office and the colleges, vice versa or at times even within the Business Services division. Lastly, while procedures and policies were present, getting practice to follow written form was not always as the policy or procedure spelled out, and in many cases, there were opportunities for improvement that policies and procedures cannot or do not indentify.

## **Design**

Sets of criteria were developed for the functional units of Accounting, Accounts Payable, Purchasing and Payroll. Each unit developed criteria for their most pressing processing problems with emphasis focused on documenting the practice(s) and recognizing the college(s) that did not face, or faced little issue(s), in processing its business/finance documents. The criterion was quantitatively measureable and was built around already established key indicators reviewed monthly by the KCTCS Office of Business Services. By developing the criteria around already reviewed indicators reviewed monthly, the costs associated with identifying and tracking the “best practices” was contained without additional personnel or significant increases in the amounts of time required to track performance. There were some minimal extra costs for the purchase of certificates, plaques, recognition memorabilia like thank you notes, ink pens, lapel pins, and other recognition related items and the time associated with packaging and distributing the items. Each unit developed their own best practice award for the plaques and recognition awards given. Certificates were given on the quarter with a formal presentation given at fiscal year end at a formal ceremony, with pictures taken and a catered lunch as part of an overall system wide business affairs team meeting.

At the overall system wide business affairs team meeting each college that won an overall best practice award for whatever area had to write up its processes and briefly describe what makes their process work. The codified practice with contacts where shared across the colleges for networking and communication facilitation to further the possible process improvement at other colleges/units within KCTCS.

Examples of the criteria used to gauge a best practice included the following by functional area:

### Accounts Payable

Best Practice in Check Request processing:

- Delegation of Authority Signature is correct
- Control Number included
- Vendor Number is included
- Distribution line is correct
- Account/budget string passes budget check
- Check Request total and invoice totals match
- Bona fide business purpose is included and easily identified
- Additional documentation submitted (if required, and as necessary, for audit trail)
- Document received timely
- Check Request is an allowable charge for a check request
- Requestor's name, phone and business unit are included

Best Practice in processing Purchase Order Invoices (confirming/requisition)

- Requisitions approved and budget checked prior to forwarding the invoice to the System Office for processing
- Fewest confirming purchase order invoices "*Open*" at month end
- Invoices submitted timely

Best Practice in Reimbursements

- Includes correct signatures
- Form filled out completely
- Required documents included
- Travel broken out by day
- Out-of-state authorization included
- Received timely
- Includes conference registration as support documentation
- Airfare and registration fees include justification statement
- Rental car justification included
- Guest/working meal justification-explanation and documentation included
- Business purpose is complete, no acronym's used.
- Account/budget string passes budget check

## Purchasing

- Least number of match exceptions for purchase orders that require receiving after an invoice has been sent to Accounts Payable. (This will be based on the average number of days for receiving to take place. If KCTCS Purchasing has been notified for an item which cannot be received on for a legitimate reason, the match exception will not be counted against the criteria.)
- Least number of requisitions that have not been approved nor have budget check errors.
- Most procurement card transactions that have been reviewed resulting in the fewest number of procurement card journals that have budget check errors.

## Payroll      *(Broken-down into two categories: large and small colleges)*

Encouragement of zero manual check processing/manual pay lines/cancelled checks by:

- HR hire employees by date listed on published payroll calendar.
- Supervisors/employees informed of deadlines for submission of payroll data.
- Supervisors held accountable for ensuring timesheets are submitted by college deadlines.
- Pre-confirm reports are checked each payroll period.
- Pay comparison reports are checked each payroll period.

Tax Adjustments:

- Work with HR/supervisory staff to determine student employees who are exempt from FICA.
- Work with HR to determine staff that is exempt from FICA or Medicare only dependent on retirement plan.
- Work with HR/supervisory staff on local tax locations. These may change each pay period or each term depending on the type of employee.
- Verification of payroll paycheck data on internal spreadsheet each college maintains.

## **Implementation**

The implementation process included notification that KCTCS Business Services was going to focus on defining “best practices” for operational matters and processes within the functional business operations areas of Accounting, Accounts Payable, Purchasing and Payroll. Further, that recognition awards would be given and that as part of the recognition colleges would be expected to document their processes and share that information with others within KCTCS as a means to improve overall efficiency. The initial timeline would be the beginning of the new

fiscal year and run throughout the year with a culmination of an awards presentation. On a quarterly basis individual certificate of recognition were issued. Additionally, formal “thank you” letters were sent to the college’s president/CEO copying the college’s business officer with acclamation of a job well done for that quarter. For the initial first quarter almost all colleges got some type of “kudos” in order to jump start the program and to provide a feeling of participation and camaraderie. These “kudos” went a long way in creating what can best be described as friendly competition. (There was a little friendly banter of my business office is better than yours, etc. that sparked colleges to ask for the tabulations and causing the tabulations in some cases to have to be calculated in percentage of errors into the 3 decimals.)

### **Benefits**

The benefits were a significant reduction in processing errors and problems, better supporting documentation, more timely payments, better (vertical and horizontal) communication, a strong sense of pride and accomplishment for a job well done and teamwork demonstrated locally regardless of overall placement or KCTCS wide recognition, greater awareness of potential processing concerns, and a true sense of esprit-de-corps by all.

The cost savings was largely in employee time and morale, but there were also offsetting savings in postage per the reduction in the return of documents to and from the colleges to the system office for processing. Overall, a sense of competition (pride factor) ensued by college personnel. In fact, competition became so fierce by personnel wishing to ensure their office/college achieved a recognition award and associated “kudos” that it became necessary to calculate the metrics used at several digits as a percentage and to share each month any specifics on any of the

metrics as to items that counted against that college's calculation by functional area. Employees at every level wanted to know in detail what errors their unit/college may have had for that month, or if personnel at the system office encountered a potential problem item that would be counted against that colleges' total, to contact the college first. In short, the colleges and their employees took the challenge issued to make improvements very, very seriously and acted accordingly.

As a result of this initiative overall satisfaction with processing for Accounting, Accounts Payable, Purchasing and Payroll greatly increased, communication was vastly improved, attitude and camaraderie developed, process improvements were also made by the system office as well as the colleges and their departments. The result was a win-win for all because of everyone's concerted focus to improve and to communicate what and why errors were important to address before ever being submitted – errors that held up payments, postings to the financials, etc. to students, employees, and vendors.

### **Retrospect**

In retrospect things went well – very well – better than one could have ever anticipated. What started out as a way to address complaints and finger pointing by staff about business processes, turned into a model to channel negative energy into positive results. Moreover, what the KCTCS system director of business services regularly espouses, “Better Communication – Better Results.”