

**Ohlone Community College District
Financial Services Accounts Payable
Program Review**

May 2005

1. Program or Service Description and Scope

Accounts Payable is an integral part of the internal control system that safeguards the District financial assets. Accounts payable provides cash flow monitoring, invoice processing, check processing, fixed asset maintenance, sales and use tax payments and reporting, Ed Code compliance, liability reconciliation and 1099 preparation for:

- General Fund Unrestricted and Restricted Funds including Grants (10,12,13,15,18, and 20,21,25,26)
- Capital Projects and Bond Projects (41 and 42)
- Internal Service Fund – Section 125 and retiree benefits (69)
- Bookstore (51)
- ASOC (71,79 and 81)
- Foundation (83, 88, and 89)
- Financial Aid (74)

Background - software system change and resulting staffing changes

Prior to the implementation of our current software, Colleague, in May of 1999, we were using a cash-based financial system (QSS). We had one permanent AP and one Capital Projects technician, and a Bookstore/ASOC technician. When we went live on Colleague, we increased the AP technicians two positions.

Subsequent to that, the District experienced several reorganizations and lost the added technician but we up graded two of the positions to accountant level. This action gave the department more flexibility in assignments and provided a higher level of competency and oversight. At that same time we added the activity of: the Bond Fund \$150 million, the Foundation \$3. million, and fixed asset accounting to this department while maintaining the staff level at three (two accountants and one technician.)

In a cash basis system accruals are made at the end of the year and there is no need to do periodic reconciliations. However, Colleague is full accrual so one senior accountant took on the reconciliations of all of the liabilities. Most liabilities come from payroll.

This department also took on all of the check processing. On the old system this task was performed by the IS staff. The AP department took this on with no addition in staffing.

Accounts Payable is responsible for paying all vendors for the twenty-one funds of the District. Reimbursements are paid first, followed by Travel and Conference Requests and then vendors. All invoices are paid within 45 days (as allowed by the Government Code) from the date of the invoice unless earlier payment results in a discount.

There are three types of invoices

1. Invoices that have Purchase Orders (**PO's**)
2. Invoices that have Blanket Purchase Orders (**BPO's**)
3. Invoices that are purchased without either a **PO** or a **BPO**

When an invoice is received with a **PO**, the packing slip is matched to it and it is paid accordingly. If there is no packing slip, an email is sent to the PO originator's Administrative Support and clarification of receipt is requested. That response is attached to the invoice packet and the payment is processed.

If an invoice is attached to a **BPO**, the invoice information is entered into a spreadsheet and the invoice is sent to the originator for signature verifying the purchase or service had occurred satisfactorily. When the invoice is returned to AP, it is removed from the spreadsheet and processed accordingly.

When an invoice is received that has not gone through the purchasing department and no **PO** or **BPO** has been assigned, it is entered onto a spreadsheet and research begins. There is often no indication of what department was involved. The vendors do not always have up-to-date information in their records. Consequently, this becomes very difficult to track. These items often do not go through Receiving so tracing them is very difficult. This type of transaction makes up 60% of the AP workload.

Once a week the vouchers are reviewed for completeness, authorizations, proper budget codes and mathematical accuracy. When a batch is ready, cash flow is assessed. If it is sufficient, the batch is released for payment.

Once the invoice packets are vouchered and paid, they are filed. Most of the District accounts are filed in alphabetical order by vendor. This process takes two to four hours a week. ASOC and the Foundation are filed by run date.

A spreadsheet is kept of all independent contractors to comply with State reporting requirement form DE542.

A spreadsheet is kept of all use tax in order to comply with State Board of Equalization reporting requirement.

A separate manual spreadsheet is kept of all fixed assets purchased and is periodically matched with the receiving log sheets and the general ledger account 56410.

Manual spreadsheets are also kept for all Bond and Capital projects; these projects span fiscal years requiring a separate reporting system.

2. Relationship to Ohlone College Mission and Goals

Accounts Payable is part of Financial Services and as such provides services as an integral part of the internal control system over financial assets.

The Finance Department promotes appreciation for and understanding of diverse races and cultures by practicing diversity in hiring. The staff is 60% minorities including Chinese, Vietnamese, Hispanic and Indian.

Except for diversity, the department does not directly supporting one goal over any other. The department provides the framework that supports the Districts staff and faculty in achieving overall goals.

3. Program Student Learning Outcomes

While not directly impacting student outcomes we do provide a work environment that assists students with real world work experience. The interface account's payable has with student government provides another opportunity for experience.

4. Statistical Information

Checks issued per Fiscal Year

	99-00	00-01	01-02	02-03	03-04	Estimated 04-05
10	4,709	6,499	6,515	6,608	5,303	5,288
33		44	43	6	15	20
41	5	155	168	188	175	192
42				55	157	210
69		15	58	488	378	404
71			922	986	928	717
74	2,099	1,628	1,814	2,321	2,683	2,951
83					161	131
Total	6,813	8,341	9,520	10,652	9,800	9,913

		**				
Payroll Ad	NA	2,761	5,806	5,956	5,736	5,955
Payroll CK	NA	3,091	5,435	4,567	4,182	3,829
		0	5,852	11,241	10,523	9,918
						9,784

** This column represents only 1/2 if a year

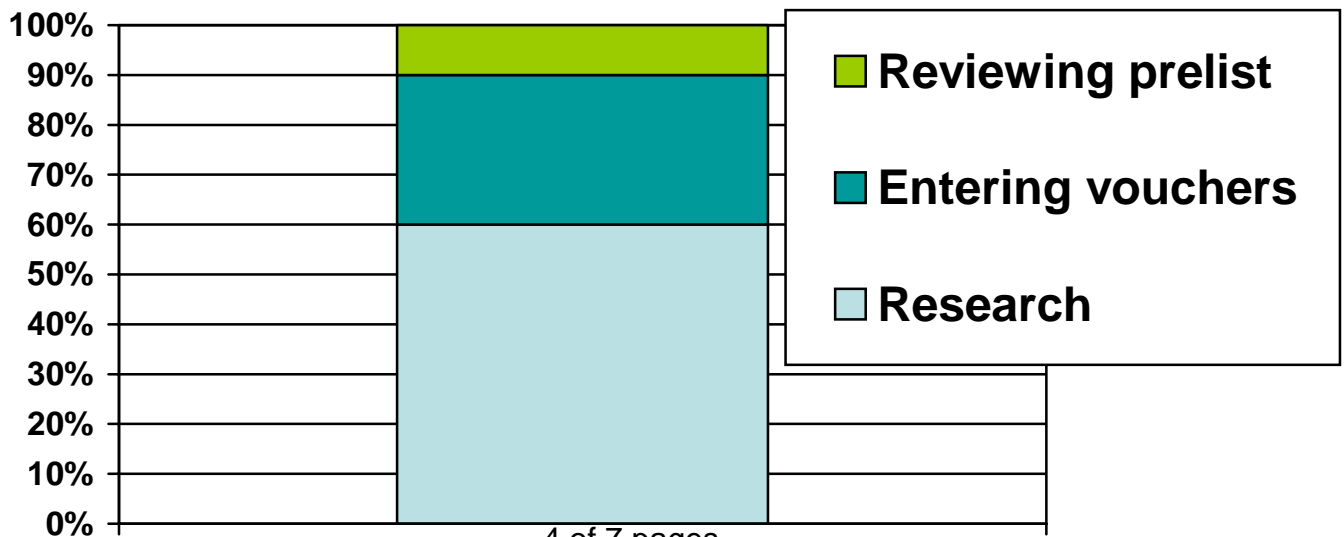
Number of checks processed with PO's, BPO's and as Pay Vouchers (PV)

Year	Total Checks	PO's	%	BPO's	%	PV's	%
2000-01	8,749	861	9.8%	1,994	22.8%	5,894	67.4%
2001-02	9,076	1,168	12.9%	2,111	23.3%	5,797	63.9%
2002-03	8,553	1,205	14.1%	2,260	26.4%	5,088	59.5%
2003-04	7,931	772	9.7%	2,704	34.1%	4,455	56.2%
2004-05*	7,882	880	11.2%	2,467	31.3%	4,534	57.5%

*Estimate based on 9 months of actual data

Total Checks	Total Amount	Average per Check
8,749	\$ 28,804,509.65	3,292.32
9,076	\$ 41,136,155.84	4,532.41
8,553	\$ 36,079,755.65	4,218.37
7,931	\$ 38,494,771.71	4,853.71
8,899	\$ 37,095,457.39	4,168.69

Time Study



Measure Success

- Accuracy (correct coding) as determined by the number of JE's
- Year-end close/audit adjustments
- Number of calls from vendors
- Credit rating
- User satisfaction
- Vendor satisfaction
- Reduction in Pay Vouchers to PO/BPO ratio

Measuring Satisfaction with the Service

(Approximately 30 respondents)

ACCOUNTS PAYABLE:	Excellent-----Poor				
	4	3	2	1	0
1. How do you feel the Accounts Payable department meets your needs relating to:					
a. Reimbursements	40.91%	36.36%	9.09%	13.64%	0.00%
b. Deadlines	32.00%	20.00%	28.00%	16.00%	4.00%
c. Invoices	30.77%	23.08%	26.92%	15.38%	3.85%
d. Solving issues/potential problems in a timely manner	36.00%	28.00%	4.00%	28.00%	4.00%
e. Customer service (this includes responding to phone calls and emails, Answering the questions you have asked, friendliness, and availability)	30.77%	23.08%	19.23%	19.23%	7.69%

- a. Accounts Payable handling of reimbursements received a **78%** approval rating. This is significant since this is an area that received many complaints in the past.
- b. Deadlines only received a **52%** rating. This is an area that will need further research to determine if this question was understood as the department meeting deadlines or if the deadlines for invoice submission are too rigid.
- c. Invoices did slightly better at **54%**. This is very likely related to the large number of invoices that we receive with out PO's or BPO's. We will also review our research processes to make sure we are catching all of the invoices that have PO/BPOs but have not included the number on the invoice. We will also work with various departments to determine if we can take discounts and prevent interest and penalties. Alternate methods of payment will be explored to take advantage of these savings.
- d. Solving issues received a **64%** rating. This indicates that we are doing a good job but we would like to reduce the research necessary. We will use the statistics that we gathered to determine which departments are underutilizing Purchasing and target them for specific training.
- e. Customer service received a **54%** rating. This likely represents the need to reduce research, streamline operations and add an additional employee so staff can respond more timely. Additionally this may reflect the confusion over who to contact.

Review of Recommendations from Previous Program Review is *Not Applicable* because this is the first year of review

Strengths and Areas Needing Improvement

As the District programs grow, become more divergent in scope, and reporting requirements change, accounts payable has taken on many new functions. As a result, a team has been formed that can assist each other and be more responsive. The Finance Office has managed to stay on top of these requirements with a reduction in staff. However, additional assistance in AP will be necessary to meet the increasing needs from the Bond, new grants and the sale/lease of frontage property. In the 5-year period studied, check processing has increased by 45% from 6,813 in 1999/00 to an estimated 9,913 in 2003/04 with a peak in 2002-03 of 10,652.

There appears to be a correlation in the amount of time the AP Accountant spends on research, and the purchases that are not utilizing a PO process. Both are 60%. The on line requisition process should assist in this area. Additionally, review will be done to ensure that invoices that do not reference a PO or BPO really aren't associated with one.

While discounts are being taken there is still opportunity improve. Often this is the result of not receiving the invoices in time to take advantage of the discount. Accounts Payable needs to work with the departments where discounts are available to ensure the District is not paying more than necessary. Additional methods of payment will be explored to determine if we can take advantage of any of these time saving methods.

There are some customer satisfaction problems that seem to stem from lack of a clear process and training. Updating the documentation, developing training material, and providing these to the campus community both in workshops and online should help. With less activity coming through as exceptions we should see an increase in the satisfaction rating.

Currently the AP process for the Foundation is manual. All the checks are hand typed. The Foundation checks need to be brought into ACOM check processing.

The Bookstore AP process is still being done on the old line printer in the Bookstore, and the signatures are hand stamped. The Bookstore checks need to be brought into ACOM check processing.

8. Recommendations and Implementation

Recommendation/Goal	Time Line		Cost
	Begin	End	
Add Assistance for AP	9/01/05		From Indirect cost
Complete the on line requisition Process (see also Purchasing)	In progress 09/01/05		Datatel training
Develop guidelines for discounts	05/04/05		Done by current staff
Update AP Manual	5/01/05	11/01/05	"
Develop training material	11/01/05	01/20/06	"
Offer training seminars	01/21/06	ongoing	"
Bring the Foundation checks up on ACOM	4/15/05	6/30/05	\$1,500
Bring the Bookstore checks up on ACOM	4/15/05	6/30/05	From the Bk/Store
Track Discounts taken and lost	05/04/05		No cost
Reduce the number of off line spreadsheets	06/01/05	06/30/06	May require programing
Analyze the filing system for time savings	tba		
Next review do a vendor survey	tba		
Review alternative payment methods	tba		