

Chart of Accounts Final Report

Department of Financial Services

January 15, 2014

1 Executive Summary

1.1 Objective

It is the intent of the Legislature that a mechanism be provided to the public for obtaining detailed, uniform reporting of government financial information to enable citizens to view compatible information on the use of public funds by governmental entities. The Legislature intends that uniform reporting requirements be developed specifically to promote accountability and transparency in the use of public funds. To that extent, the Legislature adopted 2011-044 Laws of Florida requiring the Chief Financial Officer (CFO) to propose a chart of accounts (COA) that would be used by state agencies, local governments, educational entities, and entities of higher education for reporting financial information to the public. This legislation has a very broad scope impacting 2,305 primary units of government and an unknown number of component units and direct support organizations associated with the primary units of government.

The CFO was required to publish a draft of the proposed COA by July 1, 2013. Comments were to be gathered from the impacted agencies and a final report submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 15, 2014. The report must include estimated cost for implementing the reporting recommendations.

1.2 Recommendation

Based on the requirements of 2011-044 Laws of Florida, the CFO is recommending a uniform list of accounts for the reporting of assets, liabilities, equities, revenues, expenditures, and other sources and uses to the public. The detailed listing of accounts is provided in **Appendix A** of this report.

In addition to the uniform list of accounts, the CFO is also providing recommendations on the level of detail and frequency that this information should be reported. The report recommendations are based on the Legislature's intent to obtain financial information more frequently and at a lower level of detail than what is currently available to the public. The majority of reporting entities publish their financial statements on an annual basis. Since the public is typically most interested in a reporting entity's revenue and expenditures, the approach was to obtain revenue and expenditure information more frequently (e.g., monthly) and at a lower level of detail (e.g., organization and fund) than what is recorded in the financial statements. The following is a table of the CFO's reporting recommendations.

Account Type	Reporting Level	Reporting Frequency
Assets	Entity and Fund Level recorded in the Financial Statements	Annual
Liabilities	Entity and Fund Level recorded in the Financial Statements	Annual
Equities	Entity and Fund Level recorded in the Financial Statements	Annual
Revenues	Monthly - Lowest Level recorded for the organization and fund in the accounting system Annual - Entity and Fund Level recorded in the Financial Statements	Monthly and Annual
Expenditures	Monthly - Lowest Level recorded for organization and fund in the accounting system Annual - Entity and Fund Level recorded in the Financial Statements	Monthly and Annual
Other Sources and Uses	Monthly - Lowest Level recorded for organization and fund in the accounting system Annual - Entity and Fund Level recorded in the Financial Statements	Monthly and Annual

If the proposal is approved and legislation is passed in 2014, the Project is recommending the monthly and annual reporting begin with Fiscal Year (FY) 2015-2016. This should allow sufficient time for implementation by the reporting entities.

1.3 Implementation Cost Estimates

KPMG was hired to assist with the development and deployment of a cost estimate survey as well as the compilation of the results. The cost for an entity to comply with the CFO's recommendations was calculated directly from the entity's survey response. Each Reporting Entity was asked to provide:

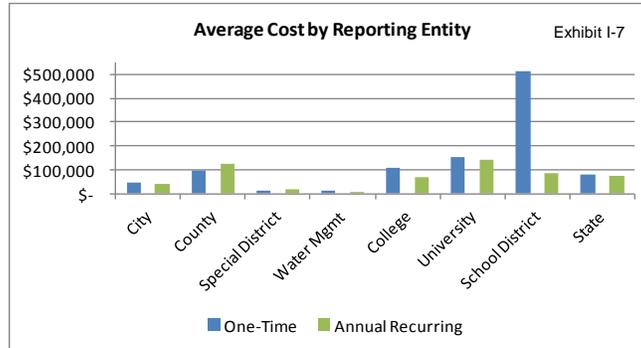
- A data transmission method from one of three options:
 - Manual crosswalk
 - Technology crosswalk
 - System modification
- The type of resources they intend to use to develop the transmission method from one of three options:
 - Internal resources
 - Third party resources
 - Combination of both internal and third party resources

Each Reporting Entity also provided information detailing the cost to comply with reporting for:

- Monthly operating costs for reporting for revenues and expenditure information
- Annual operating costs for reporting for balance sheet information
- Total operating and capital costs for transition

The Department of Financial Services (DFS) sent over 2,300 emails with a link to the cost estimate survey. KPMG received 600 completed surveys, 474 from primary government units. KPMG's targeted response rate was 15%; an actual response rate of 21% (474 out of 2,271 primary government units) was achieved. Responses were analyzed, reviewed by tier, and extrapolated to the population to calculate estimates for the total population. The cost estimate includes monthly recurring costs, additional annual recurring costs, and one-time transition costs. Reporting entities were not asked to provide their current cost for financial reporting and therefore, the total recurring annual costs provided below in Exhibit I-6 is in addition to current reporting cost. The cost estimates do not consider any cost reductions associated with the potential elimination of current reporting requirements. The following is a summary of the results from the cost estimate surveys. Details on the cost estimates are provided in **Appendix C**.

Uniform Chart of Accounts Implementation Summary of Overall Costs				Exhibit I-6
	Local Governments	Education Entities	State of Florida	Total
Recurring Annual Costs	\$ 50,812,530	\$ 9,156,521	\$ 72,515	\$ 60,041,566
One Time Transition	\$ 36,134,206	\$ 36,354,541	\$ 80,560	\$ 72,569,307



1.4 Feedback

The CFO received a significant volume of correspondence related to the COA Project (the Project). In addition to the 600 completed cost estimate surveys, the office has received 61 comment forms, and 41 letters and other correspondence. In general, all those who responded are in support of Transparency and the desire to provide meaningful information to the public. However, the reported entities stated concerns with the recommended approach. Specifically:

- Costs to implement and maintain the new reporting requirements, particularly the monthly revenue and expenditure reports;
- Quality of the data provided to the public on a monthly basis due to the different basis of accounting being used and limited time for verification/reconciliation;
- Duplicative reporting due to current reporting requirements issued by state and federal agencies; and
- Difficulty in obtaining financial information from component units, constitutional officers, and direct support organizations on a monthly basis.

Several reporting entities recommended an alternate approach where legislation is enacted that prescribes the minimum desired transparency reporting each reporting entity shall post on their website.