Chart of Accounts Design Leading Practice Workshop

December 5, 2018
Introductions

- Angie Robertson – BPS Track Manager
- Bill Kilmartin – Business Value Architect
- Matt Cole – BPS Track Manager
- Binoy Saha – Record to Report Lead
- Workshop Participants
- Project Team Participants
Agenda

- Context
  - Brainstorming: Rose/Bud/Thorn
  - Design Principles and Definitions
  - Leading Practices
- Break
- Breakout and Group Discussion
- Next Steps
Objectives of Today’s Session

1. Gather insights as they relate to current chart of accounts (COA)
2. Present design principles and chart of accounts definitions
3. Present leading practices
4. Discuss these leading practices and gather participant perspective
5. Describe next steps
## Project Timeline

<table>
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<tr>
<th>Fiscal Year</th>
<th>DDI Phase 1</th>
<th>Design-Build-Test</th>
<th>Post-impln Support</th>
<th>Pilot</th>
<th>Agy Sln Conf</th>
<th>Wave 1</th>
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- **DDI Phase 1**: 90 Months
- **Pilot**: Design-Build-Test 36 Months, Post-impln Support 20 Months
- **Agy Sln Conf**: 9 Months
- **Go-live**: 21 Months
- **Payroll SMA**: 72 Months
- **Production Support**: 21 Months

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We are here

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**Florida PALM**

Planning, Accounting, and Ledger Management

Chart of Accounts Design Leading Practice Workshop 12/5/2018
Solution Analysis and Design

- **Project Recommended Solution**: Design drafted through activities primarily performed by Project Team members, supported by Division SMEs, and leveraging Prototype 1.
- **Representative Agencies Workgroup Solution**: Design refined through Workgroup meetings with a small group of agencies, Project Team members, and Division SMEs leveraging Prototype 1.
- **All Agencies Confirmation**: Design refined through Workshops with and feedback from all agencies.
- **Project and Executive Steering Committee Review and Approval**: Design finalized through presentation to and feedback from the ESC.
- **All Agencies Workshops**: Finalized design communicated to all agencies through Business Process Workshops.

* During Pilot period only.
Agenda

- Context
- **Brainstorming: Rose/Bud/Thorn**
- Design Principles and Definitions
- Leading Practices
- Break
- Breakout and Group Discussion
- Next Steps
Existing FLAIR Data Elements

- Operating Level Org. (OLO)
- Org. Code
- GAAFR Fund (GF)
- State Fund (SF)
- Fund Identifier (FID)
- General Ledger Code
- Object Code
- State Program
- Budget Entity (BE)
- Internal Budget Indicator (IBI)
- Category (CAT)
- Year (YR)
- Project Identifier
- Grant Identifier
- Contract Number
- Other Cost Accum. (OCA)
Brainstorming Activity: Rose, Bud, Thorn

In this activity, we will think about current COA processes in terms of:

- **Roses** (*Green Post-it*): What is currently working well, and you would not want to change? (e.g., functionality, process, other items)
- **Buds** (*Blue Post-it*): What is currently working OK, but could use some improvement or additional work?
- **Thorns** (*Pink Post-it*): What are pain points that make it very difficult to do your job and/or reducing productivity and efficiency?

**Activity Instructions**
1. Individually write down your Roses, Buds and Thorns on the Post-it
2. Each participant shares their Rose, Buds and Thorns
3. Collect and combine the Post-its into corresponding categories (Rose, Bud and Thorn)
4. Discuss the results in the full group
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Chart of Accounts Design Principles

- Design Florida PALM COA structure for all agencies that will facilitate consistent statewide transaction processing and reporting
- The COA design will apply for all Phases and Waves
- Design Principles:
  - Support Reporting Requirements
  - Support Budget Requirements
  - Support Data Security Requirements
  - Support Interface Requirements
  - Support Consistent and Reliable Data Requirements
COA Design Principle – Support Reporting Requirements

- A consistent, rational COA structure simplifies financial reporting
  - Financial statements (CAFR)
  - Budget reports
  - Management reports
  - Regulatory reports
- Record at the lowest level needed for reporting
- Summarization at any level needed
- Fail to capture = Fail to report
COA Design Principle – Support Budgeting Requirements

- By sharing the same COA structures:
  - Aligns appropriations with budget management (e.g., budget vs. actuals reporting)
  - Provides historical information as a basis for estimating and developing future year budgets (e.g., multi-year trend analysis)

- For example:
  - Operating Budgets
  - Capital Budgets
  - Budget controls
  - Multi-Year Budgets
  - Multi-Level Budgets
  - Project Budgets
COA Design Principle – Support Data Security Requirements

- Data security controls user access to view and process transactions and access information
- COA facilitates data security control
COA Design Principle – Support Interface Requirements

- Interface Points = Logical points of interaction with external systems
- The COA structure must accept the interface of accounting information to and from all interface points
COA Design Principle – Support Consistent and Reliable Data Requirements

- A statewide uniform COA increases the reliability and consistency of all financial data
- Improves accuracy of reporting
- Includes automated controls (e.g., combination edit)
- Includes automated end-user productivity tools (e.g., speed chart)
WHO DOES THE CHART OF ACCOUNTS SUPPORT?
Who does the chart of accounts support?

- The stakeholder universe includes:
  - The Legislature
  - CFO
  - Agencies
  - Public (e.g., via transparency sites)
  - Auditors

- Are there others?
WHAT MAKES UP A CHART OF ACCOUNTS?
The COA is composed of ChartFields

- The chart of accounts is a statewide structure shared by all agencies
- Each ChartField element has a defined purpose
- Some ChartFields are optional and others are required
- ChartField values are established in system control tables – no value is free-form text: ChartField values are viewable and selectable in a dropdown menu
- Non-financial information, such as Vendor number, is stored in sub-modules such as Accounts Payable
What are ChartFields?

- The fields that store the State’s chart of accounts and provide Florida PALM with the structure to segregate and categorize transactional and budget data.
- Some ChartFields are defined at an enterprise level and others are agency specific.
Example Future-State ChartFields

Initial COA Structure:
- Business Unit
- Dept ID
- Fund Code
- Account
- Program
- Budget Entity
- Appropriation Category
- Project / Grant
- ChartField 1
  - Contract
  - Agency Use TBD
- ChartField 2
  - Agency Use TBD
- ChartField 3
  - Agency Use TBD
- Activity
GL Business Unit

- A business unit is an operational subset of an organization that enables you to plan operations based on the way the organization functions.
- It represents an organization at an appropriation level and is used to define a financial reporting entity for General Ledger reporting.
- The GL Business unit is the key to all financial transactions in the system (example: 43000 = DFS).
- Functions of the GL Business Unit include security, GL Subsystem Reconciliation, GL Close, creating inter-unit transactions, and defining ChartField values.
Tracks information according to a divisional breakdown of your organization, and can be used to indicate who is responsible for or affected by a transaction

Department size and complexity, as well as other variables, contribute to determine the organizational structure most appropriate for an individual agency

Departments have people
Fund

- The primary structural units of government accounting
- Defines a self-balancing set of accounts
- Records cash and other assets, liabilities, fund balances, revenues and expenses
- Are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations (e.g., restricted fund)
Account

- It is a detailed classification of financial activity
- Used to specify the balance sheet account (e.g., asset, liability, equity) or operating account (e.g., expenditure, revenue) on financial transactions
- Stores an identifier, which indicates whether the value entered in the Account ChartField relates to an asset, liability, equity, expenditure, or revenue type Account
Program

- Tracks revenue and expenditures for programs within or across your organizations
- Can be used to identify groups of related activities, cost centers, revenue centers, and responsibility centers
  - Accumulates financial information related to activities or sets of activities
  - Captures the cost of programs across funds
  - Provides the basis for program budget formulation and control
Budget Entity

- Represents organizations and/or functions to which appropriations are made and typically represents a program
- An internal budget indicator (IBI), in conjunction with the budget entity, may be used to identify breakdowns of appropriations beyond that of the Legislature or the Executive Office of the Governor
Appropriation Category

- Is a code that can either subdefine an appropriation made to the budget entity or define a revenue source
Project/Grant

- Used to capture a planned undertaking of something to be accomplished or produced, having a finite beginning and a finite ending, for which expenditures/costs and revenues are to be tracked.
- Designed to track project and grant financial activity, which can cross budget years, funds, and agencies.
Activity

- Identifies the further breakdown of work or services performed against a Project
Contract

- Captures expenditure and revenue costs for two party agreements
Agency Use ChartFields

- Are flexible fields reserved for tracking optional agency reporting or agency specific use
- Used when centrally mandated ChartFields do not meet agency needs
Additional chart of account attributes are available, such as statistical information, location, and outcome.

Location is a geographic indicator (e.g., zip code).

Outcome could be a service delivery indicator (e.g., number of cases served, number of citizens served).
Hierarchies

- Trees are easy-to-use tools to establish ChartField values at summary levels and thus enable “roll-up” reporting

Usage

- Used to translate transaction-level ChartField values to higher-level budget ChartField values
- Used in Reporting
- Used by Summary ledgers
- Used in ChartField Combination Editing
Agenda

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- **Leading Practices**
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Leading Practices

- **Adopt a Single, Global Chart of Accounts** – A single statewide chart standardizes COA coding element usage, provides consistent application across the government, and ensures consistent data definitions and roll-up structures. Global coding elements shared by all agencies help ensure consistency of data capture and simplify data retrieval processes for reporting and analysis.
Leading Practices

- **Maintain a Lean Chart of Accounts** – The chart of accounts data hierarchy should go down only to the lowest level of detail needed to make business decisions. Excessive, low-level detail can overwhelm end-users, increase learning time, and lead to coding errors and lack of adherence to the COA structure in the long term.

- Do not include codes that can be derived from others (e.g., secretarial area can be derived from agency – two separate COA segments are not needed in this scenario).

- A lean chart creates consistency, ensures compatibility of reported information across agencies, and reduces the need for data reconciliation and reclassification.
Leading Practices

- Eliminate “Miscellaneous” ChartField Values – ChartField values designated for miscellaneous purposes invite users to record information that is not standard across the State or even within an agency. This encourages inconsistent use of the chart of accounts and the creation of financial information that cannot be viewed and summarized from a statewide perspective.

- Elimination of miscellaneous values significantly reduces the opportunity for inconsistent use and promotes a statewide perspective when recording and reporting financial information.
Leading Practices

- **Build Flexibility into the COA Coding Scheme** – This practice provides room for growth and flexibility for changes over time without having to alter the COA structure.

- Trees can be modified as needed and allow the association of values across COA segments to create reports using different combinations without having to change the underlying data.

- Confirm that the field length of each COA segment is long enough to accommodate current and future needs. If frequent restructurings are anticipated, then allow enough positions to avoid having to recycle values.
Leading Practices

- **Use Sub-Systems for Transaction Details** – PeopleSoft includes sub-systems or sub-ledgers that are integrated to the core accounting application. Examples of such sub-systems include Accounts Payable, Accounts Receivable, Treasury Management, Fixed Assets, and Projects and Grants. Data elements such as vendor number, customer number, warrant number, invoice or voucher number, and invoice transaction details can be maintained easily in the sub-systems.

- The data can be easily retrieved or referenced from the General Ledger through the PeopleSoft relational database functionality.
Leading Practices

- **Provide for Optional Agency ChartFields** – Within each COA segment, all agencies should be required to use centrally-defined ChartFields down to a specified level of the data hierarchy.

- Below this level, agencies should have the option of requesting ChartFields that decompose the sub-segments above them in the data hierarchy.

- However, when an optional ChartField is established for one agency, the new ChartField’s definition should apply and be used consistently by all agencies.

- Once established, no ChartField, whether centrally-defined or optional, should ever have more than one definition or transactional use.
Leading Practices

- **Centralize Management of the Chart of Accounts and Trees** – Maintaining the chart of accounts and trees centrally will support agencies’ ability to create and define their own ChartFields, while incentivizing them to comply with statewide COA data definitions.
  - An agency should be able to request optional ChartFields if needed, as well as modifications to existing centrally-defined codes if warranted.
  - Whenever a new optional ChartField is established for one agency, its definition should apply statewide. There should be a standard ChartField change request process.
  - Whenever an agency requests an optional ChartField similar in purpose and functionality to one already established for another agency, the agency should be directed to use the established ChartField instead.
  - Centralized COA management also should include periodic reviews of the chart to identify and “clean up” unused ChartField.
Leading Practices

- Institute a Formal COA Governance Model – State spending and revenue requirements will change over time. The State must balance the need to allow appropriate COA evolution as circumstances change with the need to support ongoing data analysis.

- Instituting formal rules and processes to maintain the COA will ensure it remains relevant and useful.

- Following the leading practice of centralized management and formal governance of the COA, the governance model includes users and managers at different levels of the State.
Strawman: Florida PALM ChartField Crosswalk

Existing FLAIR Data Elements


Level 1

Fund

Bud Ref.

Initial COA Structure

Business Unit  Dept ID  Fund Code  Account  Program  Budget Entity  Appropriation Category  Project / Grant  ChartField 1 Contract  ChartField 2 Agency Use TBD  ChartField 3 Agency Use TBD

Activity
The new COA has implications for End Users

- When entering transactional information into PeopleSoft, the end-users who code transactions must understand the State’s business to a sufficient degree to be able to select the correct COA ChartField for each entry.
- For the State, this likely will require a more detailed understanding of the business than is required currently to use memorized codes when coding transactions in FLAIR.
The Florida PALM Solution includes several techniques to assist End users, for example speed charts and combination edits.

To lessen agency workload during the multi-year transition, Florida PALM is building an automated “crosswalk” allowing agencies to continue processing with the old COA.

The Florida PALM Solution Team will devote significant attention to enabling End Users.
Break

- Let’s take a 15 minute break
Agenda

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We will divide up into 4 groups
Each group will receive a poster board with two of the leading practices we reviewed in the prior section
Based on the group’s discussion, you will have 2 tasks:
1. Identify which current pain points (e.g., “thorns”), or other value the State will realize by adopting this leading practice
2. Identify obstacles that might keep the State from fully adopting this leading practice
Be as specific as possible!
After 10 minutes, groups will rotate (there will be 4 rotations)
Then, we will reconvene and report back to the full group
Breakout and Group Discussion

- **Green Post-it** = Identify which current pain points (e.g., “thorns”), or other value the State will realize by adopting this leading practice

- **Pink Post-it** = Identify obstacles that might keep the State from fully adopting this leading practice
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Exit Ticket: Leading Practice Ranking

- Before you leave please complete this ranking form
- On a scale of 1-5, rank each leading practice according to the following dimensions:
  - Degree of value the State would realize if the leading practice were fully adopted (5 = highest value)
  - Degree of effort for the State to fully adopt this leading practice (5 = highest effort)
We are here

Solution Analysis and Design

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