Financial Management Office

Chart of Accounts Clean-up Project

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Points to Cover

- Why Should We Do It
- Scope of the Project
- Current Status of the Project
- Next Steps
Why Should We Do It

• Reduce administrative workload from managing
  ▫ 50,000+ accounts codes
  ▫ 700+ expenditure object codes
  ▫ 100+ function codes

• Improve accurate and consistent reporting
  ▫ Efficiency measures/cost of education studies
  ▫ Integrated Postsecondary Education Data System (IPEDS)
  ▫ Cost allocation for facilities and administrative proposals
  ▫ Financial status report for the Board of Regents

• Help training financial personnel on how to code financial transactions properly
Scope of the Project

- Close out expired account codes
- Close out “unused” account codes
- Streamline or reduce number of object codes
- Re-define the purpose of function codes and replace the existing ones

Yes We Can!
Relationship of Account Code, Object Code, and Function Code

Account Code

- Which organization does the transaction belong to?
- Where does the money come from?
- What is the cost center or unit responsible for the transactions?
- Which activity is the transaction tracking?

Function Code

- What is the function for the transaction?

Object Code

- What is the accounting nature of classification?
  e.g. expense, revenue, accts receivable

Financial Transaction
Accounts Codes
Account Code Clean-up Status

• KFS Stats as of January 2014
  1. # Active account codes (i.e., closed flag = No) : 50,102
  2. Expired account codes prior to 7/1/2013 : 11,687 (includes #3)
  3. Expired accounts codes prior to 7/1/2012 : 9,080
  4. Expired accounts codes prior to 7/1/2013 with balances : 819
  5. Converted accounts with no activity : 22,688
Account Code Clean-up Status

• De-activated or closed out 20,000+ account codes that were converted to KFS from FMIS with no activity.

• Working to identify...
  1. Account codes that expired prior 7/2012
  2. Account codes that were converted with a minimal balance and/or no activity since going live with KFS
Object Codes
Object Code Clean-up Status

- Priority placed on 700+ expenditure object codes
  - Reviewed 27 object codes relating to grant-in-kind payments
    - Review Process
      - Do we have another ways to identify resident and non-resident reporting (1099-MISC vs. 1042-S) without using object code?
      - Who needs what level of details to track type of grant-in-kind payments?
      - What is the difference between stipend, fellowship and scholarship?
  - Determined only 6 object codes needed
    - 2014 Calendar will be a transition year
      - Tax reporting will continue as before
      - The revised object codes should be used
      - The old object codes are still valid but will be deactivated in January 2015
# New Object Codes for Grant-in-Kind Payments

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6500</td>
<td>Scholarship/Fellowship</td>
</tr>
<tr>
<td>6531</td>
<td>Scholarship/Fellowship (IRS Reportable)</td>
</tr>
<tr>
<td>6540</td>
<td>Scholarship/Fellowship/Travel</td>
</tr>
<tr>
<td>6541</td>
<td>Scholarship/Fellowship/Travel (IRS Reportable)</td>
</tr>
<tr>
<td>6570</td>
<td>Scholarship/Fellowship-Postdoc</td>
</tr>
<tr>
<td>6581</td>
<td>Scholarship/Fellowship-Postdoc (IRS Reportable)</td>
</tr>
</tbody>
</table>
Travel Related Object Codes

• Reviewed 63 travel related object codes
  • Do we have another way to identify resident and non-resident reporting (1099-MISC vs. 1042-S) without using object code?
  • Who needs what level of details to track type of expenditure?
  • Can we leverage the existing business process to track and report taxable income for employees’ reimbursement without using object code?

• Reduce to about 20 travel related object codes (to be finalized)
  • Continue to track
    • In-state, out-of-state, international travels
    • Car mileage, Transportation, per diem, other travel expenditures, travel advance, subsidized parking, and relocation expense.
Next Groups of Object Codes to Review

- Payroll related object codes
- Non-payroll object codes
- Object codes with no balances
Function Codes
Challenges with Function Codes

- Currently there is no APM defining the purpose or usage of Function codes
- We have 100+ Function codes
- Chart Manager assigns a Function code attribute to an Account. And the Function code is not transparent to Account users. Therefore the user may charge expenditures, for example, for instruction - departmental research to Account that has Academic Support Function code.
- Consequently expenses were categorized into the “wrong” bucket, which caused issues for the following reports:
  - Integrated Postsecondary Education Data System (IPEDS)
  - Management and Planning Support (MAPS) expenditure reports,
  - Cost of Education studies
  - Cost allocation for facilities and administrative proposals
  - Others.
Function Code (cont.)

- Function code drives number of Account codes that need to be created.
  - For example, one project/funding may need to create five Account codes when expenditures need to be categorized by each function code.

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Function Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Instruction – Departmental Research</td>
</tr>
<tr>
<td>2</td>
<td>Instruction – General Academic</td>
</tr>
<tr>
<td>3</td>
<td>Instruction, Sponsored Instruction</td>
</tr>
<tr>
<td>4</td>
<td>Academic support, Computing Support</td>
</tr>
<tr>
<td>5</td>
<td>Academic Support, Academic Admin</td>
</tr>
</tbody>
</table>
Recommendations

• Simplify, simplify, simplify.
• Look for other accounting chart fields that can serve the purpose
• Provide clear definition of each function code.
• Provide training to chart managers and fiscal administrators
Function Code Definition

• **Purpose/Use:**
  - A department or project might perform multiple functions. Since Function Code is an attribute that is attached to Account Code, Account code has to be created for each function code in order to separate expenses by the major type of spending and source of funding (e.g. Instruction, Organized & Sponsored Research, Institutional Support, etc.)
Proposed Function Code Values (15 codes)

- Instruction
- Sponsored Training
- Academic Support
- Organized & Sponsored Research
- Departmental Research
- Libraries
- Public Service
- Other Sponsored Activities
- Sponsored Research Administration
- Operation & Maintenance of Plant
- Student Services
- Institutional Support & General Administration
- Auxiliary Enterprises
- Student Financial Aid
- Capital Projects
Next Steps for Function Codes

• Conversion
  ▫ Map the existing values to the new values
    ▪ FMO would provide a draft of mapping to schools for review and update
    ▪ Use the mapping table to update KFS account codes with the new function codes

• Timeline
  ▫ Two primary drivers for the timeline
    ▪ Since FY 2015 is the Facilities and Administrative (F&A) base year, the changes have to be made prior to July 1, 2015.
    ▪ However, the change of function codes will impact IPED data. In order to have comparative data for FY 2015, FY 2014 data will need to be updated. The deadline is April 2015.
Questions
Financial Management Office

Thank You for attending this presentation