

Financial Data Classification and the Chart of Accounts

Fiscal Fundamentals



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Financial Data Classification and the Chart of Accounts

Introduction



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State Policy

Code of Virginia § 2.2-803: DOA is responsible for financial data classification and coding structures for agencies and institutions.

DPB creates agency, program, and expenditure classification structures.

DOA devises or must approve all other financial classification structures.

DOA may delegate authority to agencies to update some data classification and coding structures.

CARS input must contain specified minimum coding.



Fund Accounting

COV uses fund accounting.

COV accounting records are divided into funds.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts recording assets, liabilities, fund balance, and operating accounts.

COV classifies funds according to GAAP per Governmental Accounting Standards Board (GASB) Statement 1.

Each fund is independent of the others.

Transactions may occur between funds.



Basis of Accounting

CARS = Cash

DOA policy restricts CARS to cash-basis accounting entries.

Reminder - Cash is decreased when you process a disbursement even if the payment due date is 30 days in the future.



GLA Structure & Chart of Accounts

General Ledger Account (GLA) structure and the Chart of Accounts provide means to accumulate accounting information.

GLA structure and Chart of Accounts are independent of each other.

The Chart of Accounts is a systematic structure for recording and reporting accounting information.



Chart of Accounts

The Chart of Accounts has 6 major components:

- Organization (or Agency)
- Fund
- Program
- Object
- Revenue Source
- Project



Independence of Components

Each component of the chart of accounts is independent for purposes of classifying and reporting data.

Transaction Codes control which coding elements are required, optional, or not allowed for each CARS transaction

CAPP Topic 60103 Exhibit 1

Financial Data Classification and the Chart of Accounts

General Ledger Accounts (GLA)



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Operating GLAs in Government

Private sector accounting (as taught in most accounting courses) treats operating GLAs differently than governmental accounting.

Private sector: Each revenue or expense has its own GLA.

Government:

- One “Revenues” GLA subclassified by “Source” Component.
- One “Expenditures” GLA subclassified by “Object” Component.



GLA Types

<u>GLA Type</u>	<u>Nos.</u>	<u>Description</u>
Assets	100-499	State-Owned Resources
Liabilities	500-799	Debts and Legal Obligations
Fund Balance	800	Fund Balance
Current FY Operations	890-899	Operating Expenditure Plans
	900	Appropriations
	901-956	Expenditures and Other Payments
	960	Estimated Revenues
	961-997	Revenues, Recoveries, and Transfers



More on GLAs

State Comptroller authorizes and controls the structure, assignment, and use of all GLA codes and titles.

There are relationships between many GLAs. DOA performs a monthly review of these relationships and also reviews Trial Balance for obvious recording errors. Agency is contacted when problems are noted.

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The Chart of Accounts & Its Components



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Non-GLA Classification Components

Chart of Accounts has 6 major components
(one with 4 subcomponents):

State Government Organizational Unit ("Agency")

Fund

Program

Revenue Source

Object of Expenditure

Project

- Capital Projects
- Other Statewide Projects
- Federal Grants and Contracts
- Agency-Designated Projects

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Components of the Chart of Accounts

Organizational Units



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Organizational Hierarchy

Assigns each financial transaction to an organizational unit within the state government hierarchy:

- **Governmental Branch or Secretarial Area** (Executive, Legislative, Judicial, or Independent Agency)
- **Control Agency** (some Executive Branch agencies report to a control agency)
- **Agency** (includes all agencies, educational institutions, boards, commissions, and other entities identified by name and agency number in the Appropriation Act)
- **Organization Level 1** (optional)
- **Organization Level 2** (optional)
- **Organization Level 3** (optional)
- **Organization Level 4** (optional)



Major Governmental Units

Branch or Secretariat

Control Agency

Agency

Agency codes in CARS automatically link to their corresponding Secretariat and Control Agency.



"Secretarial Area" Defined

Highest subdivision of State government for financial management purposes.

Most report to a Governor's Cabinet Secretary, who is responsible for overall management and policy direction for a group of agencies.

Other "Secretarial Areas" are groups of related agencies not in the Executive Branch.



Secretarial Areas

Executive Branch "Secretariats"

- Administration
- Agriculture & Forestry
- Commerce and Trade
- Education
- Finance
- Health & Human Resources
- Natural Resources
- Public Safety
- Technology
- Transportation
- Executive Branch Offices

Other "Secretariats"

- Independent Agencies
- Judicial Branch
- Legislative Branch
- Grants to Non-State Entities



Control Agency

An agency holding administrative control over other agencies with related functions. Examples:

- Department of Mental Health, Mental Retardation and Substance Abuse Services
- Virginia Community College System
- Department of Corrections



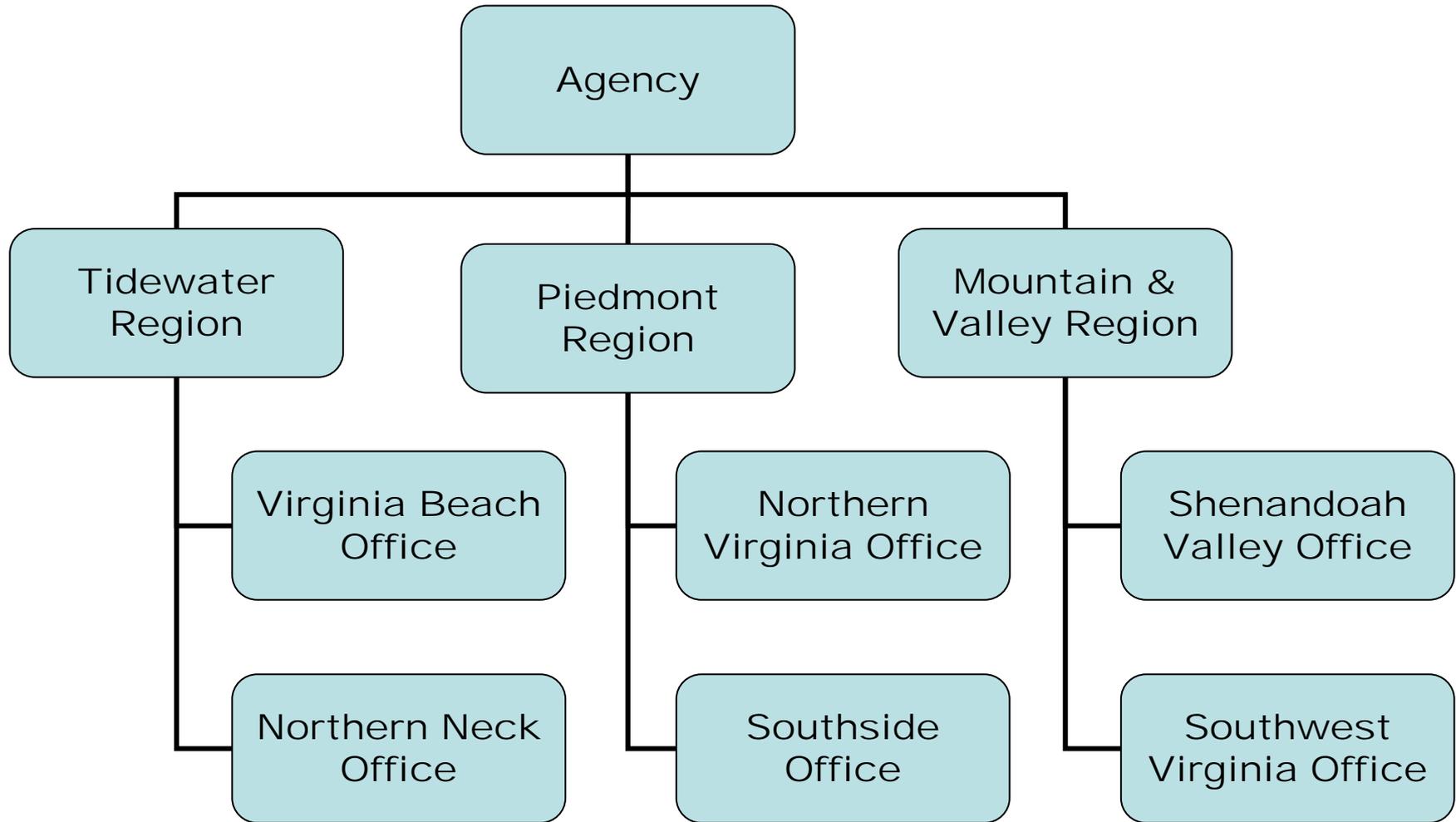
Agency

A legally-authorized organizational entity through which State services are provided.

Identified by name and unique 3-digit code in Appropriation Act.

CARS can report up to 4 levels of an agency's management hierarchy.

Organization Level Codes



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Fund



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Classify financial data to comply with legal requirements and GAAP.

Not adjustable for agency reporting purposes.

Revenues classified by fund as state statutes require.

General Assembly appropriates by fund – expenditures charged against the funds by appropriation.



Fund Codes

All financial documents need the first 2 digits of the fund component.

CARS has 10 “funds.” All but the General and Federal Trust Funds are subdivided into “fund details.”

Although “fund” means different things in different contexts, “fund code” in day-to-day conversation usually refers to a 4-digit number.



The Commonwealth's Funds

Fund Name	Fund No.	Fund Type
General	01	Governmental
Special Revenue	02	Governmental
Higher Education	03	Non-Governmental
Highway Maintenance & Construction	04	Governmental
Enterprise	05	Proprietary
Internal Service	06	Proprietary
Trust and Agency	07	Fiduciary
Debt Service	08	Governmental
Dedicated Special Revenue	09	Governmental
Federal Trust	10	Governmental
General Fixed Assets	15	Account Group



Fund Details and "Fund Codes"

<u>Fund Group</u>	<u>Fund Detail</u>	<u>Group Number</u>	<u>Detail Number</u>	<u>"Fund Code"</u>
Debt Service	9(b) Debt Service – Construction Costs	08	11	0811
Debt Service	9(c) Debt Service – P&I Payments	08	12	0812
Debt Service	9(c) Debt Service – Construction Costs	08	13	0813
Debt Service	9(d) Debt Service – P&I Payments	08	14	0814
Debt Service	9(d) Debt Service – Construction Costs	08	15	0815
Debt Service	VCBA 21 st Century Program – Construction	08	17	0817
Debt Service	VPBA Projects	08	20	0820
Debt Service	VPBA Projects – Interest	08	21	0821

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Program



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Program Budgeting

This component supports DPB in program budget formulation and control.

DPB controls program structure, which DPB can adjust to meet agency management needs.



"Program" Defined

A "program" is an ongoing set of activities for achieving specific state policy objectives. For example:

- Accounting and Budgeting Services *
- Administrative and Support Services *
- Air Transportation System Planning
- Criminal Justice Training, Education, and Standards
- Historic Landmarks and Facilities Management
- Pre-Trial, Trial, and Appellate Processes
- State Education Services for Special Education

* These programs summarize expenditures across agency and fund lines.



More on Programs

Ongoing activities for which resources are allocated (the appropriation process) and expenditures recorded.

Relate to Expenditure and Expenditure Refund GLAs only.

Usually do not change during a biennium.

Independent of project, except capital projects (restricted to Program 998).



Program Classification Structure

The two highest levels of the program hierarchy (Function and Subfunction) are stored in CARS and are “invisible” when entering CARS transactions.



Functions

General Government

Administration of Justice

Education

Enterprises

Individual and Family Services

Resource & Economic Development

Transportation

Undesignated Programs, Clearing Accounts



Programs and Subprograms

DPB controls the codes.

DPB determines valid programs and subprograms for each agency and institution under General Assembly authority.

Change requests go to DPB Director in writing.



Establishing Elements

Elements are used to subclassify program/subprogram data for internal management purposes.

Send request to establish an element code to DOA and include:

- Valid program/subprogram Code
- 2-digit element code
- Title

Element code requested cannot be in use by another agency.

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Revenue Source



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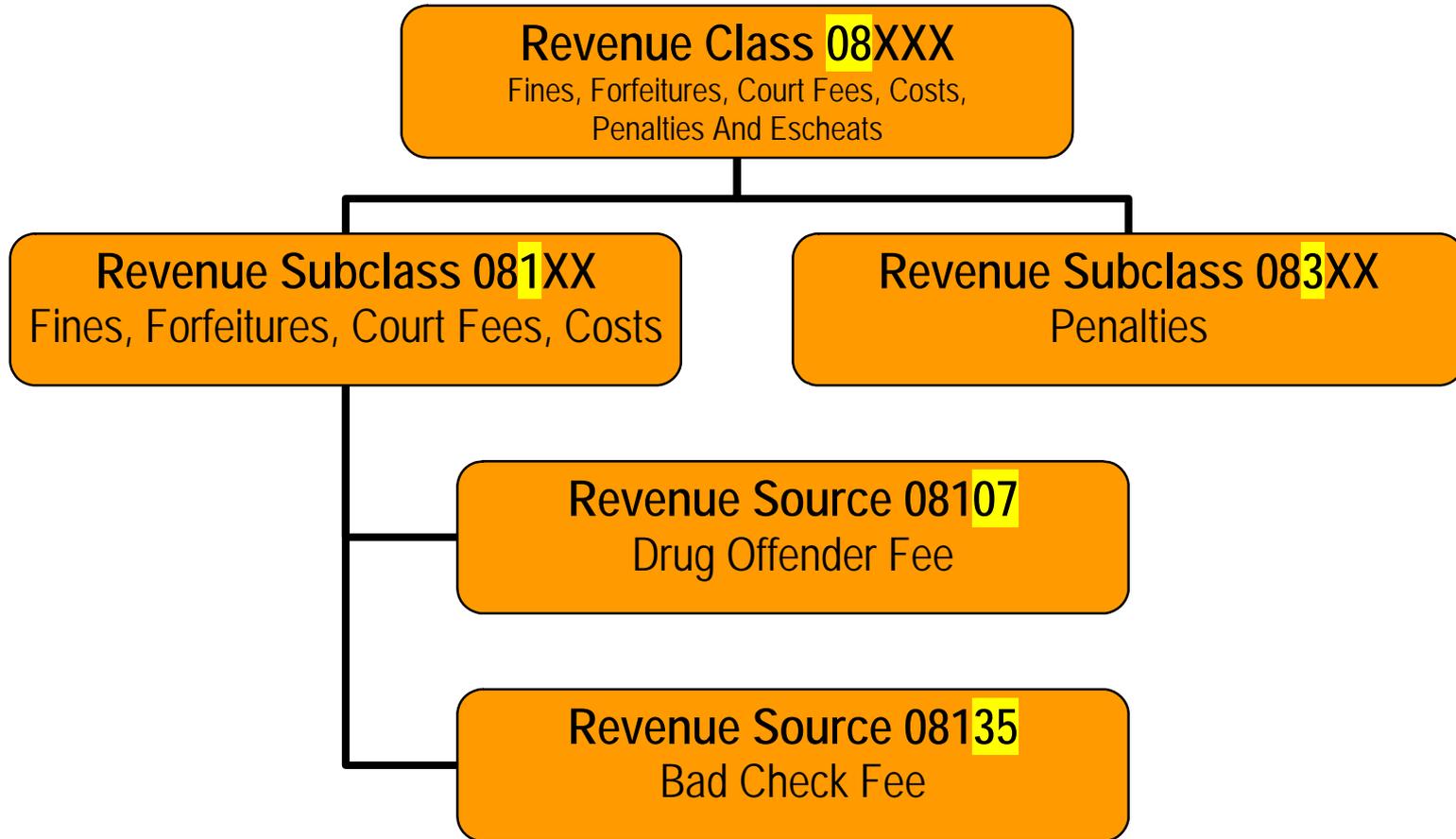
Revenue Source

Identifies revenues collected, such as:

- Alcoholic Beverage Control profits
- Civil penalties for improper solid waste disposal
- Higher education tuition
- Interest on investments
- Jamestown Settlement admission receipts
- Motor vehicles sales and use tax
- Optician regulatory fees
- Seafood industry licenses and permits

DOA can adjust the revenue source structure somewhat to meet agency management needs.

Revenue Source Structure





Revenue, Fund, and Program

Each Revenue Source is assigned to one or more funds.

For Federal Grants, Revenue Source Code = Federal program code (CFDA number).

Revenue Source Codes for Federal grants with no program code are entitled "Other Assistance — XXX" where XXX is Federal grantor agency.

Program and Revenue Source are independent.
Some programs relate coincidentally to revenue sources on a 1-to-1 basis.



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Object of Expenditure



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About the Object Structure

Specifies types of expenditures.

Supports statewide reporting – not adjustable to meet agency needs.

Some agency-based accounting systems use alternate classifications. Fiscal Officers must have accurate and complete cross-reference to the Object structure.



About Object Codes

4-digit numbers

DPB-defined

Also called “expenditure codes”

Fit systematic classification structure

Used for accounting control, financial management, and budgeting



What did you pay for?

A few examples:

Acquisition of rights-of-way

Boiler and machinery insurance

Bond issuance fees

Laboratory supplies

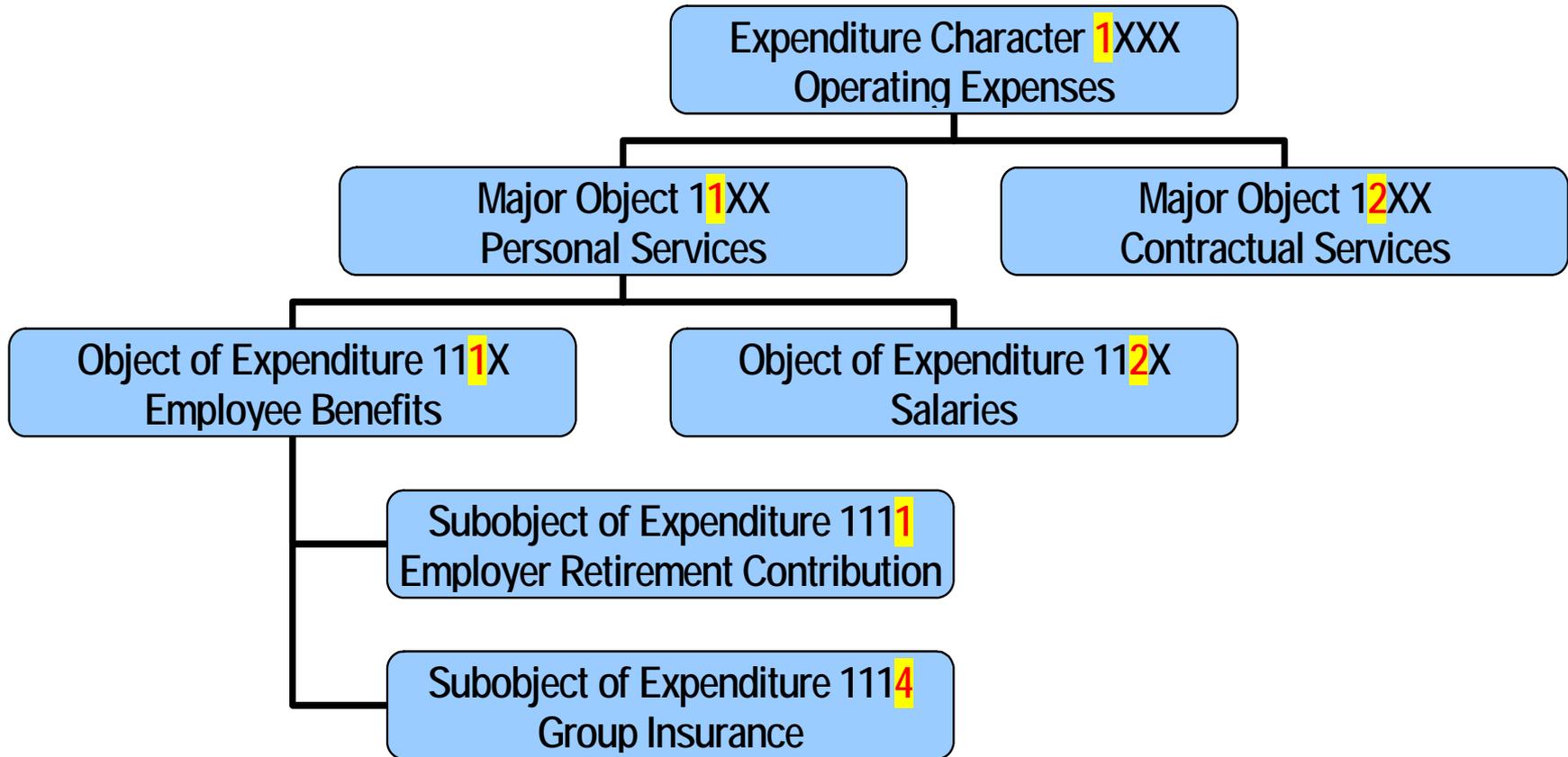
Overtime wages

Printing services

Travel in state vehicles

Workers' Compensation awards

Object Structure





Object? Subobject?

In ordinary day-to-day conversation, “Object” and “Subobject” are used interchangeably to refer to the 4-digit code required by CARS transactions.

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Projects



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Project Hierarchy

Project Type:

- 1 – Federal Grant
- 2 – Contract
- 3 – Capital Project
- 4 – Other State Project

Project

Task

Phase



Project Code Users

A multiple-purpose coding structure:

Agency Uses: Federal grants, contracts, non-capital projects. Can report activities within a program or alternate fiscal periods (e.g., Federal fiscal year).

State Uses: Capital projects and other statewide activities (e.g., costs of emergency services, cleanup, and disaster relief related to a hurricane or similar event).



Project Relationships

	Project Type	Valid Numbers	Created By	Related Information
Federal Grant	1	40000-69999	Fiscal Officers	
Contract	2	70000-99999	Fiscal Officers	Any other grants, agreements, or projects,
Capital Project	3	10000-39999	DPB	Program always = 998
Other Statewide Project	4	00001-09999	VDEM	Emergency services, cleanup, and recovery from a hurricane or similar disaster



Agency Projects and Reports

- Agencies create project codes (type 1 or 2).
- Reports track money by State and Federal fiscal years for Federal Grants and Contracts.
- Task and/or Phase can be used to classify agency projects by Federal FY or another scheme.
- "Funding Fiscal Year" (required on all CARS transactions) = the State fiscal year.
- Project/task/phase structure is for reporting purposes only. No appropriation or cash control at this level (except for capital outlay projects).



Entering Project/Task/Phase

Two options:

Enter directly into CARS transaction.

Embed Project/Task/Phase in Cost Code Table, then enter Cost Code directly into CARS transaction.

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Management Reporting & Certification



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Operating Expenditure Plans

CARS reports budget and expenditure at levels (agency, fund, program, and capital project) that reflect state law and policy.

CARS also can produce reports for internal management, using:

- State-level data elements (agency, fund, program, capital project, FIPS)
- Optional codes you control (organization levels 1-4 and project/task/phase)



Interim Management Reports

As a fundamental internal control, send cost center information to senior management, the agency head, and/or the governing board – Can be from CARS or internal agency-based system.

Establish a schedule for cost center reporting.

Management reports should have appropriate detail and/or summarization, depending on the level of management hierarchy being informed.

An alternative is "management by exception" (focus on important variances from budget).



Certifying Reports

Fiscal Officers must certify monthly that agency GLA balances and transaction details in CARS (entered online or by any other means) are correct and have been reconciled to agency records (CAPP Topic 20905).

Agency heads and fiscal officers should require that each cost center manager submit written certification that their unit reports are correct.

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Other CARS Codes & Tables



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CARS Tables

CARS is a table-driven system.

CARS tables:

- Define valid codes
- Provide a text title for each code on reports
- Define financial posting criteria and edits
- Enable CARS to edit transactions and detect many basic error types.



Transaction Codes

Transaction codes are 3-digit numbers that uniquely identify each accounting event. For each transaction type, they:

- Identify GLAs to be posted and “keep the books balanced.”
- Identify transaction-specific edits.
- Identify financial files to be updated.

DOA creates all transaction codes.

Cost Codes

Facilitate data entry

Not used as reporting elements themselves

Retrieve other codes from "Cost Code Table"

Use depends on reports needed



Cost Code = CARS "Shortcut"

Cost Codes retrieve combinations of data elements from the Cost Code Table

Elements in the Cost Code Table are combinations of:

- Organization Levels 1, 2, 3, 4
- Project, Task, Phase
- FIPS



Does Cost Code = Cost Center?

Not necessarily.

It depends on how your organization defines "cost center."

For any "cost center" identifiable by unique combination of organization level and/or project/task/phase and/or FIPS, Cost Code = "cost center."



Mid-Year Cost Code Changes

When CARS reads a cost code, it pulls related codes from the Cost Code Table and puts them into the transaction.

CARS reports reflect only codes in the Cost Code Table at the time the financial entry posted.

During the year, new cost codes may be added to the table.

Midyear cost code changes may make data inconsistent for comparison purposes. Consider this before making mid-year changes in your Cost Code Table!



FIPS Codes

Federal Information Processing Standards (FIPS) include numeric codes that identify each U. S. state and its political subdivisions, including each county and independent city in Virginia.

CARS uses these “FIPS Codes” to track:

- State payments to local governments that support local operations (including public schools) and constitutional offices.
- Revenues paid into the State Treasury by State agencies and institutions that were received or collected from cities, counties, or towns.



FIPS / Payments to Localities

Payments to localities that need FIPS Codes:

Categorical aid, such as welfare assistance, circuit court supplements, and street and highway maintenance.

Payments in lieu of taxes, such as direct payments to localities for providing police and fire protection and refuse collection.

Non-categorical aid, such as rolling stock taxes, mobile home taxes, and profits from the sale of alcoholic beverages.

Purchases of goods (surplus equipment) and services (rent or utility service charges) from localities do not need FIPS.



Vendor Edit Table

Stores and allows retrieval of:

- Vendor ID Number (VIN)
- Vendor name and address
- Employer ID Number
- Federal Information Processing Standards (FIPS) Code

Identifies participants of Financial EDI Program



Vendor Edit Table Information

Fiscal Officers should allow online update to 1 or more staff.

Segregate duties between those who maintain the Vendor Edit Table and those who process payment transactions.

DOA enters Financial EDI vendors under "Agency 000." Agencies may have inquiry access to view records under Agency 000 except for records under a SSN.

References

CAPP Manual Section

- [60100](#), CARS – All Topics
- [20905](#), Monthly Reconciliation



Contacts

gacct@doa.virginia.gov

804-225-2376 – voice

804-225-4250 – facsimile

U. S. Mail:

General Accounting

Virginia Department of Accounts

P. O. Box 1971

Richmond, VA 23218-1971