

Volume No. 1 - Policies & Procedures	TOPIC NO. 20340
Function No. 20000 - General Accounting	TOPIC CAPITAL OUTLAYS
Section No. 20300 - Cash Disbursements Accounting	DATE 9/1/93

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OVERVIEW

Capital Outlays are those appropriated or reappropriated amounts as listed in Part 2: "Capital Project Expenses" of the Appropriation Act. Generally, these items are for the purchase, construction, maintenance and/or improvement of Capital Assets of the Commonwealth. However, they may be established for any item so authorized by the General Assembly. Capital Projects are defined and discussed in Section 4-4.01 of the Act.

POLICY

The Commonwealth Accounting and Reporting System (CARS) has the capability to account for capital items at several detail levels for agency management. It is mandatory that all Capital Outlay projects be accounted for at the project code level. CARS also has the capability to report 99 second level, or task breakdowns, for each project and 99 third level, or phase breakdowns, for each task.

The Project Code is a five-digit number preassigned by the Department of Planning and Budget (DPB) for each Capital Outlay project. The preassigned project code must be used on all financial documents relating to a Capital Outlay project. The two digit task and the two digit phase are optional codes that may be used to further subdivide a Capital Outlay project for more detailed management control. (See Subsection 200, "Tasks and Phase Identification Using Cost Codes.") When coding documents with Capital Outlay project information, the three-digit program code is always '998'.

PROCEDURES

100 Assignment of Project, Task and Phase to a Capital Outlay Project

A Capital Outlay Project number is the number relating all financial activity for a given Capital Outlay appropriation. Capital Outlay project numbers are assigned in relation to the activity on which there is to be financial control. In most cases a project number is established by definition of a line item in the Appropriation Act. Three situations should be considered when establishing codes for Capital Outlay projects:

1. A singular construction project may be funded by a number of separate appropriations (original and subsequent). In this case, financial data is controlled through the use of **one** project number assigned for the life of the project regardless of the fiscal year or biennium. The appropriation and allotment control always remains at the one project number. However, CARS allows for the division of construction projects into smaller units for greater financial management.
2. One appropriation may be used to fund several construction projects. In this case, each construction project requires written approval of the Governor on a G.S. Form E & B CO-2, "Request for Authority to Initiate Capital Outlay Project," thus establishing each as a separate unit with a fixed operating budget on which project management and control is maintained. While it is necessary to manage each construction project separately, it is also imperative to maintain control on the lump sum of the appropriation, necessitating the use of only one project number in CARS. For example, smaller jobs, such as a roof repair and other renovations, may be appropriated in one lump sum but affect several buildings. The cost is not sufficient to maintain financial control on each building through assigning separate project numbers. In these cases, financial control will be one project number with a break out under the project number through the use of task codes.

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PROCEDURES (Continued)

100 Assignment of Project Tasks and Phase to a Capital Outlay Project (Continued)

3. Some agencies operate as the principal contractor and wish to keep a record of expenditures by subcontractor, internal labor, etc. Other agencies divide projects into units of time or work tasks. Such a breakout can be maintained in CARS using task and, if desired, phase under a single project number.

Based on the above examples, there may be a need to record capital outlay projects by project number, task and phase. Thus, for each example, the table below shows how the three elements of information would be defined in CARS.

<u>Example</u>	<u>Project No.</u>	<u>Task</u>	<u>Phase</u>
(1)	12345	00	
(2)	20555	01	
		02	
		03	
		thru	
		99	
(3)	31567	01	01
		01	02
		01	03
			thru
		01	99
		02	01
		02	02

The project number defines the financial control at the appropriation level. The break out of a project to identify separate sets of capital outlay documents is defined as a task. Any further break out needed by agency management is allowed for in the definition of a phase within the task. Both task and phase are completely optional.

When requested and approved by DPB, project appropriation and allotment control can be split by establishing another project number and transferring funds from the original project number. If an appropriation transfer is made from an existing project number to establish a new number, then the newly established project stands alone for financial control and reporting. In CARS reports, the new project number will not be reported with the original appropriation from which it was created. An audit trail is established by the transfer and therefore the appropriation origin of all projects can be traced.

200 Task and Phase Identification Using Cost Codes

If a project breakdown is necessary, a cost code may be established to reference the project structure (see CAPP Volume 2, Topic No. 60105, "Cost Codes.") In this case the project, task and phase are identified by the cost code. Additionally, project, task, and phase may be coded on input if the specific transaction code being used allows project information. If a cost code containing project information is used then project numbers should not be coded on input and vice versa.

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PROCEDURES (Continued)

300 Expenditure Coding

Disbursement requests are submitted using the same standard documents as other expenditure transactions. (See CAPP Topic No. 20310, "Expenditures.") Capital outlay project expenditures require program code '998' and a project number.

400 Agency Operating Expenditure Plans

An agency operating expenditure plan may be submitted for each capital outlay project, task or phase and will be maintained for the life of the project. Actual expenditures will be compared to the planned amounts by project. Approved change orders affecting the original budget will require updates to the plans. (See CAPP Topic No. 20110, "Operating Expenditure Plan.")

Agencies will be allowed to breakdown agency operating expenditure plans by object codes under project, task or phase. A plan may be submitted at any level of the project. However, the plan may be set up at only one level for the same project to preclude expenditures being reported more than once. The total of the budgeted items at all levels should not exceed the amount fixed for the project plus any change order adjustments.

The original agency operating expenditure plan is prepared using transaction code '890'. Increases to the original plan are submitted with transaction code '890', and decreases with '891'.

500 Project Reporting

The CARS reports summarize and report by phase within task within project. The task and phase information combined with the subobject codes provide the lowest level of detail for reporting and management of Capital Outlay projects. The regular (monthly, quarterly, etc.) reports have project reporting options which provide financial information related to fiscal year status. Special project reports will give project-to-date information. See CAPP Volume 3, Topic No. 70260, "Reports," for further descriptions and exhibits of project reports.

INTERNAL CONTROL

Agencies should implement procedures to ensure that internal controls for capital outlay projects are maintained. Agencies should review the requirements described in the Act and implement procedures to ensure compliance. They should also review the requirements of the Department of Planning and Budget and the Department of General Services.

RECORDS RETENTION

For Federal funds, agencies should maintain records in accordance with applicable Federal regulations. Otherwise, agencies should maintain records at least three years, or until audited by the Auditor of Public Accounts (APA), or Federal auditors.

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DOA CONTACT

Director, General Accounting, (804) 225-2244.

SUBJECT CROSS REFERENCES

CAPP Topic No. 20110, "Operating Expenditure Plan"

CAPP Topic No. 20310, "Expenditures"

CAPP Topic No. 60105, "Cost Codes"

CAPP Topic No. 70260, "Reports"