



Designing a Chart of Accounts that Meets Your Institution's Changing Needs

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Introductions

- Chart of Accounts – Defined
- Why Redesign Your CoA?
- CoA Structures and Options
- Getting Started – Establishing Guiding Principles
- CoA Design – Approach and Key Considerations
- The CoA in the Institution's Fiscal Management Environment
- Q&A

Chart of Accounts – Defined

Polling Question

- What financial system is your institution currently using, transitioning to, or considering?
 - A. Oracle/PeopleSoft
 - B. Oracle EBS
 - C. Lawson
 - D. Banner
 - E. Kuali
 - F. Workday
 - G. Other

- The basic structure used to record the financial effects of transactions.
- The CoA is used to organize the finances of the institution and to segregate expenditures, revenue, assets and liabilities in order to provide an understanding of the financial status of the institution.
- CoA supports financial and management reporting and serves as the basis for the fiscal administration of the institution's funds, programs, projects, organizations, and activities.
- The CoA may not support the detailed fiscal tracking of all institutional activities, but serves as the common language for financial transactions whether they are created directly in the financial system or generated in another major financial system or through a localized third party application.

Why Redesign Your Chart of Accounts?

Why Redesign Your CoA?

- New financial system implementation
 - Pre-system selection
 - Early implementation
- Update to existing financial applications
 - Functional limitations of existing chart of accounts
 - Transitioned old CoA structure to new system
 - Reporting/fiscal management limitations
 - Upgrade/Reimplementation of financial application
 - Functional module/application additions

Polling Question

- Why are you interested in changing the Chart of Accounts?
 - A. Implementing a new financial system
 - B. Updating an older financial system
 - C. Adding modules to existing system
 - D. Looking to improve reporting
 - E. None of the above

Chart of Accounts – Structures and Options

Chart of Accounts - Types

Not all CoAs are the same!

- The type of CoA that can be implemented at your institution is largely dependent on the financial system in place or planned.
- The CoA may fall anywhere in a range from a “linear” formation to a “multi-dimensional” structure.

Financial applications range from those structured with a minimal number of predefined CoA fields to those with manifold, user definable fields

Linear

Multi-Segmented



- A “linear” CoA uses a significantly limited number of fields and can be made up by as few as two fields - an “account” or “cost center” and an “object code”.

XXXXXXXX-XXXX
Account - Object

- The concepts employed with a linear chart of accounts are fairly simple. An account or cost center is established for every fund, project, program, organization, or activity that an institution needs to track.
- Linear CoA structures often appear in older, mainframe financial systems, and in a limited number of modern applications.

- A “multi-dimensional” chart of accounts is made up of multiple fields or segments, each typically recording a different element of information about a transaction.

XXXXX
Fund

XXXXXX
Org

XXXXX
Project

XXXXX
Program

XXXXX
Activity

XXXXX
Object

- The use of a single account or cost center to record all financial activity associated with an activity or fund, is not a strict element of a multi-dimensional CoA. A transaction is defined by the combination of values recorded.
- Most modern financial/accounting systems provide for some level of multi-dimensional CoA with varying degrees of configurability or “customization”.

CoA Options

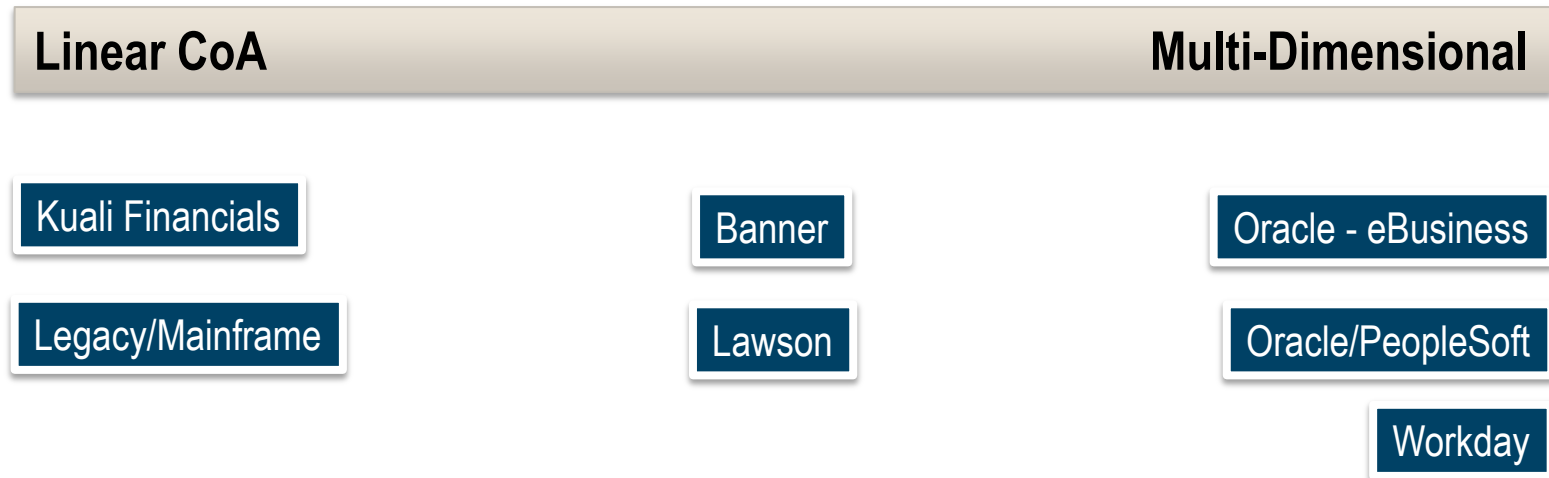
Characteristics and Considerations

Linear	Multi-Dimensional
<ul style="list-style-type: none">• May require significant intelligence in numbering/nomenclature	<ul style="list-style-type: none">• Increased flexibility for program fiscal management
<ul style="list-style-type: none">• Simple concepts and easy to use from end user perspective	<ul style="list-style-type: none">• Improved capacity for tracking fiscal activity of cross disciplinary activities
<ul style="list-style-type: none">• Limited capacity to track funds that cross organizations or purposes	<ul style="list-style-type: none">• High scalability, supporting accounting needs of complex organizations
<ul style="list-style-type: none">• May rely on extensive use of “account attributes” to meet reporting needs	<ul style="list-style-type: none">• May require less maintenance than linear CoA
<ul style="list-style-type: none">• Limited capacity to track multidisciplinary activities and programs	<ul style="list-style-type: none">• May be a significant departure from legacy CoA – steeper learning curve
<ul style="list-style-type: none">• Minimal learning curve due to user familiarity	<ul style="list-style-type: none">• Requires care in design to result in best outcome

CoA Options

Linear to Multi-Dimensional Scale

Available financial applications may not be absolutely linear or multi-dimensional but rather may fall somewhere in between.

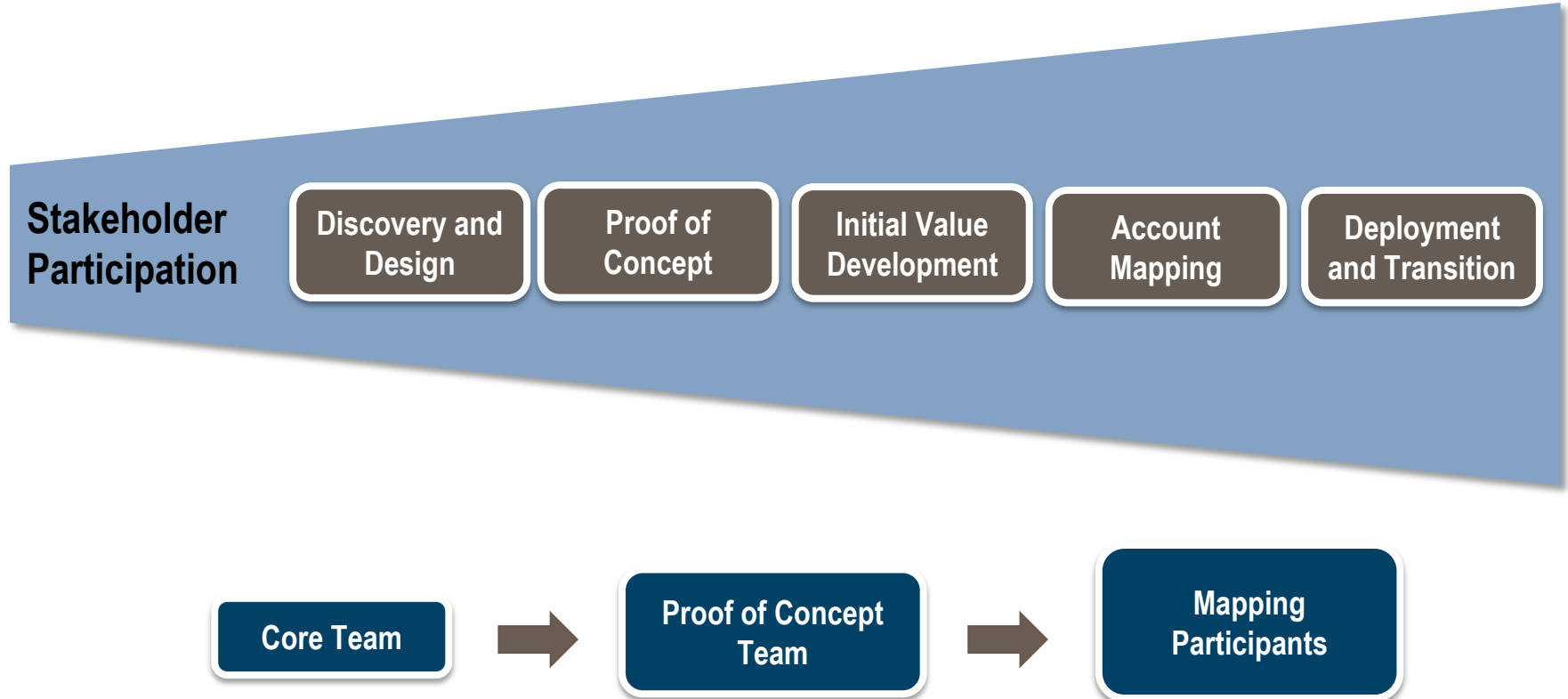


Getting Started – Establish a Team & Set Guiding Principles

CoA Design

Establishing a Team - Who should be involved?

Given the far reaching impact of the CoA and the intent that it serve as the basis for recording and managing virtually all fiscal activity at the Institution, it is vital that representation of the various organizations, programs and activities be included in the development process. This can be most effectively achieved by expanding participation as the CoA development progresses through the project phases.



CoA Design

Project Participants

CoA Design Participant Teams/Groups	Sample Team Members / Participants
<p>Core Team – small team made up of individuals with broad knowledge of Institutional fiscal management needs.</p> <ul style="list-style-type: none"> • Gathers and understands key financial management requirements • Develops initial CoA structure, chart-field definitions and usage parameters • Conducts initial validation of structure 	<p>Key Administrative areas:</p> <ul style="list-style-type: none"> • Finance and Treasury • Controller's Office • Administrative Services • Auxiliary Service • Budget and Planning • Sponsored Projects
<p>Proof of Concept Team – Includes representation of financial administrators from key institutional functional areas (central administrative and academic).</p> <ul style="list-style-type: none"> • Develops scenarios for validating the CoA structure • Participates in Proof of Concept sessions targeted at demonstrating use of redesigned CoA in meeting needs set forth in the test scenarios 	<p>Key Administrative and Academic areas:</p> <ul style="list-style-type: none"> • Undergraduate Schools and Departments • Graduate Schools • Centers and Programs • Student Administration • Facilities Management • Auxiliaries (Housing, Dining, etc.) • Human Resource Management
<p>Mapping Participants – Broad participation of administrative and academic fiscal managers in mapping existing accounts to redesigned CoA.</p>	<p>Institution - wide central and academic organization fiscal administrators.</p>

Establishing “Guiding Principles” early in the project provides a basis for decision making and will help define the parameters, design and future use of the Chart of Accounts.

Examples	
<ul style="list-style-type: none">• The CoA should serve as the common language for all financial processes and systems	<ul style="list-style-type: none">• Each segment, field, or element of the CoA should be defined and serve a single purpose
<ul style="list-style-type: none">• The CoA should accommodate growth and adapt to changing business needs	<ul style="list-style-type: none">• Segment use and hierarchies should be consistently designed to allow institutional reporting as well as flexibility at the local level
<ul style="list-style-type: none">• Detailed data captured in subsidiary applications and programs should not be duplicated in the CoA	<ul style="list-style-type: none">• The CoA should allow for like recording of financial transactions at the local level to support consistent financial reporting across the institution

CoA Design – Approach and Key Considerations

Transition to a New CoA

A Multi-phased Approach

Redesigning a CoA is a multi-phased initiative that begins with developing an understanding of the institution's current and future financial and management reporting needs and ends with the translation and transition of existing accounts, processes and systems to a new structure.

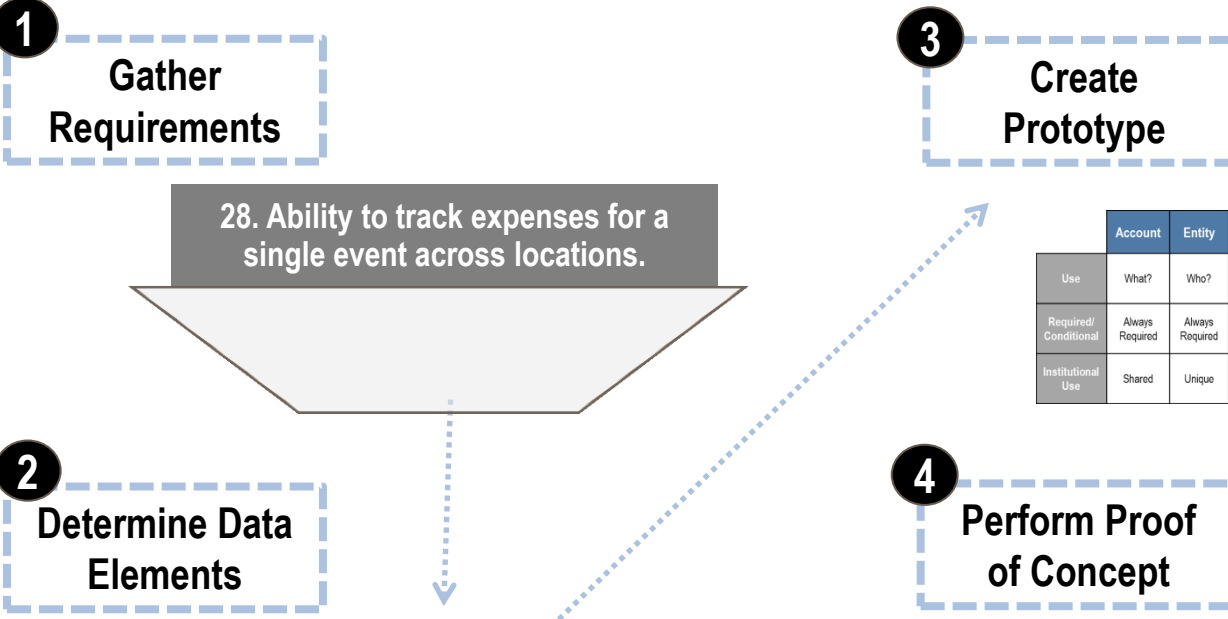


- **Discovery and Design –**
 - Information and requirements gathering
 - Prototype CoA design
- **Proof of Concept –**
 - Validation of proposed CoA structure
- **Initial Value Development –**
 - Finalization of value ranges and hierarchical structure
 - Development of initial values
- **Account Mapping**
 - Account by account translation to new CoA structure and values
- **Deployment and Transition**
 - Transition of transactional processes, systems and reporting

CoA Design

Discovery, Design, and Proof of Concept

This example follows a single sample requirement through the CoA design process.



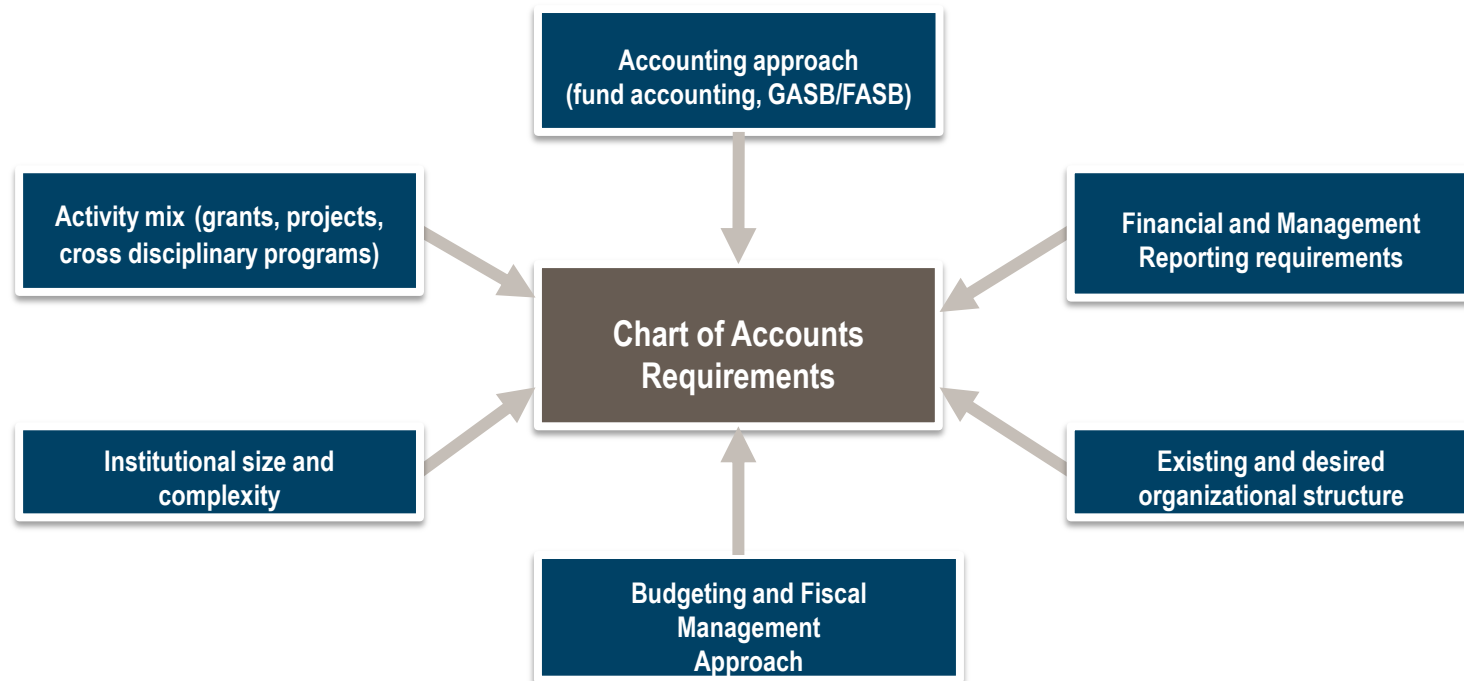
Requirement	Key Data Element 1	Key Data Element 2
28. Ability to track expenses for a single event across organizations.	Activity/ Event	Org

Account	Fund	Org/Dept	Activity	Amount
Domestic Airfare	Unres - Operating	Provost Ofc	Trustees Mtg	1,595.00
Rental - Facilities	Unres - Operating	Facilities Mgmt	Trustees Mtg	2,033.00
Refreshments	Unres - Operating	President's Ofc	Trustees Mtg	628.00

Gathering Requirements

How much is enough?

The basis for developing a sound CoA is to understand the fiscal management, accounting, financial reporting and management reporting requirements of the institution, as well as its component organizations and programs.



Requirements gathering does not need to be exhaustive. Common themes and needs will emerge that will allow the project to proceed to the development of a prototype in relatively short order.

Understanding the Requirements

The Who? What? When? and Where?

The purpose of the CoA is to provide answers to questions regarding each transaction entered into the financial system. The first step in moving from the CoA requirements to the development of a CoA structure, is to analyze each requirement and determine what it is asking about the transaction.

The CoA Should Provide Answers to These Questions

Who?

- Who is responsible for the transaction?
- Who is responsible for the activity?
- Who owns the asset/liability?
- Who is impacted by the transaction?

How?

- How is the transaction being funded?
- How are net assets impacted by the transaction?
- How are unique funds impacted?

What?

- What is the nature of the transaction: revenue, expense, asset, or liability?

Why?

- Why has the transaction occurred?
- What institutional purpose does it serve?

Where?

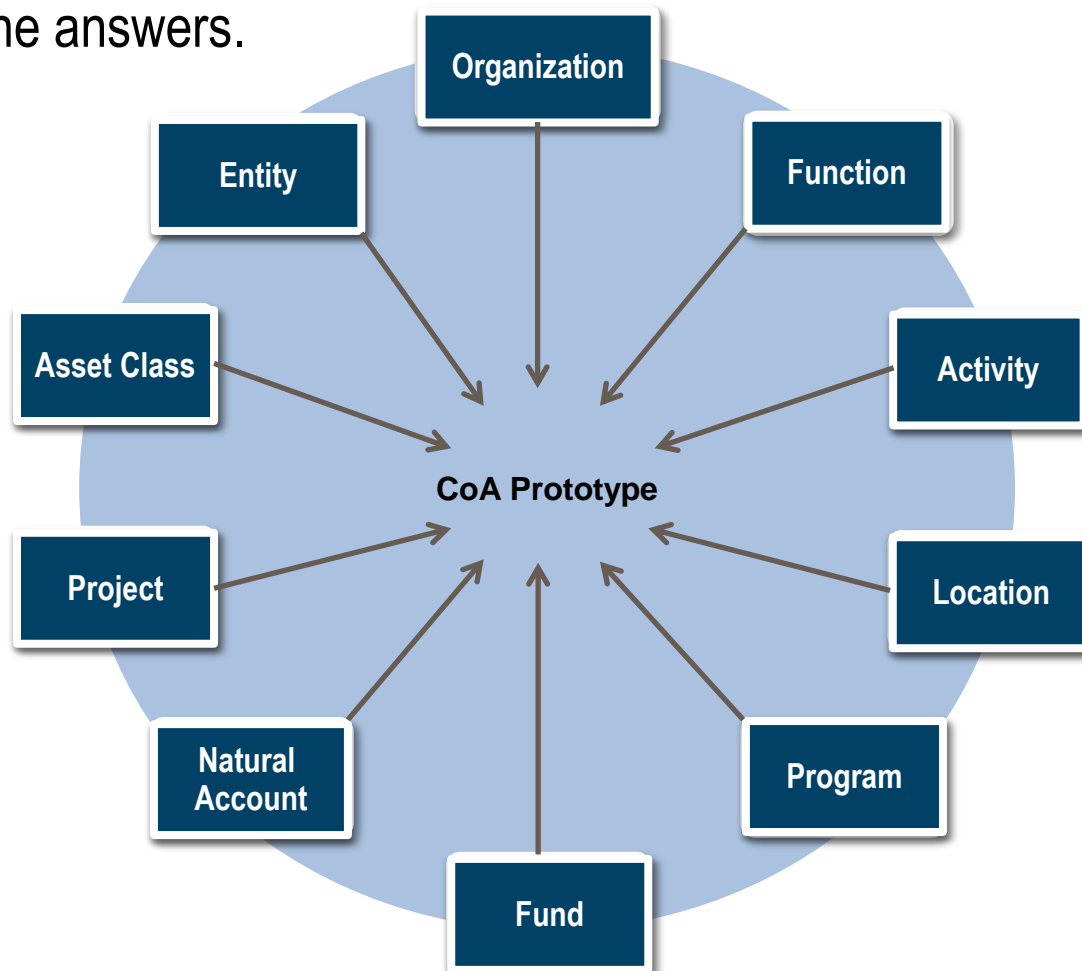
- Where is the activity being performed?
- What facility does the transaction impact?

The answers to the right questions will provide the basis for summarizing transactional information to support financial reporting on funds, activities, programs, projects, organizations, etc.

Analyzing Requirements

Extracting the Key Data Elements

Once the questions are understood you can determine the data elements or dimensions of information that need to be captured with each transaction to provide the answers.



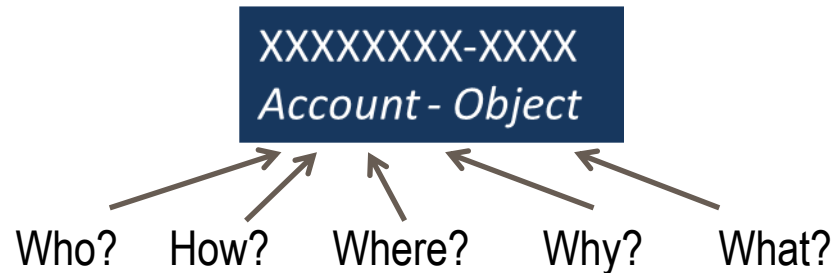
Capturing the Data Elements in the CoA

Does your system allow for a multi-dimensional CoA?
Does it predefine available segments?
Does it place limitations on the number of segments or fields that can be configured?

Designing the Prototype

Linear or “Limited Segment” CoA

Capturing the Required Data Elements in the CoA Design



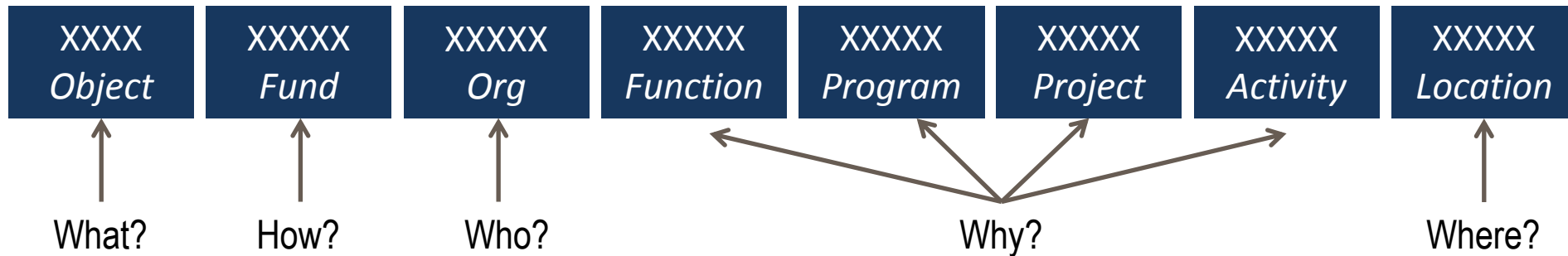
A linear structure requires that the data elements be captured in limited fields.

- Focus of design is less on number and purpose of segments and more on the way that values are established, numbered and ordered in the limited fields.
- Design and use of reporting attributes may carry greater importance.
- May require:
 - Development of more “intelligent numbering”
 - Design and assignment of attributes
 - Development of alternate reporting hierarchies
 - Tagging additional information with each transaction

Designing the Prototype

Multi-Dimensional CoA

Capturing the Required Data Elements in the CoA Design



A multi-dimensional structure allows the desired data elements to be captured in unique fields.

- Focus of design lies in determining the number of fields to be used and the purpose of each field
- Best reporting/fiscal management capacity is obtained when a sufficient number of fields are established to ensure that one field is not used for more than one purpose.
- Considerations
 - Meaning is brought to a transaction through the combination of field values – multiple elements of information should not be captured in a single field.
 - Important to strike a balance between confirming the uniqueness of each field while managing the number of segments.

The objective of the Proof of Concept exercise is to confirm that the prototype CoA structure will meet the needs of the institution. It is focused on the development of test scenarios based on the requirements gathered in the Discovery and Design Phase.

- What it is/What it isn't:
 - Based on “real life examples”
 - Draws examples from multiple organizations and reaches a broader base of participants in CoA design
 - May result in adjustment to the prototype CoA structure
 - Targets proving the requirement
 - Is not exhaustive, end to end testing of the CoA or system
 - Often is not executed in the actual financial application – maybe an MS Excel based exercise
 - May not be focused on demonstrating every “debit and credit” transaction in a scenario

Proof of Concept

An Example

- Requirement – The CoA should provide the capacity to account for and report on an institution-wide activity that crosses organizations, funds, and programs.
- Example Proof of Concept scenario – University X wants to track all revenues and expenses associated with Graduation.
 - The President's Office incurs expenses associated with speaker fees and venue rental using unrestricted funds and a gift restricted specifically for commencement.
 - The Provost's Office incurs expenses for a dinner honoring doctoral candidates using a restricted gift and unrestricted funds.
 - The Dean of Arts and Sciences incurs expenses for the A&S College Commencement – expenses include speaker fees, venue rental, and refreshments – gift and unrestricted funds are used.
 - The Biology Department within A&S, sponsors a dinner honoring its Masters Candidates.
 - The School of Allied Health incurs venue rental expenses in connection with an event honoring its BSN Program graduates.

Proof of Concept

Linear CoA

Demonstrates the need for account creation and use of reporting/account attributes.

Account	Account Description	Account Attributes	Object	Amount
21014221	Pres Office - Graduation	Purpose: Graduation Org: Pres Ofc Fund: Unrestricted	Facilities Rental	4,000.00
31016258	Res Gift-Smith Cmmnc Spkr - Grad	Purpose: Graduation Org: Pres Ofc Fund: ResExpnd	Speaker Fees	10,000.00
23015380	Provost - Graduation	Purpose: Graduation Org: Provost Ofc Fund: Unrestricted	Meals -Official Business	2,500.00
33014672	Res Gift-Jones -Doc Honors - Grad	Purpose: Graduation Org: Provost Ofc Fund: ResExpnd	Meals -Official Business	2,500.00
24015831	A&S Dean -Graduation	Purpose: Graduation Org: A&S Dean Fund: Unrestricted	Speaker Fees	6,000.00
34012291	Res Gift - A&S Operations	Purpose: Graduation Org: A&S Dean Fund: ResExpnd	Refreshments	1,500.00
24015831	A&S Dean -Graduation	Purpose: Graduation Org: A&S Dean Fund: Unrestricted	Facilities Rental	2,200.00
24306221	Biology-Master's - Graduation	Purpose: Graduation Org: Biology Fund: Unrestricted Program: Bio Masters	Meals -Official Business	400.00
25157321	Allied Health - BSN - Graduation	Purpose: Graduation Org: Allied Health Fund: Unrestricted Program: BSN	Facilities Rental	3,000.00

Proof of Concept

Multi-Dimensional CoA

Demonstrates the combination of values that exist in the multiple account segments to capture requisite financial data.

Amount	Object	Fund	Org	Function	Program	Project	Activity	Location
4,000.00	Facilities Rental	Unrestricted - Operating	Office of the President	Student Svcs			Graduation	
10,000.00	Speaker Fees	ResGift-Smith Cmncmnt - Spkr	Office of the President	Student Svcs			Graduation	
2,500.00	Meals -Official Business	Unrestricted - Operating	Provost's Office	Student Svcs			Graduation	
2,500.00	Meals -Official Business	ResGift-Jones Doctoral Honors	Provost's Office	Student Svcs			Graduation	
6,000.00	Speaker Fees	Unrestricted - Operating	Arts and Sciences Dean	Student Svcs			Graduation	
1,500.00	Refreshments	ResGift - A&S Operations	Arts and Sciences Dean	Student Svcs			Graduation	
2,200.00	Facilities Rental	Unrestricted - Operating	Arts and Sciences Dean	Student Svcs			Graduation	
400.00	Meals -Official Business	Unrestricted - Operating	Biology	Student Svcs	Masters Program		Graduation	
3,000.00	Facilities Rental	Unrestricted - Operating	Allied Health	Student Svcs	BSN Program		Graduation	

- Activities
 - Develop field hierarchies
 - Develop value ranges
- Considerations
 - Adhere to Guiding Principles
 - Leverage Proof of Concept exercises for establishing hierarchies and ranges
 - Development of values in certain fields may be limited until mapping occurs
 - Limit extent to which like information is captured in multiple fields

■ Activities

- Account-by-account translation from existing CoA to redesigned CoA
- Develop cross-walk to support conversion, and certain interfaces
- Complete value development

■ Considerations

- Involve “owners” of the accounts/fiscal managers
- Clean up existing balances, old/unused accounts

■ Activities

- Finalization of crosswalk/mapping document
- Conversion of data from existing structure to redesigned CoA
- Implementation of redesigned CoA in feeder systems and employment of translation tables
- Development of CoA user guidance
- Conduct user training

■ Considerations

- Ensure support and assistance approach in place
- Periodic refresher training

**Other Considerations:
The New CoA in the Institution's
Environment**

Revised CoA and Existing Technology

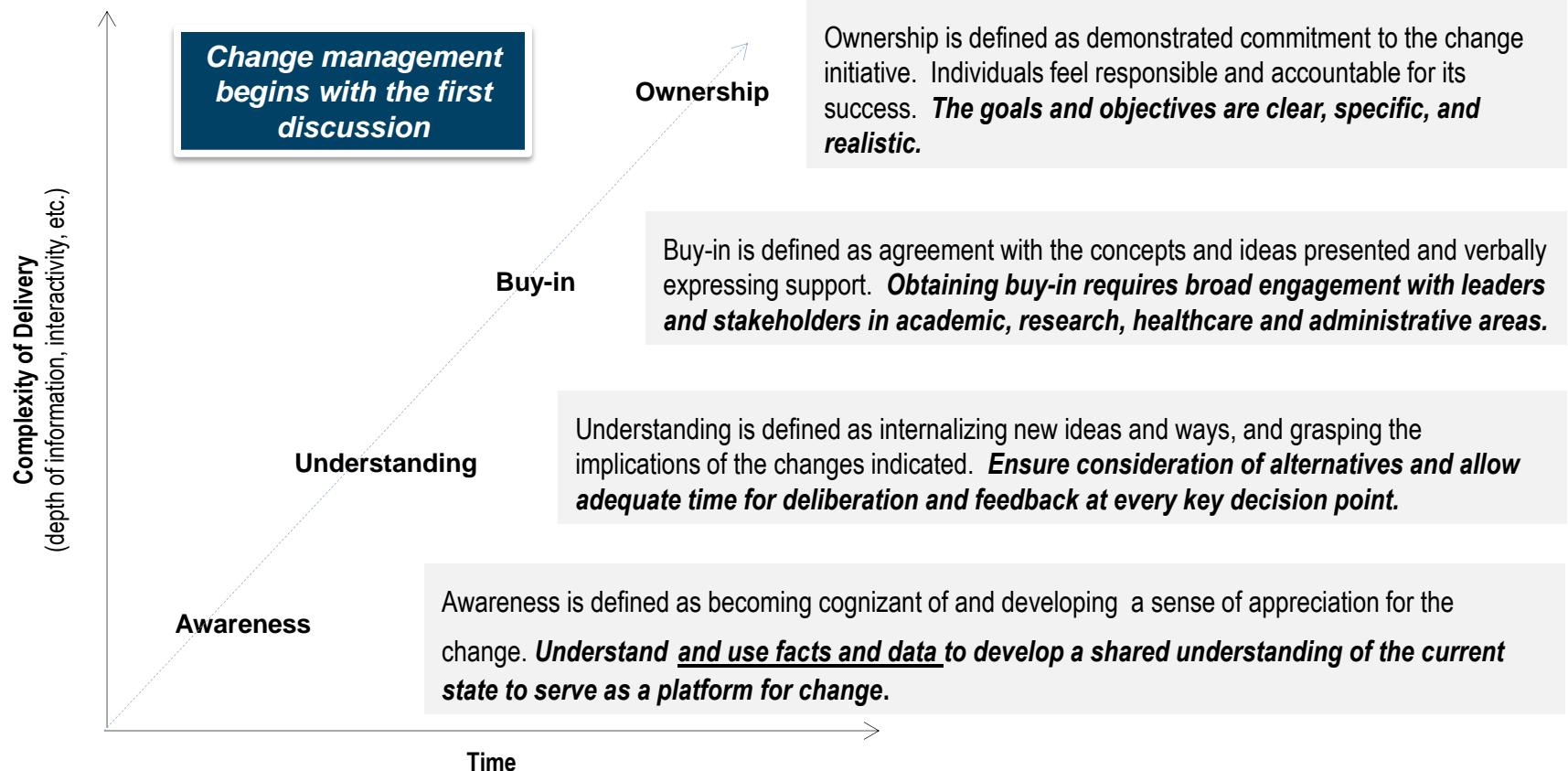
CoA Impact On Other Applications

Often the revision to the institution's CoA requires modification to the accounting structure within interfacing applications

Common Interfacing Applications/Systems			
Advancement (Donor Fund Management)	Cash Management	Payroll	Procurement/Purchasing
Budgeting	Effort Reporting	Indirect Cost Recovery Rate System	Student Administration / Student Accounting
Capital Asset Management	Grants Management	Facilities and Physical Plant Management	Specialized Service Applications
Capital Projects Costing	Human Resources/Human Capital Management	Travel and Expense Reporting	Point of Sale Applications

A Word About Managing Change in Higher Education

Achieving an envisioned state requires consistent emphasis on communication and change management



The case for change and implementation begins with the first interview.

Key Considerations:

- Don't rely too heavily on the current CoA and reports to determine requirements for the new CoA – consider the institution's reporting and fiscal management objectives.
- The Chart of Accounts serves as the primary financial reporting tool across all institutional funds, programs, activities – be sure to understand and incorporate the needs at the local level.
- Exhaustive requirements gathering is likely not necessary. Understand needs to a sufficient level to support development of a CoA prototype. The Proof of Concept, value development and mapping exercises will provide additional opportunity to assess needs.
- Be sure to understand the functionality delivered in subsidiary systems and ledgers – It's typically not necessary to duplicate detail in the CoA.
- Don't underestimate the change management effort.

Questions and Answers

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