One Washington
Chart of Accounts Redesign Project
Final Chart of Accounts Design
May 25, 2016

Table of Contents

1. Introduction

The traditional approach to redesigning a chart of accounts (COA) is to convene a discussion among accountants to agree upon the data elements needed for financial accounting and reporting. These discussions yield decisions on how transactions are to be coded in the accounting system (i.e., the mandatory coding block) and what information would be reported out of the system. In the traditional approach, deliberations are informed by external guidance, such as Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB), and internal guidance, such as statutorily defined financial control and reporting requirements.

The state of Washington (Washington), in preparation for the implementation of its next-generation enterprise resource planning (ERP) system, has chosen to go beyond the traditional approach to redesigning its COA. It has taken a much more forward-thinking approach to COA design that accomplishes all the objectives of a "traditional" COA redesign while also addressing important strategic considerations.

Washington's COA redesign seeks to establish a strong and direct linkage between the manner in which financial data is defined and collected (in the COA) and:

- Washington's information management strategy (the data and analyses that are reported) and
- Washington's operating principles for service delivery (the results that are delivered). (See the Appendix A for a list of these operating principles.)

Redesigning Washington's chart of accounts is one of the most strategically important actions the state will take in preparing the ground for its new ERP system. The redesigned COA is based on leading practices in government and business. In addition, the new chart has been designed *in advance of* selecting the state's ERP solution to help ensure that it, first and foremost, serves Washington's strategic purposes. The redesigned COA is "software agnostic" and not shaped by the technical requirements of any vendor's software product.

2. Chart of Accounts Redesign Objectives and Approach

Objectives

The redesigned COA is intended to:

- Reinforce Washington's Transformation Strategy by using the redesigned COA to help redefine the manner in which state operations are managed and services are delivered to citizens;
- Support Advance Planning for Washington's New ERP System by developing a forward-looking design that emphasizes simplicity, expandability and flexibility for the life of the system;
- Facilitate Adoption of an Enterprise-Wide COA by meeting the needs of both the state's central control and line operating agencies.

Approach

The approach used to develop the new COA design for Washington included eight sequential activities completed from January through May 2016. These activities are summarized below.

1) Survey Key State Agencies and Conduct Follow-Up Interviews – The survey captured information about the state's current COA and its actual use by agencies. It included questions about "pain points" for agencies regarding the existing COA. The follow-up interviews gathered additional insights about agencies' pain points, as well as about features and functions they would like to see in the redesigned COA.
2) Conduct Information Strategy Lab – The objectives of the Information Strategy Lab were to:

   a) Identify "burning questions" related to the state's finance processes for which managers need information, and

b) Use these questions to help determine key data elements to be included in the redesigned COA. The Lab also featured discussions about future COA governance and maintenance of data integrity.

3) Conduct Workshop to Review Draft COA Taxonomy – Workshop #1 brought together Finance, Budget and Operations managers from selected agencies representing a variety of reporting and control needs. The workshop focused on leading COA design practices and trends in other states. Participants reviewed a set of data taxonomies proposed for the redesigned COA, comparing them to the current COA's structural elements. They also discussed key COA features required to take full advantage of a modern ERP system.
4) Develop and Socialize "Strawman" COA Design – Following Workshop #1, a mock-up of the redesigned COA was developed for review and comment by key stakeholders. This "Strawman" provided a check-point midway through the project to allow stakeholders to confirm that the new design would address identified issues and future needs as expected and to offer amendments to the design where needed.
5) Conduct Workshop to Review Strawman COA Design – Workshop #2 provided a forum in which the Strawman's reviewers discussed details of the proposed COA design and shared their comments and recommendations for improving it.
6) Incorporate Feedback from ERP Software Vendors on Strawman COA Design – Following Workshop #2, stakeholder suggestions were incorporated and the revised Strawman was sent to selected ERP software vendors with a request for feedback on the proposed COA design and its compatibility with their products. Vendor comments were reviewed by the project's Executive Steering Committee and, as appropriate, incorporated into the Final COA Design. (See Appendix B for a summary of vendor feedback.)
7) Develop and Socialize COA Governance Model and Maintenance Process – A new COA governance model and maintenance process were developed and reviewed by the Executive Steering Committee. In vetting the proposed governance approach, the committee focused on the need to ensure consistent use of the chart in the future while allowing enough flexibility to accommodate special agency requirements.
8) Develop Final COA Design – The Final COA Design (this report) presents the refined COA structural elements and governance approach proposed for the state.

3. Leading Practices and Design Principles Underlying the Redesigned Chart of Accounts

When designing a COA, it is important to meet the information and reporting requirements of all key stakeholders. A statewide COA must address the needs of a variety of agency users and their various data requirements. The definition, use and maintenance of the COA are essential to ensuring data integrity and practical use of reports generated by the finance and accounting system.

As part of the process of designing its new COA, the state of Washington reviewed leading practices that have played an integral part in the successful design and maintenance of COAs in other states and organizations. These practices and the benefits they provide for organizations whose COAs incorporate them include:

Leading Practice	Benefits
Adopt a Single, Global COA	▪ Standardizes COA coding element usage and provides consistent application across state government. ▪ Ensures consistent data definitions and roll-up structures. ▪ Ensures consistent data capture and simplifies data retrieval processes for reporting and analysis.
Maintain a Lean COA	▪ Defines data elements at the lowest level required to make business decisions. ▪ Creates consistency and ensures compatibility of reported information across state agencies. ▪ Reduces the need for data reconciliation and reclassifications.
Eliminate Miscellaneous Coding Elements	▪ Reduces the opportunity for inconsistent use of chart elements. ▪ Promotes a statewide perspective when recording and reporting financial information.
Provide for "Optional" Agency Coding Elements	▪ Provides agencies the option to request coding elements that decompose the sub segments above them in the data hierarchy. ▪ Creates new coding elements that are available to all agencies, given that each is used consistently statewide.
Build Flexibility into the COA Coding Scheme	▪ Provides room for growth and flexibility for changes in the organization over time without having to alter the COA structure. ▪ Translates transaction-level details into higher-level summary information.
Centralize Management of the COA	▪ Incentivizes agencies to comply with statewide COA data definitions. ▪ Ensures agencies use coding elements already established for a special function or purpose instead of creating new ones.
Institute a Formal COA Governance Structure	▪ Ensures the COA will remain relevant and useful despite changes to government spending and revenue requirements over time. ▪ Balances the need to allow appropriate COA evolution with the need to support ongoing longitudinal data analysis.
Use ERP Sub-Systems for Transaction Details	▪ Allows transaction details to be "pushed down" into sub-ledgers (e.g. accounts payable, accounts receivable, fixed assets, treasury management, projects, grants, budget preparation, travel and expense, etc.) where the data can be easily retrieved or referenced from the general ledger. ▪ Ensures the core financial system is the system of record and primary source of financial information.

The state has endeavored to apply all of these practices to its new COA design.

4. Legacy Chart of Accounts Overview

The State of Washington's Uniform Chart of Accounts (Legacy COA) is detailed in Chapter 75 of the Statewide Administrative & Accounting Manual issued by the Office of Financial Management (OFM). (For full details, go to http://www.ofm.wa.gov/policy/75.htm.) The Legacy COA provides the coding scheme for all transactions recorded in the state's Agency Financial Reporting System (AFRS).

Structural Elements

The state's legacy COA is comprised of 11 structural elements (or segments) through which transactions entered into the AFRS general ledger are organized, as shown below.

Washington Uniform Chart of Accounts Structural Elements

The Structural Elements' purposes are summarized in the following table.

Structural Element	Primary Purpose(s)
Agency	Used to identify state agencies.
Organization	Used to identify or accumulate costs by cost center.
Fund	Used to identify the accounting entity against which a transaction is to be charged.
Appropriation	▪ Used to identify each legislative or executive spending authorization. ▪ Codes are assigned for each agency each biennium by OFM.
General Ledger Account	▪ Used to classify in summary form all transactions of an accounting entity. ▪ Agencies may change GL account codes for internal purposes but must convert back to the authorized statewide codes before submitting information to AFRS.
Subsidiary General Ledger Account	▪ Used to code the associated entity for any inter-agency or inter-fund transaction. ▪ Also used to record the agency on the other side of the transaction.
Revenue Source	Used to identify the original category from which revenue is derived.
Expenditure Object	Used to classify expenditures.
Program	▪ Used to identify agencies' major activities expressed as primary functions or organizational units. ▪ Codes generally are assigned by agencies with the concurrence of OFM.
Project	▪ Used at the statewide level to capture expenditure data on information technology (IT) acquisitions and new development and on IT maintenance and operations. ▪ Used by some agencies to capture transactional data on agency-specific projects. ▪ Can be used over multiple years and biennia to accumulate transactions over time.
Other	Used by state agencies to code items such as county/city/town locations, budget allocations, budget units, months of service, etc.

For AFRS journal entries, the structural elements required of most agencies for transaction coding are:

Journal Entry	Required Structural Elements
General Ledger (Balance Sheet)	Agency*Fund*GL Account*Subsidiary Account
Revenue	Agency*Fund*GL Account*Revenue Source
Expense	Agency*Fund*GL Account*Appropriation*Program*Expenditure Object

Coding Elements

Coding elements are defined parts of the accounting code that identify increasingly detailed sub-components of a structural element. The Legacy COA's structural elements are segmented into coding elements (or sub-segments), as follows:

Structural Element	Coding Elements	Character Length	Code Type	Centrally or Agency Defined?
Agency	▪ Agency ▪ Sub-Agency	3 1	Numeric Alpha	Centrally
Organization	▪ Division ▪ Branch ▪ Section ▪ Unit ▪ Cost Center	2 2 2 2 2	Alphanumeric Alphanumeric Alphanumeric Alphanumeric Alphanumeric	Agency Agency Agency Agency Agency
Fund	▪ Accounting Fund ▪ Fund Detail	3 0	Alphanumeric (Not Used)	Centrally
Appropriation	▪ Appropriation ▪ Appropriation Type ▪ Appropriation Character	3 1 1	Alphanumeric Alphanumeric Numeric	Centrally Centrally Centrally
General Ledger Account	▪ General Ledger ▪ Memorandum	4 4	Numeric Numeric	Centrally Centrally
Subsidiary General Ledger Account	▪ Subsidiary Account (Both Debit and Credit)	6	Alphanumeric	Agency
Revenue Source	▪ Major Group ▪ Major Source ▪ Sub-Source	2 2 6	Numeric Numeric Numeric	Centrally Centrally Agency
Expenditure Object	▪ Object code ▪ Sub-Object ▪ Sub-Sub-Object	1 1 4	Alpha Alpha Numeric	Centrally Centrally Agency
Program	▪ Function ▪ Program ▪ Sub-Program ▪ Activity ▪ Sub-Activity ▪ Task	2 3 2 2 2 2	Numeric Alphanumeric Alphanumeric Alphanumeric Alphanumeric Alphanumeric	Centrally Centrally Agency Agency Agency Agency
Project	▪ Project Type ▪ Project ▪ Sub-Project ▪ Phase	1 4 2 2	Numeric Alphanumeric Alphanumeric Alphanumeric	Centrally Agency Agency Agency

Structural Element	Coding Elements	Character Length	Code Type	Centrally or Agency Defined?
Other	▪ County	3	Numeric	Centrally
	▪ Cities/Towns	4	Numeric	Centrally
	▪ Budget Allocation	4	Alphanumeric	Agency
	▪ Budget Unit	3	Alphanumeric	Agency
	▪ Month of Service	4	Numeric	Agency
	▪ Work Class	3	Alphanumeric	Agency

Coding elements are defined either centrally by OFM for uniform statewide use or by individual agencies for their own internal purposes. Centrally defined coding elements are required for preparation of the Comprehensive Annual Financial Report (CAFR) and other statutory reporting. All agencies must use centrally defined coding elements in the same way without exception. Agency-defined coding elements are not required for statewide reporting. They provide more granular levels of detail for agencies' internal reporting. Agency-defined coding elements are created and maintained by each agency at its discretion.

5. Redesigned Chart of Accounts Structure

Chart of Accounts Taxonomies and Financial Data "Roll-Ups"

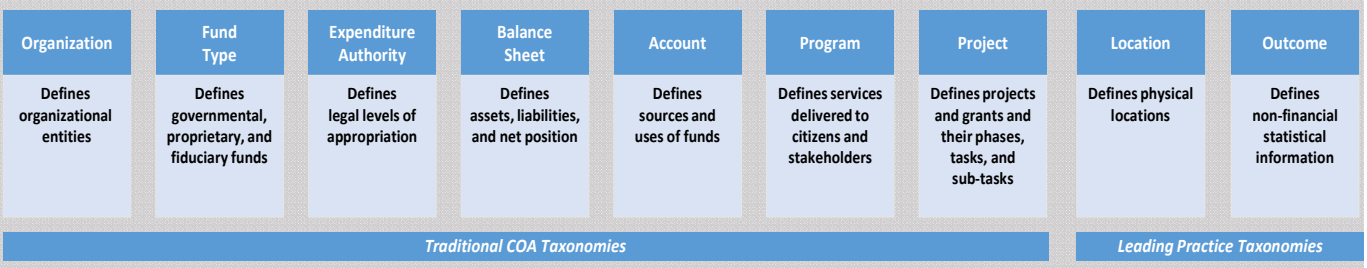
COA taxonomies are hierarchical classifications of required information that:

- Meet legal and administrative requirements for budget management and financial reporting.
- Conform to certain (e.g., industry) standards on financial and statistical reporting.
- Meet enterprise requirements for planning, controlling and reporting.

Each taxonomy is a data hierarchy that can be decomposed to as many levels as needed.

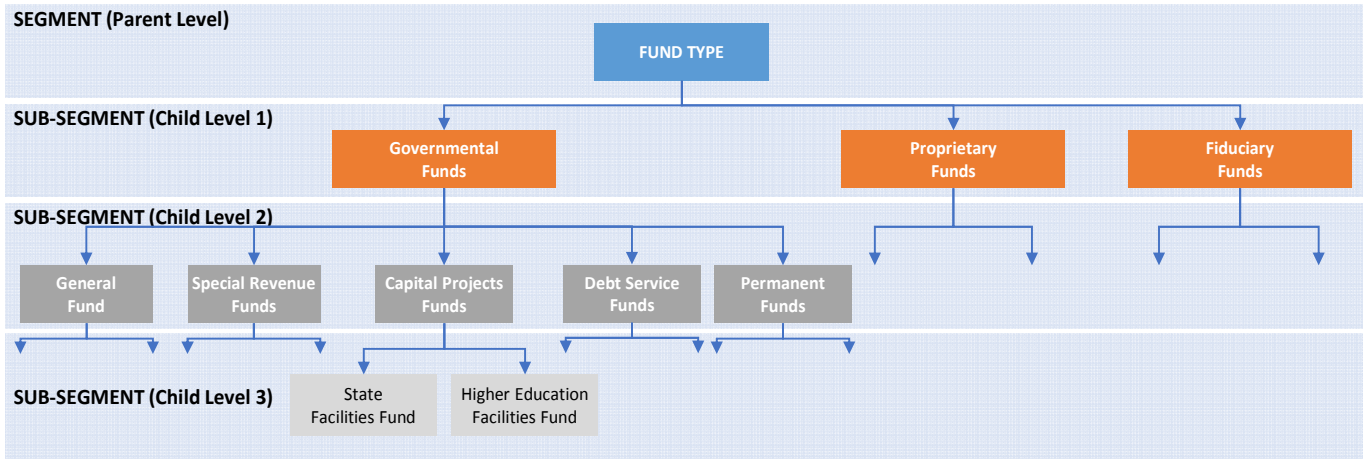
A modern COA's classification scheme includes taxonomies that cover discrete information requirements for enterprise management, reporting and control purposes. For state government, an adequate COA classification scheme should include the taxonomies shown in the following diagram.

State Government Model COA Taxonomies



Each taxonomy is a data hierarchy that can be "rolled up" from as low a level of transactional detail as needed to a comprehensive summary level. Each sub-segment of the hierarchy decomposes the one above it in a uniform, logical progression. For example, as shown in the diagram below, for the fund type taxonomy, the data hierarchy could start with the segment "fund type" (parent level) and descend one or more sub-segments (child levels) below that.

Example of a COA Taxonomy Hierarchical Data Structure "Roll-Up"



As shown, each sub-segment of the hierarchy is a decomposition of the segment or sub-segment immediately above it. In the hypothetical example shown above:

- "Fund Type" is decomposed into sub-segments for governmental, fiduciary, and proprietary Funds;
  - "Governmental Funds" is decomposed into sub-segments for general fund, special revenue funds, capital project funds, and debt service funds;
    - "Capital Projects Funds" is decomposed into sub-segments for general capital projects fund, transportation capital projects fund, and environmental capital projects fund.

For reporting on activity within a discrete taxonomy, the COA coding elements that correspond to the taxonomy's segments and sub-segments organize and group financial information so that it is consistently recorded and can be "rolled up" to whichever level of the data hierarchy is required for different financial and management reports. For reporting on activity across taxonomies, relationships among COA coding elements can be configured using the relational data base functionality of a modern ERP system so that the elements within any taxonomy at any level of its data hierarchy can be related to elements within any other taxonomy at any level of its data hierarchy.

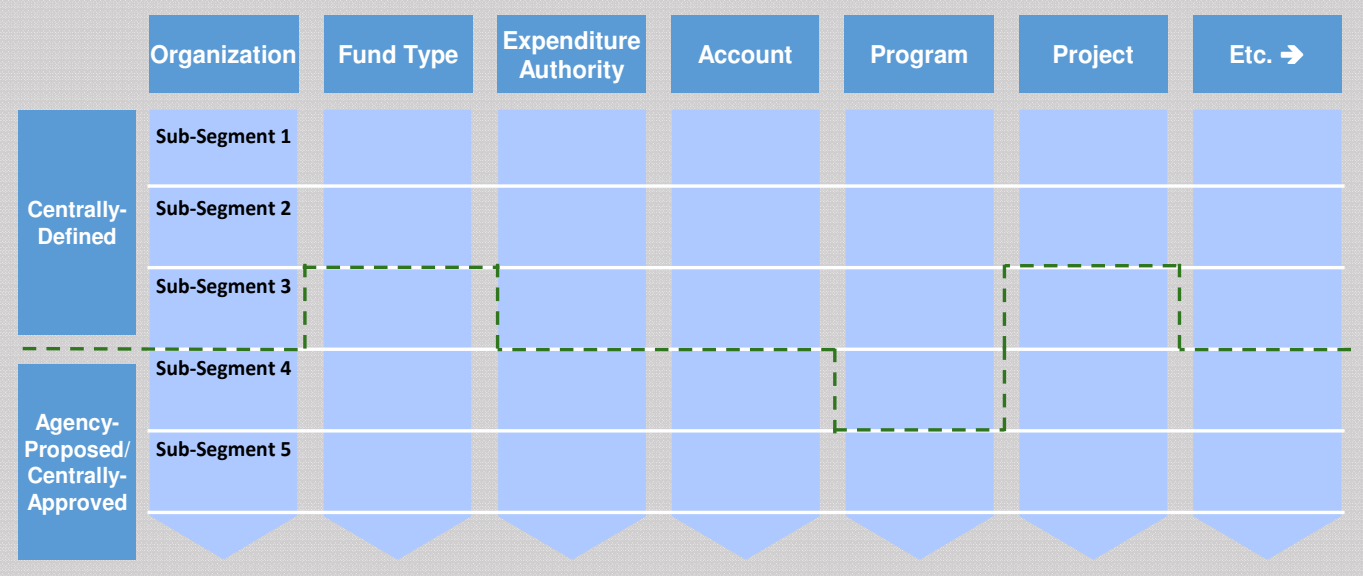
An example of how reporting across taxonomies works would be a road construction project with components funded from both a capital projects fund and a special revenue fund and involving expenditures by several agencies (e.g., DOT, DOE, OFM, etc.). A modern COA classification scheme coupled with ERP relational database functionality would enable reporting of total project costs regardless of funding source or organizational unit, as well as reporting of project costs by fund or agency.

Chart of Accounts Management and Discipline

Every sub-segment of a modern COA should have a uniform definition across the enterprise. This does not mean that sub-segments defined to meet the special requirements of one or more sub-units of the enterprise are excluded. Such specially defined sub-segments can and should be included in a COA. However, once defined and included, such sub-segments must be used in the same way by all sub-units of the enterprise, and duplicates of such sub-segments should not be added to the chart going forward.

What this means in practice is that, within each COA taxonomy, high-level sub-segments should be defined and established by a central authority for the entire enterprise, while low-level sub-segments may be proposed by sub-units when needed subject to formal approval by the central authority. As illustrated in the diagram below, the level at which sub-segments would be defined for all centrally or proposed by sub-units will vary by COA taxonomy.

Example of Variation of Sub-Segment Origination for COA Taxonomies



Within each COA taxonomy, all agencies will be required to use centrally defined coding elements corresponding to the taxonomy's segments and sub-segments down to a specified level of the data hierarchy. Below this level, if they desire it, agencies will have the option of requesting coding elements that decompose the sub-segments above them in the data hierarchy. However, whenever an agency defined coding element is established for one agency, the new element's definition will apply for all agencies, and the element should be used consistently by all agencies. Once established, no coding element, whether centrally defined or agency defined, should ever have more than one definition or transactional use.

Chart of Accounts Structural Elements Underlying Key Financial and Management Reports

State agency financial and management reporting requires use of the COA to extract specific data needed for any given report. The COA's structural elements provide the framework to organize such information for reporting purposes.

Agency managers rely mainly on four types of report for financial control and planning purposes, including:

Report Type	Examples	Agency Owner
Budgetary/ Spend Control	▪ Appropriation Monitoring Report ▪ Cash Flow ▪ Contracts Payable ▪ GHS Monthly Charts ▪ Liquidations Report ▪ Monthly Fiscal Status Report for Programs ▪ Overtime Report Summary	➢ DSHS ➢ DOH ➢ DOH ➢ DSHS ➢ DSHS ➢ DSHS ➢ DSHS
Cost Analysis/ Spend Decision	▪ Cost Allocation JV Verification ▪ Cost Allocation - Recovery by Division ▪ Expenditure Grouped by Object	➢ DOH ➢ DOH ➢ DOH
Management Planning	▪ Annual Bond Sale-Six Month Bond Sale Information ▪ January 2016 OFM Allotment Report-Q2 Operating Budget ▪ Private Local Revenues and Expenditures by SSCRO	➢ DOT ➢ DOT ➢ DSHS
Public Accountability	▪ 1Q Financial Report through September 2015 ▪ CAFR-Fund Balance Sheet ▪ CAFR-Statement of Activities ▪ CAFR-Statement of Net Position ▪ CAFR-Statement of Revenues, Expenditures, Changes in Fund Balance	➢ DOT ➢ OFM-Statewide ➢ OFM-Statewide ➢ OFM-Statewide ➢ OFM-Statewide

To generate such reports, AFRS draws required data that is entered into the system using specific COA structural elements. Each of these legacy COA structural elements corresponds to one of the model COA taxonomies, as shown in the table below.

Report Type	Legacy COA Structural Elements	Corresponding COA Taxonomies
Budgetary/ Spend Control	▪ Agency ▪ Expenditure Authority ▪ Fund ▪ General Ledger Account ▪ Object/Sub-Object ▪ Organization ▪ Program/Sub-Program ▪ Project ▪ Other	➢ Organization ➢ Expenditure Authority ➢ Fund ➢ Account ➢ Account ➢ Organization ➢ Program ➢ Project ➢ Geo/Location
Cost Analysis/ Spend Decision	▪ Expenditure Authority ▪ Fund ▪ Object/Sub-Object ▪ Program/Sub-Program ▪ Project ▪ Revenue/Major/Source	➢ Expenditure Authority ➢ Fund ➢ Account ➢ Program ➢ Project ➢ Account

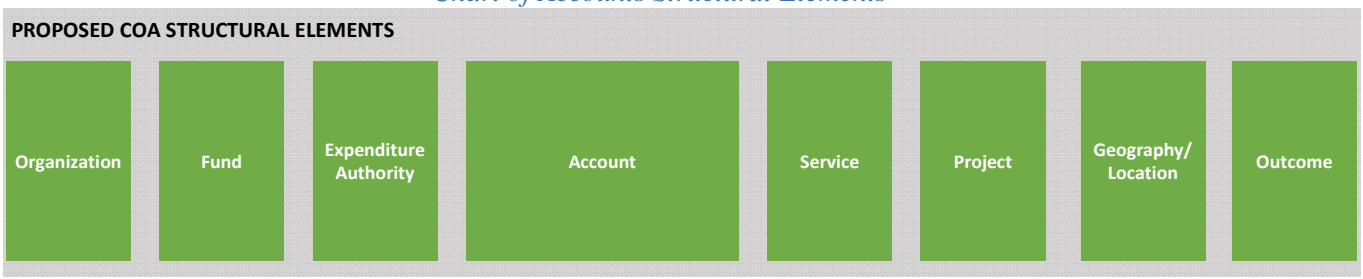
Report Type	Legacy COA Structural Elements	Corresponding COA Taxonomies
Management Planning	▪ Agency ▪ Expenditure Authority ▪ Fund ▪ Object/Sub-Object ▪ Program/Sub-Program ▪ Revenue/Major/Source	➢ Organization ➢ Expenditure Authority ➢ Fund ➢ Account ➢ Program ➢ Account
Public Accountability	▪ Agency ▪ Expenditure Authority ▪ Fund ▪ General Ledger Account ▪ Object/Sub-Object ▪ Program/Sub-Program ▪ Revenue/Major/Source	➢ Organization ➢ Expenditure Authority ➢ Fund ➢ Account ➢ Account ➢ Program ➢ Account

The model COA taxonomies cover all legacy COA structural elements on which essential agency reporting through AFRS currently relies. The model COA taxonomies corresponding to the legacy elements will provide the organizing scheme for Washington's redesigned COA and ensure all data required for agency reporting purposes will be captured in the state's new ERP system.

Structural Elements for the Redesigned Chart of Accounts

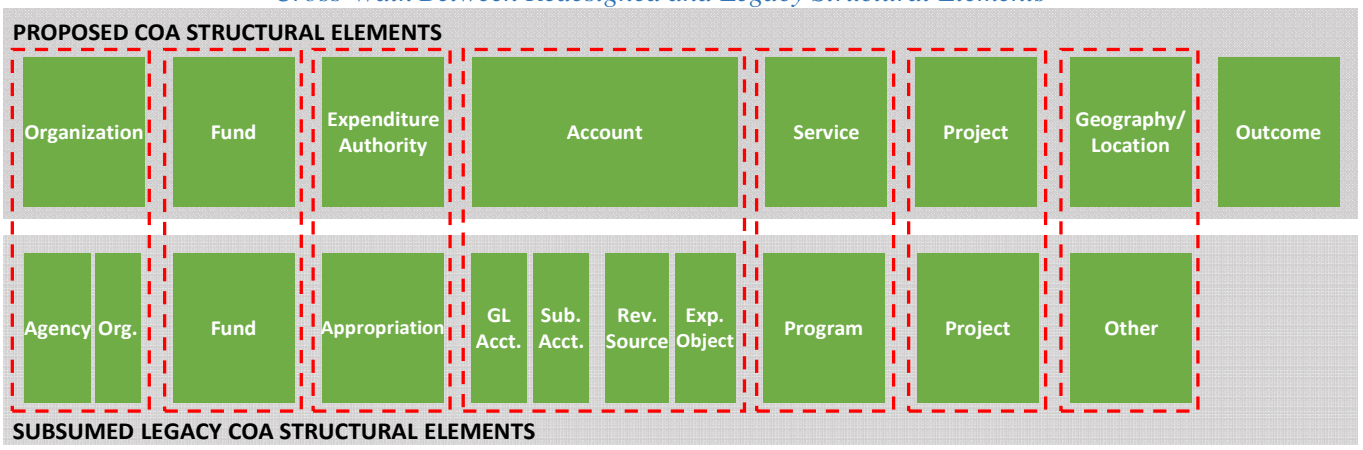
Eight structural elements are proposed for Washington's redesigned COA, as shown below.

Chart of Accounts Structural Elements



The legacy COA's structural elements are subsumed by the proposed structural elements as illustrated in the following diagram.

Cross-Walk Between Redesigned and Legacy Structural Elements



The proposed structural elements' purposes and their key differences from similar elements in the legacy COA are summarized in the following table.

Proposed Structural Element	Primary Purpose(s)	Changes From Legacy COA
Organization	▪ Used to capture the departments and organizations of an agency. ▪ Used to collect organizations of people common to an administrative function.	▪ Combines agency and organization legacy elements. ▪ Aligns with three branches of government at statewide level.
Fund	Used to identify the accounting entity against which a transaction is to be charged.	Reduces coding elements to just GAAP-defined fund types.
Expenditure Authority	▪ Used to capture appropriations and other expenditure authorizations. ▪ Required for coding to expense accounts.	Restructures coding elements to roll up to budgeted and non-budgeted expenditure authorizations.
Account	Used to capture all transactions that affect the balance sheet, operating statements, and other financial statements.	▪ Combines general ledger account, revenue source, expenditure object, and their subordinate coding elements. ▪ Facilitates use of roll-ups to develop CAFR and other management reports. ▪ Inter-organization detail maintained under this structural element.
Service	▪ Used to track revenues and expenses related to service programs. ▪ Used to report on government functions across organizations and projects.	▪ Creates new service types to be used uniformly by all agencies. ▪ Ends use of program for miscellaneous coding purposes.
Project	▪ Used for both projects and grants for cost tracking and analysis. ▪ Hierarchically relates as many projects/ sub-projects and/or phases as needed. ▪ Defined for a specific purpose that can span multiple fiscal years.	▪ Establishes new scheme available to all agencies for project data entry. ▪ Can interface with agency project management charts at high or low levels of detail, as required.
Service	▪ Used to track revenues and expenses related to service programs. ▪ Used to report on government functions across organizations and projects.	▪ Creates new service types to be used uniformly by all agencies. ▪ Ends use of program for miscellaneous coding purposes.
Geography/ Location	Used to track revenues and expenses specific to a location or geographic center.	▪ Establishes new element to be used uniformly by all agencies. ▪ Discontinues use of other legacy element for location coding.
Outcome	Used to track non-financial measures, such as statistical information, metrics for service outcomes, service-recipient headcounts, etc.	Establishes new element to be used uniformly by all agencies.

The proposed COA structural elements incorporate leading COA design practices, such as a global, lean COA that excludes the use of miscellaneous elements. The following table summarizes significant benefits expected to result from adoption of the proposed elements for Washington's redesigned COA.

Proposed Structural	Benefits of Adoption
Organization	▪ Simplifies journal coding by combining agency and organization into one element. ▪ Aligns departmental units within agencies more closely.
Fund	Simplifies and aligns fund coding with GAAP.
Expenditure Authority	Eliminates the need for some appropriation codes through use of hierarchical reporting roll-ups.
Account	▪ Allows users to retrieve accounting data that pertains to balance sheets, fund balance, revenue reporting, and expenditure analysis through one COA element. ▪ Takes advantage of reporting roll-ups to develop the CAFR and other statewide management reports.
Service	▪ Tracks transactions for revenues and expenses across or within programs. ▪ Enables statewide reporting on common functions and services across agencies.
Project	▪ Enables tracking of project or grant revenues and expenses in the general ledger. ▪ Enables use of projects and grants sub-systems in modern ERP systems to maintain deep levels of detail. ▪ Enables budget vs. actual analyses for projects and grants. ▪ Records "individual tasks" or "parts of the whole" that make up projects and grants.
Location	▪ Enables financial and outcomes measurement across geographic locations. ▪ Eliminates the need for location-specific code values embedded in legacy organization, program, sub-source, and sub-sub-object elements.
Outcome	Relates financial information and outcome measurements to inform agencies and the public on the effectiveness of financial spending and investments.

Coding Elements for the Redesigned Chart of Accounts

The structural elements/segments proposed for Washington's redesigned COA are decomposed into coding elements/sub-segments that provide progressively more granular levels of detail for coding transactions. The proposed coding elements for the redesigned COA are presented in the following table.

Chart of Accounts Coding Elements

Structural Element/ Segment →	Organization	Fund	Expenditure Authority	Account	Service	Project	Geography/ Location	Outcome
Sub-Segment 1	Branch	Fund Type	Appropriation Authority	Account Level 1	Service Type	Project Type	County Group	Priority
Sub-Segment 2	Function	Suite	Spending Authority	Account Level 2	Suite	Suite	County	Initiative Group
Sub-Segment 3	Agency	Fund	Spending Source	Account Level 3	Service	Project	Sub-County 1	Initiative
Sub-Segment 4+	Sub-Agency	Sub-Fund	Budget Control	Account Level 4	Sub-Service	Sub-Project	Sub-County 2	Sub-Initiative

Under any structural element, each sub-segment is a decomposition of the one immediately above it. The decomposition comprises a set of components that are mutually exclusive and collectively exhaustive (MECE). For example, sub-segment 1 under "Organization" – "Branch" – includes the executive, legislative and judicial branches of Washington state government. These sub-segment components are mutually exclusive (none overlaps with any other) and collectively exhaustive (all the branches of state government are included). Each subsequent sub-segment is designed to be similarly MECE.

For each structural element, the level of detail (i.e., the deepest sub-segment) at which agencies should be required to code transactions will depend on Washington's specific business needs for statewide financial management and analysis. For example, under "Account", to provide sufficient detail regarding revenues and expenses statewide agencies should be required to code transactions at the lowest level. By contrast, under "Project", assuming statewide financial management does not involve going into the details of agency projects, agencies may be required to code transactions only at sub-segment 2. If an agency desires transaction details for its projects by "Phase", "Task" or further levels of decomposition, it could code transactions at its level of choice below the required level.

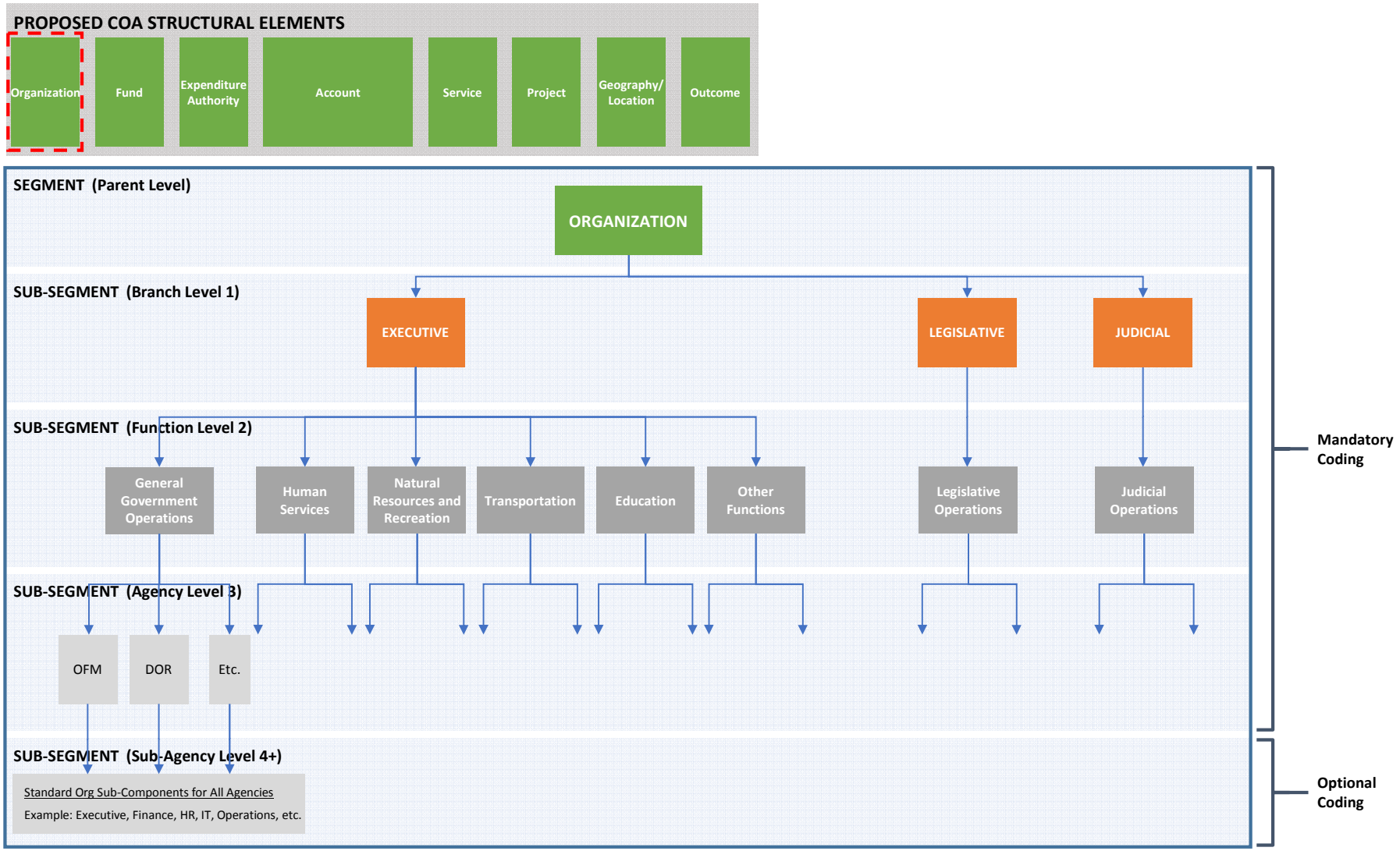
Modern ERP systems include tools to assist end-users with transaction coding (e.g., inference tables and speed charts) that eliminate the need for users to memorize numerous, lengthy transactions codes. These tools take advantage of the hierarchical structure of a modern COA and automatically populate required summary level codes when a transaction is coded at the lowest level. These tools help avoid overwhelming end-users with too many coding requirements and greatly reduce coding errors.

Diagrams showing the decomposition of each proposed structural element/segment into its subordinate coding elements are presented below. The diagrams show how each structural element is decomposed by sub-segment, but they do not specify all components for each sub-segment. In addition, for each structural element the diagrams indicate the deepest sub-segment at which transaction coding should be mandatory for all agencies and those below it at which coding would be optional.

The following structural element decompositions are a proposed framework for Washington's redesigned COA, not a complete chart. The complete chart's detailed coding elements/sub-segments will be developed through future discussions and agreement on statewide element definitions and data hierarchies between OFM and key state agencies.

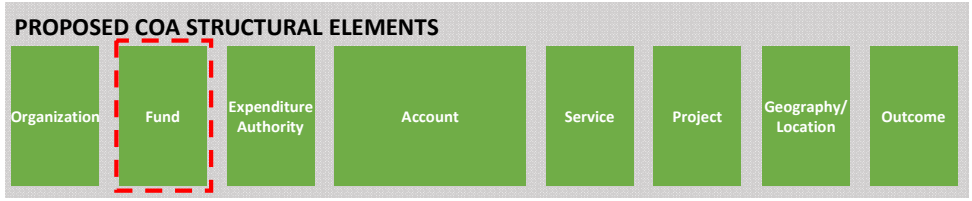
Organization Coding Elements

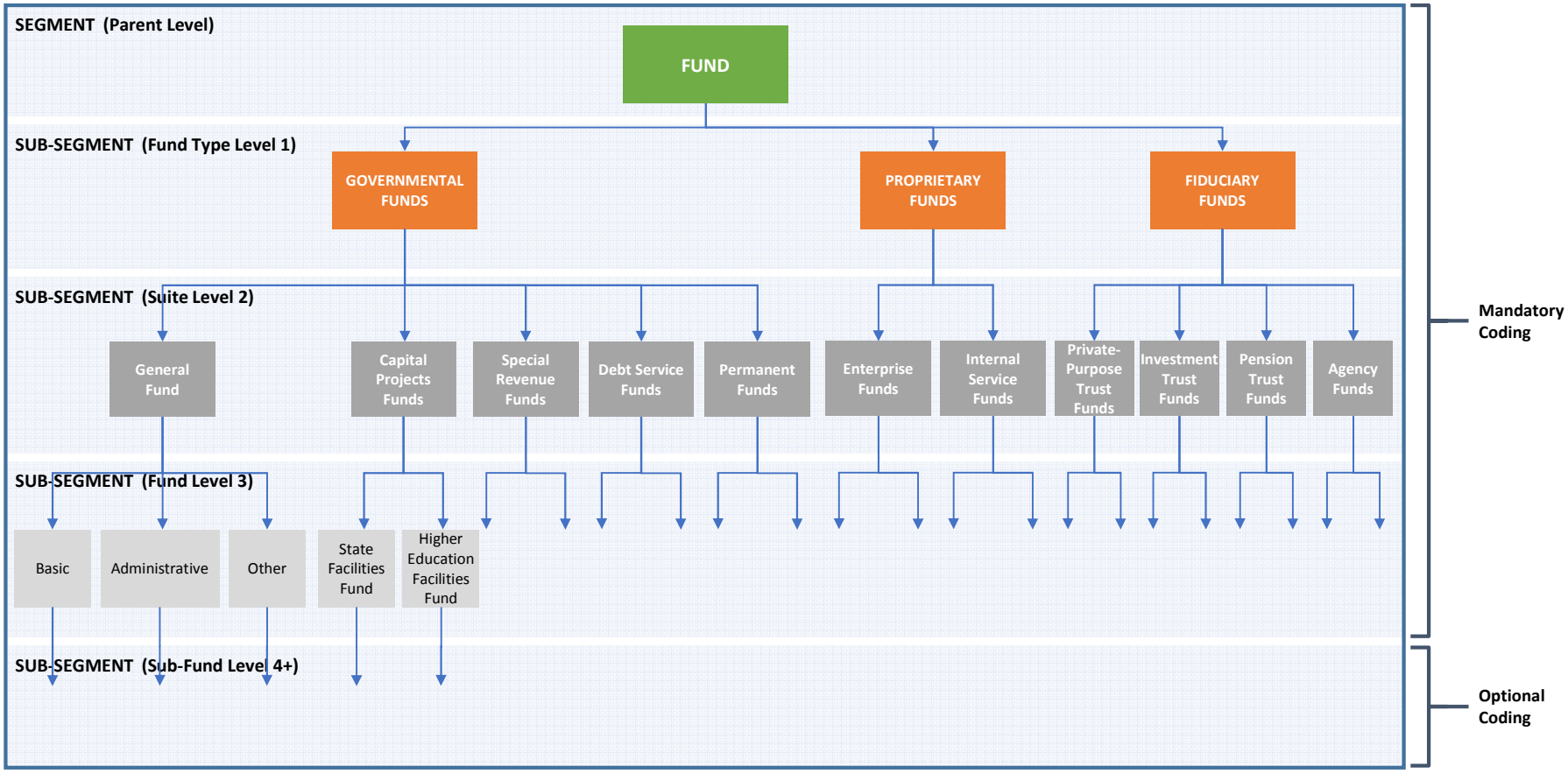
The structural element "Organization" is decomposed at the highest level into coding elements for the three branches of state government. In turn, each "Branch" is decomposed into "Functions" derived from functional groups specified in Section 75.20.30 of SAAM Chapter 75. Each "Function" is decomposed into its constituent state agencies also specified in Section 75.20.30. Each "Agency" can be decomposed into common "Sub-Agency" units (e.g., department, division, office, etc.) or into common functions (e.g., Finance, HR, IT, etc.).



Fund Coding Elements

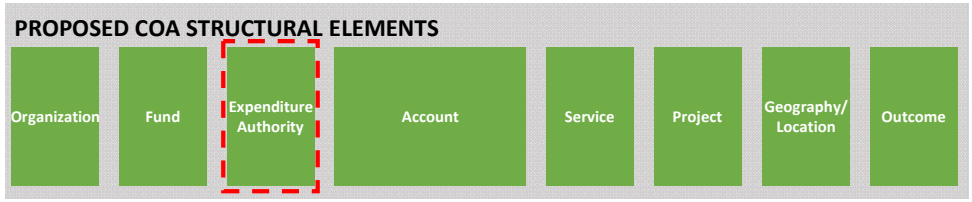
The structural element "Fund" is decomposed at the highest level into coding elements for the three GAAP-defined government "Fund Types". Each "Fund Type" is decomposed into subordinate "Suites", which are sub-groups of "Funds" that are specified in Section 75.30.10 of SAAM Chapter 75. Each "Suite" is decomposed into its constituent "Funds", also specified in Section 75.30.10 of SAAM Chapter 75. Each "Fund" can be further decomposed into "Sub-Funds", as needed for agency management and reporting purposes.

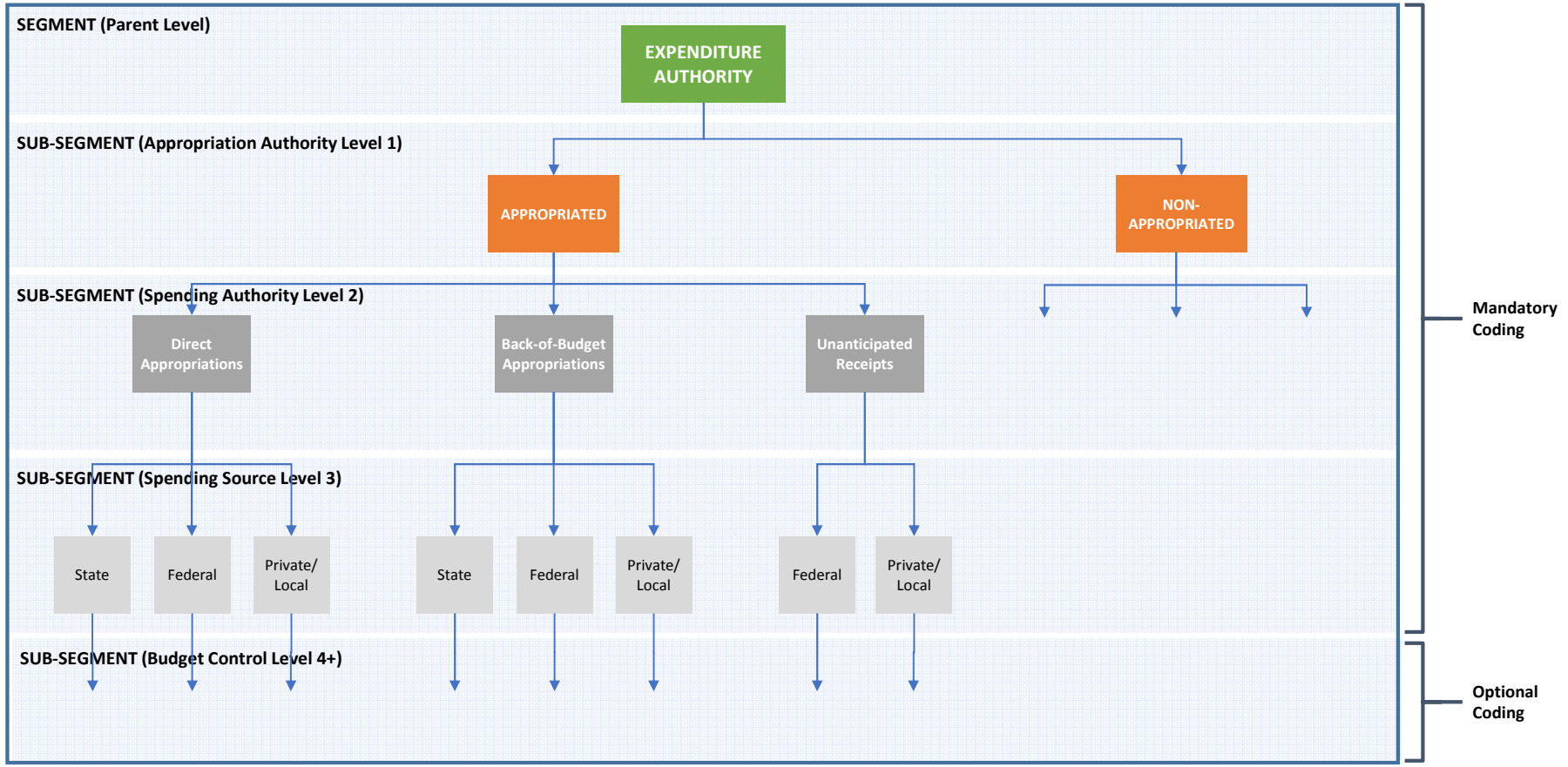




Expenditure Authority Coding Elements

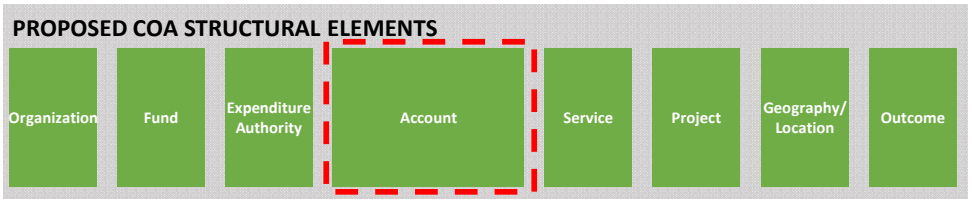
The structural element "Expenditure Authority" is decomposed into two "Appropriation Authorities" – "Appropriated" for spending authorized by legislative appropriation act and "Non-Appropriated" for spending authorized outside of the legislative appropriation process. Each "Appropriation Authority" is decomposed into "Spending Authorities" indicating its type of appropriation (for "Appropriated" spending), or indicating its origin outside of the appropriation process (for "Non-Appropriated" spending). Each "Spending Authority" is decomposed into its possible "Spending Sources", including "State", "Federal", or "Private/Local" sources. Each "Spending Source" can be decomposed further into "Budget Control" sub-components as needed for agency management and reporting purposes.

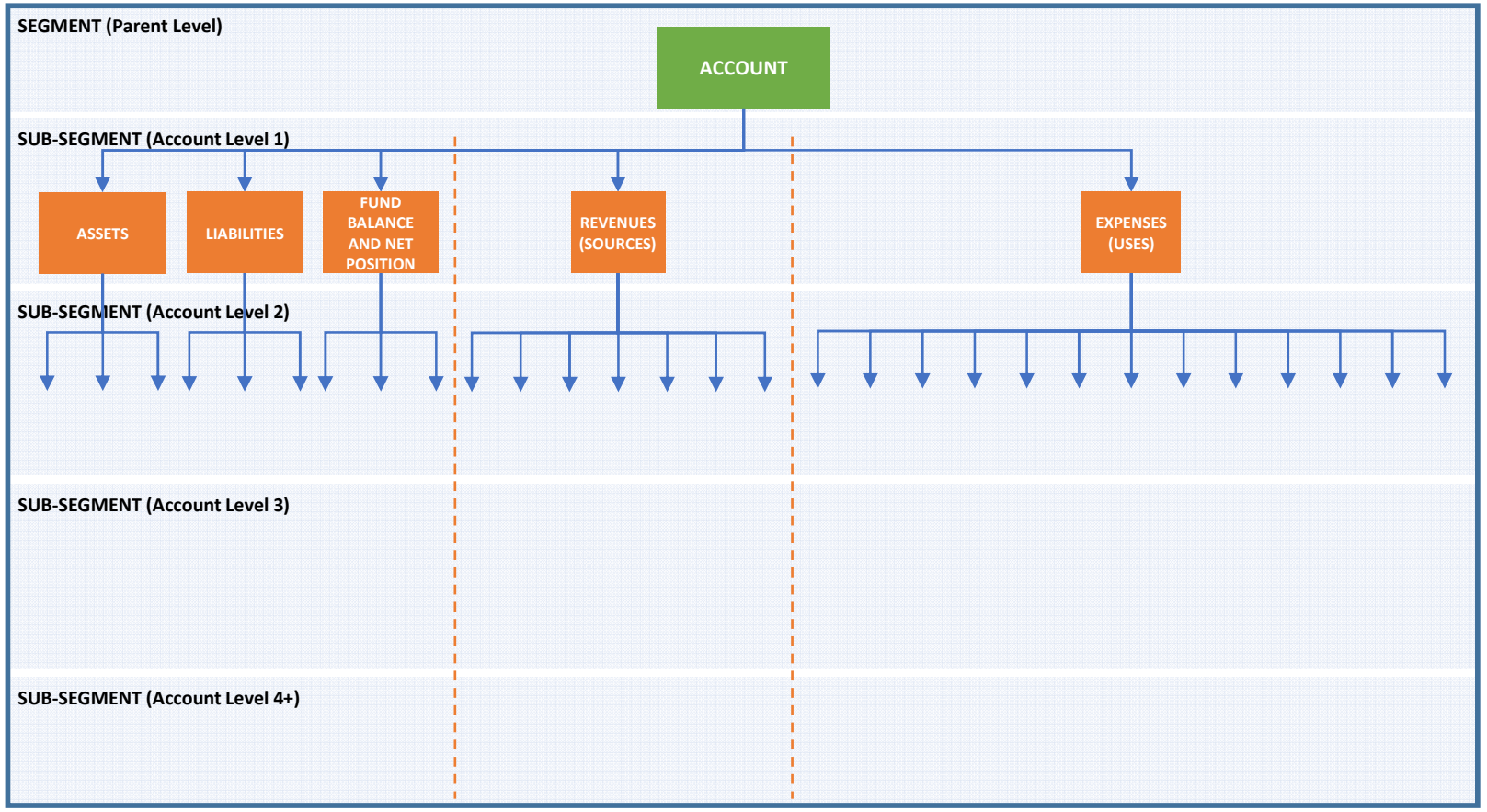




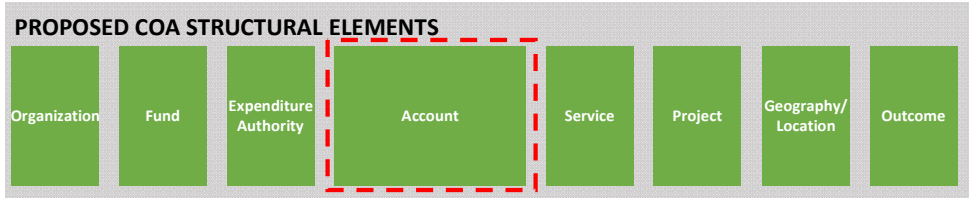
Account Coding Elements

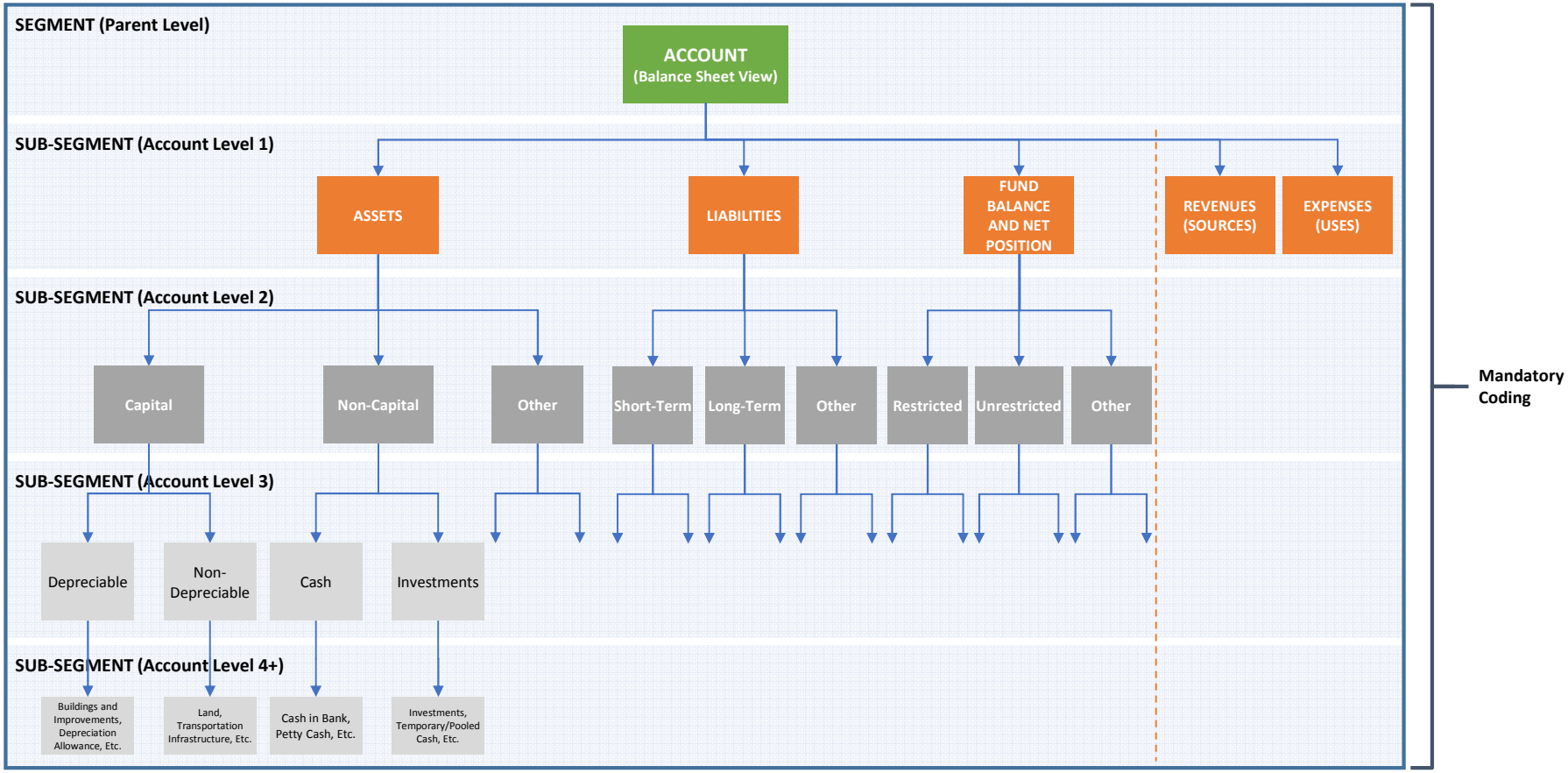
At the highest level, the structural element "Account" is decomposed into five coding elements. "Assets", "Liabilities", and "Fund Balance and Net Position" pertain to the state's balance sheet. "Revenues" and "Expenses" pertain to the state's operating statement. Balance sheet coding elements, "Revenues" coding elements, and "Expenses" coding elements are presented in separate views on the next three pages.



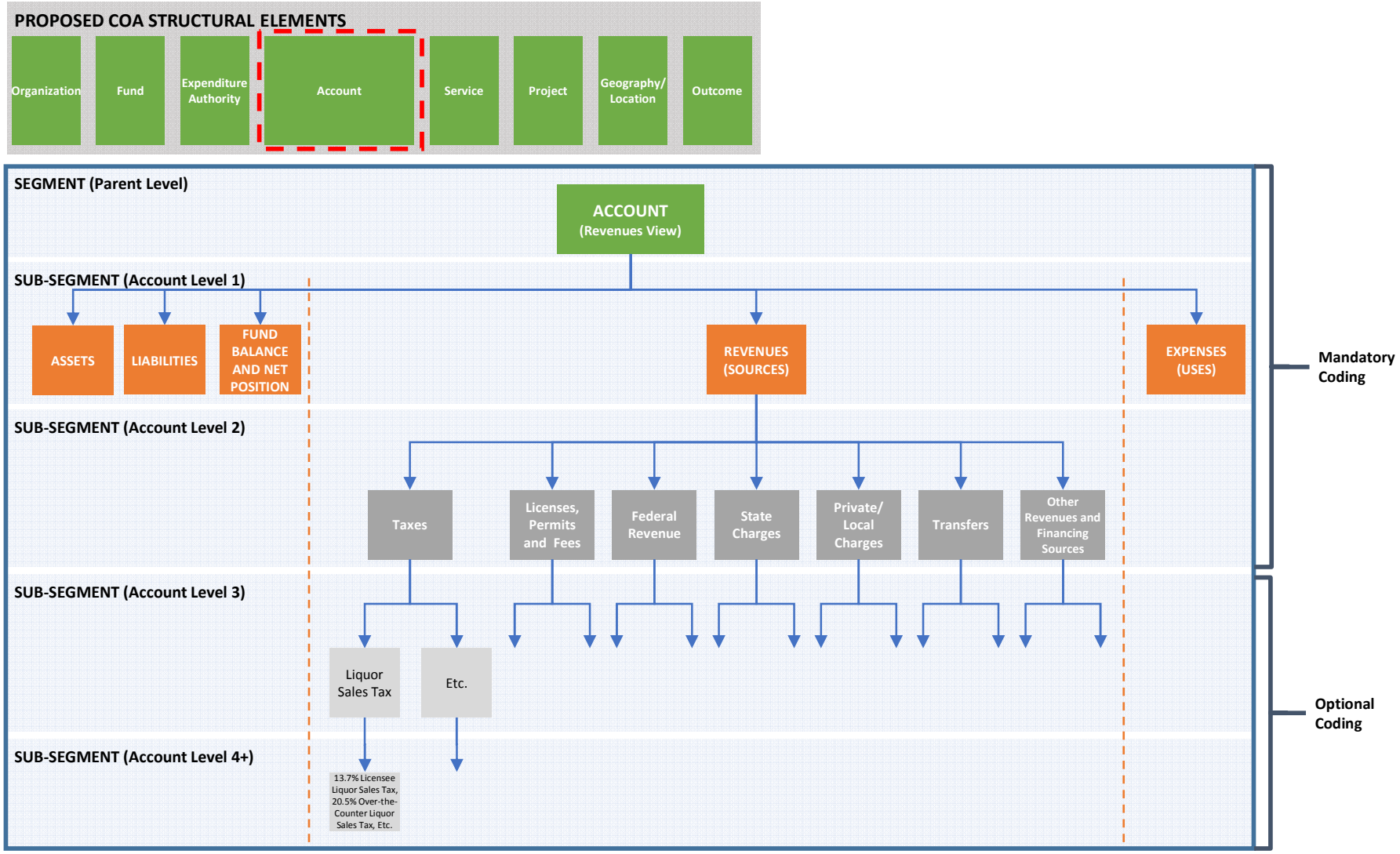


The balance sheet coding elements at "Account" (Level 1) are decomposed into as many coding elements (Level 2 and lower) as needed to enable efficient, straightforward development of the CAFR and other statewide financial and accounting reports through the use of "roll-up" reporting tools.

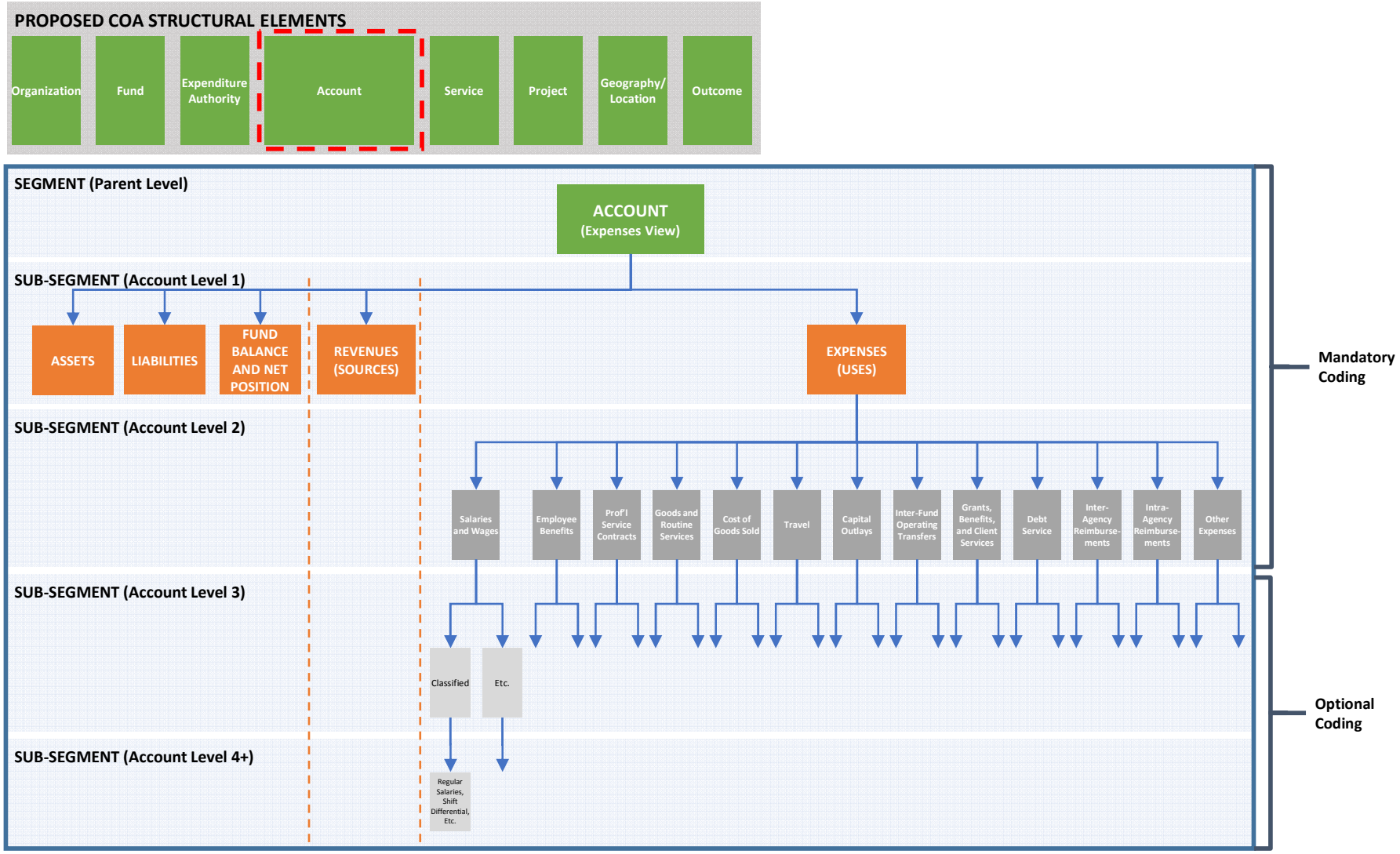




The "Revenues" coding element at "Account" (Level 1) is decomposed into the seven revenue sources (Level 2) specified in Section 75.80.20 of SAAM Chapter 75. Each revenue source (e.g., "Taxes") is decomposed into its constituent components (Level 3) as listed in Section 75.80.30 of Chapter 75. Each constituent component is decomposed into as many sub-components (Level 4) as needed for statewide management and reporting purposes.

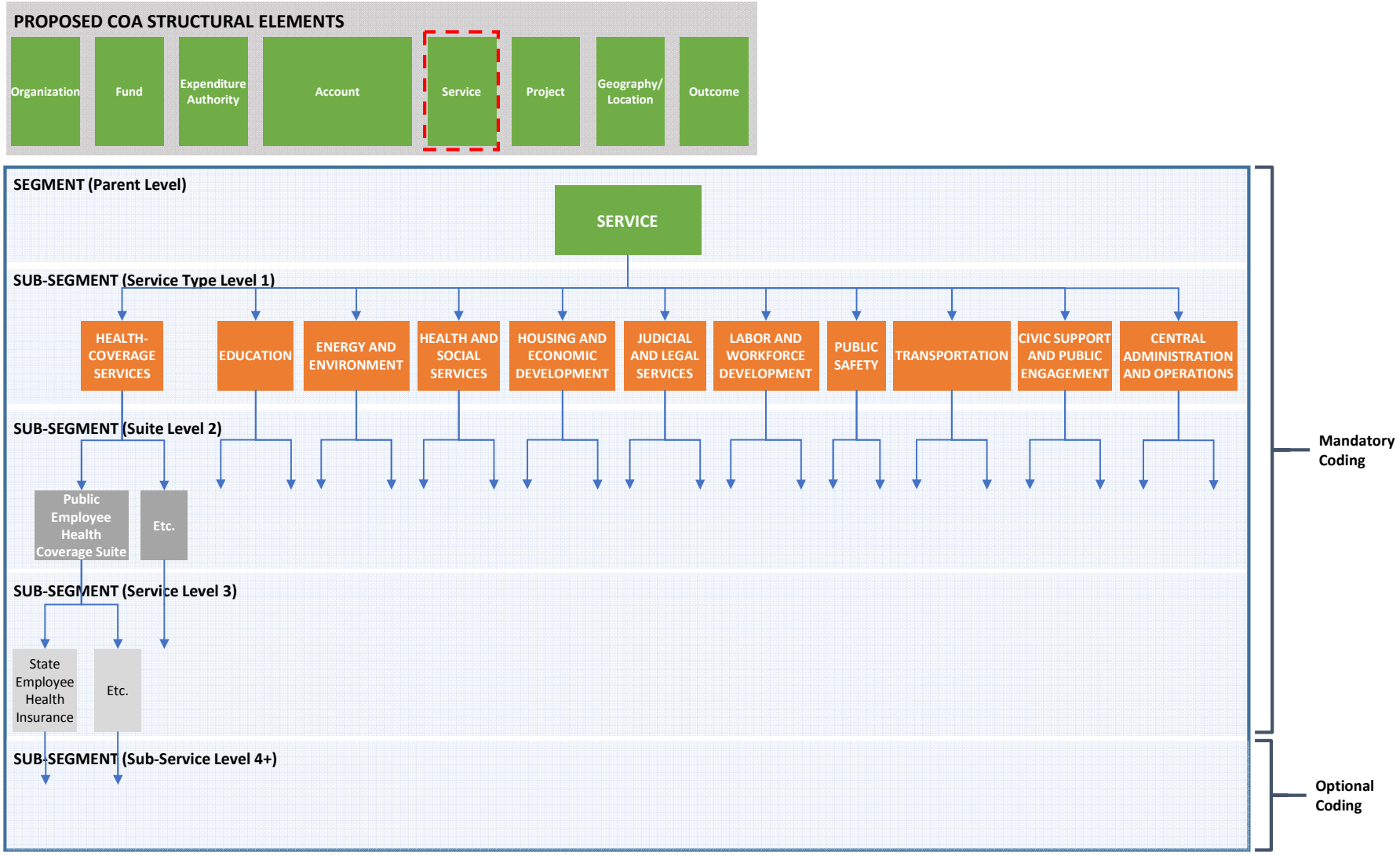


The "Expenses" coding element at "Account" (Level 1) is decomposed into the 13 expense objects (Level 2) specified in Section 75.70.10 of SAAM Chapter 75. Each expense object (e.g., "Salaries and Wages") is decomposed into its constituent components (Level 3) listed in Section 75.70.10. Each constituent component is decomposed into as many sub-components (Level 4) as needed for statewide management and reporting purposes.



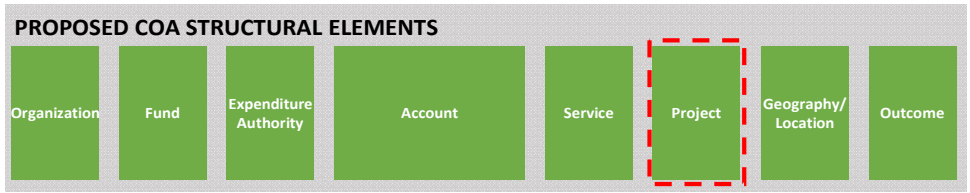
Service Coding Elements

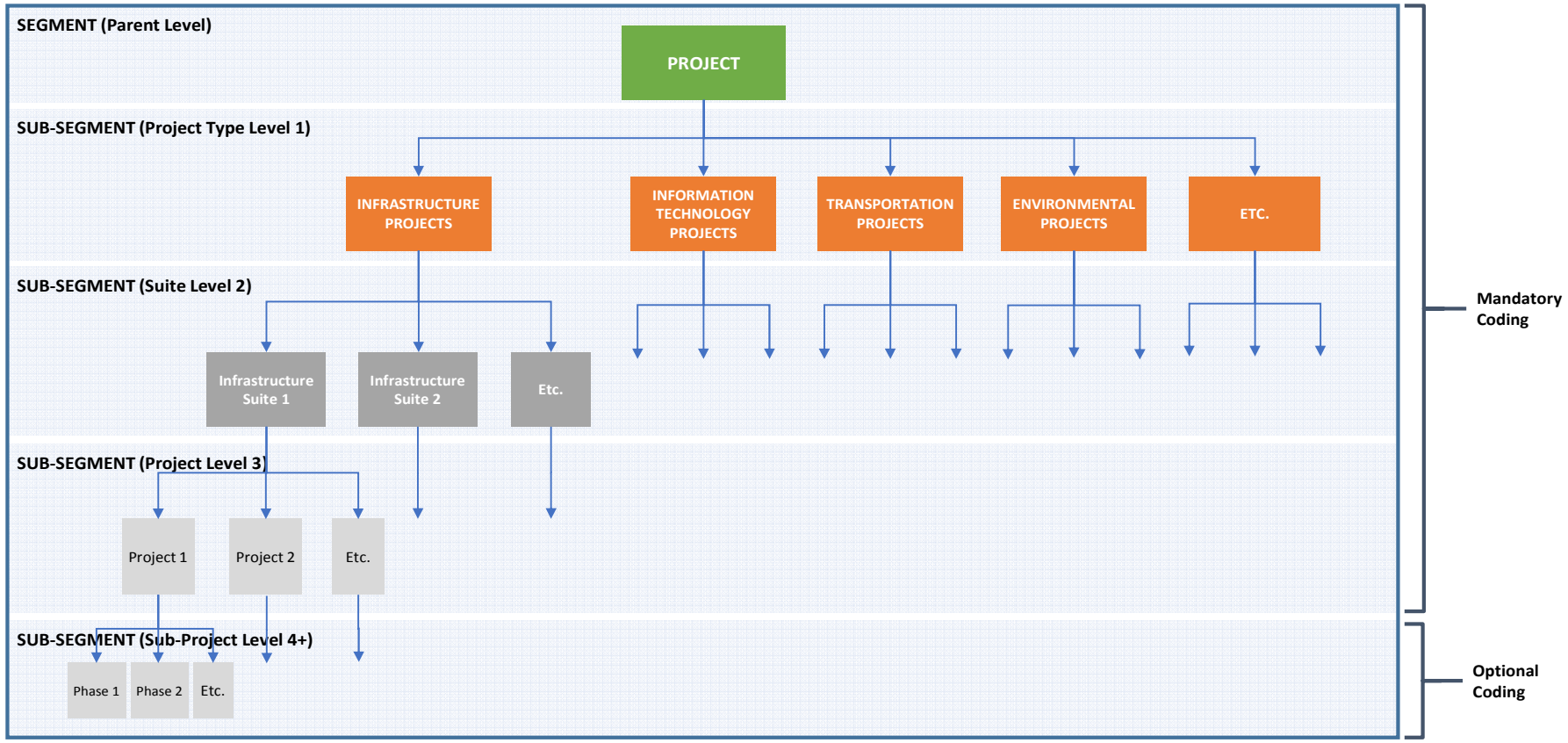
The structural element "Service" is decomposed into eleven "Service Types" that cover the broad categories of external and internal services that state government delivers to citizens and stakeholders. Each "Service Type" is decomposed into subordinate "Suites", which are MECE sub-groupings of the services in each broad category. Each "Suite" is decomposed into the discrete "Services" it comprises. Each "Service" can be decomposed further into "Sub-Services", as needed for agency management and reporting purposes.



Project Coding Elements

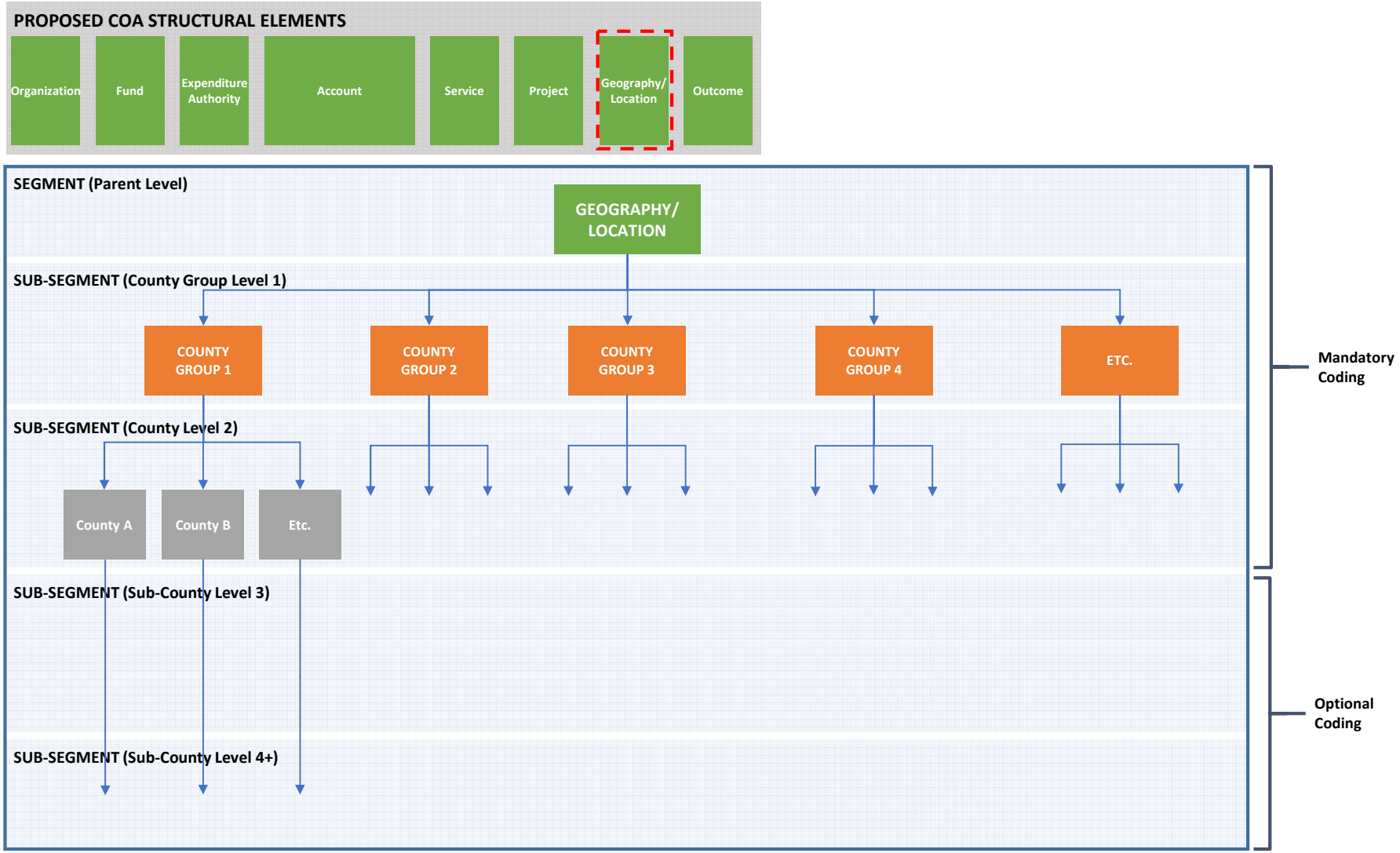
The structural element "Project" is decomposed into "Project Types" that cover the broad categories of defined projects and grant-funded efforts state government undertakes, which can span agencies and fiscal periods. Each "Project Type" is decomposed into subordinate "Suites", which are MECE sub-groupings of the projects and grant-funded efforts in each broad category. Each "Suite" is decomposed into the discrete "Projects" it comprises. Each "Project" is decomposed into its constituent "Phases". Each "Phase" can be decomposed further into its constituent "Tasks" and "Sub-Tasks". Using the hierarchy of "Project" coding elements, agencies can code project and grant transactions at the level of detail that best meets their business needs either in the statewide accounting system itself or in their own internal systems (with summary interfaces to the statewide system as required).





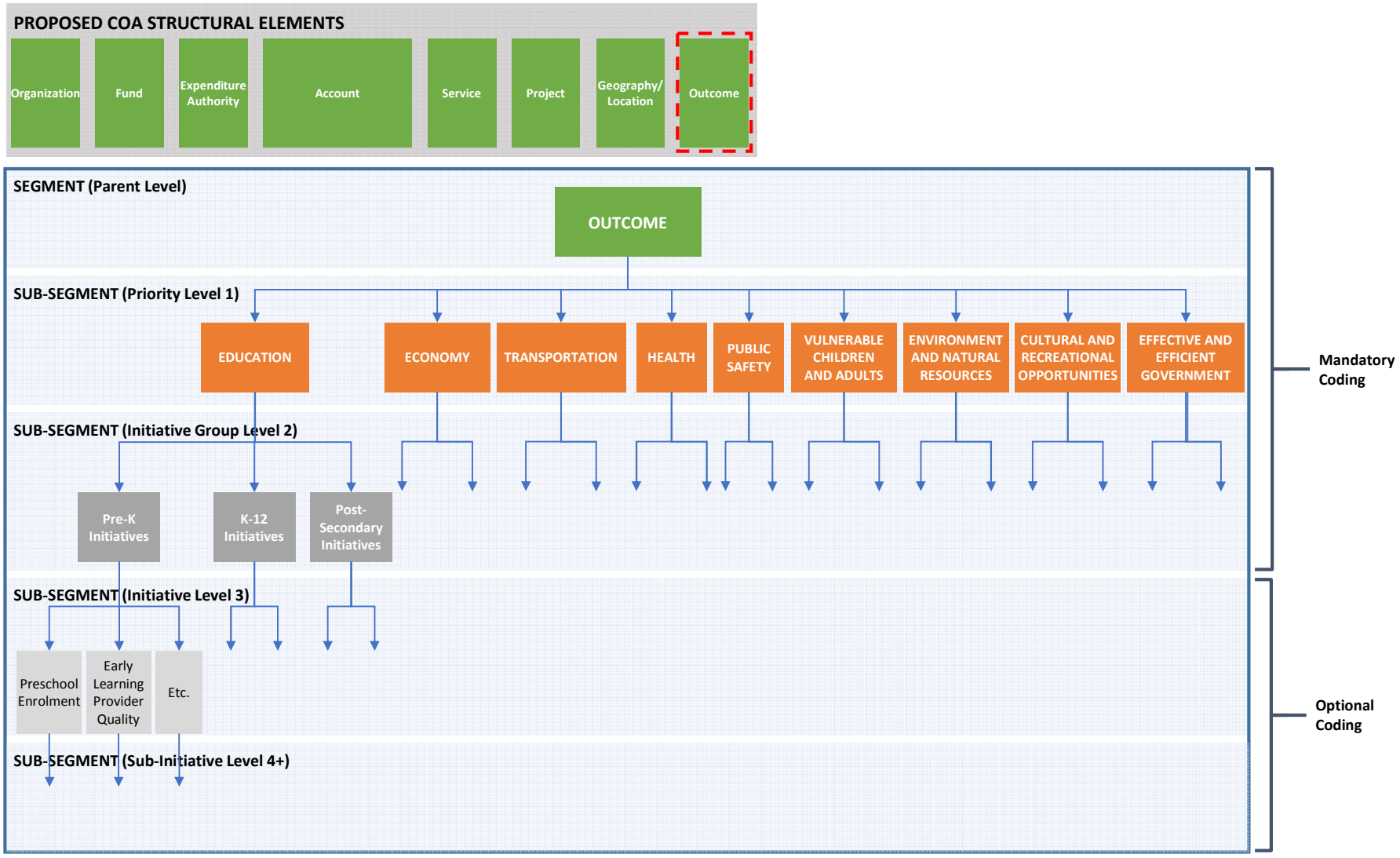
Geography/Location Coding Elements

The structural element "Geography/Location" is decomposed into "County Groups". Each "County Group" is decomposed into its constituent "Counties". Each "County" can be decomposed further into "Sub-County" units (e.g., incorporated areas, unincorporated areas, cities, towns, postal zones, etc.) to as low a level of detail as needed for agency management and reporting purposes.



Outcome Coding Elements

The structural element "Outcome" is decomposed into nine "Priorities" on which state government generally focuses in serving citizens and stakeholders. Each "Priority" is decomposed into "Initiative Groups", which are MECE groupings of the defined "Initiatives" undertaken to tackle the "Priority". Each "Initiative Group" is decomposed into the specific "Initiatives" undertaken to achieve measurable goals related to the "Priority". Each "Initiative" can be decomposed into as many "Sub-Initiatives" as needed for agency management and reporting purposes.



6. Chart of Accounts Governance Model and Maintenance Process

Following the leading practice of centralized management and formal governance of the COA, the state has defined a new governance model and associated maintenance process to be implemented along with the new COA design. The governance model includes users and managers at different levels of both the agencies and OFM who will participate in defining, reviewing and approving changes or additions to the COA. The COA governance model and maintenance process are described below.

COA Governance Model

The governance model includes participants at four different levels, as shown below.

Chart of Accounts Governance Model

Participant	Role	Schedule
Oversight Committee	Reviews and approves/disapproves COA changes proposed by agencies.	Meets 3rd week of the month (or more often when needed).
Coordination Team	Reviews COA changes proposed by agencies and makes recommendations to Oversight Committee.	▪ Reviews change requests as they are submitted and makes recommendations to OC by 2nd week of the month. ▪ Implements approved COA changes by end of the month.
Agency Financial Management	Evaluates and approves COA change requests proposed by agency users.	As needed.
Agency Users	Propose COA Changes.	As needed.

Oversight Committee will include senior financial and accounting managers from a cross-section of agencies and serve as the central reviewer and final approver of COA change requests originated by agency users and vetted by the coordination team and senior agency financial managers. (An exception to the committee's approval role will be those situations in which OFM is required to give final approval to certain COA changes by virtue of its statewide fiscal management responsibilities.)

Coordination Team will include COA subject matter experts at OFM who work regularly with agencies proposing COA changes to ensure the requests are consistent and complete in all important details and unresolvable through use of existing COA coding elements.

Agency Financial Management will include senior managers responsible for administering their agencies' internal COA change request vetting process and ensuring that approved requests submitted by their agencies meet defined criteria for consideration by the oversight committee.

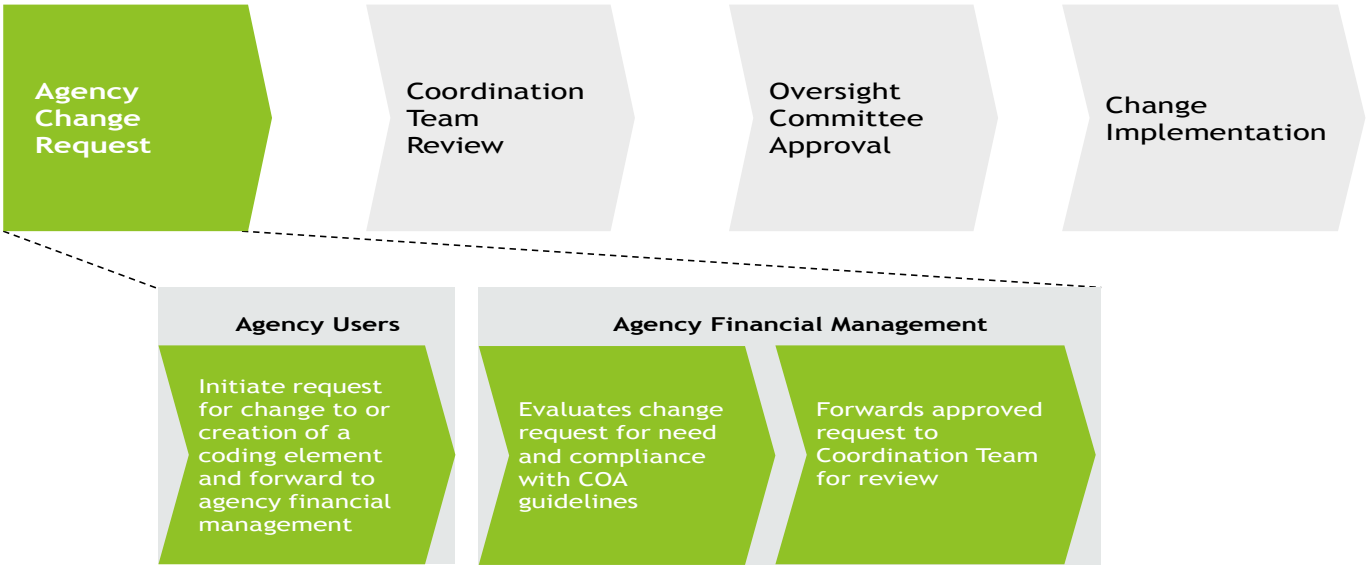
Agency Users normally will make the initial requests for COA changes when they identify apparent gaps in the COA and determine that such gaps cannot be resolved through the use of existing coding elements.

COA Maintenance Process

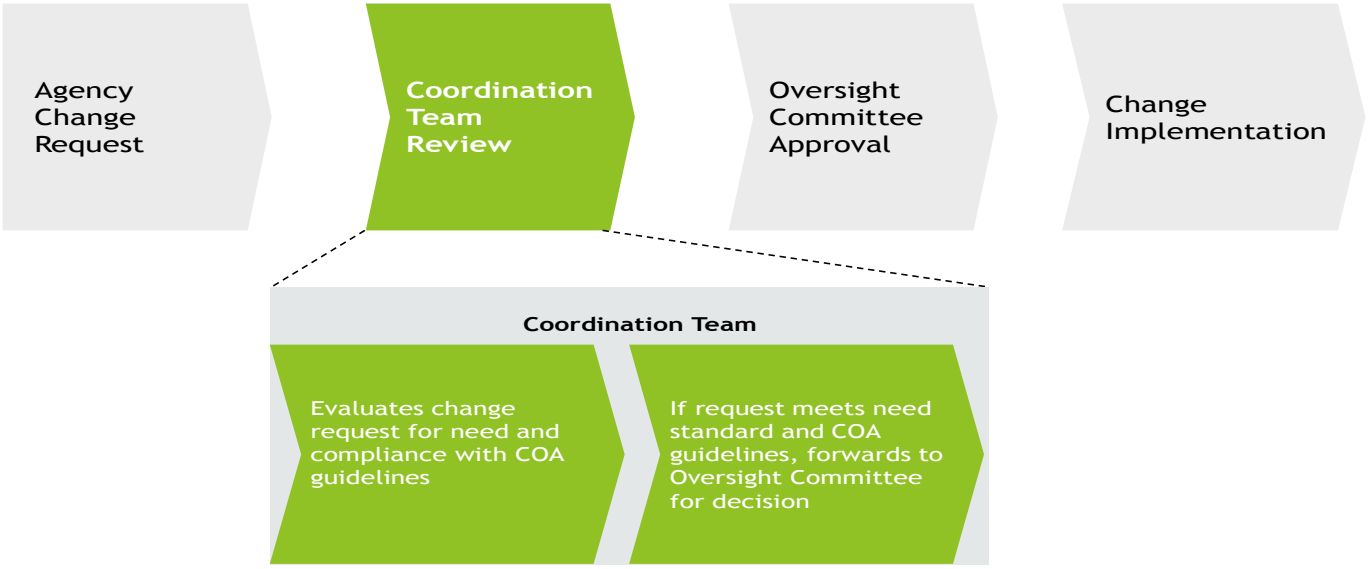
The maintenance process that participants in the governance model will follow includes four steps, as depicted below.

Chart of Accounts Maintenance Process

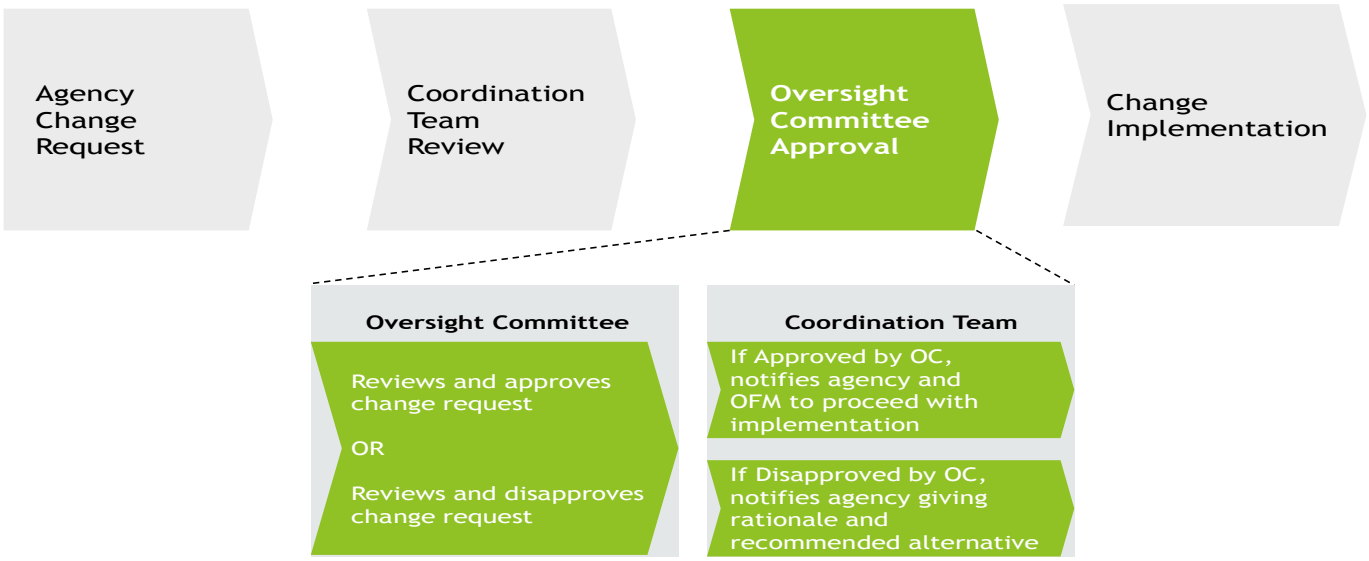
At the start of the process, agency users normally will submit formal change requests to their management teams to be evaluated for need and compliance with COA guidelines.



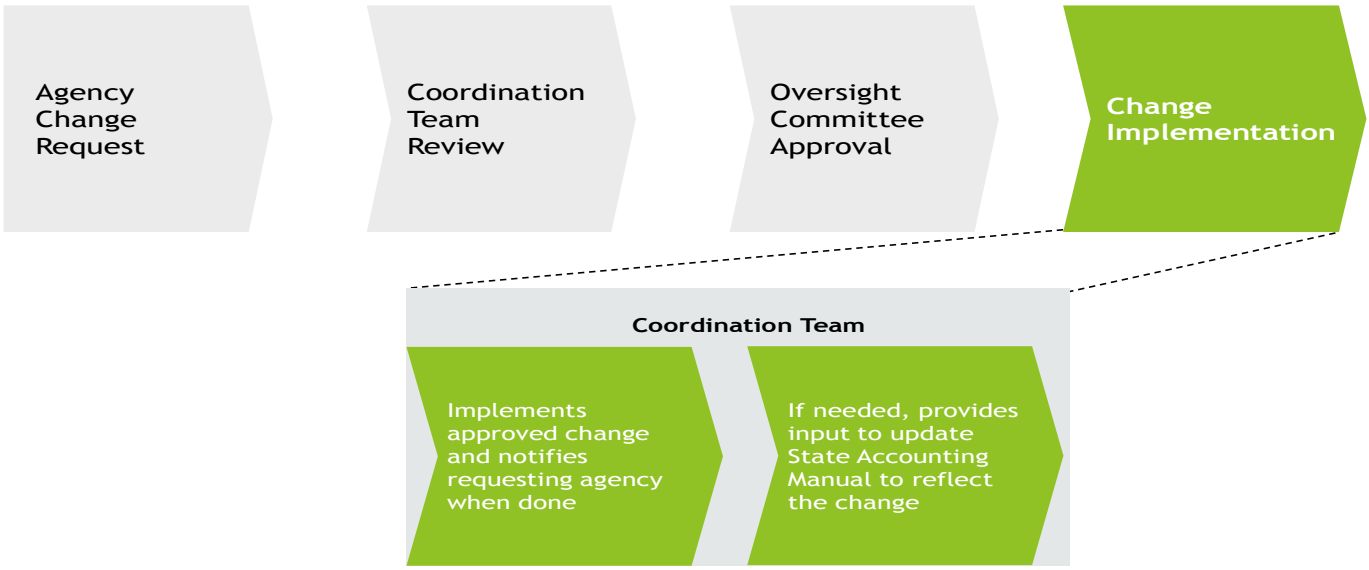
After change requests are approved and submitted by agency managers, the coordination team will evaluate the requests for consistency, completeness and alternatives.



When a change request is forwarded to the oversight committee, the committee will review it and determine whether to approve the request as submitted. If the committee approves the request, the coordination team will advise the requesting agency accordingly.



Finally, the coordination team will implement the approved COA change, communicate the change to all agencies and update the State Accounting Manual as needed.



7. Expected Benefits of the Redesigned Chart of Accounts

The primary reason for redesigning the COA is to facilitate and support the compilation and analysis of consistent and accurate financial information across state agencies. When fully implemented and applied, the redesigned COA will help ensure that all state agencies' financial results meet the same high standard for accounting and reporting, and that they can be reliably compared to one another.

The redesigned COA also will reinforce Washington's business transformation strategy and enhance the state's planning for its new ERP system. As part of the ERP system implementation, the redesigned COA will help the state achieve its strategic objectives for business transformation, fiscal control, financial analysis, and reporting and administrative operating efficiency. Specific benefits that will support these objectives expected from full implementation of the redesigned COA are summarized in the table below.

Objective	Supporting Benefits of Redesigned COA Implementation
Expedited Business Transformation	▪ Improved financial analysis that makes statewide financial information more transparent, accurate, real-time, comparable and consistent. ▪ Increased visibility into operations and, when appropriate, support for the integration of previously isolated functions. ▪ New opportunities to share and standardize leading accounting and reporting practices and streamline administrative processes.
Enhanced Internal Controls and Greater Regulatory Compliance	▪ Strengthened internal controls that are more automated and preventative and less manual and retrospective. ▪ More consistent data integrity as a result of centralized data control and reduced reliance on spreadsheets and other "off-system" data sources. ▪ Lower audit costs.
Improved Financial and Management Reporting	▪ Improved reporting and tracking capabilities at all levels of state government. ▪ Enhanced analysis and comparability across business units and fiscal periods. ▪ Less complexity in reporting because all speak the same accounting language across the enterprise.
Increased Operating Efficiency	▪ Reduction of time and effort devoted to systemic data work-arounds currently in use. ▪ More efficient accounting and reporting operations because of common data definitions and sources. ▪ Elimination of duplicative reports and data mapping/translation tables.

Appendix A – One Washington Operating Principles

One Washington Operating Principles for Serving the People of Washington

Principle	Guidelines
PURPOSE: **How does the organization define its purpose?**	▪ Do the right things right: Assume things are allowed unless they are explicitly prohibited, and assume things can be questioned even if they are required. ▪ Deliver outcomes for those we serve, anchored in our mission, vision, strategy and values.
ACCOUNTABILITY: **To whom is the organization accountable?**	▪ We are accountable to authorizers for what we do and to those we serve for how and how well we do it. ▪ Our performance story is told through the use of data and analytics. ▪ Quality is defined by those we serve.
INCENTIVES: **What matters and how are they made to matter?**	▪ What matters are the outcomes we deliver and their quality (i.e., measured by the experience, timeliness, price, ease, etc.), as defined by those we serve. ▪ We recognize and reward quality outcomes and learning from our work based on data and analytics. ▪ Set performance targets and measure progress towards those targets. ▪ Pursue customer feedback that is direct, immediate and personal.
CONTROL: **What is controlled and by whom?**	▪ We focus on assuring delivery of quality outcomes with authorized resources. ▪ Compliance is achieved primarily by motivating people to act voluntarily. ▪ Decisions are driven by data and analytics. ▪ Control is delegated and supported. ▪ Controls are risk-based.
CULTURE: **What are the unwritten rules?**	▪ We assume people will perform and empower them to take risks and succeed. ▪ We combine data and analytics with flexibility and innovation to support continuous improvement. ▪ Ours is a service-oriented culture. ▪ We tell our story and the stories of those we serve – they connect people to what we do and why.

Appendix B – ERP Software Vendor Feedback on the Strawman Chart of Accounts Design

	Oracle	Workday	SAP	CGI
ERP Software Solution	• Oracle PeopleSoft Version 9.2 • Oracle ERP Cloud Release 11	Workday Financials Update 26	SAP S/4HANA	CGI Advantage ERP Version 3.11
Solution COA's Alignment with Strawman COA	• Solution COA elements completely configurable by customers • Solution COA can support all Strawman COA structural elements	Strawman COA elements can be supported by solution COA elements with some customization	• Strawman COA elements can be supported by solution COA elements • Vendor recommends addition of Strawman element for Grants to meet donor/ sponsor transactional and reporting requirements	• Strawman elements can be supported by solution COA elements • Some solution COA elements are centrally defined while others are department-defined
Solution's Ability to Define Data Roll-Ups	• Customers can define roll-ups for each Strawman COA element • Multiple roll-ups can be defined within each Strawman element	• Customers can define roll-ups for each Strawman element • Solution provides reporting at hierarchy element level	• Customers can define roll-ups for each Strawman element • Solution allows element decomposition to lowest level required and flexible reporting	• Most COA elements have four roll-ups for higher level groupings of information • Fund and Object have more than four roll-ups for specific reporting
Solution's Tools for Producing CAFR and Other Key Reports	• Financial Reporting Studio tool enables end-users to produce complex financial reports • ERP Cloud solution comes with Oracle Transactional Business Intelligence tool and provides ad hoc/operational reporting across all functions	• Delivered reports/ dashboards and custom tool enable end-users to compile information and produce reports • Solution integrates to third-party applications to create published reports (e.g., CAFR)	SAP Business Objects tool	• InfoAdvantage tool produces the CAFR, Budget Control and Expenditure Analysis Reports • CAFR Reporting Module delivers nine configurable reports
Other Comments	ERP Cloud solution offers a Project Portfolio Management module for capital and non-capital projects and grants	Solution provides the ability to change names/labels of some COA elements (e.g., Project)	Solution's element names/ labels are fixed	Solution's element names can be changed without customization

Appendix C – Utilizing the Redesigned Chart of Accounts Before ERP Implementation

An important goal of the COA Redesign Project is to establish a chart design that can provide business value for the State of Washington even before it implements its new ERP system. To help the state determine how to use the new COA design most advantageously over the next three to four years – until the new ERP system is operational – OFM considered and assessed nine options, including:

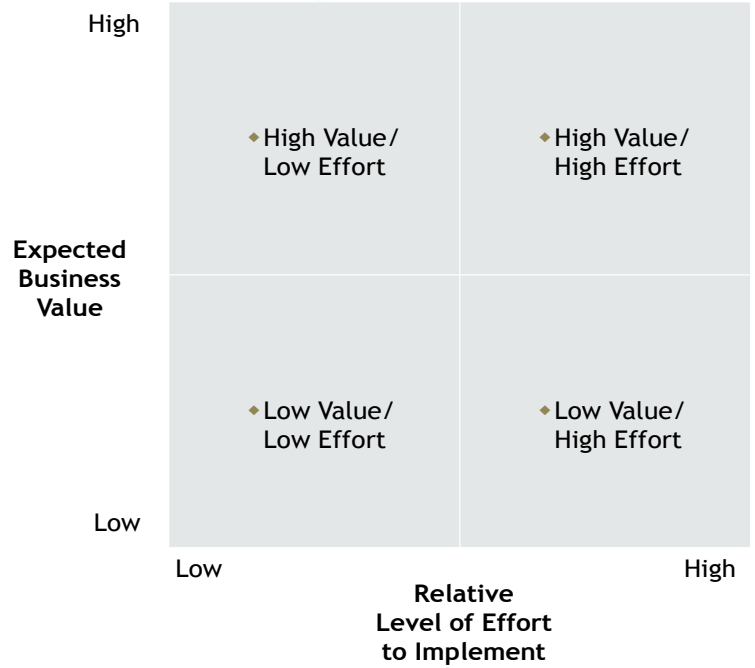
	OPTION	KEY ACTIONS
NO COA CHANGE	**1. Do Nothing with New COA Data Elements**	• Put the new COA "on the shelf" until a new ERP solution is available • Require any statewide or agency system development involving financial data in the "interim" period to be tested and approved by OFM for alignment with the new COA
PARTIAL COA IMPLEMENTATION	**2. Clean Up, Rationalize, and Make Consistent the Current Elements of Existing Charts**	• Devote resources to changing the data (without changing the transaction processing system) by cleaning up, rationalizing, and making consistent in the current AFRS (for all agencies) and TRAINS (for DOT) COAs the 80% or more of elements they have in common with the new COA • Do nothing with the ~20% of new elements in the AFRS and TRAINS COAs
	3. Implement Option 2 and Pilot the New COA Design at DSHS for Selected Uses	• Implement Option 2; and • Align DSHS's current agency-COA project with the redesigned COA and implement the new COA design for budgeting, accounting, and reporting at DSHS in FY17
	4. Implement Option 2 and Incorporate Redesigned COA Elements That Will Enable Consistent Capture of Agency IT Costs	• Implement Option 2; and • Launch a project to enhance AFRS and modify according to the redesigned COA its chart elements and data definitions involved in capturing IT costs • Make AFRS the single source of agency IT cost data
	5. Implement Option 2 and Incorporate Redesigned COA Elements That Will Improve Federal Compliance Reporting	• Implement Option 2; and • Launch a project to enhance AFRS and modify according to the redesigned COA its chart elements and data definitions required by selected agencies to create compliance reports for Federal grants and other external funding sources
	6. Implement Option 2 and Incorporate Redesigned COA Elements That Will Enable Consistent Agency Cost Allocation	• Implement Option 2; and • Launch a project to enhance AFRS and modify according to the redesigned COA its chart elements and data definitions involved in the allocation of costs against programs, projects, and activities by selected agencies
FULL COA IMPLEMENTATION	**7. Implement Option 2 and Incorporate All Redesigned COA Elements**	• Implement Option 2; and • Launch a project to enhance the existing AFRS and TRAINS COAs so they include all of the new elements from the redesigned COA to enable data capture and reporting using these new elements

	OPTION	KEY ACTIONS
TRANSACTION REPORTING AND ANALYSIS SOLUTION IMPLEMENTATION	**8. Implement a Transaction Reporting Solution Using the Redesigned COA**	• Enhance the current enterprise reporting solution and protocols such that current transaction data is fed into the OFM data warehouse coded according to the redesigned AFRS COA and "cleaned up" as described in Option #2 • Create a new reporting system or protocol to capture new transaction data using the new COA elements and feed this into the OFM data warehouse coded according to the redesigned AFRS COA
BUDGETING/ PLANNING SYSTEM IMPLEMENTATION	**9. Implement a Statewide Budgeting System Using the Redesigned COA**	• Implement a statewide budgeting system that uses the redesigned COA and interfaces with the AFRS COA (still using current data elements) • Integrate the new budgeting system into the full ERP system and complete the redesigned COA later

(Note: The options summarized in the table above are based on the assumption that approximately 80% of the data elements in the current COA will continue to be used, and 20% of the data elements in the redesigned COA will be new.)

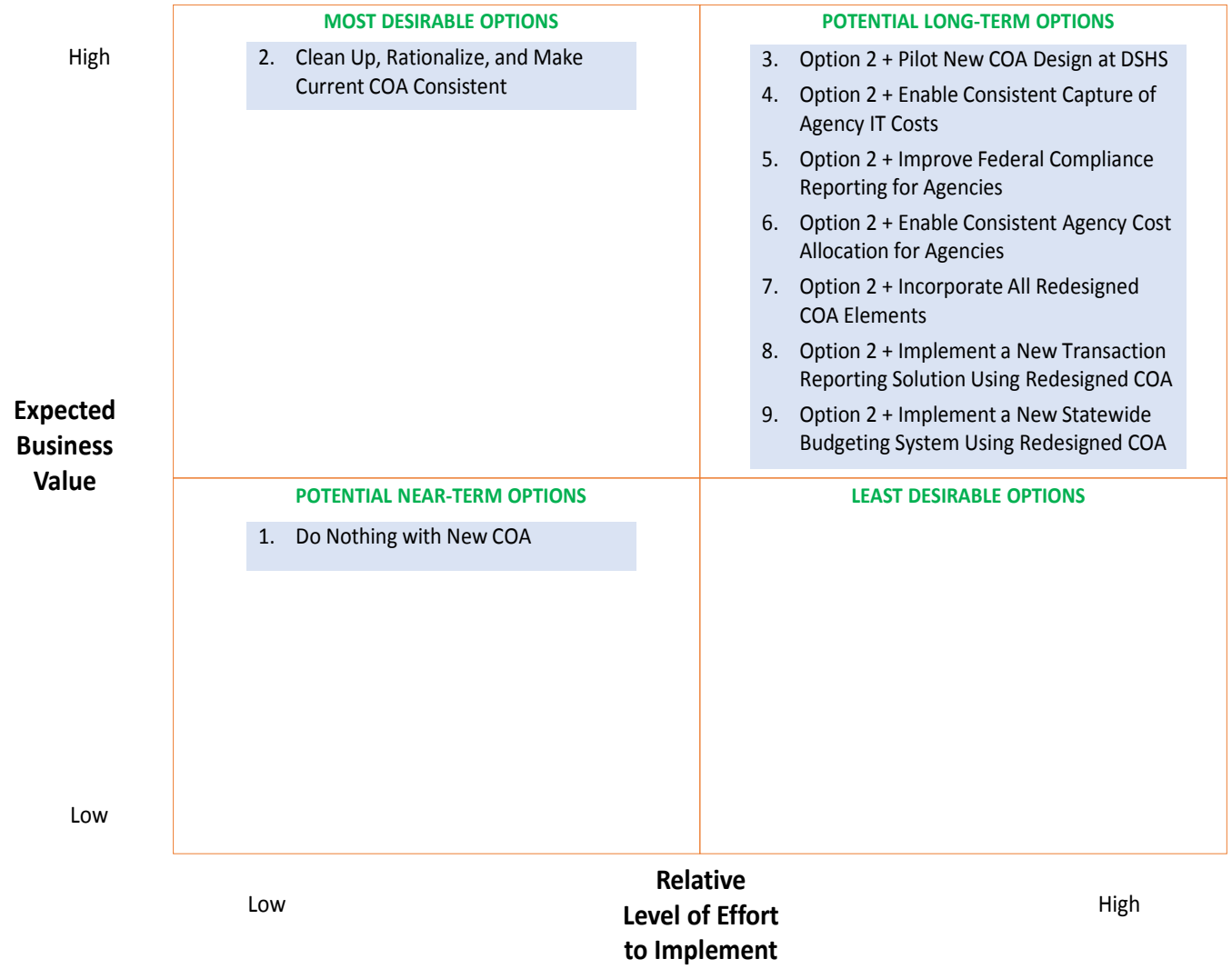
In assessing the options for utilizing the redesigned COA before ERP implementation, OFM balanced each one's expected business value against the amount of resources, time, political capital, and funds that likely would be required to implement it. The options were grouped in one of four categories, as shown below.

COA Utilization Option Assessment Framework

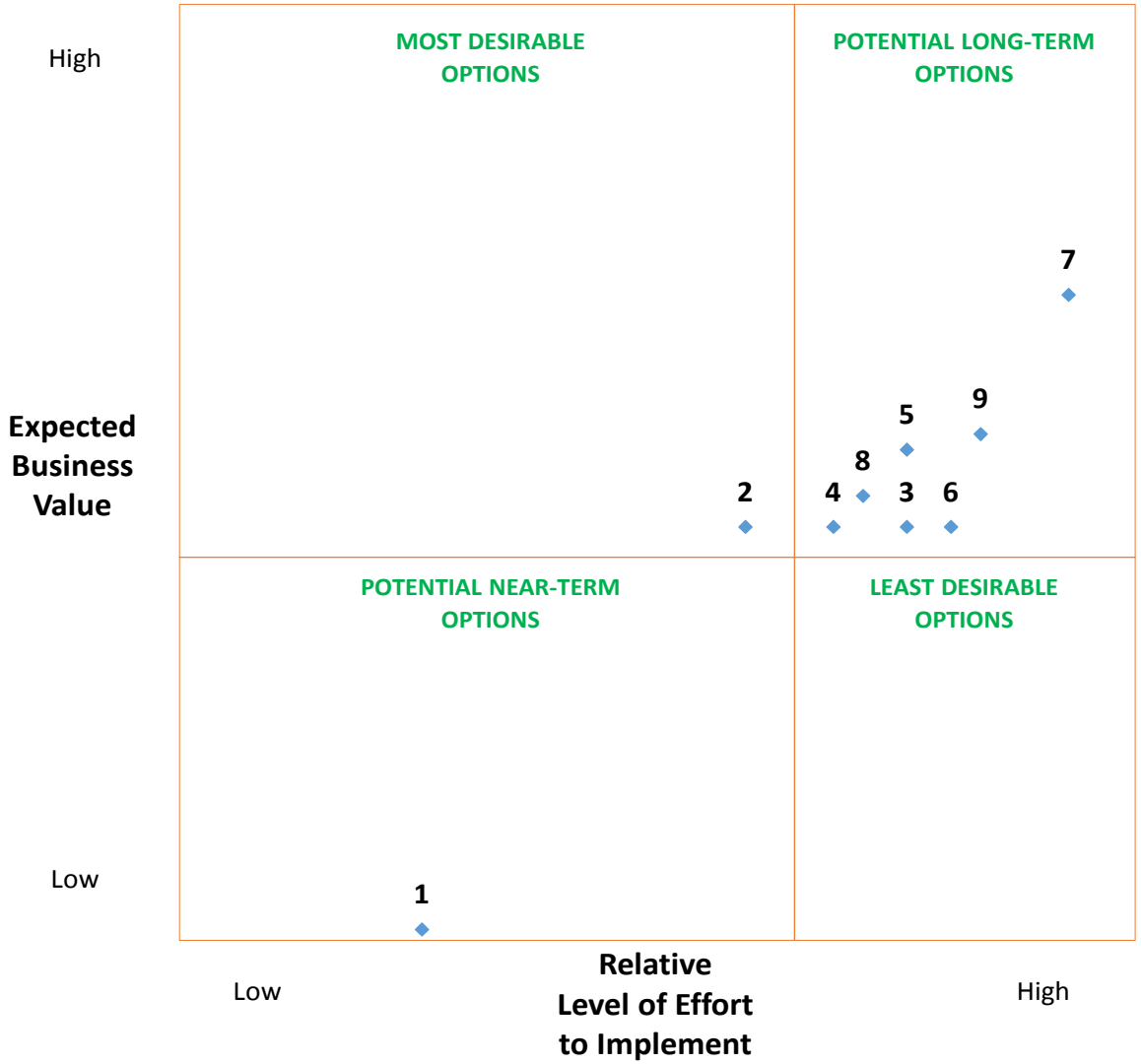


Options assigned to the upper-left quadrant would be the most attractive to pursue before ERP system implementation. Options in the lower-left and upper-right quadrants could be worth pursuing depending on how long the period before ERP implementation is expected to last. Options in the lower-right quadrant likely would not be worth pursuing until the new ERP system is implemented.

Applying the above framework, OFM grouped the options for utilizing the redesigned COA as follows:



As the relative ratings shown below indicate, Option 2 – "Clean Up, Rationalize, and Make Current COA Consistent" – was determined to be the most desirable option to pursue immediately. Option 4 – "Enable Consistent Capture of Agency IT Costs" – would be good to pursue once satisfactory progress is made on Option 2. After that, other options could be considered for implementation depending on when implementation of the ERP system is scheduled to begin.



OPTIONS

1. Do Nothing with New COA
2. Clean Up, Rationalize, and Make Current COA Consistent
3. Option 2 + Pilot New COA Design at DSHS
4. Option 2 + Enable Consistent Capture of Agency IT Costs
5. Option 2 + Improve Federal Compliance Reporting for Agencies
6. Option 2 + Enable Consistent Cost Allocation for Agencies
7. Option 2 + Incorporate All Redesigned COA Elements
8. Option 2 + Implement a New Transaction Reporting Solution Using Redesigned COA
9. Option 2 + Implement a New Statewide Budgeting System Using Redesigned COA