

FAMIS PROCEDURES MANUAL

VOLUME I - USERS MANUAL

CHAPTER III

CLASSIFICATION STRUCTURE

The means by which an accounting information system aggregates receipt, expenditure and other financial information is through a formal data classification structure. Individual accounting events, representing such actions as the payment of salaries, the purchase of commodities or remittances to vendors must be assigned a series of classification elements to completely identify the accounting impact of the transaction. After input to the accounting system, the classification codes facilitate the summarization of the data in a variety of ways to provide management with reports at various levels of detail, reflecting the results of operations.

The number and type of classification elements included in the classification structure determine the nature and extent of the information that can be provided by the accounting information system. Unless the formal classification structure includes a specific data element, the system cannot generate a report or retrieve data reflecting that classification of information.

This chapter presents a discussion of the classification structure incorporated in FAMIS and the related input coding requirements. It includes those classification elements required by DAGS for statewide financial reporting, as well as those data elements available for internal departmental accounting and reporting. Additional information on the structure and use of the statewide classification elements is provided in the State Accounting Manual issued by the Department of Accounting and General Services.

OBJECTIVES OF A REVISED CLASSIFICATION STRUCTURE

In their publication, Governmental Accounting Auditing and Financial Reporting (1980), the Municipal Finance Officers Association recommends that a common classification structure be used consistently throughout the budgeting,

accounting and financial reporting processes. This recommendation recognizes that the budgeting and accounting and financial reports are inseparable elements of the State's financial management process. The primary objective of an expanded classification structure in FAMIS is, therefore, to provide a single structure that allows the State to budget, collect, and report accounting information in a manner more consistent with Generally Accepted Accounting Principles (GAAP). Additional objectives include:

- To provide improved financial information to facilitate the evaluation of the State's overall fiscal condition; and
- To provide additional levels of accounting and management information to allow State agencies to use FAMIS to perform their agency accounting.

To achieve these objectives, there is a need to clearly define each element in the classification structure and its purpose.

FAMIS CLASSIFICATION STRUCTURE

For the purposes of this manual, accounting is defined as a recording of financial events, that by the interrelationships of general ledger accounts and classification elements, provides information to management necessary to provide program and fund control as well as management reporting. Six major methods of classifying financial data have been identified. The first four categories are those recommended by the National Committee on Governmental Accounting. The remaining categories are used to meet the special needs of user agencies. Each component in the classification structure provides a unique and essential way to classify financial data. The major components in the FAMIS classification structure are:

- fund;
- organization;
- program;

- object or source;
- project; and
- other classifications.

The use of each of these classification elements is described in the following paragraphs.

Fund Component

The fund component of the classification structure defines the unique and separate accounting entities through which public funds are received, controlled and disbursed. Fund accounting, which is required both by Generally Accepted Accounting Principles (GAAP) and State law, provides an important means for maintaining and reporting the fiduciary responsibilities of public officials over public funds.

In FAMIS, there are five separate elements in the fund component to classify financial data. They are:

- Fund - This classification element is used to identify the accounting fund groups. These are the general, special, bond and trust and agency fund groups.
- Fund Detail - This classification element is used to provide a further breakdown of the accounting funds for specialized reporting purposes.
- GAAP Fund - This classification element is used to identify the eight funds and two groups of accounts recommended by the National Committee on Governmental Accounting.
- GAAP Subfund - This classification element is used to provide a further breakdown of the GAAP fund for subfund reporting.
- Means of Financing (MOF) - This classification element is used to identify the means of financing codes specified by the Department of Budget and Finance.

The fund codes are specified on a Statewide basis. All accounting transactions entering FAMIS must either contain a fund or reference a fund input on a previously entered encumbrance.

The fund detail element provides additional flexibility in the fund structure. Fund detail is an element that may be used when an additional level of fund accounting is required (for example, to subclassify components of various special funds).

Funds currently used by the State are not totally in agreement with the fund classifications recommended by the NCGA, the organization that promulgates generally accepted accounting principles (GAAP) for state and local governments. To aid the State in the preparation of financial statements that more closely comply with the recommendations of NCGA, FAMIS has a second means of classifying funds. The GAAP fund and GAAP subfund classification elements are used to reference the NCGA fund classifications associated with each State fund.

The means of financing code is defined by DB&F to classify funds for budget preparation and execution purposes.

Organization Component

The organization component provides the means by which the organizational units of the State can be identified in relation to financial data. Information collected and reported by organization plays a primary role in providing information necessary for State administrative and management personnel to make informed financial management decisions. The highest level of organizational classification within the structure is the department code. The department codes are defined on a statewide basis by DAGS central accounting.

To enable the departments to expand their own internal budgeting and cost accounting capabilities, five additional levels of classification detail are provided within the organizational component. They are:

- Division - a further breakdown of Department;
- Branch - a further breakdown of Division;
- Section - a further breakdown of Branch;
- Unit - a further breakdown of Section; and
- Cost Center - the lowest level of the organization.

Use of these additional levels of organizational classification is optional, and they may be used selectively by each agency.

Program Component

The program component provides the classification elements necessary to identify the purpose of an activity. The program component contains two statewide and various departmental classification elements. They are:

- Program ID - This classification element is used to identify the DB&F program ID numbers. The program ID component contains six levels of program detail to correspond to the program budget structure of the State and an additional level for future expansion.
- Appropriation Account - This classification element is used to identify the appropriation numbers assigned by DAGS. DAGS employs an annually assigned sequential numbering scheme to identify the program units in the legislative appropriations act.
- Departmental Activity - This classification element is provided to enable departments to expand their own internal cost accounting capabilities. Seven levels of department activity are available.

In FAMIS, all program classifications are defined through these three classification elements. Program ID and departmental activity both provide the agencies with a flexible cost accumulation scheme to meet their internal accounting and reporting needs.

Object And Source Component

The object of expenditure component provides a structure for classifying specific types of expenditures while the source of revenue component provides

a structure for classifying specific types of revenues.

Object of Expenditure

The object of expenditure component consists of four separate classification elements. These classification elements are:

- Cost Element - This classification element is the highest level or broadest classification of expenditures. The cost element allows DB&F to define various summary level groups of object codes for budget formulation and allotment request review purposes.
- Allotment Category - This classification element is at a level parallel with the cost element, but is not related to the cost element in the accounting system. Allotment categories are established from year to year by DB&F (such as the "10" and "20" allotment categories established for fiscal 1982) for summary level groups of object codes by which allotments are approved; DAGS uses the allotment categories as established by DB&F for allotment funds control.
- Major Object - This classification element is a major classification of expenditures that DAGS uniquely defines on a statewide basis.
- Minor Object - This classification element is a breakdown of the major object code that is used by agencies to classify expenditures at a more detailed level than major object. Each agency can uniquely define their own chart of minor object codes.

Source of Revenue

The source of revenue code structure is used to identify all monies collected by the State which are not considered abatements. The four-digit source of revenue codes are defined in the State Accounting Manual.

Project Component

Project is a multipurpose classification element that permits agencies to identify unique and sometimes temporary sets of activity that cut across, are different from, or require unique reporting outside the normal classification structure or fiscal period. Three general uses for the project component have

been identified:

- Federal grant accounting;
- Capital project accounting; and
- Agency management and cost accounting.

In the first use identified above, the project identifies each Federal grant. In the second, it identifies specific capital outlay projects, and in the third, it identifies special activities of interest to the agency.

The project component consists of the following classification elements:

- Project Type - This classification element identifies the specific type of project that an appropriation relates to (e.g., capital project or federal grant).
- User Agency - This classification element identifies a project with the department that will assume use or control over assets once the project has been completed.
- Project - This classification element identifies the number which the expending agency assigns to a capital or Federal project.
- Project Phase - This classification element identifies the specific work phase of a capital project or fiscal year of a grant.
- Location - This classification element identifies the location of a specific capital project.

In addition to these department specific project classification elements, FAMIS also provides a Control Project and Statewide Project classifications for definition on a statewide basis.

Other Classification Codes

In addition to the revenue and expenditure classification structure described in the preceding section, five other classification codes are used in FAMIS. These additional classification elements are:

- transaction codes;
- general ledger codes;
- subsidiary codes;

- vendor codes; and
- encumbrance codes.

Each of these classification elements is briefly described in the paragraphs that follow.

Transaction Codes

To meet the broad scope of accounting requirements without having to process and reprocess individual accounting events throughout the system, single transaction processing is used. The key to single transaction processing is the use of certain predefined transaction codes. A unique three-digit transaction code is assigned to each accounting event. The transaction code instructs the system to post the transaction to the appropriate general ledger accounts and files. The transaction codes are identified in Volume III, Appendix C, "Transaction Illustrations", of the FAMIS Procedures Manual.

General Ledger Codes

FAMIS associates the general ledger codes used by the State with each transaction code. Thus, as a general rule, the general ledger account number is not an input item. As described in the preceding paragraph, the transaction code instructs the system to post the transaction to the appropriate general ledger accounts. Under certain conditions, for specialized type entries, general ledger accounts can be coded on the input transaction with the transaction code. The general ledger account codes are identified in Volume I, Chapter IV, "General Ledger Account Structure", of the FAMIS Procedures Manual.

Subsidiary Codes

Certain accounting events must be assigned additional classification elements to identify information that cannot conveniently be provided through the standard revenue and expenditure account codes or the general ledger account structure. For example, it is desirable in some cases to maintain information in the accounting system regarding individual securities or other investments owned by the State. To provide for this unique identification requirement, a subsidiary coding technique is included in the classification structure.

Each accounting transaction that affects a selected asset or liability account can be assigned a subsidiary code so that it can be individually identified below the general ledger control accounts. For example, if the Finance Division were to purchase an investment, such as a U.S. Treasury Bill, the accounting transaction used to record the purchase may contain a subsidiary code. This subsidiary code would be assigned in such a way as to distinguish the particular investment purchased from all other investments owned by the State. Thus, an active record of the U.S. Treasury Bill would be maintained by the system as long as the particular investment is held. When the U.S. Treasury Bill is redeemed, the entry to record the sale would contain the subsidiary number originally assigned at the time of purchase. This enables the system to update the accounting records to indicate that the particular item is no longer owned. The specific general ledger accounts which will require subsidiary level support are identified in Volume I, Chapter IV, General ledger Account Structure, of the FAMIS Procedures Manual.

Vendor Codes

To further expand the information collection and reporting capabilities of the accounting system while at the same time reducing input coding

requirements, FAMIS provides a vendor coding system. Under vendor coding, all vendors who frequently do business with the State are assigned a unique vendor code.

A record is established on the Vendor Edit Table that will contain the name, address and other pertinent information associated with each vendor. Then, when payments are requested by the operating departments, only the vendor code and other accounting distribution information needs to be coded on the accounting transaction and keyed for entry into the system. The Vendor Edit Table is then accessed by the system and the appropriate name and address data is retrieved and appended to the input accounting record.

Encumbrance Codes

Encumbrance codes are used to control encumbrances at the document level for claims and contract encumbrances. The classification elements for encumbrances are described in the following paragraphs.

Claims Encumbrances

To further expand the information collection and reporting capabilities of the accounting system, the use of the encumbering document number and suffix is available. Under claims encumbrance coding, a record is created in the Document File whenever a claims encumbrance is established in FAMIS. Each record will contain the department code, appropriation symbol, and other pertinent information associated with the claims encumbrance. Thus, when payments are requested by operating departments, only the department code, encumbrance document number, suffix, and the expenditure amount need to be keyed into the system. The Document File is accessed by the system and the appropriate accounting classification is appended to the input accounting transaction.

Contract Encumbrances

Like claims encumbrances, a record is created in the Contract Ledger File whenever a contract encumbrance is established in FAMIS. Thus, when payments or subsequent adjustments are requested by operating departments, only the department code, contract number, suffix and expenditure amount need to be keyed into the system. The Contract Ledger File is accessed by the system and the appropriate accounting classification is appended to the input accounting transaction.

Relationship Among The Components

Each of the six components contained in the FAMIS classification structure are completely independent categories. However, within each component, the individual data elements may be related in a hierarchical manner. These relationships are illustrated in Exhibit III-1. The exhibit also identifies the length of each data element and distinguishes between those codes that are statewide and those that are agency specific codes.

Because of the independence of each component, data may be linked selectively from each category to develop the necessary accounting classification. The components used in a given case and the levels of detail chosen within each component will vary from the minimum required for reporting to DAGS to the maximum needed for internal department management and reporting. By keeping the components independent of one another and allowing for varying degrees of detail within each component, a substantial measure of flexibility in the information structure has been attained. This allows some of the larger departments to accumulate information at greater levels of detail than that required by some of the smaller departments.

Due to the flexibility in establishing a detailed information structure, the Relationship Edit Table may be used to edit combinations of departmental classification codes that are entered on accounting transactions.

EXHIBIT III-1

FAMIS CLASSIFICATION ELEMENTS

<u>Classification Element</u>	<u>Relationship</u>	<u>Length</u>	<u>Statewide</u>	<u>Agency Specific</u>
<u>FUND</u>				
Fund	Independent Element	1	x	
GAAP Fund	Independent Element	2	x	
GAAP Subfund	Unique within GAAP Fund	2	x	
Means of Financing (MOF)	Independent Element	1	x	
Fund Detail	Unique within Fund	2	x	
<u>ORGANIZATION</u>				
Department	Independent Element	2	x	
Division	Unique within Department	2		x
Branch	Unique within Division	2		x
Section	Unique within Branch	2		x
Unit	Unique within Section	2		x
Cost Center	Unique within Unit	4		x
<u>PROGRAM</u>				
Report Program	Independent Element	6	x	
Program Level I	Independent Element	2	x	
Program Level II	Unique within Program Level I	2	x	
Program Level III	Unique within Program Level II	2	x	
Program Level IV	Unique within Program Level III	2	x	
Program Level V	Unique within Program Level IV	2	x	
Program Level VI	Unique within Program Level V	2	x	
Program Level VII	Unique within Program Level VI	2	x	
Appropriation Account	Independent Element	3	x	
Department Activity	Independent Element	3		x
Departmental Activity Level I	Independent Element	2		x
Departmental Activity Level II	Unique within Dept. Act. Level I	2		x
Departmental Activity Level III	Unique within Dept. Act. Level II	2		x

EXHIBIT III-1

FAMIS CLASSIFICATION ELEMENTS
(continued)

<u>Classification Element</u>	<u>Relationship</u>	<u>Length</u>	<u>Statewide</u>	<u>Agency Specific</u>
<u>PROGRAM (continued)</u>				
Departmental Activity Level IV	Unique within Dept. Act. Level III	2		x
Departmental Activity Level V	Unique within Dept. Act. Level IV	2		x
Departmental Activity Level VI	Unique within Dept. Act. Level V	2		x
Departmental Activity Level VII	Unique within Dept. Act. Level VI	2		x
<u>OBJECT/SOURCE</u>				
Cost Element	Independent Element	2	x	
Allotment Category	Independent Element	2	x	
Major Object	Independent Element	2	x	
Minor Object	Unique within Major Object	2		x
Source of Revenue	Independent Element	4	x	
<u>PROJECT</u>				
Control Project	Independent Element	6	x	
Statewide Project	Independent Element	6	x	
Project Type	Independent Element	1		x
User Agency Project	Independent Element	2 6	x	x <u>1/</u> x
Project Phase	Unique within Project	2		x
Location	Independent Element	2	x	
<u>OTHER</u>				
Transaction Code General Ledger Account Subsidiary	Independent Element Independent Element Unique within General Ledger Account	3 3 6	x x x	
Vendor Code/Suffix	Independent Element	12	x	

1/ User Agency identifies the State Agency that will be responsible for a capital item once it is put into service. It is contained on both the Project (agency specific) and Appropriation Account (statewide) Tables.

INPUT CODING REQUIREMENTS

Exhibit III-1 illustrates that an extensive classification structure has been incorporated into FAMIS. This classification structure provides data elements necessary for internal agency accounting as well as external reporting. However, in a large system performing many types of accounting, such as FAMIS, a requirement exists for maintaining a simple input coding scheme so that error incidence can be kept at a minimum. As a means of satisfying this requirement, without reducing the amount of information available, FAMIS utilizes certain "coding reduction" techniques.

The key to the coding reduction techniques in FAMIS is the use of computer look-up tables. A look-up table is a computer table in which predefined data are stored for future reference. Because it is possible to determine many of the possible combinations of classification before an actual accounting event occurs, these predetermined classifications are entered into a look-up table and assigned a code. When an accounting transaction is coded, the code is entered on the input accounting transaction and used by the computer to retrieve the expanded classification data from the table. The expanded classification data is then appended to the accounting record and used to update the various system files.

Several tables and files are used to look-up data to minimize the input coding requirements. These tables and files include:

- Appropriation Account Table;
- Cost Center Table;
- Departmental Activity Table;
- Project Control Table;
- Document File; and
- Contract Ledger File.

Each of these tables and files is described in the following sections.

Appropriation Account Table

One of the basic tables to be maintained in FAMIS is the Appropriation Account Table. This table is used to provide a variety of constant data about specific operating and capital project appropriations of the State. When coding input accounting transactions, fiscal personnel are required to code 8 digits of appropriation classification data. This classification data includes fund, fiscal year, appropriation symbol and department. These data elements are used to access the Appropriation Account Table. The following data elements are retrieved from the table and appended to the input accounting transaction for system editing and posting:

- Means of Financing Code (MOF);
- Fund Detail;
- GAAP Fund;
- GAAP Subfund;
- Program Priority;
- Report Program;
- Program Levels 1 Through 7;
- Control Project;
- Statewide Project;
- User Agency;
- Location;
- Function; and
- Law.

Additional information on the structure and content of the Appropriation Account Table is contained in Volume II, Chapter II, "Table Maintenance Coding Procedures", of the FAMIS Procedures Manual.

Cost Center Table

The Cost Center Table contains the detailed classification elements used by departments to capture and report financial data in accordance with an internal departmental organization structure. These data elements are:

- Division;
- Branch;
- Section;
- Unit; and
- Project/Project Phase.

Each Cost Center Table record is uniquely identified by cost center, fiscal year and department.

Additional information on the structure and content of the Cost Center Table is contained in Volume II, Chapter II, "Table Maintenance Coding Procedures", of the FAMIS Procedures Manual.

Department Activity Table

The Department Activity Table adds to each transaction the departmental activity (program) elements which are uniquely associated with a given department and activity code. The elements are:

- Activity Level I;
- Activity Level II;
- Activity Level III;
- Activity Level IV;
- Activity Level V;
- Activity Level VI;
- Activity Level VII; and
- Project/Project Phase.

Additional information on the structure and content of the Department Activity Table is contained in Volume II, Chapter II, "Table Maintenance Coding Procedures", of the FAMIS Procedures Manual.

Project Control Table

The Project Control Table adds to each transaction the location code user agency, and grant identification information (if appropriate) associated with a given department, project and project phase. Additional information on the structure and content of the Project Control Table is contained in Volume II, Chapter II, "Table Maintenance Coding Procedures", of the FAMIS Procedures Manual.

Document File

The Document File contains funding data, object, cost center, activity, project and vendor data associated with claims encumbrances. At the time an expenditure against a previously encumbered item is recorded, this data can be looked up based on the department and document number entered on the input transaction. This looked-up data is then used for all subsequent transaction editing and posting.

Additional information on the coding of previously encumbered claims expenditures is contained in Volume I, Chapter VI, "Document Preparation Procedures", of the FAMIS Procedures Manual.

Contract Ledger File

The Contract Ledger File contains funding data, object, cost center, activity, project and vendor data associated with contract encumbrances. At the time an expenditure against a previously encumbered item is recorded, this data can be looked up based on the department and document number entered on

the input transaction. This looked up data is then used for all subsequent transaction editing and posting.

Additional information on the coding of previously encumbered contract expenditures is contained in Volume I, Chapter VI, "Document Preparation Procedures", of the FAMIS Procedures Manual.

Summary Of Input Coding Requirements

In summary, there are numerous classification elements which must be input into the system in order to process a financial transaction. To require coding the full classification structure for each transaction would be inefficient and costly. Therefore, the system utilizes coding reduction techniques whereby only a few input codes will be entered. These input codes will look up the complete set of predefined codes stored in the computer based tables and automatically append it to the transaction. Exhibit III-2 identifies each of the input codes and the data elements retrieved.

It should be noted from Exhibit III-2 that the minimum input coding requirements of accounting classification data for expenditure transactions is 10 digits. This consists of a one-digit fund code, two-digit fiscal year code, three-digit appropriation account code, and a two-digit department code. All these codes were previously described except the fiscal year code which identifies the year in which an appropriation is awarded. In addition, a two-digit major object code may be required for expenditure transactions while the four-digit source code is used on revenue/non-revenue transactions. For refund/reimbursement receipt transactions, the two-digit (major) object code is used. Other codes, such as the four-digit cost center code, are used at the agency's discretion. The coding of these required elements allows a substantial amount of data to be retrieved from the systems' tables and used for accounting and reporting purposes.

EXHIBIT III-2

SUMMARY OF ACCOUNTING CLASSIFICATION CODING REQUIREMENTS

<u>Classification Element</u>	<u>Length</u>	<u>Referenced By</u>	<u>Required Coding</u>	<u>Optional Coding</u>
Fund	1	Fund	x	
Appropriation Account	3	Appropriation Account	xxx	
Fiscal Year	2	Fiscal Year	xx	
Fund Detail	2	Appropriation Symbol		
GAAP Fund	2	Appropriation Symbol		
GAAP Subfund	2	Appropriation Symbol		
MOF	1	Appropriation Symbol		
Program Priority	1	Appropriation Symbol		
Report Program	6	Appropriation Symbol		
Program Level I	2	Appropriation Symbol		
Program Level II	2	Appropriation Symbol		
Program Level III	2	Appropriation Symbol		
Program Level IV	2	Appropriation Symbol		
Program Level V	2	Appropriation Symbol		
Program Level VI	2	Appropriation Symbol		
Program Level VII	2	Appropriation Symbol		
Control Project	6	Appropriation Symbol		
Statewide Project	6	Appropriation Symbol		
Location	2	Appropriation Symbol		
User Agency	2	Appropriation Symbol		
Function	3	Appropriation Symbol		
Law	12	Appropriation Symbol		
Department	2	Department	xx	
Cost Center	4	Cost Center		xxxx
Division	2	Cost Center		
Branch	2	Cost Center		
Section	2	Cost Center		
Unit	2	Cost Center		
Department Activity	3	Department Activity		xxx
Department Activity Level I	2	Department Activity		
Department Activity Level II	2	Department Activity		
Department Activity Level III	2	Department Activity		
Department Activity Level IV	2	Department Activity		
Department Activity Level V	2	Department Activity		

EXHIBIT III-2

SUMMARY OF ACCOUNTING CLASSIFICATION CODING REQUIREMENTS
(continued)

<u>Classification Element</u>	<u>Length</u>	<u>Referenced By</u>	<u>Required Coding</u>	<u>Optional Coding</u>
Department Activity Level VI	2	Department Activity		
Department Activity Level VII	2	Department Activity		
Major Object	2	Major Object	xx	
Minor Object	2	Minor Object		xx
Allotment Category	2	Major Object		xx
Cost Element	2	Major Object		
Source of Revenue	4	Source	xxxx	
Project	6	Project		xxxxxx
Project Phase	2	Project Phase		xx
Project Type	1	Project		
Subsidiary	6	Subsidiary		xxxxxx
Number of Digits of Required Coding			10 to 12	-