

Policy Title: Chart of Accounts Governance

Policy Number:

Date Issued: June 1, 2020

Responsible Executive: Controller

Date Last Revised: June 1, 2020

Responsible Office: Financial Services

Chart of Accounts Governance Policy

Policy Statement

This policy establishes Baylor University's ("Baylor" or the "University") rules and standards regarding the chart of accounts governance structure, responsibilities, and requirements.

The Financial Services Office, which is responsible for all aspects of financial accounting and reporting, governs the chart of accounts. All requests for new or modified (including closing or inactivating) chart of accounts elements are subject to the chart of accounts governance processes and procedures, as developed and maintained by the Controller's Office.

Reason for the Policy

This policy establishes formal responsibility and accountability for how the University processes requests for new, modified, or closed data elements on the chart of accounts. The purpose of standardized governance of the chart of accounts is to:

- Create and maintain consistency for the structure of the segments of the chart of accounts;
- Create and maintain consistency in how the chart of accounts segments are used in order to facilitate standard accounting and reporting at unit and University levels;
- Provide a governance process that includes appropriate stakeholders in decision-making; and
- Maintain alignment of critical chart of accounts segments and values across multiple interrelated systems, including subledgers.

Individuals/Entities Affected by this Policy

This policy applies to all Baylor units and departments.

Related Documents and Forms

Chart of Accounts Segments (Appendix A)

COA Request Form – New Chart Element (Appendix B)

COA Request Form – Chart Element Modification (Appendix B)

Definitions

These definitions apply to terms as they are used in this policy.

Chart of Accounts (COA)	The chart of accounts (COA) is a set of codes used to classify and record financial transactions occurring during a specific period in meaningful ways. In addition, the COA provides the structure for monitoring and reporting financial activity. It consists of segments, hierarchies, and configuration attributes that help the University organize financial information for accounting, reporting, financial management, and compliance purposes.
Segment	The chart of accounts is divided into segments of data which individually communicate information about transactions and balances. Segments include Entity, Department, Fund, Designation, Account, Purpose, and Activity. Two future use segments can be added if necessary.
Subledger	A system used for original entry of transactions which feed to the general ledger. Sub-ledgers include Payroll, Procurement, Project Portfolio Management (PPM), and Student Accounts.

Contacts

Subject	Contact	Telephone	Office email/web site
Policy Questions	AVP & Controller	254-710-8461	

Responsibilities

The Financial Services Office, Office of Human Resources, Office of the Vice Provost for Research, and Office of Procurement have joint responsibility for ensuring that alignment of critical values is maintained across interrelated systems. Details are provided below to delineate the systems, common elements, and responsible parties.

Financial Services	Financial Services is responsible for the University general ledger and, thus, has primary responsibility for maintenance of the chart of accounts. The Department and Account segments of the chart of accounts are aligned with related elements in the Human Capital Management (HCM), Procure-to-Pay (P2P), and Project Portfolio Management (PPM) systems.
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Office of Human Resources	The Office of Human Resources is responsible for maintaining the HCM system, including the Department field, which aligns with the Department segment of the COA.
Office of the Vice Provost for Research	The Office of the Vice Provost for Research and Financial Services Office are jointly responsible for maintaining the PPM system, including the Organization field, which aligns with the Department segment of the COA, and Expenditure Types, which align with the Natural Account codes of the COA.
Office of Procurement	The Office of Procurement is responsible for maintaining the P2P system, including the Procurement Categories and Expense Types, which align with the Account segment of the COA.

Principles

The Chart of Accounts (COA) is an integral and critical component to accurate accounting and reporting for budgeting, management information, external financial statements, and compliance. As such, an appropriate governance process is necessary to ensure the integrity and consistency of COA elements and values.

Due to the need for consistency in application of the COA values, most segments of the COA are semi-fixed and changes will be infrequent. The Entity, Department, Fund, Account, and Purpose segments are expected to be static during the fiscal year and any additions or updates will be executed on June 1, the beginning of a new fiscal year. As a result of the static nature of these COA segments, changes should result from long-range planning processes.

Designation and Activity values will be updated more frequently. In particular, new designations will be added for donor-restricted gifts with unique purpose, such as a named scholarship endowment.



Procedures

The Financial Services Office, Office of Human Resources, Office of the Vice Provost for Research, and Office of Procurement will appoint representatives to the COA Governance Committee, chaired by the Controller. Duties of the committee are as follows.

- Consider any requests for additions or modifications to the COA, including appropriate business-case justification for the change.

- Review the request to ensure adherence to the Chart of Accounts Segments definitions and criteria.
- Ensure that any approved additions or changes are communicated and coordinated across all affected modules.
- Periodically review the COA Segment definitions for continued relevance. Changes to the definitions should be considered and documented based on
 - changes to the University mission and objectives, or
 - discovery of negative consequences arising from the existing structure.
- Periodically review the COA structure, including the number and type of segments, to consider whether it continues to meet the reporting and information needs of the University.

The COA Governance Committee will meet annually to consider potential Entity, Department, Fund, Account, or Purpose changes. Requests for changes to these segments must be submitted by March 1 to be considered for update on June 1. These updates will be based on the following criteria:

- Changes in University organizational structure.
- Conversations with and feedback from business officers regarding the usefulness of the COA for data analysis and management. Gaps in data or inconsistent data may, in some cases, be addressed through COA changes.
- Potential financial reporting improvements identified during the year.

Members of the COA Governance Committee will meet, typically virtually, on an ad hoc basis to consider requests for Designation or Activity changes, and will take action within five business days of receipt. These requests may not require participation across all four offices with responsibility for the COA.

All Designation and Activity change requests will be submitted to the committee using the COA Request Form – New Chart Element or COA Request Form – Chart Element Modification (Appendix B).

Approved changes will be forwarded to the Accounting Operations Unit for entry to the COA. Any approved change must also be coordinated with corresponding changes in subledgers, as described below.

Departments

Due to the critical need to maintain alignment of departments across systems, any changes to Departments in the COA must be mirrored in the HCM and PPM systems. Any final changes to Department will also be forwarded to Human Resources for updates to the HCM system and to the Vice Provost for Research for updates to the PPM system.

Expense Accounts

Several subledger values are tied to Expense Account Codes:

- Expense Types – used in recording Expense Reports in the Procurement system
- Expenditure Types – used in recording expenses in the PPM system
- Procurement Categories – used in recording purchase transactions in the Procurement system

Any changes to Expense Account Codes in the COA, the Procurement system or the PPM system must be coordinated across all systems.

Student-Related Accounts

Certain charges and credits flow through student accounts into the general ledger and subledgers, including the following.

- Tuition and Fees
- Scholarships and Fellowships
- Tuition Remission
- Awards and Prizes

As a result, any changes in student-related revenue or expense account codes must be communicated with the Student Accounts office. In addition, student-related expense account code changes must be coordinated with the Procurement and PPM systems as outlined in the previous sections.

IGNITE Chart of Accounts Elements

CHART ELEMENT	DEFINITION	HOW IT IS USED	EXAMPLES
ENTITY	The entity is held accountable for performance and financial results of all departments, units and activity falling within the entity’s hierarchy.	Entity is used to accumulate data and results at highest level (generally, equivalent to University Council) for internal reporting and monitoring. Accountability for an entity is assigned to a Business Officer.	<ul style="list-style-type: none"> • College of Arts & Sciences • University Advancement • Intercollegiate Athletics
DEPARTMENT	Distinct, separately managed part of the organizational structure of the University which meets three or more of the following criteria: <ol style="list-style-type: none"> 1. 5 or more employees 2. \$100K or more in annual expenses 3. Ongoing activities occurring throughout the year and over multiple years 4. Distinguishable physical location 5. Generates measurable output (e.g. courses taught, research conducted, services provided) 	Department is used to communicate where transactions occurred and to provide data that unit leaders can use for decision-making regarding performance. The Department element answers WHO questions. Department is a sub-classification of Entity (each department is responsible to an entity). Accountability for a Department is assigned to a Financial Manager.	<ul style="list-style-type: none"> • English • Accounting • Alumni Engagement • Football
FUND	The classification of funding received, whether unrestricted, internally designated, or externally restricted.	The Fund element answers questions about the sources of funds.	<ul style="list-style-type: none"> • Operating • Restricted Spendable - Scholarship • Endowment – College/Division General Support

IGNITE Chart of Accounts Elements

CHART ELEMENT	DEFINITION	HOW IT IS USED	EXAMPLES
DESIGNATION	<p>Used when it is important to segregate activity from individual sources of funding, both internal and external.</p> <p>Designations represent unique pots of money.</p>	<p>Each of the other elements (Account, Entity, Department, Fund, Purpose) can be further segregated to report on a specific designation, such as a donor-restricted balance or an internal incentive grant.</p> <p>Designation is a sub-classification of Fund or Department (each designation belongs to one or more funds or departments).</p>	<ul style="list-style-type: none"> • Mann Lois Truett Sch Endow • Baylor in Florence • Arts & Sciences Designated
ACCOUNT	<p>Communicates the nature of each transaction.</p>	<p>Account is necessary to accumulate data about transactions and balances for both internal and external reporting. The Account element answers WHAT questions.</p>	<ul style="list-style-type: none"> • Tuition • Faculty Salaries • Office Supplies • Investments
PURPOSE	<p>Communicates the function of each transaction. When combined with Account, provides the information necessary for regulatory, compliance and management reporting.</p>	<p>Accumulates data for external financial statements, tax reporting, management reporting.</p> <p>The Purpose element answers WHY questions.</p>	<ul style="list-style-type: none"> • Instruction-Graduate-Online • Academic Support-Libraries • Research-Research Centers

IGNITE Chart of Accounts Elements

CHART ELEMENT	DEFINITION	HOW IT IS USED	EXAMPLES
<p>PROGRAM</p> <p>(FUTURE USE)</p>	<p>Cross discipline, broad programs with permanence; typically externally recognized due to their prominence.</p>	<p>Used to accumulate information for both internal and external reporting for transactions that may cross departments, designations, and purpose (e.g. a program may be interdisciplinary with instructional, public service and research elements).</p>	<ul style="list-style-type: none"> • Baylor in Washington
<p>ACTIVITY</p>	<p>Activities carried on within or across departments. Typically, these are distinct activities but do not rise to the level of a Department because they do not meet the defined criteria.</p>	<p>Accumulates data that units can use internally to measure sources and uses of resources. Activities are used for balances which do not carryover from year to year.</p> <p>Activity is a sub-classification of Department (each activity belongs to one or more departments).</p>	<ul style="list-style-type: none"> • Orientation • Commencement • Summer Camps • Student Residential Programs

COA Request Form – New Designation or Activity Code

Requestor Information

Name
Unit
Email
Phone

Chart Segment

___ Designation ___ Activity

NOTE: Other chart segments are updated annually by the COA governance committee

Requested Code # (if known)	
Requested Hierarchical Relationship	
Requested Name	

Business Case for the Request:

Certification:

I certify that this request meets the COA Segment definitions and criteria, and the business case described above will improve the University's accounting, reporting or compliance if approved.

_____ Requestor

_____ Business Officer

Review:

The COA Governance Committee has reviewed the request for conformity with the University's Chart of Accounts Governance Policy and ___ approves ____ denies the requested change.

_____ COA Governance Committee Chair

COA Request Form – Designation or Activity Code Modification

Requestor Information

Name

Unit

Email

Phone

Type of Request _____ Modification to Existing _____ Close

Chart Segment

__ Designation __ Activity

NOTE: Other chart segments are updated annually by the COA governance committee

	Current	Proposed
Code #		
Hierarchical Relationship		
Element Name		

Business Case for the Request:

Certification:

I certify that this request meets the COA Segment definitions and criteria and the change will improve the University's accounting, reporting or compliance if approved.

_____ Requestor _____ Date

_____ Business Officer

Review:

The COA Governance Committee has reviewed the request for conformity with the University's Chart of Accounts Governance Policy and ___ approves ___ denies the requested change.

_____ COA Governance Committee Chair