

Information Technology Project Reporting using the General Ledger Project Accounting Option

Overview

To meet the requirements of G.S. 143B-472.64 (Senate Bill 222, 1999 Session), OSC is implementing the General Ledger (GL) project accounting option within the North Carolina Accounting System (NCAS) to identify encumbrances and expenditures for specific information technology (IT) projects. This new process is available July 1, 2000 and facilitates IT reporting at a statewide level.

Project accounting entails entering a project company and project code in addition to the accounting distribution on an invoice line, employee reimbursement screen, PO line, requisition line, journal voucher line, or procurement card module transaction. When the detail transaction is extracted and posted to GL, the system posts an additional entry to the project company and project code. Project accounting creates a sub-ledger within GL under the project company. All GL inquiry and reporting functions are available for the project company. Project accounting is not available for inventory module transactions.

Additionally, journal voucher entries may be keyed directly to the project company. This procedure allows an agency to record a summary entry for each IT project at month-end instead of marking each IT related transaction during the month.

Each agency has its own project company and project codes. Data from the project companies will be incorporated into the Information Technology Expenditures Report on a quarterly basis.

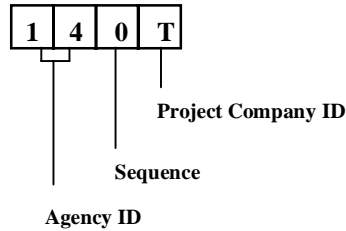
Identifying an IT project

As defined by G. S. 143B-472.40A, information technology projects are those related to electronic data processing or telecommunications. Project codes are assigned to “significant” IT projects only. Significant IT projects are those projects/existing applications that meet one of the following criteria:

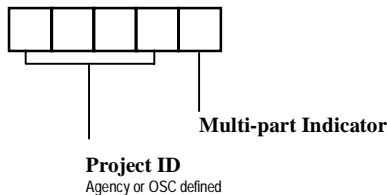
- An application development project estimated to cost at least \$2 million. This includes all projects currently on the IRMC Statewide Projects List as well as any new projects coming before the IRMC for certification.
- An application development project costing at least \$2 million that was completed during fiscal year 2000.
- An existing application determined to be “mission critical” by the State Auditor and selected for the Y2K audit review process.

Assigning the Project Company and Code

Each agency has its own **project company**. The project company is comprised of four digits. The project company for OSC is displayed below:



Each significant IT project is assigned its own **project code** by OSC during implementation or as part of the Information Resource Management (IRM) project certification process. The project code is comprised of five digits:



Positions 1-4 of the project code are alphanumeric. To make the code more meaningful, an agency can request specific values for portions of the code. OSC's policy is to honor all agency requests; however, project codes must be unique statewide. If an agency does not request a specific value or if the requested value is already in use, OSC assigns an available numeric value as the project code.

Position 5 of the project code indicates a multi-part project or a project phase. All project codes end in zero unless they are a part of a larger multi-phase project.

Validating the COA within a Project Company

The project company uses the Dynamic Generate Option which automatically adds centers to accounts to create valid account-center combinations for posting. This option decreases the work involved in setting up and maintaining the project company chart of accounts. The Dynamic Generate function replaces the center validation process that occurs online through GL screen 287.

During GL posting, the Dynamic Generate function creates a company/account/center combination when the following two criteria are met:

- The account is valid within the project company.

This process occurs on GL screen 286. If the account is not valid within the project company, the system displays the message FC1154 PROJECT ACCOUNT NOT FOUND ON GL OPEN YEARS FILE.

- The center is designated as available for Dynamic Generate within the project company.

Centers added on GL screen 288 with a Type code of 'C' are available for Dynamic Generate.

OSC adds the project code on GL screen 288 as part of the project code approval process. The Dynamic Generate function adds centers to existing project company/account combinations. As a result, agency users will not have security to GL screens 287 and 288 for the project company.

During implementation, OSC will add all non-budgetary accounts (all accounts except class 6 and 7) currently valid within an agency's other companies to the project company. Agencies, however, are responsible for adding any new non-budgetary accounts to the project company. Missing account family members (except class 6 and 7 accounts) will generate suspense entries within the project company.

Suspense entries will only be created if the account in the accounting distribution (company/account/center) is not valid for the project company.

Deciding Between Marking Transactions or Posting Summary Entries

Each agency must decide the best method to post activity against the project company and codes. The method to select depends upon the type of activity and the structure of the agency GL center field. The two methods are:

- Marking individual document lines with a project company and code

Under this method an agency user decides on each transaction line if this activity is for a specified IT project. The transaction may be an invoice line, a PO line, a requisition line, or a journal voucher line. The advantage of this method is that it allows NCAS to generate the additional entries to the project company. The disadvantage of this method is that there is more chance for error in forgetting to identify project costs.

- Keying summary entries directly to the project company through the JV screen

This method is easier when IT project costs are identified through a GL center or GL center element. The BD701 Org Mask report can be used to identify the IT project activity. Under this method, the agency keys a manual JV entry using the project company as the GL company and the project code as the GL center. The advantage of this method is that it is easy to determine that all IT project costs are posted to the project company and code. The disadvantage is that additional JV entries must be keyed into NCAS. However, only one entry per IT project is needed each month summarizing that month's activity.

Financial interfaces into NCAS may also post entries directly to the project company or include a project company and code on each interface transaction line. An agency may decide that each method is best for specific types of activity. If both methods are used, the agency must be careful to avoid double-posting activity to the project company.

Entering a Project Company and Code on a Document Line

To identify an individual transaction as an IT project expenditure means entering the project company and code on a document line. The project company and project code fields are available on all the primary NCAS input screens within the AP, PS, and BC modules. These fields are in addition to the GL accounting distribution fields. Only valid codes are permitted in the project company and code fields. Invalid codes produce one of the following system error messages:

- FC1151 Edit Rules Record for Project Company not Found on GL Custom Ctrl File
This error message means that the user is keying an invalid project company into the project company field.
- FC1156 Project Center Description Record not Found for Dynamic Generate Option
This error message means that the user is keying an invalid project code into the project code field.

The project company and project code field values are automatically carried forward from a requisition line to a PO line and from the PO line to the invoice line during processing. In addition, the project company and project code can be entered on direct PO lines, direct invoices, journal voucher lines, procurement card module reconciliation transactions, and employee reimbursements.

On the Employee Worksheet screens, the project company and project code are titled **Trip Company** and **Trip Code**. All other screens have these fields titled **Project Company** and **Project Code**.

Refer to the [Project Account Screen Samples](#) topic for samples of all applicable NCAS input screens and the location of the project company and project code fields.

Understanding How NCAS Generates the Project Accounting Transactions

Entering a project company and project code in the project fields on a document line makes no system entries until the transaction is extracted and posted into General Ledger during overnight production processing. All processing for the project company occurs inside the GL module. Until the transaction is received by GL, the project company and project code are treated like special description fields.

Once GL recognizes values in the Project Company and Project Code fields, it extracts the project information and creates additional accounting entries. These additional entries are posted to the project company. In order to post entries to the project company, GL creates an accounting distribution by overlaying the originating transaction's

company and center with the project company and project code. For example an invoice line is keyed with the following values:

- Company/Account/Center 1401 / 533110 / 10001000 (DR)
 With Project Company/Code 140T / OPC00

Within Financial Controller (FC) the system applies the appropriate accounting rule and passes the following two entries to GL:

- Company/Account/Center 1401 / 033110 / 10001000 (DR)
 With Project Company/Code 140T / OPC00
- Company/Account/Center 1401 / 030000 / 1000 (CR)
 With Project Company/Code 140T / OPC00

From these two transactions, GL posts the following four entries:

- Debit to 1401 / 033110 / 10001000
- Credit to 1401 / 030000 / 1000
- Debit to 140T / 033110 / OPC00
- Credit to 140T / 030000 / OPC00

Similar processing occurs for all transaction types which include a project company and project code. The system generates offsets to the project company entries in the same manner as other GL company entries.

The project company is a valid GL company. Keying a project company into the GL company field on any transaction screen invokes normal GL processing. **Do not enter a project company accounting distribution into the GL accounting distribution fields within the AP or PS screens.**

A project company accounting distribution may be entered into the GL accounting distribution fields on BC screens for the following two reasons only:

- 1) To correct a suspense balance within the project company
- 2) To manually post activity against the project company account balances

Posting IT Project Costs through a JV Entry

The process to key a JV entry directly against a project company is identical to keying an entry to a GL company. In the project company accounting key, the project company replaces the GL company and the 5-digit project code replaces GL center.

For example, an agency has one significant IT project which is identified in its COA by fund number 1200 Data Warehouse Project. During July, the agency accumulated the following expenditures within the GL company 5601:

Center 1200100 Data Warehouse Project Administration

Account 531211 SPA Salaries	\$ 75,000
Account 531511 Social Security Contributions	\$ 5,250
Center 1200200 Data Warehouse Project Supplies and Services	
Account 532140 Systems Integration	\$100,000
Account 532821 Computer/DP Services	\$ 19,000
Center 1200300 Data Warehouse Project Equipment	
Account 532522 Rent/Lease DP Equip	\$ 15,000
Account 534522 Equip-Computers	\$ 55,000

If the Project Company is 560T and the Project Code assigned to the Data Warehouse Project is 12340, the JV to enter the costs directly to the project company is:

Document ID: **563100001**

Data Type 2

<i>Company</i>	<i>Account</i>	<i>Center</i>	<i>Amount</i>	<i>DR/CR</i>	<i>Description</i>	<i>Rule</i>
560T	531211	12340	75,000	DR	Post EOM activity	31
560T	531511	12340	5,250	DR	Post EOM activity	31
560T	532140	12340	100,000	DR	Post EOM activity	31
560T	532522	12340	15,000	DR	Post EOM activity	31
560T	532821	12340	19,000	DR	Post EOM activity	31
560T	534522	12340	55,000	DR	Post EOM activity	31
560T	111250	12340	269,250	CR	Post EOM activity	31

The offset to the project company entries is account 111250 Disbursing Cash. The balance in the project company disbursing cash account does not have to be reconciled or reclassified to another cash account at month-end. Project company entries are excluded from all cash reports (BD701, BD702, BD800, etc.)

When keying a manual JV entry directly to the project company, enter the project company/account/center in the normal GL distribution fields. Do not enter values in the Project Comp/Code fields. That would generate double entries to the project company.

Identifying Costs to an IT Project

When identifying costs to an IT project, that IT project should receive only its share of the cost. An agency may have costs for IT projects or support that is not related to a significant IT project. In order to properly assign costs, an agency may need to change internal procedures, such as requiring contract vendors to bill time by project, obtaining a new ITS bill code, or adding a project code on employee reimbursement requests.

Some expenditures are difficult to assign to specific projects without a formal costing process. Examples of these expenditures include payroll and benefits, telephone expense, and data processing supplies. These types of costs do not have to be coded to a specific project when the benefit outweighs the cost of determining the amount or when the amount is immaterial.

PMIS and Central Payroll will not be modified to accept project companies and codes at this time. Therefore, payroll and benefit costs, posted through the Central Payroll to NCAS interface, will not be allocated to IT projects. Agencies that identify IT projects through the GL center or a GL center element, may be able to record payroll costs through a manual JV entry to the project company.

Employee travel advances processed through the EAR screen in the AP module should not be coded to an IT project. Only when a travel reimbursement request is matched to a travel advance should a project code be assigned to an IT project.

Project codes should **not** be entered on an invoice line that is charged to any liability or clearing account (e.g., sales tax payable account - 211940)

Another transaction that should not have project codes assigned to it is any BC cash requisition entry. It would be very difficult to determine what portion of a daily cash requisition should be identified as specific to an IT project.

As part of Accounts Payable processing, the system generates entries to the Disbursing Cash account (111250) within the project company. Since the project company is excluded from the BD800 Cash Reconciliation reporting, no cash requisition entries are required within the project company. As a result, all project companies will carry a monthly balance in the cash disbursement account, 111250.

Any NCAS expenditure account could be used to record costs for an IT project, but among the non-personnel type accounts, the following are used most often:

NCAS Account	Account Title
532140	Systems Implementation/Integration Services
532199	Miscellaneous Contracted Services
532332	Repairs-Computer Equipment
532440	Maintenance Agreement-DP Equipment
532522	Rent/Lease-DP Equipment
532523	Rent/Lease-Communications Equipment
532441	Maintenance Agreement-Software
532811	Telephone Service
532812	Telecommunications Data Charge
532813	Teleconference Charges
532814	Cellular Phone Services
532815	E-Mail and Calendaring
532821	Computer/Data Processing Services
533120	Data Processing Supplies

534522	Equipment-Computers
534528	Equipment-Communications
534710	Computer Software
534720	Mainframe Software
534730	External Develop Software

All IT costs not related to one of the significant IT projects should not be assigned a project code. Agencies are asked to use their best judgement when deciding what to mark with a project company and project code

Each agency should review any interfaces into NCAS to determine if a project company and project code needs to be included on interface transactions. Contact the OSC Helpdesk for assistance with the location of these fields within the batch transaction layouts and with testing any changes to agency subsystem interfaces.

Correcting a Suspense Entry within a Project Company

In the project company the suspense account is **99999999899** and the suspense center is **99998**. While the Dynamic Generate function greatly eliminates error entries posting to the suspense account/center, accounting rules may generate invalid distributions or company balancing transactions to the project company.

Transactions posted to the suspense account/center in a project company are cleared by making appropriate entries in the Budgetary Control module. **When clearing suspense, enter the project company/account/center in the normal GL distribution fields. Do not enter values in the Project Comp/Code fields.** Before processing a correcting entry, however, the following error conditions must be evaluated:

- If the error occurred because the generated project company accounting distribution is correct but not valid or active on the General Ledger, the account (not the center) must be established on the agency's Chart of Accounts prior to journalizing a correcting entry.
- If the error occurred because the generated project company accounting distribution is not correct, an entry must be recorded to reflect the correct accounting distribution and the transaction must be cleared from the suspense account/center.

Budgetary Control entries to correct the suspense postings in a project company are the same as corrections for other GL companies. Project company specific versions of the suspense correction accounting rules generate the unique project company suspense distributions. The project company entries are data type 1 transactions and are processed in the following manner:

BC Document Type	Transaction type	Document ID Transaction Type	Accounting Rule
Journal Voucher	Cash	2X*	30

	All Others	31	30
Encumbrance Adjustment	Purchasing 83XXXX Accounts Payable 03XXXX	38	43 44

*The document ID transaction type should reflect the type of transaction originally posted to the suspense account/center.

Users should be careful when processing a BC document to clear suspense entries. Because the project company entry is generated within GL, it is possible that the originating entry is invalid and posts to suspense, but the project company entry is valid and posts appropriately. To avoid more posting errors, **do not enter a project company/code in the project company and project code fields of a BC document when clearing suspense** for a normal GL company suspense balance.

Processing the Suspended Batch Master File (SBM) for a Project Company

Project company transactions are generated when an originating transaction batch is posted to the General Ledger. If the originating batch goes into the SBM file instead of posting to the General Ledger, the project company transactions are not created. The Batch Proof List will report the details associated with the project company batch but will contain the following error message in the Comments section of the report:

189ERR-TO REGEN

This error message indicates that the project company transactions could not be created but will be re-generated when the originating batch is released from the SBM and posts to the General Ledger. Only the originating batch will be listed on the online SBM viewing screens and only the originating batch will need to be corrected and released from the SBM file.

Reporting against the Project Company and Month-End Reconciliation

Project company transactions are excluded from all standard CAFR, BD7xx, BD8xx, and trial balance reports. However, agencies must verify all activity has posted to the project companies. Reports that list project company activity include:

- Monthly Report on Information Technology Expenditures (BD7xx-IT)
 - This report lists the current month, year to date, and life to date expenditure balances and the encumbrance balances for each project code.
- Project Company Trial Balance
 - This report lists the beginning balance, monthly debits and credits, and the ending balance for all accounts within a project company/project code.
- Box Totals
 - This report lists the beginning and ending balances by account type for the project company. The reporting period is each calendar month of the fiscal year. This report

is used to verify that the project company is in balance and to verify that encumbrances and suspense account type balances are zero

- Detail Transaction Ledger (DAPG67 Project)

This report lists detail transaction data to support a project company account balance.

As part of the month-end reconciliation process, agencies must certify that all project company activity has posted to the general ledger. This means that:

- All unfinished documents created through the Budgetary Control module for the project company are completed and approved.
- The suspense account (Account 99999999899 / Center 99998) has a zero balance for the project company. Any suspense account entries that have effective dates for the certified period must be cleared.
- There are no project company error batches in the Suspended Batch Master (SBM) file with effective dates for the month being certified.
- The AP encumbrances and PS encumbrances listed on the Box Totals report are zero for the project company.
- The Project Company Trial Balance report is in balance (debits equal credits).

Processing Year End Entries for the Project Company

Project company transactions are reported to the IRMC on a cash basis. Project company balances are excluded from the CAFR and no year-end accrual or accrual reversal transactions are generated for project company costs.