

INTER-OFFICE MEMORANDUM

Office of Accounts and Control

TO: CHIEF FINANCIAL OFFICERS

DATE: July 12, 2006

**FROM: LAWRENCE C FRANKLIN, JR.
STATE CONTROLLER**

**ROSEMARY BOOTH GALLOGLY
EXECUTIVER DIRECTOR/BUDGET OFFICER**

**SUBJECT: NEW RI-FANS NATURAL ACCOUNTS
CFO 07-05**

Effective with the new fiscal year and the implementation of the new RI-FANS financial management system, the Controller's Office is also introducing a new set of expenditure classification codes, referred to as **natural accounts**. A team comprised of staff from the Controller's Office, the Budget Office and members of the RI Association of State Government Chief Financial Officers, worked collaboratively over several months to develop these new natural accounts.

Several tools have been developed to help users with the transition from the old chart of natural accounts to the new RI-FANS chart. First is the reestablishment of the Expenditure Classification Handbook. This document (PDF file) provides a description of each natural account to assist users in determining which code should be used in specific circumstances.

Second is the Natural Account Hierarchy Map. This document (Excel file) provides a detail listing of the new natural account structure in a format that guides the user from the highest classification level to the lowest level in each category. The new Chart of Accounts is based upon a hierarchical structure with the following major expenditure categories:

610000	Salary/Wages and Other Compensation
620000	Employee Benefit Programs
630000	Contracted Professional Services
640000	Operating Supplies and Expenses
650000	Assistance and Grants
660000	Capital Purchases and Equipment
670000	Aid to Local Units of Government
680000	Debt Service

New RI-FANS Natural Accounts, continued

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Please note that there are designations associated with certain natural accounts that identify if the respective code can reflect budgeted amounts only, both budget and expenditures, or neither.

Third is a translation table (part of the Natural Account Hierarchy Map Excel file) showing the old legacy budget object code, the former RISAIL natural accounts, and the corresponding new RI-FANS natural accounts. You will notice on this table that some old RISAIL natural accounts are associated with more than one new RI-FANS natural account. This occurs when a more discrete delineation of expense was desired in certain categories. In these instances, it is very important the users refer to the Expenditure Classification Handbook to determine the most appropriate expenditure code to use when classifying expenses in FY 2007 and thereafter. One of the categories where more than one new natural account exists is in Medical Services. The new chart distinguishes between client-based and non-client medical services. The latter category is for contracted professional services whereby an individual is hired to carry out medical-oriented activities in lieu of a state employee. The client-based category is for medical services acquired or paid for on behalf of a client of the state (i.e. DCYF foster children).

Despite the significant amount of time and effort that went into revising the new chart of natural accounts, we believe there is always room for improvement. To that end, your suggestions and comments are not only welcomed, but also encouraged. If you find that an explanation in the Handbook is not sufficiently clear, please let us know. If you cannot find a natural account that you believe accurately reflects the expenditure you are processing, please contact the Controller's Office or the Budget Office for assistance in selecting an appropriate code or for the creation of a new code (if necessary). ***Please do not select any available code just so a document can get processed.***

The proper classification of expenditures is not only important for financial reporting purposes, but also for budget development, review and analysis of expenditures. Therefore, it is imperative that all users of RI-FANS make it a high priority to select the most appropriate natural account(s) when processing requisitions and payments.

If you have any comments or questions concerning the new natural accounts, please contact the Controller's Office at 222-2271 or your agency's assigned Budget Analyst.

The files referenced above can be found on the Controller's Office web site (<http://controller.doa.state.ri.us/>).

Thank you for your cooperation.

LCF/nas

