



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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TO: Chief Financial Officers

FROM: Peter B. Keenan, CPA, State Controller
Department of Administration

DATE: April 19, 2018

SUBJECT: Assignment of Valid Project Codes to Capital Projects
CFO Memo 18-09

Beginning in FY2011, all requisitions and purchase orders associated with capital projects or capital assets were required to have a valid five-character project code as a component of the RIFANS account number being encumbered.

In order to comply with this policy, a requisition or purchase order is considered to be associated with a capital project or capital asset if 1) the total cost of the project or asset is expected to exceed \$1,000,000, or \$2,000,000 for software, and 2) the natural account component of the RIFANS account number being encumbered is one of the following:

- a) **661302** Construction in Progress
- b) **661351** Architecture and Engineering - Construction in Progress
- c) **661361** Consultant Services - Computer Systems Development/Software

Note that the dollar threshold of \$1,000,000 for a capital asset (Construction in Progress), or \$2,000,000 for software (Computer Systems Development), applies to the overall cost of the project, not to the amount of the individual encumbrance in question. One capital project may well involve more than one contractor/supplier and/or more than one purchase order per contractor/supplier, so that an individual encumbrance amounting to much less than \$1,000,000 may still require an account number with both a valid project code and one of the three natural accounts listed above.

It occasionally becomes apparent that a project that began with the expectation of costing less than \$1,000,000 will in fact end up costing more than \$1,000,000 by the time it is completed. For this reason, a Construction/Project Code Request Form is required to be submitted if the project costs will be greater than \$750,000. This will ensure the Fixed

Asset Unit of the Office of Accounts and Control is aware of all projects that have a potential of being capitalized. If an agency becomes aware that a project initially expected to cost less than \$750,000 now meets the threshold, it must obtain a valid project code using a Project Code Request Form, then adjust all expenditure transactions related to the project to reflect the new project code once it is assigned. An example of the form is at the end of this memo, and a fillable form is available on the Accounts and Control website in the Capital Assets section.

If the overall cost of a project is expected to be less than \$750,000, then the three natural accounts listed above **must not be used** on any encumbrance document associated with the project.

It should also be noted that a "project" may consist of a set of individual subprojects (for example, one contract covering the renovation of several different buildings). In such cases, each subproject that **on its own** meets the criteria outlined above needs to have its own unique project code and use one of the three natural accounts listed above. Conversely, a subproject that does not meet the criteria on its own must **not** be assigned a project code and must not use one of the three natural accounts, even if it is part of a comprehensive contract that will exceed \$750,000. In other words, the agency must look at various aspects of a contract or contracts to determine what constitutes a project that must be tracked as a capital asset (Construction in Progress) or software (Computer Systems Development). Please refer to the Fixed Assets Control and Tracking (FACTS) manual on the Accounts and Control website for more detail.

A valid five-character project code must begin with a letter other than Z, followed by three other alpha and/or numeric characters. The RIFANS default project code of 00000 does not qualify as a valid project code for a capital project. The Fixed Asset Unit will assign all project codes once the Project Code Request Form is received. All expenditures related to the project must have the assigned project code listed as part of the RIFANS account number, and only the three natural account numbers listed above can be used in conjunction with that project code.

Thank you for your cooperation, and ensuring that our fixed asset recording and reporting remains accurate and timely. Please e-mail or call the Fixed Assets Section Supervisor, Sandra Morgan, at Sandra.Morgan@doa.ri.gov, 222-6403 with any related questions.