3 Things You Should Know About: Chart of Accounts Transformation

July 2021

Deloitte.

Chart of Accounts Transformation

1 Before you begin defining a new chart of accounts, recognize your reporting needs and business segments. Prior to defining or rebuilding your accounting chart of accounts, determine what reporting and analytics are needed to support the operational and managerial aspects of the business. First, examine the reporting and analytics that are provided today and identify any gaps or needs that are not met today. For example, do you need to report fund balances and activities, do you need to capture costs for auxiliary activity, or do you need to produce financial statements by separate legal entities? Determine the flexibility of your organizational structure, how many accounting ledgers you need, how frequently you re-organize your departments, and how you manage intercompany transactions. It is best to start at the bottom of the hierarchical structure, then allow yourself to logically group the segments: group all facility departments, group all departments by schools, group all expenses by classifications, and more.

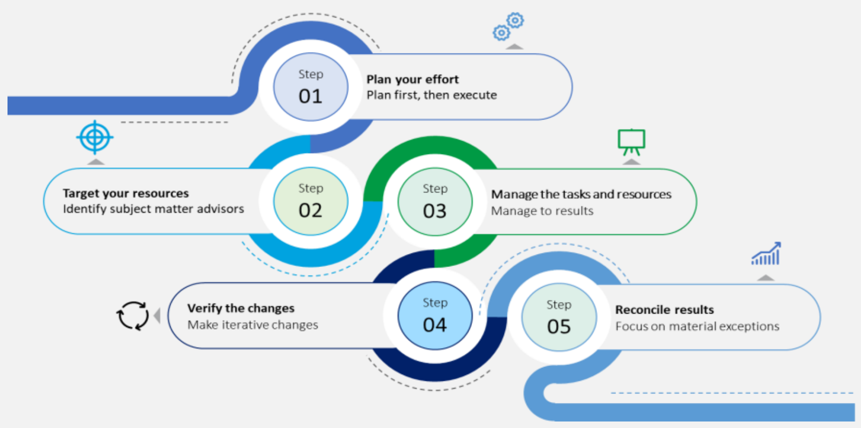
Stakeholder Engagement

2 Recognize the change impacts to all stakeholders. When implementing any change, it is increasingly important that you recognize which organizations and people are impacted by the change. Likewise, when implementing a new or revised chart of accounts, identify all the parties that will be impacted. Changing the chart of accounts often reaches beyond the accounting department. In the case of higher education, it also impacts the faculty, research assistants, and school administrators. It may indirectly impact your student body if the changes will interrupt data processing.

Since the chart of accounts is a foundational change to business operations, the stakeholders should be identified and engaged throughout the process. The early engagement will lead to increased user adoption of the chart of accounts. The frequency of communication will also reduce surprises and opposition to the changes. This gives the opportunity to balance and align expectations.

3 Allocate adequate time to plan effort, avail resources, and verify and reconcile financial impact of the chart of accounts. Building a chart of accounts requires a lot of diligence and knowledge of the financial performance of the organization. One should understand the effort of the tasks that are required and the available resources to perform the tasks. It is best to identify the resources with the most intimate knowledge of the accounting transactions and financial performance. These resources should be familiar with the business operations, regulations, and accounting practices.

Define your process to verify and reconcile the financial statements and analytics. Develop automated routines to reconcile the legacy and new chart of accounts, allowing you to focus on the exceptions only. Using detailed trial balances, income statements, balance sheets, and cash flows are key to validate the transactions are converted to the new chart. You should also be prepared to do account analysis when reconciling discrepancies arise.



Plan the Journey

Chart of Accounts Transformation

Finance transformation often involves the introducing changes to the chart of accounts. In Higher Education, it involves much more than managing the daily transactions – it also involves managing the ongoing fund transfers and reconciling back to many sources of income: awarded grants, gifts, endowments, and student affairs. The effort is not complete until you have verified the changes and are satisfied with your financial statements and performance.

- Start with the end in mind with reporting and your business segments. First, determine how you want and need to report the various segments of business operations – departments, funds, schools, and functions.

- Engage your stakeholders early and often to increase user adoption. The stakeholders will include all parties that submit and inquire on accounting transactions – faculty, administrators, accounting and financial planning organizations. You should examine the needs of the organizations and agree on the changes while minimizing any disruption to the business operations. It is important for the key stakeholders to go on the transformation journey and accept the changes early.

- Allocate sufficient time to plan, verify, and reconcile the changes. The exercise starts with planning the effort and engaging the right resources. The resources should be intimate with the details of the financial statements and performance. It is best to automate the reconciliation, enabling the resources to focus on the material exceptions only.

A financial transformation project is often a large and critical undertaking of any organization; however, it can be planned and executed successfully. It is important to identify the key stakeholders to take the transformative journey and engage the right resources to ensure the financial expectations.

Get In Touch

For more information about this paper, please contact:

Tara Hall
Principal, Enterprise Operations
Deloitte Consulting LLP
tahall@deloitte.com
+1 650 533 8685

Betty Fleurimond
Managing Director, Higher Education
Deloitte Consulting LLP
bfleurimond@deloitte.com
+1 202 492 1453

Acknowledgements

We would like to extend our thanks to the following Deloitte colleagues for their contributions: **Gray Morris, Mary Preston, Cecilia Daizovi Weiland, Rod Russell.**