



Local Government Advisory BARS Restructure Ad-Hoc Committee Minutes

Ellensburg, Washington ~ February 11 & 12, 2009

Members Present

Christy Raske, State Auditor's Office (SAO)
Alexandra Johnson, SAO
Cherly Grant, City of Chelan
Jim Chase, City of Pasco
Sandy Langdon, City of Marysville
Jeff Mosen, County Road Administration Board
Judy Pless, Kittitas County
Toni Nelson, SAO
Alicia Seegers-Martinelli, (one day) Association of Washington Cities
Dean Walz, City of Olympia
Duane Walz, SAO
Mary Ziemann, Clark County
Sue Remer, SAO (one day)
Members absent: Dan Underwood, City of Richland

Background on Project

The current BARS account structure is 25 years old. Over the last 25 years, reporting requirements have changed, which has resulted in a chart of accounts that is somewhat outdated. There have also been additional requirements for detail and therefore the current structure is reaching its capacity. Approximately two years ago, the State Auditor's Office evaluated the situation and decided to obtain information from the BARS users. The Office prepared a survey and sent it to all BARS users asking questions about how BARS is or is not meeting their needs and requesting suggestions for improvements. The results were very inconclusive. Many users asked to leave BARS alone while others wanted it to expand to include multiple reporting needs (cost accounting and performance measures).

Over the past year, the Office has:

1. Met with BARS users to ask for suggestions.
2. Reviewed other state's chart of accounts.
3. Met with other data providers/reporters within the state for ideas or ways to eliminate redundant reporting.
4. Met with the Legislature to identify their data needs.
5. Reviewed the current BARS chart of accounts to determine if it is possible to adjust and refine it to allow for additional capacity within the current structure.
6. Created a subcommittee of the Local Government Advisory Committee to define the current problems with BARS and suggest possible solutions.

The Office met with various groups for suggestions but the results were pretty limited. They were able to recognize problems with BARS but reluctant to suggest changes. The review of other states provided a couple good examples of how BARS chart of accounts could be expanded to meet user needs. When

meeting with other data providers/reporters, it was determined that they rely on State Auditor's data. For example, Department of Revenue relies on the State Auditor's data and is concerned about how they would obtain this information if the State Auditor's data is not available to them. Another example is the Department of Transportation street report. The street report is created from data from the State Auditor's Office; however this report requires a lower level of detail than the BARS currently prescribes. The Department of Community Trade and Economic Development receives debt reports from local governments but it includes nonfinancial data, not currently collected by the State Auditor's Office. The users have told us in the past the debt report requires little time to prepare and submit to CTED.

The State Auditor's Office met with legislative staff who use the Office's Local Government Finance Reporting System (LGFRS). At this time, they have not received additional requests for the data, but they are concerned with accuracy and maintaining historical data.

The State Auditor's Office decided to use the subcommittee to review the current chart of accounts for improvements. This was determined necessary regardless of action taken in the future. The subcommittee met for two days to further brainstorm in order to define the outcomes desired based on current needs and issues. The results are as follows:

Brainstorming Session (items listed not in priority order)

Why do we have BARS?

- Meet certain requirements of the Revised Code of Washington
- Provide information to Legislature
- Provide a uniform chart of accounts
- Comparability between entities
- Transparency

What do we expect from BARS?

- Meet needs of financial users
- Flexibility, ability to adjust to changing needs
- Meets at least the majority of users' needs
- Provides financial performance information
- Supports reporting needs (think this was reports to be filed with State Auditor)
- Elimination of duplicate reporting (same information to multiple state agencies)
- Expand budgeting guidance to include organizations created through interlocal agreement, contracts, etc.
- Expand accounting guidance to include organizations created through interlocal agreement, contracts, etc.

Who are users of BARS?

- Legislature
- Cities
- Counties

- Citizens
- Associations
- State Agencies
- Rating Agencies
- Auditors

What improvements would we like to see in BARS?

- Provide capacity for additional codes
- Expansion of code structure
- Gather information for Statement of Activities
- More local option capacity
- Review of schedule 16 (can coding help)
- Review of expenditure and codes
 - (are they meeting current & future needs)
 - (are current codes used to maximum efficiency, e.g. 55X codes)
 - (do they make logical sense, e.g. interest appears in several places)
- Tie grant revenues to expenditures
- Tie restricted revenues to expenditures
- Eliminate sending State Auditor's Office schedules that are for audit purposes, just give them to the auditors when on site, e.g. schedule 10

How Do We Proceed?

What is the current problem?

Committee response: Capacity to provide users additional detail information regarding revenue and expenditures has been maxed out or soon will be in certain areas. Examples: public defender cost tracking and tracking of additional detail for sales tax. The structure of expenditures is not flexible enough to reflect all current activities of local governments.

Do we want to redo the entire BARS manual? Do we want to start from scratch?

Committee response: No

1: Planning approach:

Define outcomes

Identify strategies to reach outcomes

Identify tasks (ways to) implement strategies

2: Provide recommendations to the Local Government Advisory Committee:

Contract with professional expertise to develop a survey to address outcomes

OPTION 1

Make no changes to BARS account code structure. Add new accounts only where existing system allows.

OUTCOME	STRATEGIES	TASKS	BACKGROUND
Supplemental reporting required when BARS system cannot accommodate information needs.	(none required)	<ol style="list-style-type: none"> 1. Creating additional schedules 2. Revise current BARS categories 3. Realign LGFRS with new categories 4. Prescribe some fund numbers to satisfy reporting requirements (street report, ER&R, etc). 	For example a requirement for expenditure information related to specific revenue, (homeless, economic stimulus) could require another schedule. Note-(1) even if BARS structure is not changed, current codes and categories need to be revised. Note (2) This option will impact historical data.

OPTION 2

Address current problem focusing on revenue & expenditures/expenses (see above).

OUTCOME	STRATEGIES	TASKS (not all possible tasks identified in meeting)	BACKGROUND/IMPLICATIONS
A – 1, BARS system will allow for additional Revenue and Expenditure/Expense reporting (required reporting and local reporting needs)	1. Keep Existing BARS structure	1. Use/assign object/subobjects for revenue accounts as needed.	Use object and sub-object for all revenues not only grants. Note-this option will not help expenditure side-adds detail only for current revenue categories. (Currently revenue codes use only 5 of the 7 digits, except grants) Note (3) We would require finding out how many entities use these codes already.
		2. Use Basic #'s not yet assigned, e.g. 700's & 800's	This would double the number of accounts available. This would require programming changes for rolling-up accounts for financial statements. See Notes 2 and 3
		3. Revise current BARS categories	See Notes 1 and Note 2

		4. Use current local option numbers (six digits in the organizational numbers).	This would provide more details for revenues and expenditures. Also, this would allow tying revenues to expenditures. See Notes 2 and 3.
	2. Expand the chart of accounts.	1. Add a digit(s) to Base/sub or Element/sub-element.	Account would look like XXX.XXX.XX. This should not impact history on revenue side because it expands accounts within existing categories. See Note 3.
		2. Expand BARS from 16 to 21 digits. The organizational number would stay the same (9 digits). The prescribed account number would be expanded to 12.	Account would look like: XX.XXXXX.XXXXX. This would provide enough details to fulfill any reporting requirements (not only to SAO but other state and federal agencies), tie revenues to expenditures, and roll-up to Statement of Activities. Initially not all digits would be prescribed which allows for future expansion. See Notes 2.
		3. Use Alpha characters.	This would expand the codes available. This could increase cost of data input.
		4. Expand the 6-digit local option field the organizational number.	Prescribing specific numbers in additional field would allow supplemental reporting of future information requests.
A-2, Tie revenues & Expenditures/Expenses. (If a conflict between A-1 and A-2 occurs in development A-1 will prevail.)	1. Keep Existing BARS structure	1. Prescribe local option numbers	Currently many entities are using these digits for internal purposes. See Note 3.
	2. Expand the chart of accounts	1. See A-1, strategy 2.	

B, Improve effectiveness/ efficiency of reporting	1. Identify possible reporting to be eliminated or reduced.	1. Review current reporting for duplication.	
		2. Review and possibly eliminate audit-related schedules from annual report requirements. Have information available for auditor and not sent to Olympia.	This would reduce the number of reports sent to Olympia but not eliminate the total number reporting requirements.
		3. Identify if reported information is available from some other source. E.g. from Department of Revenue.	
	2. Change required reporting method.	1. Online reporting to SAO.	
		2. Change state law in reference to reporting requirements.	Work with associations on proposed changes.