

Chapter 7200 - General Outline of Procedures

7200 GENERAL

(Revised & Renumbered 2/65)

The governmental accounting cycle consists of the following:

1. The budget,
2. The accounting records,
3. The reports,
4. The audit.

The budget is a plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

The accounting records consist of:

1. Documents,
2. Books of original entry,
3. Ledgers, both general and subsidiary.

These records show the financial operations of governmental agencies and, as necessary, relate such transactions to the plan of operations; namely, the budget.

Reports are prepared by governmental agencies from accounting records and provide the executive branch of government, the legislature, and the public with information concerning the agencies' financial operations and the relation of such operations to the budget.

The audit is an examination of the accounting records and reports to determine among other things whether:

1. All transactions have been properly recorded and reflected in the accounting records and reports in accordance with accepted accounting principles,
2. Money and property have been handled properly, and
3. Administrative policies and procedures have been adhered to.

7220 ACCOUNTING RECORDS

(Revised 5/85)

Accounts are used to record transactions evidenced by documents and to express such transactions.

Accounts shown in the Chart of General Ledger Accounts will be used. (See SAM Section 7610) The individual accounts are described in SAM Section 7620 et seq. Agencies will maintain a set of accounts for each fund.

The accounts of Governmental Funds deal with assets, deferred credits, receipts, and expenditures in somewhat the same manner as is usual in commercial accounts, except that the balances of the accounts of various assets not available for appropriation are ignored in computations of surplus. These assets are offset by contra-accounts.

The accounts of Proprietary and Fiduciary Funds are generally similar to the accounts of commercial

1	Form 341	-	Sundry Purpose Sheet, 4 Columns 13-3/4" x 10-3/8" Contains date, description, reference column and four monetary columns on each side.
2	Form 342	-	Sundry Purpose Sheet, 12 Columns 13-3/4" x 10-3/8" Side with binding holes on right contains date, description, reference column and four blank columns, reverse side with eight blank columns, providing a total of twelve monetary columns.
3	Form 343	-	Sundry Purpose Sheet, 7 Columns 11" x 14" Contains date, description, reference column and seven monetary columns on each side.
4	Form 344	-	Sundry Purpose Sheet, 18 Columns 11" x 14" Side with binding holes on right contains date, description, reference column and seven blank columns, reverse side with eleven blank columns, providing a total of eighteen monetary columns.
5	Form 345	-	Sundry Purpose Sheet, 9 Columns 13-1/4" x 17" Contains date, description, reference columns and nine monetary columns on each side.
6	Form 346	-	Sundry Purpose Sheet, 23 Columns 13-1/4" x 17" Side with binding holes on right contains date, description, reference column and nine blank columns, reverse side with fourteen blank columns, providing a total of twenty-three monetary columns.

An agency ordinarily will have need to stock and use the 10-3/8" width and one of the two larger widths. The 14" width is limited to 35 separate line entries per page, which is 10 less than provided by the other two forms. These forms are intended for all purpose use. This includes, but is not restricted to, the following books of original entry:

BOOKS OF ORIGINAL ENTRY	BOOKS OF ORIGINAL ENTRY
Claims Filed Register	Controller's Transfers Register
Payroll Expenditure Register	Donated Farm Stores Received Register
Invoice Register	Analysis of Produced Stores Issued
General Cash Receipts Register	Livestock Inventories Report
Clearance Register	Trust Fund Cash Receipts Register
General Cash Disbursements Register	Trust Fund Cash Disbursements Register
Controller's Receipts Register	Trust Claims Filed Register
Revolving Fund Cash Book	

Specialized forms are desirable for certain books of original entry. The table below shows the form that normally will be used.

1	Form 505	-	General Journal

2	Form 564	-	Estimates Register
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7223 LEDGERS

(Revised 8/69)

Accounts are grouped in ledgers. A General Ledger and various subsidiary ledgers are prescribed.

The General Ledger, which consists of such accounts as are needed from the accounts shown in the Chart of General Ledger Accounts and any additional accounts the agency is authorized to use, normally will be kept on Form 515.

Agencies may, where they deem appropriate, combine on the same Sundry Purpose Sheet a general ledger account and its related subsidiary ledger. Such procedures can be advantageous where a column suffices for a subsidiary account, the number of subsidiary accounts related to a given general ledger account is relatively small, and the same source is used in posting to the general ledger account and its related subsidiary accounts.

Most General Ledger accounts control either subsidiary ledgers or files of documents. Subsidiary ledgers prescribed are described in SAM Section 7800.

7223.3 LEDGER POSTINGS

(Revised 5/85)

Sources of posting to subsidiary ledgers will vary because of such factors as:

1. Number of transactions,
2. Number of subsidiary accounts, and
3. Division of work among employees.

Common posting sources are:

1. Individual documents,
2. Summaries of batches of documents,
3. Register column totals, and
4. Analysis of entries in register columns.

Wherever two accounts are contra to each other, one account may partially or wholly offset the other account. The purpose of contra accounts is to preserve the identity of such accounts, as well as to accumulate periodic transfers to other accounts and/or funds. Departments must review carefully the general ledger account description/use/prohibitions contained in SAM Sections 7620-7680 to determine how each contra account should be shown on financial reports. EXAMPLES: 6150 Encumbrances and 5350 Reserve for Encumbrances; 1730.602 Prepayments to Architecture Revolving Fund, and 5330 Reserve for Prepaid Items.

7223.4 LEDGER FORMS

(Renumbered 2/65)

Sundry Purpose Sheets, STD. Form 341 through STD. Form 346, or General Ledger, STD. Form 515, are appropriate for most hand kept subsidiary ledgers for which no specific form is provided.

7230 REPORTS

(Revised 5/85)

Accounts are not an end in themselves. The account information is put into periodic reports. See SAM Sections 7900-7999 for quarterly and special year-end reports required for each agency.

7240 AUDIT

(Revised 12/95)

Government Code Section 8546.4 requires the Bureau of State Audits to examine the financial records, accounts, and documents of all state agencies. The Bureau of State Audits shall issue annually an auditor's report on the general purpose financial statements included in the State Controller's Office (SCO) annual report. The Bureau of State Audits shall rely to the extent possible on the audits performed by the SCO, Department of Finance, internal auditors of state departments, and independent contractors.

The Department of Finance is responsible for coordinating and providing technical assistance for the internal audits of the state departments. In addition, the Department of Finance conducts audits of agency accounts as often as the Director deems necessary and provides audit advisory services.

All audit activities of the Bureau of State Audits, the SCO, the Director of Finance, the internal auditor of the state agencies, and independent public accountants are coordinated so that duplication of auditing effort may be minimized.

7250 RETENTION OF FISCAL RECORDS

(New 10/78)

Recommended retention periods are provided by the Department of General Services for those fiscal records common to most offices. (See SAM Section 1671) These retention periods are listed on your agency's Records Disposition Schedule, STD. Form 73. Contact your agency Records Management Coordinator for copies of your Records Disposition Schedule or for records retention information.
