A COMPUTERISED ACCOUNTING SYSTEM FOR WELFARE AGENCIES

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INTRODUCTION

To many accountants the idea that welfare agencies would require computerised accounting may seem incongruous. However, Children's Welfare Association of Victoria have found, as a welfare field response to the standardised financial reporting system that they developed during 1981/82, that the need for such a system is clearly established. This mainly resulted from the focus of the reporting system on functional accounting which had not been addressed fully by many welfare agencies prior to the implementation of this system. In 1982 the Victorian State Government expressed a clear commitment to programme budgetting for all Government departments and as the voluntary child welfare field is heavily reliant on Government funding, it is expected that all agencies will need to respond to this commitment as if they were Government organisations. Programme budgetting needs as its base, a clear functional classification of income and expense. Therefore, the need for this form of accounting has become more obvious over the last twelve months.

Another aspect of the reporting system developed by the Children's Welfare Association was its emphasis on standardisation. This in turn made it feasible to develop computerised accounting for a range of agencies that would reflect a standard classification system. This system needs to be fairly sophisticated within present day welfare agencies because not only is functional reporting required, but there is a range of other reporting needs to be met as well.

CRITERIA FOR REPORTING

The initial criteria, then, for a computerised accounting system must be that it can reflect both internal and external reporting needs. Firstly, for internal reporting, a welfare agency needs the same kind of management reports as a commercial firm. This includes budget performance reports on a month and year-to-date basis, ratio reports on a month and year basis and the ability to compare the year's results with the previous year's. Our only departure from normal commercial practice was to use as the base for ratio reports the total income received in a period rather than the value of total sales. Secondly, the functional reports for both internal and external use need to be by welfare programme type and/or by project type if an agency is involved in a range of distinct programmes or projects. Finally, as a dissection of the previous reports, welfare agencies need reports reflecting the welfare service location so that the employees at this location can be held responsible for their performance against budget. This need flows from welfare agencies decentralising their activities and *developing services that are scattered* throughout the community.

External financial reports must be prepared in a manner which communicates to a diverse group of people. It must communicate to welfare service clients or the membership of the welfare agency. Government departments that fund the agency, and other funders of the agency such as Philanthropic Trusts and donors and the general public. Because the needs of each of these groups of report readers is different, the level of detail has to be varied from one group to another. Additionally, some funding organisations require specific reports which reflect the application of their funds in the provision of welfare services. This creates the need for fund accounting reports which in the past often took priority over functional accounting reports and destroyed the reader's ability to assess the total functioning of an agency or how expenditure was related to actual outputs.

If this list of reporting needs is not daunting enough, we discovered that other processing needed to be handled by a computer, if it was available. These information processing needs include the ability to evaluate welfare programmes by accumulating and analysing non-financial statistics, the analysis of donor receipts, assistance to agencies in budget building and forecasting, word processing and general data filing and sorting capabilities. Add to this list of reporting and processing needs a tight capital expenditure constraint of, perhaps, a total outlay of $5,000 maximum, and the task of meeting these needs seemed near impossible.

Fortunately, we were able to develop systems that met this range of needs within tight financial constraints because of the micro-computer market explosion. The productivity gains in this industry has seen the reduction in costs of manufacturing to a level that could not be imagined even 5 years ago. We found also that, if we evaluated only micro-computers with standard configurations, we had a wide range of software application packages available to us also at a fraction of their development costs. Finally, we evaluated micro-computers for their ability to be expanded past the basic system level so that they could grow with welfare agencies' ability to utilize the computing power available to them.

COMPUTER USAGE

This meant that we had to look at computers that used standard operating systems such as CP/M and MSDOS and could therefore run popular software packages such as Wordstar, Mailmerge, Visicalc, Supercalc, D.Base II, etc ... Unfortunately, we could not find a general ledger software package that had the level of sophistication and flexibility that we needed to meet the reporting needs listed above.

As a result of our evaluation we have

Cont. p. 27

Cont. from p. 18

focussed our attention on two popular brands:

— the Osborne micro-computer; and
— the I.B.M. personal computer

not because we believe that they are the only computers that will meet welfare agency needs, but they meet our basic criteria very well. Both, for instance, can be expanded to cope with quite large processing jobs by the attachment of Winchester hard disk drives at additional costs of less than $5,000.

I have already mentioned that we could not find a general ledger software package that could meet the full breadth of our reporting needs. We were fortunate to be able to contract with Astra Computing (Aust.) Pty. Ltd. for them to develop a software package to our specification and the rest of this article will describe its features.

Firstly we should stress that the heart of a flexible general ledger computerised system is the Chart of Accounts, as traditionally micro-computer systems use the Chart of Accounts to drive the majority of the system. Because micro-computers were originally seen to supply the needs of personal computing and small business computer processing, charts of accounts start at a basic three digit code with a maximum of 999 accounts to perhaps six digit codes if you are lucky. Our basic criteria required a minimum of an eight digit code and preferably a ten digit one. This large code was incorporated in the system and gives us the flexibility at the core of the system to produce the range of reports required. This account code has the following components:

— welfare programme/agency code/location code/base account number/subsidiary account number, or
— region/welfare programme/location code/base account number/subsidiary account number.

STRUCTURE FOR REPORTS

This structure then allows for four levels of reporting. The base level would give the income and expenditure at a particular location of a welfare activity by base account number. The next level consolidates all the different location reports that refer to a particular welfare programme type and reports the income and expense of maintaining that programme. The next level of consolidation is to accumulate the income and expense of a range of programmes that may be run within a particular sub-agency or geographical region to give a report relating to that level of consolidation. The highest level of consolidation is of course to add all income and expense within the one accounting system so that the total expense and income by base account number can be given. These four levels do not utilise the added flexibility provided by the subsidiary account. The subsidiary account can generate a separate schedule which breaks down a base account number into its component parts. For instance, within the asset account 'equipment' you could list up to 99 items of equipment by allocating a subsidiary account number for each item. Alternatively where welfare agencies have a limited number of clients to whom they loan funds (similar to creating a pseudo debtor) then under the base account number of 'financial assistance' each beneficiary could be given a sub-account number which would allow the agency to establish the accumulated level of benefit to that beneficiary.

As well as the system holding this full range of coding within the chart of accounts to allow for selective levels of consolidation and reporting focus, the chart of accounts also holds coding that allows the user to set out income and expenditure reports to reflect the needs of the reader. Naturally, we need some flexibility in this area because a standard profit and loss account and balance sheet may not have the kind of format that makes sense in a welfare service environment. Finally, the chart of accounts allows us to group and sub-total ranges of accounts to also meet the needs of the reader.

Other criteria for a viable general ledger system include the following:

— the system must be able to hold a sufficient range of accounts on the system at one point in time to get the benefit from the flexibility described. Even on normal 5¼ inch floppy diskettes as used by the Osborne and I.B.M. P.C. we can have 600 general ledger accounts on one diskette and 2400 transactions on the second disk drive
— the system should be user-friendly and by the use of menus and sub-menus be used by the untrained within a few hours of exposure
— be reasonably foolproof by screen displays clearly showing what is expected next
— essential data such as the chart of account numbers entered in the system be verified and displayed on the screen while accumulated totals should appear at the top of the screen during the entry of transactions so that you can see whether you are progressing towards a batch balance of zero with debits and credits being equal.

CONCLUSION

Because agencies sometimes can get behind we required some flexibility in respect to the period of input and the system allows up to three future periods to be accessed as well as the current period. Also individual transactions can be saved even when period end resets are completed. A reasonable level of enquiry was needed so that on the one screen display the full history of an account and budget information on that account can be seen simultaneously. Individual transactions can also be viewed on the screen in the order of input or can be printed out in this order.

To make this system more user-friendly, we have added a few embellishments to the system. First, we have made the process of establishing budget data on file easier than normal input by two alternative set-up processes. The annual budget can be entered for each account and then the computer will spread that annual budget over the normal 12 monthly periods or alternatively the actual results of the previous year can be moved over to the budget fields after the addition of an inflation factor. Secondly, we have developed a standing journal concept which allows for regular spreading of overhead costs across a range of functional areas by a percentage split method.

We have done very little work in the debtors, creditors and stock control areas as these areas are not as important to welfare agencies as general ledger accounting. However, there are software packages on the market with standard functions which would normally meet these kinds of need. We have concentrated on meeting the unique needs of welfare agencies through the system without prohibiting the expansion of the use of the computer into the other areas such as word processing and general data manipulation. We believe that for an expenditure of a few thousand dollars, the kind of total system we have developed provides remarkable value for money. By interfacing the system to an electronic typewriter to be used as a printer for approximately $1,000, computer processing is now available for the smallest welfare agency or for that matter any voluntary not-for-profit organisation.