Financial Management Office

Webinar
Chart of Accounts – Expenditure Function Code Revision

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Webinar Instructions

• Web conference login:
  ▫ URL: http://www.hawaii.edu/halawai/login.htm
  ▫ Use your regular user name and password
• Questions can be submitted via Halawai function and will be addressed at the end of the presentation
• Presentation will be posted to UH FMO website:
  ▫ http://www.fmo.hawaii.edu/fmo/
Points to Cover

• What is a Function Code
• Key Issues Impacting
  ▫ Indirect Cost Proposal
  ▫ IPED and Cost of Education Measures
• Revised Expenditure Function Codes
• Next Steps
Expenditure Function Code Definition

- Function code is an attribute on an account that separates expenditures by major spending category.

- It is used for 1) calculating indirect costs reimbursement rates on sponsored projects for indirect cost proposals and cost of education; 2) reporting to Department of Education (e.g. IPED), Board of Regents, senior management, etc.
Relationship of Account Code, Object Code, and Function Code

**Account Code**
- Which organization does the transaction belong to?
- Where does the money come from?
- What is the cost center or unit responsible for the transactions?
- Which activity is the transaction tracking?

**Object Code**
- What is the accounting classification? e.g. expense, revenue, accts receivable
- What is the function for the transaction? e.g. instruction, academic support, research, etc.

**Function Code**
- Expenditure or Revenue

**Financial Transaction**
Key Issues Impacting Indirect Cost Recovery Proposal
Key Issues

• Reclassification of costs from research to other functions
  ▫ Draws attention of Federal auditors/negotiators
  ▫ “Correction” lead to loss of two points (i.e., 41.5 rate could’ve been 43.5)
Proposed change (non-extramural)

• Actively remap accounts to departmental research or other appropriate category
  ▫ Unless research activity costs are accounted for like an extramural project (i.e., on a project-by-project basis) the account should not be coded as research – very few like this (e.g., UH Hilo seed money grants)
  ▫ Means research activity funded from appropriations like G-028 and R-860 (RTRF) should not be coded as research, but to another category called departmental research
    • Many major research universities do this
Proposed change (continued)

• Training activity funded by RTRF should be classified as Sponsored Training

• Non-research or non-training activity funded by RTRF should be classified as Public Service

• *Administrative or facilities costs* funded by G-028 or RTRF should be coded as academic support, institutional support or O&M as applicable (see higher ed function code instructions)
Key concepts

• Rate denominator total far outweighs benefit from allocation
  ▫ In other words, it is better to keep research denominator as low as possible

• Remaining method to increase research rate is investing in new research facilities or concentrating sponsored research in most expensive buildings
Key Issues **Impacting**
IPED and Cost of Education
The Cost of Education

Total Education and General Expenditures
- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operations and Maintenance
- Scholarships and Fellowships expenses

Total Education and Related Expenditures
- Instruction
- Student Services
- Pro-rated share of Academic Support, Institutional Support and Operations and Maintenance
- Does not include Research, Public Service and Scholarships and Fellowships expenses
Total education and general expenditures has increased an average of 6.6% annually while education and related expenditures has increased by 3.7%.

Components of Education & General Expenditures – UH System

<table>
<thead>
<tr>
<th>Components</th>
<th>2012</th>
<th>2000-2010 Average Annual Percentage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$646.7</td>
<td>3.7%</td>
</tr>
<tr>
<td>Research</td>
<td>$525.0</td>
<td>11.3%</td>
</tr>
<tr>
<td>Public Service</td>
<td>$84.6</td>
<td>3.1%</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$85.3</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

Average Annual Percentage Growth:
- Total: 6.6%
- Education: 3.7%
- Research: 11.3%
- Public Service: 3.1%
- Scholarships: 25.6%

Total E&G Exp, 2012: $1,341.5M

- Scholarships: $85.3
- Public Service: $84.6
- Research: $525.0
- Education: $646.7
Growth in E&R spending was higher in percentage terms at UHH and UHWO than at UHM and the UHCCs.
Instruction expenditures comprises 75% of total E&R expenditures for UH Mānoa.
Instruction expenditures comprise 54% of E&R expenditures at UH Hilo
Instruction expenditures comprise 58% of E&R expenditures at UH West O‘ahu

E&R Expenditures by Type – UH West O‘ahu

- All dollar amounts adjusted to 2010 dollars.
Instruction expenditures comprise 59% of E&R expenditures at the UHCCs

E&R Expenditures by Type – UHCCs

All dollar amounts adjusted to 2010 dollars.
Instructional expenditures have been rising at average annual rates of 2.5% for UHM, 5.1% for the UHCC, 8.7% for UHH and 11.7% at UHWO.
Student services expenditures have been rising at average annual rates from 5% to 9% at all campuses.
Academic support expenditures have been rising by 3% to 4% at UHM and the UHCCs, but by more than 11% at UH Hilo and UH West O’ahu.
Institutional support expenditures have been rising sharply at all campuses, except at UH Mānoa.
Operations and maintenance expenditures have been rising modestly, with the largest percentage increases at the UHCCs and UHWO.
Strategic Direction Measure: Education & Related Expenditures per Completion

Source: IPEDS Finance survey.

- Education and Related expenditures consists of Instruction and Student Service expenditures, plus a pro-rata share of expenditures for Academic Support, Institutional Support and Operation & Maintenance of Plant.
- Finance data for Fiscal Year 2010 and later have been adjusted to account for changes in the IPEDS collection, so that data as reported on the IPEDS New Aligned Form are comparable to data for prior years.
- Completions include all degrees as well as certificates with duration of one year or more (Certificate of Achievement and above).
Education & Related Expenditures per Completion

UH Mānoa and Comparison Groups

All dollar amounts adjusted to 2013 dollars. Brown markers indicate target values.
All dollar amounts adjusted to 2013 dollars. Brown marker indicates target values.
UH West O‘ahu and Comparison Groups

All dollar amounts adjusted to 2013 dollars. Brown marker indicates target values.
University of Hawaii Financial Management Office

Education & Related Expenditures per Completion

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$69.3 UHCC Average, 66.4 UHCC Average, 44.6 $90.8 Peer Group, 62.8 $81.2 IPEDS Group, 58.5

Fiscal Year

UHCC Average and Comparison Groups

All dollar amounts adjusted to 2013 dollars.
Completion excludes Certificates <1 Year.
Brown marker indicates target values.
Revised Expenditure Function Codes

• Goals
  ▫ Reduce number of codes (currently we have 117 codes)
  ▫ Make sure the revised codes address the key issues
  ▫ Meet the reporting requirements for major expenditure categories across all campuses
  ▫ Provide clear definitions to the fiscal administrators
11 Expenditure Function Code Categories

- Instruction (Prefix - A)
- Research (Prefix - B)
- Public Service (Prefix - C)
- Academic Support (Prefix - D)
- Student Services (Prefix - E)
- Institutional Support (Prefix - F)
- Student Financial Aid (Prefix - H)
- Auxiliary Enterprises (Prefix - J)

- Operation & Maintenance Plant (Prefix - K)
- Capital Projects – New Constructions (Prefix - U)
- Not Applicable (Prefix - Z)
Instruction, General Academic for Credit (A100)

- **Offered for credit in fall and spring semesters as part of a formal post-secondary education degree or certificate program:**
  - Department chairs and administrators supporting instruction
  - Faculty committee work, recruitment, governance and administration
  - **Excludes:**
    1. Conferences and workshops and curriculum development *(falls under academic support)*
    2. Administrative activities of the offices of the academic deans and organized research unit directors *(falls under academic support)*
    3. Instructional offering for degree or certificates at levels below the higher education level, such as adult basic education.
Instruction, General Academic for Non-Credit (A101)

• Instructional, teaching and training activities offered for non-credit through academic departments that do not result in credit toward any formal postsecondary degree or certificate:
  ▫ Includes noncredit instructional offerings carried out by the institution’s extension division as well as noncredit offerings that are part of the adult education or continuing education program.
  ▫ This subcategory also includes expenses for activities associated with programs leading toward a degree or certificate at a level below the higher education level, such as adult basic education.
  ▫ Excludes:
    1. Conferences and workshops and curriculum development (falls under academic support)
    2. Administrative activities of the offices of the academic deans and organized research unit directors (falls under academic support)
Sponsored instruction and training (A106)

- Instructional or training activity funded by extramural grant or contract or by RTRF funds:
  - US Department of Education Title xx grants except Student Financial Aid (fall under function code H100)
    - Training awards, grants and programs, except for K-award and F-32 and T-32 fellowships (falls under organized & sponsored research); includes internal, competitive grants for training or training institute development.
# Instruction Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
<th>Function Code</th>
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</thead>
<tbody>
<tr>
<td>Instruction, General Academic for Credit</td>
<td>A100</td>
</tr>
<tr>
<td>Instruction, General Academic for Non-Credit</td>
<td>A101</td>
</tr>
<tr>
<td>Instruction, Remedial/Developmental</td>
<td>A102</td>
</tr>
<tr>
<td>Instruction, Professional Education</td>
<td>A103</td>
</tr>
<tr>
<td>Instruction, Summer Session</td>
<td>A104</td>
</tr>
<tr>
<td>Instruction, Vocational Education</td>
<td>A105</td>
</tr>
<tr>
<td>Sponsored Instruction and Training</td>
<td>A106</td>
</tr>
</tbody>
</table>
Organized & sponsored research (B100)

- **Extramurally funded research & development projects that are separately budgeted and accounted for:**
  - Activities funded through a research grant or contract Includes research training such a K awards and F-32 and T-32 fellowships
  - **Excludes:**
    - Clinical trials for pharmaceutical companies; curriculum development; dissertation research; equipment acquisition grants; conferences/workshops; publication grants; preservation, cataloging and archiving activities; ship operations; and evaluations.

- **Intramurally funded research & development projects that are separately budgeted and accounted for:**
  - Look like and operate like grants and contracts (i.e., need competition, separate accounting, final reporting, and closeout)
    - Seed money grants
      - UH Hilo Seed Money Grants (hilo.hawaii.edu/research/SeedMoneyGrants.php)
      - One time UH Manoa VC for Research sustainability grant
Departmental research (B101)

- **Research activities that are internally funded, and separately budgeted:**
  - Research funded from a department or organized research unit’s (ORU) own resources or allocations (i.e. general funds, research & training revolving fund (RTRF), or tuition & fee funds) or with funds secured by the department or ORU from other sources such as an RTRF allocation from the Vice President for Research or Vice Chancellor for Research sources to support a department or faculty member's research if separately budgeted, but not accounted for on a project-by-project basis.
  - Faculty travel awards from the University Research council.
  - Research incentives and research/faculty start-up funds if separately budgeted.
## Research Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
<th>Function Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized &amp; Sponsored Research</td>
<td>B100</td>
</tr>
<tr>
<td>Departmental Research</td>
<td>B101</td>
</tr>
</tbody>
</table>
Public service (C100)

- Activities sponsored by University or external sponsors that make available to the public various resources and special capabilities:
  - Community service programs and cooperative extension services
  - Performances and exhibitions
  - Small business development centers
  - Extension services; publication grants; sponsored activity for broadcasting services; outreach or community awareness programs; operation of health clinics; etc.
  - Tobacco or alcohol sales enforcement activities.
  - Private or intergovernmental personnel agreements
  - Consultation services relating to evaluation of non UH programs or services
  - Grants solely for the purpose of conducting symposia, conferences and workshops or to fund employee travel to such meetings and conferences
  - Non-Federal clinical trials (Phase IV or V)
Public Service Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
<th>Function Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Services</td>
<td>C100</td>
</tr>
</tbody>
</table>
Academic Support (D100)

- Expenditures incurred to provide support services for the institution’s primary missions: instruction, research, and public service:
  - Retention, preservation, and display of educational materials;
  - Educational media and audiovisual services
  - Academic computing
  - Conferences, workshops, course and curriculum development, including internal, competitive grants for curriculum research and development
  - Departmental libraries that are not open to campus community or public
  - Dean's office administrative activities
  - Consultation services relating to evaluation of existing programs or services
  - Preservation, cataloging and archiving projects not conducted by the campus libraries
  - Organized research unit director's office administrative activities (e.g., director's office, fiscal office, personnel office, etc.)
  - Faculty development or capacity building grants.
# Academic Support Category

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Academic Support</td>
<td>D100</td>
</tr>
<tr>
<td>Academic Support, Museums Galleries</td>
<td>D101</td>
</tr>
<tr>
<td>Libraries</td>
<td>D102</td>
</tr>
</tbody>
</table>
Student Services – Admissions & Records (E100)

• Includes functions whose primary purpose is to contribute to the physical and emotional well-being of students and to their intellectual, cultural, and social development outside the context of the formal instructional program:
  ▫ Office of admission and registrar
# Student Services Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
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<tbody>
<tr>
<td>Student Svc, Admissions &amp; Records</td>
<td>E100</td>
</tr>
<tr>
<td>Student Svc, Counseling &amp; Career Guidance</td>
<td>E101</td>
</tr>
<tr>
<td>Student Svc, Financial Aid Administration</td>
<td>E102</td>
</tr>
<tr>
<td>Student Svc, Social &amp; Cultural Development</td>
<td>E103</td>
</tr>
<tr>
<td>Student Svc, Student Health Services</td>
<td>E104</td>
</tr>
<tr>
<td>Student Svc, Student Services Admin</td>
<td>E105</td>
</tr>
</tbody>
</table>
Institutional Support & General Administration

• All activity for central units and functions that provide core services to the entire campus:
  ▫ System and Campus level central office administration
  ▫ Excludes offices:
    • Office of Research Services, VP of Research Innovations, Vice Chancellor for Research and Graduate Education, IT, Public Relations, Student Accounts and Financial Aid administration
Institutional Support – Information Technology

- All activity for ITS administration and systems that support UH
## Institutional Support Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
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</thead>
<tbody>
<tr>
<td>Institutional Support &amp; General Admin</td>
<td>F100</td>
</tr>
<tr>
<td>Institutional Support, Information Technology</td>
<td>F101</td>
</tr>
<tr>
<td>Institutional Support, Public Relations/Development</td>
<td>F102</td>
</tr>
<tr>
<td>Sponsored Research Admin</td>
<td>F102</td>
</tr>
</tbody>
</table>
Student Financial Aid

- Student financial aid awards, grants, scholarships and fellowships that do not require the student to perform service (such as work study) or repay the amount to the funding source. This would include:
  - Scholarships
  - Graduate student training grants for tuition and fees and living expenses only
  - Tuition and fee waivers

- Excludes:
  - Training and fellowship grants
  - Cost of the Student Financial aid office, which is Student services
### Student Financial Aid Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
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<tbody>
<tr>
<td>Student Financial Aid</td>
<td>H100</td>
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</tbody>
</table>
Auxiliary Enterprises (J100)

- All activities for units that exist to furnish goods or services for a fee to students, faculty, staff and other non-University customers, and are managed with the intention to be self-supporting:
  - General services
  - Facilities operations and maintenance for auxiliary enterprises
Auxiliary Enterprises – Campus Center (J104)

- All activities for units that exist to furnish goods or services for a fee to students, faculty, staff and other non-University customers, and are managed with the intention to be self-supporting:
  - Campus Center
  - Facilities operations and maintenance for auxiliary enterprises
Auxiliary Enterprises - Recharge Centers (J112)

• All activities for units that exist to furnish goods or services for a fee to students, faculty, staff and other non-University customers, and are managed with the intention to be self-supporting:
  ▫ Recharge centers
  ▫ Facilities operations and maintenance for auxiliary enterprises

✓ Ones that support research should be part of Auxiliary Enterprises – Recharge Centers
  ✓ Specialized service facilities – SOEST Ship Ops; SOEST Computing; SOEST Engineering; IFA Job Order Services
  ✓ Allocation of RTRF or other funds to subsidize costs of revolving accounts operating at RCUH
  ✓ Other recharge operations – IFA Administrative Recharge System; IFA Computing Services
# Auxiliary Services Category

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Auxiliary Enterprises</td>
<td>J100</td>
</tr>
<tr>
<td>Aux Enterprises, Intercollegiate Athletics</td>
<td>J101</td>
</tr>
<tr>
<td>Aux Enterprises, Aux Services Admin</td>
<td>J102</td>
</tr>
<tr>
<td>Aux Enterprises, Bookstore</td>
<td>J103</td>
</tr>
<tr>
<td>Aux Enterprises, Campus Center</td>
<td>J104</td>
</tr>
<tr>
<td>Aux Enterprises, Child Care Program</td>
<td>J105</td>
</tr>
<tr>
<td>Aux Enterprises, Faculty Housing</td>
<td>J106</td>
</tr>
<tr>
<td>Aux Enterprises, Food Services</td>
<td>J107</td>
</tr>
<tr>
<td>Aux Enterprises, Student Housing</td>
<td>J108</td>
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<tr>
<td>Aux Enterprises, Parking Operations</td>
<td>J109</td>
</tr>
<tr>
<td>Aux Enterprises, Telephone &amp; Communication</td>
<td>J110</td>
</tr>
<tr>
<td>Aux Enterprises, Transportation</td>
<td>J111</td>
</tr>
<tr>
<td>Aux Enterprises, Recharge Centers</td>
<td>J112</td>
</tr>
</tbody>
</table>
Operation & Maintenance (O&M) Plant – Building Maintenance (K100)

- All activity for central services, excluding self-supporting units (e.g. Aux. Services), pertaining to the maintenance and operation of the physical plant:
  - Routine building maintenance under $100K
Operation & Maintenance (O&M) Plant – Major Repairs and Renovations (K103)

- All activity for central services, excluding self-supporting units (e.g. Aux. Services), pertaining to the maintenance and operation of the physical plant:
  - Major repairs and deferred maintenance that are over $100K
# Operation & Maintenance Plant Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operation &amp; Maintenance Plant, Building Maintenance</td>
<td>K100</td>
</tr>
<tr>
<td>Operation &amp; Maintenance Plant, Custodial Services</td>
<td>K101</td>
</tr>
<tr>
<td>Operation &amp; Maintenance Plant, Physical Plant Admin</td>
<td>K102</td>
</tr>
<tr>
<td>Operation &amp; Maintenance Plant, Major Repairs and Renovations</td>
<td>K103</td>
</tr>
<tr>
<td>Operation &amp; Maintenance Plant, Landscape &amp; Grounds Maintenance</td>
<td>K104</td>
</tr>
</tbody>
</table>
Capital Projects – New Construction Category

<table>
<thead>
<tr>
<th>Function Code Name</th>
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</thead>
<tbody>
<tr>
<td>Capital Projects - New Constructions</td>
<td>U100</td>
</tr>
</tbody>
</table>
Complete list of Function Codes and Definition

- A complete list of the codes can be downloaded at the FMO Website under Chart of Accounts Attributes Table – Higher Education Function Code:
  - [http://www.fmo.hawaii.edu/account_codes/index.html](http://www.fmo.hawaii.edu/account_codes/index.html)
Next Steps for Revising Function Codes

• Conversion
  ▫ Map the existing values to the new values
    • FMO will be providing the mapping to the FAs for review and update
  ▫ Use the mapping table to update KFS account codes with the new function codes
  ▫ FY 2015 transactions will be mapped to the new function codes
  ▫ New account codes may need to be created for FY 2016 to separate major spending categories

• Timeline
  ▫ Two primary drivers for the timeline
    • Since FY 2016 is the Facilities and Administrative (F&A) base year, the changes have to be made prior to July 1, 2016.
    • However, the change of function codes will impact IPED data. In order to have comparative data for FY 2015, FY 2014 data will need to be updated. The deadline is April 2015.

• Further Communication
  ▫ FMO will provide some criteria that FAs can use to determine if/when they would need a separate account for the different functions
Questions
Financial Management Office

Thank You for attending the Webinar

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