Chart of Accounts
The Function Chartfield

UNT|SYSTEM

Table of Contents

❖ Goals and Objectives
❖ What is NACUBO?
❖ NACUBO Members
❖ Why Is It So Important?
❖ How are NACUBO classifications used at UNTS?
❖ Introduction to NACUBO Classifications
❖ Gray Areas, Caveats, and Other Things to Consider
❖ Other References
❖ Conclusion

UNT SYSTEM

Goals and Objectives

Accurate and consistent expense classification is essential to UNTS' ability to measure and benchmark itself against peer institutions, drive cost efficiency, and provide reliable internal and external reporting.

The first step in being able to correctly classify expenses is to educate our workforce on the appropriate expense categories. This is one step in a continuous loop of education, classification and validation.

Educate   Classify   Validate

UNT|SYSTEM
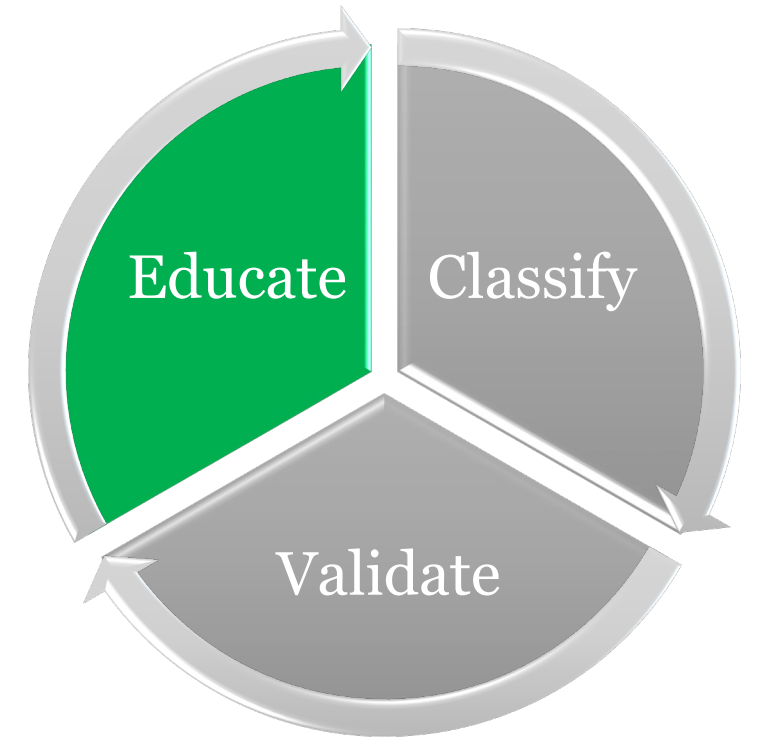
What is NACUBO?

NACUBO stands for "National Association of College and University Business Officers." It is a membership organization representing business and financial officers of over 2,100 colleges and universities nationwide through advocacy efforts, community service, and professional development activities.

NACUBO's mission is to "advance the economic viability and business practices of higher education institutions in fulfillment of their academic missions."

One way NACUBO assists higher education is by issuing industry standard expense classifications and definitions.

UNT|SYSTEM

NACUBO Members

All four components of the UNT System have institutional memberships for NACUBO. This gives us access to the educational resources NACUBO provides and also allows our employees access to professional development resources through NACUBO.

One of the best NACUBO resources is its Financial Accounting and Reporting Manual (FARM) for higher education. Chapter 703 in the FARM details functional expense classifications and is the basis for the information in this presentation.

Why is NACUBO classification so important?

NACUBO expense categories are reported to many different agencies and in many different reports such as the UNT System Consolidated Annual Financial Report (CAFR), institutional Annual Financial Reports (AFR), IPEDS, various Texas Higher Education Coordinating Board reports, and many others.

Often, government agencies and private organizations looking to award research grants will refer to the Research category in an institution's AFR in awarding research grants.

UNTS utilizes these categories in measuring and benchmarking itself against peer institutions and for internal fiscal management.

OPERATING EXPENSES [1]		
Instruction	$	251,692,526.70
Research		56,829,943.05
Public Service		18,568,670.84
Academic Support		180,991,899.61
Student Services		67,672,555.53
Institutional Support		93,716,060.32
Operation and Maintenance of Plant		51,370,570.67
Scholarships and Fellowships		58,798,897.55
Auxiliary Enterprises		45,215,195.44
Depreciation and Amortization		56,222,595.14
Total Operating Expenses	$	881,078,914.85

*From FY15 UNTS Consolidated Annual Financial Report

How are NACUBO classifications used at UNTS?

The Function chartfield is a field within PeopleSoft v9.2 Financial System that classifies expenses by its intent, or why the expense was incurred, rather than what was purchased (as in "Account"). Function follows NACUBO classifications for expenses and is a required field for every expense transaction.

NACUBO Classifications &
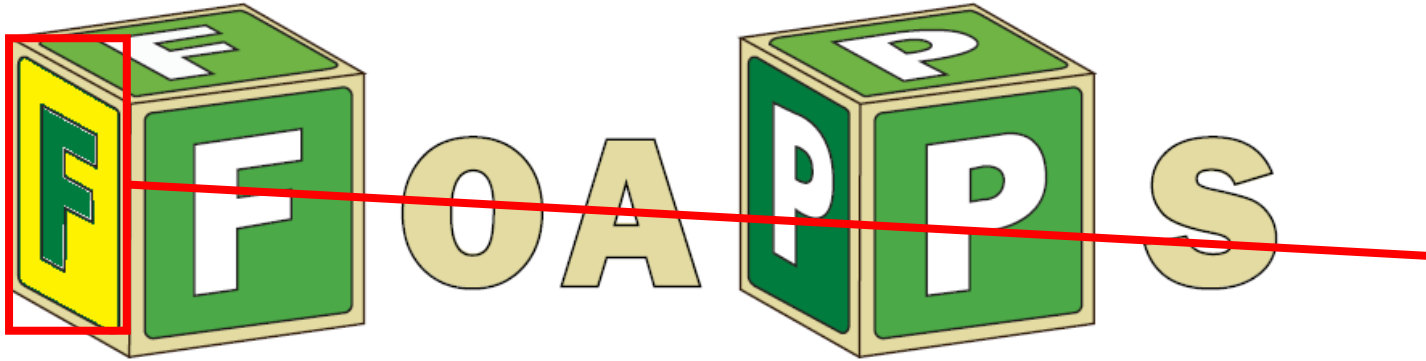
The Function Chartfield

Overview of UNTS Chart of Accounts

Chartfield	GL Business Unit	Account	Organization Department	Fund Category	Fund	Function	Project*	Program	Purpose	Site
Field Length	5	5	6	3	6	3	7	4	5	4
Use	Who?	What?	Who?	How?	How?	Why?	Why?	Why?	Why?	Where?
Institutional Use	Unique	Common	Unique	Common	Common Unique	Common	Unique	Common/ Unique	Common/ Unique	Unique
Required / Conditional	Required	Required	Required	Required	Required	Required Expenses Only	Conditional	Conditional	Conditional	Conditional

* The implementation of Grants Accounting requires the use of additional project related fields such as PC Business Unit and PC Activity

Chartfield	Function
Field Length	3
Use	Why?
Institutional Use	Common

Definition	Function designates the purpose of transactions to meet federal and other external reporting requirements related to the functional classification of expenses

NACUBO Classifications

- There are 12 expense classifications utilized by UNTS. They are as follows:
    - Instruction
    - Research
    - Public Service
    - Academic Support
    - Student Services
    - Institutional Support
    - Operation & Maintenance of Plant
    - Scholarships & Fellowships
    - Depreciation & Amortization
    - Auxiliary Enterprises
    - Independent Operations
    - Capital Projects

Instruction

- Activities directly related to academic instruction of credit and non-credit courses.

- Should be viewed as directly contributing to the academic program.

- Excludes expenses related to personnel whose primary activity is administration, such as academic deans. But, would include personnel in an administrative support role in an organization that provides instruction.

- Includes departmental research and public service activities that are not budgeted separately.
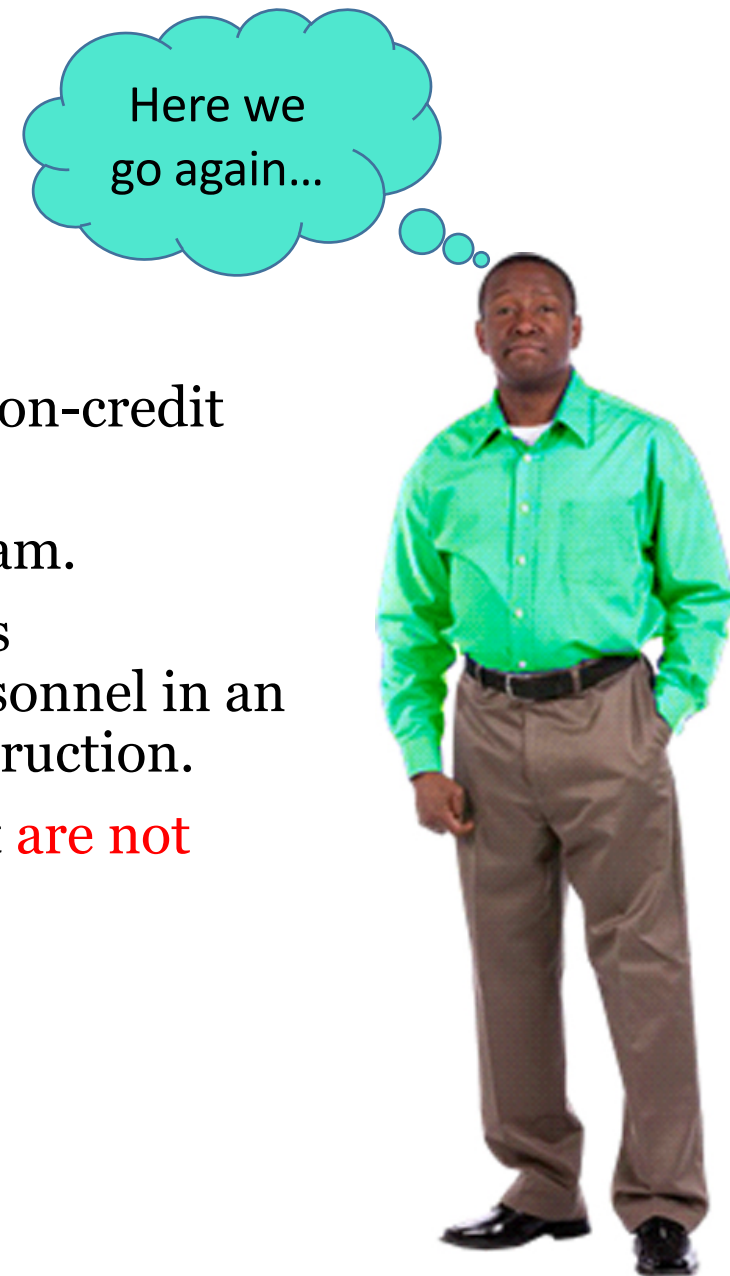
Instruction – Transaction Codes and Subcategories

- (100) Instruction – General
  - This function should be used when recording expenses associated with the teaching and training activities of the UNT System Institutions, whether part of a degree or certificate program or on a non-credit basis. This includes instruction activities offered through regular academic departments or through separate divisions and programs.
- (110) Instruction – Sponsored
  - Use when recording the costs/expenses incurred in connection with instructional or training activity, including research training, established by grant, contract, or cooperative agreement. Research training includes activities involving the training of individuals in research techniques. Examples include career development grants, "young investigator" awards, and undergraduate research grants.
  - This function is used only with Fund Category 400 "Sponsored Projects-Restr" and is always associated with a sponsored project ID.
- (130) Practice Direct
  - For use by UNTHSC only when recording expenses directly associated with a physician in connection with the physician practice plan.
- (132) Practice Indirect
  - For use by UNTHSC only when recording expenses **indirectly supporting** a physician in connection with the physician practice plan.

Instruction – In Practice

- Tim is buying dry erase markers, a whiteboard, and an iPad for Professor Jones History 101 class using Designated Tuition funds.
  - *This is an example of an expense that should be classified as (100) Instruction - General.*
- Dr. Jones teaches 3 sections of History 101 and 1 section of History 201 which account for approximately 80% of his time. In addition, Dr. Jones spends 20% of his time pursuing research endeavors.
  - *Only the 80% of Dr. Jones' salary should be coded as (100) Instruction – General. The remaining 20% should be coded as Research to properly represent Dr. Jones' duties.*
- What about Tim's salary?
  - *Because Tim works for a department organization that provides instruction, his efforts should be categorized as (100) Instruction – General as well. Tim's activities are part of the institution's instructional program.*

Educate Classify

Validate
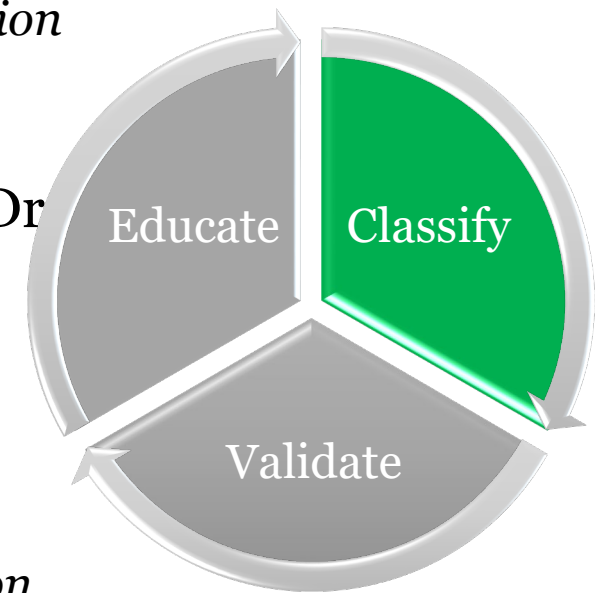
Research

- Activities specifically organized to produce research, whether commissioned by the institution, a government agency or external third party.

- Can be research performed by individuals, groups, institutes or research centers.

- Departmental research that is separately budgeted IS included in Research. Conversely, if it is not separately budgeted it would be considered Instruction.

- Is not limited only to sponsored research as internally supported research programs, if separately budgeted, may also be included.

UNT|SYSTEM

Research – Transaction Codes and Subcategories

- (200) Research - Sponsored
  - Use when recording the costs/expenses of organized research and development activities that are separately budgeted and accounted for, and that are sponsored by Federal and non-Federal agencies and organizations.
  - This function is used only with Fund Category 400 "Sponsored Projects-Restr" and is always associated with a sponsored project ID.
- (215) Research – University Sponsored
  - This function is used in connection with expenses incurred in support of research projects that are formally sponsored by the institution, not an external agency. These project funds are awarded to institutional investigators based on evaluation of proposals and requests submitted internally. This function is used along with university/non-sponsor funds (not Fund Category 400).
  - This function requires the use of a project ID.
- (220) Research - Departmental
  - The Departmental Research function is used in connection with expenses incurred by faculty and investigators in support of their general research activities **not sponsored by an external agency or formally sponsored by the University**.
  - May include the use of discretionary funds (e.g., faculty start up, faculty contributions, F&A recovery) by faculty or investigator to advance his or her research activities. These projects are not specifically budgeted and accounted for.
  - This function is typically associated with a Faculty Non-Sponsored Project (NSP) and Fund Categories 202 or 303.

Research – In Practice

- Tim purchases 100 test tubes, 20 petri dishes and three microscopes from funds given to the University by the National Science Foundation to conduct research related to plant stem cells.
  - *These items are being purchased for a specific research project and using funds given to the university solely for this research project, this would be coded as (200) Research – Sponsored.*
- The Department of Biological Sciences is allocating $250,000 of their $1m Designated Tuition fund budget to research endeavors.
  - *The key here is that Biological Sciences is budgeting this research expense from Designated Tuition funds, which would classify this as (220) Research – Departmental.*

Public Service

- These are activities the institution undertakes that provide non-instructional services for the benefits of external individuals, groups and/or organizations.
- Includes, but is not limited to, non-instructional community service events, programs and activities, cooperative extension services, consulting, radio and television, public broadcasting services, among many others.
- Key parameter is the activity must be "non-instructional" and delivered to external parties. If classroom instruction is involved it most likely will fall under Instruction.

Public Service – Transaction Codes and Subcategories

- **(300) Public Service**
  - Used to classify expenditures for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the UNTS Institutions. Examples include conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services provided to particular sectors of the community.
  - Use this function when recording expenditures for public service activities that are charged to University and donor funds (E&G, discretionary).

- **(310) Public Service – Sponsored**
  - This function is used when recording the costs/expenses of public service activities that are separately budgeted and accounted for, and that are sponsored by external funding by Federal and non-Federal agencies, foundations and service organizations.
  - This function is used only with Fund Category 400 "Sponsored Projects-Restr" and is always associated with a sponsored project ID.

UNT|SYSTEM

Public Service – In Practice

- The History department is hosting the Teaching Texas History conference at AT&T Stadium and are bringing in historians from around the State to speak. Admission is free to the public and all are welcome.
  - *Given that the expense is for an event, is being covered by the History department and is for the benefit of the general public, this would be classified as (300) Public Service.*

- The School of Public Health is hosting a vaccination clinic where children, ages 17 and under, can get their school required vaccinations for $5 per child. Flu shots are also available for adults for $10 per shot.
  - *In this example, the School of Public Health will actually be collecting some fees to help offset the costs associated with this vaccination clinic. This does not disqualify it from being Public Service as the costs associated with hosting this event would more than likely exceed the fees and it is for the benefit of the general public. This should be coded as (300) Public Service.*

UNT|SYSTEM

Academic Support

- These are expenses incurred in providing support services for the primary instructional programs of instruction, research, and public service.

- The most common source would be academic administration, such as College Deans (excluding Department Chairpersons, which are classified as Instruction) and administrative support staff.
  - Exceptions are Department or College level advising or counseling services, which would be coded as Student Services.

- Includes the preservation, display or retention of educational materials and media, such as in a library, museum or gallery.

- Also includes services provided to the primary academic mission such as media and audio-visual services, curriculum development, and academic support Information Technology.

Academic Support – Transaction Codes and Subcategories

- (400) Academic Support
  - Used to classify expenses incurred primarily to provide support services for the UNTS Institutions' primary missions - instruction, research, and public service.
  - It includes: the retention, preservation, and exhibition of historical materials, art objects, and scientific displays - for example, museums and galleries; the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college which provide a mechanism through which students can gain practical experience; media such as audiovisual services and technology such as academic computing support; separately budgeted support for academic personnel development (including professional conferences), course and curriculum development, and formal academic counseling activities.

- (410) Libraries
  - Categorizes expenditures for organized library activities including the general campuses' libraries and departmental libraries that are centrally operated, staffed, and controlled.
  - These activities include the retention, preservation, and display of educational materials.
  - Excludes expenditures for professional, scientific and other reference materials by departments outside the officially recognized institutional libraries.

- (420) Departmental Administration
  - Categorizes expenses incurred for academic administration providing administrative support and management direction to the three primary missions.
  - Includes Academic Deans but not Department Chairpersons, which would fall under Instruction.
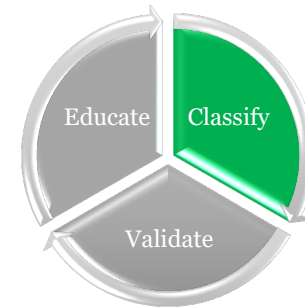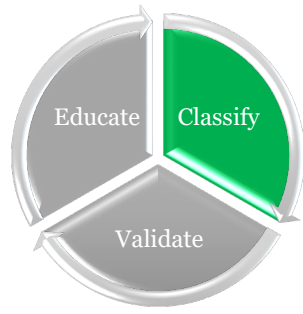
Academic Support– In Practice

- Dr. Richards, Dean of the College of Business, has asked IT to purchase and install a Smart Board for his conference room.
  - *This purchase is made in support of the administrative duties of the Dean and therefore would be coded as (420) Departmental Administration.*
- Dr. Lin has just been named Dean of the College of Pharmacy with a salary of $200,000.
  - *Deans are generally considered Academic Support, so this should be coded as (420) Departmental Administration. However, if Dr. Lin were to opt to take on a 10% teaching load, then her salary should be proportioned as such (90% Academic Support, 10% Instruction).*
- The Campus Library is adding a part-time Librarian to the staff.
  - *Expenses related to campus or departmental libraries that are centrally operated would be coded as (410) Libraries.*
- The Campus Library has received a donation of historical works and intends to pay staff overtime to catalog the new arrivals.
  - *Any expenses related to the retention, preservation, and exhibition of historical materials would be coded as (400) Academic Support.*

Student Services

- Expenses that are incurred from activities that, as their primary purpose, exist to contribute to students' emotional and physical well-being, and intellectual, cultural, and social development outside of formal classroom instruction.

- The most common examples are admissions and enrollment offices, registrar, student activities, cultural events, student newspapers, intramural activities, student organizations, counseling and career guidance, and student aid administration.

- Activities that meet the definition in the first bullet but that are operated as Auxiliary Enterprises (i.e. are self-supporting) **should not** be coded as Student Services but as Auxiliary Enterprises. It is common for universities to operate athletics and student health services as Auxiliaries which would exclude them from Student Services.

- Being funded by a Student Fee does not necessarily make the activity a Student Service.

- Transaction Code:
  - (500) Student Services

Student Services – In Practice

- The Registrar's Office hires two new Record Administrators.
  - *Registrars and enrollment administrators are examples of Student Services and should be coded as (500) Student Services.*

- The student health clinic purchases flu shots to administer to students with funds received from a student health clinic fee.
  - *Because the health clinic is **not** being operated as an Auxiliary Enterprise and is funded by a student fee, this would be coded as (500) Student Services.*

- Sarah, an incoming freshmen, visits the Career Center and is provided several pamphlets, pens and a t-shirt after discussing possible majors with career counselors.
  - *The expenses associated with the Career Center, be it staff salaries, the cost to print the pamphlets or to have the pens and t-shirts printed with university logos would all be considered (500) Student Services.*
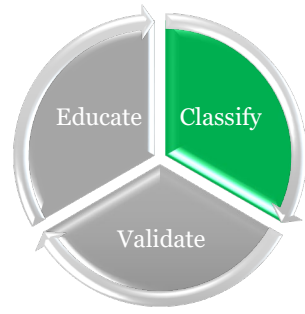
Institutional Support

- This category includes administrative areas responsible for long-range planning and management of the entire institution.

- Since UNT System Administration has central and shared services in Information Technology, Business Support Services, Human Resources, finance and accounting, legal services, academic affairs, etc., these activities would all be considered Institutional Support.

- Also, executive management of each institution would be considered in this category such as the Chancellor, Presidents, Board of Regents, Provosts, Vice Presidents, etc.

- Can be generally viewed as any person or function with institution or System-wide responsibilities. Exceptions are Police Departments and Facilities, Planning and Construction which are generally considered Operations & Maintenance of Plant.

Institutional Support – Transaction Codes and Subcategories

- (550) General Administration
  - The General administration function should be used when recording costs associated with activities of general executive and administrative offices that serve or benefit the entire UNT System, and, within each institution, serve the entire institution. Examples include executive offices, such as Chancellor and General Counsel; administrative offices, such as human resources, computing services, risk management; and financial management offices, such as payroll, purchasing services, budget and financial reporting, and financial information services.
  - Offices that charge for their services (i.e. mailing services, copy center, and central animal facility) are excluded from this category.

- (560) Sponsored Projects Administration
  - This function is used when recording expenses incurred by organizations established primarily to administer sponsored projects. This includes both pre-award and post award activities including the development and preparation of research proposals, the financial management and administration of awards, and the development of F&A (indirect cost) rates.

- (570) Development & Fundraising
  - This function should be used when recording any expenses or costs incurred in connection with fund raising and fund raising programs designed/intended to educate, motivate and/or enable individuals and organizations to support the UNTS Institutions via contribution.

Institutional Support – In Practice

- The Chancellor and Presidents are holding a retreat for all finance personnel.
  - *Because the Chancellor, Presidents and finance employees have institution-wide and/or System-wide responsibilities, all expenses related to this retreat would be coded (550) General Administration.*

- University Advancement hires a Receptionist.
  - *All personnel expenses related to Advancement activities should be coded as (570) Development and Fundraising.*

Operations & Maintenance of Plant

- This category includes all activity related to the operation and maintenance of the physical plant of the institution.
- Police Departments, and other safety and security expenses, are usually included in O&M due to their responsibility to ensure the safety and security of the university's physical assets and those who utilize them.
- Will exclude expenses that should be categorized in other areas such as Auxiliary Enterprises and Hospitals.
- Building maintenance, custodial services, landscape and grounds maintenance and non-capitalized repairs and renovations.
- Also included are administrative activities that directly support physical plant operations, new construction, or the renovation of existing structures.
- Transaction Code:
 - (600) Operations and Maintenance

UNT|SYSTEM
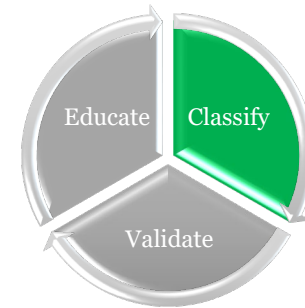
Operation and Maintenance – In Practice

- Grounds crews are paid overtime to prepare for incoming freshman preview day.
  - *Salaries and benefits for grounds maintenance crews are considered O&M. Personnel expenses for these employees should be coded as (600) Operation and Maintenance.*

- After a recent storm, it was determined that four buildings needed new roofs for a total cost of $1.2m.
  - *The dollar amount is key in this situation as is the fact that by replacing the roof, the useful life of each building would be extended. Assuming that each roof is over $100k, this **would not** be considered O&M as these would be categorized as a Capital Project.*

- A plumbing pipe burst in the men's restroom on the first floor of the Library, causing $35k in damage.
  - *Again, the dollar amount and long term value are keys to this transaction. Given that it is under the general $100k threshold and is not increasing the life of the asset, this should be coded as (600) Operation and Maintenance.*

- Police Department pays overtime to officers for commencement ceremonies.
  - *Police Departments are considered O&M. Personnel expenses for these employees should be coded as (600) Operation and Maintenance.*

Auxiliary Enterprises

- Intent is to be financially self-supporting.
- Provides goods or services for the primary benefit of students, faculty and staff of the institution and charges fees for goods and services rendered.
- Includes dining services, housing, parking, and student health services.
- Not every revenue generating service is an Auxiliary Enterprise… If you have questions, please consult with your Budget Office.
- Transaction Code:
  - (700) Auxiliary Enterprises
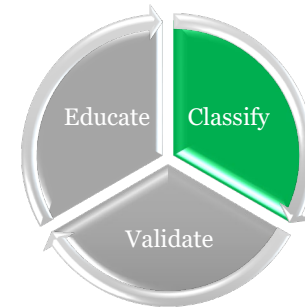
Auxiliary Enterprises – In Practice

- Dining services hires a new Director and new Executive Chef.
  - *Because Dining Services is intended to support their own operations financially, the salaries and expenses related to hiring the new Director and Executive Chef, as well as their salaries and payroll related expenses, should all be coded as (700) Auxiliary Enterprises.*
- Construction has commenced on a new Residence Hall that was approved and the first payment to the contractor is being processed for work performed to date.
  - *The dollar amount and long term value are the keys to this transaction. Since this is a new physical asset for the institution and obviously will exceed the threshold, this is not considered Auxiliary Enterprises but should be coded as Capital Projects.*
- A plumbing pipe burst in the men's restroom on the first floor of a residence hall and flooded six rooms, causing $35k in damage.
  - *Again, the dollar amount and long term value are the keys to this transaction. Given that it is under general $100k threshold and is not increasing the life of the asset, this should be coded as (700) Auxiliary Enterprises.*

Scholarships & Fellowships

- This category includes students awards that are recorded as expense instead of reduction to Tuition & Fees, as in the case of Discounts & Allowances.

- Includes tuition & fee waivers, grants-in-aid, and trainee stipends.

- Transaction Code:
  - (630) Scholarships & Fellowships

Independent Operations

- This category includes expenses of separately owned or controlled organizations that are unrelated to the institution's primary mission.

- For UNTS, this will include everything in Fund Category 800 – Agency Funds.

- Transaction Code:
  - (800) Independent Operations

Depreciation & Amortization

- Used solely by Accounting and Financial Reporting.
- Intended to record as an expense the allocation of an asset's cost over its useful life.
- Transaction Code:
  - (650) Depreciation & Amortization

Gray Areas, Caveats and Other Things to Consider

The one looks really important...

Source of Funds should be considered when selecting the Function. For instance, purchasing the exact same item with Designated Tuition and separately with Auxiliary funds would necessitate using two different Function codes.

Gray Areas, Caveats and Other Things to Consider

Never feel as if you must guess. If you are entering a transaction and do not know how to code the Function, contact your local Budget Office to discuss your situation and get help with how to code it.

Golden Rule: Never Guess

Gray Areas, Caveats and Other Things to Consider

NACUBO class generally follows the 80/20 or 90/10 Rule… 80-90% of the time, when assigning the classification, you will use the same one or two over and over again. The other 10-20% may take some further research and reaching out for help.

Gray Areas, Caveats and Other Things to Consider

A good "Line of Demarcation" exists in determining Instruction. Simply ask yourself "Is there a student involved?" If the answer is yes, generally speaking, it should probably fall under Instruction.

UNT|SYSTEM™

Gray Areas, Caveats and Other Things to Consider

Athletics at UNT are considered Student Services except for the scholarships awarded by Athletics, which are coded as Scholarships & Fellowships.

Gray Areas, Caveats and Other Things to Consider

Gray areas abound in what should be classified an Auxiliary and what is classified in other categories. For instance, student health services can be either Auxiliaries or Student Services depending on their financial structure and source of funding.

Golden Rule: Never Guess

Gray Areas, Caveats and Other Things to Consider

Functions of the UNT System Administration will more than likely fall into Institutional Support due to providing services to the entire System.

Validation

A review and validation cycle will be created where transactions will be reviewed for accuracy and consistency with NACUBO definitions.

Educate

Classify

Validate
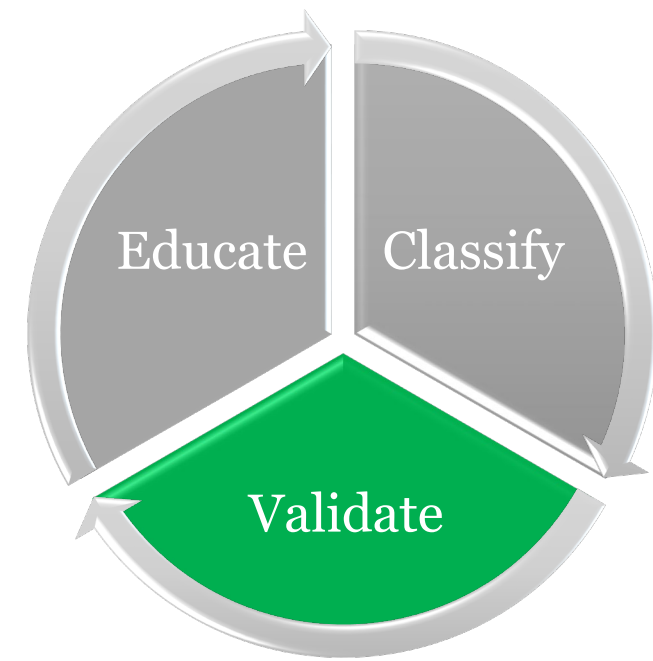
THANK YOU!!!!

Questions?

coa@untsystem.edu