

Function Codes

University of Arkansas,
Fayetteville

What is a Function Code

- Function codes are the two digit numbers in the cost center number. Most cost center numbers contain function codes, with the exception of Auxiliary Enterprise cost centers and Plant Fund cost centers which have “00” in the function code area.

Cost center numbers have this format:

Company	Department	Function	Project
XXXX	XXXXXX	- XX	- XXXX

Purpose of Function Codes

- Function codes describe the purpose or type of activity that a cost center will be used for. Our general ledger has many cost centers so that we can collect revenues and expenses that serve a specific purpose or activity. A review of a cost center's expenses can tell us the cost of each specific activity of the University.

Purpose of Function Codes

- Some cost centers have been set-up to collect expenses for a department over time for an ongoing activity such as instruction, research, etc. Other cost centers are set-up to report a very specific instruction, research or other type project. Typically these are sponsored programs where the funding for the specific project comes from an outside source.

Purpose of Function Codes

- Whether a cost center is used for a department's ongoing activity or a specific project, it is important to understand the function code of the cost center so that the expenses posted to the cost center are always expenses incurred to support the activity defined by the function code of the cost center.

Instruction Function Codes

Instruction function codes begin with a “1”.

- 11 – On campus credit Instruction
- 12 - Departmental administration
- 13 - Off-campus credit instruction
- 14 – Non-credit instruction
- 15 – Instruction cost sharing
- 16 – Academic advising
- 17 – Faculty development

Instruction Function Codes

- The Federal government has defined several of these function codes or activities in OMB Circular A-21. All expenses posted to a cost center with these function codes must be expenses that are directly required for the activity as defined by the federal government.

Instruction Function Codes

- Cost centers with function codes 11, 13, 14 and 15 have the following definition in the Federal Circular:
- Instruction means the teaching and training activities of an institution. Except for research training as provided in subsection b. this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or extension division.

Instruction Function Codes

- The Federal Circular defines function 12, Departmental Administration expenses:
- The expenses under this heading are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units.

Instruction Function Codes

- The Federal Circular also defines function 17, Faculty Development or Departmental Research.
- Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately accounted for. Departmental research, for purposes of this Circular, is not considered as a major function, but as part of the instruction function of the institution.

Research Function Codes

Research function codes begin with a “2”.

- 21 Sponsored Research
- 22 University Supported Research
- 23 Sponsored Research – Cost Sharing
- 24 Agri Experiment Station Research

Research Function Codes

- The Federal Circular defines function 21, sponsored research.
- Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

Research Function Codes

- The Federal Circular defines function 22, University Research
- University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds.

Research Function Codes

- Expenses posted to cost centers with a function code of 22 should be expenses for specific research projects that a college or department has decided to fund. If the expenses are for general faculty development they should be posted to a cost center with a function code of 17.

Public Service Function Codes

- 31 – Public Service
- 32 – Public Service – Cost Sharing
- 33 – University Sponsored Public Service

Public service is non-instructional activities of the University that have direct benefits to the general public. Our transit program, and KUAF radio are examples of public service activities.

Academic Support Function Codes

- 41 – Libraries
- 42 – Museums and Galleries
- 43 – Organized Activities
- 44 – Other Academic Support
- 45 – Academic Support – Cost Sharing

Academic support includes expenses associated with the Dean's Office, advisory committees, libraries etc.

Other Function Codes

- Function codes beginning with “5” are used with Student Services cost centers.
- Function codes beginning with “6” are used with Central Administration cost centers.
- Function codes beginning with “7” are used with Facilities Management cost centers.
- Function codes beginning with “8” are used for Scholarship and Fellowship cost centers.

Expense Transfers

- If expenses are originally posted to a cost center with the correct function code for the expense, then any transfer of the expense should be to a cost center with the same function code. If expense transfers are made between cost centers with inconsistent function codes, the extended description should contain an explanation of why the function code for the original cost center was not correct for the particular expense being transferred.

Faculty and Staff Effort

- Payroll distributions for faculty and staff should reflect the actual effort of the employee by posting salaries to cost centers with the proper function codes. Payroll distributions for employees who have a committed level of effort to a sponsored program should reflect that level of effort even if the sponsored program is not paying the salary of the employee.

Faculty and Staff Effort

- The LCPI screen in DART will list all of the sponsored program cost centers that include a specific faculty member as Principal Investigator. Departmental staff should be informed of the level of effort commitment for each employee working on a sponsored program and make sure that the level of effort is properly reflected in the function codes of the employee's salary distribution.

Federal Grants News – May 2005

- An article entitled “Audit Reports Reveal Trends: Effort Reporting, Cost Sharing, and More” stated the following:
- “Cost sharing was a factor in effort certification findings because effort committed to federal awards, but not charged as payroll expenses to those awards, must be tracked for two purposes: (1) verifying that these commitments were met, and (2) inclusion of the cost shared effort in the research base for the computation of the F & A rate.”

Conclusion

- Understanding the function code of the cost centers to which expenses are posted and posting expenses only to cost centers with the proper function code that reflects the activity for which the expense was incurred is an important part of federal compliance for the University of Arkansas.