**Cost Center Creation**

UH and UHSA cost centers are created by the Budget Office and the Division of Research.

The Budget Office creates all cost centers that are not for sponsored projects (fund group 5). Departments request cost centers using the appropriate forms. The Budget Office reviews the cost center request for appropriate fund, department, program, and project ID before creating the cost center.

The Division of research creates all cost centers for sponsored projects in fund group 5. Cost center creation is based on the creation of a new project in the research system “RD2K”. Information collected during the project set up in RD2K helps to define the appropriate fund, department, program, and project ID.

**Cost Center Elements**

Business Unit

Business Unit defines the campus. The PeopleSoft system uses the State assigned agency numbers as our business units:

* 00783 – System Administration
* 00730 – UH Main Campus
* 00759 – UH Clear Lake
* 00784 – UH Downtown
* 00765 – UH Victoria

Fund

Fund defines the source of funds for the cost center. Fund codes are shared across all business units.

Correct fund code is of critical importance for many reasons:

* Location of the cash that will be used to pay for expenses.
  + Some funds are state funds, meaning that the campus receives the funds from a state appropriation and the actual cash resides in the state treasury.
  + Some funds are local funds, meaning that the university generates the funds themselves and the actual cash resides in a university bank account.
  + For example, if a state fund is used to pay a vendor, the Comptroller’s office will actually generate the payment out of the state treasury. However, if a local fund is used to pay a vendor then the UH System Treasurer’s office will generate the payment out of the campuses bank account.
  + The difference in the location of the cash to support the activities means that state and local transfers cannot be done via journal entry – they must be done by vouchers so that a payment between banks is generated.
* Restrictions on the use of the fund
  + State funds generally have restrictions on their use, particularly for capital/construction activities.
  + Local funds have restrictions on their use, generally specific to each fund or group of funds.
  + Restrictions on use of funds is published on the Finance Reference pages at: <http://www.uh.edu/finance/pages/References.htm> under “Food and Entertainment-Related Accounts”. This does not identify all restrictions on use of funds, but it picks up the major ones.
    - Additional restrictions exist for equity transfers between funds, state fund procurement restrictions, and transferring of expenses. Se the Finance Reference pages under ‘Transaction Processing”.
* Correct designation for Revenue Recognition process
  + Incorrect fund code designation will cause the Revenue Recognition process to select an incorrect revenue account code
* Many sources of funds have reporting requirements. The use of distinct fund codes greatly simplifies tracking and reporting of receipt and use of funds.
* Purpose of the overall group of funds
  + Fund codes should be selected for the appropriate type of revenue, but within the fund group (1XXX, 2XXX, etc) that best defines the overall purpose of the funds.

Basic fund code groups are:

* 1XXX – Education and General Funds – generally state appropriations and statutory tuition
* 2XXX – Designated Funds – collected locally for sales and services, designated tuition, student course/class fees, facilities and administrative charges.
* 3XXX – Auxiliary Funds – collected locally for auxiliary operations (student affairs fees, housing, parking, athletics)
* 4XXX – Restricted Funds – generally restricted by provider for purposes other than sponsored research, includes gifts from sponsors and endowment income
* 5XXX – Restricted Funds – generally restricted by provider for purposes of sponsored research and federal financial aid
  + Each 5XXX fund defines a particular type of sponsor (state, federal), whether it is a pass-through that is required to be reported in the SEFA, and whether it is a grant or a contract.
* 6XXX – Endowment and Loan Funds – institutional cost centers to record endowments and loan programs.
  + Revenue and expense account transactions are not allowed in Endowment and Loan Funds.
  + Asset, liability, and equity account transactions are allowed. Equity accounts are used to record revenues and expenses.
  + Endowment and Loan funds are restricted to use by Bank Reconciliations (endowment funds) and Research Accounting (loan funds). The only exception is for entries made by Voucher, SC Voucher or system feeds.
* 7XXX – Plant Funds – capital construction projects, capital assets, bond activities.
  + Plant funds are unique in that they do not represent a single type of funds.
  + Plant fund codes used for construction projects actually represent the source of funds coming from fund groups 1XXX – 5XXX that are used to pay for the project.
    - Equity transfers are done from fund groups 1XXX – 5XXX to plant funds for these projects.
    - This means that construction projects with multiple funding sources will also have multiple cost centers for the project, as funds from various sources cannot be co-mingled (we would lose the ability to track the use of funds and payment processing would be very difficult if not impossible).
    - Each fund in fund groups 1XXX – 5XXX that is allowed to be used for construction projects has a specific fund group 7XXX fund that it can be transferred to. Some 7XXX funds can accept funds from more than one 1XXX – 5XXX fund code but never more than one fund group.
  + Other Plant Funds are used to record different aspects of debt service (outstanding bonds payable, unspent proceeds) or to record different types of capital assets (buildings, furnishings/equipment, facilities, software).
    - These fund codes define the type of item recorded in them rather than a funding source.
    - These fund codes generally do not allow revenue and expense transactions. Equity transactions are not closed at the end of a fiscal period, providing better historical information when reviewing balance sheets.
  + With few exceptions, Plant funds are restricted to use by Plant Accounting. The exceptions are:
    - Vouchers, SC Vouchers, and other system generated entries.
    - Capitalization of assets, which is done by Property Management.
* 9XXX – Agency Funds – funds that do not belong to the university.
  + Agency funds are funds that the university deposits and accounts for that do not belong to the university.
  + These are generally funds for student activity groups, conferences, and summer campus and clinics conducted by departments.

Fund codes are created by Financial Reporting, when there is a valid business need for a new, distinct, fund code.

Finance trees are used for grouping information for purposes of reporting, extracting information via query or report, and running processes such as allocations. Fund groups are broken out further, particularly for fund groups 1XXX, 5XXX, and 7XXX in the Finance Tree “FUND”. Trees can be viewed in PeopleSoft Finance at: Tree Manager > Tree Viewer. The FUND tree with the effective date as of the end of current fiscal year is the current tree.

Detailed information on funds, including attributes such as the fund group for financial reporting, if it is a state bank or the local bank, the state appropriation, if it is a federal contract, whether payroll and benefits are allowed, if it has restrictions, and if the state pays matching benefits, can be viewed in the Fund Code Attributes.

* In PeopleSoft Finance, go to: Set Up Financials/Supply Chain > Common Definitions > Design Chartfields > Define Values > Chartfield Values > Fund Code.
* Because fund codes are shared across all business units, they are recorded under 00797 (this is the Business Unit for UH System Consolidated).
* Select the Fund Code, and in the description page, select “Attributes”

Department

Department ID defines the owner department. Department ID’s are unique to each campus.

Department ID’s are five digits, the first alpha which matches the Business Unit and the rest numeric.

* S = System, BU 00783
* H = Houston, BU 00730
* C = Clear Lake, BU 00759
* D = Downtown, BU 00784
* V = Victoria, BU 00765

Department ID’s are created by the Budget Office, when there is a valid business purpose for a new department ID.

There are also trees to define how Department ID roll up to other departments, Colleges, and Divisions. The Department ID trees can be viewed in PeopleSoft Finance at: Tree Manager > Tree Viewer. The DEPTID\_ROLLUP tree is the best one to use. The DEPTID\_ROLLUP tree with the effective date as of the end of current fiscal year is the current tree.

Program

Program Codes define the primary NACUBO (National Association of College and University Business Office) functional expenditure classification of the cost center. The NACUBO Financial Accounting and Reporting Manual (FARM) provides extensive detail on these classifications.

* The purpose of the classification is to define why an expense was incurred rather than what was purchased (done by GL Account).
* Cost centers can have multiple activities and purposes, so the Program Code is for the primary purpose.

Program Code letter definitions are shared across campuses, but the actual Program Codes are unique to each campus. Program Codes are five-digit alpha-numeric; the first letter is the NACUBO function and the numbers have no meaning.

* AXXXX – Instruction
* BXXXX – Research
* CXXXX – Public Service
* DXXXX – Academic Support
* EXXXX – Student Services
* FXXXX – Institutional Support
* GXXXX – Physical Plant
* HXXXX – Scholarships & Fellowships
* IXXXX – Auxiliary Enterprises

Program codes are created by the Budget Office. Program Codes can be used with more than one cost center as long as there is some other distinct chartfield (such as department or project).

Program code definitions can be reviewed in the PeopleSoft Finance system.

* In PeopleSoft Finance, go to: Set Up Financials/Supply Chain > Common Definitions > Design Chartfields > Define Values > Chartfield Values > Program Code
* Because Program codes are unique to each campus, they are recorded under each campuses Business Unit

Project IDs

All cost centers have a Project ID. Most use “NA” as the Project ID, which signifies that the cost center is not project based, and operates and is budgeted on a fiscal year basis.

Project ID’s other than “NA” are used when an activity is project based; i.e., it has a different life-cycle than the fiscal year and possibly has unique reporting or activity requirements.

Project ID’s are created by:

* Division of Research for sponsored projects
* Plant Operations for capital/construction projects
* Budget Office for Financial Aid as well as institutional purpose projects such as bond issuances and financial reporting adjustments.

Project ID letter definitions are shared across campuses, but the actual Project IDs are unique to each campus.

Project ID’s are 7-digit alpha-numeric chartfields where the first digit is alpha and the remainder are numeric. The alpha character defines the type of project activity:

* AXXXXXX – Administrative
  + Used for financial reporting year end entries
  + Restricted for use to central administrative areas or for administrative purposes
  + Can be used in any fund group
* CXXXXXX – Sponsored project with a cash basis
  + Restricted for use to the Division of Research and assigned to various departments, Colleges, and Principal Investigators to use for sponsored projects
  + Revenue Recognition and Letter of Credit processes for sponsored projects do not run on cost centers with C Project IDs.
  + Used in fund group 5XXXX
* FXXXXXX – Federally Funded Financal Aid
  + Restricted for use to the Office of Scholarships and Financial Aid.
  + Revenue Recognition and Letter of Credit processes run on cost centers with F Project IDs when in fund group 5.
  + Used in fund group 5XXX
* GXXXXXX – Sponsored project with a cost-recovery basis
  + Restricted for use to the Division of Research and assigned to various departments, Colleges, and Principal Investigators to use for sponsored projects.
  + Revenue Recognition and Letter of Credit processes run on cost centers with C Project IDs when in fund group 5.
  + Used in fund group 5XXX
* IXXXXXX – Sponsored project that is funded with Institutional Funding
  + Restricted for use to the Division of Research and assigned to various departments, Colleges, and Principal Investigators to use for sponsored projects.
  + Revenue Recognition and Letter of Credit processes for sponsored projects do not run on cost centers with I Project IDs.
  + Used in fund group 2XXX and 5XXX
* MXXXXXX – Minor (under $4M) Capital Construction or Renovation project
  + Restricted for use to Plant Operations and Facilities Planning and Construction
  + Used in fund group 7XXX
* PXXXXXX – CRDM Capital Construction/Renovation project or Debt Service related activities
  + Restricted for use to Plant Operations and Facilities Planning and Construction.
  + Used in fund group 7XXX
* RXXXXXX – Sponsored project supported by HEAF funds
  + Restricted for use to the Division of Research and assigned to various departments, Colleges, and Principal Investigators to use for sponsored projects
  + Used in Fund Group 1XXX
* SXXXXXX - Major (over $4M) Capital Construction or Renovation project
  + Restricted for use to Plant Operations and Facilities Planning and Construction
  + Used in fund group 7XXX

Project ID’s are linked to additional information.

Project IDs can be used in multiple ways. Plant uses the same project ID with different fund and program codes to link multiple cost centers and funding sources for the same project together. Research uses different project ID’s for each distinct sponsored project award.

Additional information is required of, or used with, Project IDs. Project information can be reviewed in PeopleSoft Finance at: Business Processes > GL > Custom Project Set Up. Because Project IDs are unique to each campus, they are recorded under each campus’s Business Unit.

* All Projects
  + Budget beginning and end date
  + Project beginning and end date
* Research Projects
  + Coordinating Board and Research Purpose codes – used for Division of Research reporting
  + Sponsor type – used for Division of Research reporting
  + Funding Agency – used for annual financial report information
  + CFDA (if federal) – used for annual financial report information
  + Sponsor ID – used to assist in requesting cash for federal projects
  + Payment method – used to trigger Letter of Credit processes that result in cash draw downs
  + IDC Project Rates – used to define the percentage of Indirect Costs to be charged to sponsored projects, the related accounting entries, and any specifically included or excluded accounts.
  + Federal Pass Through information – used to define pass through activities on federal and state funded sponsored projects to other agencies; used for annual financial report information
* Capital/Construction Projects
  + Tap Overhead set up – used to define a percentage rate and accounting entries for charging all project cost centers for overhead tap; tap basis is on expenses incurred.
* Financial Aid
  + Funding Agency
  + CFDA
  + Originating Entity
  + Sponsor ID – used to assist in requesting cash for federal projects
  + Payment Method – used to trigger Letter of Credit processes that result in cash draw downs