University of Missouri System
Accounting Policies and Procedures

Policy Number: APM-3.45.05

Policy Name: <u>Program Classification Structure</u>

General Policy and Procedure Overview:

The University of Missouri has a variety of internal and external reporting requirements that rely on the data recorded on every transaction and/or configuration data within the University's financial system. Some examples include Integrated Postsecondary Education Data System (IPEDS), audited financial reports, the appropriations request from the state of Missouri, and preparation of the Facilities and Administrative (F&A) proposal. An important element of these reports is accurate classification of the various functions, or programmatic activities at the University, commonly referred to as Program Classification Structure (PCS). The PCS is a set of categories and related definitions used by higher education to report expenditures on a uniform basis by program or purpose. These PCS reports assist entities, both internal and external to the institution, in determining whether the missions and objectives of the institution are being carried out and providing information useful for making sound fiscal decisions.

This policy and appendix provides the definitions for the initial classification of programmatic activities and the business process involved in maintaining integrity in the reliability of PCS reporting. The information in the appendix has been provided from a combination of authoritative literature such as American Institute of Certified Public Accountants audit guides, the National Association of College and University Business Officers Financial and Administrative Reporting Manual, a collection of informal industry standards among colleges and universities, and further detail requirements provided by the state of Missouri.

Definition of Key Terms:

<u>F&A</u> – Facilities and Administrative. The University submits a proposal to the cognizant agency, the United States Department of Human Services, which allows the University to charge an externally sponsored award for F&A costs. Data is extracted from the University's administrative systems, analyzed and summarized to support the proposed request to charge for facilities and administrative costs that legitimately support sponsored activity.

<u>IPEDS</u> - Integrated Postsecondary Education Data System established by the National Center for Education Statistics (NCES)

<u>SPO</u> – Office of Sponsored Programs-- Each campus has an administrative office established to manage administrative duties and monitor compliance for externally sponsored program activity. The administrative name used on each campus is different, while the functions remain the same; SPO is a term used to refer to all four campus offices.

<u>PCS</u> – Program Classification Structure is a set of categories and related definitions used by higher education to report expenditures on a uniform basis by program or purpose.

<u>PCS Code</u> – a PCS program or subprogram category describing an expenditure activity by program or purpose (e.g., 11 – On-Campus General Academic Instruction) is assigned to each of the ChartFields labeled as DeptID in PeopleSoft.

<u>PCS Committee</u> – a permanent committee comprised of the accounting and/or budget directors on each campus, and personnel from the Office of the Controller (Controller's office), charged with the responsibility of reviewing and updating PCS policies and resolving PCS code assignment issues.

Detail Policy and Procedure:

At the University of Missouri, reporting expenditures by PCS (e.g., Instruction, Research, Public Service) is important for the following reasons:

- The University is required to report expenditures by program according to accounting statements issued by the Governmental Accounting Standards Board.
- Expenditures classified by PCS are used internally by the Institutional Research offices on each campus to compare the University to peer institutions and to complete IPEDS surveys. The data is also used internally to assist in the allocation of institutional and academic support and in the preparation of cost studies.
- Expenditures classified by PCS are used externally by the state of Missouri to assist in the determination of the level of funding received by the University.
- Accurately reporting expenditures and facilities space by program improves the F&A rate assigned to the institution, which affects the amount of recovered costs.

The following chart lists the broad program categories used by the University to report expenditures by program or purpose.

Primary Missions	Support Operations
1X Instruction	4X Academic Support
2X Research	5X Student Services
3X Public Service	6X Institutional Support
	7X Operations and Maintenance of Plant
	8X Scholarships and Fellowships
	Depreciation
	Auxiliary Enterprises
	Hospitals
	Independent Operations

Each of the major program categories listed above (1X – 8X) contains subprogram categories to assist in further identifying the primary intent or purpose for carrying out the activity. Please refer to APM-3.45.10 for a complete listing of the PCS codes currently used by the University.

A subprogram category or PCS code is assigned to a PeopleSoft ChartField labeled as DeptID to classify the primary expenditures that will be charged to that DeptID. Only one PCS code may be assigned to a DeptID. Although most DeptIDs have only one single activity, there are some DeptIDs that currently have a mix of activity. If the expenditures in the DeptID with mixed PCS activity are material in volume and can be easily and practically segregated, a separate DeptID is encouraged and should be considered to more accurately report the activity. If the activity recorded in a DeptID cannot be practically segregated, or the volume of activity that would be misclassified is immaterial, then the PCS code that best reflects the predominant use of the DeptID should be assigned.

Initial Assignment of PCS Code

The process for assigning the PCS code on a non-grant DeptID may vary by campus. Generally, the following steps are followed:

- When a new DeptID is needed, a campus fiscal manager completes a New ChartField Request form in Outlook. One of the fields that must be completed on the Request form is the Program Classification. This field is completed by choosing the PCS code on the drop-down menu.
- The Accounting Office and/or Budget Office will review the PCS code listed on the New ChartField Request form.
- Once the appropriate PCS code is determined, the Accounting Office enters it on the ChartField Attributes screen in PeopleSoft when the new DeptID is created.

The SPO is typically responsible for determining when a new grant-related DeptID is needed. Once this determination is made, the SPO will complete a new ChartField Request for the new grant-related DeptID and forward the request to the Accounting Office to establish the DeptID. The DeptID used to report the financial activity of one or more ProjectIDs that have a common expenditure program or purpose. In general, only one DeptID with a PCS code should be established within a division or department since one DeptID can be used to record activity by multiple ProjectIDs.

Responsibility for Ongoing Maintenance and Review of PCS Codes

The campus Accounting Offices are responsible for designing a strategy to review the campus population of PCS codes assigned to the respective DeptIDs bi-annually and update any required data in the financial system. The Accounting Offices will coordinate and monitor the bi-annual review of the PCS code on all active DeptIDs. The responsibility for periodically reviewing the PCS codes on each active DeptID may be further delegated to the deans, directors, and fiscal managers according to the administrative procedure on each campus.

Departmental reviewers will review the PCS code for the DeptIDs as directed by the campus Accounting Office and compare the definitions provided in APM-3.45.15 with the activity recorded in each DeptID. In addition, the departments should review each DeptID to determine whether any DeptIDs are no longer needed and should be inactivated. The Accounting Offices must review PCS code changes recommended by the departments. The reviews should be made for reasonableness, accuracy, consistency with the PCS definitions in APM-3.45.15 and ensure that a review is completed of PCS codes on all active DeptIDs.

Any PCS issues that cannot be resolved by campus Accounting Offices may be forwarded to the PCS Committee for discussion and resolution.

Responsibilities:

Campus Accounting Offices:
- Develop strategy to review all PCS codes on the respective campus on a two-year cycle.
- Coordinate and monitor the bi-annual review of the PCS code on all active DeptIDs.
- Review recommended changes to PCS codes and update the finance system with the approved changes.
- Creates new DeptIDs as required and deemed appropriate.

Campus Departments:
- Review DeptIDs and the assigned PCS codes.
- Compare PCS code definitions with the activity taking place in the DeptIDs for the department.
- Review active list of DeptIDs and request closure of DeptIDs that are no longer needed.

Campus Pre-award Staff:

- Review DeptIDs and assigned PCS codes for all OSP Projects

Campus Post Award Staff:

- Compare PCS code definitions with the activity taking place in the DeptIDs for the project

PCS Committee:
- Reviews and updates PCS policies and resolves PCS code assignment issues.

Effective Date: July 1, 2007
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Questions and Comments?
Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.

Official Accounting Policies and Procedures of the University of Missouri System are Authorized and Issued by the Office of the Controller