



Policy and Procedure

Topic: Role of Auxiliaries

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Approved By: James W. Cullough, Jr.
Chancellor

[Signature]
Vice Chancellor for Administration

Background - Auxiliaries as Service Organizations:

According to a 1981 National Association of College and University Business Officers (NACUBO) paper on "Auxiliary Enterprises and Other Services an auxiliary enterprise furnishes a service directly or indirectly to students, faculty, or staff, and charges a fee related to, but not necessarily equal to, the cost of services....The distinguishing characteristic of most auxiliary enterprises is that they are managed essentially as self-supporting activities, although sometimes a portion of student fees or other support is allocated to assist these activities." Further, "services provided by auxiliary operations are important elements in support of an institution's educational program....auxiliary enterprises should contribute to and relate directly to the mission, goals, and objectives of a college or university. They should not be regarded merely as service activities or as businesses, but as active expressions of an institution, reflecting its history, style, and relation to its various constituencies."

From this view, auxiliaries should provide goods and services, as part of the day-to-day activities, that relate directly to the institutional mission. They should be self-supporting, but not necessarily net revenue-generating. Again from the report, "such enterprises should reflect the quality of service that a college or university desires for its students, faculty, staff, alumni, and the public."

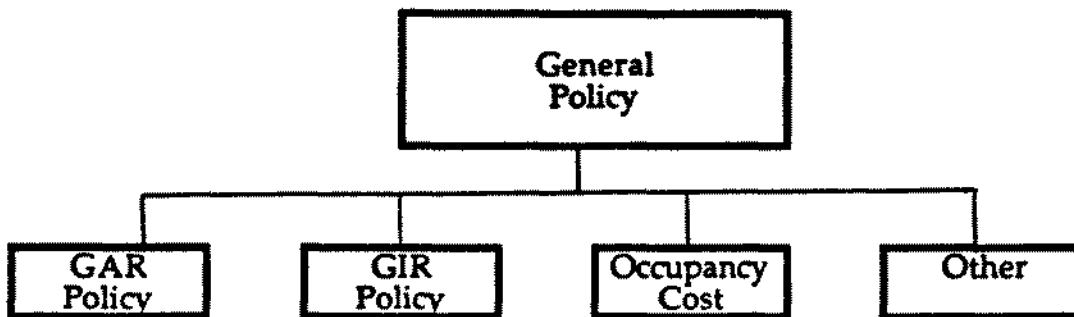
Purpose:

The purpose of this General Policy is to clarify the role that auxiliaries play at the University of Colorado at Boulder and to establish guidelines for identifying the most appropriate ways for auxiliaries to support the general welfare of the campus.

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Reference to Other Related Policies:

The following diagram is provided as a road map to other related policies and procedures. The General Policy and Procedure on this subject is included in this document. Specific policies and procedures related to cost allocations are contained in the UCB Accounting Office Policy/Procedures Manual as noted below:



Definitions:

1. Auxiliary

- A. University of Colorado at Boulder - Auxiliary will mean any operational entity which is accounted for in sub-ledger 3 of the Financial Reporting System (FRS).**
- B. NACUBO Definition of Auxiliaries:**
 - **Auxiliary Enterprise - An auxiliary enterprise is an entity that exists to furnish goods or services to individuals such as students, faculty or staff or campus operational entities and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supported activities. The general public may incidentally be served by some auxiliary enterprises. (AICPA audit guide and NACUBO) Examples would include : Housing, Bookstore, etc.**
 - **Service and Stores Departments - A service department provides a specific type of service to college or university departments rather than to individuals and is supported by internal charges to the using department's operating budget . Such a service might be purchased from commercial sources, but for reasons of convenience, cost, or control it is often provided more effectively through an institutional service department. Examples would include : Telecommunications, Distribution Center, Chemistry stores, Electronic stores, etc.**

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- 2. Self-funded Activities** - Are those activities accounted for in the Auxiliary/Self-funded fund which do not meet the definition of an auxiliary enterprise, internal store or internal service. *Examples would include ;: Student Recreation Center, International Education, conference activities, small auxiliary lab activities, etc.*
- 3. Self-supporting** - Is defined to mean the generation of revenues sufficient to meet or exceed fully costed operations, in accordance with generally accepted accounting principles.
- 4. Direct Costs** - Is defined to mean those costs which can be directly attributed to the activity in question. *Examples would include: personnel cost, office supplies, telephone, etc.*
- 5. Indirect Costs** - Is defined to mean those costs that cannot specifically be associated with a department or activity but are incurred in support of the auxiliary, and therefore may be subject to allocation by some other method. *Examples would include: Business and Financial Services, Payroll, Human Resources, etc.*
- 6. Full Costing** - Is defined to mean full recognition of the cost of operations, direct and indirect costs. The concept of full costing also includes full revenue recognition.
- 7. In-kind Contributions** - Is defined to mean contributions of services, products, use of facilities or programs to or from an auxiliary which does not involve the transfer of cash.

Policy Statement:

Auxiliaries shall provide quality service to their customers in support of the Boulder Campus mission through good business practices. This means providing goods or services of the highest quality possible at a reasonable cost to their customers. It is the policy of the University of Colorado at Boulder that all campus auxiliaries have the full cost of its activities identified and, to the extent possible and desirable by the campus, those costs will be allocated and charged to the auxiliary which incurred them.

In addition, to the extent that an auxiliary (excluding Service and Stores Departments, in accordance with circular A-21, issued by the Office of Management and Budget) has the net revenue that exceeds its full costs, an auxiliary activity may be asked to:

- 1. Expand their programs**, in ways consistent with their basic mission, for the welfare of the Campus.
- 2. Contribute, additional cash transfers and/or in-kind support** in the form of: labor, goods or services necessary for the welfare of the campus.

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General Procedure:

1. **Full Costing** - All operations accounted for in the FRS sub-ledger 3 will be fully costed to the extent possible. It will be the responsibility of the Director of Accounting to identify the appropriate direct and indirect cost elements to be considered for the purpose recognizing all costs associated with a specific auxiliary:
 - A. **Direct Costs** - All costs which are normally incurred as a direct result of the specific account's business activity will be charged to the account on the basis of use and classified as normal operating costs (e.g. the cost of personnel, cost of goods sold, telephone expense, office supplies, etc.).
 - B. **Indirect Costs** - It will be the responsibility of the Director of Accounting to develop the methodology to allocate each category of indirect cost in a manner which ensures that there is no duplication of allocated costs. The method of allocation will be in accordance with generally accepted cost accounting methods and applied on a consistent basis, in a manner which will not conflict with the Indirect Cost Allocation guidelines. Since the method of allocation may vary with the type of cost, each cost category has a separate and specific policy/procedure. By example, the categories of indirect cost to be considered for allocation and possible recharge include (but are not limited to):
 - **General Administrative Recharge (GAR)** - This is the rate charged to auxiliaries to cover indirect general and administrative (g & a) common services costs which are incurred on behalf of all programs of instruction, research and public service. *Examples would include: Business and Financial Services, Payroll, Human Resources, etc.* See attached specific policy/procedure for more detail.
 - **General Infrastructure Recharge (GIR)** - These are common indirect physical infrastructure costs (as opposed to general administrative, e.g. commonly shared costs: grounds, transportation, exterior lighting, health & safety costs, etc.). See attached specific policy/procedure for more detail.

Note: If infrastructure maintenance costs (e.g. telecommunication, utility distribution systems, etc.) are included in the rates charged to the users, they are considered to be "direct" costs and not subject to further allocation.
 - **Indirect Occupancy Cost** - (e.g. space rent, utility costs, office supplies, equipment, etc.) - An auxiliary activity may be assessed an occupancy fee when the space it occupies (and related costs) is paid by the General Fund. This charge will be determined on a case by case basis by agreement between the parties involved.

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- 2. Additional Support to Non-Auxiliary Accounts - As noted in the policy statement, auxiliaries (excluding service and stores departments) may be asked to contribute additionally to the welfare of the Boulder Campus through program expansion, direct cash transfer or in-kind support. The cash and/or in-kind amount of additional support will be determined on a case by case basis after consultation with the auxiliary manager. The dollar amount of the contribution will be accounted for as a non-operating expense.**

- 3. Setting Up a New Auxiliary - All new auxiliaries will be reviewed for full costing (i.e., all appropriate costs will be identified and allocated).. Decisions on not charging the allocated costs may be made by the appropriate Vice Chancellor.**