

| | | |
|----------|---------------------------|-----------------------|
| SUBJECT: | Effective Date: 7-1-13 | Policy Number: 5.5 |
|----------|---------------------------|-----------------------|

Auxiliaries are expected to provide quality services to faculty, staff and students at rates competitive with the private sector to maintain adequate but not excessive reserves, and to satisfy expectations of ongoing fiscal solvency. However unlike the private sector, auxiliaries are also expected to use a portion of its resources for the broader purposes of the institution. (As NACUBO explains, auxiliaries are not to be "... regarded merely as service activities or as

III. FEDERAL GUIDELINES

The Office of Management Budget Circular A21 (OMB A21) requires that *“charges for service operations may be included as direct costs of sponsored agreements, provided such items are consistently treated...and charged under a recognized method of computing actual costs, and conform to the generally accepted accounting practices consistently followed by the University.”* A process must be in place to ensure that as an institution we are in compliance with A21. The following website offers the entire A21 guidelines. Please refer to this document in order to fully understand A21 guidelines: http://www.whitehouse.gov/omb/circulars_a021_2004

This process is also intended to review rate charges to outside markets to make sure that the University is not unfairly competing due to its tax exempt status. This review process also

If approved, the Auxiliary Fees and Charge Back Committee will:

- Notify the unit with a tentative approval memorandum.
-

III. UNALLOWABLE RECHARGE COSTS

1. Unallowable (or non-reimbursable) Costs: Certain types of costs are considered not allowable for recovery by the federal government under current cost accounting guidelines. These costs are elaborated upon by the A21 guidelines but some primary examples of unallowable costs include:

- Advertising or public relations designed solely to promote the University
- Alcoholic beverages
- Alumni Activities
- Commencement or convocations
- Entertainment
- Fines or penalties
- Fundraising
- Hosting
- Meals
- Travel
- Memberships
- Marketing

A complete listing of costs, and their treatment can be viewed in Section J of the OMB Circular A21 found on the website which details Cost Accounting Standards (CAS): http://www.whitehouse.gov/omb/circulars_a021_2004. Cost Accounting Standards require consistent treatment in estimating revenue and expenses, consistency in allocating cost, identification of unallowable expense and consistency in the use of accounting periods.

2. Facility and Administrative Costs (or Indirect Costs): The University typically recovers facility and administrative costs through the indirect cost rate, a rate determined through negotiations between the cognizant federal agency and the University. These costs are always excluded from a recharge rate. Examples include:

- Depreciation of equipment – except under certain circumstances
- Building related costs such as utilities, repairs and depreciation
- Administrative salaries not directly charged to the recharge activity

IV. RECHARGES TO EXTERNAL UNITS

Non-University Charges: Service units should only direct charge University users. If significant service is provided to parties external to the University, the unit should use a separate index to receive any revenue in excess of the approved internal recharge rate. This s

V. UNIT RESPONSIBILITIES

The following points are activities that each responsible unit will follow to establish or revise recharge rates:

- Obtain Auxiliary Banner Index for recharge activity. All costs and revenue associated with the recharge must be accounted for in this fund type
- Deficits and non-reimbursable costs. If deficits occur that cannot be covered by rate adjustments, the responsible college, department or unit is responsible for funding the deficit.
- Any costs determined to be non-reimbursable are the responsibility of the college, department or unit.
- A Banner Index that will fund any non-reimbursable cost or losses must be provided at the time the rate is established.
- Maintain detailed records supporting the recharge. These records should include:
 - Description of the goods provided or services performed
 - The Banner Index billed for the services
 - Person(s) requesting the good or service – must be an authorized signer for the Banner Index billed.
 - Detailed records of the expenses of the recharge operation – normally done by establishing a separate Auxiliary fund type index to which expenses are charged and revenue is credited.
 - Maintain records for seven years, unless a litigation claim or audit is started before the expiration date of this period. Recharge records are subject to audit at any time.
- Billing external entities
 - All funds derived from parties external to the University must be received into a separate Auxiliary fund type index.
 - Revenue derived from non-federal programs and sources outside the University that exceed actual costs plus any indirect cost recovery (if applicable) may be used for discretionary purposes by the department, college or unit.
 -

