



SUBJECT: AUXILIARY ENTERPRISES SERVICE/ RECHARGE CENTERS GUIDELINES	Effective Date: 7-1-13	Policy Number: 5.5
	Supersedes: Division of Research Service/Recharge Centers Recharge Guidelines Policy 2.005; Presidential Memorandum #81	Page Of 1 7
	Responsible Authorities: Vice President, Research Sr. Vice President, Financial Affairs	

APPLICABILITY

This policy is applicable to all members of the university community, including all students, staff, and faculty, and those seeking Principal Investigator or Co-Principal Investigator status on any sponsored project.

POLICY

I. BACKGROUND

The purpose of this policy is to provide guidelines for establishing or revising recharge rates for activities related to research and other FAU units or outside entities at FAU. If you are a service unit that charges others for your goods or services, your recharge rates must be reviewed and approved by the Auxiliary Fees and Charge Back Committee and when applicable, the Division of Research. Due to the potential impact on research grant activity, this policy is intended to incorporate expectations and procedures that encompass both routine university auxiliary activity as well as auxiliary activity that may involve federal grant costs (telecommunications, for example).

Auxiliary enterprises are defined by Florida Atlantic University and the National Association of College and University Business Officers (NACUBO) as programs that "...furnish services directly or indirectly to students, faculty, or staff, and charge fees related to, but not necessarily equal to the cost of services. Traditionally, these services have encompassed food services, student housing, and college stores..." User fees (e.g., room, board and parking) and/or cash/credit sales (e.g., gate receipts, and bookstore sales) are primary revenue sources. Program costs (e.g., residence hall staff, food supplies, and other items for resale), and costs to support programs (e.g., payroll, building maintenance and accounting services) are the primary uses to which the funds are applied.

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 businesses, but as active expressions of an institution...", and as such offer services and facilities that are used to assist in the educational and social development of students.) Auxiliaries have, for the most part, sufficient resources to serve these broader purposes, but careful monitoring is needed to insure that the cumulative effect of increased charges not jeopardize the financial solvency of those programs.

The auxiliaries shall be charged for administrative and physical plant support services when those services provide a direct benefit to the auxiliaries (e.g., payroll services, building maintenance, and utilities, purchasing, etc.). The College and University Business Administration states that, "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. Such enterprises should reflect the quality of service that a college or university desires for its students, faculty, staff, alumni, and the public...."

This policy will be reviewed annually.

II. RATES

Due to the varying activity of each auxiliary fund, the full overhead rate should be adjusted depending upon the type of auxiliary unit and its purpose. Beginning July 1, 2013, the full overhead rate for overhead charges for auxiliary enterprises will be 8.95% and by July 1, 2015, the full overhead rate will be 11.19%. These rates are phased in to allow units the time necessary to adjust to increased overhead costs in their budgets. The final base rate of 11.19% will be in effect for five years (through June 2020) at which time a review will commence to assure its continued relevancy to indirect services provided.

Seven distinct activity-based categories of auxiliary operations at FAU are assigned an overhead rate based on the type of activity of the auxiliary. These categories and their corresponding overhead rates for FY13-14 are defined below.

- a. Service/activity centers: Cost centers that are ancillary to the overall University mission. Amount charged will be 100% of the full overhead rate (8.95%).
- b. Adjusted Rate: Overhead rates are adjusted accordingly if units already pay for utilities, custodial, etc. in their operating expenses.
- c. Legislatively/mandated activities: Includes late payment, late registration, orientation and admissions. Amount charged will be 50% of the full overhead rate (4.47%).
- d. Student Government activities: Amount charged will be 25% of the full overhead rate (2.24%).
- e. Contractual accounts: Includes the Bookstore and Food Services. The rate charged will be determined by the contract in effect between FAU and the third party and therefore, these accounts are not subject to an overhead rate.
- f. Direct support activities: These are central to the overall University mission and include accounts such as Labs, Clearwire, and eLearning. Amount charged will be 0% of the full overhead rate (0.00%).
- g. Pass through accounts: Cost recovery pass through accounts such as Pcards (Staples, Office Depot, Travel, J.C. White). Amount charged will be 0% of the full overhead rate (0.00%).

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 aids in the determination of whether any revenue from outside the University, which is in excess of costs, is taxable by the federal government as unrelated business income (UBIT). UBIT is reported by the University as required by the Internal Revenue Service Code and Regulations. Service units that will be charging non-University customers for their services should check with the Controller’s Office to ensure that there is no liability for UBIT.

DEFINITIONS

Auxiliary Fees and Charge Back Committee: The committee that monitors the financial activities of auxiliary/educational business activity operations. Committee members are appointed by the Senior Vice President, Financial Affairs, in coordination with the Vice President, Research.

Principal Investigator (PI): An individual who has primary responsibility for the design, execution, and management of a research project and who will be involved in the project in a significant manner.

Service Unit: A service unit provides services or goods to other University units or to various activities within its own unit. The costs for providing the services or goods can be easily and accurately identified and can be billed using an approved rate per unit. This will normally involve recording the costs and recharge revenue in the Auxiliary Activities fund.

PROCEDURES

I. PROCESS FOR APPROVAL

The Auxiliary Fees and Charge Back Committee, and when applicable, the Division of Research Accounting Office, will review the request and determine if:

- The request is complete and understandable
- An appropriate authorized signer signs the request
- Procedures are consistent with University policy
- Services are consistent with federal guidelines
- Rate computations are complete and relate to the actual costs
- The rate is reasonable. It may be necessary to contact the unit for more information. Include information on prior requests, where appropriate.

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

- Notify the unit with a tentative approval memorandum.
- Provide the President, through the Vice President for Financial Affairs, a letter that outlines the request and the decision of the Committee. The service unit should coordinate their billing process with the Controller's Office, where appropriate.
- Advise the requesting unit to obtain an Auxiliary Fund index that will be used for charging the operating costs and receiving the recharge revenue. The request should be submitted to the Budget Office in writing.

II. SUBMISSION OF WRITTEN REQUEST

A written request to establish a service unit or revise recharge rates must be reviewed and approved by the Auxiliary Fees and Charge Back Committee. The request must be signed by an authorized signer of the service activity and an appropriate higher level. Recharge rates must not exceed actual costs and may not be burdened with unrecoverable costs.

The request must include the following information (this list is not exclusive):

- Description of the goods or services to be provided
- List of anticipated customers, both University and non-University
- Index where the activities, costs and revenues will be recorded
- Projected costs for providing the goods and services
- Projected volume of transactions and associated dollar volume
- Index for funding deficits
- Name, title, and phone number of the individual responsible for the financial management of the service unit

As part of the description of the recharge activity, the unit must:

- Demonstrate that services are consistent with the mission of the University
- Demonstrate that services do not inappropriately or unfairly compete with private enterprises
- Provide supporting costing information

Submit requests to the Chair of the Auxiliary Fees and Charge Back Committee, c/o the University Budget Director, 394 Administration Building, Florida Atlantic University.

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 separation guarantees an accounting that disaggregates charges/revenues from other University activity. The following applies to non-University charges:

- Rates to external parties are not governed by the OMB A21 federal guidelines
- Units should contact the Controller's Office before providing services to parties outside of the University. Rates to external parties are not governed by A21 federal guidelines and may qualify as unrelated business income activities (see below)

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.
 - Revenue received in excess of costs must be segregated to demonstrate that rates used to bill deferral activities during a billing cycle do not exceed actual and reasonable costs.
- Review of Rates
 - Annual Review:
 - An internal rate review should be performed at least annually by the department or unit and documented
 - A formal analysis of costs and recharge revenue should be submitted to the University Budget Office for review at least once every two years
 - Revision of Rates
 - When it is apparent that the current approved rate does not result in a break even situation, a request for revision of rates must be submitted with the cost and rate analysis study to the University Budget Office.
- Change in goods or services rendered
 - The unit must advise the University Budget Office when changes in services are anticipated or when a need for a procedural change in accounting for the goods or services rendered is anticipated

- When goods or services are no longer rendered, notification of the University Budget Office is required
- Other responsibilities
 - Provide the University Budget Office with a listing of the spaces used in the recharge activity and assure that it is recorded properly in the annual inventory of space utilization
 - When external FAU customers are billed, assure that unrelated business taxes are not due; check with the University Controller's Office.

VI. UNIVERSITY BUDGET OFFICE RESPONSIBILITIES

- At least once a year, the University Budget Office will provide the Division of Research and the Controller's Office with a listing of all approved service units and their approved rates.
- Review and approve rates (Final approval of rates is obtained by the FAU President).
- At least once a year, requisite meetings will be held of the Auxiliary Fees and Charge Back Committee to review unit requests for rate changes.
- Monitor rates periodically to determine if recharge revenues are reasonable (within 15% of actual costs).
- Contact the service unit if the review indicates the rate is resulting in balances greater than 15%. Any excess exceeding 15% needs to be documented along with an explanation

V. FORMS

Pertinent forms may be found on the websites for the [University Budget Office](#) and the [Division of Research](#).

INITIATING AUTHORITY: Senior Vice President, Financial Affairs

POLICY APPROVAL
(For use by the Office of the President)

Policy Number: 5.5

Initiating Authority

Signature: _____ Date: _____
Name: Dorothy Russell

*Policies and Procedures
Review Committee Chair*

Signature: _____ Date: _____
Name: Elizabeth Rubin

President

Signature: _____ Date: _____
Name: Dennis Crudele

Executed signature pages are available in the Office of the General Counsel