

**OUS FISCAL POLICY MANUAL-AUXILIARY ENTERPRISES AND OTHER ACTIVITIES**

This policy sets forth a directive to allocate indirect costs of the OUS campuses' General Fund to their Auxiliary Enterprise Funds. The policy states that **“It is OUS policy that auxiliary enterprise activities be self-supporting, generating sufficient operating revenues to cover operating expenses, including direct expenses and the allocable portion of indirect costs borne by other units of the university. The allocation of indirect costs should be recorded within the accounting records of the institution. Each OUS institution will develop and implement an indirect cost allocation policy and plan for allocating the applicable portion of the institution’s indirect costs to its auxiliary enterprises.”**

The policy lists the following to support the directive:

- **ORS 351.085- Duties and Powers of Chancellor**
- **OAR 580-040-005- Delegation and Assignment of Responsibility**
- **IMD 6.001- Finance and Business Affairs Accounting Policies- Assignment of Responsibility**
- **IMD 6.500- Fiscal Management of Auxiliary Enterprises and Other Self-Liquidating Activities**
- **NACUBO- Financial Accounting and Reporting Manual, Section 342.20 C2003**

Many higher education institutions throughout the United States have already implemented policies to allocate indirect costs to auxiliary enterprises. Examples are the University of California, the California State College System, the University of Wisconsin, Minnesota State Colleges and Universities, and others.

Auxiliary Enterprises are operations that charge a fee to provide goods and services to students, faculty, staff, or in some cases to the general public. They are managed as a self-supporting activity through the generation of their own revenues. They include housing, food services, bookstores, student centers, athletics, parking, conference centers, student health services and some others. Indirect costs (or administrative overhead expenses) are defined as costs that cannot be directly associated with an activity and therefore cannot be directly charged to the activity, yet they provide a benefit to activities. They include, but are not limited to the following: Finance and Business Services (e.g. Internal Audit, Budgeting, Accounting, Purchasing and Contracts, Cashiering and Student Accounts Management), Human Resources (Payroll, Recruitment and Hiring, Classification Reviews, and Benefits Administration), Computing Services, Campus Security, Community Relations, Custodial and Plant Operations.

This policy is necessary because it is critical to recognize the relationship and interdependence between a University’s General Fund and its Auxiliary Enterprises. Both of these types of Funds provide support needed for the University’s educational mission. The Auxiliary Funds provide housing, student activities, health services and other essential functions that support the educational mission. The General Fund incurs indirect costs for purposes common to all activities of the University including its own general education programs, the University’s service funds, its auxiliary activities, and its research activities. PSU has charged General Fund Indirect Costs to University service funds, its self-support educational funds, some auxiliaries and its research funds. The only two fund groups that PSU has not allocated indirect costs to are athletics and its student activities within auxiliary services. This OUS policy would require PSU to do this effective July 1, 2007.

The OUS policy in Section 200 states that **“Indirect cost charges will be recorded by each auxiliary enterprise, at a minimum, at the fund type level II”** which include fund types **“21- Housing, 22- Student Centers/Activities, 23- Intercollegiate Activities, 24- Health Services, 25-Parking, 26- Bookstores, 27- Other Rentals, and 29- Other Auxiliaries.**

In Section 170, the policy dictates that each institution **“will develop their own methodologies for allocating indirect costs within the guiding principles”** listed in the section. The section details multiple methods that an institution may utilize. It also states that **“the costs must be reasonable- costs which are applicable to the overall operation of the activity, properly allocable- costs are allocable in accordance with the relative benefits received by the auxiliary enterprise, simple and easy to understand, auditable-recalcuable based on documented principles and procedures, objective- based on relevant and reliable financial and other information, and applied consistently within each campus.”**