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DBA Administrative Detail:

Cost Allocation / Reimbursement Plan for the California State University Channel Islands (CI) Operating Fund - Process and Methodology

1.0 PURPOSE

Executive Order No. 753 assigns responsibility to the campus chief financial officer to ensure that self-supporting units (Housing, Parking, and Extended University), Auxiliary Organizations (UGC, Site Authority, ASI, and Foundation), and University Trust Funds outside of the CSU Operating Fund but held by the University; are charged for allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services funded by the University's General Fund appropriation. The following guidelines are intended to assist the University's chief financial officer to develop a plan to document the basis and allocation of General Fund costs to self-supporting units, Auxiliary Organizations, and University Trust Funds outside of the CSU Operating Fund.

2.0 SCOPE

The cost allocation plan applies to the following Auxiliary Organizations and University Self-Supporting units outside the CSU Operating Fund:

Auxiliary Organizations – separately organized, non-state entities that operate in compliance with the Auxiliary Organization policies of the CSU Board of Trustees, the terms of leases and operating agreements with the Trustees, and policies established by the University. Examples of Auxiliary Organizations include philanthropic foundations, student body organizations, research foundations, student unions, bookstores, and other commercial services operated for the benefit of the University. CI Auxiliary Organizations include:

- University Glen Corporation
- Foundation
- Associated Students Incorporated
- The CI Site and Financing Authorities (while not Auxiliary Organizations fall under the same umbrella and must reimburse the CSU fund 485 for services provided).

University self-supporting units or Auxiliary Enterprises are those that furnish facilities, goods or services to students, faculty, staff, or to the general public. An enterprise typically charges a user fee, rent or another charge directly related to, although not necessarily equal to, the cost of the facilities, goods or services. A distinguishing characteristic of an enterprise is that it is managed as primarily a self-supporting activity under the administration of the University. University self-supporting units activities are typically accounted for in designated CSU funds.

CI self-supporting units include:

- Housing and Residential Education
- Extended University
- Parking and Transportation Services.

University Trust Funds – all other self-supporting units outside of CSU Operating Fund but held by the University.

3.0 DEFINITIONS

3.1 “CSU” and “University” refer to The California State University or any of its institutions as specified in Education Code 89001. “State employee” refers to employees of the University or the CSU. “State General Fund” or “General Fund” refers to the state legislature’s Budget Act appropriation items for support of the CSU that are recorded in the General Fund.

3.2 “Self-Supporting Unit” or “Auxiliary Enterprise” refers to a University-related entity (program, activity, or fund source) that furnishes facilities, goods or services to students, faculty, staff, or to the general public. An auxiliary enterprise typically charges a fee directly related to, although not necessarily equal to, the cost of the facilities, goods or services. A distinguishing characteristic of an Auxiliary Enterprise is that it is managed as essentially a self-supporting activity.

3.3 “Auxiliary Organization” and “Auxiliary Organization in Good Standing” refer to any separately organized non-state entity that operates in compliance with auxiliary organization policies of the CSU Board of Trustees, the terms of leases and operating agreements with the CSU, and policies established by the University. Examples of auxiliary organizations include foundations for administration of gifts to the University, student body organizations, bookstores, and other commercial services operated for the benefit of the University (Education Code sections 89900-89912).

3.4 “University Trust Funds” or “Enterprise Funds” refer to state fund entities created by an act of the legislature and supported by user fees, rents, or charges under the administration of the University. Enterprise fund activities may be accounted for in sub-funds of a revenue fund or sub-funds of the CSU Trust Fund. Examples include housing, parking, and continuing education.

3.5 “Costs” refers, for purposes of these guidelines, to expenditures incurred by the General Fund to provide facilities, goods, and services to an auxiliary enterprise/organization. These costs could be recorded as personal services (salaries and benefits), operating expenses and equipment, or capital outlay.

3.5.1 “Direct Costs” refers to costs that can be readily assigned to a particular cost objective, i.e. identified and charged (or billed) to a specific auxiliary enterprise/organization, with a high degree of accuracy and without an inordinate amount of accounting. Some services provided to an auxiliary enterprise/organization that are of a direct nature are recharged using a campus approved recharge rate, e.g. telephone, postage, electronic mail, reprographics, non-maintenance services, etc. Approved recharges are considered direct costs for purposes of these guidelines.

3.5.2 “Indirect Costs” refers to costs that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received. Indirect costs are those incurred for purposes common to a number or all programs or activities of the campus, but which cannot be identified and charged directly to such programs or activities (e.g. auxiliary enterprises) with a reasonable degree of accuracy and without an inordinate amount of accounting. Indirect costs may be called by other terms such as overhead or administrative expenses.

3.5.3 “Incremental Costs” refers to the change in General Fund out-of-pocket expenses related to activities, projects, or programs assigned to an auxiliary enterprise/organization. Incremental costs are expenses that would not have been incurred if the auxiliary enterprise/organization were not present. Incremental costs are usually direct costs but may include indirect costs. For example: Campus infrastructure, such as a utility system or broadband network, is not an incremental cost, but any additional expense to link or connect to a facility used solely by an auxiliary enterprise/organization is an

incremental cost. The costs of operating a cashiers/bursars office to collect General Fund fees is not an incremental cost; the cost of additional workload and supplies to collect fees for an auxiliary enterprise/organization is an incremental cost. For faculty paid by General Fund who are working on research or sponsored projects funded by contracts and grants from external sources, the salaries and benefits for the portion of time working on the contract or grant are direct and incremental costs.

4.0 CITATIONS AND LINKS TO APPLICABLE STATE LAW, CSU POLICIES, ETC.

Executive Order No. 753 (Allocation of Costs to Auxiliary Enterprises)

ICSUAM policy number 3552.01 (Cost Allocation / Reimbursement Plans for the CSU Operating Fund)

5.0 PROCEDURES

The CSU Operating Fund (Fund 485) has been established exclusively to report revenues, expenses, and net assets related to state-supported instruction and related programs and operations.

It is the policy of the CSU that costs incurred by the CSU Operating Fund (primarily GD901) for services, products, and facilities provided to CI self-supporting units (Housing, Parking, and Extended University), Auxiliary Organizations (UGC, Site Authority, ASI, and Foundation), and University Trust Funds outside of CSU Operating Fund but held by the University, are adequately and consistently recovered with cash and/or a documented exchange of value. Allowable direct costs incurred by the CSU Operating Fund shall be recovered based on actual costs incurred. Allowable and allocable indirect costs shall be recovered according to a cost allocation/reimbursement plan that utilizes a documented methodology for identification of indirect costs and a basis for allocation.

The University Cost Allocation Plan is prepared annually by the Budget and Planning office and is a consolidation of cost allocation plans created by each of the University's divisions. Each division that is supported by the CSU Operating Fund and provides services, products or facilities to Auxiliary Organizations and/or self-supporting units must annually submit a plan to the Budget and Planning office. The plans must be documented and supported by a cost allocation methodology that has been approved by the University's Chief Financial Officer (CFO) or designee. The methodology should ensure that the reimbursement rates are reasonable and that the CSU Operating Fund is adequately reimbursed.

5.1 METHODOLOGY

The University's CFO is responsible for ensuring proper, consistent, and timely recovery of costs incurred by the CSU Operating Fund by annually preparing a documented cost allocation/reimbursement plan for the University. The CFO must ensure that all costs incurred by the CSU Operating Fund for services, products, and facilities provided to Auxiliary Organizations and self-supporting units are properly and consistently recovered with cash and/or a documented fair exchange of value. This includes all costs for services, products, and facilities borne by the CSU Operating Fund on behalf of Auxiliary Organizations and self-supporting units. The CFO may consider the cost-benefit of deriving the costs to be allocated/reimbursed.

In developing the methodology, each division should identify the services, products and facilities supported by the CSU Operating Fund which are provided to the Auxiliary Organizations and self-supporting units, including

the department(s) providing the goods or services. The division then determines whether the facilities, goods, and/or services are direct or indirect costs. Direct costs are expenditures initially incurred by the CSU Operating Fund, which can be easily determined with a high degree of accuracy and without an inordinate amount of accounting, and recharged to an Auxiliary Organization or a self-supporting unit based upon the actual cost of the goods or services provided. Direct costs can be documented by a work order, charge-back system or contract and are invoiced on some regular basis. Indirect costs cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received. These costs are those incurred for purposes common to some or all programs or activities, but which cannot be readily identified and charged directly to such programs or activities with a reasonable degree of accuracy and without an inordinate amount of accounting. If there are indirect costs, the department should identify a simple and equitable workload measure that is reasonable relative to the activity and the related costs, e.g., square footage, expenditures, number of transactions, etc.

A division's final plan should quantify the costs being allocated and document the basis for the allocation. Data used for the workload measures should always be taken from the prior fiscal year. Once approved by the University's CFO or designee, the division will continue to use the same methodology unless there are changes that would affect the cost allocation rates.

The cost allocation plan also relies on the assumption that each department is in a "stable state", meaning that the level of service productivity and cost for services provided to an Auxiliary Organization or a self-supporting unit is the same as provided for the University. Stable state assumption is a commonly used basis for allocation and allows for a practical methodology for allocating indirect costs that are consistent and fair for all recipients and service providers.

The University's cost allocation/reimbursement plan must articulate the practices and methodologies utilized in determining the basis for allocating costs. Due consideration must be given to the relative benefits received, the materiality of costs and the amount of time and effort necessary to make such an allocation/reimbursement. The plan will also precisely identify direct and indirect costs requiring reimbursement. And, while there are different methodologies available for allocating costs that a University might use, the methodology used should result in a justifiable distribution of costs as determined by the CFO. Detailed documentation that demonstrates the factors that were taken into consideration in determining cost recovery are to be included as part of the plan. Costs for facilities, goods or services that should be recovered may be both direct and indirect. Direct costs are clearly identifiable and calculable. Indirect costs may be less easily segregated however they add expense to the CSU Operating Fund. Both types of costs should be considered in developing the cost allocation plan.

Approvals

A division's methodology must first be approved by the appropriate Vice President prior to submission for review and approval by the University's CFO or designee. Concerns with the methodology will be addressed in consultation with the Budget and Planning office. Changes that would require a revision to an approved methodology must be resubmitted through the approval process prior to being utilized.

Journal Entries

Divisions will annually submit their cost allocations plans, based on the approved methodology, to the Budget and Planning office for consolidation into the University's plan. The Budget and Planning office will submit the consolidated plan to the University's CFO or designee for approval. Once approved, the Budget and Planning

office will inform the Auxiliary Organizations and self-supporting units via a Memorandum of Agreement of the indirect costs allocated to them. Fiscal Services will prepare journal entries on a monthly basis, as appropriate.

5.2 TIMELINES and DEADLINES

Changes in Methodology

If a division needs to make changes in methodology for cost allocations to Auxiliary Organizations or other self-supporting unit, the following timeline must be followed:

May 31st - Obtain appropriate division Vice President approval of the new terms/methodology and submit it to the Budget and Planning office for review. The Budget and Planning office will forward the request with comments to the University's CFO or designee for review and approval.

August 1st - The division will be informed by the CFO or designee of the University's decision.

November 1st - If approved, the division's updated cost allocation plans are due to the Budget and Planning for consolidation into the University's plan. If not approved, the division is to submit the annual cost allocation plans using the previously approved terms/methodology to the Budget and Planning office for consolidation into the University's plan.

Continuing Methodology

November 1st - If a division is continuing with the previously approved methodology, that annual cost allocation plan, as approved by the appropriate Vice President, is due to the Budget and Planning office for consolidation into the University's plan.

University's Plan

December 1st - The Budget and Planning office will consolidate all the divisions' plans into a University Plan and submit to the University's CFO or designee for review and approval.

December 10th - Once approved, the Budget and Planning office, will issue a memo to the Auxiliary Organizations and self-supporting units informing them of their costs. This memo will be accompanied by supporting documentation.

5.3 AUDITS

The University's CFO reserves the right to call, at any time, for a complete review of any and all division's cost allocation plans and/or methodologies. Financial Services will perform these reviews. When appropriate and necessary, the University CFO should modify the existing cost allocation/reimbursement plan outside the annual cycle to recognize new costs or other changes in operations. Such modifications and/or the new plan are to be clearly documented.

5.4 SERVICES PROVIDED BY THE CSU OPERATING FUND

Some service providers recover both direct and indirect costs. One example is Housing, which has direct costs related to Facilities Services and indirect costs related to services provided by Accounts Payable.

5.4.1 Direct Costs

Direct costs are expenditures initially incurred by the CSU Operating Fund, which can be easily determined with a high degree of accuracy and without an inordinate amount of accounting, and recharged to another University self-supporting unit or Auxiliary Organization based upon the actual cost of the goods or services provided.

Direct costs can be documented by a work order, expenditure transfer or contract and are invoiced on some regular basis. The following are the common allocated direct costs incurred by the CSU Operating Fund (not inclusive):

1. Academic Affairs

- Faculty Release Time
- Academic Administrative Support

2. Business and Financial Affairs

- Facilities Services
- Photocopy
- Postage (actual)
- Public Safety
- Space Management
- Utilities
- Risk Pool/Insurance

3. Technology and Communications

- Communication
- Computing

5.4.2 Indirect Costs

Indirect costs cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received. These costs are those incurred for purposes common to some or all programs or activities, but which cannot be readily identified and charged directly to such programs or activities with a reasonable degree of accuracy and without an inordinate amount of accounting. The following are the common allocated indirect costs incurred by the CSU Operating Fund (not inclusive):

Academic Affairs

- Admissions Advising
- Student Records
- Transfer Credit Evaluation
- Academic Administrative Support

2. Business and Financial Affairs

- Accounting Services
- Accounts Payable
- Budget and Planning
- Fee Collection and Processing
- Facilities Services

- Public Safety
- Purchasing and Contracts
- Receiving
- Student Financial Services

3. Human Resources

- Benefits Administration
- Classification Review
- Disability Leaves
- Employee Relations
- Payroll
- Recruitment

4. Technology and Communication

- CMS Process Support
- Classroom Support
- Help Desk Support
- Media Technology
- Network Use
- WebCT for Online Courses

5. Student Affairs

- Student Services
- Community Responsibility