



Campus Administrative Policy

Policy Title: Cost Allocations

Policy Number: 2038A Functional Area: Finance

Effective: July 1, 2005

Date Last Amended/Reviewed: July 1, 2005

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Supersedes: N/A

Approved by: N/A

Prepared by: N/A

Reviewing Office: N/A

Responsible Officer: N/A

Applies to: CU Anschutz Medical Campus

A. Introduction

The purpose of this policy is to establish guidelines for the assessment of cost allocations to programs in the Auxiliary and Self-Funded Activities Fund at University of Colorado Anschutz Medical Campus (CU Anschutz). It shall be the responsibility of the Controller and the Associate Vice Chancellor for Financial and Business Services to ensure that no violation of this policy occurs. This policy applies to the Auxiliary and Self-Funded Activities Fund.

B. Definitions

1. Administrative Cost Allocations (sometimes called general administrative recharge or GAR) include the allocation of an appropriate portion of the costs of administrative offices to programs

in the Auxiliary and Self-Funded Activities Fund. Examples of administrative offices are: the Chancellor and Vice Chancellor offices; Personnel; Finance; Information Systems; Insurance, etc. These administrative costs are recorded in account 960100 in the financial system and are assessed by applying a percentage each month to expenditures as they are incurred in each program. This percentage is based on administrative costs from the prior year and the new percentage is effective on July 1 of each year. The percentage is fixed for the entire fiscal year. Either of two administrative percentages are used:

- a. The first percentage is assessed if a program does not have payroll expenditures. This percentage is the lower of the two rates because it excludes administrative costs associated with employees, such as Personnel, Workers' Compensation, Unemployment Compensation, etc.
 - b. A second percentage is assessed if an activity has payroll expenditures. This percentage is the higher of the two rates and includes all administrative costs.
2. Auxiliary Activities exist to provide goods and services primarily to individual CU Anschutz faculty, staff, students, and to the public (an example would be the Bookstore).
 3. Cost Allocations are established at CU Anschutz to charge Auxiliary, Internal Service Unit, Educational Activity Program, and Self-Funded activities for administrative and facility costs that cannot be specifically identified to each activity. These costs are referred to at CU Anschutz as cost allocations. There are two categories of cost allocations: administrative cost allocations (sometimes called general administrative recharges or GAR) and facility cost allocations (sometimes called general infrastructure recharge or GIR).
 4. Designated funds are internal University awards, excess fixed price contract funds that are transferred from the Restricted Fund, unrestricted gifts, or other one-time sources of funding that have no external restrictions. No active, ongoing revenue source exists for

these activities.

5. Educational Activity Programs are established to provide an educational benefit to students while at the same time providing goods or services which are made available to the public. An example of an activity of this nature is the Graduate Medical Education Residency Program.
6. Facility Cost Allocations (sometimes called general infrastructure recharge or GIR) include utilities, security, environmental services, maintenance, and repairs, etc. These costs are assessed by identifying the specific space used by each activity and allocating the identified costs for each building to the activity based on square feet. If current utility information is available that identifies costs to specific rooms, this information is used. The costs are calculated for the fiscal year and are assessed on a one-twelfth per month basis to each program. This expenditure is reflected in account 960200 in the financial system.
7. Internal Service Unit Activities provide services to CU Anschutz departments rather than to individuals and the public. An example is Telecommunications.
8. Self-Funded Activities provide goods and services primarily to external buyers on a fee- for-service basis.

C. Policy Statement

The State of Colorado General Assembly appropriates funds to finance the administration and common services which relate to the programs of instruction, patient care, and public service. Sponsored Programs and Student Aid Programs pay for these activities through an indirect cost recovery that is either mandated by federal legislation or negotiated with the federal government. Appropriated activities receive funds from the State and from tuition and patient care billings to cover these costs. Gifts and Designated Fund Programs are exempt from paying for these costs. To the extent that the cost of administration and common services relate to Auxiliary, Internal Service Unit, Educational Activity Program, and Self-Funded activities, there is no appropriation for costs. Accordingly, the costs

incurred must be allocated to these activities through a recharge or cost allocation process.

1. **Activities Assessed Cost Allocations**

Cost Allocations will be charged to CU Anschutz Auxiliary Activities, Internal Service Units, Educational Activity Programs, and Self-Funded Activities. These activities are recorded in Funds 20, 28, or 29 in the financial system.

2. **Expenditures Not Assessed**

Cost allocation and recharge account codes (budget pool 960000) are excluded from expenditures when applying the administrative cost allocation percentage. Transfers are also excluded from expenditures except for depreciation transfers made to the Plant Fund by Service Centers.

3. **New Programs**

New programs established during the fiscal year will be assessed beginning with the first month's expenditures.

4. **Waivers**

Cost allocation waivers may be requested by sending a letter to the Associate Vice Chancellor for Financial and Business Services. This letter must provide compelling justification for an exemption. The Associate Vice Chancellor for Financial and Business Services will make a recommendation to the Chancellor for final approval or disapproval of the waiver. It should be noted that any waiver of cost allocations may directly impact the Enterprise status of an auxiliary (see fiscal policy on Enterprise Designation).

| Performed by: | Action: |
|----------------------|--|
| Finance Office | 1. Calculate the administrative cost allocation percentage for the subsequent fiscal year. |
| Budget Office | 2. Provide expenditure budgets for the subsequent fiscal year. |
| Finance Office | 3. Calculate projected cost allocations for each budgeted program. Provide these projections to the Budget Office. |
| Budget Office | 4. Use calculated cost allocations to complete the budget process. |
| Finance Office | 5. Send letters to responsible persons if the cost allocation budget exceeds \$5,000. |

Notes

1. Dates of official enactment and amendments:
 July 1, 2005: Adopted
 April 4, 2019: Formatting Updated
2. History:
 April 4, 2019: Modified to reflect a 2018 Campus-wide effort to recast and revitalize Campus policy sites into a standardized and more coherent set of chaptered policy statements organized around the several operational divisions of the university. Article links, university branding, and formatting updated by the Provost's office.
3. Initial Policy Effective Date: July 1, 2005
4. Cross References/Appendix:

- University of Colorado Administrative Policy Statement titled “Administrative Service Recharge.”
- CU Denver Fiscal Policy for Enterprise Designation. (Chapter 2, Policy 3)