

	<p>POLICY & PROCEDURE MANUAL</p> <p><i>Associated Students of California State University Channel Islands, Inc.</i></p>	<p><i>Policy No.: ASI 1.0 Number of Pages: 1 of 3</i></p>
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Policy on Cost Allocation Plan

Per Executive Order No. 753 – Allocation of Costs to Auxiliary Enterprises (“EO 753”), the campus chief financial officer is charged with ensuring that auxiliary enterprises are charged for allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services that are provided by the University and paid for from the General Fund. EO 753 requires a written cost allocation plan documenting the basis and allocation of General Fund costs to auxiliary enterprises. The campus chief financial officer must approve the plan annually.

Definitions: The following definitions are extracted from EO 753 and the Guidelines for General Fund Cost Allocation Plans (“Guidelines”).

- “Direct Costs” are those costs that can be readily assigned to a particular cost objective with a high degree of accuracy and without an inordinate amount of accounting. Examples of direct costs can include employee salaries, shipping charges, postage, and telephone usage.
- “Indirect Costs” are those costs that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received. These costs are incurred for purposes common to a number or all programs or activities of the campus but cannot be charged directly to such programs or activities with any reasonable degree of accuracy and without an inordinate amount of accounting. They are sometimes referred to as overhead or administrative expenses and can include operation of plant and maintenance costs and general administration and general expense costs.
 - Operation of plant and maintenance includes administration, supervision, operation, maintenance of the institution’s physical plant such as janitorial and utility services, repairs, care of grounds, maintenance and operation of building and other plant facilities, security, environmental safety, hazardous waste disposal, insurance, facility planning and management, central receiving, allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.
 - General administration and general expense include those expenses incurred by administrative offices that serve the entire university such as executive administration, facilities management, business services, budget and planning, personnel management, risk management, legal services, and the operations of the administrative management information systems.
 - “Incremental Costs” are those costs that would not have been incurred if the auxiliary organization were not present. These costs are generally direct costs but may include indirect costs.

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Background: Associated Students of California State University, Channel Islands, Inc. (“ASI”) is an auxiliary organization in good standing with the California State University and is therefore considered an auxiliary enterprise according to the definition provided in EO 753.

Cost Allocation Methodology: Each of the divisions was examined to determine if it provided a service to the Foundation. If a division did provide services to ASI, the services were isolated to particular departments. Those departments were examined to determine whether the costs were direct or indirect or a combination of both.

There are two components to the determination of direct costs: (1) materials and supplies and (2) salaries and benefits. For all service areas, ASI will reimburse for materials and supplies that are solely and directly ASI related in their use. In examining the direct costs associated with salaries and benefits, if a specific position within the department could be identified as being dedicated exclusively to ASI, the employee costs associated with that position were classified as a direct cost.

Following is an explanation of the allocation method used for each service area.

University Advancement

University Advancement (“Advancement”) serves as the outreach and fundraising arm of the campus. Advancement provides graphic design and publication work for ASI publications and media and these project costs are directly charged to ASI.

- *Direct Costs, Materials and Supplies* – ASI will either directly pay for or reimburse for materials and supplies that are solely and directly ASI related in their use.
- *Direct Costs, Salaries and Benefits* – Direct costs for salaries and benefits will not be allocated to ASI because few costs, if any, are incurred.
- *Indirect Costs* – Indirect costs will not be allocated to ASI because virtually all Advancement costs are direct charged.

Administration and Finance: Accounting and Purchasing

The Accounting department provides accounting services for the University and ASI. Its functions include accounts payable, accounts receivable, University cashiering, purchasing, and financial reporting.



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- *Direct Costs, Materials and Supplies* – ASI will either directly pay for or reimburse for materials and supplies that are solely and directly ASI related in their use.
- *Direct Costs, Salaries and Benefits* – The staff will complete a survey of their time spent on ASI activities. Their total hours will be multiplied by their respective salary and benefits rate.
- *Indirect Costs* – Indirect costs will not be allocated to ASI because virtually all other Administration and Finance: Accounting and Purchasing costs are direct charged.

Direct Reimbursements

The Direct Reimbursements category consists of the salaries and benefits of University employees whose services are directly tied to ASI.

- *Direct Costs, Materials and Supplies* – ASI will directly pay or reimburse for materials and supplies that are solely and directly ASI related in their use.
- *Direct Costs, Salaries and Benefits* – Direct reimbursements consist of the salaries and benefits of all ASI employees who are considered State employees per MOU.
- *Indirect Costs* – There are no indirect costs.

References:

- Executive Order No. 753 – Allocation of Costs to Auxiliary Enterprises
- Guidelines for General Fund Cost Allocation Plans by the CSU Financial Officers Association

Approved by the ASI Board on March 3, 2005:

Melissa Mirkovich, Chair