



# Auxiliary Enterprises

## Operating Guidelines

**Office of Auxiliary & Enterprise Development**

This manual is intended to provide assistance to budget managers and is not designed to replace government regulations.

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## I. Objective and Oversight

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The purpose of this manual is to define and provide guidelines for establishing and operating Auxiliary Enterprises, including reporting and accountability requirements at Florida International University.

The Office of Auxiliary & Enterprise Development (AED) is responsible for the oversight of auxiliary operations to ensure that they promote the University's strategic mission and best leverage University resources. The AED approves the creation and dissolution of auxiliary Activities, ensures compliance with University guidelines and regulatory requirements as determined by federal, state and local laws and aids with budget development. Also, the AED assists auxiliaries, address operating challenges and identify opportunities for growth.

For further details on services provided by the AED, refer to <http://aed.fiu.edu/aboutus.html>.

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## II. Definition of Auxiliary Enterprise Operations

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An Auxiliary Operation is an entity that exists to furnish goods or services primarily to benefit students, faculty and staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services.

Auxiliary Operations are managed as self-supporting activities through the fees they charge their customers for products or services rendered and may not obtain any support from the Educational and General Fund (E&G). At all times, auxiliary activities must support the educational endeavor of the University and enhance its functioning.

Revenue from other sources, such as gifts and grants, tuition, state subsidies and financial aid are governed by policies specific to their funding source (refer to Appendix A for a description of additional Funds).

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## III. Types of Auxiliaries

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Auxiliary operations are categorized by the type of goods and services they provide and the customers that are served. Following is a summary of the types of auxiliary operations at FIU.

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### A. Auxiliary Operations FOR Students/Faculty/Staff

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#### 1. Academic Auxiliaries

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##### a) *For-Credit Academic Activities*

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These activities facilitate and supplement the academic learning experience for students receiving credit towards a degree or certificate program. The revenues in this category represent fees charged to students above state-mandated tuition. Examples of such academic auxiliary activities at FIU include:

- Tuition-plus ("value-added") and self-supporting courses
- Online and distance learning courses
- Lab access or equipment use
- Study abroad programs

The funds generated by for-credit academic activities are restricted in that fees charged should approximate costs with reserves generally allowed for working capital needs and future capital outlays. Accumulating general reserves to guard against adverse market demand conditions or to fund new auxiliary opportunities are expressly prohibited.

### *b) Non-Credit Academic Activities*

Non-credit academic auxiliaries provide education without university credit. Examples of such academic auxiliary activities include:

- Conferences & seminars
- Professional education (e.g. review courses, licensure education, non-credit certificates)
- Vocational training
- Centers and Institutes

The funds generated by non-credit academic activities are unrestricted in that fees charged may be used to support other activities at the unit/college level.

Additional guidance on pricing and operating academic auxiliaries is available on the [Academic Affairs web page](http://academic.fiu.edu/polman/sec12web.htm) at <http://academic.fiu.edu/polman/sec12web.htm>.

## 2. Non- Academic Auxiliaries

### *a) Other Fee-Based Auxiliaries*

Other fee-based activities benefit primarily students, faculty and staff in terms of costs, quality, timeliness or convenience. Examples are:

- Parking and transportation
- Housing
- Health, student and recreation centers

The funds generated by other fee-based activities are restricted in that fees charged should approximate costs with reserves generally allowed for working capital needs and future capital outlays.

### *b) Contractual/ Commission Auxiliary*

Contractual/commission auxiliaries produce revenue by charging a contractually agreed base rate and/or commission for the rental of space or for providing other services. Examples of these include:

- Food services
- Bookstore
- Other retail operations (e.g. salon, dry cleaners)

Rates charged are negotiated with the vendor and should not be significantly less than the fair market value of similar operations outside the university.

Fund balance surpluses may be used to maintain or enhance existing or surrounding facilities.

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## B. Auxiliary Operations for OTHER THAN Students/Faculty/Staff

These enterprises provide services primarily to external parties. They promote the mission of the university by providing students and/or faculty with opportunities to gain real-life, practical skills to reinforce their educational experience or background. These auxiliaries may also generate revenues to the University through sponsorship, promotions and marketing partnerships. Examples are:

- South Beach Wine and Food Festival
- Kovens Center
- Consulting agreements
- Cultural events

The funds generated by services to external parties are unrestricted in that fees charged may be used to fund other activities at the unit/college level.

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## C. Research Recharge Operations

Research Recharge Centers are operating units within the University which provide research-related goods and services primarily to the university's sponsored programs and incidentally to members of the community for a fee.

Examples of some FIU Recharge Centers are:

- Biology Van
- Animal Care Vivarium
- Environmental Molecular & Cyto, Stable Isotope Lab
- SERC Nutrient Analysis

Research Recharge Centers differ from traditional auxiliaries in that they are primarily research-oriented and are therefore subject to federal regulations which require, among other things, that they operate on a break-even basis.

Because of the special regulatory environment in which they operate, Research Recharge Centers are reviewed and approved through the Division of Research and are not covered by these Auxiliary Enterprise Guidelines. Guidelines for establishing and operating Research Recharge Centers can be found at [research.fiu.edu/](http://research.fiu.edu/).

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## D. Self-Supporting Service Activities

These service activities provide a specific type of service to various University activities and units and are supported by cost-based charges to the benefiting activities and units. The activities in this category usually provide a service to other activities rather than individuals, although individuals and external users may be served in limited cases. Examples of Self-Supporting Service Activities include University Copy Centers and Telecommunications (UTS).

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## IV. Establishment of Auxiliary Activities

In establishing an auxiliary enterprise the University is mindful that the need for such goods or services exists and, if provided at a reasonable cost and at a convenient location, would enhance and support the University's instructional, research, or public service programs. The plan to provide these goods or services through a University-operated or affiliated auxiliary enterprise must also take into account the availability, the price, and the quality of any such goods or services offered by the local business community.

The Unit requesting a new auxiliary activity number will first submit a pro forma financial package to the AED, which includes:

- Description of goods/services to be provided
- User/customer mix
- Description of how the activity promotes the University's mission
- Source of start-up capital
- Projected 3 year revenues including determination of the rate/price to charge per unit
- Estimated 3 year direct and indirect expenditures by type including justification of overhead fees
- Rate comparison of similar services charged by outside vendors, if applicable
- Location where the activity will take place
- Whether the activity already exists on campus
- Guarantee activity number that can cover any deficit until the activity has earned sufficient revenue
- Approval of the Operating Manager (Chair, Dean or Director) and Executive Area Budget Manager (EABM).

The New Activity pro forma financial package can be found at

<http://aed.fiu.edu/downloads/New Activity ProForma Financial Package.xlsx>

Once approved, a new activity number will be assigned to the activity. Individual auxiliary activity numbers will only be established for new auxiliary activities with projected annual revenues greater than \$10,000 by the second year of operations. Auxiliary activities with less than \$10,000 in projected annual revenues by the second year of operation can be operated under a Miscellaneous Auxiliary activity established under each Unit/College.

## V. Budgeting and Reporting

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The primary responsibility for managing and operating each auxiliary shall rest with the unit's Operating Manager (or Chair). Each Operating Manager shall work with the unit's Finance Manager (or Director) to develop budgets and operating plans and shall monitor the financial health of the unit.

Annual operating budgets and forecasts set formal financial goals for each unit and should be consistent within the guidelines provided by the Office of Financial Planning (OFP) at <http://finance.fiu.edu/ofp/index.html>. Budgets should follow University budget policy and shall account for the entire financial operation of the unit. Within the context of the overall operating and capital budgeting processes, the Chief Financial Officer through the Office of Auxiliary & Enterprise Development is responsible for reviewing and recommending the annual auxiliary budget to the President, which is ultimately approved by the Board of Trustees.

The Finance Manager (FM) is responsible for ensuring that annual budgets and forecasts are entered in the University's financial system in a timely manner. The Executive Area Budget Managers (EABM's) are responsible for performing quarterly variance analysis and providing those reports to the AED. A representative of the AED meets with FM's and/or EABM's periodically to review the financial results of the auxiliaries and also conducts an annual review of any operating changes and plans.

FIU's fiscal year runs from July 1 to June 30 and the budget process from February to June 30th. For further details on entering an online budget, refer to [OFP - PantherSoft Budget Manual](#).

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## VI. Accounting Guidelines

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Accounting policies, procedures and manuals can be found on the Office of the Controller webpage at [http://finance.fiu.edu/controller/QL\\_ControllerProceed.html](http://finance.fiu.edu/controller/QL_ControllerProceed.html).

### A. Rate and Billing Guidelines

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1. Rates established by auxiliaries must be nondiscriminatory; all users/customers are charged the same rate for the same level of goods or services purchased under similar circumstances.
2. The use of special rates, such as for high-volume work or for less demanding applications, is allowed but such rates must be equally available to all users/customers and communicated as such. Regulations require supporting documentation justifying the rate development methodology for special rates.
3. All users/customers must be billed for goods and services received at the time of product/service delivery, but no later than the last day of the month in which the product/service is provided.
4. Each auxiliary enterprise is considered an individual business. All revenues and expenses associated with the operation of the auxiliary business shall be assigned to that auxiliary's specific activity number so that the financial performance of that individual enterprise can be determined.

### B. Components of Fees Charged

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Fees charged for **all** individual auxiliary activities must incorporate the reimbursement of costs incurred in providing the services, including:

- Cost recovery of direct and indirect costs
- Reasonable working capital needs (normally, up to 60 days)
- Reserves for expected capital outlay or to service debt

Fees charged for unrestricted activities can incorporate costs to:

- Fund new auxiliary opportunities at the unit/college level
- Fund discretionary E&G activities at the unit/college level (e.g. adjunct salaries, travel, materials and supplies, dues and subscriptions, etc.).

Fees charged should not be significantly less than the fair market value of similar operations outside the university.

### C. Components of Costs

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Each auxiliary activity shall be accounted for as a self-sustaining enterprise whether the service is operated by the university or by a private contractor under the university's supervision. As such, all costs incurred by the auxiliary operation should be "fully loaded" into the rates charged, thus ensuring that costs required to generate revenues are matched against the actual revenue earned. These costs include:

#### 1. Direct Costs

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Direct costs are those that can be specifically identified with the execution or direct support of service delivery. Execution costs examples include overload salaries of professors teaching tuition-plus courses, materials and supplies used to deliver the service, etc. Direct support costs include salaries of administrative personnel, office supplies, property insurance, etc., involved in the operations of the auxiliary.



Auxiliary direct costs initially funded by non-auxiliary sources (e.g. by E&G) should be allocated to the auxiliary business within the month they are incurred. Examples include salaries, or portions of salaries, of E&G-funded faculty contributing to the delivery of auxiliary services, such as conferences/seminars or consulting projects.

## 2. Indirect Costs

Indirect costs are those costs which cannot be specifically identified with the unit of output or service, usually benefitting several activities. Examples of these indirect (shared) costs include salaries and related costs of administrative, finance and marketing personnel supporting entire units/colleges.

Units/colleges should allocate these shared costs to individual auxiliaries based on a methodology applied uniformly among **all** the activities. Examples of such methodologies include percentage of time dedicated to different activities or as a percentage of revenues. This methodology should be documented and kept on record by the College.

In addition, a Shared Services Fee is charged to auxiliaries to address auxiliary use of university-wide resources, such as human resources, accounting, legal, etc. The Shared Services Fee for the 2013-2014 fiscal year is 7.0% of total operating expenses (salary, OPS, operating expenses), except for student Activity & Service fees (A&S) and health fee-related activities for which the rate is at 5.5%.

	FY 2013-14	FY 2014-15
<b>Auxiliary Operating Expenses</b>	7%	7%
<b>Activity &amp; Services (A&amp;S) Fee Operations</b>	5.5%	5.5%
<b>Health Fee-related Operations</b>		

Auxiliary services except for self-supporting academic programs may be housed in buildings that are financed from other sources (e.g. E&G).

**Note:** Beginning January 2014, Purchases for Resale will be excluded from the base upon which the Shared Service Fee is calculated for those units that pay rent. Units that incorrectly book expenses to this account will be charged the related additional Shared Service Fee expense in subsequent periods.

## Unallowable Costs

According to State Regulations and FIU Policy there are certain goods which may not be purchased with auxiliary monies under any circumstances. Refer to the university's Purchasing Manual at <http://finance.fiu.edu/purchasing/Docs/FIU%20Purchasing%20Manual-Final-Updated%2002-22-10.pdf> for details.

Note: Unallowable costs for recharge centers are specifically addressed in the Research Recharge Center policy document on the [University's Policies page](http://policies.fiu.edu/) at <http://policies.fiu.edu/>

Individual auxiliaries **cannot** incur expenses of an unrelated auxiliary, even if they are managed by the same unit/college.

## 3. Other

The University is exempt from the federal corporate income tax because of its exempt purposes, i.e., its education, research, and public service activities. However, in instances where the University receives revenue from activities unrelated to its exempt purposes, the revenue (referred to as Unrelated Business

Income (UBI)), may be subject to tax. Refer to Tax Policy at <http://policies.fiu.edu/files/270.pdf> for definitions and applicability standards of unrelated activities or contact the [Office of the Controller](#).

#### D. Fund Balance Management

Fund balances for restricted activities will be reviewed during the annual budgeting process by AED, the VP of Business & Finance and the CFO. EABM's are responsible for providing a plan to use excess fund balances above those for working capital and expected capital outlay needs to support the operations of the auxiliary in the future.

Fund balances for unrestricted activities in excess of working capital and expected capital outlay can be used for the benefit of other unit/college operations. The excess balances in individual auxiliary Activities should be transferred at least annually to a Unit/College Discretionary Dean Reserve and can be spent on funding new initiatives or incidental expenses that would otherwise be paid out of E&G funds (e.g. travel, materials and supplies, dues and subscriptions, etc.). The plan to use these funds will also be reviewed during the budgeting process.

### VII. Operations

Every auxiliary must have written policies and procedures which guide the day-to-day operations of the activity, document the rate development methodology or other noted information about the activity and direct its business processes.

Auxiliary departmental policies and procedures must be in compliance with University policies and procedures and those expressed in this manual. Where differences exist, the University's policies and procedures shall take precedence.

In order to best leverage university resources and share best practices, AED will periodically organize work groups of auxiliary subject matter experts. Participation in these groups is voluntary but highly encouraged.

### VIII. Deactivation of Auxiliary Activities

Auxiliary Department IDs which have been inactive for 12 months are subject to inactivation<sup>1</sup>. Existing balances (positive or negative) in the inactivated auxiliary Activities must be zeroed-out and should be absorbed by the unit/college's reserves. Note: Auxiliary funds can only be transferred to other auxiliary department ID's and not to E&G department ID's.

In limited situations, the unit may request to re-use an auxiliary department ID. The AED will approve such a request as long as the existing balance of the auxiliary department has been zeroed-out and there are no revenues or expenses in the past full fiscal year. This will ensure a clean break in history between one auxiliary activity and another.

Auxiliary Activities which cannot control costs sufficiently to be able to establish rates for their goods and services which are competitive with those offered by the private sector will be reviewed for continuance.

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<sup>1</sup> Unit/College reserve department ID's are exempted from this action.

Please refer to the [Office of the Controller website](#) for the procedure on inactivating a department ID.

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## **APPENDIX A – Types of University Funds**

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Within the university setting there are various types of funds including: Auxiliary, Educational and General (E&G), Contracts and Grants (C&G), Financial Aid and Agencies. Below is a short comparative description of these funds.

### **1. Educational and General (E&G)**

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This budget entity includes state funds appropriated from general revenue, lottery funds and tuition. It consists of the functional categories of Instruction and Research, Administration and General, Library, Plant Operations and Maintenance, Academic Support, and Student Affairs.

### **2. Contracts and Grants (C&G)**

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C&G contains activities in support of research, public service, and training. These activities are funded from awards earned on grants, contracts, or cooperative agreements from federal, state, or local government agencies, as well as from nongovernmental organizations and individuals.

### **3. Agencies**

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Monies held by an institution acting as custodian or fiscal agent. The funds are deposited with the institution for safe keeping, to be used or withdrawn by the depositor at will. These funds may be held on behalf of students, faculty, staff, organizations, or some other third party.

### **4. Financial Aid**

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The institution is holding the money funded by institutions, private donors, state, and federal acting as custodian or fiscal agent. Financial Aid provides financial assistance through a scholarship grant program for students in need of financial support.

Specific fund definitions may be found under the “Fund Matrix” section in <http://finance.fiu.edu/controller/index.html>.

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## **APPENDIX B – Reference Sources**

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### 1. Laws and Regulations

State University System of Florida, Property and Finance; [6C-9.013 Auxiliary Operations](#)

[Florida Statute 1011.47 “Auxiliary enterprises; contracts, grants, and donations”](#)

NACUBO Advisory 99-2, “Accounting and Reporting for Auxiliary, Auxiliary-Other and Other Self-supporting Activities”

### 5. Research Recharge Center Rate Development

[Carnegie Mellon University - Nondiscriminatory Rates](#)

[Excess Reserves - University of Maine Public University System – Section III-F Page 3 of 4](#)

### 6. Finance

[FIU Cash Control Policy](#)

[Auxiliary Cash Transfer Request Form](#)

[Additional Budget Authority Request](#)

[Division of Finance website](#)

[FIU Purchasing Policy](#)

### 7. Record Retention

[FIU Records Retention Schedule For Sponsored Project Documents](#)

[State of Florida General Records Schedule GS1-SL For state and local government agencies](#)

[State of Florida General Records Schedule GS5 For Universities And Community Colleges](#)

### 8. Other

[Academic Affairs Policies, Manuals and Handbooks](#)