

AUXILIARY ENTERPRISES / SERVICE UNITS APPLICABLE POLICIES

1. No new Auxiliary Enterprise or Service Unit activity will be created nor will any be deleted without approval of the President and the Board of Regents. Annually, each Auxiliary Enterprise and Service Unit shall be reviewed to ensure that each continues to provide beneficial service to the University of Oklahoma. This review should include an assessment of the potential impact of any current unrelated business income regulations. This review shall be initiated by the operating management of each unit and be submitted as a part of the annual operating budget process.
2. Annually, the Controller's Office shall review all Agency Special departments which have been inactive for at least one complete fiscal year (*July 1 through June 30*). Each sponsor of an "inactive" department will be contacted to determine the status of the organization, any restrictive covenants, and the intent to expend the remaining balance. Departments which remain in "inactive" status after this process will be recommended by the Controller to the Vice President for Administrative Affairs and the President for closure into the Auxiliary Enterprise/Service Unit Reserve(s) department unless otherwise restricted by externally designated covenants.
3. The primary responsibility for managing and operating each unit shall be with the operating manager of each Auxiliary Enterprise and Service Unit. Each operating manager shall develop budgets, operating plans, and monitor the financial status of the entity. These financial oriented functions shall be periodically reviewed and approved by the Dean or Director in the organization structure applicable to the entity. The Controller shall be responsible for the overall fiscal monitoring of all Auxiliary Enterprise Entities and Service Operations and shall develop uniform financial reporting policies and procedures for these entities.
4. Each Auxiliary Enterprise and Service Unit shall develop a comprehensive procedure manual documenting the policies, procedures, standards, and other administrative and operating criteria applicable to each unit. This manual should be maintained on a current basis and made available to internal and external auditors and the Controller's Office.
5. University of Oklahoma Auxiliary Enterprises and Service Units should be charged for a share of general administrative expenses, as well as their direct operating expenses, including debt service and provisions for renewal and replacement of fixed assets used in the operation of the unit. The Controller's Office shall periodically calculate the overhead rate to be charged each Auxiliary Enterprise/Service Unit. The overhead rate shall be approved by the President. The overhead charge shall be assessed each unit on the basis of the gross revenue generated by the operations of the unit.
6. Auxiliary Enterprises and Service Units shall develop formal documented procedures outlining their operating philosophy and pricing criteria. The procedures must include the processes for evaluating costs and determining prices, fees, charges, etc., and follow the guidelines stated in the manual, "Auxiliary Enterprise/Service Unit Fiscal Policies and Procedures -- Implementing Guidelines". Prior to the development of each unit's annual operating budget, a "Statement of Changes in Operating Environment" must be prepared and approved by the President, Provost or appropriate Vice President through established University procedures. A copy of the approved "Statement of Changes in Operating Environment" shall be submitted to the Budget Office. Any required revisions to the annual "Schedule of Charges" shall be reviewed and approved through established University procedures.
7. Auxiliary Enterprises and Service Units shall develop budgets, operating plans, and prices to include the funding of reserves for renewals and replacements, required debt service, planned capital improvements, and general operating contingency reserves. The amount of each reserve shall be determined by the nature of the reserve.

Renewal and Replacements — should be based upon depreciation schedules for fixed assets used in the operations of the unit. Generally, the IRS depreciation asset classes should be used to determine the appropriate depreciation rate. As a general guideline, annual additions to this reserve should equal the approximate annual depreciation expense.

Required Debt Service — determined by debt instrument (*e.g. bond resolution*).

Planned Capital Improvements — should be based upon approved plans and should be identified by specific projects.

General Operating Contingency — as a general rule, a 5% reserve should be funded. Reserves in excess of 5% should be authorized by the President on a case by case basis upon thorough review of the rationale and justification.

The accumulated balances in each reserve shall be disclosed in each entity's balance sheet. Each June 30, a unit's cash in excess of additions to authorized reserves and working capital requirements shall be transferred to Auxiliary Enterprise/Service Unit Reserve(s) on approval of the President.

8. Auxiliary Enterprises and Service Units shall develop annual operating budgets that set formal financial goals for each unit. Budgets shall follow overall University budget policy and shall include the total financial operation of the unit. Budgets should be prepared on the basis of historical data, projected short-range trends, and long-range financial objectives. Prices, fees, and rates should be established to fully fund the total financial obligations of the unit. Units which cannot price their goods and services and be competitive with comparable goods and services available from the private sector should be evaluated for discontinuance.

To facilitate this evaluation, annually each Auxiliary Enterprise and Service Unit shall be reviewed to ensure that each unit continues to provide some beneficial service to the University. Units providing a beneficial service to the University, but unable to establish competitive prices, fees, and rates sufficient to fund its operations should include in its budget, approved subsidies from other fund sources. This review shall be initiated by each unit's operating management and be submitted as a part of the annual operating budget process.

9. The Vice President for Administrative Affairs shall maintain a centralized financial system which provides an accrual basis accounting system for all Auxiliaries and Service Units. Auxiliaries and Service Units are required to process all financial transactions through the centralized system on an accrual basis and to prepare uniform statements and reports.
10. No Auxiliary Enterprise or Service Unit shall be permitted to operate using unauthorized borrowing from other units. Short-term (*less than 12 months*) operating cash flow loans may be authorized by the Controller. The operating manager of both entities must agree to the short-term loan. All short-term loans must be fully reported and disclosed on the financial statement of the affected units.

Periodically, a report of these short-term operating cash flow loans shall be made to the President and Board of Regents indicating the criteria for the loan and the expected repayment date. Long-term (*over 12 months*) loans may be made only with the approval of the President unless in excess of \$75,000, in which case the approval of the President and the Board of Regents shall be required. Completion of the **Loan Authorization Form** is required in either case.

11. Transfers between Auxiliary Enterprises and Service Units shall be permitted only when fully justified and agreed to by both operating managers. Transfers less than \$75,000 shall be approved by the President and reported to the Board of Regents on a semi-annual basis. Transfers shall not be split to circumvent the dollar limitation prescribed herein. Transfers of \$75,000 or more shall not be made until approved by the President and Board of Regents.

Completion of the **Transfer Authorization Form** is required.

12. Beginning with the fiscal 1989-90 operating budget, overhead reimbursements from Auxiliary Enterprises and Service Units were recorded in the University's revolving fund in the E&G budget.
13. Investment earnings from the investment of idle cash by an Auxiliary Enterprise or Service Unit shall be deposited to the Auxiliary Enterprise or Service Unit as investment income. All investments shall be made in accordance with Regents' policy for the investment of temporarily idle cash. All investments shall be made by Financial Services.

An Auxiliary Enterprise or Service Unit will be permitted to participate in the short-term investment pool upon the completion of the **Short-Term Pooled Investment Fund Request for Investment/Redemption form**. Participation in the investment pool is identified by the number of units assigned to each entity. Investment pool income is distributed monthly in proportion to the number of units allocated to each entity, net of any associated investment and/or administrative fees.

14. The Controller's Office shall maintain a comprehensive manual to facilitate the implementation of the fiscal policies and procedures affecting Auxiliary Enterprises and Service Units. This manual, "Auxiliary Enterprise Entity/Service Operation Fiscal Policies and Procedures", shall be the official reference for University policy and procedure and shall be maintained on a current basis by the Controller's Office. In addition, the Controller's Office shall provide assistance to Auxiliary Enterprises/Service Units in the establishment of effective and efficient financial procedures within the units which comply with the policies and procedures.