



10.1 Administrative Overhead Assessment for Auxiliary and Affiliate Units

Policy Statement

Auxiliary Enterprise units and the UGA Athletic Association will be annually assessed an administrative overhead fee. This assessment enables the University's "Resident Instruction" budget, the budget for educational and operational activities generally funded through state appropriations, tuition/fees, and other revenue, to recover a portion of the costs associated with the administrative overhead support that various UGA administrative units provide to UGA's Auxiliary Enterprise units and UGA Athletic Association.

Reason for policy

Auxiliary Enterprises are, by definition, self-supporting entities. Therefore, these units should absorb all direct costs, as well as an allocable portion of overhead (indirect costs), that are associated with the facilities, goods and services they utilize in delivering various goods and services to UGA's students, faculty and staff. Under current practice, the University of Georgia's Auxiliary Enterprises (including the UGA Athletic Association) receive significant overhead support from various administrative units whose operating costs are funded solely by UGA's Resident Instruction budget. This policy provides a mechanism for UGA's Resident Instruction budget to recover a portion of the costs associated with the overhead support that various UGA administrative units provide to UGA's Auxiliary Enterprises and Athletic Association.

Procedures

The administrative process to charge the overhead assessment to each auxiliary unit takes place once per year. The previous year's actual expenditures are accumulated at the end of the first quarter of the current fiscal year. The annual overhead assessment is then calculated using the steps below.

Step 1. Establish the Institutional Support functions whose annual costs should be allocated to UGA's Auxiliary units, including the UGA Athletic Association, through this Administrative Overhead Assessment.

Step 2. For each function identified in Step 1, determine the percent of its annual expenditures that will be allocated across all campus programs and activities by estimating what portion of the annual expenditures of these functions are for:

1. Fixed costs - those that do not vary based on volume of support provided
2. Variable costs - those that increase proportionally to volume of service provided

The estimated variable costs are then allocated to all campus programs and activities.

Step 3. For each function in Step 1, determine the appropriate measure to allocate overhead costs to all campus programs and activities.

Step 4. For each Auxiliary Enterprise, determine if any of the functions identified in Step 1 should be excluded/adjusted from the overhead assessment to determine what overhead components should be allocated to each individual auxiliary unit.

Step 5. Use the measures identified in Step 3 to determine which share of the functions identified in Step 4 will be allocated to each auxiliary unit.

Step 6. The previous fiscal year's actual expenditures and headcount figures will be used to develop the overhead assessment for which each auxiliary unit will be billed in the current fiscal year. All other measures (% of campus acreage, % of building area, other estimates) will be reviewed and updated every 3 years beginning with the FY 2009 Overhead Assessment.

The measures and calculations are reviewed for reasonableness. Each unit is notified of its annual assessment and provided time to review for reasonableness. The assessment is facilitated via a journal voucher process.

Policy definitions

Overhead (indirect) costs consists of expenditures that cannot be readily assigned nor billed to a specific unit without effort that is disproportionate to the benefits received; and costs incurred for purposes common to all programs and activities of the campus, but which cannot be identified and charged directly to such programs with a reasonable degree of accuracy and without an inordinate amount of accounting.

Responsibilities

Responsible University Senior Administrator: Vice President for Finance & Administration

Responsible University Administrator: Associate Vice President - Finance Division

Policy Owner: Accounting

Policy Contact: Chad Cleveland

Policy Contact Phone Number: 706-542-1197

Record Retention

Citation or Reference: Institutional Cooperation and Relations Records

Number:0472-02-021

For records related to administrative overhead assessment, records may include but are not limited to working papers, drafts, final reports, and all other documentation and correspondence.

Retention: Seven (7) years

Policy Dates

Effective Date:

Date Last Updated: 12/14/2016

Date of Last Review:

Date of Approval:

Previous Version of Policy: