

January 15, 2014

MEMORANDUM

TO: State Board of Regents  
FROM: David L. Buhler  
SUBJECT: Revision of R550, Auxiliary Enterprises Operation and Accountability

Issue

Policy R550, *Auxiliary Enterprises Operation and Accountability* has recently been reviewed by the Office of the Commissioner and USHE institutional representatives; this examination a part of the continuing effort to appraise the currency of all Regental policies. A result of this review is the recommendation to update the auxiliary enterprises listed in the policy, update the code references and institutional name changes, and to more clearly cross-reference the policy with R555 *Providing Facilities, Goods and Services in Competition with Private Enterprise*.

Policy Changes

The proposed amendment to R550 is in compliance with Utah state statutes: Utah Code §53B-6-102, Standardized Systems Prescribed by the Board and Utah Code §53B-7-101, Each Institution Handles Its Own Financial Affairs Under the General Supervision of the Board.

Commissioner's Recommendation

The Commissioner recommends that the Regents approve the revisions to policy R550, *Auxiliary Enterprises Operation and Accountability*, effective immediately.

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David L. Buhler  
Commissioner of Higher Education

DLB/GLS/DAM/CRW  
Attachment

# R550, Auxiliary Enterprises Operation and Accountability<sup>1</sup>

**R550-1. Purpose:** To provide for institutional operation of auxiliary enterprises, identification of activities operated as auxiliary enterprises at each institution, and reporting and accountability requirements for such auxiliary enterprises.

## R550-2. References

- 2.1. Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code §53B-7-101(910) (Each Institution Handles [Its Own](#) Financial Affairs Under [the](#) General Supervision of the Board)
- 2.3. Policy and Procedures R555, Providing Facilities, Goods and Services in Competition with Private Enterprise.

## R550-3. Definitions

- 3.1. **Auxiliary Enterprises:** Business enterprises or other support activities (as distinguished from primary programs of instruction, research, and public service, and from organized activities and intercollegiate athletics) the primary purpose of which is to provide specified services to students, faculty, staff or guests of the institution. All housing, food service, and college store activities in any institution are to be classified and managed as auxiliary enterprises. Other activities which serve primarily individuals (as distinguished from internal departments of the institution) and operate on an essentially self-supporting basis, also should be classified and managed as auxiliary enterprises.
- 3.2. **Essentially Self-Supporting:** Means receiving revenues (fees for services, sales, dedicated general fees, contributions, and investment income) to cover all or most of the direct and indirect operating expenses, assignable indirect costs, debt service and capital expenditures for the activity.

## R550-4. General Policy

- 4.1. **Support to Education, Research and Public Service:** Auxiliary enterprises are operated as essential elements in support of the education, research and public service programs of the institutions. They are to be operated at a level of quality sufficient to support the objectives of the primary programs. Direct charges for services are to be sufficient to enable the auxiliary enterprises to operate on an essentially self-supporting basis whenever possible. Services provided by auxiliary enterprises may be incidentally available to members of the general public but are not to be marketed to the general public or outside organizations [unless those services qualify as an exception under section 4 of the Regents policy R555, Providing Facilities, Goods and Services in Competition with Private Enterprise](#). All auxiliary enterprise organizations are required to comply with ~~Policy R555; which regulates provision of facilities, goods and services which might be in competition with private enterprise~~.
- 4.2. **Limitations of R555:** The Board recognizes that Policy R555 limits the ability of institutional auxiliary enterprises such as [campus book](#)-stores and food services to generate revenue from outside sources and therefore maximize revenues or to minimize charges to institutional users. In recognition of this limitation, institutions which cannot reach a total self-support level for designated auxiliary enterprise

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<sup>1</sup> Adopted November 14, 1986; amended January 24, 1997 and March 18, 2005.

activities are permitted to provide subsidies from institutional discretionary funds or, if necessary, from other education and general funds, subject to the accounting requirements set forth below.

## **R550-5. Designation of Activities to be Operated as Auxiliary Enterprises**

**5.1. Criteria for Designation:** In addition to the core activities of housing, food services, and college or university stores, institutions should propose for designation as auxiliary enterprises any other activities which meet the definitions provided above. However, the fact that an organized activity receives significant direct income is not in itself a reason for auxiliary enterprises designation unless the activity also serves primarily students, faculty, or staff members.

**5.2. Designated Auxiliary Enterprises, by Institution:** In some instances, auxiliary enterprises may have been outsourced to private companies. For the purpose of this policy, the outsourced enterprises are included as well.

### **University of Utah**

Campus Store(s) ~~Bookstore~~

Food Services

Contract Administration

Housing and Residential Education, and (~~Residence Halls and~~ University Student Apartments)

Student Center (A. Ray Olpin University Union)

~~Golf Course~~

University Guesthouse

Commuter Services (Parking and ~~Campus~~ Transportation ~~Services~~ )

Jon M. Huntsman Center (Special Events Center)

Rice Eccles Stadium

Student Health Services

Student Life Center

### **Utah State University**

Campus Store(s) ~~Bookstore~~

Student Health Services

Housing

Parking Terrace

Food Services

University Inn and Conference ~~Residence~~ Center

Student Center

### **Weber State University**

Campus Store(s) ~~Bookstore~~

Student Center

Food Services

Housing

Student Health Services

### **Southern Utah University**

Campus Store(s) ~~Bookstore~~

Student Center

Food Services

Housing

**Snow College**

[Campus Store\(s\)](#) [Bookstore](#)

Student Center

[Sevier Valley Center](#)

Food Services

Housing

**Dixie State University College**

[Campus Store\(s\)](#) [Bookstore](#)

Student Center

Food Services

Housing

~~**College of Eastern Utah**~~

~~[Bookstore](#) [Student Center](#)~~

~~[Food Services](#) [Housing](#)~~

**Utah Valley State College-University**

[Campus Store\(s\)](#) [Bookstore](#)

Student Center

Food Services

[Student Life and Wellness Center](#)

**Salt Lake Community College**

[Campus Store\(s\)](#) [Bookstore](#)

Student Center

Food Services

**R550-6. Principles of Operation**

**6.1. Management:** Except as may be in conflict with any provisions of this policy, institutional auxiliary enterprises are to be operated in accordance with overall management principles set forth in Chapter 3.2 of College and University Business Administration (National Association of College and University Business Officers, Washington, D.C., 1982). Institutions are expected to employ professional management for their auxiliary enterprise activities, and to provide administrative, accounting and financial management oversight of each auxiliary enterprise, through one or more senior officers designated by the President.

**6.2. Working Capital:** In order to render adequate service, auxiliary enterprises should have a solid financial base that includes sufficient reserves. Each auxiliary enterprise which involves sale of goods and services should have adequate working capital to support accounts receivable and necessary inventories of goods and supplies. (Where this policy conflicts with existing bond covenants, the bond covenants shall prevail.) Renewal and replacement funds for all auxiliary enterprises should be accumulated in amounts sufficient to provide for major equipment repair and replacement as well as refurbishment, renewal and replacement of physical facilities. Auxiliary enterprises are not, however, expected to accumulate fund balances in excess of requirements for working capital, renewals and replacements, and debt service. Subsidies from outside funds and then charges to users should be adjusted downward if an enterprise produces revenues in excess of this requirement.

**6.3. Physical Plant Operations and Financial Accounting Services:** Auxiliary enterprises budgets are to include costs of physical plant operations and accounting services directly chargeable to their operations. The cost of these support services may either be budgeted directly in the operations of the

auxiliary enterprises, or budgeted as payments to the education and general departments or service enterprises providing the support services.

**6.4. Charges for Other Indirect Costs:** In addition to direct charges for support costs, under 6.3, auxiliary enterprises are to be charged for an appropriate share of other administrative support costs of the institution.

**6.5. Level of Prices and Charges:** Appropriate fees shall be charged to users of the auxiliary enterprises, including academic or administrative departments. To the extent reasonably possible, selling prices, rents, fees, admissions and other charges by each auxiliary enterprise are to be set at a level adequate to support the operating and reserve requirements of the enterprise.

#### **R550-7. Accounting and Audit Requirements**

**7.1. Accounting Requirements:** Each auxiliary enterprise is to use accounting systems appropriate to the type of business of program operated. Accounts for each auxiliary enterprises are to include all revenues, expenditures, and transfers relating to the enterprise, including interest on loans from other institutional or outside sources and expenditures or indirect charges for operation and maintenance of physical plant and financial accounting services and for other administrative support costs. Mandatory and non mandatory transfers out are to be specifically identified, as are all loans and all transfers in from other auxiliary enterprises and from institutional discretionary funds, other education and general funds, or other funds of the institution.

**7.2. Auxiliary Enterprises Reports in the Annual Budget Process:** A report of auxiliary enterprises operations, covering the completed actual year and the current budget year, is to be provided annually by each institution, as part of the regular Board of Regents budget process. The report, on forms or in a format provided by the Commissioner, is to include as a minimum, for each designated auxiliary enterprise and for the institutional auxiliary enterprises in total, the following information: (1) appropriate detail on revenues (e.g., sales and services, student fees, other income) and expenditures (e.g., costs of goods sold, direct operating expenses, charges for indirect costs); (2) identification of each specific source and amount of transfers in; (3) identification of each specific amount and recipient of transfers out; and (4) Details of any outstanding loans other than bonded indebtedness. (Bonded indebtedness is disclosed in the institution's audited financial statements.)

**7.3. Audits of Auxiliary Enterprises:** Internal audits of all auxiliary enterprises are to be made at appropriate intervals, as determined by the Board of Trustees and institutional administrators. Each institution's chief executive officer shall arrange for these audits, conducted by either the resident auditors or the Regents' audit staff. Each audit report will include the auditor's opinion regarding: (1) fairness of presentation of the most recent annual reports, in accordance with generally accepted auditing standards for reporting on prescribed format statements; and (2) the institution's compliance with this policy.

**7.4. Annual Review of Financial Condition of Auxiliary Enterprises:** The Associate Commissioner for Budget and Finance will prepare an analysis of the financial condition of auxiliary enterprises at each institution prior to January of each year, using reports submitted in the annual budget process pursuant to paragraph 7.2. The report will be submitted for review by the Finance and Facilities Committee, which may direct follow-up action and reports in any case where the financial condition of individual auxiliary enterprises, or institutional auxiliary enterprises in total, is not satisfactory.

#### **R550-8. Oversight by institutional Board of Trustees**

**8.1. Review Reports and Audits, Monitor Services:** The institutional Board of Trustees of each institution is responsible to review the institution's auxiliary enterprises annual reports prepared pursuant to Section 7.2, and periodic internal audits prepared pursuant to Section 7.3. The institutional boards of trustees also are responsible for monitoring both management of and quality of services provided by the institution's auxiliary enterprises.