

STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

PROCEDURE

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TITLE: ELIGIBLE EXPENDITURES FOR PROMOTIONAL PURPOSES

**POLICY
REFERENCE NUMBER: 7-6-101**

**DIVISION OF
RESPONSIBILITY: FINANCE**

DATE OF LAST REVISION: June 12, 2012

DATE OF LAST REVIEW: February 23, 2012

VICE PRESIDENT FOR FINANCE

EXECUTIVE DIRECTOR

Funds budgeted for promotional activities may be expended without regard to restrictions normally placed on public funds except that all expenditures must be approved by the Chief Executive Officer of the college, or his/her designee. These funds may not be used for purposes otherwise precluded by statute, such as salary supplements for State employees or supplements to approved regulations for travel reimbursements. Individual events sponsored for Tech System employees are not considered promotional in nature.

The remaining 80% of net income from Auxiliary Enterprises must be budgeted in the unitary budget to meet the ordinary operating expenses of the college.

ELIGIBLE EXPENDITURES

The following items are examples of eligible expenditures under the promotional account established pursuant to Policy No. 7-6-101:

Memberships

Service club memberships for the president, institutional officers and other employees may be approved by the President.

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Activities

Sponsoring individuals or groups to enhance the image or further the philosophy and mission of the college. Luncheons or dinners for advisory committees are operating expenses of the college and should be paid from the ordinary operating budget.

Hosting of luncheons, etc. in recognition of unusual contributions or service to the college.

Bestowing of non-monetary awards to individuals or groups to commemorate or memorialize contributions to the college.

Activities as listed above may also be done to enhance or further the economic development of the local service area.

Publications

Publications solely for the purpose of improving the image of the institution or furthering the philosophy and mission of the college may be paid from this source. This should not be confused with normal recruitment materials such as curriculum brochures or catalogs that should be budgeted and expended as ordinary operating expenses of the college.

ACCOUNTING PROCEDURES

All expenses incurred as promotional expense within the foregoing definitions are to be accounted for in a separate "Promotional Expense" account under the major program General Institutional Expense. Promotional expenses should not be recorded in any other program or sub account and normal operating expenses should not be recorded in the "Promotional Expense account."

METHOD OF DETERMINING COSTS ALLOCABLE TO AUXILIARY ENTERPRISES PROFIT AND LOSS ANALYSIS

By State law each individual auxiliary enterprise must be self-supporting and must cover the total direct operating and capital expenses of providing such facilities and services. However, generally accepted accounting principles require that auxiliary enterprises be charged all material direct and indirect costs applicable to their activities.

Direct operating costs are those costs that can be identified specifically with the auxiliary enterprise or that can be directly assigned relatively easily with a high degree of accuracy. Colleges will record some direct costs in the auxiliary accounts when the expense is paid while other costs will be allocated at year-end. Direct costs include but are not limited to postage, copying, printing, telephone, operating costs for owned or leased vehicles, and personal services

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and fringe benefits, including compensated absences, related to the auxiliary enterprise. Costs of property insurance, utilities, custodial services, and security (if not charged directly) shall be allocated based on prorata square footage. Such square footage is to be reviewed annually and updated as circumstances warrant. In addition, each college shall calculate and charge to each auxiliary enterprise an amount to reimburse for indirect costs incurred and charged to institutional support for purchasing, accounting, and personnel and payroll processing on behalf of the auxiliary enterprise. These costs should be developed by taking the salaries of the auxiliary services as a percentage of the college salaries from unrestricted funds and applying that percentage to the departmental salaries of the above listed functions. Information technology costs should be allocated based upon guidance included in Appendix VI of the "Financial Reporting Guide for the South Carolina Technical College System.

See appendix for sample Worksheet for Cost Allocations to Auxiliary Enterprises.

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Worksheet for Cost Allocations to Auxiliary Enterprises

Name of College: _____

Name of Auxiliary Enterprise: _____

For the Year Ended: _____

SAMPLE ALLOCATION OF CERTAIN DIRECT COSTS:

	Square Footage of Building(s)	Square Footage Occupied by Auxiliary	Percent Square Footage Applicable to Auxiliary	Costs	Direct Costs Allocated to Auxiliary
Operation and Maintenance of Plant Costs					
Property Insurance	10,000	4,105	41.05%	2,000	821
Utilities	219,181	4,105	1.87%	200,000	3,746
Custodial Services	219,181	4,105	1.87%	500,000	9,364
Security	219,181	4,105	1.87%	185,000	3,465
Total Operation of Maintenance and Plant Allocated to Auxiliary					<u>17,396</u>

Note: The lowest practical denominator should be used for square footage. In this example, insurance invoice lists an amount by building, but costs of utilities, custodial services, and security are campus wide rather than by individual building.

SAMPLE ALLOCATION OF INDIRECT COSTS:

	Auxiliary Enterprise Salaries	Total Salaries from Unrestricted Funds	Percent of Auxiliary Salaries to Total Unrestricted Salaries	Departmental Salaries	Indirect Costs Allocated to Auxiliary
Auxiliary Enterprise Salaries	42,127	6,876,793	0.61%		
Institutional Support Salaries					
Personnel			0.61%	303,630	1,861
Purchasing			0.61%	138,705	850
Fiscal Operations			0.61%	433,328	2,656
Information Technology			0.61%	400,000	2,440
Total Indirect Costs Allocated to Auxiliary					<u>7,807</u>