

Creation of a New Cost Center Policy

Purpose

The purpose of this policy is to define the terms upon which new cost center are created.

There are no authorized budgets within the University except those established in the financial system [SAP]. When a new or expanded activity is recognized as needing funding segregated on an on-going basis (e.g. creation of a new department, etc.), a new cost center budget must be created and must be funded from within the University's approved budget.

New cost centers are expected to continue each year and so increasing the number of cost centers must be given careful consideration.

Definition

Cost Center – the lowest organizational level of activity for which costs are accumulated. It represents functions for which an individual manager is responsible. The cost center concept facilitates the delegation of decision making to lower levels of the organization while improving the quality of the financial management information used at the higher level of the organization.

Authority, Responsibility, and Duties

In accordance with this policy, the Budget Office will add new cost centers to the university's budget and the financial system upon the approval of the Executive Vice President for Administration and Finance (EVPAF).

Policy Statements

A new cost center cannot be established until it has been documented that adequate funds exist within the University's current budget to support the cost center on a continuing annual basis.

The area of the University which desires an additional cost center must provide written justification documenting the need for the new cost center along with an estimate of the annual budget needed to support it and the source of that funding. The documentation must be submitted to the appropriate Dean or Director for approval.

Approval by the Dean or Director will then result in the documentation being forwarded to the appropriate Area head for approval.

If the Area Head supports the request, the documentation will be forwarded to the Executive Vice President for Administration and Finance (EVPAF). The EVPAF will determine whether

the University's operating budget can absorb an increase of the estimated budget amount on an annual basis. The EVPAF will review the request based upon specific financial parameters.

****for any modification in cost center structure [Deletion, Consolidation] the same process of approval apply.***