

A stone wall sign for the University of California, Irvine. The sign is made of light-colored stone blocks and features the university's name in large, dark, serif letters. To the left of the main text is a circular seal of the University of California. The sign is set against a background of green trees and a clear blue sky. In the foreground, there is a field of tall, green grass.

University of California, Irvine

Income Activities Sales and Service / Recharge

Agenda

- Definitions
 - Recharge
 - Sales and Service (S&S)
- How to develop appropriate rates to charge
- Handling Surplus or Deficit
- Setting up Budgets
- Annual Review
- S&S Income Assessment

Recharge / S&S Definitions

- Products or services provided for a fee by campus departments to...
 - other campus departments = Recharge (RCHG)
 - external customers = Sales & Service (INCO)
- Recharge: non-profit and can only recover direct costs consistent with Uniform Guidance Cost Accounting Standards.
- Sales & Service: revenues should fully recover all costs (direct and indirect).
- Services offered are necessary to advance the educational, research, or public service functions of the university.
- Services/sales cannot be purely commercial in nature.

When to Establish Recharge

- There exists a demand for the particular service by more than one department/unit/activity/project.
- There will be a significant volume of recharging, both in dollar amounts and in number of transactions.
- Service will be provided on a regular and continuing basis.
- Service is unique or specialized (for example, a glassblowing shop or a machine shop) as opposed to general administration or other institutional support services.

Recharge Activities

- Examples
 - Testing Services
 - Computer Services
 - Evaluation and analysis
 - Central stores
 - Facility/equipment use
 - Electrical, plumbing, mechanical services

Functional Responsibilities

- Recharge/Service Center is responsible for:
 - Following UC policies in managing the resources available to it
 - Maintaining records according to UC policies
 - Performing periodic reconciliation of revenues and expenses
 - **Submitting annual recharge report and rate review**

Functional Responsibilities – Cont.

- Dean/Director/Vice Chancellor is responsible for:
 - Overseeing the management and fiscal health of the recharge activity
 - Approving requests to establish new recharge activities
 - Reviewing requests for new/revised recharge rates

How to develop a recharge Rate

- Identify costs
- Define customers and project volume
- Complete rate calculation worksheets
- Establish familiarity with policies/ procedures

Identifying Costs

- The following must be identified for each activity:
 - Direct Costs
 - Indirect Costs

Direct Costs

- Costs that can be directly and consistently traced to the product or service.
 - Examples
 - Personnel costs
 - Direct administration, if >5% effort
 - Consumables
 - Materials for the end product
 - Equipment Depreciation

Indirect Costs

- Costs of conducting business that are incurred for common or joint objectives.
- Cannot be readily identified with particular projects or a specific activity.
 - Examples
 - Department/school/campus administrative support
 - Utilities / Infrastructure
 - Operations and Maintenance of Plant (OMP)
- S&S: Indirect costs must be charged to non–university clients. The rate should be sufficient to recover the campus Sales and Service assessment (14.6%) and department/school/unit indirect support (15.2% recommended).

Allowable Costs

- All costs charged to recharge activities must comply with Federal Uniform Guidelines (CFR-200)
- Salaries and benefits of technical personnel directly related to the recharge activity
- Supplies and reasonable direct general support costs (e.g., telephone charges and office supplies),
- Equipment depreciation (straight line basis) and depreciation of capitalized improvements /fabrications
- Maintenance and non-capital repair/alterations costs - defined as regularly recurring disbursements to keep property in an efficient operating condition
- Installation charges, and allowable lease and loan costs
- Amortization of costs that benefit multiple years

Unallowable Costs

- Unallowable Costs
 - CFR Part 220 unallowable costs
 - entertainment expense
 - advertising costs
 - Costs of capitalized improvements, including renovation costs or significant alterations or structural changes to plant assets which increase the usefulness, enhance the efficiency, or prolong the life of the property
 - Internal interest charges
 - Equipment purchases (unless useful life is one year or less)
 - Start-up costs
 - Depreciation of Equipment purchased with Federal funds

Recharge vs. S&S Income

- Recharge
 - Provide products / services to other UC departments
 - Quali Internal Billing (IB)
 - Governed by Federal costing guidelines
 - Recover direct costs
- Income
 - Provide products / services to non-UC clientele only.
 - Campus Online Deposit system (C.O.D.)
 - Not subject to Federal guidelines
 - Required to recover the Direct and Indirect costs

Recharge Object codes

- Financial Credit Object code – 3900
- Financial Debit Object code
 - Unique object code assigned to each recharge unit
- Budgeting Object codes – 3900 for income and 0001/0002/0003/0008 for expense

Income Deposit Object Codes

- Income object code for Current, Base Budget and Actual
 - SSXXXX Accounts in sub-fund group code 409190 (Sales and Service – Educational Activity)

Object Code	Object Code Title
R781	KEY DEPOSITS
R807	SALES OF GOODS
R821	SALES OF SERVICES
R841	RENTAL OF FACILITIES
R844	RESIDENT AFFILIATE AGREEMENTS
S138	CONFERENCES & RELATED INCOME

- Income Object Code for Current, Base Budget and Actual
 - OSXXXX Accounts in sub fund group code 410290 (Other Sources)

Object Code	Object Code Title
S754	S&A OTHER INCOME

Common to both Recharge and Income Activities

- Rates must be established on a per hour or per unit basis.
- Pricing rationale worksheets are used to itemize and calculate costs.
- Different rates should be established for different levels of services.
- Base & Current Budgets are required for all income activities.

Is this a S&S Activity?

- Is income without contractual requirements and irrevocable
 - Then it should be deposited as a **gift**.
- Is the product or service customized?
 - Then it should be deposited as a **private contract or grant**.
- Is the product or service standardized?
 - Then it should be deposited as **sales and services income**.

Surplus and Deficit

- Recharge rates should be adjusted annually, to eliminate any deficits or surpluses over as short a period as possible (not to exceed 3 years).
- Ensure that year-end surpluses and deficits do not exceed 60 days of operating costs. (see [Deficit Policy](#))

Annual Review Process

- Accounting and Fiscal Services calls for recharge review and proposals for rate increases right after the Fiscal Year End (August)
- Department reviews its fiscal operations, updates costs, proposes new rates
- Department submits status report, justification for rate increases to control point.
- Dean's Office or responsible VC office reviews for appropriateness
- Accounting and Fiscal Services reviews and consults with Recharge Review Committee comprised of representatives from many campus units
- Accounting and Fiscal Services drafts recommendation for approval by Provost/Executive Vice Chancellor
- Accounting and Fiscal Services publishes new rates, distributes to deans/directors, updates central files, and transmits approvals
- New recharge activities can be requested mid-year (by Dec or Mar)

Typical accounts needed in a recharge facility

- Operating Account
- Reserve and Renewal Account
 - if equipment is used and depreciated
- Subsidy Account
 - If recharge facility is being subsidized by the school
- Differential Account
 - For depositing the portion of S&S income over the calculated S&S rate for external clients (recharge rate plus assessment amount)

Campus Assessment

- **29.8%** (based on modified version of federally negotiated Other Sponsored Activities rate).
- Indirect rate recovers:
 - the overhead costs of department/school administration
 - general campus administration
 - building and equipment usage
 - the operation and maintenance of the physical plant
- ~51% covers overhead in the unit – 15.2%
- Central campus overhead – 14.6%
- Departments must charge a rate on their Sales and Service activities that is high enough to cover their costs, plus the indirect cost rate.

References

- [Recharge Accounts and Rate Review Procedures Policy](#)
- [A-56 Academic Support Unit Costing and Billing Guidelines](#)
- [CFR Part 200](#)