Understanding Sales & Service
Accounting & Fiscal Services
Agenda

• Definition of Sales & Service (S&S)
• Functional Responsibilities
• Rate Development
• Executing Sales & Services Agreement
• Depositing Income
• Annual Review
Is it a S&S Activity?

If no contractual requirements and is irrevocable:
• Then it should be deposited as a **gift**.

The product or service customized:
• Then it should be deposited as a **private contract or grant**.

The product or service standardized:
• Then it should be deposited as **sales and services income**.
<table>
<thead>
<tr>
<th>Recharge</th>
<th>S&amp;S Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide products / services to other UC departments</td>
<td>• Provide products / services to Non-UC Entities only.</td>
</tr>
<tr>
<td>• Kuali Internal Billing (IB)</td>
<td>• Campus Online Deposit system (C.O.D.)</td>
</tr>
<tr>
<td>• Governed by Federal costing guidelines</td>
<td>• Not subject to Federal guidelines</td>
</tr>
<tr>
<td>• Recover direct costs</td>
<td>• Required to recover the Direct and Indirect costs</td>
</tr>
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</table>
Sales & Service Definitions

• Sales and Service Activity - Provision of standardized goods or services to non-university entities at a uniform pre-established price

• Sales & service revenues should fully recover all costs
  • Direct costs
  • Indirect costs

• Services offered are necessary to advance the educational, research, or public service functions of the university.

• Services/sales cannot be purely commercial in nature.
Functional Responsibilities

Each UCI unit is responsible for:

- Following University of California policies in managing the resources available to it; and

- Submitting the appropriate forms and documentation to Accounting & Fiscal Services and Procurement Services:
  - Sales & Service Activity Information Sheet
  - Rate Justification/Calculation
  - Sales & Service Intake Form
  - Any revisions to the above.
The unit’s approving authority (dean/vice chancellor) is responsible for:

- Overseeing the management and fiscal health of the activity
- Approving requests to establish new sales and service activities
- Reviewing requests for new or revised rates
How to Develop a Rate

1. Identify costs
2. Define customers and project volume
3. Complete rate calculation worksheets
4. Establish familiarity with policies/procedures
Identifying Costs

The following must be identified for each activity:

- Direct costs
- Indirect costs
Direct Costs

- Readily identifiable costs which are associated with the furnishing of goods and services by the UCI unit.

- Examples
  - Personnel costs
  - Direct administration, if >5% effort
  - Consumables
  - Materials for the end product
  - Equipment Depreciation
Indirect Costs

- Sales & Service: Indirect costs must be charged to non-university entities.

- The rate should be sufficient to recover the:
  - Campus sales and service indirect support – 14.6%
  - Department/school/unit indirect support – 15.2%
Executing Sales & Services Agreement

• An executed Sales and Services Agreement is **required** prior to the start of services.

• UCI Department/Unit **must submit** the following to Procurement Services:
  • Approved Recharge / Sales & Service **Activity Sheet**
  • Completed Sales and Services Agreement **Intake Form**.

• Upon receipt of the required items, Procurement Services will –
  • Draft the Sales & Service Agreement;
  • Negotiate terms and work collaboratively with department/unit (as needed);
  • Assign a **unique agreement number**; and
  • Circulate the Agreement for signatures via DocuSign.
Sales & Services Agreement Intake Form

• To initiate drafting of the Sales & Services Agreement by Procurement Services, department/unit must complete the Sales & Services Agreement Intake Form.

• To access the Intake Form (a Google Dynamic Form), visit the Procurement Services website: https://procurement.uci.edu/contracts/sales-services-agreements.php
Sales & Services Agreement Checklist

• Before completing the Intake Form, please review the Intake Form Checklist to ensure you have all of the necessary information and documentation to complete the Intake Form.

• The Intake Form Checklist is available here:
  https://procurement.uci.edu/contracts/sales-services-agreements.php
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)

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Object Code Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>R781</td>
<td>KEY DEPOSITS</td>
</tr>
<tr>
<td>R807</td>
<td>SALES OF GOODS</td>
</tr>
<tr>
<td>R821</td>
<td>SALES OF SERVICES</td>
</tr>
<tr>
<td>R841</td>
<td>RENTAL OF FACILITIES</td>
</tr>
<tr>
<td>R844</td>
<td>RESIDENT AFFILIATE AGREEMENTS</td>
</tr>
<tr>
<td>S138</td>
<td>CONFERENCES &amp; RELATED INCOME</td>
</tr>
</tbody>
</table>

- OSXXXX Accounts in sub fund group code 410290 (Other Sources)

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Object Code Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>S754</td>
<td>S&amp;S OTHER INCOME</td>
</tr>
</tbody>
</table>
Typical Accounts Needed

• Sales and Service/Recharge Account

• Reserve and Renewal Account
  • if equipment is used and depreciated.

• Subsidy Account
  • If recharge facility is being subsidized by the unit/school.

• Differential Account
  • For depositing the portion of sales and service income over and above the calculated S&S rate for external clients (recharge rate plus indirect cost amount.)
S&S Accounts Review

Accounting & Fiscal Services will annually review 1/5\textsuperscript{th} of the accounts with sales & service income to confirm the following:

- An Income Activity Sheet is on file (and to collect a current version from the unit if one is not); and
- Evaluate whether the activity is being appropriately assessed to recover indirect costs, consistent with policy and documented waivers.
**Proposed Review Schedule**

<table>
<thead>
<tr>
<th>Year 1 (FY 20-21)</th>
<th>Year 2 (FY 21-22)</th>
<th>Year 3 (FY 22-23)</th>
<th>Year 4 (FY 23-24)</th>
<th>Year 5 (FY 24-25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Medicine</td>
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</tr>
<tr>
<td>Academic Affairs</td>
<td>Office of Research</td>
<td>School of Humanities</td>
<td>School of Social Ecology</td>
<td>School of The Arts</td>
</tr>
<tr>
<td>School of ICS</td>
<td>School of Education</td>
<td>School of Law</td>
<td>School of Social Sciences</td>
<td>Information Technology</td>
</tr>
<tr>
<td>Executive Management</td>
<td></td>
<td>School of Nursing</td>
<td>VC Health Affairs</td>
<td>School of Engineering</td>
</tr>
<tr>
<td>Libraries</td>
<td></td>
<td>School of Physical Sciences</td>
<td>University Advancement</td>
<td></td>
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<tr>
<td>School of Business</td>
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<td>DFA</td>
<td></td>
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<tr>
<td>School of Biological</td>
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<td></td>
<td>OVP Teaching &amp; Learning</td>
<td></td>
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<tr>
<td>Sciences</td>
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References

For more information about this topic, see the following policies and guidelines:

- Sec. 701-23: Sales and Service Activities Interim Policy
- Appendix S: Sales & Service Activities Additional Information
- Sales & Service Agreement Supplemental Information
- Recharge Facility and Activity Review and Approval Interim Policy
- A-56 Academic Support Unit Costing and Billing Guidelines
- CFR Part 200