



UC San Diego

Policy & Procedure Manual

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ACCOUNTING PROCEDURES – GENERAL

Section: 300-87

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SALES & SERVICE OF EDUCATIONAL ACTIVITIES: RECHARGES BY ACADEMIC SUPPORT UNITS AND, SALES & SERVICES TO EXTERNAL ENTITIES POLICY

SCOPE

- A. This policy covers all Sales and Service of Educational Activities (SSEAs), defined below, to internal and external entities, and is intended for all departments or units operating an SSEA, as well as those departments involved in the review of SSEA's and their rates.
- B. The following activities are not considered as defined SSEAs and are not subject to this policy:
 - 1. Auxiliaries and activities that rely on rates subject to a review and approval process external to the University as specified in the [BFB A-47](#) and [UC San Diego Self-Supporting Activity Guidance](#).
 - 2. Services or functions of a department that are within the scope of their core-funded (typically General Fund or Student Services Fee supported) activities.
 - 3. Activities that involve a one-time distribution or transfer of expenses (see [BFB A-47](#)), or activities that serve only one customer.
 - 4. Activities that contain charges that cannot be readily calculated on per unit or per hour basis, or where the goods or services is not offered on a recurring basis to more than one customer.

POLICY SUMMARY

This policy is established to provide consistent operational practices amongst the various SSEAs, to ensure compliance with both University accounting policies and government regulations and provide equitable treatment of all users regardless of funding source. This policy establishes a mechanism for defining and managing defined SSEAs along with developing appropriate charge rates. Charge rates are established to allow activities to recover direct and Indirect Costs for goods and services provided to extramural and University funded activities as well as the same goods or services provided to external entities.

The activities defined under these policies and procedures must reflect government regulatory costing principles such as those contained in the Office of Management and Budget (OMB) Uniform Guidance. Additionally, effective December 2014, the University became subject to four Cost Accounting Standards (CAS). These standards require Universities that receive \$50 million or more in Federal awards over the course of their fiscal year to follow consistent cost accounting practices throughout the institution. Therefore, SSEA policies and practices have been established to provide consistent operational practices among the various internal Recharge or external Sales and Service Activities, and to ensure compliance with both government regulations and University accounting policies.

DEFINITIONS

- A.** Auxiliary Enterprise – self-supporting activities which provide non-instructional support in the form of goods and services to students, faculty, and staff upon payment of a specific user charge or fee for the goods and services provided (e.g., bookstore, parking, housing, dining, and hospitality services). The general public may be served only incidentally.
- B.** Compliance Review – a review that validates that the Recharge Activity and rate methodology are compliant with University of California (UC) and federal policies, regulations, and requirements.
- C.** Control Point – cognizant Vice Chancellor's office.
- D.** Depreciation – the decline in an items' value due to factors such as age and use.
- E.** Differential Income – The rate applied to all sales to non-UC users of activities in order to recover the Indirect Costs related to the activity. Information for the Health Sciences (HS) Differential Income application can be found on the [UC San Diego HS Service Agreements webpage](#).
- F.** Direct Costs – costs that can be specifically identified with a SSEA and that can be directly assigned to such activities relatively easily and accurately.
- G.** External Users – Users who do not account for their transactions through the University's accounting systems (i.e., Recharge), including faculty, staff, students, and patients paying from their own personal funds.
- H.** Financial Review – a review that evaluates the financial viability of a proposed Recharge when proposing the Recharge function and cost recovery mechanism.
- I.** Functional Review – a review that evaluates the need for the services to ensure efficient utilization of department resources and proposal for completeness.
- J.** Indirect Costs – Costs of conducting business that cannot be identified readily and specifically with a particular activity.
- K.** Internal Users – Users who account for their transactions through the University's accounting systems via Recharge or other financial journals. Other UC campuses are considered Internal Users and should be charged the internal rate via intra-campus journals.
- L.** Labor Clearing Activities – An activity which redistributes personnel and related costs to multiple funding sources within a specific department in circumstances which otherwise would require complex, split-funded payroll transactions, using Recharge methodology. A typical Labor Clearing fund involves investigators and technicians whose effort from month to month directly benefits numerous contacts and grants in varying amounts. Labor Clearing funds must adhere to [University of California Office of the President \(UCOP\) Policy BFB A-47](#) and [UC San Diego Self-Supporting Activity Guidance](#).
- M.** Office with Final Approval – the office authorized to complete the final approval on the establishment or modification to a SSEA.
- N.** Other Income Producing Activities – Any Recharge or Other Income Producing Activity that cannot be classified as an Auxiliary Enterprise, Recharge Activity, or Labor Clearing activity. Examples include real property rental activities, royalty income activities, orientation programs, and departmental conference programs. Other Income Producing Activities must adhere to [UCOP Policy BFB A-47](#) and [UC San Diego Self-Supporting Activity Guidance](#).
- O.** Program Income - gross income earned by a grantee, a consortium participant, or a contractor under a grant that was directly generated by the grant-supported activity or earned as a result of the award.

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- P.** Recharge – a method of internal cost redistribution between campus units and departments providing and receiving goods and services.
- Q.** Recharge Activity – an activity that provided specific, ongoing, repetitive goods or services to campus units on a fee basis. Sales and services provided to an external entity are not achieved by the internal Recharge mechanism. Rather charges and revenue are processed by a billing invoice and a cash receipt or credit card transaction.
- R.** Recharge Advisory Committee – an advisory committee and may be appointed to address policy related issues, recommend resolution of any disputes, and/or help ensure consistent treatment and adequate oversight.
- S.** Sales and Service of Educational Activity (SSEA) – a self-supporting activity established for the primary purpose of providing goods and/or services to the University community for a fee. Activities not considered to be SSEAs are outlined in listed under the Scope section B.2. of this policy.
- T.** Service Agreement – Written legal contracts between the University and external sources containing terms and conditions under which goods and/or services are to be furnished by the University. Service Agreements are normally issued by approved Recharge activities for ongoing or continuous goods and/or services. Service Agreements can be issued by non-Recharge activities for one-time or occasional sales of goods and/or services.
- U.** Specialized Service Facilities (SSF) – a specific type of Recharge Activity defined in the Office of Management and Budget, [Uniform Guidance, section 200.468](#). Rates for SSFs incorporate all applicable costs including overhead. The establishment of such a facility requires coordination with the originating department, division's administrating offices, the Financial Analysis Office (FAO), and the Campus Budget Office (CBO).
- V.** User Committee – A committee that includes representatives of the largest users of the Recharge Activity plus the Recharge Activity's manager. Based on information obtained in the proposal, Recharge Activities with a budget of at least \$500,000 may require a User Committee to review and recommend approval of the developed rate structure proposed by the activity, as well as both the type and level of services being provided.

POLICY STATEMENT

A. Criteria for Establishing and Operating an SSEA

A University department may establish an SSEA for cost recovery of goods or services that cannot effectively be met by an alternative source or by a non-university provider. The Department must consider the following criteria when establishing an SSEA.

1. Goods and/or services will be provided on a regular and continuing basis to more than one department/unit/activity.
2. Separate costs and budgets can clearly be defined for these activities.
3. Rates can be stated in measurable units of goods or services.
4. Rates are developed to account for full cost recovery, including depreciation and net of any approved subsidy.
5. Rates are calculated on a breakeven financial basis.
6. Costs recovered in rates are allowable, reasonable, necessary, and consistently treated in accordance with University policy and procedures and government regulations.

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7. Rates do not discriminate for or against any university clients. Units may develop rates that take into consideration things such as high volume or less-demanding work; however, units must make these rates available to all clients who meet the specific criteria.
8. Approved rates are published or made readily available.

B. Capital Equipment.

Per [Uniform Guidance section 200.439](#), the cost of purchasing Capital Equipment, defined in [BFB BUS-29](#), cannot be charged directly to Recharge activities. Capital Equipment purchases must be funded from other sources, including equipment reserves, gift funds, or other unrestricted fund sources.

Capital Equipment shall be depreciated and the Depreciation expense included as a cost in the rate development. In certain circumstances, the recovery of Capital Equipment Depreciation in Recharge rates may be waived. The waiver can only be applied to the rate for UC customers and a rationale for the waiver must be provided as part of the proposal.

Exceptions to Capital Equipment Depreciation inclusion in rates are as follows:

1. Capital Equipment funded by the Federal government or is identified as cost sharing to a federal project.
2. Capital Equipment funded by an award under a private contract and the contract is not completed.

C. Subsidizing SSEAs.

At the discretion of the originating department and with the approval of the appropriate Control Point, SSEAs may be subsidized from funding sources other than the SSEA provided:

1. The subsidy does not discriminate between users; and
2. The amount, funding source, and purpose of all subsidies are disclosed in the rate proposal. More information on subsidies can be found in the [UC San Diego Self-Supporting Activity Guidance](#).

D. Sales to External Users.

SSEAs provided to External Users shall be related to the University's mission of teaching, research, or public service, and shall not impair services to Internal Users.

1. If services are provided to External Users, the unit must recover Indirect Costs by assessing the Differential Income (DI). Units may include a markup in excess of Direct and Indirect Costs if the full DI is already being assessed.
2. Activities involving federal contracts and grants collect Indirect Costs via the Facilities and Administrative (F&A) cost rates negotiated between UC San Diego and the Department of Health and Human Services.
3. External revenue generated by activities or programs not substantially related to the University's tax-exempt functions is considered unrelated business income and subject to federal income taxation. Examples include revenue from CALIT2 Nano and Campus Research Machine Shop. ([see policy BFB A-61: Unrelated Business Income and Expenses](#))

E. Program Income from SSEAs.

SSEAs receiving funding from external or sponsored sources might be considered as Program Income Activities. Program Income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the award.

Program Income includes, but is not limited to:

1. Income from fees for services performed
2. Charges for the use or rental of real property
3. Equipment or supplies acquired under the grant
4. The sale of commodities or items fabricated under an award
5. Charges for research resources
6. Registration fees for grant-supported conferences
7. License fees and royalties on patents and copyrights

F. SSEA Reserves.

SSEAs may establish and make provisions for certain types of reserves as defined in the University of California Accounting Manual or this policy guidance and procedures manual. Examples of some allowable reserves are to accumulate reserve funds for Capital Equipment renewal and replacement, and facility renovations or surplus external revenue. Any reserves in a SSEA must conform to applicable University policies and governmental regulations, and be documented in the Recharge proposal and accounted for according to procedures prescribed by the Controller's Office. Any reserves, set-asides, or transfers not in accordance with policies and regulations (e.g., those for contingencies or expansion) are unallowable.

G. SSEA Conflict Resolution.

Conflicts between the SSEA and its user(s) may arise in some circumstances, such as when an ideal service item is not clearly identifiable and measurable, or when the benefit received by the customer of the costs involved in production of the service item are not easily discernable. Resolution of such conflicts should be attempted by first approaching the department heads, then the appropriate Dean or Vice Chancellor. FAO is available for consultation throughout the conflict resolution process. If the conflict remains unresolved, it will be forwarded for review to the Recharge Advisory Committee.

H. SSEA Exceptions to Policy.

FAO and/or the Recharge Advisory Committee may grant exceptions to this policy, or to specific provisions of this policy when such an exception can be fully justified or is necessary based on an operational exigency or other institutional priority.

RESPONSIBILITIES

A. Originating Department – the unit implementing and managing the operations of the SSEA.

1. Develops the justification, rates, proposals, and budget for the SSEA.
2. Manages the activity to recover the full Direct Costs of providing the goods and services through an allowable, reasonable, identifiable rate to ensure the activity operates on a breakeven basis.
3. All revenues and expenses for the SSEA must be recorded at a minimum monthly, in sufficient detail, and in accordance with University accounting policy in an established chartstring, which is to be used exclusively for that activity.
4. Expenditures to revenue reconciliation must be performed at least annually to determine any necessary rate adjustments in accordance with the [UC San Diego Self-Supporting Activity Guidance](#). Every effort should be made to ensure the year-end surpluses or deficit does not exceed two months of the SSEA's annual expenditures. Significant surplus or deficit balances can be amortized over a period of several fiscal years with prior FAO approval, and projected year-end surplus or deficit balances must be included in subsequent year rate computations. Specific policy and procedures related to [UC San Diego's Fund Management \(Overdraft\) policy \(PPM 300-2\)](#).

5. Ensures that only the Recharge Activity's own revenues/Recharge income and expenses are recorded in the operating fund.
6. Submits all SSEA proposals and requests to cognizant Vice Chancellor's office for review and approval.
7. Maintains current rate information in the accounting system.
8. Records and maintains Capital Equipment in the asset management system that include depreciation of capital assets per [University policy PPM 522-1](#).
9. Performs annual Capital Equipment Depreciation and Differential Income transfers, as specified in the [UC San Diego Self-Supporting Activity Guidance](#).
10. Bills customers for services performed on a monthly basis or other approved schedule in accordance with the [UC San Diego Self-Supporting Activity Guidance](#), and maintains records to substantiate Recharge and other billing transactions, including requisitions, purchase orders, or similar written verification of individual user requests for goods or services.
11. Responsible for the resolution of comments, questions, and objections to proposal and annual review.
12. Maintains original documentation related to the establishment, modification, or termination of Recharge activities.

B. Cognizant Department Chair or Administrative Unit Head

1. Endorses the proposal from Originating Department .
2. Forwards proposal to the Cognizant Vice Chancellor's Office..
3. Reviews and endorses requests for Capital Equipment Depreciation waivers, Differential Income waivers and Differential Income exemptions.
4. Forwards requests for Capital Equipment Depreciation, Differential Income waivers and Differential Income exemptions to the cognizant Vice Chancellor.
5. Responsible for the business management functions, such as budget control and the receipt, custody, and disbursement of revenues, accounting and financial reporting; and procurement of supplies, equipment, and services.
6. Responsible for any unfunded deficits of the activity.
7. Participate in resolution of comments, questions, and objections to proposal and annual review.

C. Cognizant Vice Chancellor's Office (Control Point)

1. Ensures proposed and existing SSEA conform to all University policies and regulations.
2. Performs Functional Review and, based on [SSEA Review Matrix](#), endorses or approves proposals for both new rates and modifications to existing rates for SSEA.
3. Reviews and endorses requests for Capital Equipment Depreciation waivers, and Differential Income exemptions.
4. Review and final approve Differential Income waivers.
5. Maintains documentation related to the establishment, modification, or termination of SSEA under their purview.

6. Recommends a representative to serve on the SSEA or Recharge Advisory Committee.
7. Responsible for any unfunded deficits of the activity.

D. General Accounting (GA)

1. Based on [SSEA Review Matrix](#), performs Financial Review and approves or forwards proposals for both new rates and modifications to existing rates for SSEA to FAO.
2. Reviews and endorses requests for Capital Equipment Depreciation waivers, and Differential Income exemptions.
3. Establishes and maintains Chart of Accounts (CoA) and other necessary General Accounting elements.
4. Ascertains whether activities are subject to unrelated business income tax and if applicable, submit financial worksheets to UCOP for inclusion in the consolidated income tax return.
5. Reviews annual Capital Equipment Depreciation and Differential Income transfers, as specified in the [UC San Diego Self-Supporting Activity Guidance](#).
6. Reserves the right to perform reviews of any SSEA, regardless of the review schedule, to ensure the activity complies with the policies and procedures associated with SSEA.

E. Financial Analysis Office (FAO)

1. Owns and maintains this policy [UC San Diego PPM 300-87](#).
2. Based on [SSEA Review Matrix](#), performs Compliance Review and approves proposals for establishing and modifying SSEA rates.
3. Participates in resolution of comments, questions and objections relating to SSEA proposal.
4. Reviews and approves requests for Capital Equipment Depreciation waivers, and Differential Income exemptions.
5. Maintains a schedule of SSEA, review periods, website, and training resources for Recharge activities.
6. Completes annual review of SSEAs' annual surplus and deficit balances, and expense and revenue transactions.
7. Prepares and distributes an annual monitoring report summary to department managers and Vice Chancellor Office's comparing existing Recharge activities with approval status and various transactions recorded in the General Ledger (e.g., Depreciation transfers, surplus/deficit balances, unallowable expenses, percent of federal funds Recharged, etc.)
8. Provides recommendations and requests to the Controller on SSEAs, including Service Agreements, and exceptions to policy.
9. Provides policy interpretations and guidance for individuals/units responsible for preparing Recharge proposals.
10. Coordinates and consults, as necessary, with the Recharge Advisory Committee and/or Campus Budget Office for campus input and recommendations on policy, procedures, waivers, exceptions, rate approvals, and retirement of activities.
11. Reserves the right to perform reviews of any SSEA, regardless of the review schedule, to ensure the activity complies with the policies and procedures associated with Recharge activities.

F. Recharge Advisory Committee

1. Upon request, may perform a User Committee review and endorses proposals for both new rates and modifications to existing rates for SSEA.
2. Acts as an advisory committee, and be appointed to address policy related issues, recommend resolution of any disputes, and/or help ensure consistent treatment and adequate oversight.

G. Campus Budget Office (CBO)

1. Collaborates and makes recommendations with Business and Financial Services – Financial Analysis Office (BFS-FAO) on Differential Income (DI) exceptions to policy requests.

H. BFS Assistant Vice Chancellor/Controller

1. Designated as the UC San Diego final approver for all SSEA requests.
2. Delegates SSEA final approver responsibilities to the Financial Analysis Office.
3. Reserves the right to act as the final approver for all SSEA requests, to ensure the activity complies with the policies and procedures associated with Recharge activities.
4. Upon request, participates in the review and approval of all exceptions to policy (Capital Equipment Depreciation, Differential Income, etc.), SSEAs rates, and Service Agreements.

I. Vice Chancellor Chief Financial Officer

1. Provides final approval of administrative overhead recovery exceptions.
2. Delegates SSEA administrative overhead recovery exceptions final approver responsibilities to the BFS Assistant Vice Chancellor/Controller.
3. Reserves the right to act as the final approver for administrative overhead recovery exceptions.

PROCEDURES

UC San Diego SSEA procedures are detailed in the [Self-Supporting Activity Guidance on Blink](#). The guidance provides information, guidelines, and resources related but not limited to establishing a new rate, modifications to rates, closing SSEAs, and managing SSEAs. Blink provides SSEA/recharge administrators with the information and resources needed to support this policy and operate Self-Supporting Activities in compliance with current UC, UC San Diego institutional and federal policies.

FORMS

Proposal templates and materials are available on the Blink Self-Supporting page at:

<https://blink.ucsd.edu/finance/accounting/SSA/index.html>

RELATED INFORMATION

A. University of California Office of the President Business and Finance Bulletins:

1. [BFB A-47: Direct Costing Procedures](#)
2. [BFB A-56: Academic Support Unit Costing and Billing Guidelines](#)

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3. [BFB A-59: Costing and Working Capital for Auxiliary and Service Enterprises](#)
4. [BFB A-61: Unrelated Business Income and Expenses](#)

B. UC San Diego Policy and Procedure Manuals and Other Resources:

1. [UC San Diego PPM 300-2 Funds Management \(Overdraft\) Policy](#)
2. [UC San Diego PPM 522-1 Property Inventory Control System Operating Procedures](#)
3. [UC San Diego Health Sciences Service Agreements](#)

C. [Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

D. [National Center for Research Resources, Cost Analysis and Rate Setting Manual for Animal Research Facilities](#)

E. [OMB Uniform Guidance Section 200.307 Program Income](#)

F. [OMB Uniform Guidance Section 200.468 Specialized Service Facilities](#)

G. [OMB Uniform Guidance section 200.439 Equipment and Other Capital Expenditures](#)

H. [Cost Accounting Standards \(CAS\) & Disclosure Statement \(DS-2\)](#)

FREQUENTLY ASKED QUESTIONS (FAQ'S)

- A. Additional information and materials are available on blink at: [UC San Diego Self-Supporting Activity Guidance](#).
- B. Additional questions can be directed to Recharge@ucsd.edu or the Financial Analysis Office.

REVISION HISTORY

2019/07/12 This new policy was drafted to provide guidance to campus departments regarding self-supporting activities.



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SSEA REVIEW MATRIX

Review Matrix		
Annual Expenses	Annual Federal Billings	
	<15%	>15% or >\$250,000
<\$500,000	Low *	Medium
>\$500,000	Medium	High

Maximum Approval Periods		
Annual Expenses	Annual Federal Billings	
	<15%	>15% or >\$250,000
<\$500,000	5 years	2-3 years
>\$500,000	2-3 years	1-2 Years **

Review Requirements	
Risk	Review(s)
Low *	Functional Review w/Compliance Supplement
Medium	Functional w/Compliance Supp. & Financial Review
High	Functional, Financial, and Compliance Review

* This category includes rate modifications within budget planning guidelines for activities in compliance.

** 2 year approvals may be granted to high risk activities that meet compliance standards