



University of California
San Francisco

Recharge Basics

January 10, 2019

Presented by Recharge Review, Budget & Resource Management

Course objectives

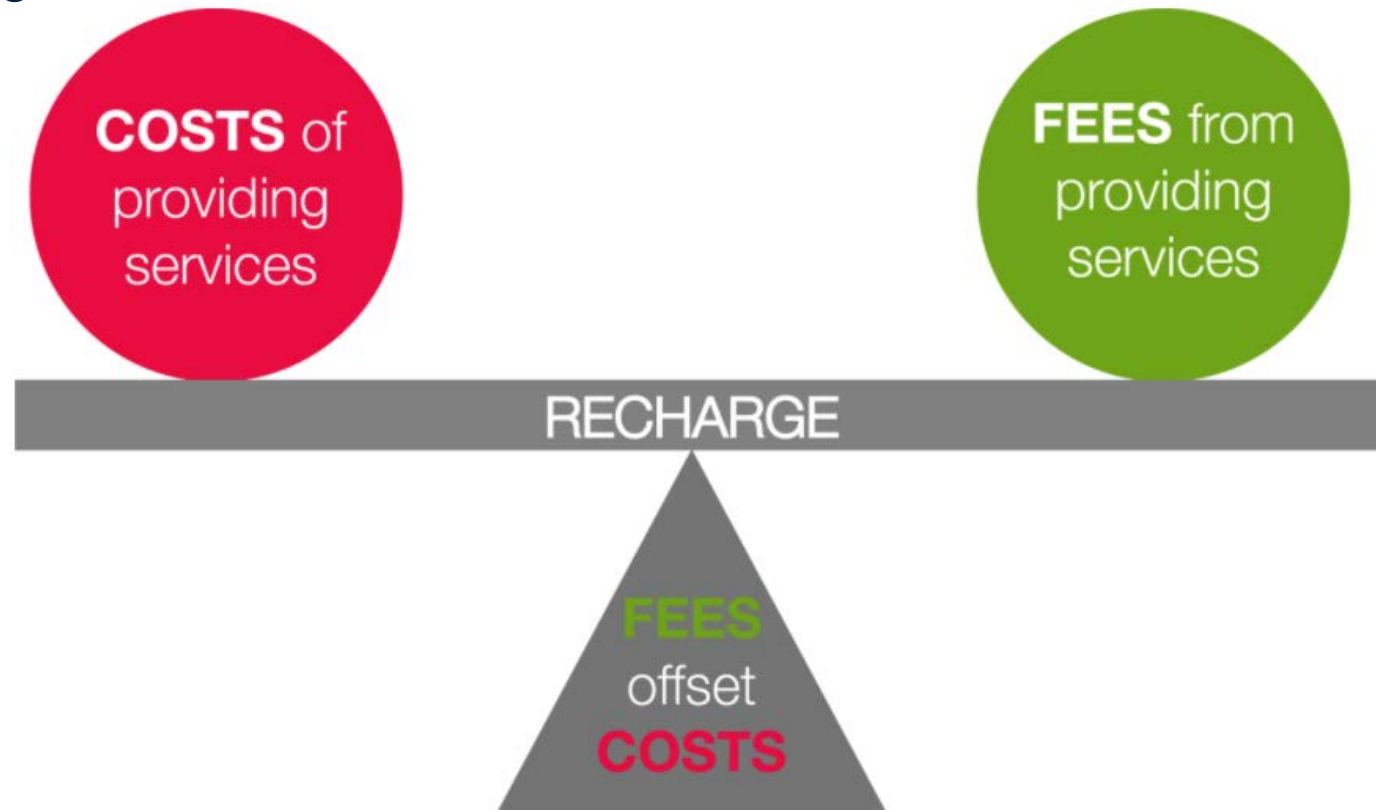
- Understand basic recharge concepts and the policies governing recharge activities
- Develop recharge rates in accordance with campus policy
- Prepare new and renewal recharge proposals
- Understand the annual recharge review and approval process at UCSF
- Understand the guidelines and requirements necessary to successfully manage your recharge activity
- Discontinue a recharge activity

UCSF's Recharge Review Unit is part of Budget & Resource Management and has three staff members dedicated to reviewing and approving rate proposals for the campus



What is a Recharge?

A recharge is an internal charging mechanism where the costs of providing products or services are recovered by charging fees based on an approved recharge rate

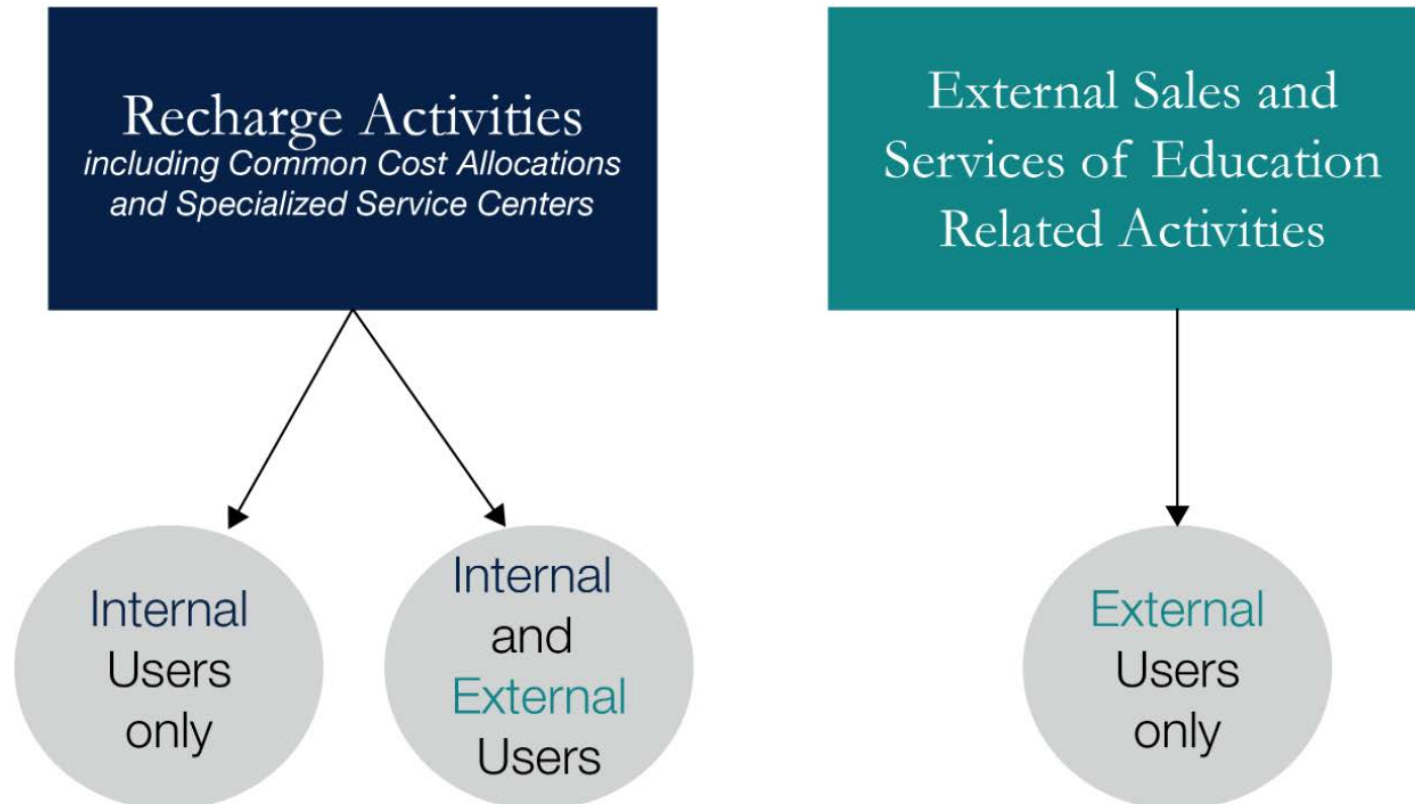


Recharges are NOT

- A way to generate unrestricted income
- A way to recoup unallowable or indirect costs from Federal Funds
- A method to recoup the cost of conducting courses, seminars, meetings, etc.

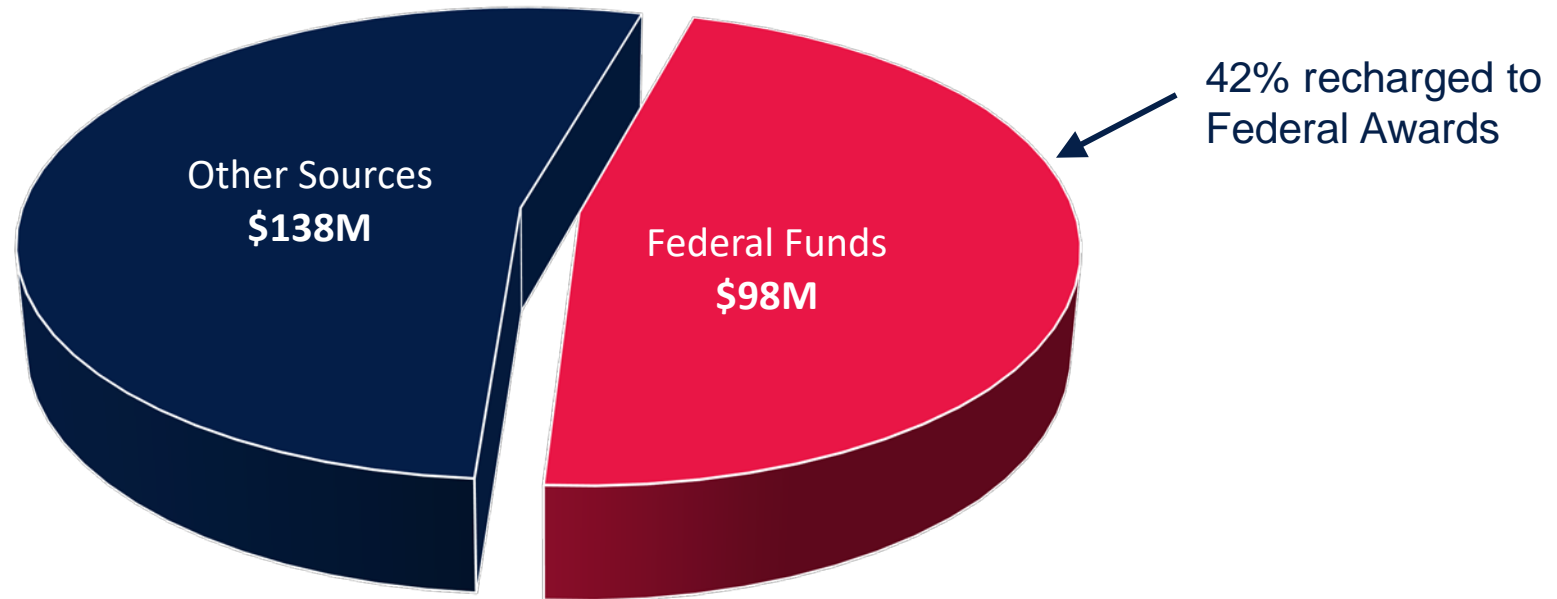
What are Sales and Service Centers (SSC)?

A Sales and Service Center (SSC) is a university unit created for the primary purpose of providing products and/or services to **internal** university users and/or **external** entities in support of the university's education, research and public service mission



Why are recharges important?

UCSF operates **199 Recharge Activities** with a total annual budget of **\$236 million**



You should establish a recharge activity if:

- The **service** is related to the **mission** of UCSF
- A demonstrated **need** for the particular services exists by more than one University department
- There will be **significant** volume of recharging, both in dollar amounts and in the number of transactions
- The service will be provided on a **regular** and **ongoing** basis
- The service is **unique** or **specialized**, as opposed to general administration or other institutional support services

Note: The service should not compete with external commercial sources offering the same service

Policies related to recharge activities

UCSF uses recharges to recover **allowable direct costs for services** performed from all users of the recharge services and must comply with:

- **Federal Policies**

- External Costing Regulations

- **University of California (UC) System Wide Policies**

- University-wide Business and Finance Bulletins

- **UCSF Policies**

- Administrative Policy Guide (APG)



Federal policies affecting recharge activities



2 CFR Chapter II, Part 200, et. al. Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards

- Services are charged based on actual usage of services and a schedule of rates
- Methodology to calculate rates does not discriminate between activities under Federal awards and other activities of the non-Federal entity
- Rates are designed to recover only the aggregate costs of the services, which include direct costs and the allocable share of Facilities and Administration (F&A) costs
- Rates shall be adjusted at least biennially and shall take into consideration over/under applied costs of the previous period(s)
- Regulations require a physical inventory of equipment at least once every two years

Federal policies affecting recharge activities (continued)



- **Financial Accounting Standards Board statement 13 (FASB 13)**, defines Accounting and Reporting for Leases and Installment Purchase Contracts:
 - Procedure for accounting for equipment purchased under a **capital lease** (>\$100,000)
 - Depreciation and interest are allowable costs on the recharge
 - Actual lease payment is not allowable (unlike operating leases)
 - Accounting for **operating leases** and amortization of “free rent” on facilities rentals over the life of the lease

University-wide Business and Finance Bulletins (BFB) affecting recharge activities



UC Accounting Manual

- **UC BFB A-47, University Direct Costing Procedures, References, Introduction** establishes:
 - Procedures for direct costing, including recharges
 - Definition for recharges
 - Recharge proposals to be reviewed in accordance to locally established campus procedures
 - Year-end surpluses or deficits are not to exceed one month of the recharging unit's activity



University-wide policies affecting recharge activities (continued)

UC Accounting Manual

- **UC BFB A-56, Academic Support Unit Costing and Billing Guidelines** establishes:
 - Guidelines for the costs of goods and services which are to be recharged to extramural and University fund activities by academic support units
 - Any inventoriable equipment assigned to the activity other than that furnished by the Federal government shall be depreciated
 - A separate rate shall be established for each class of goods or services provided and be stated in measurable units

University-wide policies affecting recharge activities (continued)



UC Accounting Manual

- **UC BFB BUS-72, Establishment of Auxiliary Enterprises** states:
 - Auxiliary enterprises are 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
 - The general public may be served only incidentally by these enterprises
 - Auxiliary enterprises bear all direct costs and a share of their own indirect costs, such as utilities, custodial services, and other maintenance and business services
- **UC BFB A-59, Costing and Working Capital for Auxiliary and Service Enterprises**
 - Prescribes the costs and the related procedures for setting prices and obtaining working capital

UCSF policies affecting recharge activities

Administrative Policy Guide

- **APG 250-11, Sales and Service Center(s) – Recharges, External Sales & Services of Education Related Activities & Common Cost Allocations** establishes:
 - Regulations and a methodology for recovery of costs of products or services provided by a recharge unit
 - Review and approval process for recharge rate proposals
 - Costing guidelines
 - Surplus and deficit monitoring requirements
 - Rates should be based on full cost recovery
 - Accounting and billing procedures

Federal Cost Accounting Standards establish principles for the allowability of costs included in the recharge rates as:

- **Reasonable**

- Costs are necessary for recharge operation and realistically reflect the benefit provided

- **Identifiable**

- Costs can be identified specifically with the recharge products, services, or administration

- **Consistently treated**

- Costs incurred for the same purpose, in like circumstances, must be treated as either direct or indirect costs

- **Allocable**

- A cost is allocable as a direct cost if the benefit received is identifiable with the goods and services provided

Allowable and unallowable costs include but are not limited to:

Allowable Costs

- Salaries, wages, fringe benefits
- Supplies
- Contract Services
- Equipment depreciation
- Other directly assigned costs associated with providing the service or product
- Directly assigned or allocated expenses of recharge administration
- Services
- Working Capital (up to two months of operating expenses)

Unallowable Costs

- Alcoholic Beverages
- Entertainment
- Memberships, except for professional organizations
- Advertising (with some exceptions)
- Bad debts and related legal expenses
- Fines and penalties
- Short-Term Investment Pool (STIP)
- Fundraising expenses and lobbying costs
- Legal settlement costs
- Charitable contributions

Which of the following are allowable on recharge proposals?

- Administrative Assistant - reconciles recharge ledgers YES
- Research Associate - analyzes samples that are billed through recharge activity YES
- Liquid Nitrogen Freezer Purchase - freezer is used by above Research Associate for lab specimen storage NO
- Depreciation on Liquid Nitrogen Freezer YES
- Photocopies - analysis results for Principal Investigator YES
- Photocopies - recharge ledger YES
- Department staff meeting food and beverages NO
- Merit increase YES
- Employee recognition awards NO
- STIP expense NO

Unallowable costs on recharge activities can be identified by account code

- 51321 - Spon proj equip >\$5K and above
- 52310 - Dietary (food)
- 52315 - Furniture
- 52601 - Computers \$5K and above
- 52602 - Software \$5K and above
- 55601 - Legal-general ops/advice
- 55602 - Legal-litigation/debt collect
- 55603 - Legal-fines and penalties
- 57001 - Telephone - lines/equipment
- 57025 - Telephone - cellular
- 57055 - Mail sorting/mail delivery
- 57200 - Business meetings excl alcohol
- 57250 - Social activ /entmt/alcohol
- 57251 - Social/civic membership & subscr
- 57253 - Travel fundr, lobby, alumni
- 57501 - Cap lease principal-computer
- 57503 - Cap lease principal non-comp
- 57802 - Parking permits/space
- 57843 - Donations/contributions
- 57835 - Advert-sales/public relations
- 57808 - ID card expenses
- 57851 - Employee recog/award/bearhugs
- 58510 - Interest expense - other

Direct charges for costs that have been included in the Facilities and Administration (F&A) cost pool are unallowable costs to federal customers

F&A Cost examples

Administration

- Central administration
- General Accounting
- Personnel Office
- Departmental Administration
- Payroll office
- Affirmative action monitoring
- College administration
- Grant and contract accounting
- Purchasing office
- Computer facilities (administration)
- Advertising costs (for personnel)
- Selected subscriptions

Facilities

- Bond interest related to buildings
- Lease costs
- Library services
- Environmental health and safety
- Maintenance/operations
- Risk management
- Transportation costs
- Building depreciation
- Equipment depreciation
- Custodial services
- Utilities
- Mailing costs (routine)
- Security (campus police)

Departments acquiring newly leased space must pay for the full cost of institutional support services including but not limited to:

- Information Technology
- Transportation
- Facilities
- Security

Expenses for such services that are allowable under 2 CFR Chapter II, Part 200 et. al. Uniform Guidance can be direct charged against grants and contracts, since leased space is generally assigned the off-campus **Facilities and Administration (F&A) Costs Rate.**

Equipment depreciation

Equipment purchases **cannot** be directly charged to a Recharge Activity

- However, depreciation of inventorable equipment, capitalized software, and facilities renovation for leasehold improvements directly related to a Recharge Activity may be included
- Annual depreciation is calculated on a straight line basis using the full cost and the useful life

Equipment depreciation (continued)

To determine the useful life:

- For **equipment**, complete the following steps:
 - Find the Profile ID by running the Asset Management Report for the 9-digit Asset Tag Number from MyReports
 - Look up the useful life in the **UCOP Useful Life Indices for Equipment Depreciation** under the EQ Code Sequence Index listings by EQ code groupings
- For **capitalized software**:
 - Refer to **UCOP Accounting Manual: Plant Accounting Investment in Plant-Depreciation P-415-3.1**
- For **leasehold improvements**:
 - Use the length of the lease as the basis

Equipment depreciation calculation

Calculate the annual equipment depreciation on a straight line basis using the **full cost** and the **useful life**

Microscope purchased at a full cost of:	\$25,000
Useful Life:	8 years
Annual Depreciation:	\$ 3,125

Include annual **equipment depreciation expense** in the total costs for recharge rate calculation

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 5,000
Maintenance Contract	\$ 5,000
Equipment Depreciation	\$ 3,125
Total Costs	\$ 23,525

Transfer to
reserve
fund
annually

Equipment depreciation (cont'd)

- Equipment depreciation costs are **not** allowed on a recharge if:
 - All or part of the equipment cost was paid by the federal government
 - Equipment was purchased during or before 2013-14 and was not previously depreciated on a recharge (in this case, it is already included in campus Facilities and Administration (F&A) Costs rate)
- Equipment depreciation must be moved from the recharge fund to the recharge equipment reserve fund on an annual basis, at minimum

Products or services provided by Recharge Activities must have Service Units that are the basis for charging customers

- A reasonable **Service Unit** might be based on:
 - Volume
 - Labor
 - Proportional Distribution, or
 - A combination of some or all of the above
- **Service Units** should be identifiable and measurable
 - Product examples: each, per dozen, per gram
 - Service examples: per hour of machine time, per labor hour, per test, per square foot

A Recharge Rate is a price per unit calculated based on the total Allowable Costs and the number of Service Units

Basic Rate Calculation Methodology

$$\frac{\$ \text{ Planned Cost of Providing Products/Services}}{\# \text{ Planned Number of Service Units to be Provided}} = \text{Recharge Rate per unit}$$

Note: A rate may be a formula rather than a price. For example:

“(Actual monthly expense / total assigned square footage) x user’s assigned square footage”

Basic rate calculation

Microscope Recharge Cost Pool

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Total Cost	\$ 23,525
Projected Volume (# of slides)	500
Base Rate per Slide	\$ 47.05

Basic rate methodology including allocation of joint costs

Description	Product A	Product B	Recharge Admin.	Total Budget
Salaries and Benefits	\$2,500	\$3,500	\$ 2,000	\$ 8,000
Non-Salary Expense	\$ 500	\$1,000	\$ 500	\$ 2,000
Subtotal	\$3,000	\$4,500	\$ 2,500	\$ 10,000
# of Service Units	150	100		250
Recharge Administration Allocation Percentage¹	60%	40%		100%
Recharge Administration Allocation	\$1,500	\$1,000	\$ (2,500)	
Total Products Cost	\$4,500	\$5,500	\$ -	\$ 10,000
Cost per Unit (Recharge Rate)	\$ 30	\$ 55	Total Product Costs = Total Revenue	
Total Revenue (Recharge Rate x # of Service Units)	\$4,500	\$5,500		

¹Recharge Administration Allocation Percentage is calculated based on the proportion of each product's volume to the total of both products' volume.

A change in rate methodology occurs when:

- A **unit of service** used to calculate the rate **is changed** to a different unit of service
 - For example: The service unit that was based on volume representing a per unit rate changed to a service unit based on labor representing a per hour rate
- There is a **change in the way the joint or overhead costs are allocated** among the various service items or products within a recharge
 - For example: The overhead cost allocation that was distributed based on FTE counts changed to an allocation based on assignable square footage

When the rate calculation is based on a per hour labor service unit the rate per hour should only reflect the employee's billable time

Example:

Standard FTE annual working hours:	2,088
Deduct unbillable hours:	
Vacation Leave:	(120)
Sick Leave:	(96)
Holiday Leave:	(104)
Administrative Time (average)	(48)
<u>Total Unbillable Hours:</u>	<u>(368)</u>
Billable Hours:	1,720

Hourly rates should be calculated based on annual billable hours

Microscope Cost Pool:

Salary (20% FTE)	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Total Cost	\$ 23,525

Billable Hours Calculation:

Title	Annual Hours	Less Vacation	Less Sick	Less Holiday	Less Admin Time	Total Billable Hours	% FTE to Recharge	Total Billable Hours to Recharge
SRA I	2,088	(120)	(96)	(104)	(48)	1,720	20%	344

Rate Methodology:

Total Expenses / Billable Hours = Rate per Hour

Rate Calculation:

\$ 23,525 / 344 hours = \$ 68.39 per hour

Recharges to external users must include the applicable Facilities and Administration (F&A) Rate

- The F&A rate for recharges is the **Service Center Rate (26%)** which is applied as a mark-up to internal (cost-based) rates
- **If the recharge is a program income activity**, the F&A rate on the associated sponsored project is charged instead of the service center rate per the [Accounting for Program Income job aid](#) on the Controller's Office website

External rate calculation

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Total Cost	\$ 23,525
Projected Volume (# of slides)	500
Base (Internal) Rate per Slide	\$ 47.05
26% F&A	\$ 12.23
External Rate per Slide	\$ 59.28

Recharge Activities are assigned F&A Base Code "L" which calculates/charges F&A on all revenue excluding specific exempt revenue accounts

The F&A rate collected from external users is automatically transferred in the GL system to a fund under the Chancellor's control

- **Account 42105** (Educational-product/svc sales) has been designated to record external revenue from *non-exempt* users
- The indirect cost component of revenue deposited into **Account 42105** will be **automatically calculated** and charged to the recharge chartstring as an expense recovery in **Account 51401**

In some cases waivers of indirect cost recovery may be granted to units in accordance with BFB A-56

- Examples where a waiver may be approved include recharge activities which are:
 - primarily for instructional support and recharges to federal funds do not exceed 15% of total recharge revenue
 - for patient care services
- Waiver requests must be made in writing and directed to Recharge Review
- External revenue from ***exempt or waived users*** should be deposited into **Account 42106** (Educat-product/svc-F&A waived) and revenue deposited into this account will not be assessed indirect cost recovery

F&A Rate assessment for exempt and non-exempt revenue

Approved Rates

Internal Rate	\$47.05
26% Service Center Rate	\$12.23
External Rate	\$59.28

Account	External User	External User (with an approved waiver to collect indirect costs)
Revenue		
42105 - Educational-product/svc sales	\$59.28	
42106 - Educat-product/svc-F&A waived		\$47.05
Expense		
51401 - F&A indirect cost recovery (20.6% Indirect Cost Base)	\$12.23	
Net Revenue (revenue minus expense)	\$47.05	\$47.05

- The 26% Service Center Rate is automatically calculated and transferred to the Chancellor's fund by applying 20.6% Indirect Cost Base percentage to non-exempt revenue
- **Do not include** projected **Indirect Cost Recovery** in the recharge plan

Unlike internal users, recharge activities may charge a rate in excess of full direct costs to external users

Surplus Revenue may be:

- Retained on the recharge fund as an offset to expenses
- Transferred to the associated Renewal and Replacement Reserve Fund (5500) to be used to make capital purchases to support the recharge activity
- Transferred to a Surplus Revenue Reserve project associated with the recharge to be used in a manner that supports the recharge activity

Calculation of external recharge rate including surplus revenue

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Total Cost	\$ 23,525
Projected Volume (# of slides)	500
Base (Internal) Rate per Slide	\$ 47.05
Surplus Revenue per Slide	\$ 2.95
Subtotal (Base Rate plus Surplus Revenue)	\$ 50.00
26% F&A	\$ 13.00
External Rate per Slide	\$ 63.00

Recharge activities receiving revenue from external clients must execute a formal agreement with each client

- Departments need to work with the **UCSF Government and Business Contracts (GBC) Division of the Office of Sponsored Research** to execute the agreements

Significant external revenue from recharges not substantially related to the University's tax-exempt functions may be subject to federal Unrelated Business Income Tax (UBIT) reporting

- This most often applies to Auxiliary Services such as Housing, Child Care, Transportation, etc.
- Departments should complete the UBIT questionnaire and submit it to the Controller's Office to determine if **UBIT** applies (<http://controller.ucsf.edu/>)

Surpluses and Deficits are common in any one fiscal year

The goal is to have recharge activities that operate close to **break-even**

Net Position	Surplus	Deficit
Occurs when:	actual revenues are more than actual costs of providing service units	actual revenues are less than actual costs of providing service units
When included in the following year's rate computation:	will reduce the following year's cost pool and, therefore, the rate	will increase the following year's cost pool and, therefore, the rate

- A **surplus** or **deficit** may be amortized over a 2 or 3 year period to lessen the impact on the following year's rates
- **Surpluses** or **deficits** from one product or service **may not** be used to offset deficits from another
- **Surpluses may not** be transferred out of a recharge activity without prior approval

Recharge activities may budget up to two months of expense into the rate calculation for Working Capital

- Creates a **surplus** or reserves an existing **surplus**
- Helps to prevent STIP (Short-Term Investment Pool) expense
- Is redistributed to users when the recharge is discontinued

Including working capital in the rate calculation

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Subtotal	\$ 23,525

Working Capital (12%)	\$ 2,823
Total Cost	\$ 26,348
Projected Volume (# of slides)	500
Rate per Slide	\$ 52.70

Recharge activities may be subsidized from other funding sources and may be applied in the following ways:

Non-Federal Subsidies

Billing Subsidy

General Subsidy

Subsidy for Specifically Identified Expenses

Federal Subsidies

Billing Subsidy
(No Program Income)

Recharge with Federal Subsidy
(Subvention)
(Program Income)

Subsidies

- All users must be charged the same rate whether paid for directly by the user or from another funding source used as a subsidy
- The amount, funding source, and purpose of all subsidies must be clearly identified in the recharge proposal

Subsidized rate calculation – general subsidy

The recharge activity's budget is reduced to reflect the subsidy amount

Cost pool and Base Rate per Slide Calculation

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Total Cost	\$ 23,525
Projected Volume (# of slides)	500
Base Rate per Slide	\$ 47.05

Subsidize total expenses to compute the Subsidized Rate per Slide

Total Cost	\$ 23,525
Subsidy	\$ (8,525)
Adjusted Total Cost	\$ 15,000
Projected Volume (# of slides)	500
Subsidized Rate per slide	\$ 30.00

Subsidized rate calculation – billing subsidy

The recharge activity's billing rate is subsidized by a federal fund source for federal users only

Cost pool and Base Rate per Slide Calculation

Salary	\$ 8,000
Benefits	\$ 2,400
Non-Salary Expense	\$ 10,000
Equipment Depreciation	\$ 3,125
Total Cost	\$ 23,525
Projected Volume (# of slides)	500
Base Rate per Slide	\$ 47.05

Per Slide Billing Subsidy Application for Federal Users

The full rate is billed, but a portion of the rate is charged to the user and a portion is charged to the subsidy.

Federal User Chartstring	\$ 30.00
Subsidy Charstring	\$ 17.05
Total Rate	\$ 47.05

Recharge proposals received for review are classified in three ways:

Type of Activity

- Identifiable goods or services
- Common Cost Allocation*
- Central campus administration
- Auxiliary enterprise

Type of Review and Approval

- New recharge activities - annual or multi-year approvals
- Renewal - annual or multi-year approvals
- Discontinuation
- Transfer of ownership
- Permanent approval
- Rate change

Institutional Risk Category Assessment Criteria

- Percent of federal fund participation
- Annual recharge activity budget

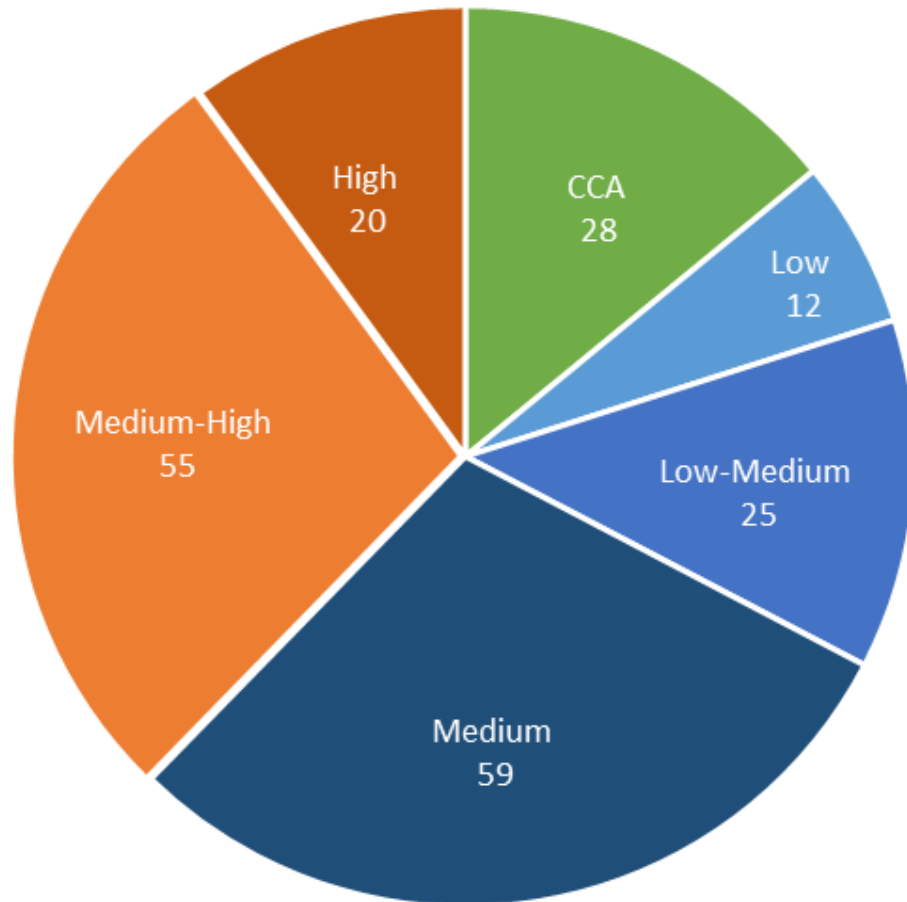
* **Common Cost Allocations** are reviewed and permanently approved based on appropriateness of the applied rate methodology, regardless of budget and/or Federal Participation, assuming no changes in the rate methodology.

Institutional risk categorization

With the exception of common cost allocations, new and renewal proposals will be categorized based on the following risk assessment criteria:

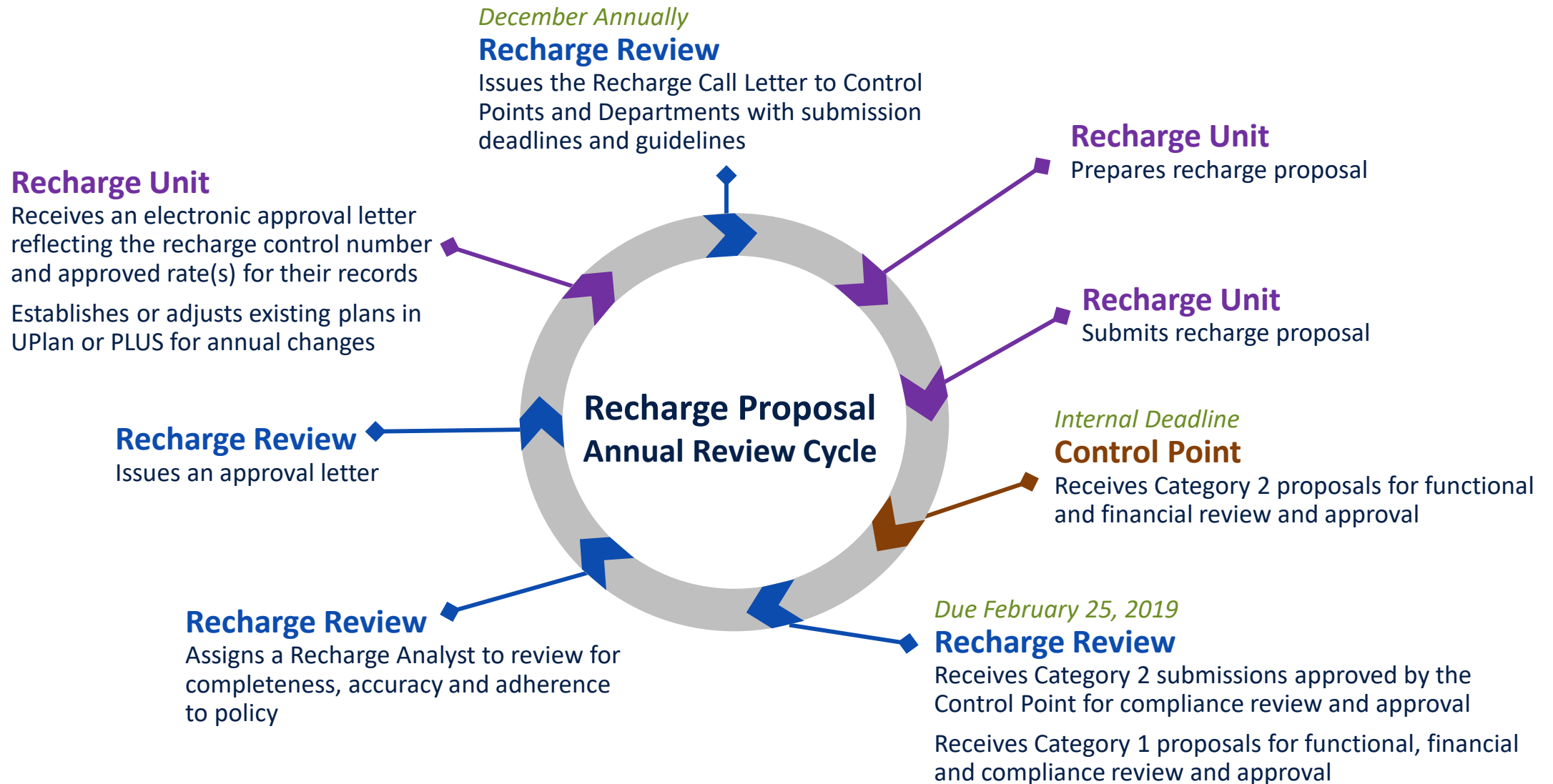
Dollar Value (Total Annual Plan)		Federal Participation (%)			Recharge Risk Category
<u>Planned Adjusted Expense Range</u>		0%	> 0% to < 50%	50% or higher	
Annual Plan (\$)	< or = \$100,000	Low	Low-Medium	Medium	CATEGORY 1
	> \$100,000 and < \$500,000	Low-Medium	Medium	Medium-High	CATEGORY 2
	> or = \$500,000	Medium-High	Medium-High	High	

The majority of recharge activities at UCSF fall under Category 1, but Category 2 activities represent 93% of the total annual recharge plan



Risk Level	Risk Category	Count	Annual Plan (in millions)	% Plan
■ CCA	Common Cost Allocations	28	\$2.8	1.2%
■ Low	Category 1	97	\$12.8	5.4%
■ Low-Medium				
■ Medium				
■ Medium-High	Category 2	74	\$220.2	93.4%
■ High				

Recharge proposal annual review cycle



The Base Year Approval Model allows new rates to be reviewed and approved before old rates expire

Base Year (2017-18)

Most recently completed fiscal year

Preparation Year (2018-19)

Rate proposals:

- Developed using base year financial information
- Reviewed and action is taken
- Rates published in a timely manner for all users

Implementation Year (2019-20)

New rates take effect at the start of the fiscal year

The Recharge Review and Approval Process consists of 3 types of reviews:

Functional Review

Evaluates the need for the services provided by a proposed recharge activity and the relevance to the department or organization's strategic objectives and priorities to ensure efficient utilization of department resources.

Financial Review

Evaluates the financial viability of a proposed recharge to assess that the right equipment, personnel, funding, target users, product/service unit measures, rate methodology, rate, administration, and service/product have been included when proposing the recharge function and cost recovery mechanism.

Compliance Review

Validates that both the recharge activity and the method by which the entity aims to recover costs for that recharge activity are compliant with both University of California and Federal policies, regulations, and requirements.

- **Category 1** proposals are submitted directly to **Recharge Review** for **Functional**, **Financial** and **Compliance** reviews and the Control Point is copied on the submission
- **Category 2** proposals are submitted directly to the **Control Point** for **Functional** and **Financial** reviews and then forwarded by the Control Point to Recharge Review for **Compliance** review and final approval

The Risk Level determines the type of Recharge Review and Length of Approval

	Risk Level	Reviewer(s)	Approval Duration
Category 1	Common Cost Allocations/ Low	Recharge Review	Permanent
	Low-Medium	Recharge Review	5 Years
	Medium	Recharge Review	3 Years
Category 2	Medium-High	Control Point and Recharge Review	2 Years
	High	Control Point and Recharge Review	1-2 Years

Note:

If there is a change in the approved rate methodology or risk level (due to an increase in plan or federal participation) during the approved period, a recharge proposal submission is required.

Recharge Exercise

[Preparing a New Recharge Proposal](#)

Forecasting, Trending and Financial Projections

The purpose of a **Financial Projection** is to show that the recharge activity is capable of realizing enough revenue to cover its costs

- Accuracy of projections of future costs depends on the assumptions used to make projections such as
 - Knowledge of activity, including historical performance and potential future environment
 - Staffing requirements and non-salary expense considerations such as supplies, services and equipment depreciation
- Projections must be clearly stated and documented, and **justification** should be provided for **reasonableness** of assumptions

Recharge Exercise

[Preparing a Renewal Recharge Proposal](#)

Management Requirements for Recharge Units

- Obtain recharge proposal preparation and management training
- Submit recharge proposals to Control Point or Recharge Review
- Work collaboratively with reviewers to obtain approval in a timely manner
- Adjust recharge forecast and plan in UPlan or PLUS after Recharge Review issues an approval letter
- Reconcile financial status on a periodic basis to prevent significant over/under recovery of costs
- Address project deficits and surpluses as needed
- Adjust rates to reflect increases/decreases in operating costs or volume
- Prepare monthly recharge journals
- Transfer planned depreciation to reserve fund annually, at minimum
- Provide an updated depreciation schedule to Recharge Review any time there is a change in capital equipment

All units that perform recharge activities are tracked using a specific Recharge Project in PeopleSoft

- The specific Recharge Project is used to ***uniquely identify each distinct recharge activity***
- Generally, the Recharge Project is used to match all *expenses* directly attributable to providing the products, services, and management of the recharge activity with the *revenue* that is generated by charging internal and external customers
- All Recharge Projects must use one of the following Project Uses:
 - **Recharge** - sells internally, or both internally and externally
 - **Sales and Service Agreements** - sells only externally
- Recharge projects are assigned a Project ID number from within a range of project numbers used exclusively for recharge activities:

Numbering Convention for Recharges	
Project Use	Project ID Ranges
Recharge	8000000 - 8499999
Sales and Service Agreements	8500000 - 8799999

Using Projects to Track Recharge Activities

- The **Project Name** should describe the activity
- Every Project in PeopleSoft must have a **Project Owner**. The **Project Owner** for all Recharge Projects is generally “Shared Project” and identified as “Dept/Div” (the Dept ID chartfield in the transaction identifies the owner)
- Below is an example of some Recharge Projects and the associated attributes:

Project ID	Recharge Project Name	Project Use	Project Owner
8000239	Radiology Optical Imaging	Recharge	Department / Division
8000096	Refuse/Recycling		
8000088	Janitorial Service		
8000261	LARC – Large Animal		
8000269	EH&S Radiation Waste		
8500025	Nikon Imaging Center	Sales and Service Agreements	
8500002	Biomechanical Testing Services		

Linking Recharge Projects with Sub-Projects

- A Parent Recharge project can be linked with Recharge Sub-projects by using the project **Award/Parent ID** attribute. Setting up Sub-projects allow departments flexibility in capturing revenue and expenses for multiple service lines.
- Linking of Recharge Projects facilitates the ability to perform roll-up reporting through MyReports:

Project	Project Name	Project	Award/Parent ID
Parent Project	ITS Voice Recharge	8000004	8000004
Sub-projects	ITS Joint costs (records all joint costs for projects 8000004-8000009)	8000005	
	Toll Calls Recharge	8000006	
	Voicemail Recharge	8000007	
	Dial tone Recharge	8000008	
	Moves, Adds, Changes Recharge	8000009	

Internal recharge revenue

- Recharges should recover their revenue using a single revenue account
74200 Recharge Revenue
- **Only approved recharge projects** will be allowed to use the **Recharge Revenue** account
 - Combo edits ensure that only Projects with a Project Use of **“Recharge”** can use the Recharge Revenue account

Recharge-specific External Revenue (Sales to Public) accounts

- Recharge-specific **External Revenue** accounts are as follows:
 - **42105** - Educational- product/service sales
 - **42206** - Auxiliary- product/service sales
- Recharge-specific **External Revenues which have an approved waiver** to avoid collecting F&A should use one of the following revenue accounts:
 - **42106** - Educational – product/service sales (F&A waived)
 - **42207** - Auxiliary – product/service sales (F&A waived)

Note: The appropriate F&A waived External Revenue account (**42106** or **42207**) should be used when charging other UC campuses

Recharge activities utilize the following Funds

Recharge Activity	Fund
Sales & Service: Educational Activity	5018
Sales & Service: Auxiliary Enterprises	5030
Renewal and Replacement Reserves	5500

Using a function code with recharges

- Credits for recharge revenues ***must mirror where the debits for recharge expenses were coded***
- Debits (charges) should use the Function ***provided by the customer that demonstrates the purpose or mission***, along with other customer provided chartfields

RECHARGE ACTIVITY: Shows internal expenses and associated recharge revenue for the printing service:

Account	Amount	Project	Function
Expense-Salaries	\$100	Recharge-Printing	43 Academic Support
Expense-Benefits	\$25	Recharge-Printing	43 Academic Support
Expense-Supplies	\$40	Recharge-Printing	43 Academic Support
Expense-Services	\$40	Recharge-Printing	43 Academic Support
Revenue- Recharge Revenue	\$(205)	Recharge-Printing	43 Academic Support

CUSTOMER: Purchases printing from the recharge activity. Function identifies mission of transaction:

Account	Amount	Project	Function
Expense-Reproduction/photo-graphy svcs	\$65	Discretionary activities – Dr. Jones	40 Instruction
Expense-Reproduction/photo-graphy svcs	\$40	Dr. Ross research program	44 Organized & Sponsored Research
Expense-Reproduction/photo-graphy svcs	\$100	General - unspecified	43 Academic Support

Example of monthly recharge journal - header tab

Header | [Lines](#) | [Errors](#) | [UCSF Approval](#) | [UCSF Attachments](#)

Unit: SFCMP **Journal ID:** 07BSG0052 **Date:** 01/6/2019 [SFBUDSG](#)

Long Description:

***Ledger Group:**

Ledger: **Adjusting Entry:**

***Source:** **Fiscal Year:** 2019

Reference Number: **Period:**

SJE Type:

Journal Class: **Save Journal Incomplete Status**

[Reversal: Do Not Generate Reversal](#)

[Header](#) | [Lines](#) | [Errors](#) | [UCSF Approval](#) | [UCSF Attachments](#)

Note: The Reference Number field should include the Recharge Control Number which is a unique identifier for an approved rate schedule during a specific period of time.

Example of monthly recharge journal – lines tab

[Header](#) | **Lines** | [Errors](#) | [UCSF Approval](#) | [UCSF Attachments](#)

Unit: SFCMP **Journal ID:** 07BSG0052 **Date:** 01/6/2019 ***Process:** Edit Journal Process

[Template List](#) [Change Values](#) Inter/IntraUnit

▼ Lines											
Select	Line	*Unit	Acct	Fund	Dept ID	Project	Act Per	Func	Amount	Reference	Journal Line Description
<input type="checkbox"/>	1	SFCMP	55300	4000	476171	114280A	01	40	43.92	9MED01	Reproduction/photography s
<input type="checkbox"/>	2	SFCMP	55300	5000	707019	1111111		43	193.86	9MED01	Reproduction/photography s
<input type="checkbox"/>	3	SFCMP	55300	5000	487013	1111111		72	387.62	9MED01	Reproduction/photography s
<input type="checkbox"/>	4	SFCMP	74200	5018	707019	8000123		43	-625.40	9MED01	Recharge revenue

Lines to add: + - ⌂

▼ Totals					
Unit	Total Lines	Total Debits	Total Credits	Journal Status	Budget Status
SFCMP	4	625.40	625.40	N	N

Save Notify Refresh

[Header](#) | [Lines](#) | [Errors](#) | [UCSF Approval](#) | [UCSF Attachments](#)

If a previous recharge transaction to a user needs to be reversed, a credit should be posted to the user

- **Debit** the recharge project in the same **Recharge Revenue Account (74200)** as the original recharge transaction
- **Credit** the user project in the same expense account as the original transaction via a recharge journal using Source Code 555 or other specifically assigned recharge source code

Original Recharge Transaction

Debit	User Project	Recharge Expense Account 5XXXX
Credit	Recharge Project	Recharge Revenue Account 74200

Reversal of Previous Recharge Transaction

Debit	Recharge Project	Recharge Revenue Account 74200
Credit	User Project	Recharge Expense Account 5XXXX

Process recharge journals monthly at a minimum

It is important to bill recharges monthly








- Facilitate timely recording of recharges to Federal Funds
 - Retroactive adjustments to recharges will generally not be approved
- Continue to recharge using last approved rate and **Recharge Control Number** until new rate is approved
- **Billing should occur after service is performed**
- Invoice documentation should include:
 - Description of services
 - Number of units provided
 - Amount charged per unit

Procedure for recording annual depreciation to a recharge operating project

- The depreciation credits should post to the renewal and replacement reserve fund in the same Dept ID, Parent Project, and Function as the recharge activity
- Use account 59025 (Depreciatn/amort-curr/rrpl) for both the debit and credit transactions

	Fund Source Description	Account	Dept ID	Fund	Project	Function	Financial
Debit	Recharge Operating Fund	59025	402005	5018	8000150	43	\$2,400.00
Credit	Renewal & Replacement Reserve	59025	402005	5500	8000150	43	(\$2,400.00)

Example of equipment depreciation transfer journal - header tab

Header	Lines	Errors	UCSF Approval	UCSF Attachments		
Unit:	SFCMP	Journal ID:	07BSG0001	Date:	1/06/2019	SFBUDSG
Long Description:	To transfer 2018-19 annual equipment depreciation for the Microscope recharge					
*Ledger Group:	ACTUALS					
Ledger:			Adjusting Entry:	Non-Adjusting Entry <input type="button" value="v"/>		
*Source:	535		Fiscal Year:	2019		
Reference Number:	8MED01		Period:	7		
SJE Type:		<input type="button" value="v"/>				
Journal Class:			<input type="checkbox"/>	Save Journal Incomplete Status		
Reversal: Do Not Generate Reversal						
 Save	 Notify	 Refresh				

[Header](#) | [Lines](#) | [Errors](#) | [UCSF Approval](#) | [UCSF Attachments](#)

Example of equipment depreciation transfer journal - lines tab

[Header](#) | **Lines** | [Errors](#) | [UCSF Approval](#) | [UCSF Attachments](#)

Unit: SFCMP **Journal ID:** 07BSG0001 **Date:** 1/06/2019 ***Process:**

[Template List](#) [Change Values](#)

▼ Lines										
Select	Line	*Unit	Acct	Fund	Dept ID	Project	Func	Amount	Reference	Journal Line Description
<input type="checkbox"/>	1	SFCMP	59025	5018	402005	8000150	43	2,400.00	8MED01	2018-19 equip depr
<input type="checkbox"/>	2	SFCMP	59025	5500	402005	8000150	43	-2,400.00	8MED01	2018-19 equip depr

Lines to add:

▼ Totals						
Unit	Total Lines	Total Debits	Total Credits	Journal Status	Budget Status	
SFCMP	2	2,400.00	2,400.00	N	N	

Recharge plan adjustments in UPlan or PLUS

- Prepared by department
 - To establish plan for a NEW recharge
 - To delete plan for a discontinued recharge activity
 - To adjust an approved plan for an EXISTING recharge
- Employee planning in recharge activities
 - Changes in budgeted FTE levels in the recharge activity should be updated in UPlan or PLUS and in the PAF (Personnel Action Form)

Recharge activities are responsible for maintaining all records necessary to support and document their operations, including:

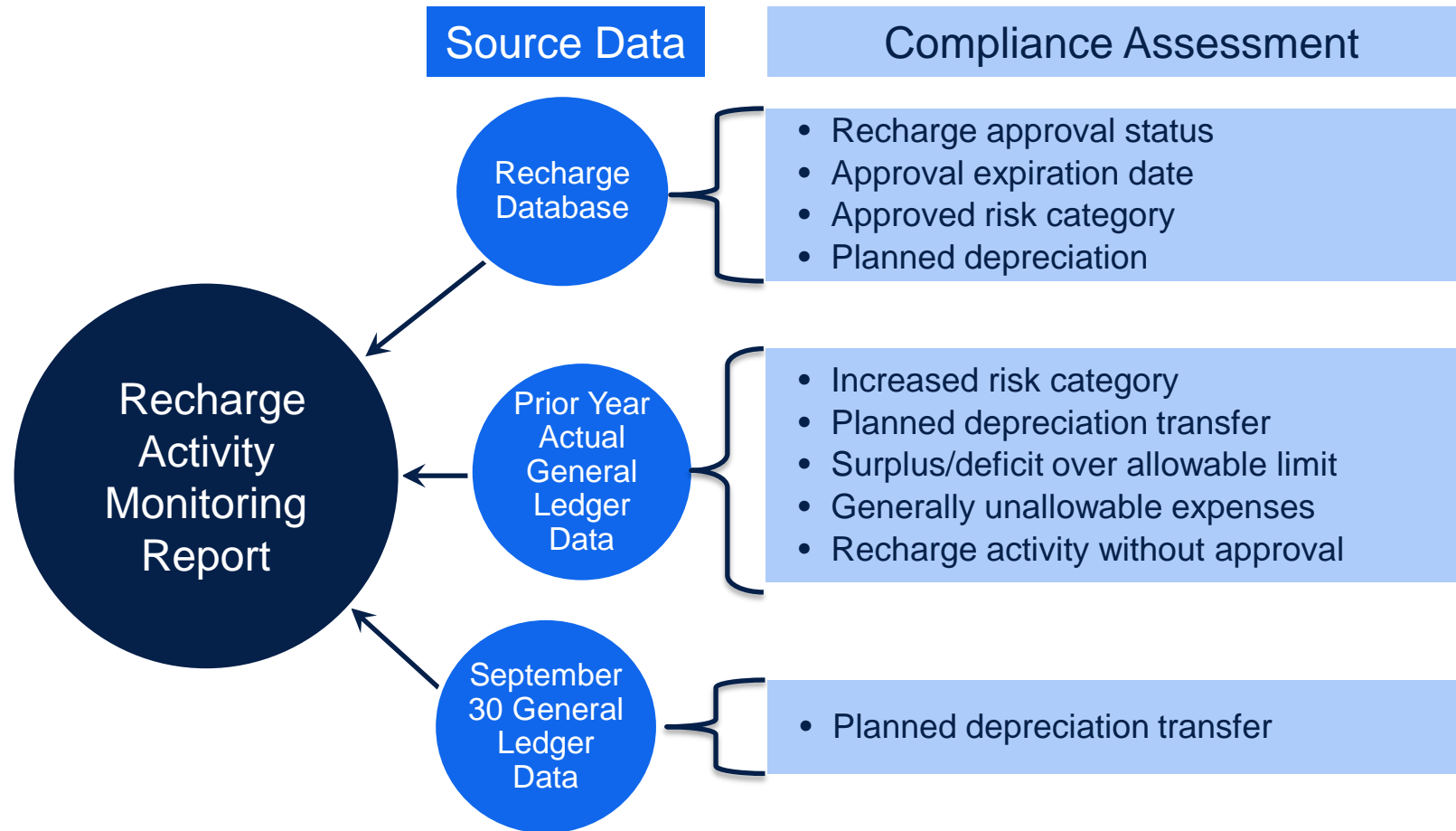
- Approved recharge proposal and rate approval letter
- Records of products or services actually provided to users and amounts charged to users
- Expenses incurred and revenues collected for each product or service provided

Why documentation is important

Recharge activities may be subject to audits by:

- The Federal Government Auditors:
 - Campus audit by the Office of the Inspector General (OIG)
 - Specific grant or contract audit
- Internal Auditors
- External Auditors
 - Single Audit (formerly A-133 audit) - required for large non-profit entities
 - Outside consultants – audit of specific approved recharges

The annual Recharge Activity Monitoring Report summarizes the compliance status of a department's recharge activities



Recharge Exercise

Discontinuation Request Review