University of California
San Francisco

UCSF

Budget and Resource Management

November 20, 2019

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Subject: Recharge Activity Proposals for 2020-21

Dear Colleagues,

I am writing to launch the 2020-21 process for approval of recharge rates for new and existing recharge activities. Over the last few years, we have worked with you and your recharge managers to streamline the review process. This year's process includes various enhancements that we hope will smooth the process, improve policy compliance, and ensure the financial health of these activities.

A significant change affecting this year's recharge rate development process is the forthcoming implementation of composite benefits rates (CBRs) on June 1, 2020. Recharge managers will need to consider the impact of CBRs on their recharge activities and potentially make adjustments to rates as a result. More information about CBRs is included in Appendix A and our website. In addition, CBRs will be a topic at the kickoff meeting next month as well as during training events.

Spring 2020 Recharge Review Deadlines
Key dates, resources, and training activities are described below.

Approval Type	Deadline	Forms
New recharge activities	At least two months prior to planned start date	2020-21 New Proposal Form
Extended approvals of rates approved through 6/30/2020	Extended approval letters will be sent to departments by November 22, 2019	
Adjustments for cost changes and volume (no change in rate methodology)	Between April 15 and May 31, 2020	Rate Change Request Form
Multiple recharge renewals	Rolling deadlines will be communicated directly to departments by November 22, 2019	2020-21 Renewal Proposal Form
All other recharge renewals	February 24, 2020	2020-21 Renewal Proposal Form

New recharge activity proposals may be submitted any time during the year, but please allow two months for our review prior to the planned start date.

Renewal proposals are due to the Recharge Review Team in Budget and Resource Management (BRM) by **February 24, 2020**. Recharge units should route Category 2 recharge proposals through your offices for review and approval prior to submission to BRM. (Category 2 recharge proposals are those with annual planned expenses of at least $100,000 and over 50% federal participation or with annual planned expenses of at least $500,000 regardless of federal participation.)

Extended approvals. Recharge activities with approved rates expiring on June 30, 2020, and with no identified compliance issues in the Annual Compliance Monitoring Report are eligible for a **one-year extended approval** of rates through June 30, 2021. BRM will send extended approvals to departments via email by November 22, 2019. Please note:
- Recharge activities that already received an extended approval for 2019-20 are not eligible for a further extension.
- If there are no changes in the rate, calculation methodology for 2020-21, recharge activities that wish to adjust their rates to include increases or decreases in recharge operating costs and/or volumes may do so by submitting a rate change request form.
- Those activities that wish to change their rate methodology for 2020-21 must submit a full proposal to BRM by February 24, 2020 (or rolling deadline, if applicable).

Rolling Deadlines. For units with multiple recharge activity renewals, a single deadline can be challenging to meet; therefore, we have developed a rolling deadline schedule to allow these departments and control point reviewers more time to prepare recharge proposals for submission. Rolling deadline schedules for 2020-21 renewals will be sent to departments via email by November 22, 2019.

For rates effective in 2020-21, our commitment to you is that complete proposals submitted by February 24, 2020 (or meeting rolling deadlines, if applicable) will be approved before July 1, 2020.

Resources and Training
We know that recharge guidelines – because they must adhere to federal costing policy – can be complex. To assist you and your recharge managers in understanding requirements and preparing proposals, the Recharge Review Team has developed a website with a variety of resources. Links to training, proposal forms, and other key documents are available on the Budget and Resource Management website at https://brm.ucsf.edu/recharge-call:

- Detailed recharge proposal submission requirements and timelines for all proposals are described in the Service Level Agreement
- Recharge Proposal Forms
- Campus Recharge Policy: Sales & Service Center(s) – Recharges, External Sales & Services of Education Related Activities, & Common Cost Allocations
- UCSF Sales and Service Center Policy Guidance and Procedures Manual
- Budget Planning Assumptions (https://brm.ucsf.edu/news/2019-20-budget-call)

In addition, BRM will hold a **Recharge Review Kickoff Meeting on December 4, 2019, from 2-4 pm, at Mission Hall, room 1400.** This educational open house will provide an opportunity to review recent changes and highlights and for participants to ask detailed questions.

We appreciate your continued partnership in supporting the importance of federal costing policy compliance and proper financial stewardship when dealing with the often-complex business issues presented by recharges. Our joint oversight helps to protect campus interests in light of the significant financial support UCSF receives from the federal government.

As always, we appreciate any suggestions for improving the recharge activity review process. Please do not hesitate to contact me or Recharge Manager Gabriella Hato at gabriella.hato@ucsf.edu if you or any of your units need help with recharge process or management issues. This letter will also be distributed to the campus administrators listserv (CALIST).

Thank you,

Susan O'Hara
Executive Director, Budget & Resource Management

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Attachments

cc: Associate Vice Chancellor and Interim Chief Financial Officer Clune
           Assistant Controller Gaisbauer
           Senior Associate Director Jones
           Manager Hato
           Financial Manager O'Neal
           Financial Analyst Woo

Appendix A: Recharge Activity Proposals for 2020-21 - Review Process Highlights

Equipment Depreciation on Recharges
Please ensure that any recharge activity with capitalized equipment purchased on or before December 31, 2019, has submitted to the Recharge Review Team an **up-to-date depreciation schedule that includes such purchases by June 30, 2020.** Any capital equipment purchases not reflected on a recharge activity depreciation schedule will be included in the campus Facilities and Administration (F&A) rate cost pool and will no longer be allowable on recharges.

Composite Benefit Rates
With the introduction of UCPath on June 1, 2020, UCSF will post employee benefit costs using Composite Benefit Rates (CBRs) instead of actual individual benefit costs for each employee. The rates applied in CBRs are an average of all eligible benefits applicable to a benefit group. Employees are assigned to a benefit group based on job code and benefits eligibility.

Recharge proposals submitted for rate implementation starting **July 1, 2020** should use CBRs for financial planning and in development of recharge rates. In order to avoid over-budgeting benefit costs, recharge activities should use the **UPlan & PLUS rates** for employee planning shown on the Budget and Resource Management website at https://brm.ucsf.edu/cbr/rates. This link to the CBRs is also included in the 2020-21 recharge rate proposal packages.

To determine the CBR grouping for individual employees based on their title code, please use the Title Code Lookup table at https://brm.ucsf.edu/cbr/resources/benefit-rate-title-code-lookup.

High-level Recharge Overview Web-based Training
Recharge Review developed **a High-level Recharge Overview web-based training** that can be viewed on the Budget and Resource Management website https://brm.ucsf.edu/recharge-basics-course. This short training module helps to explain the recharge process to those who are new to recharges or are not directly involved in the financial planning and managing recharge activities, but want to get a high-level overview of recharge concepts, policies, and guidelines at UCSF.

Recharge Basics Trainings
It is recommended that recharge administrators complete either the Recharge Basics classroom training or the Recharge Basics 101 online eCourse.

Recharge Review will offer a Recharge Basics class on **December 11, 2019, from 9AM to 2PM, at Genentech Hall in N-114**. The "Recharge Basics" class will be a one-day class that will provide an overview of recharge basic concepts and policies, recharge rate development, proposal submission, review and approval processes, and management requirements. Please visit the UC Learning Center website to sign up for the Recharge Basics ILT Course.

The Recharge Basics 101 online eCourse is offered through the UC Learning Center. The eCourse covers advanced topics, management tools, and exercises intended for campus staff who are responsible for developing more complex recharge rate proposals. It also provides comprehensive links to a wide variety of online resources and materials on Recharge Review's website.

In addition, Recharge Review will continue to be available for scheduled advanced group or one-on-one trainings, or consultations.

Recharge Review Open Office Hours
Recharge Review is offering **in-person open office hours on January 9, 15, and 23, 2020** at 654 Minnesota Street to provide assistance with recharge rate proposal preparation. Recharge administrators can sign up at https://brm.ucsf.edu/events/recharge-review-open-office-hours-2 for a time to come and meet with the Recharge Review team for consultation prior to submitting 2020-21 recharge renewal proposals.

Annual Recharge Activity Monitoring Report
Recharge Review distributed the 2019-20 Recharge Activity Monitoring Report Summary to Control Points and department managers in October 2019. The Monitoring Report summarizes the compliance status of existing recharge activities based on specific General Ledger transactions (e.g., surplus/deficit balances, depreciation transfers, unallowable expenses, and percent of federal funds recharged) and approval status in the recharge database.

- **Surpluses.** Federal policy allows over and under recovery of one-month of planned expense (8.3% of annual expense). Surpluses generated by overcharges to federal funds could result in a federal audit finding. Every effort should be made to ensure that year-end net position (surplus/deficit) does not exceed one month of the recharge unit's planned expense. It is critical that action is taken to address the surplus net position on those currently approved activities by submitting revised plans and rate calculations to Recharge Review as soon as possible.

- **Inactive Recharge Activities.** Several recharge activities did not collect any recharge revenue during the 2018-19 year. A formal discontinuation request should be submitted for these activities. If the activity has a surplus and charged federal funds in the past, the discontinuation request should include a plan to return the surplus to federal agencies as soon as possible.

- **External Revenue.** In preparation of the Monitoring report, we noticed that several recharge activities collected external revenue in inappropriate external revenue accounts in 2018-19. Recharge activities should use account 42105 to post revenue collected from external users, which is the appropriate account for educational product and service sales. Recharge activities with an approved waiver to collect Facilities and Administration rate should use account 42106 to avoid collection of F&A. Account 42106 should also be used when charging other UC Campuses.

Financial Management Dashboard
Last year, Audit and Advisory Services created the [Financial Management Dashboard](), a new interactive web-based tool for visually highlighting financial risk and compliance metrics that may merit additional management review. Included in the dashboard are two recharge-related metrics:
1. **Recharge Projects Unallowable Expenses**, which reviews unallowable and possibly unallowable expenses on recharge projects by account code, and
2. **Recharge Projects Deficits**, which shows recharge projects with deficits and their deficit/surplus status over time.

By providing department managers, control points, and central units a quick view of major indicators of financial compliance risk, this application is meant to encourage proactive monitoring and to facilitate decision-making and prompt remediation actions.