



Budget and Resource Management

November 17, 2023

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Subject: Recharge Activity Proposals for 2024-25

Dear Colleagues,

I am writing to launch the 2024-25 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. Again, this year's process includes various enhancements that we hope will further refine the process, improve policy compliance, and ensure the financial health of these activities.

Spring 2024 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	2024-25 New Proposal Form
Extended approvals of rates approved through 6/30/2024	Extended approval letters will be sent to departments by December 4, 2023	
Adjustments for cost changes and volume (no change in rate methodology)	Between April 14 and May 31, 2024	Rate Change Request Form
Multiple recharge renewals	Rolling deadlines will be communicated directly to departments by December 4, 2023	2024-25 Renewal Proposal Form
All other recharge renewals	February 23, 2024	2024-25 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 23, 2024**. 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, 2024, 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, 2025. BRM will send extended approvals to departments via email by December 4, 2023. Please note:

- Recharge activities that already received an extended approval for 2023-24 are not eligible for a further extension.
- If there are no changes in the rate calculation methodology for 2024-25, 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 2024-25 must submit a full proposal to BRM by February 23, 2024 (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 2024-25 renewals will be sent to departments via email by December 4, 2023.

For rates effective in 2024-25, our commitment is that complete proposals submitted by February 23, 2024 (or meeting rolling deadlines, if applicable) will be approved before July 1, 2024.

Resources and Training

We know that recharge guidelines – because they must adhere to federal costing policy – can be complex. The attached Appendix A highlights the key elements of the 2023-24 review process. 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-review-0>:


- 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/annual-budget-call>)

In addition, BRM will hold a **Recharge Review Kickoff Zoom meeting on December 6, 2023, from 10:10am-11am**. This educational meeting will provide an opportunity to review recent changes and highlights and for participants to ask detailed questions. Recharge administrators [can register here](#). Recharge Review has sent out an email invitation to the campus recharge contacts (i.e., control points, recharge managers and recharge administrators). For those unable to attend the Zoom session, we will post the session's slide presentation on our website.

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 considering 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,



Michael Baldelli
Executive Director
Budget and Resource Management

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cc: Senior Associate Vice Chancellor and Chief Financial Officer Clune
Associate Vice Chancellor and Controller Turner
Director of Finance Camp
Director of Strategy Ames
Budget and Allocations Director Joves
Director of Finance and Operations Lau
Principal Contract Specialist Chiu
Associate Director O'Neal
Manager Hato
Financial Analyst Chan

Appendix A: Recharge Activity Proposals for 2024-25 – Review Process Highlights

Recharge Training Modules

Recharge Review provides training modules to support UCSF recharge proposal preparers and departmental reviewers. These modules are self-paced, enable the campus community to access specific topics, and can be used as a comprehensive training series for new preparers and reviewers. The following modules are available on the Budget & Resource Management, Recharge Review website at <https://brm.ucsf.edu/recharge-training-modules>:

1. High-level Recharge Overview
2. Policies affecting recharge activities
3. Rate components
4. Rate development
5. Recharge review and approval process
6. Recharge management
7. External Sales and Service of Education Related Activities
8. Preparing a new recharge proposal exercise
9. Preparing a renewal recharge proposal exercise
10. Discontinuation exercise
11. Proposal Development Guidelines
12. **Capital and Operating Leases**

Recharge Review developed a new training module that provides an overview of the policy and accounting procedures for **Capital and Operating Leases** on recharges and it is posted on the Recharge Review website.

Annual Recharge Activity Monitoring Report

Recharge Review distributed the 2023-24 Recharge Activity Monitoring Report Summary to Control Points and department managers in October 2023. 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 and Deficits.** The UC Financial Accounting Policy BFB-A-47 Direct Costing Procedures allows over or under recovery of 60 days (two months) of a recharging unit's activity (16.6% of annual expense). In preparation of the Monitoring Report we found that **51% of recharge activities had surpluses or deficits over the allowable threshold of 16.6% in 2022-23**. Surpluses generated by overcharges to federal funds could result in a federal audit finding. Deficits generated in the recharge project could burden future users or other university resources. Every effort should be made to ensure that year-end net position (surplus/deficit) does not exceed two months of the recharge unit's planned expense. It is critical that action is taken to address the surplus/deficit net position on those currently approved activities by submitting revised plans and rate calculations to Recharge Review as soon as possible.
- **Recharge activities without approval.** Federal and UC policies require that recharge activities submit a recharge proposal to get their rates approved prior to recharging. In 2022-23 there are still **two percent of recharge activities operating without approval**. Recharge activities without or expired approvals must submit a full proposal to Recharge Review as soon as possible. Operating without approval is a serious audit risk and may lead to federal disallowances.
- **Inactive Recharge Activities.** Several recharge activities did not collect any recharge revenue during the 2022-23 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.
- **Planned depreciation transfer.** The General Ledger has been reviewed to determine whether the 2022-23 planned equipment, renovation and/or building depreciation per the last approved

depreciation schedule has been transferred to the renewal and replacement reserve fund. We found **that 4% of recharges had incomplete depreciation transfers in 2022-23.**

- **Expenses and revenues posted in incorrect Dept ID's.** In preparation of the Monitoring report we noticed that several recharge activities posted revenue and expenses to incorrect Dept ID's. All expenses and revenues related to the recharge activity must be recorded in the approved chartstring.

Reconciliation of annual recharge net positions

Federal costing policy requires reconciliation of recharged services by comparing the costs incurred to provide the services with the revenue generated by each service. Any over or under recovery must be rolled into the next rate calculation of each service. Recharge activities with more than one service lines must calculate the prior year net position to apply to each service by reconciling actual revenue and expense for each service from the last approval through 2023-24. The recharge renewal proposal includes a Reconciliation tab to calculate the Net position to apply to 2024-25 plan for each service.