



THE UNIVERSITY  
*of* NORTH CAROLINA  
*at* CHAPEL HILL

# **Interdepartmental Fees & Charges Policy and Procedure**

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## **I. Purpose**

- To provide guidelines for requesting, reviewing and approving existing, new or revised rates for service units providing goods or services to a number of campus units or projects, that recover the cost of these services from the units served.
- To provide standards to achieve compliance with government regulation and University policy for fairly assessing costs to each benefiting user of those goods or services and for ensuring equitable treatment (see examples listed in section IX, page 8).
- To ensure service units can operate within the University environment successfully and provide needed goods or services to the campus consistently and fairly.

## **II. Background and Definition**

### **Background:**

The University has established policy and procedures for handling fees to students, with final approval granted by the Board of Governors. Beginning in FY 2003-04 the Budget Committee created the Interdepartmental Fees and Charges Committee (IF&C) and established a policy to oversee submission, review and approval of internal service charges and fees. Since then campus departments have not been allowed to implement fees or charges to other campus units without central administrative review and approval.

When facing budget constraints, units may be tempted to implement new charges for services to offset budget reductions, instead of “belt tightening”. This then leads to a proliferation of fees and charges, creating animosity between units and additional work for central administrative units. Under the new policies and procedures, a fee or charge should be set so that it covers the cost of the service(s) provided, or less. Items to be considered in establishing fee and charge rates include the following:

- **Responsibility:** determine if the establishment of a fee or charge to other campus units is the most appropriate response to a situation (i.e., could cost cutting or other revenue enhancements achieve the same purpose?);
- **Reasonableness and allowability:** Once the necessity of a fee is established, rates should be set at a level that is reasonable in the circumstances and allowable under federal regulations (i.e., no fee should be assessed that could not be charged to a

federal grant; if rates increase beyond market rates, outsourcing should be a consideration; etc.)

- Cost Recovery: consider the costs of delivering the service in relationship to the price charged for the service;
- Policy Implications: need to comply with board directives, public policy requirements, legislative mandates, or other external constraints.

This policy has been developed to aid the University in tracking interdepartmental fees and charges, and to formalize the request, review and approval of these fees and charges. This policy will assist service units in recovering costs fairly from the users served, and will conform to the generally accepted accounting practices consistently followed by the University.

**Definition:**

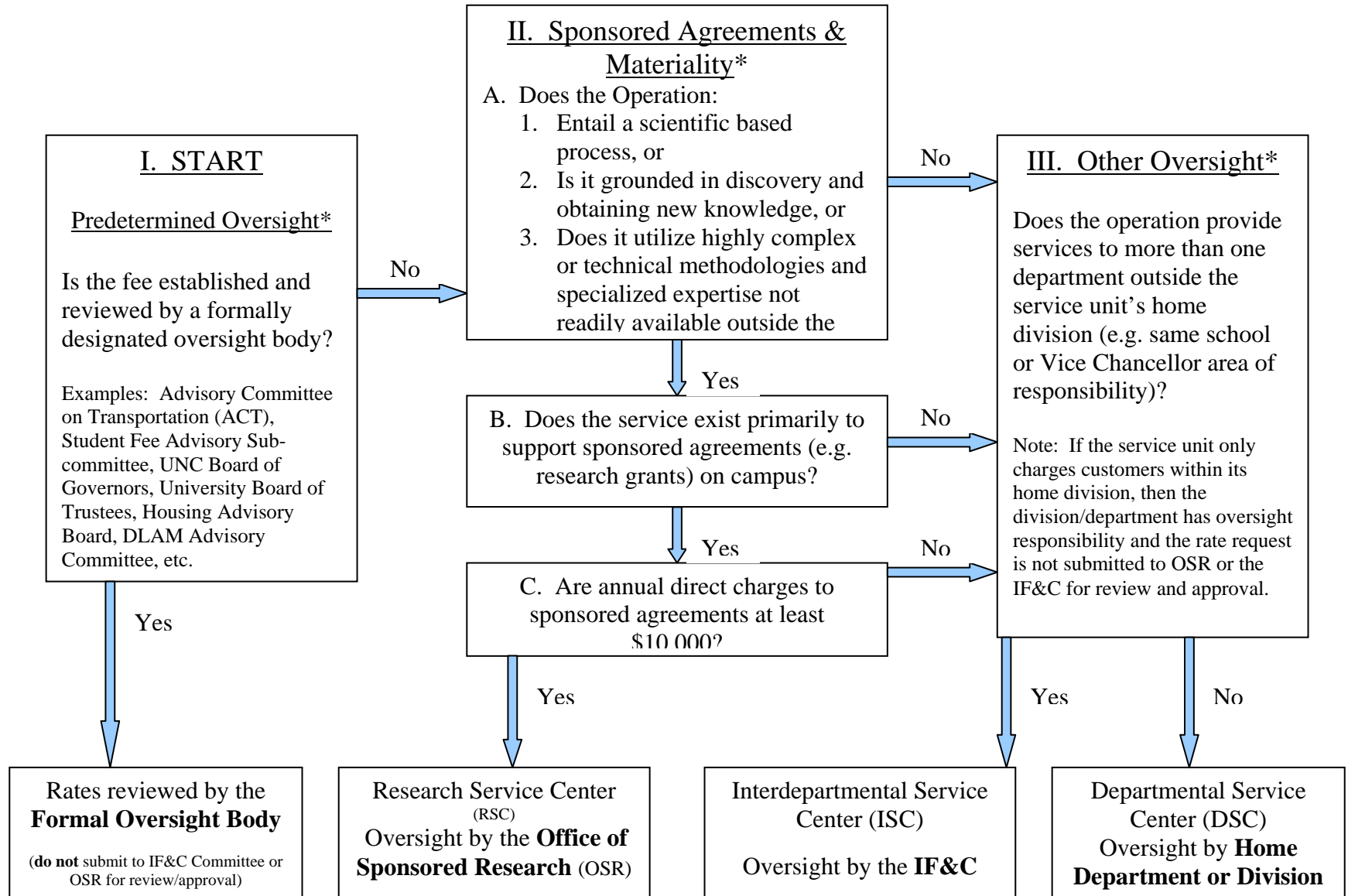
Interdepartmental fees and charges are used by campus units to recover the costs of goods or services from other units on campus. The costs can be identified accurately and can be billed to the units served at a reasonable and equitable approved rate per unit. Requests for justified inflationary increases to existing rates, elimination of rates, and decreases in rate will be approved and/or disapproved by the Interdepartmental Fee and Charge (IF&C) Committee. Requests for new fees and charges and for rate changes greater than inflation must be forwarded to the Budget Committee for further review and approval.

**III. Responsibilities**

**Oversight Body:**

- Before a function charges a fee to another unit at the University, the fee should be reviewed and approved by the appropriate oversight body. Each service unit falls under one of four oversight bodies for fee proposal, review and approval. The organization responsible for conducting oversight is determined by the purpose of the service center and the nature of its activities, which in turn determines how the approval process is conducted. The following chart displays the decision criteria to determine the appropriate oversight body, and therefore applicable approval policies and procedures for each type of fee for service operation.

## Determination of Fee Oversight Authority\*



*\*If you have questions about oversight, please refer to the contact information and call with questions*

### **Service Unit:**

- Submit written request to IF&C Committee. The Dean, Director or Department Head; the Associate Provost or Associate Vice Chancellor; and the Executive Vice Chancellor and Provost or Vice Chancellor to whom the unit reports must sign before the request is submitted to the IF&C. **Requests must be submitted by September 15<sup>th</sup> of each year for the following fiscal year.**
- Obtain the account information from Accounting Services for interdepartmental activities, using IF&C Committee's assistance, if needed. The service unit should coordinate their billing process with Accounting Services to ensure the journal entry for billing is processed using appropriate object codes.
- Maintain the detail records listed on the request form for backup.
- Review the rates at least annually and adjust as necessary to eliminate material surpluses or deficits.
- Provide the IF&C Committee the required schedules, including activities description, procedure, new fee and charge rates, if the goods and services provided by the service unit has been changed, as well as other information sufficient for the IF&C to evaluate the fee request. Note that this may require certain follow up, including a request for more detailed information if necessary to make an appropriated approval determination.”
- Responsible school, department, or unit is responsible for the deficit, if any deficits occur. The account numbers for unreimbursable costs must be provided at the time the request is submitted.
- If a new fee or a change to an existing fee is approved, the service unit is expected to notify users/customers of impending changes **by February 15<sup>th</sup> prior to the start of the new fiscal year.**
- If goods or services are no longer provided, the service unit must notify the IF&C Committee and close the account to terminate the procedure and billing rate.

### **IF&C Committee:**

- Review the request form and determine if the information provided by service unit meet required criteria under this policy. The review will ensure the request is complete with required information, the costs are identified accurately, the requested rate is fair and equitable, the rate request and process are consistent with University policies and government regulations and the request has been

approved through administrative channels. The Committee may contact the unit served to validate the information provided by service unit and for more information, if needed.

- Present fee/charge request proposals greater than justified inflationary increase, or new fee/charge request to the Budget Committee, **no later than January 5<sup>th</sup> of each year.**
- Assist the service unit to obtain an account combination from Accounting Services, which will be used for charging the operating costs and receiving the cost recovered revenue.
- Periodically monitor rates to determine if the billing recovery is equitable.
- Provide the approved new rate or revised rate to Accounting Services, with simultaneous notification to the service unit.
- Contact the service unit if any inconsistency occurs, and provide the explanations.
- Annually provide the list of service unit updates to Accounting Services.
- Notify Accounting Services to stop processing the journal entry, if necessary.

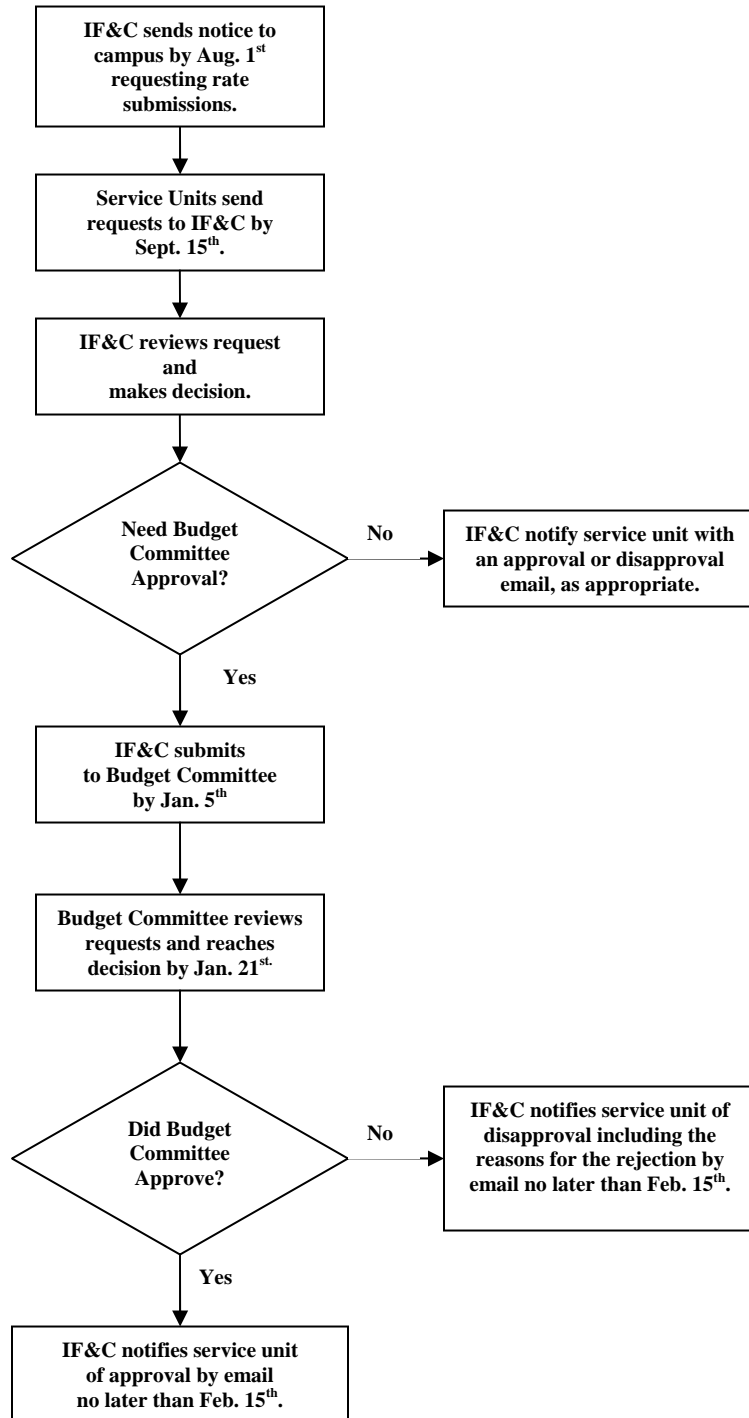
**Accounting Services:**

- Accounting Services facilitates establishment of the billing process and posts to the appropriate departmental expense accounts and the service unit's revenue account.

**Financial Planning & Budgets:**

- Every three years the Financial Planning and Budgets Office will ensure that all rates charged by campus units were submitted and approved through the IF&C process, if the rates were governed by the IF&C process.

#### IV. Procedure Flowchart



## V. Forms Processing

**1. The “*Rate Request Form*” must be submitted by service units to the IF&C Committee for approval. The request must include the following information.**

- Name of service unit.
- Fee name, current rate, requested rate, and requested \$ change in rate.
- Beginning date fee/charge to become effective.
- Date of last fee increase/decrease.
- Customers or customer types served (provide 3 or 4 examples of major customers served.)
- Financial information, including revenues, expenses and fund balances for the previous two years, the current year projected, and a projection for the year the rate will become effective.
- Account number that identifies where these costs are recorded. [Campus units are strongly encouraged to maintain separate accounts, where practical, for the revenues and expenses related to IF&C rates. This may not be practical for service units that generate small dollar amounts of revenues and expenses from their IF&C rate operations.]
- Name, phone number, email address and campus box number of the service unit director and the individual preparing the rate request.
- Explanation of fee and justification for proposed new fee or fee change (see #2 below for additional reporting requirements).
- Cost impact to affected departments – i.e., an analysis of the projected annual costs to departments paying the increased fee/charge
- Certification and signatures.
- “*Attachment A - Rate Calculation Form*” and “*Attachment B – Depreciation Form*”.

**2. When providing an explanation of the fee and a justification for the proposed new fee or fee change on page 2 of the Rate Request Form, the service unit must:**

- Explain how the services provided by the unit are consistent with the University's mission - <http://www.unc.edu/about/mission.html>
- Demonstrate that there exists a demand for these particular goods or services by more than one department/unit outside the service unit's home division (e.g. same School or Vice Chancellor area). [Note: If the service unit only charges customers within its home division, then the rate request does not need IF&C Committee approval.]
- Demonstrate that the goods or services will be provided on a regular and continuing basis.
- Explain why the new costs should not be considered by the IF&C Committee as part of the service unit's existing core mission and thus already funded in the unit's base budget (e.g. through current state, overhead or trust funds).
- Explain other fund sources the unit applied for, before considering a new rate or rate change (e.g. funding through the annual budget hearing process).

**3. Rates:**

- Rates must be stated in measurable units of goods or services.
- Rates must be established on a non-profit basis and should not result in cost recovery that exceeds service and material expenses over the course of any given fiscal year, except for a reasonable operating reserve.
- Rates for goods or services must be charged at the same rate to all internal benefiting units and reflect the full cost of the operation, or less.
- **Unallowable Costs** - Service units cannot include a university-wide overhead rate component in its billing rate, since these costs are recovered through the negotiated facilities and administrative (indirect cost) rate.
- **Allowable Costs** –
  - Salaries and fringe benefits of personnel directly related to the activity.

- Materials and other general support costs (e.g., office supplies, telephone charges).
- Equipment depreciation (straight-line basis) and depreciation of capitalized improvements (exclude equipment purchased by federal funds). University policy must be observed for asset values and useful lives.
- Installation fees and allowable lease and loan costs.
- Maintenance and repair costs – defined as regularly recurring costs to keep property operating in an efficient condition and, therefore, not capitalized.

## **VI. Interdepartmental Fee and Charge Forms**

- Billing Request Form
- Rate Calculation Form (Attachment A)
- Depreciation Form (Attachment B)
- Example Rate Calculation Form (Attachment C)

## **VII. IF&C Committee Members**

<u>Area Represented</u>	<u>Length of Term</u>
Finance	Permanent (Co-Chair)
Cost Analysis and Compliance	Permanent (Co-Chair)
EVC&P Finance Office	Permanent (Co-Chair)
Libraries	Two years – same as state biennium fiscal years
Facilities Services	Two years – same as state biennium fiscal years
CIO	Two years – same as state biennium fiscal years
Athletics	Two years – beginning second year of biennium
Student Affairs	Two years – beginning second year of biennium
Schools/College (1 representative)	Two years – beginning second year of biennium

## **VIII. Contact for Questions**

For questions or assistance completing the rate request forms please contact:

Mr. Kevin Maynor, Co-Chair  
 Director of Cost Analysis and Compliance  
[Kevin\\_Maynor@unc.edu](mailto:Kevin_Maynor@unc.edu)  
 (919)962-4453

## **IX. Reference Material**

- Current IF&C Forms, Instructions and Other Information

<http://www.unc.edu/finance/budget/fee&charges.htm>

- UNC-Chapel Hill CON Policy 13 titled “Recharge Operations”.

<http://www.unc.edu/finance/busman/cg/conpol13.html>

- UNC-Chapel Hill CON Procedure 15 titled “Establishing and Maintaining a Recharge Operation”.

<http://www.unc.edu/finance/busman/cg/conpro15.html>