MEMORANDUM

TO: Chancellor's Cabinet
  Deans, Directors and Department Chairs
  University Business Managers

FROM: Robert N. Shelton
  Executive Vice Chancellor and Provost

DATE: October 29, 2003

RE: Campus Interdepartmental Fees and Charges

The University has long had an established policy and procedures in place for processing fees to students, with final approval granted by the Board of Governors. For fees and charges between internal departments on the campus, however, a formal review and approval process has been lacking. Campus departments have been allowed to implement charges to other campus units without a central administrative review and approval. Due to budget constraints in recent years, the tendency has been to implement or increase interdepartmental charges in order to cover budget reductions, rather than sharing in the “belt tightening”.

As a result, the University’s Budget Committee has approved the attached “Interdepartmental Fees & Charges Billing” policy and procedure, effective November 1, 2003. The purpose of this policy is threefold:

1. 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.

2. 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.

3. To ensure service units can operate within the University environment successfully and provide needed goods or services to the campus consistently and fairly.

After your review of the policy, if you have any questions please direct them to Mr. John Adams, chair of the Interdepartmental Fees & Charges (IF&C) Committee, at jcadams@email.unc.edu, or at 986-1622.
Campus Interdepartmental Fees & Charges Billing

I. Purpose

1. 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.

2. 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 7).

3. 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, Definition

Background

The University has an established policy and procedures for handling fees to students, with final approval granted by the Board of Governors. For internal service charges and fees, however, a policy for submission and approval has not existed previously. Campus departments have been allowed to implement fees or charges to other campus units without a central administrative review and approval. Due to budget constraints in recent years, the tendency is to implement internal charges in order to cover budget reductions, instead of “belt tightening”. This then leads to a proliferation of fees and charges, creating animosity between units and an administrative burden for central administration units to manage. As a result, the Budget Committee approved the creation of a policy and a committee to review and approve internal fees and charges. Fees and charges should be set to the extent that they cover the cost of the service provided, or less. Items to be considered in establishing fee and charge rates include the following:

1. 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?);

2. Competitiveness: determine the level of competition in the marketplace and set rates at a competitive level; if rates increase beyond market rates, outsourcing should be a consideration;

3. Cost Recovery: consider the costs of delivering the service in relationship to the price charged for the service;

4. 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.
**Campus Interdepartmental Fees & Charges Billing**

**Definition:**

Interdepartmental fees and charges are used for recouping the costs of goods or services charged by non-profit, campus-affiliated businesses to other departments 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. Interdepartmental Fees & Charges Billing Procedure:**

**Service Units:** The service unit submits a written request (Attachment A, via hard copy) to the IF&C Committee. The director of the service activity/department chair, dean/AVC and responsible Vice Chancellor must sign before the request is submitted. The written request must include the information found in Section V on page 5. **Requests should be submitted by November 30th of each year for the following year, if at all possible.**

**Interdepartmental Fee and Charge Committee:**
The Committee reviews the request and determines if the following criteria are met:

a. The request is complete with required information.
b. The department chair/director, dean/AVC and Vice Chancellor have signed the request.
c. The process and request are consistent with University policies & government regulations.
d. The costs are identified accurately.
e. The rates are fair and equitable.

The Committee will contact the unit served to validate the information provided by service unit and for more information, if needed.

**Need Budget Committee Approval?**

- **No**
  - IF&C notify service unit with an approval or disapproval memo, as appropriate.

- **Yes**

**Budget Committee:** Review fee/charge request proposal if greater than justified inflationary increase, or new fee/charge request.

- **Approve?**
  - **No**
    - Reject: Notify service unit with a disapproval memorandum including the reasons for the rejection.

  - **Yes**
    - Notify unit with approval memorandum.
Campus Interdepartmental Fees & Charges Billing

Interdepartmental Fee & Charge Committee:
1. 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 recovery revenue.
2. Provide Accounting Services with a copy of the approval memorandum and complete request form. The service unit should coordinate their billing process with Accounting Services to ensure the journal entry is processed.

Accounting Services (Monthly): Process a journal entry per the account combination and amount approved by committee.

IV. Responsibility:

1. Service Unit
   - Submit written request to IF&C Committee.
   - Obtain the account information from Accounting Services for interdepartmental activities, using IF&C Committee’s assistance, if needed.
   - Maintain the detail records listed on the request form for backup.
   - At least annually review the fee and charge rates, and adjust them, if necessary, to eliminate surpluses or deficits. Rate revisions have to be submitted when the billing rates vary from actual costs by more than 5 percent.
   - Provide the IF&C Committee the detail information including activities description, procedure, and new fee and charge rates, if the goods and services provided by service unit have been changed.
   - 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.
   - Notify the IF&C Committee to close account and terminate the procedure and billing rate when the goods or services are no longer provided.

2. IF&C Committee:
   - Review the request form and determine if the information provided by service unit meet required criteria and ensure the service unit followed procedures consistent with University policy and government regulation.
Campus Interdepartmental Fees & Charges Billing

- 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.

3. Accounting Services

- Accounting Services processes the journal entries per the account number combinations and dollar amounts approved by the Budget Committee.
- Process the journal entries in a timely manner.

V. Forms Processing

1. The request 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 $ change in rate.
- Beginning date fee/charge to become effective.
- Customers or customer types served.
- Financial information, including revenues, expenses and fund balances.
- Account number that identifies where these costs are incurred.
- Name, phone number, email address and campus box number of service unit director.
- Explanation of fee and justification for proposed fee change.
- Certification and signatures.
Campus Interdepartmental Fees & Charges Billing

2. For the description of goods or services activity, the service unit must:
   
   - Ensure the services provided by the service unit are consistent with the University's mission.
     http://www.unc.edu/provost/mission1.html
   
   - Provide the detailed cost information for the cost and rate analysis.
   
   - Demonstrate that there exists a demand for these particular goods or services by more than one department/unit.
   
   - Demonstrate that the goods or services will be provided on a regular and continuing basis.

3. Indirect cost (Facility and Administrative costs)
   
   - Service units should not include university-wide facilities and administrative costs in their rebilling rates, since the units recover the facilities and administrative costs through the indirect cost rate.

4. Rates:
   
   - Rates can be stated in measurable units of goods or services. Rates for goods or services are charged at the same rate to all internal benefiting units and reflect the full cost of the operation, or less.
   
   - Allowable Costs –
     a. Salaries and fringe benefits of personnel directly related to the interdepartmental activity.
     b. Materials and other general support costs (e.g., office supplies, telephone charges).
     c. Equipment depreciation (straight-line basis) and depreciation of capitalized improvements – excluding equipment purchased by federal funds.
     d. Installation fees and allowable lease and loan costs.
     e. Maintenance and repair costs – defined as regularly recurring costs to keep property operating in an efficient condition and, therefore, not capitalized.

   - Rate Structure – Rates should 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.
Campus Interdepartmental Fees & Charges Billing

VI. Interdepartmental fees and charges forms:

1. Interdepartmental Fees and Charges Billing Request (Attachment A)
2. Sample of Interdepartmental Fees and Charges Rate Development (Attachment B)
3. Interdepartmental Fees and Charges Rate Development Form (Attachment C)
4. Depreciation Included in Interdepartmental Fees and Charges Rates (Attachment D)

VII. IF&C Committee Members

<table>
<thead>
<tr>
<th>Area</th>
<th>Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Planning &amp; Budgets</td>
<td>John Adams (Chair)</td>
</tr>
<tr>
<td>Libraries</td>
<td>Catherine Gerdes</td>
</tr>
<tr>
<td>Research &amp; Econ Development</td>
<td>Kevin Maynor</td>
</tr>
<tr>
<td>Facilities Services</td>
<td>Ed Phillips</td>
</tr>
<tr>
<td>Systems &amp; Procedures</td>
<td>Candy Davies</td>
</tr>
<tr>
<td>Athletics</td>
<td>Martina Ballen</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>Sarah Jonczak</td>
</tr>
<tr>
<td>Exec Vice Chancellor &amp; Provost</td>
<td>Barron Matherly</td>
</tr>
</tbody>
</table>

VIII. Current Campus Interdepartmental Fee and Charge Rates:

(To be developed.)

IX. Reference

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

   http://research.unc.edu/osr/conpol13.html

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

   http://research.unc.edu/osr/conpro15.html
The University of North Carolina at Chapel Hill  
Interdepartmental Fees and Charges Billing Request

Date:

Name of Service Unit:

Fee Name:

Current Rate:
Requested Rate:
Requested $ Change in Rate:

Beginning date fee/charge to become effective:

Customers: (Provide 3 - 4 major customers or customer types)

Financial Information

<table>
<thead>
<tr>
<th></th>
<th>Actual 2001-02</th>
<th>Actual 2002-03</th>
<th>Projected 2003-04</th>
<th>Projected 2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Sources of Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Financial Aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Account Number (10-digit number) that identifies where these costs are incurred:
The University of North Carolina at Chapel Hill
Interdepartmental Fees and Charges Billing Request

Date:

Name of Service Unit:

Fee Name:

Service Unit Identification: Director:
Phone Number:
E-mail Address:
CB #:

Explanation of Fee and Justification for Proposed Fee Change:

Certification:
I certify that the need for this fee and any increase has been thoroughly reviewed and affirm that the type, level, and extent of services covered by this fee are appropriate for the institution and that the services provided are commensurate with the fee charged. I further certify that alternative funding has been sought but is unavailable. I understand and agree that I am responsible for recording the costs and associated billing recoveries in this account, and will pursue rate adjustments in a timely manner to address any surplus or deficit.

Director ___________________________ Date ______________

AVC/Dean ___________________________ Date ______________

Vice Chancellor ______________________ Date ______________
UNC-CHAPEL HILL
INTERDEPARTMENTAL FEE AND CHARGE COMMITTEE
Sample of Interdepartmental Fees and Charges Rate Development

Date:

Labor

Staff Salaries
Administrative Assistant 1    $20,000
Administrative Assistant 2    $21,000

Total Salaries    $41,000

Fringe Benefits  $8,200

Materials & Other Costs  $6,000

Equipment Depreciation  $0

Total Operation Costs  $55,200

Adjustment for Prior Rate  ($10,000)
Deduct surplus or add deficit

Total Allowable Costs  $45,200

Total Units of goods or service per year  20,000

Rate Per Unit  $2.26
Allowable costs divided by total units per year
UNC-CHAPEL HILL
INTERDEPARTMENTAL FEE AND CHARGE COMMITTEE
Interdepartmental Fees and Charges Rate Development

Date:

Labor

Staff Salaries

Total Salaries $0

Fringe Benefits

Materials & Other Costs

Equipment Depreciation

Total Operation Costs $0

Adjustment for Prior Rate
Deduct surplus or add deficit

Total Allowable Costs $0

Total Units of goods or service per year

Rate Per Unit #DIV/0!
Allowable costs divided by total units per year
The University of North Carolina at Chapel Hill  
Interdepartmental Fee and Charge Committee  
Depreciation Included in Interdepartmental Fee and Charge Rate

<table>
<thead>
<tr>
<th>Equipment Description</th>
<th>Asset Tag #</th>
<th>Date Purchased</th>
<th>Account Number Purchased On</th>
<th>Original Cost</th>
<th>Annual Depreciation Included in Rate</th>
</tr>
</thead>
</table>