Managing Recharge Centers

Celia Maddox
March 13, 2012
Agenda

1. Self Certification
2. Budgeting for Recharge Units
3. Recording Recharge Activity
4. Depreciation
5. Inventory
6. How to Evaluate the Financial Status
7. How to Know When to Revise Rates
8. Summary & Resources
Agenda

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8. Summary & Resources
### UNIVERSITY OF CALIFORNIA, BERKELEY - RECHARGE ACTIVITY SELF CERTIFICATION

**Unit:**

**Date:**

**Prepared By:**

**Tab No.:**

Questions about how to complete this form or any of the recharge proposal forms can be directed to RECHARGE or recharge@berkeley.edu

### 1. Self Certification Checklist

#### Review Data

- **Policy Reference:**
- **Yes**
- **No**

1. This certification is submitted to cover the period **2021-10-01** to **2022-09-30**
2. Does the unit generate more than $60,000 annually in recharge income?
3. Does this unit generate over $200,000 in annual revenue?

#### Nature of Services

- **Policy Reference:**
- **Yes**
- **No**

4. Is the service identifiable as opposed to general?
5. Is service regular and continuing?
6. Is service unique or specialized enough to warrant recharging?
7. Is there need for this service by more than one department/ activity/project?
8. Is there another unit on campus that provides these or similar services?
   
   If yes, please identify:

#### Recharge Policy Compliance & Rates

- **Policy Reference:**
- **Yes**
- **No**

9. Are only direct, identifiable and allowable costs covered?
10. Are rate computations based on current base rates and material costs plus any expected increases?
11. Are recharge rates identical for all campus customers?
12. Are provisions or implicit allocations avoided?
13. Are rates published and distributed?
14. Are rates to on-campus customers reasonable for the services provided?
15. Do rates comply with all other Direct Costing Policies?
16. Does the unit provide service to non-UC (or non-UC affiliated) customers?
   
   If yes, does the unit impose surcharges?
   
   If yes, what is the rate of mark-up?

- Please estimate the average annual surcharge income generated by this unit:

17. Do you include equipment depreciation in your rate development?

   Were Federal funds used to purchase any of the depreciated equipment?
   
   (Fred funds purchased equipment costs may not be recovered through a recharge rate)

   For depreciation calculation, were useful lives other than those found at UCOP’s website used?

18. Please provide all chartstring combinations for the following 5 chartstring fields that apply to the recharge unit (e.g., operations, reserves, surcharges, subsidy)

<table>
<thead>
<tr>
<th>Chartstring Description</th>
<th>Fund</th>
<th>Org</th>
<th>Program</th>
<th>Project</th>
<th>Flex</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
</tr>
</tbody>
</table>

   (add more lines if necessary)
### Recharge Policy Compliance & Rates (continued)

18. Since the last rate approval, are any of the proposed rates new to the unit?
   If yes, what is the estimated income to be generated by the new services?

<table>
<thead>
<tr>
<th>New service</th>
<th>Estimated Income</th>
<th>% of Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   (If a new service generates over 5% of total income, a more detailed review may be required - see UC Recharge policy statement)

   **New Service Income**
   **Total Income - All Services**

19. Is the unit proposing rate changes?
   (If yes, please attach a copy of the proposed rate change)

   * If yes, are any proposed rates different from the previously approved rates by 5% or more?
   * Proposed effective date of any rate changes:

21. Will any of the recharge income originate from Federal sources?
   Total estimated income - all sources:
   Estimated income - Federal sources:

   (If over 25% of total - a more detailed review may be required - see UC Recharge policy statement)

22. Does the unit maintain an inventory with a value greater than $50,000?

23. Does the unit's billing practice comply with recharge billing policy?

### Financial Summary

24. The unit's balance as of [__] is [surplus/deficit]
   If the balance is within tolerance (surplus/deficit - expected operating expenditure)?
   If no, please attach a surplus/deficit reduction plan (surplus and deficit reduction plans require Recharge Committee approval. Units with balances outside of tolerance may require a more detailed review - see UC Recharge policy statement)

### Additional Information

This self-certification will be reviewed under the direction of the Recharge Committee. Additional written information that helps to expedite review is always welcomed, but will be required when:
* a surplus or deficit in the current period exceeds the published tolerance levels
* proposed rates exceed the previously approved rates by more than 5%
* "no" answers to questions 4-7, 9-15, 17, 25 or 24

### Certification

I certify that to the best of my knowledge the above is accurate and has been prepared in compliance with current University and Federal policy.

<table>
<thead>
<tr>
<th>Dept. Head Name and Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control Unit Name and Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Agenda

1. Self Certification

2. Budgeting for Recharge Units

3. Recording Recharge Activity

4. Depreciation

5. Inventory

6. How to Evaluate the Financial Status

7. How to Know When to Revise Rates

8. Summary & Resources
Budgeting for Recharge Units
Budgeting as yearly requirement and management tool:

- Establish budget based on the current & future business environment.
- Budget based on rate analysis, with future expenditure, & surplus/deficit corrections.
- Base Budgets are always net zero.
  - Temporary budgets can be modified as business needs demand.
  - Perm budgets are eliminated in CalPlanning.
## SAMPLE RATE CALCULATION - SHOP SERVICES

### HOURLY LABOR RATE CALCULATION -

#### PROJECTED GENERAL OPERATING COSTS

<table>
<thead>
<tr>
<th>Supervisory Personnel</th>
<th>Salary</th>
<th>Benefits Rate</th>
<th>Benefits Cost</th>
<th>Total Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super, Mechanical Shop, 3 mos @ 15% @ 5,000 per month</td>
<td>$2,250</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Super, Mechanical Shop, 9 mos @ 15% @ 5,200 per month</td>
<td>$7,020</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support Personnel</th>
<th>Salary</th>
<th>Benefits Rate</th>
<th>Benefits Cost</th>
<th>Total Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Asst II, 6 mos @ 10% @ 2,502 per month</td>
<td>$1,501</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing Asst II, 6 mos @ 10% @ 2,817 per month</td>
<td>$1,570</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Productive Personnel</th>
<th>Salary</th>
<th>Benefits Rate</th>
<th>Benefits Cost</th>
<th>Total Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dev Technician V, 3 mos @ 100% @ 4,115 per month</td>
<td>$12,345</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dev Technician V, 9 mos @ 100% @ 4,312 per month</td>
<td>$38,808</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dev Technician IV, 3 mos @ 100% @ 3,295 per month</td>
<td>$5,765</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dev Technician IV, 9 mos @ 100% @ 3,412 per month</td>
<td>$30,708</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jr Development Engr, 3 mos @ 75% @ 3,208 per month</td>
<td>$7,218</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jr Development Engr, 9 mos @ 75% @ 3,355 per month</td>
<td>$22,846</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Salaries and Benefits**

$133,831 | $30,782 | $164,613

### Supplies & Expense

General costs not attributable to a specific service (Telephones, office supplies, postage, forms, computer supplies, training costs etc.)

$6,000

### Equipment Depreciation

General equipment not attributable to a specific service. From Depreciation Table

$6,533

### Subsidy

Must be a subsidy that lowers the rate for all UC customers.

### Adjustment for Previous Years' Operations

Deduct Surplus or Add Deficit

$35,000

#### TOTAL PROJECTED OPERATING COSTS

$212,146

### TOTAL PRODUCTIVE HOURS

Total FTE of Productive Personnel 2.75

### HOURLY RATE

Operating Costs divided by (Productive Hours times FTE)

$58.00
# SAMPLE RATE CALCULATION - SHOP SERVICES

## HOURLY RATE CALCULATION - SHOP SERVICES

### PROJECTED GENERAL OPERATING COSTS

<table>
<thead>
<tr>
<th>Supervising Personnel</th>
<th>Salary</th>
<th>Benefits Rate</th>
<th>Benefits Cost</th>
<th>Total Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super, Mechanical Shop</td>
<td>3 mos @ 15% @ 5,010 per month</td>
<td>$2,250</td>
<td>23.0%</td>
<td>$516</td>
</tr>
<tr>
<td>Super, Mechanical Shop</td>
<td>9 mos @ 15% @ 5,210 per month</td>
<td>$7,020</td>
<td>23.0%</td>
<td>$1,619</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support Personnel</th>
<th>Salary</th>
<th>Benefits Rate</th>
<th>Benefits Cost</th>
<th>Total Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Asst II</td>
<td>6 mos @ 10% @ 2,592 per month</td>
<td>$1,501</td>
<td>23.0%</td>
<td>$345</td>
</tr>
<tr>
<td>Purchasing Asst II</td>
<td>6 mos @ 10% @ 2,817 per month</td>
<td>$1,570</td>
<td>23.0%</td>
<td>$361</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Productive Personnel</th>
<th>Salary</th>
<th>Benefits Rate</th>
<th>Benefits Cost</th>
<th>Total Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dev Technician V</td>
<td>3 mos @ 100% @ 4,115 per month</td>
<td>$12,345</td>
<td>23.0%</td>
<td>$2,839</td>
</tr>
<tr>
<td>Dev Technician V</td>
<td>9 mos @ 100% @ 4,312 per month</td>
<td>$36,808</td>
<td>23.0%</td>
<td>$8,326</td>
</tr>
<tr>
<td>Dev Technician IV</td>
<td>3 mos @ 100% @ 3,295 per month</td>
<td>$9,765</td>
<td>23.0%</td>
<td>$2,246</td>
</tr>
<tr>
<td>Dev Technician IV</td>
<td>9 mos @ 100% @ 3,412 per month</td>
<td>$30,708</td>
<td>23.0%</td>
<td>$7,063</td>
</tr>
<tr>
<td>Jr Development Engr</td>
<td>3 mos @ 75% @ 3,318 per month</td>
<td>$7,218</td>
<td>23.0%</td>
<td>$1,680</td>
</tr>
<tr>
<td>Jr Development Engr</td>
<td>9 mos @ 75% @ 3,318 per month</td>
<td>$22,646</td>
<td>23.0%</td>
<td>$5,209</td>
</tr>
</tbody>
</table>

### Total Salaries and Benefits

| Total Salaries and Benefits | $133,831 | $30,782 | $164,613 |

### Supplies & Expense

General costs not attributable to a specific service (Telephones, office supplies, postage, forms, computer supplies, training costs etc.)

| Equipment Depreciation | $6,533 |

### Subsidy

Must be a subsidy that lowers the rate for all UC customers.

| Adjustment for Previous Years' Operations | ($15,184) |

### TOTAL PROJECTED OPERATING COSTS

| TOTAL PROJECTED OPERATING COSTS | $196,368 |

### TOTAL PRODUCTIVE HOURS

Total FTE of Productive Personnel

| Productive Hours per FTE | 1304 |

### HOURLY RATE

Operating Costs divided by (Productive Hours times FTE)

| HOURLY RATE | $55.00 |
Budgeting for Recharge Units

How to Budget

Difference between a subsidized and non-subsidized budget.

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>DR</th>
<th>CR</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDSUM 51000-Salaries &amp; Wages</td>
<td>$133,831</td>
<td></td>
<td>$121,490 subsidy</td>
<td></td>
</tr>
<tr>
<td>BUDSUM 53000-Benefits</td>
<td>30,782</td>
<td></td>
<td>27,943 subsidy</td>
<td></td>
</tr>
<tr>
<td>BUDSUM 55000-Supplies &amp; Expense</td>
<td>6,000</td>
<td></td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>BUDSUM 54200-Depreciation</td>
<td>6,533</td>
<td></td>
<td>6,533</td>
<td></td>
</tr>
<tr>
<td>BUDSUM 59000-Recharge Income</td>
<td>$177,146</td>
<td>$161,966</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUDSUM 58100-Reappropriation</td>
<td>35,000</td>
<td></td>
<td>35,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$212,147</td>
<td>177,146</td>
<td>$196,966</td>
<td>$161,966</td>
</tr>
</tbody>
</table>
Budgeting for Recharge Units
How to Use the Budget

• Periodically compare actuals to budget. Identify areas and levels of variance.
  • Contributing factors to variance
    • Rate change needed
    • Business change
    • Depreciation expense
    • Unexpected expenses
    • Change in employees
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Recording Recharge Activity
Where to Record Recharge Activities

- **Recharge centers.** Record operations to a revenue fund (6XXXX).

- **Surcharge income.** Record surcharge income to generic surcharge fund (60050 or 66350).

- **Reserves.** Through depreciation, record income to a reserve fund (76XXX). Generic equipment reserve fund = 76001
Recording Recharge Activity
What to Record-Rates & Costs

- Use other elements of the chartstring (e.g., org, chartfield 1 or chartfield 2) to separately account for different activities within the recharge center.
  - Multiple rates
  - Depreciation
  - Pass-through costs
  - CalPlanning
Recording Recharge Activity
What to Record-Transactions

• Use BFS account codes to identify transactions.
  • Campus income  59000
  • Non-campus income 4XXXX and AFC revenue
  • Depreciation expense 54251 and contra expense 54252
  • Transfer to reserves 34039
  • Inventory 14XXX
  • Other expenditures use codes: 50000-58999
Recording Recharge Activity

Surcharge Income

• Record income attributable to surcharges to the surcharge fund.
  • Separate fund ensures that the unit’s operating balance is not distorted by surcharge income.
  • Recording this income to a separate fund ensures that the administrative full costing fee is assessed against the correct activity.
    • GAO will perform quarterly entries for AFC reallocation
Recording Recharge Activity

Surcharge Income

- Be sure to record the income attributable to the recharge base cost to the operations fund.
  - Split code the income to the two different funds, or
  - Periodically transfer accumulated surcharge income from operations fund to surcharge fund.
Example: A recharge unit charges $50/hr for graphic design for campus users and imposes a 53.5% surcharge for non-campus users, plus 7% for administrative full costing. Intel has used 5 hours of the unit’s labor.

- At what rate will the unit bill Intel?
- How will the unit record the income?
## Recording Recharge Activity

**Surcharge Income**

- Charge to Intel is $80.25/hr X 5 hours = $401.25

### Graphics Income

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base:</td>
<td>250.00</td>
</tr>
<tr>
<td>Surcharge:</td>
<td>151.25</td>
</tr>
<tr>
<td><strong>Total Deposit</strong></td>
<td><strong>$401.25</strong></td>
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</tbody>
</table>

**Administrative Full Costing Assessment:** 7% of $401.25, or $28.08:

<table>
<thead>
<tr>
<th></th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4XXXX-60060-XXXXX-XX</td>
<td>17.50</td>
</tr>
<tr>
<td>1-4XXXX-60050-XXXXX-XX</td>
<td>10.58</td>
</tr>
<tr>
<td><strong>Total AFC Assessment</strong></td>
<td><strong>$28.08</strong></td>
</tr>
</tbody>
</table>
Recording Recharge Activity
Surcharge Income

The General Accounting Office, on a quarterly basis, will reallocate any AFC posted to recharge operations funds to the surcharge funds.

Administrative Full Costing Assessment Reallocation:

<table>
<thead>
<tr>
<th>Administrative Full Costing Assessment Reallocation:</th>
<th>CR</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4XXXXX-60060-YYYYY-XX</td>
<td>17.50</td>
<td></td>
</tr>
<tr>
<td>1-4XXXXX-60050-YYYYY-XX</td>
<td></td>
<td>17.50</td>
</tr>
</tbody>
</table>

Make sure surcharge chartstring in on the self-certification!
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Depreciation

Definition

- Depreciation is the allocation of a capital asset’s cost over its useful life.
  - Customers pay fair share
  - Records depreciation as a current expense
  - Adds the depreciated amount to the reserve
Depreciation
How to Calculate

- Schedules that support the recording of depreciation expense are based on \textit{actual} acquisitions.
- Deficits or surpluses that result from the differences between depreciation forecast and actuals will be included in future rate calculations.
# DEPRECIATION SCHEDULE

<table>
<thead>
<tr>
<th>Description</th>
<th>Equipment Item*</th>
<th>Date of Purchase (mm/dd/yy)</th>
<th>Initial Cost of Equipment</th>
<th>Salvage Value</th>
<th>Percentage Recharge Usage</th>
<th>Amount to be Depreciated</th>
<th>Useful Life (Months)</th>
<th>Number of Months Depreciated Prior Year(s)</th>
<th>Number of Months Depreciated FYXX</th>
<th>Number of Months Depreciated FYXX</th>
<th>Number of Months Depreciated FYXX</th>
<th>Prior Year(s)</th>
<th>Accum. Depreciation FYXX</th>
<th>FYXX Amount Depreciated</th>
<th>FYXX Amount Depreciated</th>
<th>FYXX Amount Depreciated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lathe</td>
<td>95-125862</td>
<td>1/1/1995</td>
<td>32,000</td>
<td>2,000</td>
<td>100%</td>
<td>30,000</td>
<td>120</td>
<td>30</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>7,500</td>
<td>3,150</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Lathe</td>
<td>97-152600</td>
<td>7/1/1996</td>
<td>33,500</td>
<td>2,000</td>
<td>100%</td>
<td>31,500</td>
<td>120</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>3,150</td>
<td>3,150</td>
<td>3,150</td>
<td>3,150</td>
<td>3,150</td>
</tr>
</tbody>
</table>

**TOTALS**

|               |                 |                             |                          |               |                          |                          |                       |                                           |                                 |                                 |                                 |   |                        |                          |                          |                          |
|               |                 |                             |                          |               |                          |                          |                       |                                           |                                 |                                 |                                 |                           |                          |                          |                          |

* Do not delete equipment from depreciation schedule until it has been either replaced or salvaged.
Depreciation

When to Record

• If included in rates, a recharge unit must record at least annual depreciation expense and transfer to reserves.
  • Record expense
  • Fund the reserve
  • Frequency depends on materiality
Depreciation
When to Record

• What happens if a unit doesn’t record depreciation but has included depreciation expense in rates?
  • Causes a surplus
  • Appears as use of funds that would have been the reserve
  • May mask other operational issues
  • Impacts tolerance levels
### Depreciation Financial Journal

<table>
<thead>
<tr>
<th>Acct</th>
<th>Fund</th>
<th>Org</th>
<th>Prog</th>
<th>Desc</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>54251</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Depr Exp. FYXX-XX</td>
<td>$6,150</td>
<td></td>
</tr>
<tr>
<td>54252</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Depr Contra Exp</td>
<td></td>
<td>$6,150</td>
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<tr>
<td>34039</td>
<td>6XXXX</td>
<td>Yours</td>
<td>-</td>
<td>Inter Fund Bal Transfer</td>
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<td>$6,150</td>
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<tr>
<td>34039</td>
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<td>Yours</td>
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<td>Inter Fund Bal Transfer</td>
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<td>$6,150</td>
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<tr>
<td>23502</td>
<td>6XXXX</td>
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<td>-</td>
<td>Interfund Bal*</td>
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<td>$6,150</td>
</tr>
<tr>
<td>23502</td>
<td>76XXX</td>
<td>-</td>
<td>-</td>
<td>Interfund Bal*</td>
<td></td>
<td>$6,150</td>
</tr>
</tbody>
</table>

*these two entries will be automatically generated by the system*

If used to track recharge activity, include project and flex codes on lines one and two only.
### Depreciation Budgetary Entries

<table>
<thead>
<tr>
<th>Acct</th>
<th>Fund</th>
<th>Org</th>
<th>Prog</th>
<th>Desc</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>54200</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Depr Exp. FYXX-XX</td>
<td>$6,150</td>
<td></td>
</tr>
<tr>
<td>39000</td>
<td>6XXXX</td>
<td>00800</td>
<td>-</td>
<td>Inter Fund Bal Transfer</td>
<td>$6,150</td>
<td></td>
</tr>
<tr>
<td>54200</td>
<td>76XXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Depr Exp. FYXX-XX</td>
<td></td>
<td>$6,150</td>
</tr>
<tr>
<td>39000</td>
<td>76XXX</td>
<td>00800</td>
<td>-</td>
<td>Inter Fund Bal Transfer</td>
<td></td>
<td>$6,150</td>
</tr>
</tbody>
</table>

If used to track recharge activity, include project and flex codes on lines one and three only.

**Preparing the budgetary entries assures that the depreciation cost shows on standard BAIRS reports.**
Agenda

1. Self Certification
2. Budgeting for Recharge Units
3. Recording Recharge Activity
4. Depreciation
5. Inventory
6. How to Evaluate the Financial Status
7. How to Know When to Revise Rates
8. Summary & Resources
Inventory
Definition

• Inventory is defined as products for resale or the raw materials to be used in the production of goods.
  • Recording inventory aligns expenses with revenue.
  • Important element in tolerance calculation
For inventory calculation:

- Perform a physical count of all goods.
- Value inventory at cost (not replacement cost).
- Multiply count times inventory value to calculate periodic charge.
Inventory Financial Journal (annual recording)

<table>
<thead>
<tr>
<th>Acct</th>
<th>Fund</th>
<th>Org</th>
<th>Prog</th>
<th>Desc</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5XXXX</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Inventory. FYXX-XX</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td>14XXX</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Inventory</td>
<td></td>
<td>$50,000</td>
</tr>
</tbody>
</table>

If used to track recharge activity, include chartfield 1 and chartfield 2 codes.
Inventory
When to Record

• A unit can also elect to record inventory more often than annually.
  • Recommended for inventory that is material for the unit.
  • Requires monthly adjustments only, no more need to do annual entries.
If the value of inventory on books as of July 1 is $50,000, but at July 31 is $55,000, record the increase in the inventory value:

<table>
<thead>
<tr>
<th>Acct</th>
<th>Fund</th>
<th>Org</th>
<th>Prog</th>
<th>Desc</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5XXXX</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Inventory. FYXX-XX</td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>14XXX</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Inventory</td>
<td></td>
<td>$5,000</td>
</tr>
</tbody>
</table>

The value of the inventory on the books is now $55,000.

If used to track recharge activity, include project and flex codes.
Inventory Financial Journal  (periodic recording)

If the value of the inventory is $40,000 as of August 31, record the **decrease** in the inventory value:

<table>
<thead>
<tr>
<th>Acct</th>
<th>Fund</th>
<th>Org</th>
<th>Prog</th>
<th>Desc</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5XXXX</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Inventory. FYXX-XX</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>14XXX</td>
<td>6XXXX</td>
<td>Yours</td>
<td>Yours</td>
<td>Inventory</td>
<td></td>
<td>$15,000</td>
</tr>
</tbody>
</table>

The value of the inventory on the books is now $40,000

If used to track recharge activity, include chartfield 1 and chartfield 2 codes
Agenda

1. Self Certification
2. Budgeting for Recharge Units
3. Recording Recharge Activity
4. Depreciation
5. Inventory
6. How to Evaluate the Financial Status
7. How to Know When to Revise Rates
8. Summary & Resources
How to Evaluate the Financial Status

Where’s the money?

- Recharge units are responsible for their total financial picture (budget + expenses).
  - Actuals are “real” money.
  - Reappropriated budget balances are “real” money.
  - Depreciation entries are “real” money.
How to Evaluate the Financial Status
How to Calculate a True Financial Status

• Always start with a ledger figure.
  Consider-
  • business cycle
  • inventory
  • depreciation
  • unbilled jobs
  • Adjusting the ledger figure aligns expenses and revenue to reveal a more accurate financial picture.
How to Evaluate the Financial Status

How to Calculate a True Financial Status

Example:

- January 31 ledger figures:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tembud</td>
<td>$498,000 deficit</td>
</tr>
<tr>
<td>Actuals</td>
<td>$ 80,000 deficit</td>
</tr>
<tr>
<td>Encumbrances</td>
<td>$110,000 deficit</td>
</tr>
<tr>
<td>Balance</td>
<td>$688,000 deficit</td>
</tr>
</tbody>
</table>

What might the unit consider when evaluating its financial status?
How to Evaluate the Financial Status
How to Calculate a True Financial Status

Review-
• Business cycle
• Encumbrances
• Revenue from prior year
• Billings current
• Inventory recorded
• Depreciation recorded
• Unallowable expenses recorded
### How to Evaluate the Financial Status

#### How to Calculate a True Financial Status

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ledger balance</td>
<td>$688,000 deficit</td>
</tr>
<tr>
<td>Add additional costs to the unit:</td>
<td></td>
</tr>
<tr>
<td>depreciation</td>
<td>75,000</td>
</tr>
<tr>
<td>Add additional credits/offsets to the unit:</td>
<td></td>
</tr>
<tr>
<td>inventory credit</td>
<td>(200,000)</td>
</tr>
<tr>
<td>relieve liens</td>
<td>(100,000)</td>
</tr>
<tr>
<td>unbilled jobs</td>
<td>(175,000)</td>
</tr>
</tbody>
</table>

| Adjusted Balance             | 288,000 deficit |
How to Evaluate the Financial Status Reports

Units can use BAIRS summary reports to monitor performance:

• Income & Expenses by Org
• Monthly Expense
• Two Year Actuals Comparison
• Department Fund-Program Deficits

Then use detail reports for further review of problem areas.
### INCOME AND EXPENSES BY ORG

#### Summary by Fund

**Business Unit:** UC Berkeley  
**Fiscal Year:** 2002-03  
**As Of:** June  
**Run Date:** 06/09/03  
**Run Time:** 11:02:49

<table>
<thead>
<tr>
<th>Org</th>
<th>Org Description</th>
<th>Current Year Budget</th>
<th>Actuals</th>
<th>Encumbrances</th>
<th>Pre-Encumbrances</th>
<th>Current Year Balance</th>
<th>Prior Year Balance</th>
<th>Total Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>00500</td>
<td>ZLACT Ctrl Ops General Acctg</td>
<td>0.00</td>
<td>28.32</td>
<td>0.00</td>
<td>0.00</td>
<td>28.32</td>
<td>0.00</td>
<td>28.32</td>
</tr>
<tr>
<td>12496</td>
<td>HBBLC BLC Recharge</td>
<td>0.00</td>
<td>-13,398.69</td>
<td>0.00</td>
<td>0.00</td>
<td>-13,398.69</td>
<td>0.00</td>
<td>-13,398.69</td>
</tr>
<tr>
<td><strong>Subtotal Revenues</strong></td>
<td></td>
<td>0.00</td>
<td>-13,370.37</td>
<td>0.00</td>
<td>0.00</td>
<td>-13,370.37</td>
<td>0.00</td>
<td>-13,370.37</td>
</tr>
<tr>
<td>12495</td>
<td>HBBLC BLC Gen Ops</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>12496</td>
<td>HBBLC BLC Recharge</td>
<td>53,520.00</td>
<td>-32,520.35</td>
<td>0.00</td>
<td>0.00</td>
<td>20,999.65</td>
<td>0.00</td>
<td>20,999.65</td>
</tr>
<tr>
<td><strong>Subtotal Recharge Income</strong></td>
<td></td>
<td>53,520.00</td>
<td>-32,520.35</td>
<td>0.00</td>
<td>0.00</td>
<td>20,999.65</td>
<td>0.00</td>
<td>20,999.65</td>
</tr>
<tr>
<td><strong>Total Revenues and Recharge Income</strong></td>
<td></td>
<td>53,520.00</td>
<td>-46,890.72</td>
<td>0.00</td>
<td>0.00</td>
<td>7,629.28</td>
<td>0.00</td>
<td>7,629.28</td>
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</table>

#### Revenues

<table>
<thead>
<tr>
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<th>Org Description</th>
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<td>0.00</td>
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<td>0.00</td>
<td>20,999.65</td>
</tr>
<tr>
<td><strong>Subtotal Recharge Income</strong></td>
<td></td>
<td>53,520.00</td>
<td>-32,520.35</td>
<td>0.00</td>
<td>0.00</td>
<td>20,999.65</td>
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<td></td>
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<td>-46,890.72</td>
<td>0.00</td>
<td>0.00</td>
<td>7,629.28</td>
<td>0.00</td>
<td>7,629.28</td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th>Org</th>
<th>Org Description</th>
<th>Current Year Budget</th>
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<th>Encumbrances</th>
<th>Pre-Encumbrances</th>
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<tr>
<td>12495</td>
<td>HBBLC BLC Gen Ops</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>12496</td>
<td>HBBLC BLC Recharge</td>
<td>-53,520.00</td>
<td>39,815.25</td>
<td>0.00</td>
<td>0.00</td>
<td>-13,664.75</td>
<td>11,646.08</td>
<td>-2,018.67</td>
</tr>
<tr>
<td><strong>Subtotal Expenses</strong></td>
<td></td>
<td>-53,520.00</td>
<td>39,815.25</td>
<td>0.00</td>
<td>0.00</td>
<td>-13,664.75</td>
<td>11,376.14</td>
<td>-2,288.61</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td>-53,520.00</td>
<td>39,815.25</td>
<td>0.00</td>
<td>0.00</td>
<td>-13,664.75</td>
<td>11,376.14</td>
<td>-2,288.61</td>
</tr>
</tbody>
</table>

**Fund 61490 Totals**

<table>
<thead>
<tr>
<th>Current Year Budget</th>
<th>Actuals</th>
<th>Encumbrances</th>
<th>Pre-Encumbrances</th>
<th>Current Year Balance</th>
<th>Prior Year Balance</th>
<th>Total Balance</th>
</tr>
</thead>
<tbody>
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<td>0.00</td>
<td>-6,039.47</td>
<td>11,376.14</td>
<td>5,336.67</td>
</tr>
</tbody>
</table>

---

**Notice base budget equals $0**

**Current year operations**

**Previous year’s balance**

**Cumulative Balance**
**TempBud balance equals reappropriation**

Identify areas of unexpected activity

Reappropriate the balance into the next FY
### ACTUALS COMPARISON: THIS YEAR VS. LAST

#### by Fund (summarized)

**Business Unit:** 1 -- UC Berkeley  
**Fiscal Year:** 2001-02, 2002-03  
**As Of:** May

<table>
<thead>
<tr>
<th>Selection Criteria:</th>
<th>Acct</th>
<th>Fund</th>
<th>Org</th>
<th>Pgm</th>
<th>Prj</th>
<th>File</th>
</tr>
</thead>
</table>

#### Fund: 61490 - BLC RECHARGE FUND

<table>
<thead>
<tr>
<th></th>
<th>Current Year MTD</th>
<th>Prior Year Same Month</th>
<th>Month Difference</th>
<th>Current Year YTD</th>
<th>Prior Year YTD</th>
<th>YTD Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues/Recharge Income</td>
<td>-1,828.52</td>
<td>-7,214.28</td>
<td>5,385.76</td>
<td>-45,558.27</td>
<td>-51,024.97</td>
<td>5,466.70</td>
</tr>
<tr>
<td>Expenses</td>
<td>-19,882.75</td>
<td>5,150.01</td>
<td>-25,032.76</td>
<td>39,466.98</td>
<td>57,732.51</td>
<td>-18,265.53</td>
</tr>
<tr>
<td>Report Totals</td>
<td>-21,711.27</td>
<td>-2,064.27</td>
<td>-19,647.00</td>
<td>-6,091.29</td>
<td>6,707.54</td>
<td>-12,798.83</td>
</tr>
</tbody>
</table>

- Compare this month to the same month last year
- Compare year to date totals
Agenda

1. Self Certification
2. Budgeting for Recharge Units
3. Recording Recharge Activity
4. Depreciation
5. Inventory
6. How to Evaluate the Financial Status
7. How to Know When to Revise Rates
8. Summary & Resources
How to Know When to Revise Rates

- Financial Measures
  - Surpluses and deficits
  - Income trends
  - Expenditure trends
  - Consistently operating at tolerance
  - Monitor progress on reduction plans
How to Know When to Revise Rates

- Productivity Measures
  - Compare productive hour standard to billable hours & down time. Can you account for all of your productive people’s time?
  - Compare inventory count to shrinkage estimates
    - Compare average inventory to cost of inventory-how quickly are you turning over inventory?
How to Know When to Revise Rates

• **Lines of Business**
  - Evaluate income & expenses along lines of business. Are some lines less profitable than others? Should those less profitable lines be retired?
  - Do changes in one rate impact other rates?
How to Know When to Revise Rates

• Capital Investment
  • Has the unit made a significant contribution to the unit’s capital needs? Is there an impact to rates?
    • Are there ample resources available to meet the unit’s capital needs?
How to Know When to Revise Rates

- **Market Changes**
  - Have there been changes in how goods or services are provided that impacts rates?

- **Organizational**
  - Has there been a change in the organization of the unit that impacts rates? Can two recharge units making use of shared administrative costs?
Agenda

1. Self Certification
2. Budgeting for Recharge Units
3. Recording Recharge Activity
4. Depreciation
5. Inventory
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7. How to Know When to Revise Rates
8. Summary & Resources
Managing Recharge Centers

In Summary

• Look 3-4 years out.
• Review business necessity for services.
• Review use of subsidies.
• Build a capital plan.
• Only reserve allowed is an equipment replacement reserve based on depreciation.
Managing Recharge Centers

In Summary

• Always know where the unit stands on depreciation to avoid over depreciating assets.
• Always know the unit’s true financial status.
• Understand why a surplus/deficit exists.
Managing Recharge Centers
Rate Hot Spots

- Management & admin costs that exceed 25%
- Productivity/Billables less than 75%
- Rate changes greater than 5%
- Shrinkage greater than 10%
- Mark-up rates
- Any recharge for costs that are normally campus indirect costs
Managing Recharge Centers
Rate Hot Spots

- New rates
- Federal customers greater than 25% of total
- No support costs in rates
- Does accounting align with rates?
- Inclusion of depreciation, subsidies or carry forward surpluses/deficits
- “Outside” customers greater than 10% of total activity
Managing Recharge Centers
Audit Hot Spots

- Unallowable costs charge to operations fund
- Inappropriate allocation basis for shared costs
- Inappropriate charging practices and unsupported billings
  - Use of unapproved rates
  - Charging in advance of services
  - Billing only up to an “agreed upon” amount or what a budget will allow, not the true total costs
- Conflict with campus indirect costs
- Lines of business subsidizing one another
Managing Recharge Centers
Audit Hot Spots

- Sweeping balances at year end
- Charging equipment acquisition to the operations fund
- Contributions to reserves beyond depreciation
- Surpluses and deficits
- Inappropriate productive hour/cost allocation
  - Account for all downtime
  - Back it up with documentation
- “Free” services
Managing Recharge Centers

Resources

- All recharge related correspondence: recharge@berkeley.edu

- Forms and administrative queries
  Lisa Lozano: llozano@berkeley, 3-6336

- Recharge policy & procedures queries
  recharge@berkeley.edu
Managing Recharge Centers
Resources

- Recharge Web Site (has committee member list)
  http://controller.berkeley.edu/recharge/index.htm
- Recharge Policy Document
  http://controller.berkeley.edu/recharge/Policies/Rechargepolicy.pdf
- Business & Finance Bulletin A-47
  http://www.ucop.edu/ucophome/policies/bfb/a47.html
- Business & Finance Bulletin A-56
  http://www.ucop.edu/ucophome/policies/bfb/a56.html
- OMB Circulars A-21
  http://www.whitehouse.gov/OMB/circulars/a021/a021_2004.html
- Contract & Grant Manual
  http://www.ucop.edu/raohome
- Recharge Billing Policies & Procedures
  http://controller.berkeley.edu/recharge/Policies/billingpolicy.htm
Managing Recharge Centers

Examples of Unallowable Costs

- Unallowable costs which cannot be included in rate development:
  - a) A-21 unallowable costs (e.g., federally unallowable: bank card fees - 57323, bad debts - 57356, legal fees - 57332, fines & penalties - 57330, entertainment - 57006, membership – 57353, donations & contributions -57351 and advertising costs -56611). If you are including interest on capital leases in your recharge proposal 57320-57322 (not operating lease expense), please see Section I for allowability.
  - b) Costs of capitalized improvements, including renovation costs or significant alterations or structural changes to plant assets which increase the usefulness, enhance the efficiency, or prolong the life of the property.
  - c) Internal interest charges.
  - d) Administrative full costing assessments (can be included as a surcharge for external users only)
  - e) Equipment purchases (unless useful life is one year or less).
  - f) Exceptional charges that did not occur through the normal course of business; e.g., costs related to non-recovery of recharge income due to the department not billing recharge customers in accordance with the University recharge billing policies.