



LOYOLA UNIVERSITY MARYLAND

— 1852 —

## CHARGEBACK POLICY

**DIVISION WITH PRIMARY RESPONSIBILITY:** Business and Finance

**OFFICE FOR ENSURING COMPLIANCE:** Financial Services/Controller's Office

**CONTACT OFFICE:** Controller's Office

**EFFECTIVE DATE:** April 4, 2017

**REVISION HISTORY:** N/A

**SCHEDULED FOR REVIEW:** Annually

### POLICY SUMMARY

This Chargeback Policy (Policy) outlines the University review and approval process for all internal chargebacks. A chargeback occurs when one University department provides a good or service to another University department and seeks to recover the cost of the good or service. Rates utilized should be reasonable; recovery billing should be timely; and proper guidelines should be followed. This policy outlines the University review and approval process for all internal chargebacks.

### REASON FOR POLICY

This policy is designed to ensure that departments pay only the appropriate share of actual costs, that proper records are available to support the chargeback activity, and to promote consistent and proper accounting for University expenses.

### STATEMENT OF POLICY

#### A. CHARGEBACK ACTIVITY

Chargeback activity during the fiscal year should be billed to the user department within 45 days of services being rendered. An itemized invoice or other supporting documentation should be provided to the user department to substantiate the charges.

At fiscal year-end, chargeback activity should be provided to the Controller's Office in accordance with the deadlines noted in the fiscal year-end timeline distributed annually by the Controller's Office. The user department can only be charged back for activity expended in the current year.

The general ledger account subclass provided by the user department should appropriately describe the services rendered. The Controller's office has the discretion to revise the general ledger account subclass as needed.

Departments should be mindful that each of their general ledger accounts should never be in a deficit position. Budget adjustments should be requested to move funding to new accounts created with this chargeback review and generally, for all under-budgeted accounts.

## **B. BILLING RATES**

Billing rates should be designed to recover the direct operating costs of providing the service on an annual basis based on a reasonable estimate of the direct operating costs incurred. Billing rates are based on a reasonable estimate of the cost of providing the good or service for a year and the projected number of billing units for a year. All users within the University should be charged the same rates for a service. Pricing structures based on time-of-day, volume discounts, turnaround time, etc. are acceptable, provided they have a sound management basis and do not result in recovering more than the costs of providing the services. In the case of chargebacks for supplies, equipment and pass-through external services where the purchase was made solely for the user department, actual costs may pass through the service center.

Billing rates should be reviewed annually and set at the start of each University fiscal year. If necessary, billing rates may be adjusted during the fiscal year based on identified changes to the initial estimate, but not more than quarterly. The billing rate computation should be documented. Although it is not expected that the billing rates will be exactly equal to the cost of providing the services during any one fiscal year, the rate should be established and reviewed at least annually to ensure consistency with the long-term plan to operate on a break-even basis.

## **C. DISPUTES**

Billing disputes should be settled within five business days.

## **D. SUBSIDIZED SERVICE CENTERS**

The operations of the service center are oftentimes subsidized by the University budget to allow for certain activities to not be charged back as well as to subsidize certain services to accommodate a lower billing rate. Since subsidies can result in a loss of funds to the University, they should be provided only when there is a sound programmatic reason and in consultation with the Director of Budgeting and Planning.

## **E. SERVICES PROVIDED TO OUTSIDE PARTIES**

If a university department provides services to individuals or organizations outside of the University, sales tax implications should be considered and charged where applicable. Unrelated business income tax implications should also be considered. The Associate Vice President for Finance should be notified.

## **F. RECORDS RETENTION**

Records used to substantiate chargeback activity must be retained for seven years from the end of the fiscal year to which the records relate. For additional information, consult the University's Record Retention Policy.

## **G. ESTABLISHMENT OF NEW SERVICE CENTERS**

The establishment of new service centers billing University departments must be reviewed and approved by Financial Services.

**DEFINITION(S):**

Service center: A university department that provides services to a user department and charges the user department for supplies/equipment exchanged or services rendered.

**CROSS-REFERENCED POLICIES AND PROCEDURES:**

- [Record Retention Policy](#)