

DIRECT COSTING COMMITTEE REVIEW

The Direct Costing Committee reviews departmental recharge rates that are charged to other campus departments. The rate review process includes evaluation of financial profit and loss statements (to ensure compliance with applicable Business and Finance Bulletins, which require rates to be based on actual costs of goods and services), and for compliance with federal requirements and Cost Accounting Standards (CAS).

Membership:

- Two representatives from academic divisions
- One representative from Accounting or Office of Sponsored Projects
- One representative from Business and Administrative Services (BAS)
- One representative from Colleges, Housing and Educational Services (CHES)
- One representative from Information Technology Services (ITS)
- One representative from Student Success
- Budget Analysis and Planning Staff to the Direct Costing Committee
- Budget Analysis and Planning (Chair)

Rate Approval: Committee recommendations are forwarded to the Vice Chancellor for Budget Analysis and Planning for final approval. All rates must have the concurrence of the appropriate vice chancellor or dean before they are submitted to the Direct Costing Committee for review.

General Charge of the Direct Costing Committee

1. To review requests to establish new recharge activities to ensure that there is a broad and significant demand for the specialized service to be provided, and that recharge rate components meet guidelines for Federal and non-Federal rates as outlined in the establishment criteria listed in Business and Finance Bulletins A-47, University Direct Costing Procedures; A-56, Academic Support Unit Costing and Billing; A-59, Costing and Working Capital for Auxiliary and Service Enterprises; OMB Circular 21, Cost Principles for Educational Institutions, and; Accounting Manual Chapter A-000-7, Official Documentation Required in Support of University Financial Transactions. (See Recharge Rate Policies).
2. To perform a review of rates and prices charged by existing recharge activities, to ensure that they are based on actual costs of goods and services, are applied uniformly, and evaluated in the context of alternative methods and costs of accomplishing objectives, as stated in the above financial documents, and to report the Committee's findings to the Vice Chancellor for Budget Analysis and Planning.
3. To consider all requests for recharge rate increases or new rates in light of the requirement that recharge activities cover actual costs, bearing in mind also the probable budgetary effect on user departments and the appropriateness of state funded subsidies. The Committee will recommend approval or disapproval, but

may also recommend modification, and even discontinuation, of specific recharge activities on the grounds of poor financial viability and/or lack of use.

4. The Direct Costing Committee does not provide formal oversight of recharge operations, including the investigation and resolution of issues such as quality, service provision, cost effectiveness, or customer service concerns of recharge operations.

Why the Direct Costing Committee Review of Recharge Rates is Important

- Campus compliance with regulations.
- Federal Audits and Campus Audits.
- Representation of Campus Managers from campus functional areas to review the reasonableness and appropriateness of the Recharge.
- Determine the appropriateness of the recharge.
- Review of the impact of the recharges on campus units.

Budget Analysis and Planning Responsibilities

- Evaluate to ensure:
 - Components of the recharge rate are allowable.
 - The recharge proposal meets the criteria for a recharge operation.
 - Expenses are well documented and actual expenses match campus financial schedules.
 - Backup materials are included (Depreciation, Salary Schedules, Assumptions)
 - Expenses are based on actual costs of services and goods provided.
 - Recharge costs comply with Federal and other regulations.
 - Accumulated reserves are appropriate and are utilized in a manner consistent with their intent.

Direct Costing Committee Responsibilities

- Make recommendations on rate approvals:
 - Attend committee meetings, review Budget Analysis and Planning's Recharge Rate analysis, and interview recharge units that are requesting new or changed recharge rates.
 - Determine the appropriateness of new or changed recharge rates, or changes in the rate methodology.
 - Consider the impact of the recharge on campus units.
 - Make determinations if the Recharge Rates as proposed should be recommended for campus implementation.
 - Make recommendations to the Vice Chancellor Budget for Analysis and Planning.