

21 & 22 Account Overview

Presented by Campus Services

Overview

- ▶ Definitions
- ▶ Account Request Process
- ▶ Review of 21 and 22 Accounts
- ▶ Business Plan
- ▶ Billing Rates
- ▶ Three Year Projection
- ▶ Budgets
- ▶ Checklists
- ▶ Viewing 21 account balance

Definitions

- ▶ Recharge Center (21):
 - ▶ Used to record business activities related to internal (CSU) customers
 - ▶ Used to record internal revenue (object codes 48xx-49xx)
 - ▶ Goal of account is break-even between revenue and expense
 - ▶ Surplus should not exceed 2 months working capital
 - ▶ If a deficit exists at fiscal year-end, the department is responsible to cover the deficit or develop a plan to recover the deficit that is approved by the University Controller
 - ▶ At least \$5K in revenue a year
 - ▶ If less than \$5K in revenue, but planning to bill 53 accounts discuss with Campus Services
- ▶ General Operations (22):
 - ▶ Used to record business activities related to external customers
 - ▶ Used to record external revenue (object codes 43xx-44xx)
 - ▶ Goal of account is to never have a deficit
 - ▶ If a deficit exists at year-end the department is responsible to cover the deficit or develop a plan to recover the deficit that is approved by Campus Services
 - ▶ At least \$5K in revenue a year

Account Request Process

Step 1: Assess Viability of Activity

- Revenue generated should cover operating costs
- Anticipated revenue should be \$5,000 or greater

Step 2: Complete Required Paperwork

- Business Plan
- Billing Rates
- Fund Budget Request with appropriate signatures

Step 3: Send to Campus Services for Approval Process

- Recharge (21) approved by Campus Services, Sponsored Programs and the University Controller
- GENOP (22) approved by Campus Services, Tax Manager, and the University Controller

Step 4: Account Creation

Department will initiate an account request and attach business plan, billing rates, and fund budget request to document as support

For additional information reference the [21 and 22 Account User's Guide](#)

Accounting Tech/Fiscal Officer Responsibilities

- ▶ For new accounts work with PI to draft business plan, billing rates, three year projection and fund budget request
 - ▶ Once approved Accounting Tech/Fiscal Officer will create account in Quali
- ▶ Based on information PI provides Fiscal Officer, the Fiscal Officer will create monthly billings and manage expenses
 - ▶ Fiscal Officer should be timely in processing the monthly billings and expenses
- ▶ For existing accounts: Are you meeting your goals? Review account monthly to ensure:
 - ▶ No large surplus (21 accounts)
 - ▶ No deficit (21 and 22 accounts) unless it relates to a timing issue or the Controller has approved an exception (equipment purchase).
 - ▶ If a substantial surplus exists that shouldn't, or a deficit exists, work with your Campus Services provider so they are aware that a plan is in place to resolve the issue
 - ▶ Update billing rates if charging too high or too low. Updated billing rates must take into consideration over/under applied costs of the previous period(s) per 200.468.b.2.
 - ▶ Encumbrances on the account are accurate, if not, work with Procurement or Travel to clear them
 - ▶ Communicate with PI any concerns that arrive during monthly review

PI Responsibilities

- ▶ For new accounts work with Accounting Tech to draft business plan, billing rates, three year projection and fund budget request
- ▶ Once account is running, communicate with Accounting Tech consistently regarding expenses that should hit the account and billings (revenue)
- ▶ Billings to customers must occur at least quarterly, but is recommended to occur monthly
 - ▶ PI needs to communicate with Accounting Tech so billing can occur within the required timeframe
- ▶ Sit with Accounting Tech at least quarterly to review the activity in the account

Business and Financial Services (BFS) Role

- ▶ Approval of all new and updates to Business Plan/Billing Rates on 21/22 accounts
- ▶ Monthly review of surpluses and deficits in 21 and 22 accounts
 - ▶ Contact Fiscal Officer on any concerns
- ▶ Yearly, during the 3rd quarter, Campus Services emails Business Officer to review business plans and billing rates to see if updates are needed.
 - ▶ If billing rate updates occur, send to Campus Services for review and approval prior to use. Also include an updated Fund Budget Request.
 - ▶ Billing Rates must be reviewed every 2 years per Uniform Guidance
- ▶ Monthly run report of all 21 accounts that charge 53 accounts to perform audit
 - ▶ Select 5 - 21 accounts each month to ensure the rate charged to 53 accounts matches the rate on file with BFS
 - ▶ At a minimum, all 21 accounts that bill 53s are selected for audit every 5 years

Business Plan

- ▶ What is a business plan?
 - ▶ An operating tool to help manage a business and make it successful
 - ▶ A means of communicating plans to others and provide a basis for cost recovery
- ▶ A business plan should include these general categories:



General Description



Market Analysis/Competition



Revenue and Expense Analysis



Additional Considerations



Billing Rate Calculation



Three Year Projection

Business Plan: General Description

General Description

- ▶ What is the service/product?
- ▶ Who will use it (internal or external customers)?
- ▶ What other products do you plan to develop?
- ▶ How does the activity relate to the mission of the university, college, or department?
- ▶ If the account is in deficit, what account would cover the shortfall?

Business Plan: Market Analysis

Market Analysis

- ▶ Assess the product/service demand
- ▶ What is the current client base?
- ▶ Are there any patent or license issues related to the activity?
- ▶ Who is the competition and how do your charges compare?
- ▶ For internal clients, will it serve 53 accounts?
- ▶ How do you reach external clients (advertising, referrals, etc.)?
- ▶ Is service able to cover the expenses incurred? If not, will it be subsidized?

Business Plan: Revenue & Expense Analysis

Revenue and Expense Analysis

- ▶ How do you plan to determine your rate structure?
- ▶ If activity will be for both internal and external clients, how do you plan to record revenues and expenses?
- ▶ Are revenues and expenses evenly distributed over the fiscal year (July-June)?
- ▶ Does account generate billings to external customers?
 - ▶ If so, do you plan to use the Banner system or use an in-house system to maintain records of these billings?
- ▶ Does this activity use equipment? If so, describe the mechanism used for equipment acquisition.
- ▶ Does this activity have inventory? If yes, how often is the inventory counted to verify accuracy of records?

Business Plan: Additional Considerations

Additional Considerations?

- ▶ Do the activities produce or use hazardous materials?
 - ▶ If so, describe the specific relevant activity and certify that all relevant safety and compliance training is completed as described by Environmental Health Services.
- ▶ Are the services subject to any FDA regulations (GMP, cGMP, GLP, GCP)? If yes, confirm that activities are up to date with required certifications

Billing Rates

Billing Rates

- ▶ Calculated based on actual costs
- ▶ Must be reviewed and approved at least every 2 years per Uniform Guidance Subpart E 200.468
 - ▶ When submitting updates to accelerate the process, explain what changed
- ▶ A revised fund budget request also needs to be submitted with any billing rate updates
- ▶ Fiscal Officer is responsible for retaining schedules of all current and past billing rate calculations
- ▶ Should include detail on how the amounts were calculated (should not just include a number)
- ▶ Able to have 3% increase in billing rates without approval
 - ▶ Every 2 years must send to Campus Services for review

Billing Rates

Billing Rates

- ▶ 21 accounts can only have direct cost
- ▶ 22 accounts should include indirect cost and can have an additional upcharge (profit margin) to meet market competition

Billing Rate Format

► Billing Rate Format

Direct Labor (hours x rate x fringe)	\$xx
Materials (quantity x unit cost)	\$xx
Other Direct Costs (i.e. postage)	<u>\$xx</u>
Total Direct Costs	\$xx
Indirect Costs (22 Accounts)	<u>\$xx</u>
Total Cost to be Billed	<u>\$xx</u>

Billing Rate Workbook

- ▶ Located on the VPR's website, recommended for new accounts
- ▶ <https://vpr.colostate.edu/cores/recharge-center-tools/>

RATE WORKSHEET

Rate Determination Instructions: List all expenses associated with use of an instrument or providing a service. Complete a separate worksheet for each instrument or service (to create a duplicate Rate Worksheet - click on tab and choose "move or copy" and select "make a copy"). This worksheet is designed to determine a base rate/unit (default unit is hour). This base unit can then be used to determine rates for different services. For example if a specific service will take 2 hours of instrument time then the rate for that service can be determined by multiplying the rate/hour by 2. If you want to charge a reduced rate for off-hours usage you could reduce the rate/hour by a %.

All cells with this color must be filled in by the user. Be sure to write over or delete **example data** to avoid including in your rate calculation.

Instrument/Service	LC-TOF
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Number of samples or services/hour	3
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Personnel costs associated with this instrument/service area. Cut and paste personnel information from the Salary Worksheet - insert additional lines as needed.

Personnel	Salary & Fringe	% effort expended by personnel on this instrument/Service area	Cost per fiscal year	Comments
RS 1	\$56,115.00	100.0%	\$56,115.00	
RS 1	\$56,115.00	85.0%	\$47,697.75	
RS 2	\$74,820.00	50.0%	\$37,410.00	
			\$0.00	
			\$0.00	
Total:			\$141,222.75	

General Operating Costs Associated with this instrument/service. Copy and paste from the General Expenses Worksheet - If you have multiple instrument/service areas for which the rate determined will be applied then the allocation of general operating costs should be equally distributed between them. For example, if you have 3 microscopes that will all incur the same rate for usage then the allocation below should be 33%. If you only have one of this type of microscope then the allocation would be 100%.

Full Amount	Allocation %	Cost per fiscal year	Comments
\$16,300.00	100.0%	\$16,300.00	

Service Contract and/or estimated cost for repair and maintenance - If service contracts are not used and repair costs are anticipated to occur at intervals

Billing Rates

▶ Are we forgetting anything?

- ▶ If it is a 22 account, remember your university G&A overhead and profit margin
 - ▶ Current G&A Percentage is 22.5%. This is calculated on the 22 account expenditures.
 - ▶ A profit margin (upcharge) is allowed on a 22 account. Consider your competitor's rates and do not undercut competition. 22.5% should be minimum upcharge to ensure you recoup your costs
 - ▶ Must document how you arrived at upcharge
 - ▶ Billing rate workbook prompts completion
 - ▶ Tiered system (i.e. Academic/non-profit clients, commercial clients)

Three Year Projection

3 Year Projection

- ▶ Only required to be submitted when establishing new account, however is good tool for maintaining successful operation
- ▶ Projection gives fiscal officer an opportunity to review and predict the account's status in the future
- ▶ Information based on a sound estimate of production volumes and operating expenses
- ▶ After first year is completed actual data can be used to assist with the on-going projections
- ▶ Projections normally summarized by revenue and expense categories
- ▶ 2nd or 3rd year projections should be based on anticipated increases/decreases in revenues and expenses

Three Year Projection

3 Year Projection 22 Account Example

		Percentage Increase	Year 1	Year 2	Year 3
Beginning Balance			-	50.00	824.25
Revenues:					
	Growth Estimate	5.00%			
Sample Analysis			22,000.00	23,100.00	24,255.00
Lab Rental Revenue			5,000.00	5,250.00	5,512.50
TOTAL REVENUE			27,000.00	28,350.00	29,767.50
Expenses:					
Salary and Fringe		2.00%	18,500.00	18,870.00	19,247.40
Supplies		5.00%	2,000.00	2,100.00	2,205.00
Maintenance			1,500.00	1,500.00	1,500.00
TOTAL EXPENSES			22,000.00	22,470.00	22,952.40
	G&A %	22.50%	4,950.00	5,055.75	5,164.29
ENDING FUND BALANCE			50.00	824.25	1,650.81

Budgets

Fund Budget Request

- ▶ Fund Budget Request forms are located under [Forms](#) on the Business and Financial Services website
- ▶ Fund Budget Request forms need completed for all new accounts and any time billing rates are being updated
- ▶ Calculated by reviewing upcoming activity for the year
- ▶ Revenue is compensation received for products (43xx-44xx external revenue and 48xx-49xx internal revenue)
- ▶ Expenses are costs, including salaries, associated with the products or services provided by the activity

Budgets

- ▶ What are some things to consider when creating the budget?
 - ▶ Prior year activities provide a guideline for current year budgets
 - ▶ 21 accounts should not have receivables as this would imply external sales which would be on a 22 account
 - ▶ Business Authorized Functions (object code 6649) and Promotional Items or Advertising/Publicity are not allowed on 21 accounts

Checklist

- Assess the viability of the activity.
- Does the activity fit with the mission?
- Is the activity a 21 (internal) or 22 (external) account?
- Determine who the Fiscal Officer will be
- Write business plan.
- Create billing rate calculations.
- Create Three Year Projection.
- Complete budget request form.
- Any concerns related to competition with private enterprise?
- Where is the activity currently taking place?
- If activity involves purchasing equipment, what account will fund the purchase?
- Does your department have TWARDUS access for billing through the University accounts receivable system?
- Does your fiscal officer or accounting tech have Quali access for processing deposits to the University's cashier's office?
- If a 22 account, will your department be accepting credit cards? If so, contact Banking Services to get the credit card terminal set up (if needed).

How do I understand what I see in Kualiti?

Object Code	Type	Normal Balance	Objects commonly used
1XXX	Asset	Debit	Cash (1100) Recharge Equipment Offset (18xx)
2XXX	Liability	Credit	A/P Liability (2100)-Purchases in Progress
3xxx	Beginning Balance	Credit	3000 Beginning Balance Upload
4XXX 9900 9904	Revenue	Credit	External Revenue (43xx-44xx) Internal Revenue (48xx-49xx) Transfer Income (9900, 9904-Plant)
5XXX - 6XXX 7xxx-8xxx 9902, 9905	Expense	Debit	Salary (5xxx), General Supplies (62xx), General Services (66xx) COGS, Equipment (7xxx-8xxx), Transfer Expense (9902, 9905-Plant)

How do I calculate Available Balance?

- ▶ Assets (Object Codes 1xxx) - Liabilities (2xxx) - Encumbrances
 - ▶ If object codes 18xx are on account, exclude from calculation
- ▶ Assets - 1100 cash balance, 1437 receivable balance (22 accounts only)
- ▶ Liabilities - are expenses that have been incurred, but payment has not been made
 - ▶ i.e. 2100 is used by Accounts Payable: when a Payment Request is completed, the net pay is normally 30 days, so even though we have initiated payment the check does not cut until 30 days. Once the check cuts the 2100 balance nets to \$0 and will offset as negative cash
- ▶ Encumbrances - are anticipated expenses that have not been incurred
 - ▶ i.e. Salary for January - June is currently an encumbrance in December because the expenses haven't been incurred, but we expect to pay it in the future
 - ▶ i.e. Travel - if a trip is occurring in April, and the Travel Authorization (TA) is complete in December, an encumbrance will be booked to 6050 until the Travel Reimbursement is complete or the TA is cancelled (trip was cancelled)

Checking Balance in Quali without equipment

Balance Inquiries

General Ledger

- Available Balances
- Balances by Consolidation
- Cash Balances
- General Ledger Balance
- General Ledger Entry
- General Ledger Pending Entry
- Open Encumbrances



Available Balances Lookup ?

* Fiscal Year:	2017
* Chart Code:	CO
* Account Number:	2124415
Sub-Account Number:	
Object Code:	
Sub-Object Code:	
Consolidation Option:	<input checked="" type="radio"/> Consolidation <input type="radio"/> Detail <input type="radio"/> Exclude Sub-Accounts
Include Pending Ledger Entry:	<input checked="" type="radio"/> No <input type="radio"/> Approved <input type="radio"/> All
<input type="button" value="search"/> <input type="button" value="clear"/> <input type="button" value="cancel"/>	

Assets - Liabilities - Encumbrances = Available Balance


$$\$(45,973.05) - \$51.46 - 37,207.31 = \$(83,231.82)$$









14 items retrieved, displaying all items.

Fiscal Year	Chart Code	Account Number	Sub-Account Number	Object Code	Sub-Object Code	Budget Amount	Actuals Amount	Encumbrance Amount	Variance
2017	CO	2124415	*ALL*	1100	*ALL*	0.00	(45,973.05)	0.00	(45,973.05)
2017	CO	2124415	*ALL*	2100	*ALL*	0.00	51.46	0.00	51.46
2017	CO	2124415	*ALL*	4800	*ALL*	0.00	2,344.00	0.00	2,344.00
2017	CO	2124415	*ALL*	5011	*ALL*	0.00	2,407.46	8,393.57	(10,801.03)
2017	CO	2124415	*ALL*	5012	*ALL*	0.00	594.64	2,073.21	(2,667.85)
2017	CO	2124415	*ALL*	5111	*ALL*	0.00	6,362.58	21,207.06	(27,569.64)
2017	CO	2124415	*ALL*	5112	*ALL*	0.00	1,571.56	5,238.15	(6,809.71)
2017	CO	2124415	*ALL*	5541	*ALL*	0.00	0.00	0.00	0.00
2017	CO	2124415	*ALL*	5542	*ALL*	0.00	0.00	0.00	0.00
2017	CO	2124415	*ALL*	5551	*ALL*	0.00	1,211.04	0.00	(1,211.04)
2017	CO	2124415	*ALL*	5552	*ALL*	0.00	35.12	0.00	(35.12)
2017	CO	2124415	*ALL*	6218	*ALL*	0.00	2,887.04	107.32	(2,994.36)
2017	CO	2124415	*ALL*	6601	*ALL*	0.00	3,328.60	188.00	(3,516.60)
2017	CO	2124415	*ALL*	6602	*ALL*	0.00	29,970.47	0.00	(29,970.47)

Checking balances with equipment

Available Balances Lookup 

* Fiscal Year:	2017 
* Chart Code:	CO 
* Account Number:	2100300 
Sub-Account Number:	<input type="text"/> 
Object Code:	<input type="text"/> 
Sub-Object Code:	<input type="text"/> 
Consolidation Option:	<input checked="" type="radio"/> Consolidation <input type="radio"/> Detail <input type="radio"/> Exclude Sub-Accounts
Include Pending Ledger Entry:	<input checked="" type="radio"/> No <input type="radio"/> Approved <input type="radio"/> All
<input type="button" value="search"/> <input type="button" value="clear"/> <input type="button" value="cancel"/>	

Assets (excluding 18xx) - Liabilities - Encumbrances = Available Balance
 \$44,895.90 - \$0 - \$110,148.36 =
 \$(64,252.46)

Deficit was approved as encumbrance is to purchase equipment



12 items retrieved, displaying all items.

Fiscal Year	Chart Code	Account Number	Sub-Account Number	Object Code	Sub-Object Code	Budget Amount	Actuals Amount	Encumbrance Amount	Variance
2017	CO	2100300	*ALL*	1100	*ALL*	0.00	44,895.90	0.00	44,895.90
2017	CO	2100300	*ALL*	1892	*ALL*	0.00	2,277,652.32	0.00	2,277,652.32
2017	CO	2100300	*ALL*	1893	*ALL*	0.00	180,754.57	0.00	180,754.57
2017	CO	2100300	*ALL*	1894	*ALL*	0.00	(925,242.72)	0.00	(925,242.72)
2017	CO	2100300	*ALL*	2100	*ALL*	0.00	0.00	0.00	0.00
2017	CO	2100300	*ALL*	3000	*ALL*	0.00	1,572,998.05	0.00	1,572,998.05
2017	CO	2100300	*ALL*	4800	*ALL*	500,000.00	95,777.86	0.00	(404,222.14)
2017	CO	2100300	*ALL*	6600	*ALL*	500,000.00	0.00	0.00	500,000.00
2017	CO	2100300	*ALL*	6685	*ALL*	0.00	(5,062.02)	0.00	5,062.02
2017	CO	2100300	*ALL*	6720	*ALL*	0.00	95,777.86	0.00	(95,777.86)
2017	CO	2100300	*ALL*	8210	*ALL*	0.00	107,148.11	110,148.36	(217,296.47)
2017	CO	2100300	*ALL*	9015	*ALL*	0.00	107,148.11	0.00	107,148.11

Questions?

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