Prerequisites

Prior to reading the Rate Setting Template Instructions, it is beneficial to review the following sections of the IU Accounting Standards Book to gain foundational information along with report requirements and best practices:

1. Accounting Fundamentals Standards Section
2. Chart of Accounts and General Ledger Standards Section
3. Financial Statements Accounting Standards Section
4. You will also need to run the Recharge Accounting Reports Compilation. This report can be found in the Controller’s Office Reporting Tools tile in One.IU. It is under the Other Standard Reports and Compilations tab.

Overview

Recharge/service center billing rates for 66* accounts must be projected to recover no more than allowable and allocable costs. The rate setting template and process provide limited assurance that each account plans to only recover allowable and allocable costs when billing other university accounts per FIN-Acc-400 and RSOP 5.0. The department providing the service is responsible for monitoring fund balance (at least quarterly) to minimize the risk of profit and to ensure compliance with Uniform Guidance, IU Policies, and Standard Operating Procedures.

Retrieve the Current Version of the Rate Setting Template

The Rate Setting Template is located on The Office of the University Controller’s website. It can be found under Compliance within the Reference Material Library. From the Reference Material Library, select the “Recharge Accounting” box and scroll down to find the Rate Setting Template, as well as other useful documents and information. Click on the template hyperlink to download a blank version for the current fiscal year.
Run the Required Reports to Populate the Rate Setting Template
Prior to completing the rate setting template you will need to run the following three reports.

1. **Recharge Accounting Compilation Report** The Office of the University Controller (UCO) has created this compilation report to act as a one-stop-shop to compile all the reports necessary to populate the recharge rate template and streamline the process for fiscal officers.
   a. Go to Recharge Accounting Reports Compilation in the Controller’s Office Reporting Tools.
   b. Required Parameters:
      i. University Fiscal Year = 2022 (or the most recent closed fiscal year)
      ii. Chart Code = Responsibility Center for the recharge account
      iii. Organization Code = Organization Code the recharge account reports to
      iv. 66* Account Numbers = Recharge account number
   c. Forecast Report Parameters:
      i. Forecast Report: University Fiscal Period Code = The most recently closed period
      ii. Select the Output Format = Excel
      iii. Select the Output Destination = Email

   Move or Copy the recharge compilation reports to the Rate Setting Template.

2. **Asset Recovery Report Instructions** This report is used to determine if any of the assets on the balance sheet have been funded by a sponsored project (CG fund group); associated with a federal pass through account; or, related to a cost share sub-account.
   a. In the Master Catalog of IUIE, search for “Asset Recovery Report” and select the Asset Recovery Report for Rate Setting
   b. Parameters:
      i. Select Database = Snapshot 2022
         *Note: The snapshot will not include any new or transferred assets in FY 2023.*
      ii. Org Plant Fund Chart-Account (XX-95#####) = Enter the COA-plant fund account
         1. Example: BA-9512345
      iii. Include depreciation through fiscal period = 13
      iv. Select the Output Format = MS Excel
      v. Select the Output Destination = Send to Completed Folder
      vi. Move or Copy only the Asset Recovery Report tab to the Rate Setting Template.
   c. Once the report has been generated, review the assets in the listing to determine which assets were utilized within the recharge activity and perform the following steps:
      i. Enter the allocated percentage of time the asset was used during the year in the Recovery % column AL.
      ii. In the column AM, FY Depreciation, multiply Calculated YTD Depr Exp (column Q by Recovery % (column AL) to determine the amount of FY Depreciation you can claim for the given year.
      iii. The total depreciation amount (in column AM), on the Asset Recover Report, can be input into the template on the Rate Calculation tab (cell I45) if your department is recovering depreciation in your rates.
3. **Multi-Year Fund Balance Report Instructions** This report is used to show the five-year trend of the fund balance in a recharge account and aid organizations in determining if their rates need to be adjusted to move the balance closer to zero. Fund balance analysis is important for recharge centers in the rate setting process. The Multi-Year Fund Balance report allows the fiscal officer to analyze the recharge centers’ fund balance trends and ultimately aid in setting the appropriate rates. Failure to monitor fund balance changes may lead to a misrepresentation of a unit’s financial statements and hinders the subsequent rates that a recharge center is able to charge.
   
   
   b. **Required Parameters:**
      
      i. **Account Number** = Enter recharge account number
      
      ii. **Include Current Year** = Optional
      
      iii. **University Fiscal Period Code** = 13
      
      iv. **Include Closed Accounts** = Unchecked
      
      v. **Report Style** = Consolidated
      
      vi. **Number of Years to Display** = 5 Years
      
      vii. **Select the Output Format** = Excel

   Move or Copy only the Multi-Year Fund Balance Report tab to the Rate Setting Template.

**Completing the Rate Setting Template**

The following will provide specific guidance on what is required on each Excel tab of the template:

**Additional Instructions Tab**

1. This is an overview of the rate setting process and requires no data input; please review.

**Department Review Tab**

1. Complete the requested information in the **Submission Information** and the **Account Information** sections.
   
   a. Be sure to enter only a number (1 or 2) into cell C17 (Submission Frequency). The value in this cell affects other formulas in the spreadsheet.

2. Complete the **Department Account Questions** section.

**Rate Calculation Tab**

**Column B: (Use the Income Statement and Balance Sheet for the 66* Account)**

1. Using the income statement, enter the revenue and expenses at the financial object level code. The amounts entered must tie exactly to the income statement provided.

2. Using the balance sheet, enter the fund balance information (cells 41-46). Net income will automatically populate. The amounts entered must tie exactly to the balance sheet.
   
   a. It is important that the beginning fund balance amount be entered into cell B41. The number to enter is the “Total Fund Balance” amount on the Balance Sheet tab, or the ending fund balance for the previously closed fiscal year on the Multi-Year Fund Balance tab
   
   b. If you are unsure of which values to enter in certain cells, feel free to contact Recharge Accounting at rates@iu.edu
Column C: (Use the Detail Transactions report for the 66* Account)

1. To remove external revenue and expenses, enter the external revenue and expenses that were recorded in the 66* account as a negative amount. If no external activity occurred in the account, proceed to column D.

2. To identify external activity for column C:
   a. Filter by Financial Object Type Code (IN or IC) and by all Document Type Codes that are not IB, SB or IDXX.
   b. For AV documents, transactions should be reviewed. If an entry is associated with external activity, the corresponding revenue and expense should be entered into column C in the rate template as negative numbers.

3. When external revenue is identified, the revenue and corresponding expenses are entered as negative amount in column C. If applicable, a reasonable allocation method (i.e. space, percentage of time, quantity sold) is required and should be entered by the appropriate object type code. Allocation based on percentage or total revenue is not permitted.

Column D: (Use the Unallowable Report/Detail Transactions report)

1. Transactions that appear on this report are considered unallowable expenses and should be entered as a negative amount in column D. If the report is blank, there are no unallowable expenses. For a list of unallowable costs, refer to the Unallowable Costs for Recharge Listing in the Reference Materials Library.

Column E: (No action needed.)

Column F: (Use the Forecast Report)

1. Enter the forecast report information from the column labeled ‘Forecast (1)+(2).’ The amounts entered must tie exactly to the forecast report.
   a. The forecast report will total the actual amounts for closed accounting periods and budgeted amounts for the remaining periods in the fiscal year.

Column G: (Use Department Information)

1. This is an optional column to populate and should only be used for material operational adjustments when compared to column F at the object level. The amount entered should only be the incremental change (increase/decrease) at the object level.
   a. For the purpose of this rate template, a material operational adjustment is defined as a substantial increase or decrease in revenue and/or expenses.
      i. Some examples include: changing the number of FTE, customer base volume, significant price increase for supplies, or change in products or services offered.
   b. Any item listed in column G requires an explanation in the Projected Changes tab.

2. The Total of column F & G should be comparable to your current estimate for the fiscal years listed.
Column H: (Use Department Information)
1. This is an optional column to populate and should only be used for material operational changes when compared to the prior fiscal year (total of column F & G.) The amount entered should only be the incremental change (increase/decrease) at the object level.
2. If additional material changes are anticipated in the upcoming fiscal year, they may be added to this column.
   a. Examples of material operational changes include: number of FTE, customer base volume, significant price increase for supplies, or change in products or services offered. In most cases, this does not include annual salary percentage increases.
   b. Any item listed in column H requires an explanation in the Projected Changes tab.

Column I: (Summary of FY2023 & FY2024 Financial Data)
1. This column will sum the information from the Forecast Report and any material changes made in columns G & H. It gives departments the ability to see revenue and expense totals for the two-year rate setting period.

FY2022 Adjustments (cells I40 & I41)
The FY2022 ending fund balance is adjusted for external activity and unallowable expenses that were captured in FY2022.
1. External activity should not be included in a recharge account. The revenue and expenses associated with external activity will be removed from the recoverable cost calculation.
2. Unallowable expenses are removed from the recoverable cost calculation and must be covered by funds from an account other than a recharge account.

Recoverable Cost Calculation (cells I45 & I46)
With the exception of the depreciation adjustment and other adjustments, the recoverable cost calculation is automatically populated and the formulas cannot be changed. Both of the items listed here require additional supporting documentation and include explanations on the Projected Changes tab:
1. Depreciation Adjustment (cell I45) – This is used for transferring cash from the 66* account to the 92* account. The amount must be equal to or less than the annual depreciation for the prior fiscal year only. The amount entered must be supported by the Asset Recovery Report and explained on the Projected Changes tab.
2. Other Adjustments (cell I46) – This is used on a restricted basis for any necessary adjustments that do not fit into another other section. They are one-time adjustments spread out through the course of the rate setting period. Any amount entered must be supported by additional documentation and explained on the Projected Changes tab. These amounts may also require additional approvals from Recharge Accounting (before or after submission.)
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Rate Calculation (starting on Row 50)
This section of the rate template is to provide limited assurance that the proposed rates for each good and/or service are at or below recoverable cost.

For each good or service that is provided, please enter the following information:

a. In column A, enter the specific name of the good or service available.

b. In column B, enter the Proposed Rate for the specific good or service listed.
   i. Units are required to include documentation to support the proposed rate for each good or service listed.
   ii. Each proposed rate must be projected to recover no more than allowable and allocable costs.

c. In column C, enter the projected volume for the specific good or service listed.
   i. Units are required to include documentation to support the proposed volume for each good or service listed.
   ii. Each rate appearing in this section should have an anticipated volume based on three to five years of historical data. If there is a trend upward or downward from the average, the department should make an additional adjustment.
   iii. For a (relatively) new good or service being offered, please provide as much support for the volume level as possible.
   iv. Each good or service listed, should have volume equal to or greater than 1.
   v. If a good or service is cyclical or is typically not sold on an annual basis, a zero volume can be included on the Rate Calculation Sheet.
      1. If a good or service has not been sold in the last three to five years, we recommend removing it from the Rate Calculation Sheet.
      2. Rates that have a zero volume are not reviewed and should not be billed. If a department needs to bill for a rate that was previously not reviewed, contact Recharge Accounting at rates@iu.edu to determine what is needed.

d. In column D, enter in the Sales Unit of Measure for the specific good or service listed. Common examples of Unit of Measure include each, hours, square feet, gallons, tests.

e. Column E will populate once Column B and C are populated.

Projection Changes Tab
The projection columns are intended to reflect material operational changes in revenue and/or expense. This tab will automatically populate the amount that requires an explanation/description for the projected change. The department should provide a reasonable explanation for the amounts and have supporting documentation available for review.

The department must also indicate if the amounts are one-time transactions (yes) or ongoing amounts (no) that will occur yearly. The responses will impact the rate calculation to minimize the risk of overestimated expenses.
Supporting Documentation for Cost Based Rates and Associated Volumes

1. All rate submissions require supporting documentation for the cost-based rates on a per service basis.
2. The cost allocation method must be based on the benefits received (or other such equitable or logical association) using cost drivers. It is the responsibility of the department to determine an appropriate allocation method, select appropriate cost drivers, and ensure that these are well documented in the event of an audit. See RSOP #5: Allocating Cost to Internal Activity for more information.
3. Allocation of expense by percentage of revenue should only be used as a last resort when other logical allocation methodology does not exist or the use of it is not feasible.
4. Departments are encouraged to use a 3-5 year average of historical date to determine projected volume. If there is a trend upward or downward from the average, the department should adjust accordingly and document the change in the rate template.

Variance Analysis on the Income Statement Object Code Tab

On the Income Statement Object Code YTD tab for the 66* account, a variance analysis of the Income Statement is required.
To the right of the column labeled Variance Percent (created by the recharge compilation report), provide explanations for variances over 5%. Departments no longer need to calculate a variance using recoverable cost.

Submitting a Rate Setting Template

Prior to submitting a rate template, please make sure the following are included in the submission:

- The template is completed according to the above instructions
- The Recharge Accounting Reports Compilation
- Documentation and calculations supporting the rates

When completed, submit the template and supporting documentation to rates@iu.edu. Please contact recharge accounting with any questions.