**3356-3-12 Chargebacks.**

Responsible Division/Office: Finance and Business Operations

Responsible Officer: VP for Finance and Business Operations

Revision History: December 2010; December 2015;

December 2020

Board Committee: Finance and Facilities

**Effective Date:** **December 3, 2020 (no changes)**

Next Review: 2025

(A) Policy statement. The university is committed to financial accountability. In certain instances, chargebacks provide an effective method by which to ensure financial accountability and the appropriate allocation of costs.

(B) Purpose. To establish a policy to create, modify and authorize chargebacks and related processes.

(C) Definitions. “Chargeback.” The allocation of costs by charging departments for certain goods or services that have been provided by another department. Chargebacks are a way to control and allocate costs and not a mechanism for increasing the operating budget for departments providing goods and/or services.

(D) Parameter.

(1) Certain departments on campus need resources to perform certain functions, to provide specific services and/or materials. In some cases, resources are provided to departments so that they may provide goods and/or services to other departments. The cost of certain goods and/or services may be charged back (i.e., billed) to the departments that request the goods and/or services.

(2) Chargebacks for auxiliary overhead and employee fringe benefits are excluded from this policy.

(3) Authorized chargebacks shall be included in the university’s operating budget as adopted by the board of trustees.

(4) The vice president for finance and business operations shall establish procedures and guidelines for chargeback processes.

(5) The establishment of new chargebacks and the modification of existing chargebacks should be approved prior to implementation and as part of the annual budget process.

(6) Chargebacks may be assessed only by departments that have been approved and designated to do so. Only the financial managers of these departments may authorize chargebacks.

(7) A chargeback may be assessed when the goods and/or services are requested by the department receiving the goods and/or services. A chargeback also may be assessed when essential services are provided, even for services not explicitly requested (i.e., police security services for an event on campus).

(8) Chargebacks should reflect the direct cost of the goods and/or services provided. The department providing goods/services should be able to clearly demonstrate and document how the chargeback is calculated.

(9) Exceptions to this policy may be approved by the president or his/her designee.