

The Three R's

Recharge, Rebill and Reimbursement

July 17, 2006

Why are we here today?

- To facilitate an understanding of the differences between Recharge, Rebill and Reimbursement activities
- To inform you of planned changes, some of which will be effective July 1, 2006
- To provide resources for you and your staff when questions arise

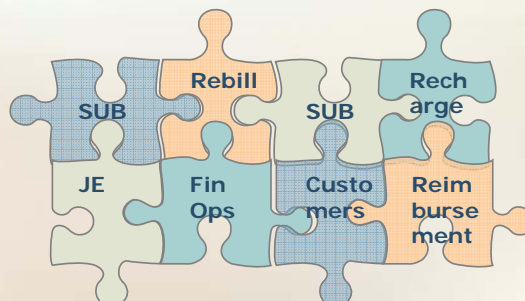
What will we accomplish today?

- Understand the key characteristics of each of the three R's
- Understand the underlying accounting concepts that provide guidance on how these activities should be recorded
- Understand how to apply the new accounting procedures

2

How will we accomplish this?

- By providing definitions
- By providing examples
- By asking and answering questions



3

What is a Recharge?

- Distinguishing Characteristics - Recharge
 - Units who recharge primarily exist to provide goods or services and must have a rate structure that is approved by Financial Analysis
 - These revenue generating (recharge) activities typically have rate structures that include cost allocations such as technicians to maintain testing equipment, office staff to administer billing and timekeeping, supplies consumed and the cost of equipment maintenance contracts
 - Units who recharge usually operate in the Auxiliary Fund range, and most typically in the Internal Services Fund (52000)
 - Preferred method of recharging is through service unit billings (SUB)
- Example: An academic department purchases \$500 of copy services from The University Copy Center
 - An expense is recorded on the academic department's chartfields at account 615650 (Copy Center Service)
 - The University Copy Center records recharge revenue on their chartfields at account 410100 (Copy Machine Recharge Revenue)

4

Changes to Recharge Activity

- Planned enhancements
 - Simplification of the Service Unit Billing (SUB) process
 - Further utilization of required fields
- Transition all substantive recharge activity to the SUB system
 - Better control and monitoring of rates
 - More information for customers
- Contact Financial Operations if you are interested in being an early adopter to the SUB system
- Departments performing recharge JE's will be contacted based on volume

5

What is a Rebill?

- Distinguishing Characteristics - Rebill
 - A rebill is a specific type of cost transfer:
 - Representing ancillary activity for a unit
 - Moving the original cost of a good/service from the unit that was originally charged to the unit that utilized the good/service
 - Rebill activity is not revenue generating because the unit receiving funding does not primarily exist to provide a good/service
 - A rebill can be made between most operating funds and some nonoperating funds
 - Preferred method of rebilling is through service unit billings (SUB)
- Example: A central unit allows sub-units to use its copy machine. They fund this machine by charging sub-units for their share of the expenses
 - The central department credits their chartfields for their sub-unit's portion of the expense on account 615140 (Printing & Reproduction)
 - The sub-unit's chartfields are debited for their portion of the expense on account 615140 (Printing & Reproduction)

6

Changes to Rebill Activity

- Effective 7/1/2006, all rebill activity should be recorded as a reallocation of expenses instead of revenue
- Options:
 - Move the expense using the original expense account on both sides of the journal entry
 - A University-wide rebill program (REBIL) has been created to help identify rebill activity
 - Contra-expense accounts in the "Internal Rebill" range of accounts (620200 to 620999) have been expanded to help identify rebill activity
- Contact Financial Operations regarding the establishment of new contra-expense accounts

7

What is a Reimbursement?

- Distinguishing Characteristics - Reimbursement
 - Personal Reimbursement
 - Payment received from an individual to reimburse the University for resources used for personal benefit
 - The personal use of University resources should be discouraged
 - Institutional Reimbursement
 - Payment received from another organization to reimburse the University for resources used on their behalf or for their benefit
 - Reimbursements are non-revenue generating activity because the University is only receiving the original cost of the good or service utilized
 - Reimbursements are recorded via a Cash Receipt (CR) ticket to deposit funds back into the University's account
- Example:
 - Personal - An employee uses their business phone to make a personal long distance call. A CR should credit the department's chartfields (reduce expenses) at account 611250 (Long Distance)
 - Institutional - An employee participating at a workshop is reimbursed by a professional organization for travel paid for by the University. A CR should credit the University's chartfields at account 623500 (Domestic Air Travel)

8

Changes to Reimbursement Activity

Effective 7/1/2006:

- Reimbursements must be recorded as negative expenses against the account they were originally recorded to
- Units will no longer have the option to record reimbursements as revenue
- All revenue reimbursement accounts will be inactivated (suggested replacements are in parenthesis):
 - 413300 - Toll Call Reimbursement (611250 - Long Distance)
 - 413390 - Duplication Reimbursement (615650 - Copy Center Service; 615140 - Printing and Reproduction)
 - 413400 - Postage Reimbursement (615020 - Postage/Mailing)
 - 413410 - Miscellaneous Reimbursement (615560 - Misc Supplies and Other)

9

What resources are available?

- Financial Operations: www.finops.umich.edu
 - Contact information
 - Electronic versions of this presentation
 - Forms (Cash Receipt Ticket, Account - New or Change, etc)
- Financial Analysis: www.umich.edu/~ofa/
 - Contact information
 - Information on recharge rates
- MAIS: <http://www.mais.umich.edu/>
 - Support for the Service Unit Billing (SUB) system
 - Direct contact Todd Ayotte (ayotte@umich.edu, 647-5359)

10

Wrap-up

- Questions?
- Would you like us to meet with staff in your unit/department?
- Suggestions for other topics to cover?
- Any additional feedback?
- Thank you!

11

Rebill Accounts (Range: 620200 - 620999)	
Account	Description
620200	Rebilling Credit
620250	Rebill DFA Dean's Fund Exp
620251	Rebill DFA General Oper Exp
620252	Rebill DFA Indirect Oper Exp
620272	Rebilling Credit-Postage Exp
620344	Rebilling Credit-Telephone Exp
620416	Rebill Credit-Supply Expense
620488	Rebilling Credit-Plant Expense
620500	Rebill Credit-Plant Hsptl Shop
620560	Rebill Credit-Contr Serv Exp
620632	Rebilling Credit-Food Expense
620701	Rebill-Clin Exp Reimb-Payroll
620704	Rebill Credit-Med Supply Exp
620705	Rebill - Clinic Exp Reimb Comm
620706	Rebill - Rent Expense
620707	Rebill - Billing Office
620750	Rebill-Compliance
620776	Rebill Credit-Pharm Supp Exp
620848	Rebilling Credit-Laundry Exp
620850	SRC Network Rebill

Reimbursement Accounts (Inactive as of 7/1/06)	
Account	Description
413300	Toll Call Reimbursement
413390	Duplication Reimbursement
413400	Postage Reimbursement
413410	Miscellaneous Reimbursement