16.1 Departmental Sales and Services Accounts

Policy Statement

Departmental sales accounts are considered institutional (state) funds and should only recover costs for providing the sales or service. If salaries will be charged to DSS accounts, then employee benefits will need to be funded by the DSS revenue sources. Most DSS accounts’ revenue sources are from billing rates charged to customer for providing sales or service. The billing rate should be developed for the activity based on incurred costs and charges users for their actual usage. The rate(s) should be computed so as to cover only allowable costs, which should include salaries, wages, employee benefits, costs of materials and supplies, travel, repairs and maintenance, outside service costs, departmental administration, equipment depreciation, or other support costs. Departmental administration is typically about 15% of directly related costs for activities. There should be no markup for profit. Some DSS activities will not have a billing rate (eg. Incidental by-product sales) and should charge a reasonable rate to cover any costs. DSS accounts are also used to deposit miscellaneous income departments may receive on rare occasions or for immaterial amounts.

A departmental sales & service activity can sell to external users in addition to internal University units. External users are defined as entities that do not have a University account number; or students, faculty, or staff acting in a personal capacity. The service may be provided on a direct (ownership) basis or on a contractual (rental or service agreement) basis. An external rate can be established for external users to include, in addition to the direct costs, indirect costs such as building/room depreciation (space used), equipment depreciation, utility services, and departmental administration.

Departmental Sales & Service activities whose income is generated from billing rates must have documentation that clearly outlines the basis of costing practices and business procedures of the activity including:

- Supporting documentation and calculation of rate(s), including direct costs of items. Detailed supporting documentation should be available for an audit upon request.
- The financial position with respect to ‘break-even’ is reviewed periodically (at least annually) so the rate may be adjusted if necessary.
- Documentation that the rate(s) is applied uniformly to all users.
- Billings are timely and adequately documented, receivables billed are controlled and reconciled, and cash receipts are deposited timely.

The purchase of goods and services within the University System of Georgia is accomplished using University System Service Level Agreements. These agreements may be between UGA and other USG institutions or UGA and the University System Office and may be both sponsored agreements and sales and service agreements. Intra USG purchases of goods/services are exempt from a competitive procurement process and will be addressed through a Service Level Agreement. Please refer to Procurement section \textit{4.10 University System Service Level Agreements } for policy, procedure, and forms related to these agreements.

Procedures

\textbf{Budgeting DSS accounts}

Even though DSS accounts have their own funding source, a budget is required to be established and maintained each fiscal year to provide an estimate of the income and related expenses expected and allow budget balance validation by transaction processes. Revenues and expenditures should be estimated and budgeted in the appropriate object codes. The total budget (revenue + expenditures) for the DSS account should be zero. Budget
amounts in DSS accounts do not represent real funds, but are merely estimates of anticipated revenues and expenditures.

**Accounts Receivable and Revenue Recognition**

Services must be billed after the service has been rendered. Prepayments for services are not appropriate from University customers, but may be allowed for external users. Deposits to reserve space or hold dates can be required before service is rendered. Departmental Sales & Service activities should handle year-end billings consistently each year to ensure that revenue is recognized and recorded in the same fiscal year that expenses are incurred. For outstanding invoices to external customers, a DSS activity may submit a request to record accounts receivable and current year revenue at fiscal yearend. Additional accounts receivable information can be found at: [http://www.busfin.uga.edu/accounts_receivable/index.html](http://www.busfin.uga.edu/accounts_receivable/index.html)

**Deferred (unearned) revenue**

At the end of the fiscal year, departmental sales and service (DSS) accounts which have unearned actual revenue from external sources (sources outside the University) can request to defer those revenues to the next fiscal year. The deferred request applies to actual revenue and not budgeted revenues or budget balances. Unearned revenue exists when revenue has been collected in advance for a product or service but the product has not been delivered or the service has not been provided. For conference and workshop accounts, unearned revenue can exist when registration fees are collected in the current fiscal year but the conference/workshop is not being held until the next fiscal year. Or, registration fees have been collected but the conference/workshop is held so close to the end of the current fiscal year that not all invoices for conference expenses have been received by year end close out.

To request the deferral of unearned revenue, contact Celise Elder ([celder@uga.edu](mailto:celder@uga.edu)) in Accounting for a copy of the deferral request letter template. There are two templates, one for conference/workshop accounts and another for all other departmental sales accounts. All requests must be made using one of these two templates. The templates have been approved by state audit. Therefore, no changes should be made to the wording of the template. The due date for deferral requests can be found in the fiscal year end letter. A copy of the year end letter is available on the Accounting department’s web site [http://www.busfin.uga.edu/accounting/yearend.pdf](http://www.busfin.uga.edu/accounting/yearend.pdf)

At the end of the fiscal year, a comparison will be made between actual excess unearned revenue in the account (actual revenue less actual expenses) and the requested deferral amount. Despite the requested deferral amount, an account cannot defer more than its actual excess unearned revenue. If actual excess unearned revenue exceeds the requested deferral amount, the deferral will be limited to the amount requested.

Prior to year end close out, Accounting will process a journal voucher (JV) to defer the unearned revenue amount. The entry will debit the DSS account revenue object code and credit a University liability account/object code.

During the Accounting departments adjusting period, after year end close out, a comparison will again be made between actual excess unearned revenue in the account and the requested deferral amount. Accounting will process additional JVs if necessary.

In the new fiscal year (usually mid to late July), the deferral entries processed in June will be reversed. The reversal entry will debit the University liability account/object code and credit the DSS account revenue object code.

A copy of all JVs will be sent to the individual requesting the deferral.

Departments can begin processing DSS account transactions right away in the new fiscal year. It is not necessary to wait for the reversal entry to be posted. Each DSS account should already have a budget established for the new fiscal year which will allow transactions to be processed.

**Carry Forward**
After the fiscal year is closed, Accounting will run the necessary queries to determine the available carry forward funds. Accounting will notify each school/college/unit and the Budget Department of the departmental sales and service carry forward funds available.

Excess funds in departmental sales accounts will be carried forward at the school/college/unit level. Each school/college/unit will have discretion on how to implement a process for distribution of these excess funds at the account number level.

Each school/college/unit should follow carry forward requirements as outlined in the Board of Regents Business Procedures Manual section 2.2.1. http://www.usg.edu/business_procedures_manual/section2/manual/C1086/#p2.2.1_current_funds

In addition, each school/college/unit should internally document how the carry forward funds will be used. This information may be needed at the request of the Board of Regents.

**Unrelated Business Income**

To limit the University's liability for Unrelated Business Income Taxes (UBIT), each departmental sales & service activity should be aware of and limit the number of sales to external users. DSS activities that have external sales must notify the Controller's office (706-542-6860) of their activity. Additional guidance on Unrelated Business Income can be found at: http://policies.uga.edu/FA/nodes/view/852/Unrelated-Business-Income-Tax-UBIT.

**Sales & Use Tax**

Departmental Sales & Service activities should also be aware that sales of goods for ultimate consumption to individuals or non-exempt sales tax businesses must collect Georgia sales & use tax, which will be remitted to the Georgia Department of Revenue. Questions about sales and use tax should be directed to the Accounting department at 706-542-1197. http://policies.uga.edu/FA/nodes/view/851/Sales-and-Use-Tax.

**Forms/Instructions**

Service Level Agreement - This is a sample template that has been stylized for an agreement between The University System Office of the Board of Regents of the University System of Georgia (USO) and The Board of Regents of the University System of Georgia by and on behalf of the University of Georgia (UGA). This agreement may be modified accordingly based on who is providing the service.

Service Level Agreement - This is a sample template that has been stylized for an agreement between The Board of Regents of the University System of Georgia by and on behalf of USG Institution Name and The Board of Regents of the University System of Georgia by and on behalf of the University of Georgia (UGA). This agreement may be modified accordingly based on who is providing the service.

**Policy definitions**

**Sales & Service Activity**

Sales or service providing activities are classified in three categories: auxiliary enterprises, sales & services of educational activities, and service centers. The classification of a service activity depends on the source of its revenue, its relation to the education process, and its relation to the consumer. The University of Georgia needs to be aware of any outside entity that may be providing the same type of sales or services. University System of Georgia Board of Regents policy 7.11.1 states that an “institution of the University System shall not enter into competition with private industry.”

1) **Auxiliary Enterprises**

An auxiliary enterprise is an entity that exists to furnish goods or services to students, faculty, or staff for their personal consumption in support of their educational activities or experience. The general public may also be served by some auxiliary enterprises. Auxiliary enterprises are self-supporting activities and do not receive any state or general funding to finance their operation. Auxiliary units charge a fee directly related to, although not necessarily equal to, the cost of goods or services. Revenue for auxiliary enterprises should cover all direct operating expenses,
including maintenance, utility services, debt service, provisions for renewal and replacement (through depreciation of capital assets), and working capital to finance accounts receivable and inventory. Some examples are residence halls, food services, stores and gift shops, parking, campus transit bus service, student health service, and others. Auxiliary enterprise accounts are set up with fund group 5x and are not considered departmental sales and service accounts.

2) Sales & Services of Educational Activities
This category includes (1) revenues that are related incidentally to the conduct of instruction, research, and public service or (2) revenues of activities that exist to provide an instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff, and the general public. The type of service rendered takes precedence over the form of agreement by which these services are rendered. Some examples are sales of products and services of agricultural related activities, film rentals, sales of scientific and literary publications, course lab fees, and conference/workshops. Since the revenues of this category are incidental to academic type activities, the sales price of these by-products are usually determined by the market for that item or the fee for the service is calculated to cover costs such as labor and supplies. Resident Instruction (fund group 10) and some B budget units (fund 2x or 3x) sales & services of educational activities use departmental sales & service accounts (operation code D), while some other organized activities (B budget units) use a companion revenue account (operation code G) with object code 40830 to record sales & services of educational activities revenue. For example, 27-00-GExxx-xxx-40830 would be the companion revenue account with the budgeted expenditure account 27-31-GExxx-xxx. The operation code G accounts are considered general funds and lapse at the end of the fiscal year on June 30 if not spent or obligated. See Departmental Sales & Service accounts section below.

3) Service Centers (includes activities within departments)
A service center is an operating unit providing a service, a group of services, or products (1) to various University departments rather than to individuals and is supported by internal charges to the user department's account or (2) to fulfill its primary mission (instruction, research, public service & outreach) for entities external to the University that basically do not restrict or stipulate how the payment for services is used or reported. The services may range from highly specialized to routine functions. Such a service might be purchased from commercial sources, but for reasons of convenience, cost, or control is often provided more effectively through an on-campus unit. Some examples are scientific apparatus repair shops, glassblowing shops, instrument-making shops, mailing services, duplicating services, office machine repair shops, data processing, central stores, animal care facilities, testing or analysis services, clinical services, and others. Service Centers use Departmental Sales & Service accounts (operation code D) to account for their activity. See the Service Center policy at: [http://policies.uga.edu/FA/nodes/view/920/Service-Centers](http://policies.uga.edu/FA/nodes/view/920/Service-Centers)

Responsibilities

**Responsible University Senior Administrator:** Vice President for Finance & Administration

**Responsible University Administrator:** Associate Vice President for University Business and Accounting Services

**Policy Owner:** Accounting

**Policy Contact:** Darlene McConnell [darlene.mcconnell@uga.edu](mailto:darlene.mcconnell@uga.edu)

**Policy Contact Phone Number:** 706-542-6874

**Record Retention**
For expenditures processed with grant funding, all documentation should be retained for the life of the grant, plus seven (7) years. [Research Grant Records 0472-09-006](#)

For all other expenditure types, records may include but are not limited to: check requests, purchase orders, invoices, journal vouchers, departmental requisitions, justifications of purchases, payment authorizations, reports of receipt of goods or services, and related documentation and correspondence. Retention is five (5) years. [Accounting Records 0472-03-001](#)

**Related information**
For additional information about managing a DSS account, please see the training presentation at:  [http://www.busfin.uga.edu/accounting/DSS_accts.pdf](http://www.busfin.uga.edu/accounting/DSS_accts.pdf)

Cash/Check Handling Instructions:  [http://www.bursar.uga.edu/cash_check.pdf](http://www.bursar.uga.edu/cash_check.pdf)

Credit/Debit Card Processing:  [http://www.bursar.uga.edu/credit_card_sales.html](http://www.bursar.uga.edu/credit_card_sales.html)


Deposit Transmittals:  [http://www.bursar.uga.edu/deposit_transmittals.pdf](http://www.bursar.uga.edu/deposit_transmittals.pdf)

Vendor ACH or Wire Information:  [http://www.bursar.uga.edu/vendor_ach_wire.pdf](http://www.bursar.uga.edu/vendor_ach_wire.pdf)


Returned Checks:  [http://www.bursar.uga.edu/returned_checks.html](http://www.bursar.uga.edu/returned_checks.html)


- Sales and Service Activities | Service Centers

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**Policy Dates**

Effective Date:

Date Last Updated: 05/28/2019

Date of Last Review:

Date of Approval:

Previous Version of Policy: