

 <p>Category: Financial</p> <p>Policy applicable for: Faculty/Staff</p>	<p><i>Policy Title:</i> Sales & Service Funds</p> <p>Effective Date: 04/01/2015</p> <p>Prior Effective Date: mm/dd/yyyy</p> <p>Enabling Acts: University Rule 10-51-01; 10-5-04</p>	<p><i>Policy Number:</i> 2.1.32</p> <p>Policy Owner: Sr. VP for Administration and Finance</p> <p>Responsible Office(s): Government Cost Compliance</p>
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Background

The University of Cincinnati recognizes that some organizational units are able to sell goods and/or services to customers outside the university community. Sales and Service funds are established to handle the financial transactions resulting from these sales. The purpose of this policy is to define the purpose of and set limits for the use of Sales and Service funds.

Policy

If an organizational unit wishes to sell goods or services to outside entities, it must establish a Sales and Service fund. Such funds are considered unrestricted designated funds, using fund type D3. Outside entities include private businesses, individuals, and non-profit organizations unaffiliated with the university. It does not include federal government agencies. Sales and Service funds may make sales to university students or staff incidental to their relationship to the university, but this policy does not affect transactions directly related to their university relationship (such as tuition, housing, and meal plans). The types of goods or services offered may vary greatly, and could include testing services, event tickets, use of equipment, or other items. Any sales conducted must comply with any applicable laws and university policies, including Board Rule 3361:10-51-01 Sales and Solicitation. The revenue and expenses related to the activity should be posted to the Sales and Service fund.

Establishing Sales and Service Fund

To establish a new fund, the unit should contact A&F Budget Planning and the Office of the Controller. The unit will be required to complete the “Designated Fund Questionnaire.” Based on responses, the Office of the Controller will determine whether a Sales and Service fund is appropriate, and a new fund may be established. An A200 form, requiring VP approval, will need to be completed in order to establish the fund.

Uses of Sales and Service Fund

To ensure compliance with federal regulations and university policies, Sales and Service funds can only be used to sell goods or services to entities separate from the University of Cincinnati. Sales and Service funds may not be used to conduct business with Sponsored Programs or federal government agencies. The sale of goods or services to other departments, Sponsored Programs, or the federal government should take place using a Service Center account, fund type D6. For more information on this, please see the Service Center Policy (2.1.24) and the Service Center Policy and Procedures Manual.

Any financial activity involving Sponsored Programs should always be routed through Sponsored Research Services – Accounting. Sponsored programs include research, instruction and training, public service, evaluative testing, and other scholarly and creative activities conducted under the direction of university faculty and staff and funded by organizations external to the university in accordance with award instruments.

Sales and Service funds cover a wide variety of activities. Common goods sold include books (excludes textbooks), journals, and other written materials of an academic nature, while common services include training, consultation, and conferences. Other possibilities include software programs developed by the university, event tickets, and other items. All goods & services provided by a Sales and Service fund are produced by the department running the fund – these are never resale operations.

Differentiating Sales and Service Funds from University Auxiliary Enterprises

An auxiliary enterprise is an entity within the university that exists to provide goods, facilities, and services to – and generate revenue from – students, faculty, staff and, to a lesser extent, the general public. The distinguishing characteristic of an auxiliary enterprise is that it is managed as, and intended to be, an essentially self-supporting activity. Sales and Service funds are not intended to operate as independent entities. This policy does not apply to units that have been designated as Auxiliary Enterprises.

Disposition of Sales and Service Revenue

Revenue generated from sales and service activities such as those described in this policy must be deposited into a Sales and Service account. Such revenue cannot be deposited into other account types, including other unrestricted designated funds.

Designated Fund Assessment

Revenue recorded in a Sales and Service fund is subject to the university's designated fund assessment fee (an internal university fee) with the exception of branch campus funds, revenue received from University of Cincinnati Research Institute (UCRI), and the sale of course-related materials. The assessment is 4% of the revenue received from external sources. The fee is charged monthly and offsets a portion of the overhead associated with sales activities. The assessment is deposited in the general funds budgeted reserves account.

Unrelated Business Income Tax (UBIT)

Net income from Sales and Service activities may be subject to the federal Unrelated Business Income Tax (UBIT). The applicability of UBIT, in accordance with federal tax regulations, to the net income of any particular Sales and Service activity is made by the Director, Tax Compliance. UBIT is charged by and paid to the Internal Revenue Service, and not related to the Designated Fund Assessment. Applicability and rate for the UBIT may vary, and the Director, Tax Compliance will determine what, if any, UBIT is owed.

Related Links:

[Board rule 3361:10-51-01 Sales and solicitation: policy and procedure](#)
[Designated Fund Assessment](#)
[Designated Fund Questionnaire](#)
[Government Cost Compliance](#)
[IRS Publication 598 – Tax on Unrelated Business Income of Exempt Organizations](#)
[Office of Budget Management](#)
[Office of Sponsored Research Services – Accounting](#)
[Office of the Controller](#)
[Office of the Treasurer](#)
[Service Center Policy](#)
[Service Center Policy and Procedure Manual](#)

Phone Contacts:

A&F Budget Planning	513-556-0192
Director, Tax Compliance	513-556-5899
Government Cost Compliance	513-556-2628
Office of the Controller	513-556-3152
Office of the Treasurer	513-556-4510
Sponsored Research Services – Accounting	513-556-4817