

## CHARGEBACKS

This procedure is governed by its parent policy. Questions regarding this procedure are to be directed to the identified Procedure Owner.

<b>Category:</b>	F. Finance
<b>Parent Policy:</b>	F22 Supply of Goods & Services
<b>Approval Date:</b>	September 18, 2024
<b>Effective Date:</b>	October 1, 2024
<b>Procedure Owner:</b>	Chief Financial Officer

<b>Overview:</b>	To provide a clear and standardized approach for the recording and reporting of chargebacks (inter-college cost transfers) by Olds College of Agriculture & Technology (the "College").
<b>Procedures:</b>	<p>Chargebacks are the recording of financial transactions between different departments within the College. These types of transactions must be recorded properly to accurately cost different functions within the College.</p> <p><b>Initiate</b></p> <p>1. Activities included in chargeback cost transfers:</p> <p>A situation of cost transfer occurs when a department receives a benefit in the way of services or items from another department.</p> <p>Examples of chargebacks:</p> <ol style="list-style-type: none"> <li>Conference Services provides services to another department.</li> <li>Print shop provides print services.</li> <li>Bookstore provides books or supplies.</li> <li>Facilities provides a loaner vehicle for travel.</li> <li>Photocopier rental.</li> </ol> <p>Cost transfers are at actual cost, or when actual cost cannot be easily determined at a reasonable estimate of actual cost which includes the cost of external labour, time multiplied by hourly equipment costs and materials. Departments charging out should not make a profit from chargebacks.</p> <p>2. Information to collect for the cost transfer:</p> <p>Departments providing services or items to another department must collect the following information:</p> <ol style="list-style-type: none"> <li>Name of the individual requesting the services or items.</li> </ol>

- b. Accounting code (alias) of the department requesting the services or items.
- c. Description of the alias.
- d. Confirmation that the individual requesting the services or items has authority to charge to the identified alias.
- e. Description of the requested services or items.
- f. Itemized costs of the services or items.

### Costs Transfer

1. When are costs to be transferred:

Chargeback transactions are to be prepared and submitted by the third work day after the end of each month. In very rare and unplanned situations where a transaction cannot be submitted by the third work day after the end of month, the chargeback will be entered in the following month.

Any chargeback transactions that are two or more months old will not be permitted without written approval from the Chief Financial Officer. Costs that cannot be transferred will be absorbed by the originating department.

No transactions are permitted that cross annual fiscal periods (fiscal year end is June 30<sup>th</sup>). Any chargeback transactions submitted after the 3rd working day of July will not be accepted and costs will be retained by the originating department.

All chargeback transactions that Business Services receives by the stated deadlines are to be entered and included in the respective period's monthly cost statements.

Costs for equipment dedicated to a department will be charged directly to the department and not through chargeback transfers (e.g. photocopiers, vehicles, etc.).

2. Materiality

Manually prepared transactions that have a value of less than \$50 are not deemed material and the costs transfer is not to be performed. The materiality requirement does not apply when transactions are electronically generated.

### Definitions:

**Chargebacks:** Are expenses that originate in a department and by providing services or items, are transferred to a department which is the ultimate benefactor of those services or items (inter-college cost transfers).

**Costs:** For the purpose of calculating the chargeback transfer costs of services or items includes:

- Actual costs from external third party; and/or
- Estimates of material, supplies, equipment time x hourly.
- When a department is engaged in retail sales i.e. bookstore, where there exists an external retail sales price, an internal cost can be estimated by providing a discount approximately equal to the general universal markup for that product.

Chargeback costs do not have a provision for profit or internal labour.

**Materiality:** Materiality is a concept that determines whether the omission or misstatement of information in a financial report would impact a reasonable user's

<b>Related Information:</b>
<b>Review Period:</b>
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decision-making. Within the College, a factor for materiality is the costs of preparing, transferring and entering a transaction vs. the benefit of the entry. <b>Fiscal Period:</b> College fiscal year is July 1 <sup>st</sup> to June 30 <sup>th</sup> .
3 years
New: September 2024