

UW POLICY DIRECTORY

Rescinded 03-03-2026

APS 32.1 – Accounting for Revenues from Sales of Goods and Services: An Administrative Operating Guide

(Approved by the Executive Vice President by authority of Administrative Order No. 9)

1. Purpose

The University of Washington has issued a formal policy on sales of goods and services to individuals, groups, or external agencies (see [APS 59.5](#)). This policy has been developed to define the legitimate purposes under which sales of goods and services for fees may be approved, and to establish a mechanism to review such sales. Delegation of authority to establish prices for goods and services and University fees will be in accordance with [Executive Order No. 44](#), “User Fee Approval Policy.” The purpose of this operating guide is to provide administrative offices with a campuswide standard for consistent accounting and reporting of revenues.

2. Category Definitions

For purposes of this guide, revenues have been identified in five major categories.

A. Sales of Goods and Services

Academic and administrative offices may engage in the direct sale of goods and services to individuals, groups, or external agencies for fees, only when those services or goods are directly and substantially related to the educational mission of the University. All such sales must first be approved as provided in the University’s “Policy on Sales of Goods and Services” (Administrative Policy Statement 59.5) before sales may commence. Once approved, income from direct educational activities is deposited to self-sustaining budgets established through the Budget Office in Fund 148. Included in this category is income from:

- Conferences and workshops not related to fund raising activities;
- Occasional sales of publications, subscriptions, art work, video tapes, and other educational materials;
- Occasional testing, witness fees, and other public and consulting activities; and
- Miscellaneous income related to general instruction and research activities of the department.

Income from service activities is also deposited in self-sustaining budgets established through the Budget Office. These budgets are established in internal service funds, mainly Fund 450, or in auxiliary enterprise funds depending on whether the income is primarily from inside or outside the University. Budgets which have more than half of their income generated through use of CTIs (Cost Transfer Invoices) are set up in internal service funds. Those which receive primarily cash income are set up in auxiliary enterprise funds. Activities which recharge more than \$25,000 a year to federal grants and contracts or \$50,000 to federal and all other sources combined are required to become recharge centers, a process which involves approval by the Budget Office for the scope of the services provided and the rates charged. Internal service activities include computer services, laboratory test services, rental of equipment, shop services, equipment maintenance, and other technical services related to the educational mission of the University.

Auxiliary enterprise activities include parking, ASUW, housing and food service, coffee houses, basic membership fees, sports, and miscellaneous enterprise activities such as the ongoing sale of books, foreign study, and technical or laboratory services primarily funded by cash income rather than CTIs.

Revenue in all self-sustaining funds is considered designated revenue and although Fund 148 must be allotted by the state, these funds are available for expenditure without recourse to the state for prior approval, and the fund balance will be carried into the next biennium.

B. Grant Related Income

When revenue is generated as a condition of the grant or contract terms, it is accounted for in a program income budget established through the Office of Grant and Contract Services in Fund 145. Agency policies generally have some restrictions on the use of these monies. Separate accountability is required and there is usually a provision that the income be used only for purposes that further the objectives of the sponsored project. Program income budgets are assigned a grant period which coincides with the period specified in the related sponsored agreement, and the disposition of any balance is made at the termination of the grant/contract project period.

C. Fund Raising/Official Functions

From time to time, University units sponsor continuing education, dinners, dances, operas, wine and cheese-tasting parties, and other fund raising events where the cost to the participant includes a charitable contribution. In addition, annual dinners honoring distinguished faculty, staff, and students often have fees to cover costs only, and these fees are deposited as revenue to gift and discretionary fund budgets designated by the sponsoring department to offset the University's payments to the restaurant. All activity is coordinated with the Director of the Gift Processing Office, regardless of whether a charitable contribution is included in the payment, and all deposits are processed through the Gift Processing Office. Income in this category is considered a gift subject to the gift assessment fee. Singular events that have fees to cover costs only are accounted for in departmental revenue budgets.

D. Reverse Expenditure

A reverse expenditure is a true expenditure reduction such as:

- Refunds from vendors of previous payments which result in the cancellation of an expense (e.g. duplicate payment, returned goods, cancellation of an unused airline ticket), and
- Proceeds from disposition of equipment or scrap material that result in full or partial recovery of expenses.

It is inappropriate for faculty and staff members to charge personal expenses to University budgets. Occasionally this occurs on a nominal basis for photocopy, telephone, postage, and employee moving costs. Reimbursement is then recorded as a reverse expenditure to facilitate recovery of these specific costs.

Reimbursement of faculty travel costs by an external agency is also recorded as a cost recovery provided that the travel is related to the educational or research mission of the University.

It is not permissible to allocate travel costs to a University budget when the total cost is to be reimbursed personally by the traveler, but personal reimbursement for a portion of a related travel expense properly allocable to University budgets is allowable. All checks for authorized travel reimbursement should be made payable to the University of Washington.

E. Agency Funds

An agency account is a budget established for the purpose of recording revenues and expenditures of non-University users of campus services. Agency budgets account for resources held by the University as custodian or fiscal agent for faculty, staff members, and University-related or qualified organizations. Agency budgets are also established for:

- Federal, state, or local governmental agencies if the agency has been officially allocated an office or working space on campus;
- Professional societies for which a significant task is undertaken by a member of the faculty or staff (e.g. publication of an academic journal, sponsorship of a regional conference, president of a society); and

- Closely related organizations utilizing University facilities and services.

Questions related to agency funds should be directed to the General Accounting Office.

3. Policies/Procedures

A. Sales of Goods and Services

The following general guidelines are applicable.

1. **Minimum**—Although no minimum amount has been established, departments are encouraged to consider the cost of billing and check handling when determining if sales are cost justified.
2. **Taxes**—Washington State sales tax must be collected on outside sales (within the state of Washington) when applicable and remitted to the State Department of Revenue. The Cash Transmittal form provides a designated line to deposit sales tax collections to General Ledger 004802 for automatic remittance to the state by the General Accounting Office. Further guidance for application of state sales tax is available in [APS 31.6](#). In addition, certain activities or events may be subject to other taxes. Questions regarding the applicability of state and local taxes should be directed to the General Accounting Office.
3. **Conferences**—The UW Extension Office is available to handle all phases of the promotion and administrative detail associated with short courses, conferences, and workshops of an educational nature. If the sponsoring department is authorized to conduct the conference, the revenues are designated income from sales and services of educational activities and accounted for in departmental revenue-related budgets or departmental conference budgets in Fund 148. Occasionally, a scheduled conference or workshop may be exceptionally successful, with unanticipated attendance levels, resulting in revenues in excess of expenditures. This balance is used to reduce the cost of future programs.
4. **Consulting Income**—It is recognized by the University that consulting activity is a proper and common feature of academic employment, a valuable adjunct to teaching, and an important service which academic specialists can render to the public at large. Faculty should be alert to the possibility that income earned from consulting may come under the provisions of the state of Washington's Business and Occupation Tax. The University has authorized certain departmental consulting services with external sponsors and has established departmental consulting budgets for this purpose. In addition, payment is occasionally received directly from outside agencies for faculty consultation and is deposited to departmental revenue-related budgets. Faculty wishing to contribute personal consulting funds as gifts should follow gift processing guidelines taking special note that their donation must be used for the general benefit of the University and only for the direct benefit of the departmental program or objective for which the donation was received. Any separate benefit which might accrue to the faculty donor from the use of such funds must be clearly incidental to the primary purpose for which the donations were received and accepted.
5. **Costing**—The price or fee of the goods or services is established to recover the full cost of the goods or services, including University overhead unless specifically waived by the University Budget Committee. The Budget Office uses the University overhead policy to determine the overhead rate on a budget-by-budget basis. That overhead rate is applied to all revenue in the applicable budget.
6. **Student Fees**—Departments are not authorized to collect fees from students, senior fellows, residents, interns, etc., which are not on the University's approved fee schedule. Sales of supplies and services to students are allowed subject to the conditions of the "Policy on Sales of Goods and Services" ([APS 59.5](#)). Delegation of authority to establish fees is explained in [Executive Order No. 44](#).

B. Grant Related Income

A summary of program income procedures has been developed by the Office of Grant and Contract Services. All recharge activity related to a grant or contract must be approved in advance by the dean and by the sponsoring agency. The following general guidelines are applicable:

1. **Deposits**—Program income budgets have authority to deposit directly to the Cashier's Office. The Grant and Contract Accounting Office provides a listing of approved budgets to the Cashier's Office as authority for them to process departmental deposits to grant budgets.
2. **Indirect Cost**—The Grant and Contract Accounting Office transfers indirect cost income earned on external sales to the central indirect cost revenue budget on a quarterly basis.

C. Fund Raising/Official Functions

The Gift Processing Office has developed a procedure to ensure proper stewardship of income from fund raising and other official functions as defined in Section 2.C. Sales of tickets by departmental units to athletic and cultural events are considered a development activity and are subject to fundraising procedures. Questions regarding the procedures should be directed to college/school development officers or the Gift Processing Office.

D. Reverse Expenditure

All requests to deposit checks as authorized reverse expenditure in accordance with Section 2.D must reference the original disbursement document. All travel refunds are sent to the Accounts Payable Office and salary refunds are sent to the Payroll Office. All other payments are sent to the appropriate accounting office. The following costs are the only approved categories which can have occasional reverse expenditures.

1. **Printing**—Occasional reimbursement of print/photocopy services provided as a convenience to faculty and staff is allowable. If this service is a common departmental practice, payments must be deposited in an approved departmental revenue-related budget.
2. **Postage**—Occasional reimbursement of mailing costs associated with proposal submission (express mail) or use of campus mailing services are allowable.
3. **Telephone**—Each department is responsible for obtaining payment for unauthorized long distance telephone calls.
4. **Moving Expenses**—New employees must pay costs in excess of allowable moving expenses. The accounting department will bill the new employee for any excess over allowable costs and, when payment is received, credit the payment as a reverse expenditure to the budget that incurred the total moving charge.
5. **Equipment**—Proceeds from equipment dispositions that result in full or partial recovery of expense are deposited as a reverse expenditure. All sales or departmental transfers must comply with disposal rules outlined in APS 61.7.
6. **Faculty Travel**—Reimbursement of faculty travel costs by an external sponsor is recorded as a cost recovery to the budget providing interim funding. Reimbursement is usually full or partial recovery, and may not exceed the initial travel cost by more than \$50.00. Travel advances must be accounted for within the ten-day deadline. The accounting due date will not be extended pending reimbursement from an outside sponsor. It is not permissible to allocate travel costs to a University budget when the total cost is to be reimbursed personally by the traveler, but personal reimbursement for a portion of a related travel expense properly allocable to University budgets is allowable.

E. Agency Funds

The General Accounting Office has developed guidelines for agency budgets.

F. General Guidelines

1. **Billing and Collection**—Invoices for billing to outside parties are obtained from the Cashier's Office, which is also responsible for the collection and follow-up of outstanding receivables. Approved activities must use University procedures for preparing invoices and sending receivables information to the Cashier's Office.
2. **Cash Transmittal Preparation**—All receipts from approved sales of goods and services must be deposited into the University bank account using a Cash Transmittal form. The deposit should be made through the Cashier's Office (a unit of Student Accounts and Scholarships) unless the department has approval from the Controller to be a direct depositor.
3. **Expenditure Allocation**— All expenditures associated with approved activities must be directly allocated to the budget established or approved for the receipt of income. It is recognized that the budget will reflect a deficit balance until income is received and deposited.
4. **Review**—Central administrative offices will review revenue deposits to ensure that income is for approved activities. All income budgets are subject to periodic review by the Internal Auditor and State Auditor. Discrepancies will be reported to the appropriate vice president/dean.

July 1988; RC, July 29, 2015.

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