



VCU

Sale of Goods and Services

Policy Type: Administrative

Responsible Office: Vice President for Finance and Administration; University Controller's Office

Initial Policy Approved: 02/1991

Current Revision Approved: 08/04/2015

Policy Statement and Purpose

The following statement of policy was approved by the President's Council in February, 1991 and is effective from that date.

The mission of Virginia Commonwealth University is to provide a fertile and stimulating environment for teaching, learning, research and service; to promote the pursuit of knowledge, to disseminate professional skills, and to provide high quality patient care. In carrying out these missions, it is often necessary for the University and its affiliated units to provide goods and services which enhance, promote, or support those functions. At the same time, the University must be mindful that when it provides goods and services it may be competing with local private businesses.

Congress imposed a tax on Unrelated Business Income (UBI) activities so that tax-exempt organizations would not have an unfair advantage in pursuing an unrelated trade or business which might compete with a similar trade or business not exempt from taxes. Internal Revenue Code Sec. 513 defines an unrelated trade or business as "any trade or business the conduct of which is not substantially related to the exercise or performance" by a tax-exempt organization of the purpose for which the organization received its tax exempt status. The regulations under IRC Sec. 512 indicate that, unless excluded by certain provisions under IRC Sec. 512 or 513, gross income of a tax-exempt organization is included in the computation of UBI if: the income is from a trade or business, the trade or business is regularly carried on, and the trade or business is not substantially related to the organization's exempt purpose. These review and approval procedures have been developed to define the purposes under which the sale of goods and services may be approved.

Virginia Commonwealth University will engage in the direct sale of goods and services to individuals, groups, or external agencies only when those services or goods are directly and substantially related to the mission of the University. Charges for goods and services shall be determined taking into account their full cost, including overhead when appropriate, as well as the competitive price of such items in the local community.

Recognizing the central mission of the University, the above guidelines shall not apply to charges for instruction in its regular, evening, or continuing education programs; services provided in the practicum aspects of its instructional and research programs; services for fees in its extracurricular or residential life programs, including residence halls, food services, athletic and recreational programs; charges for patient care, including pharmacy services, food services, and housing services; and all other academic,

research, service and health services delivery/patient care service programs directly related to the mission of the University.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

Table of Contents

Who Should Know This Policy.....	2
Contacts.....	2
Procedures.....	2-3
Forms.....	3
Related Documents.....	3
Revision History.....	3
FAQs.....	3

Who Should Know This Policy

- Vice Presidents, Assistant Vice Presidents and other Senior Executives
- Vice Provosts, Deans, Directors and Department Heads

Contacts

The University Controller’s Office officially interprets this policy and is responsible for obtaining approval for any revisions as required by the policy *Creating and Maintaining Policies and Procedures* through the appropriate governance structures. Please direct policy questions to the University Controller’s Office.

Procedures

The selling of goods or services to faculty, staff, students, and patients which are for the convenience of and in support of the mission of the University is distinctly different from sales to persons or organizations external to the University. Therefore, different criteria to evaluate requests for such programs are appropriate. Each of the following criteria shall be used in assessing the suitability of providing goods or services to members of the University community:

1. The good or service is substantially and directly related to the University's instructional, research, public service or patient care mission.
2. Provision of the good or service on campus represents a convenience to and supports the University community or facilitates the extracurricular, public service, patient care or residential life of the University community.

3. The price or fee for the goods or services is established at such a level as to account for full costs, including University overhead.
4. Procedures are in place for insuring that the service is provided only to members of the campus.

The sales of goods and services to the external community shall be undertaken only if the goods or services are directly and substantially related to the mission of the University. Each of the following criteria shall be used in assessing the suitability of providing goods or services to the external community.

1. The good or service represents a resource which is directly related to a unit's mission, which is not commonly available or otherwise accessible, and for which there is a demand from the external community.
2. The price or fee of the good or service, including overhead when applicable, is competitive with the price of similar items in the private market place.

Approval for the sale of any good or service under this policy shall be vested in Deans, Directors and Vice Presidents for the units under their direct authority. Before any sales project may be implemented, the unit proposing the project shall provide to the Dean or Vice President a request setting forth all pertinent information about the sales plan and justification for such program addressing the elements of this policy and stated evaluation criteria. The Director, Dean or Vice President approving the project shall notify the Controller and the Budget Office of such approval as a condition of the creation of a revenue budget and provide the Controller and the Budget Office with copies of the documentation supporting the request.

Forms

There are no forms associated with this policy.

Related Documents

1. IRS Internal Revenue Code Sec. 512: <http://www.law.cornell.edu/uscode/text/26/512>
2. IRS Internal Revenue Code Sec. 513: <http://www.law.cornell.edu/uscode/text/26/513>

Revision History

This policy supersedes the following archived policy:

New Policy – 02/1991, *Sale of Goods and Services*

Approved Revision- 08/04/2015, *Sale of Goods and Services*

FAQs

There are no FAQs associated with this policy.