

WASHINGTON UNIVERSITY
RECHARGE CENTERS
revised July 1, 2005

A. SCOPE

Recharge centers are University operating units that provide goods and services primarily to other University departments. Recharge centers recover their costs through charges to benefiting users. *Recharge centers generate between \$250,000 and \$1,000,000 in annual billings.*

B. REQUIREMENTS

1. Recharge center activities result in charges to federal and nonfederal grants and contracts. In connection with Washington University's receipt of federal grants and contracts, we must comply with applicable government requirements (*i.e.*, A-21, A-133). The government monitors, by routine audits, the University's compliance with federal regulations regarding recharge centers. This policy helps assure that Washington University consistently applies sound cost accounting practices and complies with the regulations. To minimize the consequences of non-compliance with regulations, it is important that recharge centers comply with the policies.
2. Recharge center rates should recover the direct costs of providing the services or products. The only allowable indirect cost is equipment depreciation. An asset list (Worksheet 4) should be maintained by the center and submitted to the Indirect Cost (IDC) Department and will be the basis for equipment depreciation. The cost of equipment purchases should not be included in billing rates. Recharge centers with less than \$250,000 in annual billings should not include equipment depreciation in the billing rates.
3. Rates cannot discriminate between federal and nonfederal sponsored activities of the University. All University users must be charged the same rate(s) for the same level of service or products under the same circumstances. Volume discounts or other special pricing mechanisms must be equally available to all users who meet the criteria. Recharge centers may provide services to users outside the University community at higher, market-based rates.
4. Most recharge centers operate on a fiscal year basis, with rates based on budgeted projections of operating expenses and projected levels of activity or products to be provided. All recharge centers will calculate rates annually. Billing rates should be designed to recover no more than the cost of the goods or service being provided. While it is not necessary that the costs be equal to the revenue in a given year, they should be equalized over a period of no longer than five years. Billing rates must be reviewed and adjusted as needed for consistency with the long-term plan. Recharge centers exceeding \$250,000 in annual revenues should include the accumulated surplus or deficit balance from previous years in the development of rates.
5. All recharge centers will establish separate operating accounts to record revenues and expenses related to the services provided. Recharge centers exceeding \$250,000 in annual revenue should also establish a corresponding fund balance account. At fiscal year end, the net surplus or deficit should be transferred to the fund balance account.

The accumulation of surplus and deficit balances into one balance sheet account will act as a control to insure that billing rates will accurately reflect prior year surpluses or deficits.

6. Recharge centers should contact General Accounting to establish a unique budget/object (BUOB) code for their services. All internal billings should request the use of that BUOB when the customer pays the invoice.
7. The following worksheets for NEW recharge centers should be submitted to the IDC department prior to operation:

WORKSHEET	PURPOSE OF WORKSHEET
Summary of Revenues and Expenses (Worksheet 1) Calculation of Billing Rates	Worksheet supports billing rates to users during the next fiscal year.
Transfer of Surplus/deficit to Fund Balance (Worksheet 2)	Worksheet supports transfer of surplus/deficit to fund balance at yearend
Service Center Questionnaire (Worksheet 3)	Questionnaire to assist the Indirect Cost staff in the preparation of the F&A proposal and to assist with external audits
Asset Listing (Worksheet 4)	Worksheet compiles equipment depreciation

NOTE: The above worksheets (or similar data) should be maintained by the operating department and available for review upon request for on-going centers.

Recharge centers with less than \$250,000 in annual revenues are not required to transfer annual surpluses or deficits to separate fund balances.

C. OPERATING THE RECHARGE CENTER

1. The department administrator is responsible for preparing and administering the recharge center budget, preparing a rate schedule, maintaining adequate records, segregating unallowable costs and preparing accurate invoices.
2. The department administrator should prepare the budget annually. The budget should reflect actual performance data for the two most recently completed fiscal years. The budget should also include year-to-date and annualized data for the current fiscal year and projected data for revenue and expense items for the next fiscal year.
3. The department administrator is responsible for preparing and supporting a schedule of rates for services or products charged to users of the recharge center. The rate schedule should include **all** services or products normally offered by the recharge center. This schedule of rates, according to OMB Circular A-21, cannot discriminate between federal and nonfederal supported activities of the University. Recharge centers must charge federal sponsored agreements the same rate as non-federal sponsors. The recharge centers may charge users outside the University higher, market-based rates.

4. The recharge centers must be able to support audit requests and show satisfactory accounting, budgeting and management control. To accomplish this, the department administrator must maintain, at a minimum, the following:
 - a. work papers supporting rate calculations;
 - b. work papers supporting use or level of activity projections;
 - c. billing records identifying services provided to each user.

5. The invoice used by the department administrator must provide adequate, mathematically accurate support for the activity billed. Department administrators must prepare invoices of sufficient detail to withstand auditor examination. Department administrators may use the following examples of invoice information as a guide to preparing accurate invoices:
 - a. recharge center number;
 - b. customer;
 - c. description of the service performed or products provided;
 - d. rate schedule reference;
 - e. units of service or product multiplied by the appropriate rate;
 - f. the extended cost;
 - g. invoice date;
 - h. date of service or product provided.

In instances where an unfamiliar reader might have trouble determining why a recharge center is making a charge to a specific customer, the invoice should include a brief justification of the billing. Advance billing for services or products is not allowed. Recharge centers can only make billings for services performed or products delivered. Estimates cannot be used as the sole basis for billing. Recharge centers must consistently bill all users for service. Department administrators must retain all documentation supporting a billing to support customer and internal or external audit inquiries.

D. ESTABLISHING AND REVISING RECHARGE CENTER RATES

1. Recharge center rates are costs per unit of output (*e.g.*, dollars per hour, cents per unit) calculated to recover no more than the allowable costs of operation. Recharge centers should recover only the direct costs. According to A-21, rates developed “. . . should be designed to recover not more than the aggregate cost of the service over a long time period.” The period used by Washington University is five years. Equaling the cost of services or products in any single year is not necessary for recharge center rates. However, department administrators must review and adjust rates at least annually to prevent recovering more than the cost of operations. Occasionally, recharge centers may find it necessary to establish rates at less than full cost, but in no circumstance may rates exceed cost over a long period (*i.e.*, five years).

2. Recharge center rates should include equipment depreciation and the **direct** costs of operating the center plus or minus any under or over recovery from preceding years. Recharge Worksheet 1 is the worksheet that should be used to support the billing rates. The following are examples of allowable and unallowable categories of costs for development of billing rates to users:

a. Allowable Direct Costs

- (1) Salaries, wages and fringe benefits

- (2) Travel related to the operation of the specialized service facility
- (3) Materials and supplies
- (4) Rental and service contracts

b. Allowable Indirect Costs

- (1) Equipment depreciation

c. Unallowable Costs

- (1) Equipment purchases of more than \$5000 (budget codes 60 - 64)
- (2) Costs not allocable to federal sponsored agreements:
 - Dependent Tuition: 29-03
 - Consultants: 30-20, 30-87
 - Supplies: 34-43, 34-52, 34-87
 - Services: 35-50, 35-51, 35-53, 35-54, 35-69, 35-74, 35-87, 35-88
 - Travel: 36-47, 36-87
- (3) Allocations/Pro-rations (Budgets 9x)

d. Prior Year Adjustment

- (1) Prior year operating deficit (increase to recoverable costs)
- (2) Prior year operating surplus (decrease to recoverable costs)

- 3. Department administrators should calculate recharge rates for a fiscal year. There is flexibility in the method used to calculate rates although billing rates must be based on cost.