

RECHARGE CENTER POLICIES AND PROCEDURES

BUSINESS AND FINANCE OFFICE

UNIVERSITY OF NEVADA, RENO

Business and Finance Office

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OVERVIEW:

A recharge center is any separately accounted for activity of the University which provides and charges for goods or services to the other accounts or departments on the campus.

Because the University of Nevada, Reno has a growing research effort, there are requirements to which we must adhere to in our operations of recharge centers. The federal government through various regulations (primarily OMB 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards) defines those requirements. They are intended to assure equity in charges to federally funded projects. Two specific concepts are explicitly stated:

1. Recipients of federal funds are **not to recover more than cost**.
2. They are **not to discriminate in the price** of services charged to governmental users, on the one hand, and non-governmental users on the other.

Policies:

1. **Rates must be based on actual costs:** The financial activity of each recharge center must be accounted for in a separate university account. Costs assigned to that account must be essential to and readily identifiable as being associated with the provision of goods or services by a recharge center. Non-current expenditures such as equipment acquisition or facility modification may not be charged to the operating account of the recharge center.
2. **Discriminatory pricing:** The Recharge Center should charge the same price to all users for the same service in the same circumstances. Pricing agreements are allowed for peak periods and special volumes with the approval of the Business and Finance Office. The approval of the pricing agreement will be contingent upon the comparison of the volume of the requested service and the volume of direct and indirect costs of federal projects. There can be **no subsidy** of non-federal users. Any discounts to others must also apply to federally funded accounts. In addition, Federal projects must receive the lowest price charged to any user.
3. **Student use:** Students may conceivably not be charged for use of a service (i.e. computer time) while other users including federal funds, are charged; however the costs of providing the free service must be paid for by other funds and not funded by the rate charged to other users. It is best to account for the costs of student use in a separate account.

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4. **Service centers versus recharge centers:** All service and recharge centers, no matter how small are subject to the basic cost principles set forth in 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (break-even on allowable costs and non-discriminatory pricing), and this campus policy applies to all such activities.
5. **Indirect costs may not be charged to recharge centers:** Indirect costs are charged on all expenses of grants and contracts, including charges from recharge centers. To charge indirect or administrative charges would be double charging the federal funds. Indirect cost may be charged to outside entities.
6. **Recharge accounts are designed to be self-supporting:** All activity for a recharge account must be separately accounted for in the recharge account. Recharge rates must be based on the expenses as reflected in the recharge account and may not include expenses charged elsewhere.
7. **Capital equipment:** Any inventoriable equipment assigned to a recharge center other than that furnished by the federal government may be depreciated. Depreciation expense is to be included as a cost element for the recharge rate(s) calculation purposes. Depreciation shall be on a straight-line basis with a life equal to that used in the equipment inventory system. A separate depreciation reserve account to be used for equipment replacement shall be established for each recharge center and credited with amount of depreciation expense charged to the current operating funds account of each recharge center. Capital equipment may be purchased with a combination of fund sources (depreciation reserve and other non-federal funds) at which point the full cost will be eligible for depreciation expense.
8. **Debt Services:** Principal and interest payments may not be charged to the operation of a recharge center.
9. **Recharge rates:** Recharge rates shall be based on allowable costs charged directly to the recharge account. The rates shall be stated in measurable units of goods or services, which most equitably distribute recharge center costs related to specific goods or services to users. The measurable units of goods or services to be provided by a recharge center shall be based on a reasonable annual estimate. A separate rate shall be established for each class of goods or services provided and all users of goods and services must be charged established rates.
10. **Allowable costs:** Recharge rates shall be based on allowable costs as defined in 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards 200.403. Further, only expenses directly related to providing the service may be charged to the center. Some examples of allowable costs in 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards Subpart E-Cost Principles -are:

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- Advertising 200.421
- Communication cost (i.e. stamps)
- Salaries, wages and fringe benefits 200.430, 200.431
- Publication and Printing costs 200.461
- Depreciation Expense 200.436
- Insurance and indemnification 200.447 (certain circumstances)
- Maintenance and Repairs of equipment 200.452
- Supplies and materials 200.453
- Memberships – Scientific, Professional 200.454
- Equipment lease or rental 200.465
- Non-capitalized equipment (less than \$5,000)200.439
- Subcontracts and outside services
- Other current operating expenses

11. Unallowable costs: Costs that are unallowable for federal projects may not be charged to recharge center activities. Some examples of unallowable cost from the 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards Subpart E-Cost Principles are:

- Public relations costs 200.421
- Alcoholic beverages 200.423
- Alumni/ae activities 200.424
- Bad debts 200.426
- Commencement / convocation cost 200.429
- Contingency provisions 200.433
- Cost of Legal Proceedings 200.435
- Contributions and donations 200.434
- Entertainment cost 200.438
- Fines and Penalties 200.441
- Cost of goods or services for personal use. 200.445
- Insurance and indemnification 200.447
- Fundraising 200.442
- Memberships, subscriptions, and professional activity costs of a social or individual nature 200.454
- Student activity cost 200.469

12. Duplication of costs: Duplication of costs is prohibited. Examples include the charge for equipment purchases mentioned above, charging for the time (salary) of an individual whose salary is expended to other than the recharge center account, and the application of an “administrative surcharge” to the costs of a center.

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13. **Inventories:** If inventories are significant in value, then it may be necessary to set up an inventory account to ensure that the costs allocated are appropriate to the services delivered during the period.
14. **Recharge centers shall be operated on a no-gain no-loss basis:** Any surplus greater than a two month equivalent of operating expenses (as a working capital) or any deficit at the end of a fiscal year shall be incorporated as a cost element for the recharge rate calculation for the ensuing fiscal year in order to ultimately achieve a break-even operating account balance. In exceptional cases where such an adjustment would create a severe fluctuation in rates from one year to the next, the surplus or deficit may be incorporated into the recharge rate calculations over a more extended period of time. Please contact the Business and Finance Office for approval. However, even operations with long-term rates will be required to submit rates annually to ensure that they are on track with their projections.
15. **Recharge Revenue:** Recharge revenue must be credited to object code 39.
16. **Recharge Centers Less Than \$50,000:** Any recharge center with an operating budget less than \$50,000 will not be required to submit rate calculations to the Business and Finance Office for approval. However, those recharge centers must complete and retain rate calculations and cost analyses on an annual basis to substantiate their rates and to avoid being charged back for charges made to federal projects in the event of an audit. The recharge center must maintain a file of rate calculations and all supporting documentation and be prepared to provide copies for a review or audit. If depreciation expense is included in the rate calculations, the recharge center must notify the Business and Finance Office to ensure that a separate account has been established for equipment replacement and for financial reporting purposes.
17. **New recharge centers:** A new recharge center may be established only after approval of the rate calculation from the Business and Finance Office. The approval of a rate calculation is not the same as submitting a self-supporting budget to Planning, Budget and Analysis.
18. **Recharge rates and supporting documentation:** Recharge/Service Centers shall complete an annual cost study to be used as a basis for establishing billing rates. Annually recharge rate shall be calculated and previous fiscal year financial statements as well as projected financial statements for the current fiscal year shall be prepared by the department head responsible for each recharge center.
19. **Rates must be submitted to the Business and Finance Office:** The annual recharge rate calculations, recharge center financial statements, a copy of the latest CAIS report used for the financial statement, and a cost analysis shall be submitted to the Business and Finance Office for review no later than May 15th of the new year. The new year rate(s)

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must be approved by the Business and Finance Office for all accounts with a budget of \$50,000 or greater.

20. **Effective date:** Approved rates shall be made available to users with an effective date of July 1 of the new year.
21. **Record retention:** A service center must provide sufficient documentation regarding the activities and maintain records to support expenditures, billings, and cost transfers for a period of 5 years. The documentation should include the level of activity, the rate(s) used to calculate the charge and the time of the charge. Examples of documents that must be maintained are:
 - a. Work papers showing how the charge out rate(s) were calculated.
 - b. Approval of rate(s).
 - c. Records supporting the level of activity.
 - d. Billing records that identify the service provided to each user.
 - e. Annual cost studies.

Procedures:

1. Prepare a financial statement for the previous fiscal year. (If this is the first year of operation for a recharge center, skip this step and go to step 2.) The financial statement must balance to the year-end status report.
2. Calculate rates based on the expenses for the fiscal year. If there is a significant deficit balance in the account from the prior fiscal year, add the deficit to the amount of revenue needed to cover expenses. If there is a carry forward surplus balance greater than the 60 day working capital in the account, reduce the revenue to be received for the new year by the amount of the surplus (surplus greater than the 60 day working capital),

Example:

Salaries and fringe benefits	\$15,000
Operating expenses (Supplies, materials, maintenance, etc.)	<u>10,000</u>
Expenses for the new year	\$25,000

The account must receive \$25,000 in revenue to break-even.

If the service is only available 1,020 hours a year, charge \$24.50 an hour for the service. (\$25,000 in required revenue divided by 1,020 hours equals \$24.50).

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If the carry forward deficit is \$5,000, charge \$29.42 an hour (\$5,000 deficit plus \$25,000 in estimated expenses equals \$30,000. \$30,000 in revenue must be received to break-even, divided by 1020 hours, equals \$29.42 an hour).

If the carry forward surplus is \$5,000 more than the 60 day working capital, charge \$19.61 an hour. (\$25,000 in revenue less \$5,000 equals \$20,000 in revenue for the year to break-even. \$20,000 in revenue divided by 1020 hours equals \$19.61 an hour).

3. Prepare a projected financial statement for the new fiscal year. The totals for the projected financial statement must agree with the rate calculation totals.
4. If capital equipment is assigned to the recharge center, contact the Business and Finance Office at 784-1338 or 784-1057 to request a schedule for depreciation expense.
5. When the rate(s) include a depreciation component, the full amount of the depreciation expense for the year will be charged to the recharge center operating account. Once a quarter, twice a year, or annually), submit an IPO to charge the recharge center operating account for the actual monthly depreciation expense and credit the equipment reserve account for the same amount.
6. Send the proposed rates and rate calculations, financial statements, and a copy of the status report to the Business and Finance Office for review and approval.

Recharge Center Financial Statement

Account Name: _____

Account Number: _____

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Prepared By: _____

Phone Number: _____

Email Address: _____

	Current Fiscal Year for Month Ending _____,	+	Projected Current Fiscal Year for balance of fiscal year,	=	Estimated Budget – Total for Current Fiscal Year Ending June 30,	Projected New Fiscal Year Ending June 30,
Fiscal Year	_____		_____		_____	_____
Beginning Balance	_____				-	-
Revenue						
39 (UNR Accounts)	_____		_____		-	_____
78 (Public Sales)	_____		_____		-	_____
Other	_____		_____		-	_____
Sub Total	-	+	-	=	-	-
Less Expenses						
10 (LOA)	_____		_____		-	_____
11 (Prof. Salaries)	_____		_____		-	_____
12 (Grad Assist)	_____		_____		-	_____
14 (Classified)	_____		_____		-	_____
15 (Student Wages)	_____		_____		-	_____
16 (Fringe Benefits)	_____		_____		-	_____
20 (Travel)	_____		_____		-	_____
30 (Operating Expense)	_____		_____		-	_____
30-DE (Depreciation)	_____		_____		-	_____
Other	_____		_____		-	_____
Other	_____		_____		-	_____
Sub-Total Expenses	-	+	-	=	-	-
Net Balance	-	+	-	=	-	-