

# Recharge Centers and Specialized Service Facilities: Procedures

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**Responsible College Officer**  
Associate Dean, Research Administration

**Responsible Office**  
Research and Sponsored Programs

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## Procedure Statement

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The following are detailed operating procedures for recharge centers and specialized service facilities that provide goods and services primarily to internal College departments and secondarily to external users and charge the users for these services. These procedures are consistent with the cost standards set forth in WMC's *Recharge Centers and Specialized Service Facilities: Policy*.

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## Establishing a Recharge Center or Specialized Service Facility

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The Associate Dean of Research Administration is primarily responsible for identifying the need for a new core facility at WMC, along with input from PIs and Department Chairs and oversight from the Vice Provost and Executive Vice Dean. The Associate Dean will establish a business plan for the core facility, including a proposal for resource needs and funding sources. The Vice Provost and Executive Vice Dean and the Associate Provost and Executive Vice Dean for Administration and Finance review and approve the plan for the new core facility.

When determining whether the new facility should be established as a recharge center or specialized service facility, departments, faculty, Finance, and the Associate Dean should consider the following questions in assessing their needs:

- Is the service primarily for customers internal to the College? If a service is principally for external customers, the activity is not a recharge center or specialized service facility.
- Is it cost effective to perform the service in-house? A cost/benefit analysis should be completed to ensure the core facility is cost effective.

Once it is determined that a new facility will be established with recharge activity, WMC should also consider the type of facility it will be: recharge center or specialized service facility.

- Will the facility provide highly complex and specific services to internal users, or will it provide commonly used goods and services? Specialized service facilities are established to provide specialized services to a few users, while recharge centers are a means to provide common goods or services that are used throughout the various departments.
- Must it recover institutional F&A costs such as utilities, building depreciation, operations and maintenance? If so, it will be a specialized service facility.
- What amount of annual billings will the facility generate? If it is estimated to be more than \$1,000,000, the facility should be established as a specialized service facility.

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## Submitting Rate Proposals

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If it is determined that recharge activity is involved, the Director of the recharge center or specialized service facility is primarily responsible for developing the billing structure and user fees. The Indirect Cost Office will review and approve the recharge center or specialized service facility rates in accordance with A-21 and Medical College policy, with oversight from the Associate Dean of Research Administration.

The Indirect Cost Office is responsible for the initial approval of rates, as well as a periodic review of the rates for compliance issues. The Directors must submit new rate proposals at least annually.

At a minimum, the following information should be clearly identified, documented, and retained by recharge centers or specialized service facilities:

- Expenditure, revenue, billable unit, data needed to calculate the rate(s).
- The method used to calculate the rates and track billable units.
- Billing records identifying the internal user budget numbers or external customers charged, service performed or product sold, number of units sold, rate charged, total amount billed, etc.

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## Accounts and Billing

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All recharge centers and specialized service facilities must have a separate operating account. The development of a new recharge center or specialized service facility may require the creation of a new cost center to capture costs associated with the operation. Once approved by the Indirect Cost Office, the Budget Office will establish the appropriate account number(s) for the recharge center or specialized service facility.

General guidelines for billing include:

- As a general rule, recharge centers or specialized service facilities must consistently and accurately bill its customers.
- Advance billing for services or products is not allowed.
- Non-federal external or outside users may be billed at rates different than cost (higher or lower), but recharge center or specialized service facility Directors should discuss these circumstances with the Indirect Cost Office.

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## Billing Rate Development General Guidelines

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### Usage

- All usage must be tracked and factored into the rate calculation.
- Recharge centers and specialized service facilities should recover costs over a reasonable period, usually defined as the fiscal year in which they are incurred.
- If a recharge center or specialized service facility waives charges for certain users, the usage must still be accumulated and included in the denominator of the rate calculation.

### Rates/Charges

- Rates must not discriminate against federally funded users to the benefit of other internal users.
- All Medical College 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. Internal user billing rates must be based upon actual costs.
- Recharge centers and specialized service facilities can, with the Indirect Cost Office's approval, employ a minimum fee based on costs incurred to initiate the service, such as equipment set-up costs, expendable supply costs, etc.
- Rates must be periodically reviewed for reasonableness by those administering the service.
- Recharge centers and specialized service facilities must exclude unallowable costs from their billing rate calculations.
- As a general rule, recharge centers and specialized service facilities should charge for all usage of goods or services. However, recharge centers and specialized service facilities can elect to use non-Federal, non-recharge center funds to subsidize specific users. If a recharge center or specialized service facility waives charges for certain users, the usage must still be accumulated and included in the denominator of the rate calculation.

### External User Billing Rates

- Rates charged to external users must add the charge for F&A costs, unless approval from the Indirect Cost Office and the Associate Dean for Research Administration is obtained.

### Billable or Sellable Units

- Billable or sellable units used to develop rates must be reasonable and accurate given the data available. For example, available hours should be adjusted for vacation leave, machine downtime, etc. to arrive at billable hours.

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## Billing Rate Development Procedures

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- 1. Determine all services provided. A separate rate should be calculated for each service.**
- 2. Determine the recharge center or specialized service facility's direct costs that can be specifically identified with relative ease and a high degree of accuracy, such as:**
  - a. Salaries and benefits of technical and other staff directly involved with the service
  - b. Materials needed to provide the service
  - c. Outside services
  - d. Equipment lease or rental
  - e. Repairs and machine supplies
  - f. Other directly related expenses
- 3. Identify the recharge center or specialized service facility's indirect costs and determine if these costs need to be included in the rate, such as:**

- a. Salaries and benefits of administrative staff not directly involved in providing the service, who support the facility (such as Directors and accounting staff)
  - b. General office supplies
  - c. Equipment
    - i. Equipment bought with federal funds must be excluded from the federal rates
    - ii. Allowable costs include only the current year's depreciation
  - d. Debt service
    - i. External interest may be charged with prior approval from the Indirect Cost Office and DHHS
    - ii. Principal payments should not be included in billing rates as they are equity purchases, not current year expenses
- 4. Develop a reasonable method to allocate recharge center or specialized service facility indirect costs to each type of service provided.**
- a. Allocations should be based on a causal and beneficial relationship between the costs and service provided
  - b. Potential allocation bases include:
    - i. Effort
    - ii. Usage (time)
    - iii. Costs
  - c. Space (square footage)
- 5. ONLY FOR SPECIALIZED SERVICE FACILITIES. Identify College-wide F&A costs to be included in billing rates.** This includes costs such as:
- a. Facilities – General
    - i. Building and equipment depreciation
    - ii. Interest
    - iii. Operation and Maintenance
  - b. Administrative
    - i. General and administration
    - ii. Department administration
    - iii. Sponsored project administration
    - iv. Student services
- 6. Identify and segregate unallowable costs specifically not allowed as rate components.**
- a. Unallowable costs identified in OMC Circular A-21 must be excluded from rates.
  - b. Any surplus or reserves to repay principal or interest or to fund future operations are unallowable.
- 7. Accumulate or estimate annual usage for each service (such as number of billable units) to establish the distribution base.** All usage must be included, regardless of whether discounts or free service is provided.
- 8. Calculate cost-based rate for each service.**
- a. Divide the total annual operating cost by the total estimated billing units to determine the billing rate per unit.
    - i. The billing unit for a recharge center that provides photocopies would be the number of copies
    - ii. The billing unit for a facility that provides services would be the number of hours of service
- 9. Determine the rate that will actually be charged.**
- a. Federal users must be charged no more than the cost-based rate. External users may be charged a rate higher than cost.
  - b. Discounts provided to non-federal users must not be subsidized by the fees charged to federal users. (For example, if the cost-based rate for users is \$50 per service, non-federal users can be given a discount and be charged \$25, but federal users cannot be charged \$75 (or greater than \$50) to support the discounted fee of the non-federal users). The subsidy must be quantified and excluded from future billing rate calculations and the F&A cost base.

- c. If market prices have been approved for use by DHHS, they should be compared to actual costs to ensure that the rates do not result in overcharges to federal users.

#### **10. Review rates to adjust for prior year deficit or surplus.**

- a. On an annual basis, revenues must be compared to the actual cost of providing each service.
- b. Revenues from external users that exceed the actual cost of service do not need to be used to subsidize other services of the same recharge center or specialized service facility.
- c. Surplus or deficits which exceed the established threshold should be used to adjust future billing rates.

Appendix A of this document includes a Recharge Center Calculation Worksheet Example.

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## **Expenditures/Costs**

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The Indirect Cost Office is primarily responsible for monitoring recharge activity for financial compliance. The Directors or administrators of recharge centers and specialized service facilities must also ensure costs and financial activity are consistent with WMC and Federal policy. The following are general guidelines for monitoring costs:

### **Expenditures**

- Internal user billing rates must be based upon and designed to recover no more than the operating cost for the services or products being provided.
- The cost of one service or product cannot be funded by or included in the rates of another service or product in the recharge center or specialized service facility.
- Costs included in a rate must be reasonable, allocable, and allowable.
- Costs, including F&A costs, must be allocated to a service or product according to a reasonable approximation of the benefit received.
- Recharge centers and specialized service facilities must be able to assign costs, including clerical and administrative salaries, relatively easily with a high degree of accuracy.

### **Unallowable Costs**

Recharge centers and specialized service facilities **must not** include these costs in their rates:

- All unallowable costs, as defined by the OMB Circular A-21, must not be included in the rates charged to internal users or charged to the center's operating account.
- Building depreciation, rent, and operations and maintenance if it was not paid by the recharge center and/or if it was included and recovered in the institutional F&A cost rate. (Only costs incurred by the center or facility can be included in rates.)
- Cost of equipment \$2,000 or greater (per item). However, equipment depreciation can be included.
- Any costs already reimbursed through WMC's F&A cost rate. For additional information, contact the Indirect Cost Office.

### **Unrecovered Costs**

- Recharge centers and specialized service facilities do not have to include all of their costs in the rates. However, the center/facility is responsible for finding an alternative source of funding (which cannot be from Federal funds) for costs not included in the rates.
- The recharge center or specialized service facility is responsible for transferring any costs originally charged to the operating account that are not included in the rates.
  - Costs excluded from the rates cannot be transferred to Federal sources.
- Recharge centers and specialized service facilities must track unrecovered costs so they can be excluded from the F&A cost rate.
- Prior Indirect Cost Office approval is needed for all budget numbers that will incur recharge center or specialized service facility expenditures and/or fund the costs.

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## Equipment

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### Equipment

- For recharge centers, the equipment capitalization threshold is \$2,000 or more as set by the College's Cost Accounting Standards (CAS) disclosure statement.
- The cost of equipment costing \$2,000 or more cannot be included in recharge rates.
- Equipment used in recharge center operations may be leased.
- Purchased equipment remains the property of the Medical College

### Equipment Depreciation

- Depreciation for equipment costing \$2,000 or more can be included in recharge rates.
- If equipment is purchased with Federal funds or used for cost sharing on Federal awards, its depreciation cannot be included in the recharge rates.
- Depreciation can only be included in rates if:
  - The recharge center has an equipment account.
  - The equipment is still in use by the recharge center.
  - Recharge centers have a depreciation schedule approved by the Indirect Cost Office.
  - Equipment inventory asset numbers are included in the equipment depreciation schedule.
  - Transfers of depreciation amounts into the operating account are kept up-to-date and include depreciation for the entire recharge rate period. Rates cannot include depreciation from prior years.
- Equipment cannot be depreciated beyond its useful life. For example, if equipment has a 7-year useful life, it cannot be depreciated after the 7<sup>th</sup> year, even if the equipment was not depreciated for each of the seven years.
- Only straight-line depreciation may be used (cost of the equipment divided by its useful life).

### Sale of Equipment

- When equipment is sold, all the proceeds from the sale and any gain or loss should be recorded in the equipment account.

### Equipment Accounts

- Equipment purchases of \$2,000 or more should be debited to the equipment account.
- Equipment accounts cannot be in deficit without prior Indirect Cost Office approval.

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## Working Capital

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### Deficits and Surpluses

- Surpluses and deficits should be included in the recharge rates for the following year, with the following exceptions:
  - Recharge centers can retain, on an ongoing basis, up to 60 days of current expenditures as working capital in their operating account with approval from the Indirect Cost Office. Funds or transfers from non-Federal sources or an existing surplus can be used to acquire the working capital amount.
  - Surpluses may not be retained or accumulated for purposes other than to provide 60 days of working capital.
  - A deficit may be recovered over more than one year with prior approval of a recovery plan from the Indirect Cost Office.

## **Working Capital**

- Recharge centers or specialized service facilities can retain, on an ongoing basis, up to 60 days of current expenditures as working capital in their operation account with approval from the Indirect Cost Office.
- Funds or transfers from non-Federal sources or an existing surplus can be used to acquire the working capital amount.

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## **Cost Transfers**

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Recharge centers or specialized service facilities are responsible for submitting requests for a transfer of funds or expenses needed by their centers/facilities, following the procedures in WMC's *Cost Transfers on Sponsored Projects: Policy*. The following requests must be submitted to the Indirect Cost Office for approval:

- Moving equipment depreciation expenditures from the equipment account into the operating account.
- Moving the surcharge revenue from outside users out of the operating account and into the equipment account. (Revenue from surcharges to outside users is the only revenue that can be transferred from the recharge operating account.)
- Transfer costs not charged to users from the operating account into a non-Federal account.

A surplus in the operating account cannot be transferred to a non-recharge center account or be used to pay for equipment items costing \$2,000 or more.

Recharge centers are also responsible to attach supporting documentation for cost transfer requests submitted to the Indirect Cost Office.

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## **Financial Reporting**

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Directors or administrators of the recharge centers must prepare and submit annual financial reports to the Indirect Cost Office.

The records, operations, rates and practices of all recharge centers and specialized service facilities are subject to audit by Federal and internal auditors. The recharge center and specialized service facility Directors or administrators must maintain records to support expenditures, billing and transfers. These records include:

- Documentation on how the rate was calculated
- Published rate schedule
- Usage statistics supporting utilization or level of activity
- Effort reporting records for staff used to allocate time to multiple services
- Billing records
- Proof of rate approval

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## **Closing a Recharge Center or Specialized Service Facility**

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To close a recharge center or specialized service facility:

- The Associate Dean of Research Administration identifies the need to close the center or facility.
- The administrator or Director of the recharge center or specialized service facility must contact the Indirect Cost Office to receive instructions regarding the proper handling of operating accounts.

- The Indirect Cost Office and the Budget Office must close any associated operating accounts.

## Appendix A - Recharge Center Calculation Worksheet Example

	Total Cost	Allocation Methodology	Rate 1 (Description)	Rate 2 (Description)	Rate 3 (Description)	Rate 4 (Description)
<b><u>REVENUES</u></b>						
External						
Internal						
Unrestricted Funds						
Federal Grants & Contracts						
Other Funds						
Imputed Revenue (see note 1)						
Total Revenue						
<b><u>EXPENSES</u></b>						
Direct Costs						
Salaries & Wages (please detail)						
Fringe Benefits						
Materials & Supplies						
Travel						
Cost of Goods Sold						
Other (please specify)						
<b>Subtotal Direct Costs</b>						
Equipment						
Depreciation (see note 2)						
Reserves (see note 3)						
Total Direct Costs						
Indirect Costs - Center Only						
Salaries & Wages (please detail)						
Fringe Benefits						
Materials and Supplies						
Travel						
Other (please specify)						
<b>Total Center Indirect Costs</b>						
F&A Costs - University-wide						
Administrative allocation						
Facilities						
Other						
Subtotal Indirect Costs						
Total Expenses						
OVER/(UNDER) RECOVERY						
ALLOWABLE SURPLUS BALANCE (see note 4)						
TOTAL COSTS TO BE RECOVERED						
ANNUAL UTILIZATION						
(hours, units, product measures)						
BILLING RATE						
(Total Cost/Annual Utilization)						

### **Appendix Notes:**

- (1) If certain users were not billed for services or were not billed at the full rate, report imputed revenue and attach a schedule showing their utilization.
- (2) If equipment depreciation is included in the rate, please attach a schedule showing original cost, estimate life, and depreciation amount for all capital equipment.
- (3) If equipment reserves are included in the rate, please attach a schedule showing estimated capital requirements and corresponding reserves.
- (4) Supporting documentation to be attached.