RECHARGE CENTER POLICY

Norman Campus

POLICY

Definition of a Recharge Center:

Recharge Centers are units within Norman Campus that charge for goods or services which directly support the **sponsored programs** mission of the University and recover costs through charges to internal and external users. All Recharge Centers are expected to recover no more than the aggregate direct costs of their operations through charges to users. Recharge Centers should not include any indirect costs in their expenses. Instead, indirect cost expenses will be recovered through inclusion in the indirect cost proposal and should be excluded from the Recharge Center chartfield.

Auxiliary Enterprises market and sell their goods and/or services primarily to parties external to the University. In contrast, Service Units market and sell their goods and/or services primarily to parties internal to the University. Unlike Departmental Recharge Centers, Auxiliaries and Service Units recover indirect costs through inclusion in the charge rate. Auxiliary and Service Units are not covered by these guidelines. However, these entities can bill sponsored programs.

Who Must Comply:

Any Norman Campus college, department, unit, or center operating a Recharge Center must comply. These guidelines apply to Recharge Centers that meet both of the following criteria: (1) are established to meet the needs of Norman Campus research staff, and (2) receive less than 20% of revenue from external customers. Centers that do not meet these criteria may qualify as an auxiliary or service unit.

OMB Uniform Guidance Requirements:

See OMB Uniform Guidance § 200.468 Specialized service facilities for guidance on determining costs and rates for departmental recharge centers. Additional guidance may be found at **NOT-OD-13-053: FAQs for Costing of NIH-Funded Core Facilities**. Recharge Centers are reviewed annually as part of the single audit required by Uniform Guidance, Subpart F Audit Requirements (§200.500).

Request for Establishment:

The ***Recharge Center Application Form*** must be completed to establish the Recharge Center and set up the Recharge Center source code in PeopleSoft. This form addresses the following considerations that must be made when determining whether to establish a new Recharge Center.

Colleges/Departments/Centers may propose the creation of a Recharge Center and recharge rates. The benefits of a proposed Recharge Center must be weighed against the benefits of obtaining similar goods/services from commercial or other University sources. In contemplating the creation of a Recharge Center, departmental management must consider a variety of criteria:

- How is this proposed recharge center fee related to the instructional, research, or public service mission of the University?
- Does a demand (by more than one unit/entity) exist for the goods/services to be provided on a regular basis?
- Does the level of recharging (sales) transactions, both quantity and dollar amount, justify the need for the Recharge Center?
- Does another Norman Campus unit already provide similar goods/services? Duplicate services across Recharge Centers are generally not allowed.
- Does OUHSC already provide similar goods/services?
- Will the Recharge Center be competing with an entity in the private sector?

Recharge Centers recommended by the Vice President of Research and Partnerships must be approved by the responsible unit and the Controller's Office. The mission and purpose of the Recharge Center, the resources needed for its operation, its proposed operating policies, its proposed allowable direct cost budget, and its income forecasts must all be reviewed and approved. The Vice President and CFO or their designee is responsible for final approvals.

Internal & External Users:

Although Recharge Centers primarily serve users internal to Norman Campus, in some cases external entities may also use the service. All users should be charged directly for actual use of services at a pre-approved rate. At a minimum, external users will be charged for the full direct costs of the Recharge Center operation. The University's full cost plus the appropriate indirect cost rate should be charged to external users. At no time will an external customer or internal customer be charged less than sponsored programs for the same service. **Under federal regulations, the federal government must always be treated as the most favored customer (i.e., offered the lowest price offered to any other customer).** To ensure compliance with federal Unrelated Business Income Tax (UBIT) and Oklahoma sales tax laws, consult with Service Unit and Auxiliary (SUAUX) Accounting for guidance prior to contracting with external users (fsauxacct@ou.edu).

Rate Establishment:

Charges to internal users may not recover more than the cost of the service and may not discriminate between activities under sponsored programs and other activities. Special rates, such as for high volume work, are allowed. Such rates should be available and applied consistently to all users who meet the criteria. Rates may include costs for:

- Technical Staff – Salaries, wages, and fringe benefits of technical staff dedicated to and directly supporting the Recharge Center. The costs of individuals benefiting more than one Recharge Center or activity should be allocated proportionally to each activity.
- Materials and Supplies – Costs of materials and supplies necessary to operate a Recharge Center.
- Depreciation Expense on Capital Equipment – Capital equipment includes items of tangible personal property (e.g., equipment, furniture, etc.) with a cost of $5,000 or more and a useful life of more than one year. Federal regulations allow the recovery of equipment depreciation for equipment purchased with University funds.
- Miscellaneous Expenses – Rental and service contracts, equipment operating leases, and professional services utilized by the Recharge Centers should be included in the rate calculation.

Rates may not include:

- Unallowable Costs – The costs that have been designated as unallowable for sponsored programs may not be included in the calculation of rates for services since those services may be charged to a government grant or contract. (See **Appendix A**)
- Departmental administrative staff who are not directly involved with the operation of the Recharge Center (ex. Payroll Clerk). Staff that share both roles should be allocated appropriately.
- Cost sharing – Any costs formally committed as cost sharing to any sponsored program cannot be included in Recharge Center rates.
- Depreciation associated with capital equipment purchased with sponsored program funds cannot be included in Recharge Center rates. See capital equipment useful lives in **Appendix B**.
- Reserves for anticipated future costs, such as equipment repairs and replacement, future headcount needs, or growth/expansion costs cannot be included in recharge center rates.
- Arbitrary percentages, fees, surcharges, or market rate adjustments cannot be included in recharge center rates. Rate must be comprised of actual expenses only.

The University has developed worksheets to assist in the development of Recharge Center rates. It is not required that the forms be used, but the rates submitted for review must be in a format easily reviewable and include all supporting documentation.

Rate Subsidization:

Services provided to all users must be accounted for and charges must be based on total costs and actual usage. If an entity chooses to provide a service to a particular internal group of users at a subsidized rate, this cannot affect the annual rate calculations. The Recharge Center billing rate must be calculated for all users based on total Recharge Center expenses and total units of output. Subsidies are applied after the initial rates are calculated, so that the total cost of performing the service can be identified.

Surplus/Deficit:

Since billing rates are calculated based on estimated costs and usage, it is not expected that income and expenses will net to zero in any one year. Billing rates should be designed to break even over a reasonable period of time, not to exceed 3 years. As a general guideline, annual surplus/deficit balances should fall within +/- 10% of expenses. Rates must take into consideration over/under recoveries from prior periods. Deficits may be offset by a transfer in from departmental discretionary funds with the approval of the Controller's Office. Surpluses may not be transferred outside the Recharge Center.

Interim and Annual Recharge Center Reviews:

Recharge Center administrators should evaluate their financial position and rates periodically to assess their position with respect to their break-even goals by category of goods and services. Under special circumstances, rates may be adjusted through a mid-year reduction/increase in rates provided that mid-year rate adjustments are reviewed and approved.

Biannually, all Recharge Centers will be required to submit their updated rates to SUAUX Accounting before May 31st of each year. SUAUX Accounting will review rates and Recharge Center activity for viability. Those Recharge Centers that show little usage, improper usage, and/or significant profits or losses will be researched and discussed with the

Controller's Office. Those with little usage or significant recurring losses will be referred to the Controller's Office for a determination on whether the Recharge Center should be closed.

Accounting, Recordkeeping, and Rate Publishing:

Separate Chartfields must be established in the University's accounting system to record the direct operating costs and revenues of each recharge center including, if applicable, capital expenditures. A SUAUX Chartfield can be obtained from SUAUX Accounting once the Recharge Center rates have been approved.

Documentation to support billings and rate calculations, as well as documentation supporting the billing methodology, should also be maintained. It is the Recharge Center's responsibility to maintain detailed records of all charges and answer inquiries in reference to those charges. Records should be retained for seven years, in accordance with State policy.

Approved recharge center rates should be published to the appropriate OU webpage for transparency.

Billing Procedures:

Billing must be based upon measured and documented utilization. All billing must be processed on a monthly basis at established Recharge Center rates. The user of the services is responsible for documenting the purpose of the charge and the allocability of the expense to the funding source. All invoicing must be completed through SUAUX Accounting. Billing templates are due to SUAUX Accounting by the mutually agreed upon monthly deadline.

- Billing cannot occur until the goods or service have been rendered.
- Recharge Centers should provide appropriate supporting invoice documentation.
- The Recharge Center is responsible for the proper use of the object codes related to the recording of revenue and expense.

APPENDIX A

Schedule of Unallowable Costs

Source: Uniform Guidance 2 CFR Part 200 Subpart E[1]

- Advertising
- Alcoholic Beverages
- Alumni Activities
- Bad Debt
- Commencement & Convocation Costs
- Contingency (Reserves) Provisions
- Country Club Memberships
- Donations
- Entertainment
- Executive Lobbying Costs
- Fines and Penalties
- Fund Raising
- Goods and Services for Personal Use
- Interest
- Lobbying
- Student Activity Costs
- Reserves for future anticipated costs (i.e. project costs, costs to add headcount, etc.)
- Surcharges, market rate adjustments, or other arbitrary percentages or fees

[1] https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E

APPENDIX B

Depreciation Useful Lives

Source: Financial Services Capitalization Policy

Computers and computer servers	3 Years
Vehicles including tractors, trailers, boats, buses, cars, and trucks	4 Years
University Developed Software & Software Licenses	5 Years
Kitchen Equipment including grills, refrigerators, stoves, and dishes	10 Years
Office Equipment including copiers, printers, cell phones, two-way radios, and fiber optics	10 Years
Scientific Equipment including surveying equipment, construction equipment, autoclaves, dishwashers, scales, sterilizers, diffractors, lasers, and microscopes	10 Years
Farm Equipment including bailers, wagons, hydraulic equipment, mowers, and welding machines **Note:** Tractors are considered vehicles and are depreciated over 4 years.	10 Years
Lab Furniture including tables, wet and dry lab sections, chemical cabinets, stools, and chairs	10 Years
Office Furniture including desks, chairs, bins, air conditioners, humidifiers, and non-collection artwork **Note:** Collection artwork is non-depreciable.	10 Years

Library Books purchased for the main library, if specific bulk-purchase capitalization threshold is met. **Note:** Books purchased that are not part of the main library are not capitalized.	20 Years
Leasehold Improvements	10 Years
Buildings and major additions	50 Years