

WASHINGTON UNIVERSITY
RECHARGE CENTERS
Policy and Procedures
Revised December 2023

A. SCOPE

Recharge centers are a category of internal service providers (ISP) within the Workday environment. Recharge centers are Washington University (WU) operating units that provide products and services for a fee, primarily to organized research sponsored projects and other University departments. An ISP that does not charge sponsored projects is not classified as a recharge center and is not governed by this policy. The assessment of charges to recharge centers based on revenue earned by centers from non-sponsored or institutional activities is governed by the policies of the school to which they belong. Recharge centers recover their costs through charges to benefiting users. In some cases, products and services may also be offered to external (non WU) customers. Recharge centers are defined as having annual operating revenue of less than \$2 million.

B. REQUIREMENTS

1. Recharge center activities result in charges to federal and nonfederal grants and contracts. Centers might also charge department users. In connection with WU's receipt of federal grants and contracts, we must comply with applicable government regulations (Uniform Guidance, 2 CFR 200, Subtitle A). The government monitors, by routine audits, the University's compliance with federal regulations regarding recharge centers. This policy helps assure that WU 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 this policy.
2. All recharge center rates, with the exception of those charged to external customers, may equal but not exceed the direct costs of providing the products or services. Recharge centers can also include equipment depreciation in their rate calculation if the equipment was not purchased on a federally sponsored project account. The recharge center decides whether equipment depreciation will be included in the cost of providing products or services to its customers. Equipment depreciation included in the rate calculation will be based on a list of assets (Recharge Center Assets Schedule) maintained by the center. The center is responsible for ensuring that the list is current and provided to the Cost Analysis department annually. The cost of capital equipment purchases cannot be included in billing rates.
3. Rates cannot discriminate against federally supported activities of WU and should be designed to only recover the actual costs of the products or services. Recharge centers may provide services to users outside the WU community at higher, market-based rates. For this purpose, internally funded projects and those funded by non-federal agencies, and services provided to clinical departments in support of patient care are not considered to be external users.
4. Recharge centers operate on the WU fiscal year basis, with rates based on budgeted projections of operating expenses (which may incorporate equipment depreciation) and projected levels of activity or products to be provided. Annual rates for charges to WU

accounts (including federally supported activities) must be set at an amount no greater than the estimated operating costs and equipment depreciation (if included) required to produce the unit of product or service. It is the responsibility of the recharge center administrator to maintain adequate records to demonstrate rates are determined in compliance with this procedure if required upon audit. The administrator is required to provide copies of the records documenting the rates to Cost Analysis annually. Recharge centers choosing to recover non-allocable costs from rates charged to non-federally funded sources (see D.2. below) must submit separate rate calculations for federal funded and non-federally funded customers. The records must include projected levels of activity and costs budgeted to provide products or services. If such records are not provided to Cost Analysis within 60 days of the start of the fiscal year to which the rates apply, approval of pending and newly submitted Internal Service Delivery documents charging sponsored research projects will be suspended until such records are provided. Charges to non-sponsored activities will not be suspended during this period.

While expenses might exceed revenue in a given year (an operating deficit), they should be equalized over a period of time, not to exceed the useful life of significant equipment used in operation of the center or the life of the project for significant start-up costs. Deficits generated by centers not involving significant equipment or start-up costs should be equalized over a period of time not to exceed five years. Deficits subsidized by the owning department or school of the center may be excluded from the amount to be recovered.

Recharge centers must review their rates annually and adjustments should be made as needed, taking into consideration deficits from prior years. A surplus generated during an annual period resulting from sales to WU accounts (including federally supported activities) is to be absorbed by adjusting rates charged to users of the center within a reasonable time period not to exceed three years or the final year of center operation, whichever occurs first. A surplus planned to recover deficits generated as the result of significant equipment or start-up costs (see preceding paragraph) need not be recovered by adjusting charge rates until such deficits have been fully recovered. Recharge centers are required to submit annual budgets to their respective Finance Office prior to the end of the current fiscal year. A surplus should be taken into account when setting rates to be charged to customers when establishing the annual budget. If not possible, due to timing considerations, the surplus must be taken into account when setting the rates for the next subsequent year. An adjustment to rates charged is not necessary with respect to a surplus resulting from sales to external users. It is the responsibility of the recharge center administrator to maintain adequate accounting records to determine the amount of any deficit or surplus resulting from sales to external users.

5. Recharge centers will establish a unique cost center and business unit to record revenues and expenses related to the products or services provided. At fiscal year end, the net surplus or deficit will be accumulated to the business unit. The recharge center administrator must maintain records sufficient to allow subsequent rate adjustments for any surplus amounts generated from sales to WU accounts (including federally supported activities) to be absorbed within a reasonable time period not to exceed three years. Likewise, deficit amounts should be considered in establishing future rates.
6. It is recommended that Recharge centers request, through ServiceNow, unique spend categories for their products or services. All internal billings should request the use of that spend category by the customer when the customer accepts the charges.

7. Recharge centers are to use Workday Ledger Code (49500) and one of the revenue categories included in that Ledger when billing internal users of their products or services. Recharge centers needing a new revenue category will need to submit a request through ServiceNow. If approved, the new revenue category must be included in Ledger 49500.
8. New recharge centers must submit the Recharge Center Analysis excel (Worksheet 1) file to the Cost Analysis department at least four weeks prior to the scheduled start of operations. Existing recharge centers must prepare and submit this file, **or equivalent analysis**, reflecting computation of charge rates before each fiscal year. All centers including equipment depreciation in charge rates need to submit the Recharge Center Asset Listing schedule (or equivalent) annually. Recharge centers choosing to establish separate charge rates for federal and non-federally sources customers must submit separate analyses for each. The excel files can be found at [Recharge Centers & Specialized Service Facilities - Financial Services \(wustl.edu\)](#). The file contains the following worksheets:
 - Financial Planning Information
 - Worksheet 1: Summary of Estimated Revenues and Expenses (reflecting computation of charge rates)
 - Worksheet 2: Recharge Center Questionnaire (new centers only)
 - Worksheet 3: Recharge Center Asset Listing
9. Annually, within six months of fiscal year end, Cost Analysis will provide to the recharge center administrator a multi-year (the lesser of since inception or five years) report of activity conducted by each recharge center as recorded in the University's accounting system, including applicable equipment depreciation. In addition, Cost Analysis will provide a summary report of recharge center activity conducted by each school to the Vice Chancellor for Research and the Chief Financial Officer of the school for his/her review and assessment of compliance with this policy. The reporting by Cost Analysis shall be the official record of surplus/deficit generated by operations of the recharge center on a cumulative basis determined in accordance with OMB's Uniform Guidance. Cost Analysis will alert the recharge center administrator when it has generated a surplus and provide a reminder to the administrator the center is required by university policy to absorb the surplus generated from sales to federally supported activities in the center's rate calculation within a reasonable time period not to exceed three years.

C. OPERATING THE RECHARGE CENTER

1. The following are general guidelines for the financial aspects of operating a recharge center. For more detailed and specific instructions, refer to the [Recharge Center Guidelines on the OVCR website](#).
2. The recharge center administrator is responsible for preparing and administering the recharge center budget, preparing a rate schedule, maintaining adequate records, segregating non-allocable costs and preparing accurate invoices. All documentation should be retained by the department and be available for review upon request.
3. It is assumed the recharge center administrator will prepare a budget annually for the center for financial management purposes. It is strongly recommended the annual Recharge Center Analysis include the next fiscal year budget and results for the two most recently completed fiscal years and year-to-date and annualized data for the current fiscal year.

4. The recharge center administrator is responsible for annually 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. The rate schedule cannot discriminate against federally supported activities of the University and should be designed to only recover the actual costs of the products or services. As noted above, failure to prepare and submit an annual schedule of charge rates as part of the Recharge Center Analysis with supporting documentation and submit such documentation to Cost Analysis may result in suspension of approval for all charges to sponsored projects until such documentation is provided. Centers may charge users outside the WU community higher, market-based rates.
5. The recharge centers must be able to respond to audit requests and show satisfactory accounting, budgeting and management control. To accomplish this, the department administrator must maintain, at a minimum, the following records for a period of five years:
 - work papers supporting rate calculations;
 - work papers supporting use or level of activity projections;
 - billing records identifying services provided to each user.
6. Billings for internal customers must be created by using The Create an Internal Services Delivery (ISD) invoice in Workday. A fully completed ISD will provide sufficient detail to support the activity billed. External customer invoices must be created using the Customer Collections module in Workday.

Advance billing for services or products is not allowed. Recharge centers can only bill for products delivered or services performed. Estimates cannot be used as the basis for billing. Recharge centers must consistently bill all users for service. Recharge center administrators must retain all documentation to support customer billings for internal or external audit review.

The recommended practice is to complete invoicing at the time service/product is provided. Services applicable to a period of time may be invoiced monthly, or the very least quarterly, for services provided by the centers.

7. Cost Analysis will review the financial results for each recharge center annually. Recharge centers that include equipment depreciation in their rates should provide Cost Analysis with an updated equipment schedule by August 31st.
8. Recharge centers discontinuing operations should contact the Cost Analysis office (baumm@wustl.edu) for further guidance.

D. ESTABLISHING AND REVISING RECHARGE CENTER RATES

1. Recharge center rates include the **direct** costs of operating the center plus or minus any under or over recovery from preceding years. Adjustments for under recovery may be spread over the useful life of significant equipment used in operation of the center or the expected period of recovery for significant start-up costs. Deficits subsidized by the owning department or school of the center may be excluded from the amount to be recovered. Recharge Cost Analysis is the worksheet that should be used to support the billing rates. If the Recharge Cost Analysis is not used, a file detailing how the center arrived at billing rates may be substituted if Cost Analysis agrees it is sufficient in detail.

2. The following are examples of allocable and non-allocable categories of costs for development of billing rates to users on federally funded sponsored projects. For a complete list of non-allocable categories of costs run RPT6163 in Workday and see column Indirect Cost Spend Level 2. A cost that is not allocable does not mean such costs may not be incurred by a recharge center. Such costs may be recovered from charges made to non-federal sponsored projects and other internal and external customers of the center. Centers choosing to recover non-allocable costs in this manner must submit a separate calculation of charge rates including these costs (step B.7. above) along with the calculation of rates applicable to federally funded sponsored projects.

a. Allocable Direct Costs

- i. Salaries, wages, and fringe benefits
- ii. Travel related to the operation of the recharge center
- iii. Materials and supplies
- iv. Rental and service contracts

b. Allocable Indirect Costs

- i. Equipment depreciation

c. Non-allocable Costs

- i. Equipment purchases of more than \$5,000 (Ledger codes 49050, 80000, 80050, 80100)
- ii. Costs not allocable to federal sponsored agreements:
 - Dependent tuition
 - Professional fees *
 - Other consulting *
 - Certain supplies **
 - Certain services **
 - Certain travel **
- iii. Financial Allocations/Prorations
- iv. Contingency and equipment replacement reserves

**(Specific professional and consulting costs not reimbursable as direct or indirect costs on Federal Grants & Contracts such as those defined at sections 200.435 and 200.455 in the Uniform Guidance. To determine allocable professional and consulting costs please reference 200.459 in the Uniform Guidance)*

*** Not all supplies, services and travel are non-allocable. Some examples of non-allocable costs include employee service awards, catering services for entertainment purposes, alcoholic beverages, external donations and contributions, and spousal travel expenses for other than University business purposes. Medical supplies used in providing services or products used in the conduct of sponsored research are allocable. Medical supplies ultimately used in the delivery of patient services that will be charged to insurance, government sources or the patient are non-allocable. This is not an exhaustive list. For greater detail, see RPT6163 which identifies non-allocable costs under the heading Indirect Cost Spend Level 2. Questions concerning allocable costs can be referred to the Cost Analysis office (baumm@wustl.edu).*

d. Prior Year Adjustment

- i. Prior year operating deficit (increase to recoverable costs)
- ii. Prior year operating surplus (decrease to recoverable costs)

3. Recharge center 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.