

WASHINGTON UNIVERSITY
RECHARGE CENTERS
Policy and Procedures
Revised July 2017

A. SCOPE

Recharge centers are Washington University (WU) operating units that provide products and services for a fee, primarily to other University departments. 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 \$1 million. Centers with less than \$250,000 of annual revenue are subject to the same requirements below other than B-2.

To simplify identification, WU uses the following terminology:

Recharge Center (RC) – Minor: Total annual revenue/expense credits less than \$250,000.

Recharge Center (RC) – Major: Total annual revenue/expense credits between \$250,000 and \$1 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, CFR Volume 1, Subtitle A, Chapters I&II). 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 should recover the direct costs of providing the products or services. Major recharge centers can also include equipment depreciation in their rate calculation if the equipment was not purchased on a sponsored project account. Equipment depreciation included in the rate calculation will be based on a list of assets (Worksheet 4) maintained by the center, which 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. Recharge centers with less than \$250,000 of annual revenue cannot include equipment depreciation in their billing rates.
3. Rates cannot discriminate against federally supported activities of the 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.
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.

While expenses might exceed revenue in a given year, they should be equalized over a period of time, not to exceed five years unless an exception with respect to an accumulated deficit is approved in advance by the Vice Chancellor for Research and by the Chief Financial Officer (or designee) of the University (for a center at the Danforth Campus) or the Chief Financial Officer (or designee) of the Medical School (for a center at the Medical School). Only those centers requiring major equipment for their operation will be granted an exception. The determination of what constitutes major equipment will be at the discretion of the Vice Chancellor and or the respective CFO. In no case will an exception be granted for equipment with a useful life of five years or less. An approved exception allows a center more than five years to equalize expenses and revenues but for a period no longer than the life of the major equipment. An application for this exception is attached below.

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. 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 separate operating accounts to record revenues and expenses related to the services provided. Major recharge centers will also establish a unique corresponding fund balance account. Minor recharge centers should have a fund balance account, but it is not required that it be unique to that center. Minor recharge centers have the option of associating multiple centers with one fund balance account. At fiscal year end, the net surplus or deficit should be transferred to the fund balance account. The recharge center administrator should 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. Recharge centers must contact Cost Analysis to establish an appropriate budget/object code (32-xx) to use when billing the users of their products or services. Major recharge centers are required to use a unique budget object code and although optional for Minor centers, it is recommended. Minor centers without a unique budget object code should use 32-97. All internal billings require the use of an appropriate (32-xx) budget object code when the customer pays the invoice. Refer to the Expense Subclass/Object Codes listing on the [Systems and Procedures website](#)
7. New recharge centers should submit the Financial Planning Recharge Center excel file to the Cost Analysis department prior to operation. The excel file contains the following worksheets:
 - Instructions

- Financial Planning Information
- 1. New Recharge Center
- 2. Recharge Questionnaire
- 3. Recharge Center Assets
- 4. Operating Recharge Center – Transfer of Surplus/Deficit to Fund Balance

Existing recharge centers should submit the Recharge Center Assets worksheet to Cost Analysis annually. The Operating Recharge Center worksheet is an optional planning tool for use by the recharge center.

8. 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 advise that the administrator 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 unallowable costs and preparing accurate invoices. All documentation should be retained by the department and be available for review upon request.
3. The recharge center administrator should prepare the budget annually. It should include results for the two most recently completed fiscal years, year-to-date and annualized data for the current fiscal year, and projections for the next fiscal year.
4. The recharge center 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. 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. Centers may charge users outside the WU community higher, market-based rates.
5. 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 records for a period of five years.

Recharge centers granted an exception to the requirement that expenses exceeding revenue be equalized over a period of five years must maintain these records for the life of the major equipment on which the exception is based.

- 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.
6. The invoice prepared by the recharge center administrator should provide sufficient detail to support the activity billed. Department administrators may use the following examples of invoice information as a guide to preparing invoices:
- a. recharge center number;
 - b. customer;
 - c. budget object code;
 - d. description of the service performed or products provided;
 - 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.

External customer invoices should be set up with sequential invoice numbers and a list of the invoice numbers and amounts should be given on a regular basis to the person receiving the payments. In some cases an additional explanation of the charges may be required. 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 and internal or external audit review.

7. Cost Analysis will review the financial results for each recharge center annually. Departments that include equipment depreciation in their rates should provide Cost Analysis with an updated equipment schedule by August 31st.

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. 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. For a complete list of unallowable categories of costs see the "Excluded From Indirect Cost" column of the Expense Subclass/Object Codes listing on the Systems and Procedures website.

a. Allowable Direct Costs

- (1) Salaries, wages and fringe benefits
- (2) Travel related to the operation of the recharge center
- (3) Materials and supplies
- (4) Rental and service contracts

b. Allowable Indirect Costs

- (1) Equipment depreciation (only Major recharge centers with more than \$250,000 of annual revenue)

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
 - Professional Fees: 30-20*
 - Other Consulting 30-87*
 - Supplies: 34-43, 34-52, 34-87
 - Services: 35-30, 35-50, 35-51, 35-53, 35-54, 35-69, 35-74, 35-87, 35-88
 - Travel: 36-47, 36-87

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

- (3) Allocations/Pro-rations (Budgets 9x)
- (4) Contingency and equipment replacement reserves

d. Prior Year Adjustment

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

2. 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.

Washington University Recharge Center Policy
Application and Justification Statement
for Exemption from Five-Year Recovery Rule

In accordance with federal Office of Management and Budget guidelines, the Washington University Recharge Center Policy limits the period over which a recharge center may operate without equalizing its revenues and expenses. For a center operating at a loss, that period is a five-year rolling period (five-year rule) beginning with the center's inception. An exception to this requirement may be granted when justified by certain factors including a significant capital investment and or substantial start-up costs either or both of which must be incurred prior to the center generating significant revenues to offset its costs. This exception does not apply to centers expected to operate at a profit or those with equipment having a useful life of less than five years. See the Recharge Center Policy for details. Proposed centers requesting approval for this exception must complete this application and the related attached spreadsheets. Completed applications should be submitted for approval to the office of the Vice Chancellor for Research at Campus Box 8106.

Please complete the following.

Person submitting request

Name _____

Phone number _____

Campus e-mail _____

Campus box _____

Department name and number responsible for the proposed center

Name of proposed center

Account number (department and fund) of proposed center if already established

In addition to the information to be provided on the attached spreadsheets, attach a description of the center's operations including responses to the following questions and requests.

1. What service or product will the center produce?
2. Who do you anticipate will be the customers for the product/service?
3. If you expect to have internal customers, will they be using federally sponsored funds to purchase the product/service? If so, what facts support this expectation?
4. Do you expect to have external customers? If so, what facts support this expectation?
5. If a significant lag time is expected between when the center is to be established and when significant revenues are expected to commence, explain why the lag time is so long.
6. What significant equipment purchases will be necessary to operate the center? (see Worksheet 3 attached)
7. If you anticipate significant start-up labor, supply or other costs, explain why these costs must be incurred prior to the center becoming fully operational. Provide details regarding expenses. (see Worksheet 1 attached)
8. Explain how you have determined rates you will charge users of the center.
9. Explain in detail any other factors you believe support why this center should be exempted from the five-year rule.

Signature of person submitting request _____

Date _____

APPROVALS

Required approvals: to be completed by respective officers. If the officer does not approve this application, please attach an explanation for non-approval and return the application and supporting documents to the person submitting request.

I have reviewed this application and find that an exception to the five-year rule is justified and approved.

Vice Chancellor for Research (signature) (Date)

and, if for a Danforth Campus center

Vice Chancellor for Finance (signature) (Date)

and, if for a School of Medicine center

Assistant Vice Chancellor/Assistant Dean – Finance (signature) (Date)

If this application is approved by both required officers, please forward the signed application and all attached documents provided by the applying department to the department of Cost Analysis at campus box 1034.