New York University
UNIVERSITY POLICIES

Title: Recharge Center Policy
Effective Date: September 1, 2013
Supersedes: N/A
Issuing Authority: Sponsored Programs Administration
Responsible Officer: Assistant Vice President for Post-Award Administration

Policy

It is the policy of New York University (“University”) that billing rates for recharge centers must be designed to recover no more than the costs (direct and indirect) of the goods or services being provided.

Purpose of this Policy

The purpose of this policy is to provide a framework for the fiscal operations of University recharge centers that will ensure compliance with accounting principles and government regulations. Recharge Centers are Departmental Operations that provide goods or services to internal users and recover their operating costs through a user fee.

Section J.47 of Circular A-21 deals specifically with recharge centers. The section is explicit in two concepts:

- Recipients of Federal funds are not to recover more than cost; and
- They are not to discriminate in the price of services charged to government users and to nongovernment users.

Although there may be variation in size, complexity and services provided by recharge centers, they should maintain common administrative practices. This policy addresses those administrative features.

Scope of this Policy

This Policy is applicable to all recharge centers that are established for the main purpose of providing services to internal departments. This Policy is applicable to all schools, departments, units and personnel of the University involved in managing sponsored awards including contracts. This policy is not applicable to auxiliary operations, which provide services to students and faculty members as individuals.
Procedures for Implementation

a. Criteria for a Recharge Center

i. Billing rates or fees must be designed to recover no more than the costs of the goods or services being provided.

The departments that recharge costs must develop cost data supporting the unit costs charged. The rate should be developed based on direct costs (operating costs) and allocable indirect costs (e.g., depreciation of equipment, exclusive of Federally funded equipment) as applicable.

Recharge rates are generally calculated based on budgeted projections of operating expenses and projected volume of the services or products to be provided. The goal of the recharge operation is to calculate a rate that revenues reasonably offset expenses. “Operating at break-even” means there is no significant profit or loss as a result of charging users for the services provided in any particular period and no profit or loss over a biannual period.

Although recharge operations target break-even through budgeting, and rate setting, it is seldom that expenses exactly match revenues. NYU has defined a break-even policy that a recharge center’s surplus or deficit for a certain fiscal year should not exceed 10% of annual operating expenses, computed as of the final closing of the books on August 31. At the end of a fiscal year, if a recharge center has an actual operating surplus or deficit within +/- 10% break-even range, the profit or loss must be factored into the following year’s rate calculations. For those recharge centers created for academic purposes which receive subsidies from the University, see Section d. Documentation for Subsidized Recharge Centers.

ii. The unit cost must be consistently applied to all users, irrespective of funding source, and charges must be allocated to users based on actual use.

Recharge centers must develop and maintain a method of accurately tracking units of output. Units of output, or usage, must be tracked and billed to all users. It is unacceptable for any user to receive services at a discount or reduced fee. Further, as units of output are used in determining the appropriate billing rate, the method of tracking the units must become part of the documentation necessary to support the rate(s) structure.

The concept of nondiscrimination, however, does not preclude the institution from charging external users higher rates for services in order to recover overhead costs. These surcharges should be excluded from the calculation of the break-even analysis.

iii. Recharge to a sponsored project or other funding source may be applied only when there is a direct relationship to the project being charged.

When there is a clear cause/benefit relationship to the funding source, it should be charged directly to that funding source. When there is not a direct benefit, the expense may not be directly charged. Instead, alternate funding sources, such as a departmental project, should
cover the costs. For more information regarding charges to sponsored projects, refer to the Costing Policy.

iv. Only costs that are allowable and allocable expenses (i.e., “recoverable costs”) should be charged to a recharge center project and included in the rate calculation.

Typical recoverable costs include salaries, wages, fringe benefits, materials and supplies, travel, and service and maintenance agreements (refer to NYU Policy, Accounting for Unallowable Costs, including Appendix A, Identifying Unallowable Costs)

b. Annual Financial Review

Each year, recharge center should submit a budget and rate schedule by May 1 for the following fiscal year for review and approval by Assistant Controller for Research. For the annual review, the following should be submitted:

i. The most recent year’s financial results (i.e., August 31), downloaded from the general ledger;

ii. The budget for the following year; and

iii. Rate schedules supported by estimated unit volume.

At the departmental level, service providers are obligated to maintain, and produce upon request, detailed support for the rates charged to users. This support must include records for the expenses incurred for the operation charged.

Any surplus resulting from the inclusion of equipment depreciation expenses included in the rate calculation must be transferred to a capital reserve for the center to fund future equipment purchases.

c. Internal Controls

i. Billing

All charges must be supported by a document/invoice, which details the nature and components of the charge. The support for charges should fully substantiate the cost in the event of an audit.

The invoice should specifically document:

- Purpose of the charge (e.g., photocopying)
- How many units were consumed (e.g., pounds, hours, number of items)
- Rate charged per unit (e.g., $.05/photocopy)
All billings by a recharge center should be charged to NYU internal users via campus vendor invoices. Sales tax, when applicable, must be charged to all external users who do not provide a tax-exempt certificate.

ii. Equipment Inventory

Equipment purchased for a recharge center must be capitalized based on purchase documents processed by the Asset Management Office. Capital Equipment refers to durable, self-sufficient movable property with a useful life of more than one year and a unit cost of $3,000 or more. Components with unit costs of $3,000 or more may be considered capital equipment if they are easily separable and can function apart from the main unit.

Equipment items purchased for a recharge center should be recorded for the center and not for the funding department. This is to ensure that depreciation is included in the rate structure for recharge centers.

A recharge center is required to take physical inventory of its equipment at least biannually.

iii. Supplies Inventory

Commonly, a recharge center may base its operations on an inventory (e.g. a chemical stockroom) or will maintain an inventory of parts and supplies used in providing the service (e.g., a machine shop). A recharge center maintaining inventories for these purposes may not treat unused inventory costs as a current operating expense in computing billing rates. Unused inventories maintained for resale will need to be accounted for as assets of the University. A physical count of inventory must be taken at least annually and reported to the Assistant Controller for Research by September 15.

iv. Space Survey

Space occupied by recharge centers should be identified and designated as such during the periodical space survey. Space, which is occupied by “recharge center” equipment, must be assigned as recharge centers space, rather than departmental space.

d. Documentation for Subsidized Recharge Centers

The University may choose to subsidize the operation of a recharge center. In such circumstances, the detail costs of subsidies need to be reported to the Assistant Controller for Research at the time of Annual Financial Review. This is essential for proper treatment of the subsidies in the F&A cost proposal. Subsidized recharge centers must report:

- The project to which subsidies are recorded.
- Type(s) of subsidies (e.g., salaries, fringe benefits, supplies).
- The amount of subsidies.
To streamline the reporting process, a separate cost center may be set up for subsidies in the general ledger.

Subsidized Recharge Centers must follow all other requirements stated in this policy and procedure.

e. Record Retention

It is the responsibility of each department to maintain records of the detail contained in all recharge transactions and to answer inquiries concerning those charges. All recharge operations must be documented and records maintained to support expenditures, billings and cost transfers. Records should be kept at least three years from the date the final expenditures report was submitted.

f. Unrelated Business Taxable Income (UBTI)

Before a service is provided to an external customer, the customer will be asked if they can obtain this service from the private sector. The purpose of this inquiry is to ensure that the University is not in competition with the private sector. In limited situations, the University may generate UBTI, which is derived when the University regularly carries on a trade or business activity unrelated to its mission or tax-exempt purposes.

g. Deviations

Deviations from this policy may be necessary under special circumstances. Any deviation from this policy should be reviewed and approved by the Assistant Controller for Research.

Roles & Responsibilities

h. Establishing Recharge Centers

All recharge operations must be maintained through a separate project. All allowable recharge operating costs should be charged to this cost center. Revenues also should be recorded in this cost center by appropriate account codes.

A request for establishing a recharge center should be initiated by a department and include the following:

   i. A description of the products or services to be provided;

   ii. A description of the users of these services;

   iii. An explanation of how the recharge rate was determined, including:

      A. A detailed budget of annual expenses for the center;

      B. A description of the unit of service (e.g., the measure of utilization such as labor hours, machine hours) and estimate activity for the budget period; and
C. The rate calculation, using budgeted amounts and the projected level of activity for the first year of operation.

iv. The name, title, phone number, email address and signature of the recharge center manager;

v. The signature of the Dean (or equivalent), indicating acceptance of operating and financial responsibility for the recharge center;

vi. Justification of the need to create the new recharge center, including an explanation as to why other internal or external providers of this services are not being used in lieu of establishing the new recharge operation; and

vii. Request for the creation of a new project for:

A. Operations for operating revenues and expenses;

B. Equipment for capitalization of equipment (as applicable); and

C. Unexpended plant fund for depreciation of equipment (as applicable).

i. Responsibilities

- Ultimate responsibility for the recharge center rests with the Dean (or equivalent for central recharge centers). The dean will fully review and approve the establishment of each new recharge center.

- The Recharge Center Manager is responsible for monitoring his/her respective recharge general ledger. In addition to Annual Financial Review discussed in Section b, the recharge center manager should evaluate the center’s financial position and rates periodically throughout the year to assess their position respect to breakeven.

- Sponsored Programs Administration (SPA) approves the formation of new recharge centers; assists Recharge Center Managers with policy and procedures matters; and performs an annual review of recharge rates.

Policy Definitions

N/A

Related Policies

- Accounting for Unallowable Costs Policy
• **Charging Administrative Expenses to Federal Awards Policy**

• **Costing Policy**
  - [http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/costing-policy.html](http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/costing-policy.html)

**Federal Regulations**

• **OMB Circular A-21**