New York University

UNIVERSITY POLICIES

Title: Recharge Center Policy

Effective Date: December 1, 2017

Supersedes: September 1, 2013

Issuing Authority: Sponsored Programs Administration

Responsible Officer: Assistant Vice President for Post-Award Administration

Policy

It is the policy of New York University (NYU, "the 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 200.468 of the OMB Uniform Guidance (*http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)* deals specifically with recharge centers. The section is explicit in two concepts:

- Recipients of Federal funds are *not to recover more than the aggregate 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

There are numerous operating units out in the academic departments that support research and other sponsored activities. When these operating units charge a fee to users for providing goods or services, then they are considered recharge centers (e.g., service centers, core facilities, etc.) and must adhere to accounting principles and government regulations as set forth in NYU's Recharge Center Policy and the costing requirements outlined in the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance – 2 CFR 200*). Section 200.468 titled "Specialized Service Facilities" sets the standards for what type of operation qualifies as a recharge center. Examples of recharge centers include simple operations such as glass washing and print shops to more complex operations such as high performance computing facilities, cell sorting, tissue banks, imaging facilities and genomics.

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.

Users and sponsored projects can only be charged at the established recharge center rate(s), and based on actual usage of the facility. Charging flat fees or an excise "tax" is strictly prohibited. The costs to operate a recharge center may not include profit.

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.

An analysis of costs associated with operating the recharge center in relation to anticipated volume will help the facility create a schedule of user rates. This rate schedule should be available to all internal users.

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.*

This formula can be used to perform a break-even rate analysis: allocated fixed costs, divided by projected usage, plus variable costs per unit of service, equals the calculated rate. This is accomplished by estimating all of the anticipated fixed costs and dividing that by the volume for each good or service, and then adding that to the known variable costs. This produces what is called a break-even rate. A fixed cost is a cost the recharge center will incur regardless of the actual usage of the facility. An example would be an equipment service contract, where by the recharge center will still pay the same amount whether 1 or 100 users come into the facility. A variable cost is a per-unit cost directly related to the actual usage. An example would be the cost of a thumb drive for users to save data on an imaging machine. If the thumb drive costs $5 per unit, then every rate would include the fixed cost allocation divided by the number of users plus the variable cost amount or amounts to arrive at the calculated rate.

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. An important concept with rate schedules is that a recharge center cannot discriminate against users charging federally sponsored awards. In other words, rate(s) must be consistent regardless of funding source: federal, city, state, foundation, etc. A recharge center may elect to not charge a group of users for services (e.g., students) or to charge a discounted rate. However, when determining the surplus/deficit for the period, and when calculating future breakeven rates, the full amount of revenue related to their use of the recharge center must be imputed into the calculation. This imputation is necessary to avoid the Federal government subsidizing other users. 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. If a cost is immaterial it can be allocated as an indirect cost to the recharge center and be spread out among all goods or services within the recharge center. 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 reasonable, allowable, allocable and consistently treated 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 the NYU Policy, *Accounting for Unallowable Costs*, including *Appendix A, Identifying Unallowable Cost.*

b. Annual Financial Review

OMB Uniform Guidance requires recharge centers to adjust rates at least on a biennial basis, where by the University requires an annual cost analysis and review of the rates in relation to changing costs and volume to determine whether an upward or downward adjustment of rates is necessary. The cost and break even analysis should include all of its direct operating costs and any identifiable administrative costs. Direct operating costs include salaries and wages of recharge center staff, associated fringe benefits, fixed costs such as equipment maintenance contracts, lease payments, supplies, and administrative costs such as computing devices, software licenses, and telecommunications fees. Administrative costs include salaries and wages of administrative staff that support the recharge center, telecommunications and computing costs, and printing and duplication services. Administrative costs are typically unallowable direct costs when charged directly to a sponsored award; however, they are permitted as a cost to a recharge center.

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 may units were consumed (.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. Internal users will pay for services via a resource transfer processed as a journal entry in FAME.

ii. Equipment Inventory

The University also permits including equipment depreciation in the cost analysis. Equipment depreciation can only be taken on items of equipment purchased from unrestricted funds and must exclude any equipment purchased with federal funds. This provides the recharge center an opportunity to recover the investments made in capital equipment by including the depreciation cost in the recharge center rates. Other types of facilities costs, for example renovations, would need to be reviewed and approved by the Controller's office, so the University excludes these costs from its indirect cost rate calculations.

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, all costs attributed to the recharge center, and the sources of funds to undertake the operations of the recharge center's activity(ies) (a recharge center may have one or many activities), need to be clearly identified and factored into the rates for each activity. 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 Facilities and Administrative (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)

An external user would be any user paying for recharge center goods or services via cash, check or credit card. The University is a non-profit tax-exempt organization except in instances where the University is operating outside of its core mission and becomes subject to what is called unrelated business income taxes. 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.

The only time the rate structure can vary is for external user population, which can be assessed a charge to cover overhead associated with processing the transaction with an individual or entity external to the University.

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

Internal units that provide central services not related to the research mission are considered auxiliary operations. This includes operations such as facility repairs and maintenance, faculty, staff and student ID cards, the bookstore, dining services, and theatre box office operations. A good rule of thumb to differentiate between a recharge center and auxiliary operation is to know the purpose of the service; if it is in support of research or other sponsored activities and federally sponsored awards may be charged for the goods or services, then it is safe to assume the operation needs to be classified as a recharge center. It is important to properly identify recharge centers from auxiliary operations because recharge centers are subject to financial compliance requirements found in OMB Uniform Guidance. The financial compliance requirements introduce important concepts such as setting rates for goods and services provided by a recharge center, those that may be charged as direct costs to sponsored projects, as well as internal and external users.

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

  A. 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
  http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/accounting-for-unallowable-costs-policy.html
- Charging Administrative Expenses to Federal Awards Policy
  http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/charging-administrative-expenses-to-federal-awards-policy.html
- Costing Policy
  http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/costing-policy.html

Federal Regulations

- OMB Uniform Guidance
  http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl