

# Syracuse University Interdepartmental Recharge Centers

## Policy Implementation

### Recharge Centers

Recharge centers are departments or functional units that provide goods and services primarily for the benefit of other University internal users. Users are charged billing rates that are intended to cover the aggregate costs of the center. This is the most common classification for units providing services to University internal users.

### Specialized Service Facilities (SSF)

Per the federal Uniform Guidance a Specialized Service Facility is a form of recharge center which involves *highly complex or specialized facilities*. Costs of services provided by SSFs are allowable, provided the charges for the services *meet one of the following points*:

- b) The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:
  - 1) Does not discriminate between activities under Federal awards and other activities of the University, including usage by the University for internal purposes, **and**
  - 2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially, and must be taken into consideration over/under applied costs of the previous period(s).
- c) Where the costs incurred for a service are not material, they may be allocated as indirect (F&A) costs.



*The term “recharge center” will be used in this document to include specialized service centers. In those instances that a specialized service center has different requirements than a recharge center, the differences will be noted.*

As a research university, Syracuse University has implemented a process to establish and maintain interdepartmental recharge center rates to assure compliance with government costing principles related to sponsored awards. In general, the cost accounting principles set forth the need for consistency in treatment of costs comprising recharge center rates. In addition, the principles direct that there can be no provision for profit or other increment above actual cost in the rates. Rates must also be established that ensure that the federal government is charged a rate at or below what is charged to any other customers (e.g., if any customer receives certain goods/services without charge, the government cannot be charged for that same good or service).

Current rates as well as any new rates (whether established for the beginning of the fiscal year or created at any time during the fiscal year) require completion of templates to substantiate each. F&A Reporting and Analysis will provide the recharge center with worksheets for the recharge center. In addition, as noted in A (3) below, there may be serious tax-related consequences from providing goods or services to any external non-University customer. It is important that the Tax Reporting and Analysis Office be contacted prior to any new proposed external activity to allow for an assessment of any such negative impact to the University. Only rates that have been approved by F&A Reporting and Analysis via full and successful completion of the templates will be allowable charges to sponsored grants or contracts (Fund 13 and 91). Completed forms must be approved and signed by a senior administrator of the recharge center.

## A. REQUIREMENTS

- 1.) Recharge center activities can result in charges to federal and nonfederal grants and contracts. In connection with the receipt of federal grants and contracts, the University must comply with applicable government requirements (i.e., Uniform Guidance Part 200). The government monitors, by routine audits, the University's compliance with federal regulations regarding recharge centers.
- 2.) Recharge center rates should recover the direct costs of providing the services or products. The only allowable indirect cost is depreciation on capital equipment. <sup>1</sup> An asset list including inventory tag numbers should be maintained by the center and will be the basis for equipment depreciation. *The cost of capital equipment purchases and the costs of constructing and/or renovating space may not be included in billing rates.*
- 3.) As noted previously, University users must be charged the same rate(s) for the same level of service or products under the same circumstances. Non-peak time discounts or other special pricing mechanisms must be equally available to all users who meet the criteria. Rates cannot discriminate between federal and nonfederal activities of the University. For example, if any customer is provided certain goods or services free of charge, all users must be provided those goods or services free of charge. (**NOTE:** *providing service(s) to external users may carry detrimental tax-related consequences for the University, including unrelated business income taxes and potential violation of the University's property tax exemption. Any new services and/or products to be provided or offered to external parties require prior review and approval by Tax Reporting and Analysis.*)
- 4.) Most recharge centers operate on a fiscal year basis, with rates based on actual and budgeted projections of operating expenses and projected levels of activity or products to be provided. Billing rates should be designed to recover no more than the cost of the goods or service being provided. Any surplus or deficit balance from previous year's rates should be included as a component of subsequent year's rates (unless a subsidy is provided by funds outside of the recharge center).
- 5.) A separate operating Chartstring should be established to account for revenue and expenses related to the service(s) provided. In order to comply, the recharge center should be able to identify its activity within a single program number or a set of dedicated related program numbers, and should be able to demonstrate break-even using only allowable costs. Interdepartmental revenue should be recorded using an 800038 account. With prior Tax Reporting and Analysis approval, external revenue from cash-customers should be recorded to account 480021.
- 6.) The Recharge Center Rate Worksheet templates must be submitted to F&A Reporting and Analysis before a recharge center can change the rates for services. Contact Kathleen Telling or Angela Frontale to obtain a form for your recharge center.
- 7.) Billings need to clearly identify the number of units and price of each. For recharge centers that provide services, the billing must identify the number of hours at the rate, the cost of parts used, shipping costs, and any other cost incurred for the job.

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<sup>1</sup> Recharge centers with revenue of \$1,000,000 or more may have indirect facilities costs included in the rate development. (Includes recharge centers that are separated by department or program with individual revenue under the \$1,000,000 but as a group represent the same or related services with costs that are shared by the departments or programs and have total revenue of \$1,000,000 or more.) Also, Specialized Service Facilities may have facilities indirect costs included in the rate development. *Contact F&A Reporting and Analysis to determine the type of center that you operate or plan to operate and whether facilities indirect costs can be included in the rates.*

## **B. ESTABLISHING AND REVISING RECHARGE CENTER RATES**

- 1.) The recharge center must be able to support audit requests and show satisfactory accounting, budgeting, and management control. To accomplish this, the department administrator, or other responsible individual, must maintain, at a minimum, the following:
  - a.) Workpapers supporting rate calculations;
  - b.) Workpapers supporting use or level of activity projections;
  - c.) Show the actual expenses for the recharge center in the University accounting system under a dedicated program number(s).
  - d.) Billing records identifying quantity of services and rates charged to each user.
- 2.) Recharge center rates are costs per unit of output (e.g., dollars per hour, cents per unit, etc.) calculated to recover no more than the allowable costs of operation. Revenues and expenses, while targeted to break-even, may generate either a surplus or deficit (over recovery or under recovery, respectively). Any over or under recovery is included as a component of a subsequent year's rate(s) (unless a subsidy is provided by funds outside of the recharge center).
- 3.) Recharge centers should include both direct costs and indirect costs (i.e., capital equipment depreciation) adjusted for any under or over recovery from preceding years. The Rate Development Worksheet is one of the two templates to be used in supporting the billing rates. The following are some examples of allowable and unallowable costs as well as indirect costs for billing rate development.

### **Allowable Direct Costs –**

Salaries and wages  
Fringe benefits – (Federal negotiated rates)  
Materials and supplies  
Rental and service contracts  
Postage, freight, and telephone  
Non-capitalized equipment

### **Unallowable Direct Costs – (1)**

Advertising  
Alcoholic Beverages  
Capitalized equipment (2)  
Consultants  
Contributions and Donations  
Dependent tuition  
Entertainment  
Fines and penalties  
Goods or services for personal use of employees  
Insurance (against defects)  
Membership in civic, community or social organizations, or dining or country clubs  
Relocation costs of employees  
Scholarships / fellowships  
Travel costs (refer to University Travel Policy for specific unallowable costs)  
Allocations / pro-rations  
RCM indirect cost assessments

### **Indirect Costs –**

Capital equipment depreciation (3)  
Facility costs (4)

### **NOTES:**

- (1) Unallowable Direct Costs incurred by the recharge Center must be charged to a chartstring outside of the Recharge Center department or to a program that is unrelated to the Recharge Center.
- (2) Equipment with an estimated useful life of more than one year with original cost of \$5,000 or more. Contact Property Management with questions. Federally-funded equipment cannot be used in a Recharge Center unless specifically allowed by the Federal sponsor.
- (3) No depreciation can be taken on fully depreciated capital assets. Federally-funded equipment cannot be depreciated through the recharge center or in the F&A proposal.
- (4) Facility costs are generally used only for "Specialized Service Facilities (SSF)".  
(See footnote <sup>1</sup> for exceptions)

## C. RATE DEVELOPMENT GUIDELINES

1.) The Recharge Center Rate Worksheet will be in sufficient detail to cost each service of the recharge center. Contact Kathleen Telling or Angela Frontale to obtain a worksheet for your recharge center. An **EXAMPLE** of the worksheet showing the data elements normally required is located on the Comptroller's website (<http://bfasweb.syr.edu/forms/>)

### 2.) Information Sheet

a.) The Information Sheet is used to collect descriptive data about the recharge center. The Information Sheet also includes federal requirements that you are acknowledging your understanding and agree compliance with.

b.) The Information Sheet is divided into the following five sections:

- I. General Information;
- II. User Information, Monitoring and Rate Development;
- III. Financial Support/Assistance;
- IV. Maintenance or Service Contracts; and
- V. Equipment.

Where additional space is needed, attach additional worksheets or insert additional lines and note such addition.

c.) Item I. (6), Recharge Center facility and room information, requires the square footage of the room(s) where the recharge activity is occurring. Based on the building and room number(s), the actual square footage can be provided by Campus Planning, Design, and Construction, as referenced. Documentation of the response (e.g., copies of the email request and response) should be included as part of the package.

d.) Item V. (2) Capital Equipment requires the depreciation of capitalized equipment used in providing the goods or services. The annual depreciation is determined from the tag number of the individual asset(s); this information can be obtained from Property Management, as referenced. No depreciation on fully depreciated capital assets is allowable.

e.) Section VII, Certification of Accuracy and Completeness, requires signature certification as to the completeness, accuracy, and compliance with federal regulations on the templates.

### 3.) Rate Development Worksheet

a.) The Rate Development Worksheet is used to collect the accounting and financial data.

b.) This worksheet includes the required components of billing rates, some of which may not have been included in past rates.

- c.) The shaded areas indicate where data is to be provided. Note: The white spaces have formulas that will automatically calculate.
- d.) The recharge center rate is automatically calculated based on all quantitative information completed in this template.

**4.) Prior Year Reconciliation**

Quantitative data about the services provided and the rates charged will be needed from your recharge center billing records.

**5.) Additional Rate Development Considerations**

a) **Cyclical acquisitions of large dollar amounts of non-capital equipment**

Acquisition of small equipment (under \$5,000 per item) may be an integral and significant cost component of the Recharge Center in any given year. If equipment is purchased at varying intervals it may result in wide year-to-year per unit price fluctuations. In appropriate instances, it is acceptable to amortize the costs over several years, usually the economic life of the equipment, to “smooth” the effect of large dollar acquisitions on per unit price. To do this, the department must prepare an amortization schedule and commit to including the “annualized cost” in each subsequent year until the acquisition cost is fully charged. For further guidance, please contact F&A Analysis and Reporting at fedacctg@syr.edu.

b) **Subsidies**

Subsidies are other University financial resources from outside the Recharge Center, e.g., from departmental operating Chartstrings. There is no exchange of goods or services by the Recharge Center for the amount of funds received. The purpose of a subsidy is to allow departments the flexibility to subsidize the Recharge Center to maintain steady or lower prices. In this instance, the effect of the subsidy is that part of the revenue needed to cover the actual costs has already been received, so the total amount of revenue required in sales of goods and services is reduced. In summary, the total Recharge Center cost, less the subsidy amount, equals adjusted total cost. This amount divided by the “expected total units of activity” equals the adjusted price per unit. For further guidance, please contact F&A Reporting and Analysis.

c) **Discounts and “Free” Service**

Interdepartmental Recharge Centers have one price rate per item for all internal users (separate rates may be allowed for external customers upon approval by Tax Reporting and Analysis). However, in the infrequent instances that discounts or “free” goods or services are provided, the discount amount must be charged to a departmental chartstring outside the Recharge Center in order to fully record revenue in the Recharge Center. For instance, if the service center provides 10 units at a unit price of \$25 the total revenue the Recharge Center must record is \$250. If the service center discounts the order by 15%, then the sales entry would be:

Charge to customer	\$212.50	
Charge Discount Expense	\$ 37.50	
Credit Recharge Center Revenue		\$250.00

For further guidance, please contact F&A Analysis and Reporting.

#### **D. QUESTIONS OR INFORMATION**

- 1.) F&A Reporting and Analysis: [kptellin@syr.edu](mailto:kptellin@syr.edu), [afrontal@syr.edu](mailto:afrontal@syr.edu)
- 2.) Comptroller's Office – Tax Reporting and Analysis: [lcotanch@syr.edu](mailto:lcotanch@syr.edu)