



**Division of Research
University Policy**

SUBJECT: SERVICE/RECHARGE CENTERS RECHARGE GUIDELINES	Effective Date: 11-01-2008	Policy Number:	
	Supersedes:	Page 1	Of 6
	Responsible Authorities: Vice President, Research Director, Sponsored Programs		

APPLICABILITY

This policy is applicable to all members of the university community, including all students, faculty, and staff seeking Principal Investigator or Co-Principal Investigator status on any sponsored project.

BACKGROUND

The purpose of this policy is to provide guidelines for establishing or revising recharge rates for service units that provide services or goods to other Florida Atlantic University (FAU) units and/or to entities outside of FAU.

If you are a service unit that charges others for your goods or services, your recharge rates must be reviewed and approved by the Auxiliary Fees and Charge Back Committee.

POLICY

The Office of Management Budget Circular A21 (OMB A21) requires that ***“charges for service operations may be included as direct costs of sponsored agreements, provided such items are consistently treated...and charged under a recognized method of computing actual costs, and conform to the generally accepted accounting practices consistently followed by the University.”*** A process must be in place to ensure that as an institution we are in compliance with A21.

The following website offers the entire A21 guidelines. Please refer to this document in order to fully understand A21 guidelines:

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>.

This process is also intended to review rate charges to outside markets to make sure that the University is not unfairly competing due to its tax exempt status.

This review process aids in the determination of whether any revenue from outside the University, which is in excess of costs, is taxable by the federal government as unrelated business income (UBIT).

DEFINITIONS

Service Unit: A service unit provides services or goods to other University units or to various activities within its own unit. The costs for providing the services or goods can be easily and accurately identified and can be billed using an approved rate per unit. This will normally involve recording the costs and recharge revenue in the Auxiliary Activities fund.

PROCESS FOR APPROVAL

The Auxiliary Fees and Charge Back Committee will review the request and determine if:

- The request is complete and understandable
- An appropriate authorized signer signs the request
- Procedures are consistent with University policy
- Services are consistent with federal guidelines
- Rate computations are complete and relate to the actual costs
- The rate is reasonable. It may be necessary to contact the unit for more information. Include information on prior requests, where appropriate.

If approved, the Auxiliary Fees and Charge Back Committee will:

- Notify the unit with a tentative approval memorandum.
- Provide the President, through the Vice President for Financial Affairs, a letter that outlines the request and the decision of the Committee. The service unit should coordinate their billing process with the Controller's Office, where appropriate.
- Advise the requesting unit to obtain an Auxiliary Fund index that will be used for charging the operating costs and receiving the recharge revenue. The request should be submitted to the Controller's Office in writing.

SUBMISSION OF WRITTEN REQUEST

A written request to establish a service unit or revise recharge rates must be reviewed and approved by the Auxiliary Fees and Charge Back Committee. The request must be signed by an authorized signer of the service activity and an appropriate higher level. Recharge rates must not exceed actual costs and may not be burdened with unrecoverable costs.

The request must include the following information:

- Description of the goods or services to be provided
- List of anticipated customers, both University and non-University
- Index where the activities, costs and revenues will be recorded
- Projected costs for providing the goods and services
- Projected volume of transactions and associated dollar volume
- Index for funding deficits.
- Name, title, and phone number of the individual responsible for the financial management of the service unit.

As part of the description of the recharge activity, the unit must:

- Demonstrate that services are consistent with the mission of the University
- Demonstrate that services do not inappropriately or unfairly compete with private enterprises.
- Provide supporting costing information.

Submit requests to the Chair of the Auxiliary Fees and Charge Back Committee, c/o the University Budget Director, 394 Administration Building, Florida Atlantic University.

UNALLOWABLE RECHARGE COSTS

1. Unallowable (or non-reimbursable) Costs – Certain types of costs are considered not allowable for recovery by the federal government under current cost accounting guidelines. These costs are elaborated upon by the A21 guidelines but some primary examples of unallowable costs include:

- Advertising
- Alcoholic beverages
- Entertainment
- Fundraising
- Hosting
- Meals
- Travel
- Memberships
- Marketing

A complete listing of costs, and their treatment can be viewed in Section J of the OMB Circular A21 found on the website which details Cost Accounting Standards (CAS):

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

Cost Accounting Standards require consistent treatment in estimating revenue and expenses, consistency in allocating cost, identification of unallowable expense and consistency in the use of accounting periods.

2. Facility and Administrative Costs (or Indirect Costs) – The University typically recovers facility and administrative costs through the indirect cost rate, a rate determined through negotiations between the cognizant federal agency and the University. These costs are always excluded from a recharge rate.

Examples include:

- Depreciation of equipment – except under certain circumstances
- Building related costs such as utilities, repairs and depreciation
- Administrative salaries not directly charged to the recharge activity

RECHARGES TO EXTERNAL UNITS

Non-University Charges – Service units should only direct charge University users. If significant service is provided to parties external to the University, the unit should use a separate index to receive any revenue in excess of the approved internal recharge rate. This separation guarantees an accounting that disaggregates charges/revenues from other University activity. The following applies to non-University charges:

Rates to external parties are not governed by the OMB A21 federal guidelines

Units should contact the Controller's Office before providing services to parties outside of the University. Rates to external parties are not governed by A21 federal guidelines and may qualify as unrelated business income activities (see below)

UNRELATED BUSINESS INCOME ACTIVITIES

Unrelated business income activities (UBIT) are reported by the University as required by the Internal Revenue Service Code and Regulations.

Service units that will be charging non-University customers for their services should check with the Controller's Office to ensure that there is no liability for UBIT.

For more information, contact the Controller's Office at 149 Administration Building (7-2748).

UNIT RESPONSIBILITIES

The following points are activities that each responsible unit will follow to establish or revise recharge rates:

- Obtain Auxiliary Banner Index for recharge activity.
All costs and revenue associated with the recharge must be accounted for in this fund type
- Deficits and non-reimbursable costs
If deficits occur that cannot be covered by rate adjustments, the responsible college, department or unit is responsible for funding the deficit.
- Any costs determined to be non-reimbursable are the responsibility of the college, department or unit.
- A Banner Index that will fund any non-reimbursable cost or losses must be provided at the time the rate is established.
- Maintain detailed records supporting the recharge. These records should include:
 - Description of the goods provided or services performed
 - The Banner Index billed for the services
 - Person(s) requesting the good or service – must be an authorized signer for the Banner Index billed.
 - Detailed records of the expenses of the recharge operation – normally done by establishing a separate Auxiliary fund type index to which expenses are charged and revenue is credited.
 - Maintain records for seven years, unless a litigation claim or audit is started before the expiration date of this period. Recharge records are subject to audit at any time.
- Billing external entities
 - All funds derived from parties external to the University must be received into a separate Auxiliary find type index.
 - Revenue derived from non-federal programs and sources outside the University that exceed actual costs plus any indirect cost recovery (if applicable) may be used for discretionary purposes by the department, college or unit.
 - Revenue received in excess of costs must be segregated to demonstrate that rates used to bill deferral activities during a billing cycle do not exceed actual and reasonable costs.
- Review of Rates
 - Annual Review:

- An internal rate review should be performed at least annually by the department or unit
 - A formal analysis of costs and recharge revenue should be submitted to the University Budget Office for review at least once every two years
 - Revision of Rates
 - When it is apparent that the current approved rate does not result in a break even situation, a request for revision of rates must be submitted with the cost and rate analysis study to the University Budget Office.
- Change in goods or services rendered
 - The unit must advise the University Budget Office when changes in services are anticipated or when a need for a procedural change in accounting for the goods or services rendered is anticipated
 - When goods or services are no longer rendered, notification of the University Budget Office is required
- Other responsibilities
 - Provide the University Budget Office with a listing of the spaces used in the recharge activity and assure that it is recorded properly in the annual inventory of space utilization
 - When external FAU customers are billed, assure that unrelated business taxes are not due – check with the University Controller’s Office.

UNIVERSITY BUDGET OFFICE RESPONSIBILITIES

- At least once a year, the University Budget Office will provide the Division of Research and the Controller’s Office with a listing of all approved service units and their approved rates.
- Review and approve rates.
- At least once a year, requisite meetings will be held of the Auxiliary Fees and Charge Back Committee to review unit requests for rate changes.
- Monitor rates periodically to determine if recharge revenues are reasonable (within 5% of actual costs).
- Contract the service unit if the review indicates the rate is resulting in balances greater than 5%.

ANNUAL REVIEW OF PROCEDURES MANUAL

The Funding in Anticipation of Award Policy will be reviewed annually.

University Budget Office
Recharge Rate Request Summary

Description of goods or services provided:

Major customer for the goods or services:

Internal Customers? Yes _____ No _____
If External Customers, please list:

Banner index that identifies where these costs are incurred:

Fund _____ Index _____
Department _____ Program _____

Banner index for non-reimbursable costs or overdraft funding:

Fund _____ Index _____
Department _____ Program _____

Note: Your department must be a fund type other than fund type GTAIDS

Signature and statement of responsibility:

I understand and agree that I am responsible for recording the costs and associated rebilling credits in this account, and will pursue rate adjustments in a timely manner to address any surplus or deficit.

Department Head or Director:

Individual responsible for the Financial Management of the Service Unit:

Please Print Name & Title

Please Print Name & Title

Signature & Date

Signature & Date

Email

Telephone Number

Contact: Please identify the person responsible should the Budget Office need to contact him/her with questions:

Name: _____ Email: _____ Phone Number: _____

*Please return to Jie Shi, Associate Director
University Budget Office
Administration Building Rm. 263*