Recharge and Service Center Activity
FIN-ACC-I-400

About This Policy

Effective Date:
07-01-1996

Last Updated:
03-07-2016

Responsible University Office:
Financial Management Services

Responsible University Administrator:
Vice President and Chief Financial Officer

Policy Contact:
Joan Hagen
Associate Vice President
and University Controller,
Office of the Controller
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Related Information

* Recharge Standard Operating Procedures
* Auxiliary Standard Operating Procedures
* I-390 Inventory
* OMB Uniform Guidance "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"

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Scope

This policy governs any internal transaction that records income to one university account and expense to another.

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Policy Statement

A recharge/service center activity is an activity that furnishes goods or services to another Indiana University department for the convenience of the university and charges a fee directly related to, and not more than the allowable cost to provide the goods or services.

All recharge/service center activity must meet the following compliance criteria:

1. Revenue and related allowable expenses of a recharge activity must be segregated from other university activity into a dedicated recharge/service center (66*) account.
2. Recharge billing rates must be projected to recover no more than allowable and allocable costs, which benefit only the related recharge activity. Any residual fund balance of the recharge activity will be carried forward at year-end to reduce recharge rates in subsequent periods.
3. Recharge billing rates may not exceed those rates charged to external customers for the same products and/or services.
4. Recharge/service center (66*) accounts must submit a proposed rate to Financial Management Services on at least a biennial basis, according to the standards set forth in RSOP 2.0: Reporting Requirements for Recharge/Service Centers. Rate proposals will be reviewed for methodology by University Cost Accounting.
5. Recharge/service centers that intend to recover depreciation are required to create a dedicated plant fund (95*) account to record recharge center assets and related depreciation. A recharge center can only recover depreciation expense in an amount proportionate to the usage of the asset. The federal government will not reimburse IU for replacement costs that are greater than the original purchase price. Depreciation expense associated with a federally funded asset or cost share is not allowed to be included in the recoverable rate. Depreciation expense associated with other sponsored project assets may also need to be excluded from the recoverable rate. Please refer to RSOP 3.0: Including Annual Depreciation Expense in Recoverable Rate for more information.
6. Transfers out of recharge accounts are not allowed, with the exception of a transfer out to the organization's dedicated renewal and replacement (92*) account. These transfers cannot exceed depreciation on assets related to the recharge activity.
7. Recharge/service center activity must adhere to applicable federal standards, including but not limited to, OMB Uniform Guidance and agency requirements; as well as, University Cost Accounting standards and applicable university policies.

Exceptions to this policy require the approval of the Chief Accountant or University Controller.

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Reason For Policy

Compliance with Federal OMB Uniform Guidance and related federal cost accounting standards.

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Definitions

Allocable Costs: Costs that can be assigned or charged to a federally sponsored project or other cost objective on the basis of benefits received or other such equitable or logical association.

Allowable Expenses: Costs that may be recovered in the recharge billing rate as defined by the guidelines of the sponsoring agency and in accordance to OMB Uniform Guidance and related federal cost accounting standards. Please refer to RSOP #6: Allowable/Unallowable Expenses for Recharge Centers for more details.

Depreciation: The method for allocating the cost of capital assets to periods benefiting from asset use. The method used must be in accordance with Generally Accepted Accounting Principles (GAAP.)

OMB Uniform Guidance: Code of Federal Register, Title 2, Subtitle A, Chapter II Part 200--- Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards

Plant Fund (95) Account: Accounts used to record transactions related to capitalized assets, including depreciation expense, and debt service.

Renewal and Replacement (92) Account: Accounts used to set aside funds for replacement of renewable property (typically capital assets or desktop computers).

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Additional Contacts

Subject	Contact	Phone	Email
University Cost Accounting	John Sparks, Sr.	812-855-9688	jvsparks@iu.edu
Director, Auxiliary Accounting	Jennifer George	812-855-4412	jmabry@iu.edu
Chief Accountant	Anna Jensen	812-855-3657	anjensen@indiana.edu

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History

This policy replaces or updates policies I-370, I-400 and I-410.

The source to this policy is:

Cost Accounting Standards (CAS) 9905.501, Consistency in estimating, accumulating and reporting costs by educational institution, CAS 9905.502, Consistency in allocating costs incurred for the same purpose by educational institutions, CAS 9905.506 Cost accounting period --Educational institutions, and Chief Accountant