 **THE UNIVERSITY OF TEXAS AT EL PASO**

Recharge Centers Policies and Procedures

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1.0 Overview

These policies and procedures provide a framework for the fiscal operations of recharge centers functioning under the auspices of the University of Texas at El Paso (University) to ensure compliance with federal cost principles, consistency in accounting and costing practices, and flexibility to meet the needs of different operations. These guidelines address those practices and provide examples of billing rate structures and the steps involved in building such rates.

The University must comply with the Federal Government's Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, and Cost Accounting Standards, as it pertains to service centers in section J. 44. Compliance with A-21 is implicit in this guideline.

The University's exposure from noncompliance with federal regulations may involve reimbursement to the government as well as adverse publicity which could harm future award applications. The purpose of this guideline is to provide guidance to recharge centers regarding rate development and center management to ensure nondiscriminatory charging of materials or services.

**2.0** Recharge Center Definition

**2.1** **Characteristics**

1) Resides within an academic department
2) Low-Volume
            a) Small number of customers,
            c) Normally materials or services, but rarely both.
3) Operating costs are supported by recharges to the departments or specific activity receiving the service.
4) Recharge center rates are developed based on incurred costs and will therefore produce a break-even cash flow over time.

**2.2** **Oversight**

1) Should be registered centrally

2) Charge out method should be approved centrally

3) Annual approval of rates is required

3.0 Rate Components

**3.1** **Direct Personnel**

1) The salary, wages, and fringe benefits of all personnel directly related to recharge center activity should be included in the rate calculation and charged to the recharge center's operating account. If an individual works on more than one activity, the costs associated with that individual should be allocated to the activities based on the proportional benefit.  This proportional benefit may be determined by effort reporting, a periodic time sheet, or by a time study.
2) Recharge Center Director: The salary and fringe benefits of the director should be charged to the recharge center's operating account commensurate to the effort provided for the administration and management of the center to ensure quality control and scientific integrity.

**3.2** **Administrative Staff**

The salary, wages, and fringe benefits of administrative staff in direct support or management of a recharge center should be included in the rate calculation and charged to the recharge center's operating account. Administration costs benefiting more than one activity should be allocated to the benefiting services on a reasonable basis.

**3.3** **Materials and Supplies**

The costs of materials and supplies needed to operate a recharge center should be included in the rate calculation. If inventory is accumulated in a particular year, the recharge center should not include the costs of accumulated inventory in its rates.

**3.4** **Other Expenses**

Other operating expenses to be included in recharge center rates are rental and service contracts, equipment operating leases, and professional services.

**3.5** **Capital Equipment and Assets**

**1)** **Basic Guidelines:**
Capital equipment (See University Policy on Capitalization and Depreciation of Property, Plant, and Equipment) and  capital leases include items with a purchase price over $5,000. Capital equipment for recharge centers may be provided from various sources such as departmental funds and federal or other grants. Federal guidelines do not allow for recovery of the purchase cost of capital equipment or the depreciation expense made by federal funds through recharge center rates; however, the federal guidelines do allow for recovery of depreciation associated with capital equipment purchased by non-federal funds, provided this depreciation has not or will not be used in the University’s indirect cost recovery calculation. Equipment used to satisfy cost sharing may not be included in the recovery rates.

Additionally, it is critical to identify capital equipment utilized by a recharge center in order to avoid recovery of depreciation or purchase cost through both direct charges to federal grants and through the indirect cost recovery charged to federal grants. This identification should be recorded in the University's Fixed Asset System.

**2) Policy:**
Annual depreciation on the non-federally purchased equipment (inclusive of mandatory cost sharing) will be calculated on a straight-line basis using the useful life as determined by the University’s VPBA Office and will be utilized in the recharge rate development for the year. The depreciation cost for the year will be charged to the recharge center operating account at a minimum on a quarterly basis and preferably on a monthly basis. Depreciation and/or use allowance related to fully depreciated equipment may not be included in recharge rates.

**3) Federally Funded Equipment Purchases:**
It should be noted that if the equipment was purchased through an active federal grant or award, any recovery or revenue may need to be applied as program revenue to the grant account. Please contact the Office of Research and Sponsored Programs.

**4) Donated Equipment:**
If a department has donated equipment to support a recharge center in exchange for an offset for a discounted rate for departmental use of the facility, the depreciation of the donated equipment should be included in the annual depreciation cost. For billing purposes, the rate calculation should be made including the annual depreciation expense for the donated equipment. A calculation should also be made excluding the depreciation of the donated equipment in order to rebate the amount to the donating department at year end. The depreciation expense charged to the recharge center's operating account is reduced based on the donating department's activity.

At year end, the Depreciation Expense - Donated Equipment will be used to adjust the Depreciation Expense charged to the recharge center's operating account and collected by the recharge center's plant asset account.

It should be noted that the donated equipment should be identified with the recharge center on the University's Fixed Assets records in order to avoid inclusion in the depreciation of general purpose equipment in the University's Facilities and Administrative (indirect) cost rate.

**3.6** **Unallowable Costs**

Unallowable costs must be excluded from the internal user rate calculation. These costs include: bad debt expense, interest, alcohol, and many advertising activities. A complete listing of unallowable costs from OMB Circular A-21 (Section J) may be obtained directly from the OMB Website <http://www.whitehouse.gov/WH/EOP/omb>. The recharge center should have a separate account set up to capture these unallowable costs.

4.0 Rate Development

**4.1** **Basic Philosophy to Meet Federal Regulations**

**1) Surpluses and Deficits:**

A recharge center must develop rates so that revenues offset expenses over a reasonable period of time. A recharge center's surplus or deficit for a given fiscal year should not exceed 10% of annual operating expenses. To the extent that a surplus or deficit is within the break-even range of plus (+) or minus (-) 10%, that surplus or deficit must be carried forward and the rates adjusted in the following period. **A mid-year review should be performed and any adjustments made to the rate as required to insure the 10% threshold is not exceeded at year end.** Otherwise, Federal regulations specify a reimbursement to Federal grants and awards on the excess charged.

**2)** **Working Capital:**

In addition to full recovery of actual costs, recharge centers may establish and maintain through its charges a fund balance for working capital needs. The surplus fund balance should not exceed 60 days working capital excluding depreciation/use allowance.

**3) Transfers:**

Recharge centers which have accumulated surplus funds through billing to internal users may not transfer these funds out of the recharge center operating account. The balance must be carried forward and used to adjust subsequent billing rates.

**4) Multiple Services:**

A recharge center providing more than one service may sometimes make a surplus on some services and a loss on others. Recharge centers must ensure that there is no cross-subsidization between user groups. Combining the results of various services is not acceptable if the mix of users of each service is different.

**4.2** **Recharge Center Rate**

This rate is the cost per unit of output used to recover the expense of the recharge center using the following equation:

Budgeted Expenses +/- Prior Year Under/Over Recoveries (within +/- 10%)
Budget Usage Base

**4.3** **Budget Usage Base**

This is the volume of work expected to be performed, expressed in units (e.g., units of output, labor hours, machine hours, CPU time, or any other reasonable measurement). This rate, based on budgeted activity, is applied to the actual activity when charging users.

**4.4** **Nondiscriminatory Rates**

A recharge center must charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. Rates should not differentiate among internal users. The use of special rates such as for high volume users or less demanding non-scientific applications are allowed but they must be equally available to all users who meet the criteria.  See section 4.6 below.

External users may be charged a higher rate than that charged to internal users; however, revenues and costs associated with external users should be tracked separately to avoid the perception of overcharging. This can be accomplished by recording externally generated revenue as Sales & Services Revenue as opposed to Intra-Institutional Revenue codes.

The calculation of a rate for external users should include costs associated with Facilities and Administrative (indirect) cost components such as Operations & Maintenance of Plant, Building Depreciation, General Administration, and Departmental Administration.

**4.5** **Subsidized Users**

All users must be billed for services received. If the University chooses to provide a service to a particular internal group of users (such as faculty who require audio visual services as part of an instructional program) at no charge or at a lower rate than other users, the recharge center billing rate must be calculated for all internal users based on total recharge center expenses and total units of output. The services used by the subsidized user group must be billed out at the full rate, but the amount representing the subsidy should be billed to an account representing the appropriate direct cost activity (For example, instructional budget). The recharge center must ensure that the rate charged to this user group is consistent with that charged to others, including accounts ultimately charged to federal awards.

**4.6** **Discounted Rates**

Discounted rates are only allowable if there is an exchange of resources or other consideration (e.g., a departmental subsidy) which provides a definitive rationale for providing the discount. Letter Agreements should be executed to clearly delineate the reason and methodology of the discount. This letter agreement must be signed by the Department Chair and copied to the designated representative of the VPBA in order to be valid. Invoices should reflect the discounted amount and be posted to a designated expense account or a contra-revenue account.

5.0 Internal Control & Responsibilities

**5.1** **Responsibilities**

Rates will be calculated annually by the Manager or Business Manager of each recharge center, and submitted for review and approval to the VPBA Office.

The VPBA Office will be responsible for reviewing the rates and ensuring compliance with this guideline.

The VPBA Office will be responsible for approval of recharge center rates and overall monitoring of recharge centers.

**5.2** **Mid-year Review**

Recharge Center Managers should evaluate their financial position and rates periodically throughout the year to assess their position with respect to break-even. Under special circumstances, rates will be adjusted through a mid-year reduction/increase in rates provided that midyear rate adjustments are subject to review by the Business Managers and the VPBA Office. Mid-year rate adjustments will be treated as exceptions, and only when a budget of greater than plus or minus 10% is anticipated.

**5.3** **Year-End Rate Performance Review**

At fiscal year end, all recharge centers will be required to submit their actual financial results.

**5.4** **Establishing Recharge Center Operating Accounts**

All recharge centers must maintain a distinct operating account for operating purposes and plant purposes as appropriate. The Business Manager is responsible for ensuring that all recharge centers have established a separate operating account. Likewise, the establishment of new recharge center operating accounts should be reviewed by the Business Managers for desirability, feasibility, and to ensure they will operate in accordance with the University's policy manual.

**5.5** **Billing Procedures and Record Retention**

Billings must be based upon measured and documented utilization which is properly authorized for the account charged. All billings should be processed on a timely basis and will be at established recharge center rates. The support for the charges, including documentation of expense and usage, should be retained by the recharge center for seven years to answer any user inquiries or in case of an audit. All invoices must provide the following information:

1) the nature of the services rendered (e.g., photocopying)
2) the number of units (e.g., pounds, hours, # of items)
3) amount charged per unit
4) extended total

A service should not be billed for until the service has been rendered; that is, prepayments are not appropriate. Each recharge center must operate in accordance with the University's fiscal year. Recharge centers should handle each year-end billing consistently, to ensure that twelve months of cost recovery are associated with twelve months of incurred cost, and thereby provide a more accurate break-even calculation at year-end.

Service centers and specialized service facilities must comply with university cash handling and billing procedures. All invoices to external customers must be on University letterhead and include certain key elements. Each service center or specialized service facility may customize as necessary. All invoices and supporting documentation must be maintained by the service center or specialized service facility for a period of five (5) years.

**5.6 Billing Internal Users**

Billings to University departments are done through Interdepartmental Transfer Vouchers. Sufficient detail must be included to identify the services provided, billing rates and usage. A copy of the order agreement should be attached as authorization to charge the account

**5.7** **Billing External Users**

The minimum external users will be charged is the full direct costs of the recharge center’s operation. An allocable share of the University's Facilities and Administrative (indirect) cost to the recharge center operation may be charged to external users. At no time will an external customer be charged less than the federal government and internal users for the same service. The federal government will always be treated as the most favored customer. Sales tax, if applicable due to the sale of tangible property, must be charged to all external users who do not provide their tax exempt certificates.  Transactions with external users will be reviewed annually by the VPBA Office in order to determine if restrictions are met for Unrelated Business Income Tax reporting. See Item 4.4, Nondiscriminatory Rates.

Revenues in excess of expenditures from sales to external users are not required to be accrued for the benefit of the government. Usage of these excess revenues can be designated by the University.

**5.8 Account Structure**

**Each recharge center shall have discrete accounts established to record its revenues and expenses. These accounts will include provisions for identifying unallowable costs and subsidies.**

**5.9** **Credits to Expenditure Accounts**

Credits to expenditure accounts are normally used to record amounts received for returned goods and other expense-related adjustments. Recharge center revenues should not be recorded as credits to expenditure accounts. Such treatment would misstate both revenues and expenses and offset the calculation of recharge center rates in the following periods.

5.10 Reference Documents

**Appendices**

Appendix A: Sample Unilateral Agreement for Recharge centers

Appendix B: Sample Recharge Center Invoice

Appendix C: UTEP Project Agreement

**References**

Office of Management and Budget Circular A-21 (revised 08/31/05) includes Appendix A – CASB’s Cost Accounting Standards. http://www.whitehouse.gov/omb/circulars

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**Attachment A: Sample Unilateral Agreement**

***The University of Texas at El Paso***

**Recharge Center Agreement**

THIS AGREEMENT is entered into on this \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_20\_\_ by and between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Client) having its principal place of business at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and The University of Texas at El Paso (UTEP), a state institution of higher education.

WHEREAS, CLIENT desires services which UTEP has the capability, facilities and equipment to provide; and

WHEREAS, the performance of the services is consistent, compatible, and beneficial to the role and mission of UTEP to provide educational experiences for students and to encourage and support research and related educational activities;

1. **Scope of Work**. UTEP shall provide the following goods and services as requested by the CLIENT: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The services will be provided under the direction and supervision of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [department or center]. The parties agree that UTEP shall have discretion to involve its students in the conduct of the services.

2. **Scheduling Services.** The scheduling of such services shall be arranged to avoid conflict with UTEP’S educational and research programs. UTEP shall control the scheduling of such services, but will try to meet the convenience of the CLIENT.

3. **Term and Termination.**

3.1 This Agreement shall become effective \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and shall be completed on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, unless an extension is mutually agreed upon in writing between parties or the Agreement is otherwise terminated as provided herein.

3.2 Either party may terminate this Agreement upon 30 days written notice to the other party. Upon such termination, CLIENT will pay UTEP for all expenses incurred through the termination date and for any commitments that are not able to be cancelled.

4. **Payment.** CLIENT agrees to pay UTEP for services performed under this Agreement, in accordance with the rate schedule incorporated into this Agreement as Appendix A.

UTEP will provide monthly invoices based upon services used. Payment is due upon receipt. Invoices will be sent to:

The University of Texas at El Paso

500 West University Ave

El Paso, TX 79968

Attn: Contracts and Grants Accounting Office

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**5. Indemnification**. Each party agrees to be responsible and assume liability for its own wrongful or negligent acts or omissions, or that of its officers, agents or employees to the full extent required by law, and agrees to hold the other party harmless from any such liability. Each party agrees to maintain reasonable coverage for such liabilities either through commercial insurance or a reasonable self-insurance mechanism, and the nature of such insurance coverage or self-insurance mechanism will be reasonably provided to the other party upon request.

**6. No Warranty.** UTEP makes no warranty whatsoever regarding any outcome obtained hereunder. Any decision regarding safety, applicability, marketability, effectiveness for any purpose, or other use or disposition of said outcome shall be the sole responsibility of client and/or its assigns and licenses.

**7. Force Majeure.** UTEP shall not be liable for any failure to perform as required by this Agreement due to acts of God, strikes or other disturbances, including, without limitation, war, insurrection, embargoes, governmental restrictions, acts of governments or governmental authorities and any other cause beyond the control of UTEP.

**8. No University Endorsements.** In no event shall the CLIENT (or its successors, employees, agents and contractors) state or imply in any publication, advertisement or other medium that UTEP has approved, endorsed or tested any product or service. In no event shall UTEP’s performance of the services described herein be considered a test of the effectiveness or the basis for any endorsement of a product or service.

**9. Use of UTEP Name or Logo.** The CLIENT agrees not to use the name, logo, or any other marks owned by or associated with UTEP or the name of any representative of UTEP in any sales promotion work or advertising, or any form of publicity, without the prior written permission of UTEP in each instance.

**10. Applicable Law.** Any dispute regarding or arising under this Agreement shall be subjected to and resolved in accordance with the laws and Constitution of the State of Texas.

**11. Assignment.** Neither party shall assign or transfer any interest in this Agreement without prior written approval of the other party.

**12. Similar Research.** Nothing in this Agreement shall be construed to limit the freedom of UTEP or of its researchers who are not participants under this Agreement, from engaging in similar services made under other grants, contracts or agreements with parties other than the CLIENT. However, UTEP and its researchers who are participants under this agreement warrant that performance of services as provided for herein will not cause a conflict of interest because of work undertaken with others.

**13. Independent Contractor**. In the performance of their obligations under this Agreement, the parties shall be independent contractors and shall have no other legal relationship, including, without limitation, partners, joint ventures or employees. Neither party shall have the right or power to bind the other party, and any attempt to enter into an agreement in violation of this section shall be void. Neither party shall take any actions to bind the other party to an agreement.

**14. Export Controls**. The CLIENT shall notify UTEP in writing if any technological information or data provided to UTEP is subject to export controls under U.S. law or if technological information or data that the CLIENT is requesting UTEP to produce during the course of work under this Agreement is expected to be subject to such controls. The CLIENT shall notify UTEP of the applicable export controls (for example, Commerce Control List designations, reasons for control, countries for which an export license is required). UTEP shall have the right to decline export controlled information or tasks requiring production of such information.

By using the services of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ at the University of Texas at El Paso, the Client agrees to all of the terms and conditions listed in this Agreement.

CLIENT:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Authorized Signature:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Typed Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**Appendix B: Sample Invoice**

**The University of Texas at El Paso**

Invoice #\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_

To: \_CLIENT\_\_\_\_\_\_\_\_\_\_\_\_ From: Recharge center #1

Phone # \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Contact\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date(s) of Service: MM/DD/YYYY – MM/DD/YYYY

***Detail pertinent information based upon billing unit, (see example below), reference agreement number, and reference negotiated quote.***

Date Service Usage Rate/Hour Cost 01/01/08 xxxxxxx 4 hours $50 $200.00 Total $283.00 Payable upon receipt.

Please make check payable to The University of Texas at El Paso and reference account #\_\_\_\_\_\_\_\_\_\_\_.

Remit to:

The University of Texas at El Paso

Office of Contracts and Grants Accounting

Administration Building, Room 203

500 West University

El Paso, TX 79968

**Appendix C**

***UTEP Project Agreement***

Recharge center: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Services Requested: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Services provided under the direction of **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

***Client Data***

Client: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Contact Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Contact Phone Number:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ UTEP Account # to be charged: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Federal Funding: \_\_\_Yes \_\_\_No

***Terms***

The Client agrees to pay the Recharge Center for services performed under this agreement in accordance with the attached rate schedule, and not to exceed $\_\_\_\_\_\_\_\_\_\_\_\_.

This agreement shall begin on \_\_\_\_\_\_\_\_\_\_\_\_\_ and end on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Authorized signer for account to be charged:

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_