

## Recharge Account Policies

Departmental operations that provide goods or services and recover their operating costs through a user fee are considered recharge operations if actual operating costs are less than \$50,000 annually. Those operations with \$50,000 or more expenditures incurred become "service centers" and must follow the practices set forth in a separate Service Center Policy. Typically, the service provided by a recharge operation is offered as a convenience to the employees and students of a department rather than the entire university community. Departmental charges for use of the FAX machine or photocopier normally meet the criterion for a recharge account. A separate account is suggested, but not required.

Department heads are responsible for the oversight of compliance with the following policies.

### RATES/APPLICATION OF RATES

**Policy:** Billing rates or fees must be designed to recover *no more than the direct (operating) cost* of the goods or services being provided.

**Discussion:** The departments performing recharges must develop cost data supporting the unit costs charged. The rates should be developed based on the *direct costs, including salaries, wages and other operating costs*, incurred in providing the service. For example, the rate for a fax machine or photocopier would include costs for the maintenance contract, paper, toner, etc. It would not include equipment depreciation, space-related costs or administrative costs.

**Policy:** 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.

**Discussion:** Recharge accounts must develop and maintain a method of accurately tracking units of output. Units of output, or usage, must be tracked and either allocated or billed to all users. Further, as units of output are used in determining the appropriate billing rate, the method of tracking units will become part of the documentation necessary to support the rate(s) structure.

**Policy:** Recharges to a particular sponsored project or other funding source may be applied only when there is a *direct* benefit to the account being charged.

**Discussion:** When there is a clear cause/benefit relationship to the funding source, then it should be charged directly to that funding source. When there is no clear relationship, then the expenditure may not be direct charged (particularly to sponsored projects); instead, alternative funding sources (such as departmental accounts) should bear the costs.

## DOCUMENTATION SUPPORT

**Policy:** For *each* type of service that is "recharged" to users, the department must maintain documentation detailing how the rate per unit has been determined.

**Discussion:** For example, photocopies are provided at \$.05 per copy. The \$.05 was determined through the following analysis:

Paper	\$.01
Toner	\$.01
Lease & Maintenance Agreement	<u>\$.03</u>
<b>Total</b>	<b>\$.05</b>

In this example, the detail supporting the calculation should document, for example, that the paper costs were \$100 for 10,000 copies.

**Policy:** At the department level, service providers are obligated to maintain, and produce upon request, detail support for the rates charged to users. This support is to include records of the expenses incurred for the operation charged, as well as the basis for per unit cost.

**Discussion:** For the photocopier example above, receipts for the costs of the paper, toner and maintenance would be maintained in support of the rate calculation. In addition, records supporting the total number of copies made should be maintained.

**Policy:** All charges must be supported by a document/invoice which details the nature and components of the charge. The support for charges should be adequate to allow the document to stand alone in the event of a subsequent review.

**Discussion:** For an invoice to stand alone, an uninformed reader should be able to review the support and through the description of the charge understand: what it is for and how the total dollar amount was calculated. That means the invoice should specifically document:

- What the charge is for (e.g. photocopying)
- How many units were consumed (i.e., pounds, hours, # of items)
- Rate charged per unit (i.e., \$.05/photocopy)
- Total amount of invoice
- Date of invoice and date of service