# University of Oregon

# Guidelines on Recharge Operations

This document is a brief overview of Recharge Operations. For extensive information please see the companion document *Managing Recharge Operations*.

OMB Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. It provides guidance on such topics as determining what will be considered an acceptable direct or indirect charge to a federal sponsored agreement, the proper method for preparing the University's facilities and administrative (F&A) cost rate proposal, and what items are considered unallowable. Because of the potential for over charges relating to rate setting, inappropriate depreciation practices, and double billing through charging costs both as direct and indirect; recharge operations have emerged as a target for further investigations. The policies and procedures relating to recharge centers are directed at improving the university's monitoring of its recharge operations, assuring compliance with federal regulations, elevating departmental understanding of this often complicated topic, and being assured of full implementation of the Circular A-21.

There is a close relationship between the University's F&A cost rate and recharge operations. For instance, both are concerned with the issue of costing. Certain costs such as the cost of capitalized equipment (depreciation) should be included in the F&A rate proposal or in the rates established for a recharge operation. If the depreciation for the same piece of equipment is included in both the F&A rate proposal and a recharge operations rate, there is the potential that the federal government could be double charged for the same cost.

**Recharge Operations**

A Recharge Operation is a facility, center, operation, function, or activity whose output is measureable on a workload or other quantitative basis and the costs associated with these activities are separately accounted for and charged to users in proportion to services rendered. The primary purpose of a recharge operation is to provide specific services to the university community although services may be provided on an incidental basis to external users.

**Categories** **of Recharge Operations**

The University's Recharge Operations will be divided into three categories: Recharge Centers, Service Centers, and Specialized Service Facilities. Each recharge operation will be notified by the Recharge Operations Committee, described later in this document, of its proper classification.

When the term “recharge operation” or “recharge activity” is used in this policy it is referring to recharge centers, service centers, and specialized service facilities, collectively. It is being used to eliminate the repetitiveness of stating all three activities continually throughout this policy.

While there will be a review of all applications for a recharge center to determine the most appropriate classification, the following chart can be used as a guideline.

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| --- | --- | --- | --- |
| Type | Annual Recharge Range | Short Description | Example |
| Recharge Center | Normally less than $50,000.00 | primary purpose of providing goods and services to the university community for a fee | departmental charges for use of the FAX and copy machines |
| Service Center | Usually $50,000 to $1,000,000 | Centers specifically in operation to sell goods and services | Printing & Mailing, Organized inventory storerooms,  |
| Specialized Service Facilities | *must meet all three criteria listed in the short description* | 1) A-21 Section J.49 defines "specialized service facilities" as "institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors ....."2) Highly complex operations with revenues in excess of $1M and that "materially" affect University's on-campus Organized Research facilities and administrative costs rate. Those recharge operations which materially affect the University's facilities and administrative costs rate will be notified by BRP;3) its services must not be easily available from an outside vendor. | Central Power Station, MRI center |

**Determining the Need for a Recharge Operation**

Before a recharge operation is established, there must be a determination made that a valid need exists for such a unit by reviewing the following criteria:

1. The activity can comply with the definition of a recharge operation.
2. A demand exists for the products and/or services to be provided by the recharge operation. This demand should be by more than one other department/unit/activity.
3. A significant volume of recharging, both in dollar amount and number of transactions, will occur.
4. The product or service is provided on a regular and continuing basis.

There are extensive requirements for establishing and operating a recharge operation. All requests to establish an operation imply that the requesting department agrees to operate in a manner consistent with the stipulations set forth by the University in this policy and the companion document *Managing Recharge Operations*.

**The Application Process**

1. The Request for Recharge Operation Form, budget, rate calculation(s) and a business plan must first be reviewed and approved by the responsible department or RU.
2. These documents are then forwarded to the Budget and Resource Planning Office (BRP).
3. BRP will review the documents; make additional inquiries and recommendations as appropriate and forward to the Recharge Operations Committee when all required information has been provided.
4. The Recharge Operations Committee will approve, deny or make additional inquires as needed.

Those not familiar with this area of our university operations may wonder why the documentation requirements are so extensive. It is important to keep in mind the main objective of this effort is to establish whether any costs will be charged to federal funds (federal contracts or grants) through the proposed recharge operation that are already being charged to the Federal Government through the University's facilities and administrative costs rate. A general concept to remember when dealing with these operations is that rates must be based on full cost recovery and not discriminate against federally sponsored users. A great deal of the documentation is used as evidence of the University's compliance with this principle.

**On-Going Responsibilities** – please see *Managing Recharge Operations* for detailed roles and responsibilities.

1. Recharge activities must submit an annual schedule of rates with supporting documentation to BRP for review by the Recharge Operations Committee.
2. Perform customer billing (Accounts Receivable) on a monthly basis and reconcile with the Banner Financial Information System.
3. Maintain records for audit as long as the grants or contracts charged remain subject to audit and in accordance with Records Retention Laws.
4. Maintain both a positive cash balance and fund balance, and
5. Stay within the parameters of allowable working capital.

**Discontinuing a Recharge Operation**

A recharge operation may be discontinued or the category changed for various reasons including, but not limited to:

1. The responsible department or RU no longer feels the activity is necessary or viable.
2. The Recharge Operations Committee recommends the activity be stopped based on performance, policy change, compliance or viability
3. The activity has changed, revenue and cost has exceeded or failed to meet expectations, the operation has become substantially more or less complex.

**Next Steps**

Contact your Budget Analyst in Budget and Resource Planning if you are not sure what to do next.