



RECHARGE/SERVICE CENTERS | STANDARD OPERATING PROCEDURES

RSOP 1.0: Definition of a Recharge/Service Activity

1. Any internal transaction that records income to one university account and expense to another,
2. Self-supporting or subsidized activity that is to operate at breakeven
3. Rates cannot exceed allowable cost and cannot exceed the rate charged to an external customer for the same product or service.
4. Internal activity should be separated, at the account level, from external activity.
5. Activity in excess of \$100,000 (annual) must be recorded in a service center account (66).
6. Regardless of the account or amount must comply with Federal OMB Uniform Guidance.

RSOP 2.0: Reporting Requirements for Recharge/Service Centers

1. Estimated internal revenues of MORE than \$5,000,000:
 - A. Must use a dedicated recharge/service center (66*) account
 - B. Use internal billings, service billings and/or ID billings to charge other university departments.
 - C. May NOT charge more than allowable cost for products or services sold internally
 - D. Submit a new recharge rate **ANNUALLY** using an approved Cost Accounting [Rate Setting Template](#).
 - 1) Reporting auxiliary-rate should be initially submitted to Auxiliary Accounting.
 - 2) Non-reporting auxiliary & service units; as well as any other type of account, rates should be first submitted to Cost Accounting.
 - 3) Meet **ANNUALLY** with University Cost and Auxiliary Accounting to go over the unit's rate setting methodology.
2. Estimated internal revenues of MORE than \$500,000 and/or \$100,000 in FEDERAL Contract and Grant Billings:
 - A. Must be segregated into individual recharge/service center (66) accounts.
 - B. Must use internal billings, service billings and/or ID billings to charge other university departments.
 - C. May NOT charge more than allowable cost for products or services sold internally
 - D. Submit a new recharge rate **ANNUALLY** using the Cost Accounting [Rate Setting Template](#).
 - 1) Reporting auxiliary this rate should be initially submitted to Auxiliary Accounting.
 - 2) Non-reporting auxiliary & service units; as well as, any other type of account, rates should be first submitted to Cost Accounting.



3. Estimated internal revenues of MORE than \$100,000:
 - A. Must be segregated into individual recharge/service center (66) accounts.
 - B. Use internal billings (IB), service billings(SB) and/or ID billings to charge other university departments
 - C. May NOT charge more than allowable cost for products or services sold internally.
 - D. Submit a new recharge rate BIENNIALY (every two years) using the [Cost Accounting Rate Setting Template](#).
 - 1) Reporting auxiliary and service units this rate should be initially submitted to Auxiliary Accounting.
 - 2) Non-reporting auxiliary & service units; as well as, any other type of account, rates should be first submitted to Cost Accounting
4. Estimated internal revenues of LESS than \$100,000:
 - A. Required to use Distribution of Income and Expense (expense-to-expense transactions), General Error Corrections (expense-to-expense transactions) or Transfer of Funds to complete transactions between university accounts.
 - B. Will NOT be required to submit rates to University Cost Accounting
 - C. Activity will NOT be required to be segregated into separate service center (66) accounts
 - D. Will NOT be permitted to use internal billings(IB), service billings(SB) and/or ID billings.
 - E. The fiscal officer is responsible for ensuring that no more than allowable cost is distributed or transferred to other university accounts.
5. Conferences that go through the Office of Conferences and Events Registration Services (OCERS), which are not regularly carried on:
 - A. Typically not considered auxiliary activity and not required to be in a auxiliary account
 - B. May charge contract and grant accounts for conferences as long as the charges are allowable per the grant and approved by Office of Research Administration
 - C. **Sale of goods or services** provided in conjunction with the conference must be maintained in an auxiliary account and segregated from the accounting for the conference activity.
 - D. Fiscal officer is NOT be required to submit rates to Cost Accounting.

(Note: The Uniform Guidance provides a specific definition of conference activity. 200.432)

See link to reporting decision tree.

https://fms.iu.edu/files/9514/4718/2621/Decision_treealternative_to_Matrix_11-10-15.pdf



RSOP 3.0: Including Annual Depreciation Expense in Recoverable Rate

1. Annual depreciation expense from the last completed fiscal year into the recoverable rate calculation.
2. In order to recover depreciation a department is required to:
 - A. Create a recharge/service center **organization** that only contains:
 - 1) Recharge/service center (66) accounts
 - 2) One or more renewal and replacement (92) accounts
 - 3) Plant fund (95) account
 - 4) Construction (90) if applicable
 - 5) Debt service (91) accounts if applicable
 - B. Include only depreciation of the assets used in the center and in the recharge/service center organization plant fund (95) account.
 - C. Transfer cash equal to depreciation expense annually from the recharge/service center (66) account to the renewal and replacement (92) account.
 - D. Depreciation of assets purchased by sponsored projects should be excluded.

RSOP 4.0: Recharge/Service Center Capital Purchases

1. Cost accounting standards do not permit the recharge/service center to recover the cash outlay for capital asset purchases in their annual rates.
2. Depreciation of capital assets purchased with non-sponsored funding and used by the center is allowed to be recovered in rates billed and transferred to the replacement (92) account.
3. Capital assets associated with a recharge /service center activity need to be purchased out of a renewal and replacement (92) account within the same organization as the recharge/ service center (66) account.
4. If capital assets are purchased from the recharge/ service center (66) account, a non-recharge center account will be required to transfer cash into the recharge/service center (66) account to fund the asset.

RSOP 5.0: Allocating Cost to Internal Activity

1. Financial Recharge/service activity that is co-mingled with external financial activity must be analyzed and allocated between external (60*) and internal (66*) accounts.
2. Recharge/service center can only recover allowable costs (see RSOP 6.0) when billing other university accounts.
3. Unallowable costs must be completely funded by an account other than the internal (66*) account even if it is a cost incurred by the recharge/service activity.
4. Allowable direct costs that are specifically identified with the internal activity should be recognized in the recharge/service (66) account.



5. Costs that are shared by both external and recharge/ service activity must be allocated. Examples of allocations provided.
6. All allocation methods must be substantiated in case of an audit.

RSOP 6.0: Allowable/Unallowable Expenses for Recharge/Service Centers

Allowable costs - Costs that may be recovered in the recharge/service center billing rates that meet the following criteria:

1. Are **reasonable and necessary** to provide goods and/or services by the recharge/service center.
2. **Conform** to any to any limitations or exclusions set forth in cost principles in the **Uniform Guidance** or other applicable cost standards established by federal agencies or the university.
3. Are **consistent** with applicable **university policies and procedures**.
4. Are accorded **consistent treatment** for the **same type of cost** in **like circumstances**.
5. Are **not included** as a **cost** or used to meet **cost sharing** or **matching** requirements **of any federally-financed program** in either the current or a prior period.
6. Supported by **adequate documentation** the cost was incurred.

If a recharge activity has **identified a prior year unallowable expense** in their recharge/service center (66) account, the unit should **initiate a DI document to move the unallowable expense** to a different account using the **Balance Sheet Adjustment-Unallowable object code (4993)** in both the “To” and “From” sections. The DI document should refer to the original document where the unallowable expense occurred; as well as, the object code initially used.

If a **prior year error** has been discovered and the expense is determined **to be allowable**, object code **4999 (Balance Sheet Adjustment)** should be used. Please see [ASOP 11.0](#) for more information

RSOP 7.0: Recharge/Service Center Transfers

1. Transfers in (subsidies) are allowed.
2. Transfers out to the organization’s dedicated renewal and replacement (92) account that are equal to annual depreciation only are allowed.



RECHARGE/SERVICE CENTERS | QUICK REFERENCE GUIDE

REPORTING REQUIREMENTS FOR ACCOUNTS WITH INTERNAL ACTIVITY

- Meet annually with cost/auxiliary accounting
- Must use 66 account
- Submit rates annually
- Use IB, SB, and ID for internal billings
- At or below breakeven
- Internal rate cannot exceed external rate for a given activity

- Must use 66 account
- Submit rates annually
- Use IB, SB, and ID for internal billings
- At or below breakeven
- Internal rate cannot exceed external rate for a given activity

- Must use 66 account
- Submit rates biennially
- Use IB, SB, and ID for internal billings
- At or below breakeven
- Internal rate cannot exceed external rate for a given activity

