GENERAL STATEMENT

1.01 Departmental operations that provide goods or services and recover their operating costs through a user fee are considered recharge operations if total annual expenditures for the operation are less than $50,000. Those operations with $50,000 or more become “service centers” and must follow the practices set forth in a separate OSU policy statement, “Stores.” Typically, the service provided by a recharge operation is offered as a convenience to a department and division rather than the entire university community. Departmental charges for use of equipment (e.g., fax machines, photocopiers) or for supplies (e.g., copy paper) should meet the criteria for a recharge account.

CRITERIA FOR A RECHARGE ACCOUNT

2.01 The criteria for a recharge account are shown below:

A. Billing rates or fees must be designed to recover no more than the direct (operating) costs of the goods or services being provided.

The departments performing recharges must develop cost data supporting the unit costs charged. The rates should be developed based upon direct costs incurred in providing the service. In addition, direct costs used to compute recharge rate(s) must be recorded in the recharge account and not in other departmental account(s). Direct costs typically include direct personnel, fringe benefits, supplies, materials, equipment rental, and service contracts. For example, the rate for a fax machine or photocopier would include costs for the maintenance contract, paper, toner, etc. It would not include indirect costs (e.g., equipment depreciation, space-related costs, or administrative costs).

Recharge rates are generally calculated based on budgeted projections of operating expenses and projected volume of the services or products to be provided. The goal of the recharge operation is to calculate a rate which will ensure that revenues reasonably offset expenses. "Operating at break-even" means there is no significant profit or loss as a result of charging users for the services provided in any particular period and no profit or loss over the long run.

Although recharge operations target break-even through budgeting and rate setting, it is seldom that expenses exactly match revenues. OSU has defined a break-even policy stating that a store's surplus or deficit for a given fiscal year should not exceed
10% of annual operating **expenses**, computed as of the final closing of the books on June 30. If a recharge account ends a given fiscal year with an actual operating surplus or deficit within +/- 10% break-even range, the profit or loss must be factored into the following year's rate calculation.

**B.** 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.

Recharge accounts must develop and maintain a method of accurately tracking units of output. Units of output, or usage, must be tracked and billed to all users. It is unacceptable for any user to receive services at a discount or reduced fee. Further, as units of output are used in determining the appropriate billing rate, the method of tracking the units must become part of the documentation necessary to support the rate(s) structure.

**C.** Recharges to a sponsored project or other funding source may be applied only when there is a direct relationship to the account being charged.

When there is a clear cause/benefit relationship to the funding source, it should be charged directly to that funding source. When there is not a clear relationship, the charge may not be directly charged (particularly to a sponsored agreement account). Instead, alternative funding sources, such as a departmental account, should bear the costs. For more information regarding charges to sponsored programs, please refer to OSU Policy & Procedures Letter, *Costing Practices for Sponsored Research and Service Projects*.

**D.** The department should maintain documentation detailing how the rate per unit has been determined for each service that is “recharged” to users.

For example, if photocopies are provided at $.05 a copy, documentation should show that the $.05 is determined through the following analysis:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>$.01</td>
</tr>
<tr>
<td>Toner</td>
<td>$.01</td>
</tr>
<tr>
<td>Lease/Maintenance Agree</td>
<td>$.03</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$.05</strong></td>
</tr>
</tbody>
</table>

In this example, the detail supporting the calculation should document, for example, that the paper costs were $100.00 for 10,000 copies.

**E.** At the departmental level, service providers are obligated to maintain, and produce upon request, detailed support for the rates charged to users. This support is to include records of the expenses incurred for the operation charged.

For the photocopier example above, receipts for the costs of the paper, toner, and maintenance would be maintained in support of the rate calculation.
F. 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 an audit.

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 the invoice is for and how the total dollar amount was calculated. The invoice should specifically document:

1. Purpose of the charge (e.g., photocopying)
2. How many units were consumed (i.e., pounds, hours, number of items)
3. Rate charged per unit (e.g., $.05/photocopy)

**PROCEDURE FOR CHARGING COSTS**

3.01 Establishing Recharge Accounts
All recharge operations must be maintained through a separate account. A recharge operation will be assigned an account in Ledger 2. All allowable recharge operating costs should be charged to this account. Revenues also should be recorded in this account by the appropriate subcodes. Recharge accounts will be established to utilize one (1) general ledger (Ledger 0) per college or division. The general ledger typically carries the cash, other assets, liabilities, and fund balance. The college or division fiscal officer will be responsible for monitoring their respective recharge general ledger.

3.02 Billing via Campus Vendor Invoice (CVI)
All billings by a recharge account which is created within Ledger 2 should be charged to OSU accounts via CVI. The support for charges should be adequate as described in 2.01 F.

3.03 Activities in Ledger 1 Accounts
Charges applicable to a Ledger 5 account (grant/contract) but originally charged to a Ledger 1 account (e.g., 1-1-XXXXX; 2-1-XXXXX; 3-1-XXXXX, etc.), should be processed on a Retroactive Cost Transfer form **for an amount no less than $25.00**. A CVI form should not be used except in the case of Tuition and Fees (subcode 923X). Because a CVI requires both a revenue and an expenditure subcode, it is not appropriate to transfer an expense to a Ledger 5 account from an account in another ledger. Doing so will create double entries for the same expense--one in Ledger 5 and the other in the originating ledger (e.g., Ledger 1).

The purpose of the CVI form is to charge sales and services to other campus departments. Departments which typically use CVI forms are Stores and Services (Ledger 2), Auxiliary Enterprise (Ledger 3), Library, and Organized Activity (x-1-4xxxx) accounts. **In order to maintain the proper audit trail, any corrections to a CVI form should be processed by the vendor who created the original CVI charge.**
**Long-distance phone calls** which are directly associated with a sponsored program may be allowable expenses and should be charged to the sponsored program account by the use of a separate access code. For questions regarding charges to a grant or contract, please contact Grants and Contracts Financial Administration at 744-6097.

3.04 Record Retention
It is the responsibility of each department to maintain records of the details contained in all recharge transactions and to answer inquiries concerning those charges. All recharge operations must be documented and records maintained to support expenditures, billings, and cost transfers. Records should be kept at least seven years.

3.05 Deviations
Deviations from this policy may be necessary under special circumstances. For example, a recharge operation may wish to depreciate expensive equipment used solely for its operation. Any deviation from this policy should be reviewed and approved by Grants and Contracts.