

Recharge/Service Center: Rate Setting Overview

Auxiliary Forum December 2015

Discussion Items

- * Regulation/Overview
- * Cost Website www.fms.iu.edu/cost
- * Policy Changes
- * Standard Operating Procedures
 - * RSOP #1: Definition of a Recharge/Service Activity
 - * RSOP #2: Reporting Requirements for Recharge/Service Centers
 - * RSOP #3: Including Annual Depreciation in Recoverable Rate
- * Rate Setting Template and Instruction Overview

Primary Federal Regulations

Code of Federal Register, Title 2, Subtitle A, Chapter II Part 200---
Uniform Administrative Requirements, Cost Principles, and Audit
Requirements For Federal Awards (183 pages)

A.K.A.:

Office of Management and Budget (OMB) Uniform Guidance

Overview: What Is a Recharge/Service Center?

- * Recharge/Service Centers are university accounts that:
 - * Furnish goods and/or services to other internal university departments (accounts) for the convenience to the university; and,
 - * Charge a fee directly related to, and equal to, the cost incurred to provide the goods or services.

Recharge / Service Centers
cannot operate for profit!

Internal vs. External Customers

* Internal Customers:

- Any **“billing”** to an IU general ledger account is considered an internal customer billing and creates a “recharge” activity.
- A **“billing”** includes any income recorded to the seller and expense to the buyer on any IU document type.
- The **funding source** used by the customer billed to pay for goods and/or services is not relevant in determining the classification as internal or external.

External Customers:

- All of the following are considered **external customers**:
 - *Students*
 - *Faculty*
 - *Staff*
 - *IU Foundation*

Internal or External: Why Does It Matter?

1. Exclusion of Profit Margin directly billed to Feds*:
Profit Margin External customers – Allowed
Profit Margin Internal customer – Not allowed
2. Exclusion of profit from the F&A proposal:
3. Exclusion of Unallowable costs in 1 and 2 above.
4. Financial Statement elimination of all internal service center income and expense.

What is the Facilities and Administration (F&A) Rate?

- Rate at which the federal government reimburses contract and grant recipients for indirect costs associated with the sponsored project.
- Current F&A rate is **56%** of direct cost.



Approx. \$82,000,000 in FY 2014 was received in indirect cost reimbursements.

Risk?

Burden of Proof is on the university.

If unallowable costs, profits are identified via audit, the university will be required to repay these federally (and more).

Summary of Internal Billing Activity By Account

	Number of Accounts	Total Billings	C&G Fed \$\$	C&G Total \$\$	FB
	889	212.2	14.3	48.9	219.3
Greater than \$5M*	8	79.7	4.2	6.8	13.2
Less than \$5M, Greater than \$100K Fed C&G	28	10.6	7.8	17.7	-2.7
\$500K-\$1M	61	96.3	0.4	12.4	26.1
\$250K-499K	31	10.4	0.2	7.6	19.8
\$100K-\$249K	62	9.4	0.6	1.5	55.3
Other < \$100K	699	5.8	1.1	2.9	107.6
Check Total	889	212.2	14.3	48.9	219.3
<i>Excludes IBs hitting Asset, Liability and Student Fee Object Codes</i>					
<i>dollars in million</i>					

Cost Website: www.fms.iu.edu/cost

The screenshot shows the website for Indiana University's Financial Management Services, specifically the Cost Accounting section. The header features the IU logo and navigation links for Home, About Us, Staff Directory, Support, and Training. A secondary navigation bar lists various financial services: ACCOUNTS PAYABLE, AUXILIARY, CAPITAL ASSETS, CASH CONTROL, NON STUDENT AR, OPERATIONS, PAYROLL, STUDENT LOANS, and TAX. The main content area is titled "Financial Management Services Cost Accounting" and includes a breadcrumb trail: Home » Cost Accounting. A left sidebar contains menu items: Cost Accounting, Cost Accounting Contacts, Recharge Standard Operating Procedures, Rate Template & Instructions, and Reference Information. The main content area lists several key resources with icons and descriptions:

- Cost Accounting Contacts**: Contact information for Cost Accounting staff.
- Recharge Standard Operating Procedures**: Standard Operating Procedure documentation for Cost Accounting.
- FAQs**: In progress.
- Rate Template & Instructions**: Reference materials including instructions, templates, and other documentation.
- Policies**: In progress.
- Reference Information**: Includes supplementary information regarding cost accounting and rate-setting.

The footer of the website displays the slogan "FULFILLING the PROMISE" in a dark red banner.

Policy Changes

- * Current Policies: I-360, I-370, I-400, I-410
- * Draft Policy
 - * Consolidate Recharge Center Policy Information into a Single Policy
 - * Contents of the Draft Policy

RSOP #1: Definition of a Recharge/Service Activity

- * A recharge/service center activity is an activity that furnishes goods or services to another Indiana University department for the convenience of the university and charges a fee directly related to, and not more than the allowable cost to provide the goods or services.
- * General Rule: Any internal transaction that records income to one university account and expense to another, using any KFS document type, effectively creates recharge center activity.
- * Recharge/service center (internal) activity should be separated, at the account level, from external activity.
- * All recharge activity in excess of \$100,000 must be recorded in a service center account (66).
- * All recharge activity regardless of the account or amount must comply with Federal OMB Uniform Guidance.

RSOP #2: Reporting Requirements for Recharge/Service Centers

- * The reporting requirements for recharge/service center activities, excluding exceptions previously approved by the Chief Accountant, are determined by the amount of annual internal revenue the account recorded in the last completed fiscal year.
- * Review Reporting Requirements for Accounts with Internal Activity Decision Tree
<https://fms.iu.edu/cost/reference-information/>

RSOP #3: Including Annual Depreciation in Recoverable Rate

- * Service Center Organization Structure
 - * Include only assets related to recharge activity in service center plant fund.
- * Transfer of Cash
- * Federally Funded Assets or Cost Share
- * Shared Assets

Template & Instructions

- * Required to Use a Preapproved Rate Template
- * Guidance on How to Submit Rate
- * <https://fms.iu.edu/cost/rate-template-instructions/>

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