



# CAMPUS RECHARGE DEFINITIONS, BACKGROUND, & POLICY

## University of California, Berkeley, Recharge Centers – Policy and Procedures

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### **A. References**

Business & Finance Bulletin A-47	<u><a href="http://www.ucop.edu/ucophome/policies/bfb/a47.html">http://www.ucop.edu/ucophome/policies/bfb/a47.html</a></u>
Business & Finance Bulletin A-56	<u><a href="http://www.ucop.edu/ucophome/policies/bfb/a56.html">http://www.ucop.edu/ucophome/policies/bfb/a56.html</a></u>
OMB Circular A-21	<u><a href="http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html">http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html</a></u>
Contract & Grant Manual	<u><a href="http://ucop.edu/raohome/cgmanual/">http://ucop.edu/raohome/cgmanual/</a></u>

If you have any questions with regard to recharge policy and procedures, please send email to the Recharge Committee, [recharge@berkeley.edu](mailto:recharge@berkeley.edu).

### **B. Purpose**

These policies and procedures establish a mechanism for defining, establishing and decommissioning recharge centers along with developing, requesting, reviewing and approving new recharge rates. Recharge rates are established to allow units to recover from extramural and university funded activities the costs for goods and services provided. The recharge policies and procedures have been established to provide

consistent operational practices amongst the various recharge units, to ensure compliance with both university accounting policies and government regulations and equitable treatment of all users regardless of funding source.

Recharge center policies and practices must reflect government regulatory costing principles such as those contained in the Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions," (A-21). Additionally, effective January 1995, the University became subject to four Cost Accounting Standards (CAS). These standards require the University to follow consistent cost accounting practices throughout the institution. Therefore, recharge center policies and practices have been established to provide consistent operational practices among the various recharge units, and to ensure compliance with both government regulations and university accounting policies.

### **C. Functional Responsibilities**

Department:

Campus departments are responsible for the overall operation of their recharge centers. Responsibility for recharge center operations is delegated to the Recharge Center Director/Manager to monitor operations and take corrective actions as needed. The department MSO will assist the director/manager in these duties. Depending on the size of the operations the MSO may act in the capacity of the recharge center manager. The recharge department's responsibilities include the following:

- i. Ensures recharge center operations comply with all University recharge policies and procedures.
- ii. Ensures recharge center operations comply with appropriate University payroll, reimbursement, accounting, and personnel policies and practices.
- iii. Reviews the recharge center's income (both internal and external sources), expenses, and rates throughout the fiscal year; and sees that expenses or rates are adjusted as necessary.
- iv. The department administrators and recharge center manager must also ensure the service center's budget is reviewed by and coordinated with the department's budget.
- v. Ensures that recharge center personnel charges, supplies and other expenses are charged to the correct chartstrings.
- vi. Ensures the annual recharge certification form is prepared and submitted to the control unit on time.
- vii. Ensures the annual budget submission is prepared and submitted to the control unit budget office on time.
- viii. Ensures rate change submissions and the related certification form are prepared and submitted to the control unit on a timely basis
- ix. Ensures rates are reasonable. The rates are considered reasonable if the nature of the costs and the related goods or services acquired or applied to provide the recharge service reflect the action that a prudent organization would have taken under the circumstances prevailing at the time the decision was made to incur these costs. There must be a sound business case that supports providing these services and the manner in which they are provided. Alternative methods of providing these goods or services have been reviewed and the decision to

- continue to provide these goods or services is in the best interest of the University and is in compliance with Federal regulations.
- x. Reviews services provided on a regular basis, at least annually, to ensure that the services provided are necessary and are not readily available from outside sources. If they are readily available from outside sources, ensures that there are overriding economic, ethical or other institutional issues to support the continued need for these services.
  - xi. Ensures recharge center billings are accurate, timely, and adequately documented. The billing rates should be consistently charged to all users of the service. Subsidized rates must not be charged to one set of users e.g. unrestricted funds versus sponsored research funds. Assumes any risk associated with nonpayment of goods and services when goods and services are provided in advance of valid customer billing information.
  - xii. Ensures the approved rate is used for all recharge center billings.
  - xiii. Ensures the recharge center operates within the breakeven tolerance range, and in accordance with its budget.
  - xiv. Ensures a plan is developed and forwards to the appropriate campus officials when the department's review reveals that the unit is out of tolerance.
  - xv. Ensures recharge center records are kept in good order for review and audit.
  - xvi. Ensures all recharge center equipment is included in BETS.
  - xvii. Conducts periodic review of personnel effort charged to recharge chartstring. Ensures that the percent of salaries charged corresponds to actual time spent on recharge center work.
  - xviii. Ensures the dean, chair, director or department head is kept informed of all recharge center matters.
  - xix. Reviews ledgers for unallowable costs posted to the recharge center's chartstrings throughout the year. Promptly transfers any unallowable charges to an appropriate chartstring outside of the recharge operation.
  - xx. Establishes and maintains cash sale controls as appropriate.

Control unit:

- i. Approves all recharge rate changes prior to submission to the Controller's Office.
- ii. Reviews and approves annual recharge self certification forms.
- iii. Oversees and assists in the formation of new recharge center.
- iv. Oversees and assist in the monitoring of all recharge centers within the control unit, including unit operating balances. Ensures they are in compliance with University's recharge policies and procedures.
- v. Reviews services provided by the recharge centers on a regular basis, at least annually, to ensure that the services provided are necessary and are not readily available from outside sources. If they are readily available from outside sources, ensures there are overriding economic, ethical or other institutional issues to support the continued need for these services.
- vi. Oversees and assists in the decommissioning of recharge center.
- vii. Reviews and concurs with surplus/deficit reduction plans.

Note: for all units under the Executive Vice Chancellor and Provost (EVCP), the Dean or equivalent must review, approve, oversee and assist in the above processes.

#### Recharge Committee:

- i. Acts in an advisory capacity to recharge units and campus departments in reviewing recharge disputes. If based on advice from the committee the item still cannot be resolved, the item will be forwarded to the Controller's Office for mediation. The Controller's decision is binding.
- ii. Acts in an advisory capacity for developing the University recharge policies and procedures.
- iii. Approves the establishment of all new recharge units.
- iv. Evaluates any discrepancies identified in rate submissions and determines whether discrepancy is significant to warrant adjustment of prior billings
- v. Reviews all deficit reduction plans.
- vi. Reviews and approves all surplus reduction plans.
- vii. Reviews recharge balances quarterly and monitors progress made on reduction plans until the surplus/deficit is within tolerance.
- viii. Reviews and approves requests for an average balance calculation over a seasonal cycle.
- ix. Reviews and approves requests for tolerance levels greater than one month's operating expenses.

#### Controller's Office:

- i. Provides the Chair to the Recharge Committee and ongoing staff support to the recharge committee.
- ii. Provides support for ongoing fiscal review of the University's recharge operations.
- iii. Provides general accounting assistance to the recharge units, such as fund set up, accounting for depreciation, and financial reporting issues.
- iv. Provides assistance on tax issues such as unrelated business income tax, sales tax etc.
- v. Performs review of rate proposals and self certifications.
- vi. Administers rate proposal process, including posting of approved recharge rates to the web.
- vii. Provides ongoing training to the Campus community.
- viii. Maintains and updates the recharge policies, procedures and rate schedules.
- ix. Acts as primary contact for federal agencies, auditors and other outside entities relating to issues arising from the University's recharge operations.
- x. Provides binding mediation on all recharge disputes between the recharge unit and its customers.

#### The Office of the Vice Chancellor-Administration:

- i. The office has been delegated the responsibility by the Chancellor to ensure the University complies with the recharge policies and procedures of the University.
- ii. Reviews and approves all deficit reduction plans.

#### D. What is a Recharge Center?

Recharge centers are units that provide specific, ongoing services to a number of campus units or projects, and recover the cost of providing these services from the unit served on a “rate basis”. (If there is only one user, then other accounting procedures are normally used).

Recharge centers develop rates to consistently and equitably recover the costs of the recharge operations such as salaries, benefits, equipment depreciation, material and supplies. Recharge units are expected to operate on a breakeven basis. See [Section G](#) below for further guidance.

Recharge centers should not be set up to provide goods or services that are readily available from outside sources. However, a recharge center may be established if there are overriding economic, ethical or other institutional issues to support the need for the University to provide this service.

Recharge units recover the costs of its operations through charges to its users. The cost of running the recharge center providing the goods and services is charged to users on a “rate basis”. Rates are generally developed to equitably and consistently recover the costs of the recharge operations such as salaries, benefits, equipment depreciation, materials and supplies expenses.

The following are **not** recharge centers or recharges and are not subject to recharge policies and procedures:

- i. Units which primarily serve members of the campus community as individuals, such as parking or housing services, which are classified as auxiliary or service enterprises. These charges are recorded as income of the University and are not defined as recharges. The rates set by these organizations are not subject to review by the recharge committee. Central campus charges to auxiliary enterprises for administrative overhead costs are also excluded from this document. Contact General Accounting ([gao@berkeley.edu](mailto:gao@berkeley.edu)) for a list of current auxiliaries.
- ii. Recharges are generally not permitted for normal and customary services of units within General or Departmental Administration, Institutional Services and Student Services e.g. central accounting and budgeting services.
- iii. Units which provide a one time distribution of expense. A recharge unit is an ongoing activity.
- iv. This policy does not address those financial transactions considered to be expenditure adjustments from a chartstring originally charged. The handling of these expenditure transfer actions is described in [Business & Finance Bulletin No. A-47, Section V](#) "University Direct Costing Procedures".

The following are also **not** recharge centers, but are subject to [section G](#) and [section Q](#) of recharge policy:

- i. Pass-through activities. Activities in which one unit, without recovering its own costs for providing the service, collects a series of third party costs and periodically transfers those costs to another unit. For example, CNS network projects and non-capital renovation projects managed through Capital Projects and PPCS are considered pass-through activities. While these are not recharge units, these activities are covered by recharge policy for the calculation and application of tolerances, definition and elimination of large deficits and surpluses ([section G](#)), and the closure of operations ([section Q](#)).

#### Example of recharge vs. non recharge activity

##### 1) Acceptable recharge activity

###### Copy department:

Expenses incurred by a department providing full document handling and copy service. Costs of providing the service include salaries, benefits, supplies, and equipment depreciation. These costs are accumulated and a rate is set to recover these costs on a work order basis.

##### 2) Activity that is not a defined recharge activity

###### Photocopy machine:

Two departments share a photocopy machine. They decide to share the cost equally for toner, paper, etc. In this case no recharge activity is taking place. It is an allocation of direct costs. If the costs are collected in one organization, the portion relating to the other department can be transferred to the other department using a financial journal.

### **E. Establishment Criteria**

To be considered a recharge center, the proposed recharge activity must meet some/all of the following:

- i. There exists a demand for this particular service by more than one department/unit/activity.
- ii. Service will be provided on a regular and continuing basis.
- iii. Service should be identifiable (e.g. glass blowing or machine shop) as opposed to general (e.g. general administration fee).
- iv. Separate costs and budget can clearly be defined for these activities.
- v. Rates can be stated in measurable units of goods or services.
- vi. Rates for goods and services must be charged at the same rate to all users and reflect the full cost of the operation, net of any approved subsidies. In establishing

recharge rates, a recharge center cannot discriminate against any internal group of users. A recharge center must charge all internal users the same rate for the same level of services or products purchased under the same circumstances. Rates should not differentiate amongst internal users (see [Section O](#)). The use of special rates, such as for high volume work or less demanding non-scientific applications, is allowed, but must be equally available to all users who meet the criteria.

The federal government does not prevent the unit from charging external users a higher rate than that charged to internal users. However, revenues from external users should be tracked separately. All users of the facility must be billed for services.

External users of a center may not be charged at a rate less than that charged to internal UC Berkeley users. They may be charged a higher rate, see (xi) below for surcharges to outside consumers.

- vii. Rates must be reasonable. Rates are considered reasonable if the nature of the costs and the related goods or services acquired or applied to provide the recharge service reflect the action that a prudent organization would have taken under the circumstances prevailing at the time the decision was made to incur these costs.

Considerations involved in the determination of the reasonableness of a rate are:

- a. Whether or not the costs included in the recharge rate are of a type generally recognized as necessary for the operation of the recharge service;
  - b. The restraints or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, and any other related terms and conditions in the normal course of business;
  - c. Whether or not the department concerned acted with due prudence in the circumstances, considering their responsibilities to the University and the Federal Government, and the public at large; and,
  - d. The extent to which the actions taken with respect to incurring these costs are consistent with established institutional policies and practices applicable to the work of the institution generally.
- viii. There must be a sound business case supporting providing these services and the manner in which we are providing these services. Alternative methods of providing these goods or services have been reviewed and the decision to provide or continue to provide these goods or services is in the best interest of the University and is in compliance with Federal regulations. If the services are readily available from outside sources, there must be overriding economic, ethical or other institutional issues that support the continued need for the University to provide these services.
- ix. The activity must operate on a break-even basis. For further guidance see [Section G - Deficits and Surplus](#)

- x. Goods or services should not be provided to outside consumers except where they are specialized or unique and their existence is primarily to support the academic mission of the campus. Entities which are directly affiliated with the University and share common services with the University are defined as internal customers for recharge purposes. However, affiliates can be charged a surcharge equivalent to or less than the current campus full costing assessment amount. These affiliated entities include: Alumni House, UC Foundation, International House, MSRI, UC Affiliated DOE laboratories (Berkeley, Livermore and Los Alamos), other UC Campuses, The Faculty Club and Women's Faculty Club.
- xi. The charges to external consumers should also include a surcharge to recover campus indirect costs. All charges to outside entities including surcharges should be recorded in the appropriate revenue account 4xxxx. The appropriate revenue account should be selected based on the goods being provided or service being performed. For example: Sales of telecommunication services to outside entities should be charged to account 48020. The internal departmental telecom recharges will be charged to account 59000.

Currently, surcharge funds are retained by the department. [See Section O](#) for further information.

## **F. Period of Review**

Even if a unit does not propose to change its recharge rates, all recharge units greater than \$50,000/yr in income/revenue must self-certify in March of each year using the on-line self certification process. See [Section R](#) with links to compliance checklist polices and examples.

### Recharge income >\$200,000

All recharge units with revenue greater than \$200,000 are subject to detailed review. The unit must undergo a detailed review at least every 3 years. Recharge unit can select any time period for review (mid year, etc.).

The following other criteria may initiate a review outside the three year rotational plan:

1. Large Surplus/Deficit ([see Section G](#)) with no approved plan for surplus or deficit reduction.
2. Rate increase >5% or rate increases over the Consumer Price Index (CPI)
3. Findings from an internal or external audit recommend a review
4. Additional services provided by the recharge unit. The additional estimated revenue > 10% of total annual projected revenue for the recharge unit
5. Unit employs a new/modified costing methodology for rate development or has undergone a significant change in business practices

### Recharge income <\$200,000

Units with annual recharge income less than \$200,000 may be subject to periodic review by the committee.



Criteria for consideration in selecting units for review would include:

1. >25% of total recharge income is from federal funds
2. Large surplus / deficit ([see Section G](#)) > 1 month's operating costs
3. Additional services provided by the recharge unit
4. Unit employs a new/modified costing methodology for rate development or has undergone a significant change in business practices
5. Findings from an internal or external audit recommend a review
6. Unit is subsidized

## **G. Deficits/Surplus**

The recharge activity must operate on a break-even basis. It is acknowledged there may be seasonal fluctuations in the units operations. Hence the unit must operate within the surplus/deficit tolerances described below. If the unit exceeds these tolerance levels i.e. a large deficit /surplus as defined in (i) below, they must take immediate action to establish a plan to rectify the situation and bring the unit within the acceptable levels of tolerance. All unaddressed out of tolerance deficits at fiscal year's end will be subject to the provisions of the campus' deficit resolution policy (<http://campuspol.chance.berkeley.edu/policies/deficitresolution.pdf>).

### **i. Definition of large deficit / surplus**

A large deficit / surplus is defined to be a general ledger balance where:

Balance > 1 month operating expense, where 1 month's operating expense (tolerance) is a calculated as a rolling 12-month average.

If the balance at time of review is distorted due to seasonal inflows of recharge revenues or outflows of expenses, an average balance can be calculated over the seasonal cycle. Requests for alternate balance calculations may be sent to the recharge committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) through the control unit. Requests should discuss the need for an alternate balance calculation, propose an alternate calculation methodology, discuss the risks associated with the use of a standard balance calculation, and indicate whether an alternate balance calculation would apply to a specific time period.

If a recharge unit feels that they need to maintain a balance > 1 month operating expenses on an ongoing basis, they can submit a request to the recharge committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) through their control unit justifying the need for an alternate tolerance calculation. Requests should include a discussion of the need for an alternate tolerance calculation, a proposed alternate calculation methodology, discuss the risks associated with the use of a standard tolerance calculation and indicate whether an alternate tolerance calculation would apply to a specific time period. If the unit does not agree with the decision of the committee they can appeal to the Controllers Office. The recharge unit is subject to mediation by the Controller's Office for any items in dispute.

ii. Deficits

If a unit has a large deficit (see definition above i.), it must develop a deficit reduction plan to clear the deficit. The plan should eliminate the deficit in as short a time as possible. The reduction period should not exceed 3 years. This plan must be submitted through the Control Unit or Dean's Office to the campus Budget Office ([bkbudget@berkeley.edu](mailto:bkbudget@berkeley.edu)) for routing to the Vice Chancellor for Budget and Finance and/or the Chancellor, as appropriate. Any large deficit at June 30 for which an approved deficit reduction plan is not in place will be subject to the university's deficit resolution policy (<http://campuspol.chance.berkeley.edu/policies/deficitresolution.pdf>).

iii. Surplus

If a unit has a large surplus (see definition above i.), the unit cannot raise its rates unless a detailed review is conducted and a rate increase is approved.

If a unit has a large surplus, they must provide the committee within 3 months of notification with a plan to clear the surplus. The plan should eliminate the surplus in as short a time as possible; the reduction period should not to exceed 3 years. This plan must be submitted to the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) through the Control Unit or Dean's Office as appropriate and must include the Vice Chancellor or Dean signature.

If no plan is received the committee will reduce the published rates for the unit until the surplus has been reduced. The committee will instruct the department to use the new rate in future billings within 30 days of being advised of the new rate. The committee will determine the rate reduction to eliminate the surplus in a period not exceeding 3 years.

## **H. Allowable Costs to be Recovered in Recharge Recovery Rates**

Generally, all costs directly associated with the recharge unit's operation should be charged to the recharge unit. However, costs which are unallowable for government costing purposes may not be charged.

[OMB Circular A-21](#) defines direct and indirect costs for purposes of accounting for federal funds. Under A-21, recharges are considered direct costs to users. Direct costs are those costs that can be specifically identified with an activity, or costs that can be directly assigned to such activities relatively easily with a high degree of accuracy. No recharge activity shall be approved which shifts indirect costs as defined in A-21, to direct costs in violation of the A-21.

Allowable costs which can be included in rate development:

- a) Salaries and benefits of personnel directly related to the recharge activity.
- b) Supplies and reasonable general support costs (e.g., telephone charges and office supplies).

- c) Equipment depreciation (straight-line basis) and depreciation of capitalized improvements – excluding equipment purchased by federal funds or those claimed as cost sharing on a federal project.
- d) Maintenance and repair/alterations costs - defined as regularly recurring disbursements to keep property in an efficient operating condition and, therefore, not capitalized.
- e) Installation charges and allowable lease and loan costs. [See Section I](#) –“funding of recharge capital assets” for further information on allowable lease and loan costs.

Unallowable costs which cannot be included in rate development:

- a) A-21 unallowable costs (e. g. federally unallowable: bank card fees - 57323, bad debts - 57356, legal fees - 57332, fines & penalties - 57330, entertainment - 57006, membership – 57353, donations & contributions -57351 and advertising costs -56611). If you are including interest on capital leases in your recharge proposal 57320-57322 (not operating lease expense), please see [Section I](#) for allowability.
- b) Costs of capitalized improvements, including renovation costs or significant alterations or structural changes to plant assets which increase the usefulness, enhance the efficiency, or prolong the life of the property.
- c) Internal interest charges.
- d) Administrative full costing assessments (can be included as a surcharge for external users only)
- e) Equipment purchases (unless useful life is one year or less).
- f) Exceptional charges that did not occur through the normal course of business; e.g. costs related to non recovery of recharge income due to the department not billing recharge customers in accordance with the University recharge billing policies.

A recharge unit should not normally include charges for its use of space – building depreciation cost component, utilities, nor the University’s general and administrative costs as these are funded from other sources. However if the unit incurs additional specialized costs such as leasing cost for offsite facility which are not funded from other University resources, these can be included in the rate and costs of the unit. These specialized space costs should be disclosed on the self certification form.

## **I. Capital Equipment, Depreciation and Equipment Reserves**

Capital (inventorial) equipment are stand alone items with a useful life >1 year and value >\$5,000. Capital equipment assigned to the recharge activity **cannot** be charged directly to a recharge center. The equipment should be depreciated and the depreciation expense should be included as a cost in the rate development and charged as an expense to the recharge center, except as follows:

- a) Equipment funded by the Federal government or is identified as cost sharing to a federal project.
- b) Equipment funded by an award under a private contract and the contract is not completed (If the contract is completed and there is remaining life in the asset, the unamortized balance remaining at the end of the life of the asset can be depreciated

and included in the rate calculation – say asset has useful life of 5 years but 3 year life of the award, then asset may be depreciated for the remaining 2 years.)

All recharge unit equipment must be entered into BETS. This system is used for both financial and government reporting purposes. All recharge center assets regardless of funding source must be properly identified in BETS. All assets whose depreciation has been included in rates must be identified in BETS by selecting the recharge flag button.

#### Funding of recharge capital assets

Federal guidelines do not allow the purchase cost of equipment to be charged directly to the recharge center. Purchases of equipment must be funded from other sources including equipment reserves, gift funds or other unrestricted fund sources.

Interest associated with the purchase of such assets (e.g. interest component of a capital lease) is allowable when it satisfies the following criteria:

- a) Interest must be paid to outside third party.
- b) The equipment must have been received on May 8, 1996 or after.
- c) For acquisitions prior to May 8, 1996, the purchase price or capitalized cost must be \$10,000 or greater.

Donated equipment is considered to be the equivalent economically of a cash donation which is subsequently used to purchase equipment. When a recharge center receives an equipment donation, the use of the equipment may be depreciated through the recharge center. The donated asset must be properly identified in BETS as a recharge center asset.

#### Depreciation

Depreciation is an accounting term which recognizes that a capital asset's value is spread out over its useful life. The asset is "consumed" over an extended period of time, typically several years. This period is called the useful life of the asset.

The recharge unit should use the useful lives established by the University to calculate depreciation for all equipment assets acquired on or after July 1, 2000. See tables at <http://eulid.ucop.edu/index.php>. Units may have the need for new classifications of equipment with new useful lives, due to previously non-existent types of items or due to the need for finer gradation of existing classifications. The Office of the President will consider requests for additions or updates to the University Useful Life table for equipment as necessary throughout the year. All requests are processed through the campus Controller-General Accounting. Please use the form at <http://controller-staging.vcbf.berkeley.edu/recharge/Policies/depreciation.htm> and submit your requests to [gao@berkeley.edu](mailto:gao@berkeley.edu).

If a) there is a timing delay in the update to the University Useful Life table, or b) Office of the President declines the recharge unit's request and there is a significant difference between the asset life reflected in these tables and the unit's experience of the useful life of this equipment, the unit's experience of the asset life should be used to reflect the actual life of the asset. If the University table is not used, this should be noted in the self-certification form (question 17) with an explanation, supported by an analysis, of why a

different useful life was used. In all cases, however, depreciation must be charged on a straight-line basis over the useful life of the asset.

Depreciation must be charged in the fiscal year of acquisition. We recommend charging depreciation commencing in the month in which the equipment was acquired. If an asset's acquisition date and the date it is placed in service are significantly different (period >10% of the asset's useful life), please contact the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) for guidance on booking depreciation expense. If a recharge unit manages a large number of assets and there are a large number of acquisitions each year, to minimize the administrative burden of tracking the date of acquisition and service dates on the large number of assets, the recharge unit has the option to adopt a "half year" convention in the first year of purchase. If a unit adopts this convention it must be uniformly applied to all assets identified within the recharge unit. Under the "half year" convention the asset is depreciated for six months in the year it is acquired regardless of the actual date it was purchased. For example for equipment acquired in October 2005 with a three year useful life and a value of \$6,000; under the half year convention depreciation entries for the asset would be \$1,000 in FY05-06, \$2,000 in FY06-07 and FY07-08, and \$1,000 in FY08-09. Using the actual month the asset was placed in service, depreciation for the same asset would be recorded as \$1,500 in FY05-06, \$2,000 for FY06-07 and FY07-08, and \$500 in FY08-09.

Departments may occasionally have the need for new classifications of equipment with new useful lives, due to previously non-existent types of items or due to the need for finer gradation of existing classifications. The Office of the President will consider adding these to the UC wide recommended useful life tables. Please submit your requests to General Accounting at [gao@berkeley.edu](mailto:gao@berkeley.edu). Please include reason for request, model no. and description, manufacturer's name and contact (including telephone number); and if requesting a finer gradations of existing classification, please include current equipment code and useful life along with justification for finer gradation.

The department should make the following **financial** entries at least on an annual basis to record the depreciation expense. (Note Flexfield and Project fields can be used and are optional. They have not been included in the chartstrings below.)

	<u>Dr</u>	<u>Cr</u>
Recharge depreciation expense (a/c 54251 - Fund 6xxxx - Org zzzzz - Program xz)	X	
Contra depreciation exp. (a/c 54252 - Fund 6xxxx - Org zzzzz - Program xz)		X
Inter fund balance transfer (a/c 34039 - Fund 6xxxx - Org zzzzz)	X	
Inter fund balance transfer (a/c 34039 - Fund 76xxx - org zzzzz)		X
Interfund balance* (a/c 23502 - Fund 6xxxx)		X
Interfund balance* (a/c 23502 - Fund 76xxx)	X	

*\*these two entries will be automatically generated by the system*

The department should also make the following **temp budget** entries at least on an annual basis to complete the depreciation action. Since the journal will contain a fund balance account, a Budget Office Analyst will review and approve the journal prior to

posting. Note the use of a central org code for transactions with a 39000 account code and the absence of program, project and flex codes.

	Dr	Cr
Equipment- Inventorial (a/c 54200* – Fund 6xxxx - org zzzzzz—program xz)	X	
Inter fund balance transfer (a/c 39000 – Fund 6xxxx - org 00800, program (blank))		X
Equipment- Inventorial (a/c 54200*—Fund 76xxx -org zzzzzz—program xz)		X
Inter fund balance transfer (a/c 39000—Fund 76xxx -org 00800, program (blank))	X	

*\*use account code 54100 for computer equipment*

Example

Dept A owns equipment with 5 year useful life at an original cost \$10,000. After 5 years the department replaces the equipment.

Note: This is an example, the Org, Program and Fund used are only included as an example. Your own Org. code, Fund and Program codes should be used in the actual entry.

Record recharge depreciation expense

In year 1, the following financial entries are made:

- 1) Department records depreciation expense (a/c 54251) and contra expenditure entry (a/c 54252) for: Recharge Fund (6xxxx), Org (21551), Program (72). In this example the department does not use flex field or program
- 2) Dept. records financial fund transfer to equipment replacement reserves (this entry reduces the fund surplus arising from rate charged after taking into account depreciation versus actual expenditures excluding depreciation charged in the expenditure accounts)

<p>Depreciation Expense ( a/c 54251 – Fund 6xxxx – Program 72 – Org 21551)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Dr</td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Cr</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;">2,000</td> <td></td> <td></td> </tr> </table>		Dr	Cr	2,000			<p>Inter Fund Balance ( a/c 34039 – Fund 6xxxx – Org 21551)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Dr</td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Cr</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;">2,000</td> <td></td> <td></td> </tr> </table>		Dr	Cr	2,000		
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<p>Contra Depreciation Expense ( 54252 - fund 6xxxx – Program 72 – Org 21551)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Dr</td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Cr</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;"></td> <td></td> <td style="text-align: center;">2,000</td> </tr> </table>		Dr	Cr			2,000	<p>Inter Fund Balance Transfer (a/c 34039 - Fund 76xxx – Org 21551)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Dr</td> <td style="width: 25%; text-align: center; border-bottom: 1px solid black;">Cr</td> </tr> <tr> <td style="border-right: 1px solid black; padding-right: 5px;"></td> <td style="text-align: center;">Year1</td> <td style="text-align: center;">2,000</td> </tr> </table>		Dr	Cr		Year1	2,000
	Dr	Cr											
		2,000											
	Dr	Cr											
	Year1	2,000											

These entries are repeated each year until the asset is fully depreciated, the asset is disposed of, or the asset is longer in use.

Purchase new asset to replace old asset after 5 years

- 1) Purchase new equipment for \$10,000, Waste Processing Unit, use account for “other equipment” purchase (54210 )
- 2) Use replacement reserve (Fund 76xxx) to "fund" the purchase. Fund 76xxx will close out to zero at the end of the year in this example.

<b>Equipment Expenditure</b>		<b>Interfund balance transfer</b>	
(Expense account – 54210, Fund 76xxx, Program 72, Org 21551)		( Fund balance account 34039, Fund 76xxx, Org 21551)	
		Dr	Cr
1)	Year6 10,000		
	Accounts Payable		
	Dr		Cr
1)			Year6 10,000

  

		Dr	Cr
			Year1 2,000
			Year2 2,000
			Year3 2,000
			Year4 2,000
			Year5 2,000
			10,000

Equipment Threshold Change Effective July 1, 2004

Effective July 1, 2004 the equipment capitalization threshold was raised from \$1,500 to \$5,000. Any equipment received on or after July 1, 2004 costing less than \$5,000 and having a useful life of less than one year must be expensed in the year of acquisition. Recharge center assets received prior to July 1, 2004 with an acquisition cost between \$1,500 and \$5,000 may continue to be included in recharge rates as depreciation until the asset has been fully depreciated.

Additional information regarding depreciation and more examples of depreciation entries can be found in the depreciation document on the recharge web site:

<http://cfo.berkeley.edu/recharge>

Reserves

Through the entries above, an equipment replacement reserve fund is established. The equipment replacement reserve (fund 76xxx) should be used to “fund” the future replacement of expended assets needed for the recharge operation. Use of the equipment replacement reserve fund for other recharge unit expenses is by exception only and subject approval. Requests for alternate uses of equipment reserve funds may be send to the appropriate Control Unit or Dean’s Office and should describe the proposed use of the reserve fund including the dollar amount to be used. The request should also discuss the unit’s future capital needs and how they will be met in the absence of a fully funded equipment replacement reserve. The Control Unit or Dean’s Office will approve or deny the request then notify the recharge unit and the recharge committee. Use of reserves to

cover operating deficits that exist at fiscal year's end, however, will continue to be reviewed and approved through the campus' deficit resolution process.

A decommissioned recharge unit may use its equipment replacement reserve fund to offset any recharge operational deficit. Balances in the reserve fund beyond deficit coverage may be retained by the department.

## **J. Recharge Center Inventory**

If the recharge center supplies a product, e.g. printed stationary, the goods purchased for "resale" should be charged to an inventory G/L account. This is a balance sheet account in the range 14XXX. Recharge center managers should contact the General Accounting Office for more information on the accounting requirements and responsibilities for this type of account.

If the unit's inventory exceeds \$50,000 they must charge inventory to this 14XXX account. For units with smaller inventory balances it is recommended that they use this account if the timing of inventory purchases significantly affect the results of the operation throughout the year i.e. before adjusting for the inventory balance, the recharge center is outside of the recharge breakeven tolerance ranges.

If an inventory account is used, the recharge unit must perform a physical inventory of all goods at least once a year.

It is recommended that the inventory account is adjusted on a monthly basis to reflect purchases to and sales from this account. This will also allow a unit to monitor its operations more accurately. If this is not possible, the unit must at least once a year in June, make a year end adjustment to reflect the correct year end balance in this account. The balance in the G/L must be supported by inventory records which include the number and cost of products on hand.

Inventory should not be valued at the current replacement cost. Inventories must be valued at cost (using the average cost method) or net realizable value whichever is less. "Net realizable value" means the price at which one can reasonably expect an item to sell. For example, if an inventory becomes obsolete, it should not be carried in the accounting records at cost. It should be adjusted down to \$0 or the salvage value of the inventory. "Cost" is the average the cost per unit, net of discounts taken (but including taxes, shipping and handling). As new purchases are added to the inventory, a new average cost per unit is determined. As goods are taken out of the inventory, the value of the inventory is reduced by the average unit cost in effect. If the unit cannot value inventory under the average cost method, please contact General Accounting for further guidance on whether the unit's preferred method is appropriate.

## **K. Rate Development**

Rates for goods and services must reflect the full cost of the operation, net of any approved subsidies, and the same rates must be charged to all internal users. In establishing recharge rates, a recharge center cannot discriminate against any internal group of users. A recharge center must charge all internal users the same rate for the same level of services or products purchased under the same circumstances. Rates should



not differentiate amongst internal users. The use of special rates, such as for high volume work or less demanding non-scientific applications, is allowed, but must be equally available to all users who meet the criteria.

The federal government does not prevent a unit from charging external users a higher rate than that charged to internal users. However, revenues from external users should be tracked separately. All users of the facility must be billed for services.

External users of a center may not be charged at a rate less than that charged to internal UC Berkeley users. They may be charged a higher rate. [See Section O](#) below for surcharges to external consumers.

Rates must be reasonable. Rates are considered reasonable if the nature of the costs and the related goods or services acquired or applied to provide the recharge service, reflect the action that a prudent organization would have taken under the circumstances prevailing at the time the decision was made to incur these costs.

Considerations involved in the determination of the reasonableness of a rate are:

- a) Whether or not the costs included in the recharge rate are of a type generally recognized as necessary for the operation of the recharge service;
- b) The restraints or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, and any other related terms and conditions in the normal course of business;
- c) Whether or not the department concerned acted with due prudence in the circumstances, considering their responsibilities to the University and the Federal Government, and the public at large; and,
- d) The extent to which the actions taken with respect to incurring these costs are consistent with established institutional policies and practices applicable to the work of the institution generally.

## 1. General Rate Calculation

In its simplest form, or for a one product service center, a recharge center's rate is cost-based. Users are allocated a share of the recharge center costs based on their relative use of the recharge center's products or services. A single, unitized cost rate (cost per unit of output) is used to recover the expense of providing a product or service. This rate is calculated by dividing the total budgeted cost for providing the product or service by the total projected level of activity for the budget period.

"Total budgeted expense" equals all costs directly associated with a recharge center's operations.

"Projected Level of Activity" is the total estimated volume of work to be performed in a recharge center, expressed as labor or machine hours, CPU time, or units of products or services to be provided. This is the denominator to be used in the calculation of the recharge center rate, as shown below. The actual level of activity multiplied by the recharge center rate determines the amount to be charged to each user.

$$\text{Rate} = \frac{\text{Total Budgeted Expense} \\ \text{(Plus Prior Year Deficit, or} \\ \text{Minus Prior Year Surplus)}}{\text{Total Projected Level of Activity} \\ \text{For the Budget Period}}$$

While most recharge center rates will be cost based for each specific service or product, a recharge center offering multiple related services or products may establish rates for a variety of services that, in aggregate, recover the total costs of the center. The center must be able to demonstrate it has made reasonable assumptions in allocating common costs which cannot be easily identified to a specific service or product within the center.

Rates are normally calculated on an annual basis. Adjustments may be made as needed during the year to accommodate changing circumstances and to ensure the unit remains within tolerance.

## 2. Alternative Rate Structures

Some recharge centers may experience special circumstances which call for rates utilizing an approach different from the general rate calculation. Rate structures or pricing mechanisms may be used as described below, but only if the resulting rates are non-discriminatory with respect to specific classes of users, e.g., Sponsored Research Contracts and Grants.

### *i. Subsidized Rates*

For various reasons, a department may wish to have its recharge center charge its users less than fully costed rates; and may choose to subsidize center operations with operating budget or other unrestricted funds. In these circumstances, a center should first calculate a fully costed rate in accordance with the “General Rate Calculation” discussed above. A percentage discount can then be applied to the fully costed rate to derive the desired subsidized rate to be used throughout the year. Subsidized rates must be consistently charged to all internal university center users. External users should be charged the fully costed rate(s). [See Section O](#) for surcharges to outside users.

### *ii. Stores Service Centers*

A stores recharge center rate is determined by dividing its administrative or operating costs by its projected cost of goods sold. Its rate is, therefore, a markup percentage on the cost of goods sold. If this method is adopted, the markup needs to fairly represent the operating and administrative services provided by the unit for the goods or services. If the cost of providing the operating and administrative services is similar for a \$1,000 or a \$100,000 order, then this method should not be used.

### *iii. Time-of-Day*

Recharge centers that have a wide fluctuation in usage during the day may establish a time-of-day rate structure. Higher rates may be charged during hours of peak use, "prime time," to provide incentives to reduce the demand for services during these times. This structure helps all users by improving performance during peak hours and encouraging the utilization of off-peak hours, thereby reducing the cost for additional equipment. Recharge centers utilizing a time-of-day rate structure must show that all users have an opportunity to use the center during non-peak hours and that no particular user, especially Sponsored Research Projects, is disadvantaged by the proposed rate structure. This type of rate structure is used most frequently in computer and communications service centers and also with use of scientific equipment such as magnets for magnetic resonance imaging (MRIs).

#### *iv. Computer Shares*

Computer facilities may charge users based on the computer "shares" concept. The computer capacity is divided into shares. Users purchase shares necessary to meet their computing requirements.

#### *vi. Volume Discounting*

Sometimes economies of scale dictate that a large quantity of a product or service can be provided to a customer at a lower overall cost than the normal per unit rate. Such a volume discount is allowed as long as it is 1) disclosed and justified in the service center's proposed budget and rates; and 2) its effect is not discriminatory to a single type of customer, other than by amount of product or service provided.

#### *vii. Other*

Other cost/rate structures to meet specific recharge center needs may be approved, but must be in compliance with Federal Cost Principles (A-21 and CAS).

### **L. Rate Submission and Approval**

Self certification forms and list of rates are required for all recharge activities greater than \$50,000/yr in recharge income/revenue:

- i) Annually in March
- ii) When a unit wants to change existing rate
- iii) When a unit wants to add/delete rates
- iv) When a department wants to establish a new recharge center

The forms must be forwarded either electronically or via hard copy to the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) no later than March 31<sup>st</sup> for the annual certification process and at any time of year for times (ii) – (iv), regardless of whether a self certification form was submitted in March. The Recharge Committee will notify the appropriate Vice Chancellor or Dean of all delinquent self certification forms each April 1. Delinquent forms put the recharge unit and the university at risk for audit findings and

disallowances, and may result in further actions such as the withholding of income until the self certification form is received by the Controller's Office.

In most cases rates will be posted to the web on receipt in the Controller's Office of a completed self certification form and list of rates. Rates for a new recharge unit or new rates within existing recharge units or rates subject to a detailed review will be centrally reviewed prior to posting to the web. All rates posted to the recharge web site are considered "approved".

Campus recharge units should only charge the rates posted to the University's recharge web site at <http://cfo.berkeley.edu/recharge>. It is the recharge unit's responsibility to advise its customers of any rate changes. If discrepancies are found in the submission, the committee will determine if these errors are significant enough to warrant adjustment of prior billings. If the unit does not agree with the determination of the committee, they can appeal to the Controller's Office. The recharge unit is subject to mediation by the Controller's Office for any items in dispute.

All new rates must be approved by your Department Head and Control Unit prior to submission to the Controller's Office, with the exception of units under the Executive Vice Chancellor and Provost (EVCP). In these cases the Dean must approve the rate, prior to submission.

Retroactive rate submission will not be accepted.

If your unit has fallen below the threshold of \$50,000 annual activity, and you believe this reduction to be of a permanent nature, you can exempt your unit from the self certification process by sending an email to your Control Unit or for units under the Executive Vice Chancellor and Provost, the Deans Office, advising of the change. If in agreement, the Control Unit/Dean's Office will forward the information to the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) advising that the unit no longer meets the criteria for a recharge center. We will then remove your unit and rates from the list of centrally monitored units. In future years, if you find the unit's recharge income exceeds \$50,000 and is considered to be a permanent increase, please follow all the required recharge policies and procedures including the self certification process described above.

For example, if your annual activity is at \$49,457, and you anticipate future recharge income/expenses to be over \$50,000, you should complete the certification process. However, if you are looking at projected income of, for example: yr1 \$45,000, yr 2 \$45,800, yr 3 \$39,700, etc. then it would be appropriate to exempt yourself from the process.

Units under \$50,000 in recharge income although exempted from the review process should follow the recharge policies and procedures as their "best practice" operating regulations. Similarly, all pass-through activities are exempted from the review process but are be subject to [section G](#) and [section Q](#) of recharge policy.

## **M. Recharge Budgets**

All recharge operations greater than \$10,000 must be permanently budgeted. Each recharge permanent budget must be revised at the end of each year to reflect the revenue and expenditure levels expected in the following year. The fiscal close schedule includes

a deadline for these revisions. The budget transaction code to use for the revisions is 50. As part of this yearly revision, units are expected to cover any deficits created in account code 58000 as a result of salary actions (merit, range, upgrading or downgrading).

By extension of the permanent budget, all recharge funds must be budgeted in the temporary budget. The July adjusted budget reflects the permanent balances as of June 30<sup>th</sup> and units are expected to make any in-year adjustments needed in the temporary budget throughout the year.

Conditions that warrant changes to the permanent or temporary budgets might also be good indicators for rate changes. Units that determine budget changes are necessary for their recharge operation should review rates to ensure that they cover their current and anticipated costs while avoiding out of tolerance surpluses.

Equipment depreciation transactions will also require budgetary action. See [Section I](#) for details.

## **N. Billing**

See recharge billing policies and procedures at:  
<http://cfo.berkeley.edu/recharge-billing-policies-and-procedures>

## **O. External Customers, Account Codes for Recharge Income, Surcharges and Sales Tax**

### External customers

Goods or services should not be provided to external consumers except where they are specialized or unique and their existence is primarily to support the academic mission of the campus. Charges to outside consumers should include a surcharge to recover campus indirect costs. The primary reason recharge centers exist is to share resources and provide services for internal users. Inappropriate outside use of recharge center facilities could jeopardize the University's tax-exempt status for various purposes, give rise to claims of warranty and other liabilities, or appear to involve unfair pricing in relation to service providers in the local business community.

Situations may arise, however, where the unique nature of a recharge center's products or services and other factors justify allowing external users limited access to those products or services. Providing goods or services to external users also results in additional accounting and monitoring for the operations. If goods or services are provided to external consumers, charges to external consumers should include a surcharge to recover campus indirect costs.

An external user is an entity or person over whom the University has no fiduciary responsibility regardless of the user's relation to the University's mission (e.g. students, staff and faculty acting in a personal capacity, other Universities (non UC), commercial entities, and public at large). However the University has identified the following organizations which are directly affiliated with the University: Alumni House, UC Foundation, International House, MSRI, UC Affiliated DOE laboratories (Berkeley,

Livermore and Los Alamos), other UC Campuses, The Faculty Club and Women's Faculty Club. These entities are defined as internal customers for recharge purposes and are generally not subject to surcharge. However, recharge units are allowed to charge a surcharge to affiliated entities up to or less than the current full costing assessment amount. Auxiliary units and self supporting units are not subject to surcharge as they are considered to be campus entities.

#### Account codes for recharge income

All charges to outside entities should be recorded in the appropriate revenue account 46xxx or 48xxx. The appropriate revenue account should be selected based on the goods being provided or service being performed. Recharge income from internal customers should be coded to account 59000.

For example: Sales of telecommunication services to outside entities should be charged to account 48020. The internal departmental telecom recharges are made to account 59000.

#### Surcharges

Charges to external consumers can also include a surcharge to recover campus indirect costs. As noted above all charges to external entities including surcharges should be recorded in the appropriate revenue account 46xxx or 48xxx.

At the time of billing the unit should code surcharges to fund 60050 if the revenue accounts used are in the range 46xxx, and fund 66350 if the revenue account used is in the range 48xxx. This will ensure the recharge fund only reflects recharge income and recharge expenses and the balance are not distorted by surcharge income. This surcharge income is used to cover other indirect expenses in other fund groups.

Currently, surcharge funds are retained by the department.

#### Sales Tax

For most recharge transactions sales tax does not apply.

- i. Sales tax is not assessed on recharge sales to internal customers.
- ii. Sales tax is also not applicable if there is no exchange of tangible personal property i.e. only services are involved.
- iii. Sales tax is not applicable if the tangible goods are bought for resale by the external consumer.

Any tax imposed will be a cost passed on to the recharge center user. Any sales tax collected becomes a University liability. Sales tax is assessed on cost of goods sold, the recharge center charge (mark-up) and surcharges.

See <http://www.ucop.edu/ucophome/policies/sutm/> for further information.

## **P. How to Establish a New Recharge Center**

- i. Review all sections of this document.
- ii. Ensure the operation meets the criteria of a recharge unit.
- iii. Discuss the proposal with control unit to ensure it is in accordance with the missions of the unit and the University. Discuss the proposal with the recharge committee staff to understand roles and responsibilities for the new recharge unit.

A proposal to establish a new recharge center must contain the following information:

- a. The recharge unit's name.
  - b. A description of the product(s) or service(s) to be provided, and the potential users (internal and external).
  - c. An explanation as to how the recharge center rate(s) will be determined including:
    1. Detailed annual expense budget, by G/L code (including FTE with salary data) for the proposed unit;
    2. Description of the activity base, its appropriateness, and the projected level of activity for the first year of operation;
    3. The rate calculation(s) using the proposed budget amount(s) and the projected level(s) of activity for the first year of operation.
  - d. The name, title, email and phone number of the individual delegated responsibility by the department chairman, or administrative equivalent, for the unit's financial affairs.
  - e. Submit a list of all of the capital assets already purchased that will be used in the recharge center. The list should contain a description, PO number and BETS property tag.
  - f. The signatures of the department chairman and dean, or their administrative equivalents, indicating the department's acceptance of the financial and operational responsibilities of the recharge center.
  - g. Determine the appropriate revenue / recharge income accounts that are relevant to the operation, see [Section O](#).
- iv. Obtain the approval of the recharge committee for the establishment of the recharge unit.
  - v. Identify the revenue fund(s) to be used; fund 19900 cannot be used to record recharge income. Where possible, the unit should use an existing revenue fund and differentiate the operations using org. code, project and flexfield (see below). If the unit requires a new fund follow the instructions at:  
<http://www.bai.berkeley.edu/gl/codefund.htm>

Surcharge income should be coded to fund 60050 if the revenue accounts used are in the range 46xxx, and fund 66350 for revenue accounts in the 48xxx range. This will ensure that the recharge operation fund only reflects recharge income and expenses and that the operating fund balance is not distorted by surcharge income.



- vi. Set up organization code  
This is the key identifier to distinguish the recharge activity. Departments should try to use their org. code structure to capture their unique recharge activities. The department may use different org codes to record different types of recharge activity within their recharge operation.
- vii. Flexfield / projects  
The unit should consider whether they need to use flexfield or project codes to distinguish and track different types of services within the defined org. code and fund structure for the recharge operation. The unit should develop a structure that enables them to easily monitor and manage the different recharge activities. The unit also needs to consider aspects of materiality when deciding if or how a flexfield needs to be set up. Cost / benefit analysis of setting up and using these fields' needs to be taken into account and monitored during the life of the recharge unit.
- viii. Budget  
If the recharge activity is approved, or if the rates are increased, the unit must have an assigned 6xxxx fund and must create or modify annually the permanent budget for that fund. [See Section M.](#)
- ix. Submit recharge self certification checklist and rate development forms to Control Unit/Deans Office for approval prior to commencing operations. The Control Unit will forward the documents to the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)).
- x. Provide the Recharge Committee with recharge contact name, email address and phone number if different from the contact name provided on the self certification. Note: this person will be the main contact for information on recharge policies, procedures and changes in these policies & procedures. It will be their responsibility to ensure these items are acted on and communicated throughout the department. They will also be a contact for general questions from other campus units on recharge operations in the department and will be the contact name on the recharge web site.
- xi. Set up recharge billing and financial journal process to ensure that valid chartstring information is received from customers and that customers are billed accurately and on time, and provided with supporting documentation for the charges. The recharge unit assumes any risk associated with nonpayment of goods and services when goods and services are provided in advance of valid customer billing information. See Recharge Billing Polices and Procedures at: <http://cfo.berkeley.edu/recharge-billing-policies-and-procedures>
- xii. If unit will be using capital equipment to provide services, identify assets, determine assts lives and depreciation schedule. Review appropriate entries required to record depreciation, see [section I](#). Consider frequency of booking depreciation entries & identify appropriate reserve funds to record description entries.
- xiii. If unit will be using inventory, ensure you comply with [section J](#). You will be required to make an inventory adjustment at least once a year.
- xiv. Set up procedures to review recharge activity on a regular basis, preferably monthly, but at least on a quarterly basis. The review should include monitoring rates, recharge surpluses, deficits, and ensuring the center complies with Federal & University policies and procedures.



## **Q. Closure of Recharge Operations**

Within 10 days of deciding to close a recharge operation, please email your Control Unit or Dean's Office (for units under the Executive Vice Chancellor & Provost) and the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)), advising of your decision. In addition, please advise when the operation will close and how you intend to account for any remaining surplus or deficit. On receipt of this information, we will make all appropriate changes to the recharge web site.

When a recharge unit ceases to operate, the remaining balance must be treated as follows:

### For surplus balances:

If the surplus > 1 months operating costs, the balance will be refunded back to the unit's recharge customers on a pro-rata basis, within 30 days of closure. The refund will be allocated on the basis of charges made to these customers in the last 12 months. If the surplus < 1 months operating costs, the balance is retained by the sponsoring unit and moved to an appropriate chartstring.

### For deficit balances:

If the unit closes with a deficit balance, the balance must be transferred financially to an appropriate chartstring within the department. If it is not moved by the fiscal year's end, the entire deficit balance will be subject to the terms of the deficit policy without the application of a tolerance. A decommissioned recharge unit may use its equipment replacement reserve fund to off set any recharge operational deficit. Balances in the reserve fund beyond deficit coverage may be retained by the department with central Budget Office approval.

## **R. Recharge Forms**

Self Certification and Checklist Form: [Recharge Forms & Templates](#)

Self certification forms and list of rates are required for recharge operations greater than \$50,000/yr in income/revenue:

- i. Annually in March
- ii. When a unit wants to change existing rate
- iii. When a unit wants to add/delete rates
- iv. When a department wants to establish a new recharge center

The forms must be forwarded to [recharge@berkeley.edu](mailto:recharge@berkeley.edu) no later than March 31<sup>st</sup> for the annual certification process and at any time of year for times ii) – iv), regardless of whether a self certification form has been submitted in March.

If your unit has fallen below the threshold of \$50,000 annual activity, and you believe this reduction to be of a permanent nature, you can exempt your unit from the self certification process by sending an Email to your Control Unit or for units under the Executive Vice Chancellor and Provost, the Deans Office, advising of the change. If in agreement, the Control Unit/Deans Office will forward the information to the Recharge Committee ([recharge@berkeley.edu](mailto:recharge@berkeley.edu)) advising that you no longer meet the criteria. We will then remove your unit and rates from the list of centrally monitored units. In future years, if you find the unit's recharge income exceeds \$50,000 and is considered to be a

permanent increase, please follow all the required recharge policies and procedures including the self certification process described above.

For example, if your annual activity is at \$49,457, and you anticipate future recharge income/expenses to be over \$50,000, you should complete the certification process. However, if you are looking at projected income of, for example: yr1 \$45,000, yr 2 \$45,800, yr 3 \$39,700, etc. then it would be appropriate to exempt yourself from the process.

Units under \$50,000 in recharge income although exempted from the review process unit should follow the recharge policies and procedures as their “best practice” operating regulations.

#### Rate Change Form

This form in addition to the self certification form must be completed when submitting any rate change.

#### Rate development templates:

If your proposal meets the criteria requiring review by the recharge committee, described in [Section F](#), please complete the appropriate rate development template in addition to the self certification form and rate change form.

[Hourly Rate Sample/Template](#)

[Mark-up Sample/Template](#)

[Per-item Sample/Template](#)

All the above forms, correctly authorized, should be submitted through your Control Unit / Dean’s Office to [recharge@berkeley.edu](mailto:recharge@berkeley.edu)

### **S. Records Retention**

Recharge center charges are subject to audit as long as the contract or grants which they charge (either directly or indirectly) remain subject to audit requirements. Recharge centers are also subject to periodic review by the University’s Audit and Advisory Services department and by external auditors, to evaluate compliance with established university policies and accounting practices. Therefore, recharge center activities must be adequately documented and records maintained to support expenditures, billings, rate development and cost transfers. Each recharge center must, at a minimum, retain the following records:

- i. Documentation to support the proposal and establishment, along with the approval for the recharge center: 5 years after unit is decommissioned.
- ii. Documentation as to how the rate(s) were calculated: support for rates in existence for last 5 years
- iii. Supporting documents related to expenses incurred, see UC retention guidelines for payroll, AP vouchers, invoices, journals etc at <http://www.policies.uci.edu/adm/records/721-11a.html> .
- iv. Records supporting the amount and basis of billings (recharge income): 5 years