Purpose

This policy and procedure governs the financial management of specialized service centers and recharge centers. The policy and procedure are intended to provide consistent financial practices among the special service centers and recharge centers and to ensure compliance with the federal cost principles for education institutions contained in 2 CFR Part 220 (formerly OMB A-21) and the federal Cost Accounting Standards.

Policy

Academic and administrative offices may engage in the sale of goods and services only when those goods or services are directly and substantially related to the mission of the university. All recharge and specialized service center rates are required to be approved by the Controller’s Office on an annual basis.

The financial activity of a recharge center or specialized service center is expected to break even on an annual basis. Any remaining operating surplus or deficits are required to be reflected in an adjustment to the future rates. All rates established by the recharge center or specialized service center must be non-discriminatory; however, rates to external customers can be higher, not lower, than rates charged to internal users.

This policy does not apply to Tuition, Fees, Housing and Board revenues established by the Provost’s Office and to Parking revenues established by the Vice President for Business and Operations.

Definitions

Recharge Centers are organizations units or activities that provide services or goods to university departments or external customers. The organization unit providing the good or service applies a charge to the internal or external customers utilizing a predetermined rate for the good or service. The predetermined rate includes the direct operating cost of the recharge center, such as salaries, benefits and non-salary expenses.

Specialized Service Centers are service centers that use highly complex or specialized facilities. The specialized service center predetermined rate include full costs (direct and indirect costs) and is developed based on the regulations set forth in 2 CFR Part 220 (formally A21).

Predetermined Rate is the price used to recover the cost of goods or services. If a recharge center or specialized service center provides distinctively different goods or services, it determines a rate for each separate service or major product line.

Procedures
1. Establishing a new Recharge Center/Specialized Service Center
   a. The prospective department is required to submit the new fund request form and recharge center/specialize service center proposal form to the Controller’s Office for review and approval. (Please forward all submissions to the Deputy Controller, MB, RM201.)
   b. If approved, the Controller’s Office will setup a new fund, budget and standard journal entry number for the new Recharge Center/Specialized Service Center.

2. Submitting annual predetermined rates
   a. Predicted rates are required to be submit to the Controller’s Office on annual basis by September 1st. (Please forward all submissions to the Deputy Controller, MB, RM201.)
   b. Rates are required to be approved before the annual budget is established.
   c. Surpluses and deficits from prior fiscal years are required to be included in the predetermined rate calculation, subject to the following:
      i. Deficits that cannot be covered by the rate adjustment must be funded by the responsible department; and
      ii. A deficit may be recovered over more than one year with the prior approval from the Controller’s Office.

3. Monthly allocation of charges
   a. Recharge Center/Specialized Service Centers are required to allocate internal charges to departments on a periodic schedule.
   b. The responsible department is required to utilize the standard journal entry number and journal entry form established by the Controller’s Office.
   c. All external customers are required to be billed on a periodic basis. All billing information is required to be sent to the Bursar’s Office for processing and creation of an invoice. Departments are prohibited from invoicing independently except in the following circumstances:
      i. Approval has been secured from the Controller’s Office to invoice external customers from the organizational units accounting system; and
      ii. The organization unit is establishes a MyStore website for processing payments.

Guidelines

1. Rate Setting
   a. Usage
      i. All usage must be traced and factored into the rate calculation; and
      ii. The rate for a particular good or service is calculated by dividing the total annual expenses for providing the good/service by the total annual usage for the good/service.
   b. Rates/Charges
      i. All internal departments must be charged the same rate(s) for the same level of service or product under the same circumstances. Volume discounts or other special pricing mechanisms must be equally available to all internal users who meet the criteria.
   c. Audit
i. The records, operations, rates and practices of all Recharge Centers/Specialized Service Centers are subject to audit by the Controller’s Office and Federal auditors.

2. Expenses
   a. Recharge Center Expenses
      i. Internal user rates can only include expenditures directly related to the operation of the recharge center.
      ii. Internal user rates must be based upon and designed to ensure that a center operates essentially on a break-even basis over a reasonable period.
      iii. Costs included in a rate must be reasonable, allocable, allowable and consistently treated.
   b. Unallowable Costs
      i. Recharge Centers must not include the following costs in the rate calculation:
         1. All unallowable costs defined by 2 CFR Part 220 (formerly OMB A21), including, but not limited to, entertainment, interest, bad debt expense, goods & services for personal use; and
         2. Building depreciation, rent and operations and maintenance not paid by the recharge center.
      ii. The cost of equipment with a price of $2500 or greater (on a per item basis) cannot be included; however, equipment depreciation can be included if negotiated with the Controller’s Office prior to rates being made effective.
      iii. Any costs already reimbursed through the Facilities and Administration (indirect) cost rate.
   c. Specialized Service Centers
      i. Allowable and unallowable costs and expenses associated with Specialized Service Centers shall be determined in accordance with the most current regulations set forth in 2 CFR Part 220 (formerly A21).

3. Taxes
   a. If the Recharge Center sells “tangible personal property” to external users, then Illinois sales tax may be applicable. For further information, please contact the Controller’s Office.
   b. If goods or services are charged to external users at more than costs, the university may have a liability for unrelated business income tax (UBIT). For further information, please contact the Controller’s Office.

References

GA-502 Journal Entry Policy
GA-505 Chart of Accounts Policy

Responsibilities

Controller’s Office – Review and approval of new Recharge Center/Specialized Service Center requests and review of annual predetermined rates. The approval and upload of internal recharge center allocations and journal entries. Creation and mail of recharge center invoices for external customers.

Organization Unit – Creation and annual submission of the Recharge Center/Specialized Service Center
rates. Creation and submission of the internal charges journal entry to the Controller’s Office. Predetermined rate calculations are due by September 1st. Rates will be effective for the following fiscal year.

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