Table of Contents

Overview and Types of Recharge Service Facilities ................................................................. 5
Qualification to be treated as a Recharge Service Facility ....................................................... 6
Steps to Establish a Recharge Service Facility ......................................................................... 6
Important Things to Know in Operating the Recharge Service Facility– Federal Guidance and Good Management Practices ................................................................. 7
Detailed Guidance for Rate Proposal Development ............................................................... 7
  Define Product or Service and Determine Related Costs ....................................................... 7
  Estimate Customer and Facility Usage .................................................................................. 8
    Internal ...................................................................................................................................... 8
    External ................................................................................................................................. 8
  Determine Method to Measure Usage for Calculating Rate .................................................... 8
  Unacceptable Bases for User Rates ....................................................................................... 8
Determine Operating Costs (Prepare Budget) ........................................................................ 9
  Salaries, Wages and Benefit Costs ....................................................................................... 9
  Faculty Salaries ..................................................................................................................... 10
  Costs of Supplies and Materials .......................................................................................... 10
Actual expenses for items such as travel, equipment service contracts or long distance telephone calls will be treated as a cost of the facility and included in calculating the user rate if those expenses benefit to recharge service facility activity .................................................. 10
  Equipment ............................................................................................................................. 10
  Depreciation ........................................................................................................................ 10
  Funding for Equipment Used in the Facility ........................................................................ 11
  Using Federal Equipment in the Facility ............................................................................. 11
Lease Costs .............................................................................................................................. 12
Surplus/Deficit ......................................................................................................................... 12
Interest ..................................................................................................................................... 12
Unallowable Costs .................................................................................................................. 12
Assignment of Costs to Individual Rates .............................................................................. 13
Pricing of Multiple Services ................................................................................................. 14
Calculating the Rate ............................................................................................................. 14
  Volume Discounts ............................................................................................................... 14
Subsidy.................................................................................................................................................... 20

Additional funding provided by sources other than the recovery of costs from users......................... 20
Overview and Types of Recharge Service Facilities

There are three distinct types of recharge service facilities.

1. A Recharge Service Facility is a self-supporting operating unit within the University that:

   (1) exists principally to provide research related goods or services to University faculty, staff, or students at no more than the cost of providing the goods or services (break-even);
   (2) bills sponsored programs for such goods or services;
   (3) has operating costs that are funded by charges to the customers receiving the goods or services; and
   (4) has revenues between $10,000 and $1 million annually.

2. A Specialized Recharge Service Facility provides highly complex or specialized services that include, but are not limited to, telecommunication facilities, super computers, animal care facilities (vivarium), wind tunnels, and reactors. Typically, these facilities are very large with over $1 million in revenue. The costs for these services should be charged directly to the users through a billing rate mechanism. Billing rates should include both direct and an allocable portion of F&A costs.

3. A “Core Recharge Service Facility” is a facility that supports the teaching mission of the University, is open to and used by multiple users across University units, has research productivity, and has essential, unusual and unique capabilities. Core facilities may receive funding support from the University.

All Recharge Service Facilities and Specialized Recharge Service Facilities fall within the purview of the Office of Research and Economic Development (ORED) and are covered by these Operating Procedures. Core Recharge Service Facilities fall within the purview of ORED when the facility seeks to charge a fee to a sponsored program for its goods or services. All references in these Operating Procedures from this point forward to “Recharge Service Facilities” or “Facilities” are to Recharge Service Facilities, Specialized Recharge Service Facilities and Core Recharge Service Facilities.

Note that the Office of Auxiliary and Enterprise Development provides oversight of auxiliary operations which are defined as entities that exist to furnish goods or services primarily to benefit University students, faculty and staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. The Operating Guidelines for auxiliaries are on the Auxiliary and Enterprise Development at http://aed.fiu.edu/auxiliary.html.
If you have any question about Recharge Services Facilities, including whether the operation you seek to establish is a Recharge Service Facility or an Auxiliary Operation, please contact the Office of Research and Economic Development (ORED) at recharge@fiu.edu.

Procedures and practices for Recharge Service Facilities must comply with government regulatory costing principles. The Operating Procedures set forth in this document ensures such compliance.

Qualification to be treated as a Recharge Service Facility

1. The activity provides goods or services to a sponsored project. In addition, goods and services may be provided to University departments, students, and/or external customers.
2. The facility operates as a separate, stand-alone entity, and the activity is recorded in a separate activity number.
3. The facility charges all internal customers equally for goods or services at a rate that is calculated to recover costs over a fixed period of time, i.e., one fiscal year.

Steps to Establish a Recharge Service Facility

1. Complete the Recharge Service Facility Rate Proposal form. The Office of Research and Economic Development (ORED) will review the eligibility form and make an initial determination as to the feasibility of the proposed facility.
   a. Identify:
      i. Who will be using your facility? Who are the customers?
      ii. What product(s) or service(s) are you offering?
      iii. Identify all of the personnel, supplies, maintenance agreements and other costs of operating the facility.
      iv. Will the facility be subsidized and who will provide this external funding? (E.g., from a department in the Dean’s office.)
      v. When will the facility begin to charge for providing products and services?
      vi. How much in startup funding will be needed, who will provide the startup funds, and if needed, who will provide resources after the facility gets up and running?

2. Once preliminary approval is obtained, submit Recharge Facility Rate Development Tool to the Office of Budget and Cost Analysis (OBCA). Contact OBCA at 305-348-2494 or recharge@fiu.edu to get latest rate tool version. See “Detailed Guidance for Rate Proposal Development” below for more information.
3. ORED will initiate the process to request a new activity number as soon as the submitted rate tool is approved. Recharge service facility requestor should provide ORED with a Guarantee Activity Number (must be an auxiliary ID).

4. As soon as New Activity Number is setup, ORED will load initial budget based on approved rate calculations.

5. New approved rates should be published on the recharge service facility’s web page.

**Important Things to Know in Operating the Recharge Service Facility– Federal Guidance and Good Management Practices**

- Billing rates should represent actual, not market or estimated cost.
- Customers should be invoiced on a timely basis, as grants close and budgets run low at year-end.
- A large surplus in the operating activity number ID may indicate that you are overbilling your customers and should be used to reduce future rates.
- Costs not allowed on University funds are also not allowed on Recharge Service Facilities.
- Do not include the cost of purchasing equipment in the rate, instead use depreciation factor.
- Review and revise the rate structure regularly, annually is recommended but must occur at least every two years.
- No administrative costs should be incorporated into the rate.

**Detailed Guidance for Rate Proposal Development**

**Define Product or Service and Determine Related Costs**

All Recharge Service Facilities must determine what they are going to sell and the related costs of producing those goods and services. These costs are used to establish a price (billing rate) to charge for those products and services. Billing rates should be established in measurable units and a separate rate should be established for each class of good or service provided. Federal regulations (specifically, the Office of Management and Budget (OMB) Circular A-21, J47.b) requires that the cost of the goods and services, when material, be charged directly to applicable awards based on actual usage of goods and services, and on the basis of a schedule of rates that does not discriminate against federally sponsored activities of the institution, including usage by the institution for internal purposes. In other words, the rates charged to the sponsored project for the goods or services must not be more than the rates that are or would be charged internally within the University for the goods and services. Rates are designed to recover only the aggregate costs of the goods or services.
Estimate Customer and Facility Usage
It is important to determine who will be using the facility, and to estimate how much of the product or service the facility anticipates selling to the customers on an annual basis in order to recover sufficient costs to cover the facility operations. Every type of user of the facility needs to be considered to calculate the rate accurately. The customers may be either internal or external such as sponsored projects, students, industry, or private companies.

Internal
This could be a department, another recharge service facility, project or cost center within FIU.

External
External users are organizations or individuals whose source of funds is outside of FIU. Industry or commercial users fall into this category. In addition, external users include students and any member of faculty or staff acting in a personal capacity. Affiliated entities and other universities are also normally considered external users.

Determine Method to Measure Usage for Calculating Rate
The usage base is the volume of work expected to be performed, expressed in units such as labor hours, machine hours, CPU time, or any other reasonable measurement. The usage base must be measurable. Use the measurement that allocates costs equitably among all users.

For example, a facility that performs tests on samples has two possible units of measure; it could charge per test, or per hour. If some tests take twice as long as others, and labor is a large portion of the cost of performing a test, it is not equitable to charge each user on a per test basis. The equitable base would be to charge on an hourly basis. A recharge service facility may have different measurable units for each type of product it offers.

Measurement examples include:
- Machine hours
- Per page, slide, sample received or test ran
- Number of copies made
- Personnel hours
- Weight

Unacceptable Bases for User Rates
User rates consisting of flat fees that charge per range of actual use such as light, moderate, or heavy use do not comply with the Cost Accounting Standards and may not be used.
Determine Operating Costs (Prepare Budget)
A critical step in the rate determination is preparation of a budget that includes the allowable costs of providing the products and services. Generally, these costs include salaries and wages, fringe benefits, supplies and materials, subcontractors and other outside services, repairs and maintenance, and for existing facilities, the carry-forward surplus or deficit. The cost of operating the facility is estimated either based on prior history or expected usage of materials.

Cost Estimates
Only costs that will be incurred for facility operations may be included in the rates.

Salaries, Wages and Benefit Costs
Total salaries, wages, and benefit costs for all employees involved in producing the products or services are included in the operating costs. This includes employees involved in the administration of the facility, when their time can be accurately measured and they are not already included in the indirect cost rate recovery of the University. The total cost is based on current payroll information including any anticipated raises for employees in the upcoming year, and use of the current benefit percentage applied as the calculated benefit amount. The University submits a new benefit rate each year to the Office of Budget and Cost Analysis; therefore, this amount may fluctuate. For open positions that will be filled in the upcoming year, salaries and benefits can be estimated by using an average salary for the position.

In order to estimate usage, prior year(s) amounts will be used as a starting point and adjusted for anticipated changes. Facilities without sufficient usage history can use available units as a starting point, and adjust for downtime and other intervening factors.

When charging on an hourly basis, the total maximum hours available for a full time employee is 2080 per year. This is the starting point, and is adjusted downward for vacation, sick leave, downtime, etc. For example, a full time employee who uses 288 hours of leave time would have 1,792 billable hours available to work in the facility. See Table 1 below:

<table>
<thead>
<tr>
<th>Total Available Hours of Labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Less: benefit hours</td>
</tr>
<tr>
<td>Vacation hours</td>
</tr>
<tr>
<td>Sick time hours</td>
</tr>
<tr>
<td>Holiday hours</td>
</tr>
<tr>
<td>Total leave taken</td>
</tr>
<tr>
<td>Total Hours Worked</td>
</tr>
</tbody>
</table>
Faculty Salaries
If faculty salaries are to be included in user rates, they will be budgeted and paid from the facility operating activity number. Salary expenditures must be supported through documented effort reporting via the Ecrt effort reporting system. Refer to ORED policy #2350.020, Effort Reporting and Certification.

Costs of Supplies and Materials
These costs include all supplies, materials, and service and maintenance costs necessary for the operation of the facility. Office supplies are generally considered F&A (indirect). However, to the extent office supplies are consumed solely for the operation of the facility in deliverance of its product or service, they may be budgeted and included as allowable costs of the facility.

Departmental facilities will want to monitor costs of supplies and material closely. This is an area that frequently shows up in the federal audits. All supplies and materials charged to the recharge service facility must be clearly identifiable and be under the control of the facility’s staff. Supplies and materials not clearly identifiable with the facility’s product will not be included in the facility’s budget or charged to its operating account.

Actual expenses for items such as travel, equipment service contracts or long distance telephone calls will be treated as a cost of the facility and included in calculating the user rate if those expenses benefit to recharge service facility activity.

Equipment
At FIU, capital equipment is defined as an item with a purchase price over $5,000 and a useful life of at least one year. The actual cost of equipment used in the facility is not an allowable cost for the rate. Capital equipment is not purchased from the facility’s operating funds. Consequently, the cost will not be included in the budget. Costs for the use of equipment in the recharge service facility are recovered through a depreciation allocation in the rate, provided the equipment is not already included in the FIU indirect cost rate.

Equipment that is not capitalized (purchase price under $5,000) may be treated as an operating expense in calculating rates. Refer to the University’s Property Manual for further guidance.

Note: Starting on July 1, 2011 the depreciation threshold increased to $5,000.

Depreciation
Depreciation is charged to the facility’s operating account on the same basis as depreciation used for financial reporting. Such treatment ensures that users pay only for equipment costs associated with the usage in the given year. Each year, facilities will need to budget depreciation amounts to be used in establishing rates for the following year.
Depreciation is computed on the straight-line basis over the following estimated useful lives. See Table 2 below:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20 to 50 years</td>
</tr>
<tr>
<td>Infrastructure and Other Improvements</td>
<td>15 years</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>3 to 20 years</td>
</tr>
<tr>
<td>Library Resources</td>
<td>10 years</td>
</tr>
<tr>
<td>Computer Software</td>
<td>5 years</td>
</tr>
<tr>
<td>Property Under Capital Leases</td>
<td>5 years</td>
</tr>
</tbody>
</table>

The depreciation schedule by asset should be maintained in the source documentation for the facility. The Office of Research and Economic Development (ORED), Office of Budget and Cost Analysis can aid you in developing the depreciation schedule. Useful life of an asset should follow the period used for financial reporting available in Panthersoft.

Facilities may not markup internal billing rates to accumulate a reserve for equipment replacement and additions. This is a frequent error that shows up in the federal audits.

For more detailed information on equipment and depreciation, please refer to the Property Manual located on the web page of the FIU Office of the Controller.

**Accounting for Depreciation Recovery**
At least annually, the portion of the rate collected that is attributable to the depreciation recovery is moved from the operating activity number to the Facility Reserve ID by the Office of Research and Economic Development (ORED), Office of Budget and Cost Analysis.

**Funding for Equipment Used in the Facility**
Funding for new or replacement equipment may come from any of the following sources: depreciation recovery and incremental external revenue recorded in the recharge service facility recovery activity number, F&A returns, and/or from the Dean or Chair. The decision to fund capital purchases through external debt is made by the University’s Chief Financial Officer.

**Using Federal Equipment in the Facility**
The portion of the equipment’s purchase costs paid by federal funds or cost-shared by the University on a federal program, whether or not title has reverted to the University, cannot be included in the user rates. Where the University has specifically agreed to "cost-share" a piece of
equipment in a federal award, the depreciation of the University-funded portion is also unallowable in the rates. OMB A-110, C34b addresses the use of equipment purchased with federal dollars or paid by the University and cost shared on a federal project.

**Lease Costs**
If the recharge activity uses non-University owned space, lease costs should be included in determining the rate. Any costs for janitorial, building maintenance, and other operations and maintenance costs not covered by the lease costs should also be included.

**Surplus/Deficit**
For established facilities, any surplus or deficit from the prior year operations should be included in the facility’s current year budget. Any partial subsidy of a facility (whether the amount is included as part of the budget and the user rate calculation at the beginning of the year, or absorbs the deficit at the end of the year) needs to be coded or otherwise identified as an unallowable cost for F&A rate calculation purposes.

**Interest**
Interest earned on fund balances must be credited to the appropriate facility and used in the determination of rates.

**Unallowable Costs**
The federal guidelines require consistent costing practices with the University’s federal funds. Those costs that are not allowable on a sponsored project are also not allowable in the facility and may not be charged to a federally sponsored project. Examples of these unallowable costs include costs for contingency provisions or other reserves, costs relating to other functions of the school or department that are unrelated to the facility’s operations, entertainment, bad debts, alcoholic beverages, and public relations. Federal regulations do not permit startup costs incurred to establish a new recharge facility to be included in the rate. For a detailed list of unallowable costs see Table 3 below:
Assignment of Costs to Individual Rates
The estimated annual cost of operations for each budget category explained below is allocated based on the costs needed to produce the product or service. This cost is divided by the projected estimated annual usage of each product or service during a given period to determine the rate to charge.

Since many facilities provide more than one service, each cost should be allocated to the different services in relation to their use in each service.

**Personnel Costs**
If the facility has more than one rate, the FTE assigned to individual rates is determined through sampling employee time spent on each activity. The method used to assign the FTE percentage to each rate should be described and the employee FTE in the payroll system must match the FTE included in the proposal. The methodology used to determine the amount of employee expense charged to the facility needs to be documented by the facility.

### Table 3

<table>
<thead>
<tr>
<th>Costs</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surpluses or deficits from other service lines within the facility that do not share the same customers</td>
<td></td>
</tr>
<tr>
<td>Auxiliary management fee</td>
<td></td>
</tr>
<tr>
<td>Bad debts</td>
<td></td>
</tr>
<tr>
<td>Contingency provisions</td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
</tr>
<tr>
<td>Fines and penalties</td>
<td></td>
</tr>
<tr>
<td>Public relations and advertising</td>
<td></td>
</tr>
<tr>
<td>Interest expense on internal loans</td>
<td></td>
</tr>
<tr>
<td>Memberships, subscriptions, and professional activity costs of a social or individual nature</td>
<td></td>
</tr>
<tr>
<td>Principal payments on debt</td>
<td></td>
</tr>
<tr>
<td>Contributions, donations, remembrances</td>
<td></td>
</tr>
<tr>
<td>Goods and services for personal use of employees</td>
<td></td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td></td>
</tr>
<tr>
<td>Commencement or convocation costs</td>
<td></td>
</tr>
<tr>
<td>Depreciation of equipment purchased by the federal government</td>
<td></td>
</tr>
</tbody>
</table>
Pricing of Multiple Services
A recharge service facility providing more than one service may sometimes make a surplus on some services and a loss on others. Combining the results of various services is not acceptable if the mix of users of each service is different; that is, if higher prices charged to one set of users are subsidizing losses charged to a different group of users.

Calculating the Rate
The rate is calculated by dividing the total annual cost directly chargeable to the facility by the total estimated annual usage. You may have more than one billing rate, depending on the services you provide and to whom (internal vs. external users) you provide them.

It is critical to emphasize that you should determine the “total cost” of your recharge service facility. By not including the total cost in the rate(s), you risk incurring a negative working capital fund balance (deficit) for the recharge service facility.

Components of the calculation of the rate are the estimated demand for products and services and the anticipated costs associated with providing those products and services.

The formula used for calculating the rate for each service or product is as follows:

\[
\text{Annual Rate} = \frac{\text{Annual Costs}}{\text{Total Annual Usage}}
\]

Volume Discounts
Volume discounts are acceptable, if it can be documented that costs savings are realized when a large quantity of a product is provided to an individual user.

Considerations for Following Year’s Rate
Rates are reviewed at least every two years by the Office of Research and Economic Development (ORED). The facility should determine the costs and usage from the prior year for each rate or service, and should ensure that an adequate description of the rate methodology is retained. Additionally, the facility should evaluate if any new products or services are needed or if any current products or services should be eliminated.
Billing and Receivables

The basis for billing goods and services is actual usage thereof; goods and services cannot be billed until the goods have been provided or the services rendered. Each facility must operate in accordance with the University's fiscal year which starts on July 1st and ends on June 30th. Recharge service facilities should handle each year-end billing consistently, to ensure that twelve months of cost recovery are associated with twelve months of incurred cost, and thereby provide an accurate break-even calculation at year-end.

Billing Process

The facility is responsible for internal and external billings and receivables. Facilities must provide all customers, whether internal (i.e., a University unit or department) or external, with a detailed billing, which can be either electronically or on paper.

1. Invoices to Internal Users or Sponsored Programs

The recharge service facility prepares a detailed invoice and forwards, either electronically or on paper, to the FIU department’s finance manager or sponsored project’s principal investigator being charged for his/her review and retention using Smart Internal Billing for processing. The account used on the invoice should be revenue, 679110, Recharge Center Revenue, and the activity number should be your recharge service facility operating activity number. The expense account used should be 773911 Recharge Center Expense.

*Facilities must have an approved rate to charge a sponsored project.*

2. Invoices to External Users

Non-university users may be charged a higher user rate than University users if they are purchasing the service or product with non-federal funds. At a minimum, external users will be charged for the full direct costs of the recharge service facility operation. An allocable share of the University's indirect cost to the recharge service facility operation may be charged to external users. At no time will an external customer be charged less than the federal government and internal users for the same service. The federal government will always be treated as the most favored customer.

3. Subsidized Users

If the Dean or Department chooses to provide a service or good to a particular internal group of users at no charge or at a lower rate than other users, the services or goods used by the subsidized user group are billed at the published rate to the departments that will be paying either the full price or a portion of the rate. The recharge service facility must ensure that the rate charged to this user group is consistent with that charged to others, including accounts ultimately charged to federal awards.
4. Billing Period
Facilities generally bill their users for products and services on a monthly basis based on actual usage incurred during the month. The billing periods should generally run from the 1st to the end of the month, and the bills sent out to users by the 10th working day of the following month. Requests for longer billing cycles should be attached to the rate development submission for approval.

Each facility must operate in accordance with the University's fiscal year. Facilities should handle each year-end billing consistently, to ensure that twelve months of cost recovery are associated with twelve months of incurred cost, and thereby provide an accurate break-even calculation at year-end.

Receivables
The recharge service facility will receive revenue from internal customers by processing accounting transactions. Payment from external customers will be in the form of checks, ACH or wire transfers. Cash handling procedures of the University Controller’s Office must be followed. Any receivables not collected by the facility are considered bad debt. Bad debt is not an allowable cost to the facility, and must be absorbed by the facility’s departments or college/school’s unrestricted funds.

1. Internal Payment Process
Smart Internal Billing is used to transfer cash from the user to the facility. The Smart Internal Billing process charges the requesting Activity Number or Project ID user’s account and credits the recharge service facility’s operating activity number.

2. External Payment Process
External customers issue a check for services in the name of Florida International University. The facility is responsible for ensuring that outside users are paying their invoices within a maximum of 30 days of their receipt of each invoice.

3. Process to Deposit Checks
All checks from external customers should be routed to the Office of Research and Economic Development (ORED), MARC 430, to be deposited into the recharge service facility’s operating activity number. All checks must be accompanied by a complete Recharge Service Facility Deposit Form.
All external revenue will be accounted for using revenue account 679119, External Recharge Center Revenue.
Facilities Must Retain Back-Up Documentation for Invoices

1. **Service Agreement Form**
   Recharge centers offering services to external customers must have a fully executed Service Agreement in place prior to beginning services. The Service Agreement will be processed by ORED and details, among other things, the services to be performed by the recharge center and the amount to be paid by the sponsor for those services. Recharge center personnel are not authorized to sign the Service Agreement on behalf of the University; authorized ORED personnel will sign the Service Agreement on behalf of the University. Contact ORED at recharge@fiu.edu to obtain a Service Agreement Form template and for guidance.

2. **Usage Logs**
   A recharge center facility may use a log sheet, an electronic mechanism or other method to record products and services used by the departments. Usage logs track the services performed or products provided, the department that used the services or products, and the number of units used such as hours or quantity.

3. **Documentation Retained by the Facility**
   The work order or log sheet documentation is retained in the facility’s records along with a copy of the detailed invoices. If you use a rate that charges an hourly fee for a service, the employee who performed the work must keep a written accounting of the time worked on each project. This documentation is retained in the facility’s records as the basis for the billing. Billing documentation should consist of:
   1. The quantity of products ordered,
   2. The quantity of products provided,
   3. The total charge to the users by product type, and
   4. The individual accounts charged.

**Additional Facility Operating Guidelines**

**Transfers**
Recharge service facilities that have accumulated surplus funds through billings to internal users may not transfer these funds out of the recharge service facility operating account. The balance must be carried forward and used to adjust subsequent billing rates.

**Credits to Expenditure Accounts**
Credits to expenditure accounts are normally used to record amounts received for returned goods and other expense-related adjustments. Recharge service facility revenues should not be recorded as credits to expenditure accounts. Such treatment would misstate both revenues and expenses, and affect the calculation of recharge service facility rates in subsequent periods.


**Surpluses and Deficits**

Surpluses and deficits to one facility may not offset against charges to another facility. Facilities are required to maintain adequate records to allow for the development of billing rates based on actual costs and the identification of surplus or deficit fund balances.

The rate is developed so that revenues collected through user rates equal annual expenses (break-even) incurred in the course of providing those services. Actual revenue or costs may vary from anticipated amounts that were budgeted which results in an under-recovery of expenses results in a deficit (negative fund balance), or an over-recovery of expenses results in a surplus (positive fund balance).

An annual surplus or deficit of revenues *within 25%* of annual operating expenses must be used to adjust rates up or down in the following year or the next succeeding year, or more frequently if necessary.

**Example 1**

If annual expenses are $1,000, total annual revenues cannot differ from annual expenses by more than $250 (i.e. $1,000 x 25%).

Facilities that have accumulated surplus funds through billings to internal users may not transfer these funds out of the facilities’ operating account.

**Documentation to be Maintained**

Costs, rate calculations, depreciation schedules, requests for service, and documentation for billings should be retained by the facility and are subject to audit. ORED policy #2350.065, Records Retention Schedule for Sponsored Project Documents should be followed for records pertaining to sponsored projects. For all other records, refer to the FIU Library’s Records Management Information at [http://specialcollections.fiu.edu/records_management/](http://specialcollections.fiu.edu/records_management/).

**Unrelated Business Income Tax, UBIT**

Annually, the Office of the Controller’s Tax Services sends out a questionnaire to determine if an activity should be reported to the IRS. These questionnaires will be completed centrally by the Office of Research and Economic Development (ORED). Send these requests to research@fiu.edu
or directly to the Office of Budget and Cost Analysis in the Office of Research and Economic Development (ORED). To learn more about UBIT visit http://tax.fiu.edu/faq.htm

**Federal Guidance**

The University's exposure from non-compliance with federal regulations may involve reimbursement to the government as well as adverse publicity, which could harm future award applications. Federal Guidance on Recharge Service Facility Operations can be found in the following sources:

- 2 CFR, Part 220, Cost Principles for Educational Institutions (OMB Circular A-21) and in particular, 2 CFR Appendix A, J.47, Specialized service facilities
- 2 CFR, Part 215 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110)
- HHS Review Guide for Long Form University Indirect Proposals
- A-133 Compliance Supplement (Part 3, Compliance Requirements), Internal service, central service, pension, or similar activities

**Responsibilities**

**Facility Responsibilities**

The facility is responsible for preparing a detailed budget including rate calculations that account for the recovery of yearly surpluses or deficits. User rates must be supported by cost calculations based on historical costs and service levels. An adjustment for known or anticipated changes in service levels or services should be clearly documented. The facility is also responsible for issuing invoices, properly accounting of receivables and maintaining records pursuant to the applicable records retention period.

**Office of Research and Economic Development (ORED) Responsibilities**

The Office of Budget and Cost Analysis in the Office of Research and Economic Development (ORED) is responsible for training and assisting the facility managers. ORED will review the rates of the facilities at least every two years to ensure compliance with OMB Circular A-21.

**Definitions**

**Break-even analysis**

A break-even analysis is used to determine the billing rate to charge based upon projected use/activity, and to recover costs equal to the amount of operating expenses. Breakeven is the point at which revenues equal expenses. Federal guidance requires that facilities break even over
a reasonable period of time. FIU has determined that on an annual basis, the surplus or deficit should not exceed 25% of annual operating expenses.

**Cost Accounting Standards**
Please refer to the guidelines defined in OMB A-21 on costs to federal programs.

**Facilities and Administrative (F&A) Costs**
F&A costs are costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project, instructional activity or any other institutional activity. Examples of facilities costs include utilities, building maintenance, custodial services, depreciation, and external interest associated with the financing of building construction. Examples of administrative costs include general administration and general expenses, such as executive management, payroll, accounting and personnel administration; maintenance and operating expenses, such as office supplies, paper, copier rental expenses; administrative and supporting services provided by academic departments, libraries, and special administrative services provided to sponsored agreements.

**Non-discriminatory Rates**
Rates that are the same for all internal University users for the same level of services or products are known as non-discriminatory rates.

**Operating Fund**
The operating fund is the primary budget cost facility in which all recovered costs must be recorded and all direct, non-subsidized expenses must be recorded.

**Recharge Service Facility Recovery Activity Number**
A recharge service facility recovery activity number is a separate departmental account established for accumulating (i.e., depositing) use allowance/depreciation expense costs recovery. The purpose of the account is to accumulate funds recovered through the application of approved use allowance/depreciation methods, for replacing equipment used in recharge service facility, and for specialized recharge service facility operations. The portion of external payments received over the break-even cost is also moved to this activity number. This account is used for the benefit of the recharge service facility.

**Start-up Costs**
The costs incurred to establish a new recharge service facility are known as start-up costs. Federal regulations do not permit these costs to be recovered.

**Subsidy**
Additional funding provided by sources other than the recovery of costs from users.