Frequently Asked Questions

Are there activities that Recharge Operations should probably not pursue?

The following are generally activities that should not warrant a Recharge Operation:
- Activities that compete with private enterprise.
- Activities involving goods/services that qualify as UBIT.
- Activities that can be produced by another campus unit or private enterprise.
- Activities that will create harmful intra-University competition.
- Activities that have low customer demand and comparatively high operating costs.

Are there any costs that Recharge Operations cannot charge to recharge accounts?

Federally unallowable costs should **not** be charged to a Recharge Operation account; however, due to system limitations the difference between the University and Federal fringe rate will be charged to the recharge account. This unallowable portion of the fringe benefit cost must be funded at fiscal year-end if not fully covered by revenue generated from external billings.

We provide hourly services. Do I need to keep track of time charged?

It is recommended as part of audit file and record retention that if hourly charges are billed (e.g. consulting services), that some record of time worked is maintained to support the invoice.

Can a Recharge Operation bill now for work that will be performed in the future?

No. Recharge Operations are only allowed to bill for services rendered and therefore prepayments are not allowed. If a Recharge Operation is performing a significant amount of work for an external customer, it may request a deposit. However, this deposit should be recorded as a liability in the Recharge Operations zero ledger account.

Where can I find the forms referenced in this manual?

All forms related to Recharge Operations are available at:
http://finserv.uchicago.edu/accounting/general/recharge.shtml

What questions do the auditors ask regarding Recharge Operations?

Typical questions asked by Federal auditors are:
- When was the recharge first established?
- How is the recharge funded and how was it initially funded?
- Does the recharge produce their own financial statements?
- What methods are followed to reconcile charges to actual costs?
- Do the rates include all allowable costs (direct and indirect costs)?
- Are all users billed and at the same rate for the same services?
- What statistics are used to compute billing rates?
- How are under and over charges treated/adjusted?
- Provide financial statements (revenue and expenses) for the Recharge Operation.

Equipment

If I am required to break even, how will I replace my equipment?

By including depreciation expense in your rate, you are collecting the replacement cost based on usage. The offset to the monthly depreciation expense transfer entry is a credit to a ledger 8 depreciation recovery account. Once enough funds have accumulated in this ledger 8 account, Recharge Operations can purchase <u>replacement</u> equipment with these funds. *Note that equipment purchases cannot be charged to the Recharge Operating account, only equipment depreciation expense.*

Can excess fund balances be used to purchase equipment?

No. Surplus fund balances must be adjusted through rate adjustments, refunds to customers or other appropriate mechanisms. These funds cannot be used to fund equipment purchases or other purchases.

How do I obtain capital equipment information?

Please contact Capital Asset Accounting at capitalassets@uchicago.edu.

What if my equipment was purchased on a different account than the depreciation recovery account, do I still include it?

If the equipment is used by the Recharge Operation and was not purchased with federal funds, the equipment should be identified as recharge equipment in the Property Management System and the depreciation should be included in the Recharge Operation Rate Template.

What if my equipment is used/shared by more than my Recharge Operation?

This should be identified on the Equipment tab (% Used by Recharge Operation) on the rate worksheet.

Depreciation

My Recharge Operation is heavily subsidized and I do not want to include depreciation in my rates. Do I need to do anything?

Yes, this equipment should still be identified as recharge equipment in the Property Management System and on the Recharge Operation Rate Template "equipment" tab; however, no costs need to be assigned in the rate template itself.

I purchased equipment mid-year so why do my depreciation expense entries not align with the acquisition date of my equipment?

Depreciation expense allocated to the Recharge Operation must align with the University's depreciation policy. According to **University financial policy 1004.2**, "if equipment is acquired in the first half of the fiscal year, a full year's depreciation is recorded in the first year. If the asset is acquired in the second half of the fiscal year, no depreciation is recorded in that fiscal year." Equipment purchased in the second half of the year will not receive depreciation expense until the following fiscal year.

Transfers

Can I transfer a surplus to a gift account?

No, it is not appropriate to transfer funds out of a Recharge Operation. The only transfers that should occur in the normal course of business are depreciation expense transfers and subsidies.

What subaccount should I use to transfer a subsidy?

Subsidy transfers are processed on either subaccount **9415** (operating/program support within division) or **9417** (operating/program support other division). The exception is BSD Divisional Administration subsidies, which use subaccounts **942x.** Subsidies for the unallowable portion of fringe benefits should use subaccount **9499**.

Supply Purchases

I received a volume discount on the purchase of supplies for the Recharge Operation. The supplies will be used over 2 to 3 years. Can I charge the full purchase to the recharge account in the year purchased?

No. Expenses should be charged in the period used. Charging the full expense will result in overcharging customers purchasing services in the first year. See Section 5.2 for instructions on accounting for supply inventories.