

COLORADO STATE UNIVERSITY-PUEBLO
Financial Procedure Instructions
FPI 2-20

1. **Procedure Title:** Recharge and General Operations
2. **Procedure Purpose and Effect:** The purpose is to ensure compliance with Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), as it relates to recharge centers, and to outline procedures regarding recharge and general operation accounts.
3. **Application of Procedure:** This procedure applies to all activity related to recharge and general operations accounts.
4. **Exemptions:** None.
5. **Definitions:**
 - A. **Account Supervisor** – The individual in the leadership role of the account that oversees the operations of the account, but is not in an approval role.
 - B. **Billing Rates** – The amount charged to a user for a unit (of product or service). Billing rates are usually computed by dividing the total annual costs of service by the total number of billing units expected to be provided to users of the service for the year. Examples of billing rate computations are included in the Self-Funded User's Guide. Per UG Subpart E §200.468, Billing Rates related to Recharge accounts must be approved at a minimum of every two years.
 - C. **Billing Unit** – The unit of service provided by self-funded activity. Examples of billing units includes hours of service, test performed, machine time used, etc.
 - D. **Business Plan** – The Business Plan offers a means of communicating plans to others and provides the basis for cost recovery.
 - E. **Deficit** – The amount that the cost of providing a service exceeds the revenue generated by the service during a fiscal year.
 - F. **Direct Cost** – The direct costs are those costs that can be identified specifically with a particular final cost objective (UG 22.413). Only cost directly related to the work performed or supplies purchased may be charged as direct costs. These costs include salaries, wages, and fringe benefits of University faculty and staff directly involved in providing the service, travel expenses, materials and supplies, purchased services, equipment rental or depreciation, interest associated with equipment acquisitions, etc.
 - G. **Equipment** – An item of tangible property (excluding building and land) having a useful life exceeding one year and an acquisition cost of \$5,000 or more. Purchases under this amount are considered consumable supplies.
 - H. **Fiscal Officer (FO)** – The individual in the day to day financial role of the account, that approves the KFS documents related to the account. The FO is the contact person for any questions regarding balances or billings on the account.

- I. **General Operation Account (GENOP)** – The General Operation accounts are for goods and services provided to students, faculty, staff, and the external community which are created as a result of operations of a self-supporting nature and which are substantially related to the University’s mission of instruction, research, and public service. This account can never charge a sponsored account. This account can have both direct and indirect cost. The account number begins with a 22.
- J. **Indirect Cost** – The indirect costs are those costs that cannot be identified specifically with a particular cost objective. For example, salaries of administrative and clerical staff are indirect as they have no direct relationship to the work performed.
- K. **Kuali Financial System (KFS)** – Kuali is the general ledger system of record for financial transaction and reporting of the University; containing offsetting debit and credit entries.
- L. **Object Code** - An object code refers to a specific classification of a transaction, such as revenue or expense, and asset or liability and that describes the nature of the transaction (e.g. goods or services purchased, type of revenue received, etc.). Object codes must be four numeric characters in length. A complete object code listing can be found on the Business and Financial Services website.
- M. **Recharge Account (Recharge)** – The purpose of the Recharge account is to accumulate and bill costs. The account records the supplying of goods and services at cost by one University department or unit and billed to other University departments, projects, or units. The charges can only be for direct costs, never indirect costs. The account number begins with a 21.
- N. **Sponsored Accounts** – The Sponsored Accounts are federal, state, and private contracts, grants, and agreements, and are defined by the signed funding document. The funds are to be expended for the purpose specified by the external sponsor and must be allowable according to the signed agreement under which funding is awarded and/or guidance provided by the funding entity.
- O. **Surplus** – The amount that the revenue generated by a service exceeds the costs of providing the service during the fiscal year.
- P. **Unallowable Costs** - Costs that cannot be charged directly or indirectly to federally sponsored programs through a recharge account (21). These costs are specified in OMB Uniform Guidance 200.420 and the Federal Un-reimbursable Costs Procedure. Common examples of unallowable costs include alcoholic beverages, bad debts, charitable contributions, entertainment, fines and penalties, goods and services for personal use, and interest (except interest related to the purchase or construction of buildings and equipment). In addition to the costs listed above, contingency reserves are not permitted in recharge center accounts.
- Q. **Working Capital** – Working Capital is an amount up to a maximum of 2 months of expenditures the 21 (recharge) account can retain to fund operations during fluctuations of revenue and expenditures. This is the maximum balance the recharge can retain in its operating budget at the end of each fiscal year. Working Capital is calculated by taking the past 12 months’ expenses, divided by 12 months, and multiplying by 2 months. For example, if 12 months of expenditures equal \$150,000, then it would be $\$150,000 / 12 \text{ months} * 2 \text{ months} = \$25,000$. Therefore,

the working capital would be \$25,000 in this example. Exceptions to the working capital of 2 months may be made only when approved by the Controller and Office of Sponsored Programs.

6. **Procedure Statement:**

A. Establishment Criteria: When deciding whether to create a new Recharge or GENOP account the following items must be addressed before moving forward:

- a. Before Recharge and GENOP accounts are established, the department must demonstrate a demand exists for the products and/or services to be provided.
- b. There must be reasonable assurance that the internal or external business venture will generate a minimum of \$5,000 in revenue each year.
- c. New account requests need to include a business plan, billing rates, three-year financial projection, and a fund budget request form with appropriate signatures.

B. Creating Recharge and/or GENOP Accounts: Below are the steps to take when creating the account, further detail can be found in the 21 and 22 Account User's Guide.

- a. Write a Business Plan
- b. Calculate Billing Rates
- c. Compile a 3-Year Projection
- d. Send to BFS for review

C. Approval Process of Recharge and GENOP Accounts

- a. New Recharge accounts are first reviewed by BFS, then the Controller and Sponsored Programs.
- b. Updates to Recharge accounts are reviewed by BFS.
 - i. If any issues are identified BFS may send to the Controller and/or Sponsored Programs for review.
 - ii. Per UG 200.468 (b) (2), "Rates must be adjusted at least biennially," which means BFS must review the rates every two years.
- c. New GENOP accounts are first approved by BFS, then the Controller and the Tax Manager.
- d. Updates to GENOP accounts are approved by BFS.
 - i. If any issues are identified BFS may send to the Controller for review.
- e. BFS will send an email approval to the department when the new account or updates are approved.
 - i. Billings on new accounts cannot happen until the department receives the approval email.
 - ii. On existing accounts, updated billing rates cannot be used until the department receives the approval email.
- f. Once the new account request is approved, the Kualu Account document can be created. The business plan, billing rates, three-year projection, fund budget request form, and approval email need to be attached to the Kualu New Account Request document.

D. Billings

- a. Recharge account billings are completed in Kualu using the Internal Order, Internal Billing, Distribution of Income, and Expense or Service Billing documents.
 - i. Billed timely (i.e. project completion, per contract/agreements, monthly, etc.).
 - ii. Billings must have the invoice for the charges attached to the Kualu document that agree to the approved billing rates on file with BFS.

- b. General Operation accounts send invoices to external customers.
 - i. When the invoices are sent to the customer, the Adjustment/Accrual Voucher in Quali should be completed with the attached invoice that agrees to the approved billings rates on file with BFS.
 - ii. Billed timely (i.e. project completion, per contract/agreements, monthly, etc.).

E. Business and Financial Services' Review of Recharge and GENOP Accounts

- a. Monthly Recharge Balance review:
 - i. This ensures the Recharge balances are within the 2 months working capital limit by year-end and any deficits are covered or billing rates updated to account for deficit.
- b. Monthly GENOP Balance review:
 - i. This ensures the GENOP balances are positive, and any deficits are covered.
- c. 21 Billing 53 Accounts
 - i. At minimum of 5 years, any 21 account that charges 53 accounts will be reviewed by BFS to ensure the billing rates match the approved rates on file.
 - ii. Per UG 200.468 (b) (2), "Rates must be adjusted at least biennially."

F. Balances in the Accounts

- a. Surplus
 - i. If the account is above the 2 months working capital limit the department needs decrease their rates to break even.
 - ii. Federal guidelines do not allow accounts to build reserves for anticipated equipment purchases, replacements, or maintenance, as this is not direct cost because they have not been incurred.
 - iii. GENOP accounts are allowed to have a surplus.
- b. Deficits
 - i. A deficit in Recharge account must either be accounted for in updated billing rates or be covered by Fiscal Year end unless there is prior approval from the Controller. A deficit in a GENOP account must be covered by year end unless there is prior approval from the Controller.
 - ii. A deficit can be subsidized by another account, but the subsidy must first be approved by BFS.
 - iii. If the Recharge account needs to purchase equipment that will put the account in deficit, the Controller can approve the account to be in deficit over the life of the equipment as the account will recoup the cost through its billing rates.

G. Closing Recharge Accounts

- a. Recharge accounts with zero balances can be closed in KFS without prior approval.
- b. Recharge accounts with balances must contact BFS for proper handling of the balances before moving any balances or closing the account.

7. **Reference and Cross-References:** 21 & 22 Account Users' Guide; FPI 2-3 Self-Funded Activities; [2 CFR 200, Uniform Guidance](#)

8. **Forms and Tools:** CSU-PUEBLO RECHARGE CENTER TOOLS