



Recharge Entities, Ithaca Campus Units

POLICY STATEMENT

Cornell University utilizes interdepartmental charges to recover some or all of the costs of products and services provided, subject to the requirements outlined in this policy.

REASON FOR POLICY

Cornell internal billing rates must meet university and federal requirements. Because of the administrative burden associated with managing billing rates, fees may be assessed only where their recovery significantly exceeds the cost of such management. The university oversees these rates to ensure that they are consistently applied, reasonable, appropriate, and that they meet federal costing requirements.

ENTITIES AFFECTED BY THIS POLICY

- Ithaca-based locations
- Cornell Tech campus
- Weill Cornell Medicine campuses

WHO SHOULD READ THIS POLICY

- University and unit administrators
- Managers of operations recharging costs to other departments

MOST CURRENT VERSION OF THIS POLICY

- www.dfa.cornell.edu/policy/policies/recharge-entities-ithaca-campus-units

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Volume: 3, Financial
Management
Responsible Executive:
Executive Vice President and
CFO
Responsible Office: Cost and
Capital Assets
Originally Issued: November
1996
Last Full Review: March 15,
2016
Last Updated: March 8, 2019

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RELATED RESOURCES

University Policies and Information Applicable to All Units of the University

[University Policy 3.17, Accepting Credit Cards To Conduct University Business](#)

[University Policy 4.7, Retention of University Records](#)

[Fees for Internal Users of Cornell Physical Space](#)

University Policies and Information Applicable to Only Ithaca-Based Locations and Cornell Tech

[University Policy 2.7, Reporting the Use of Facilities](#)

[University Policy 3.8, Program Income from Sponsored Projects](#)

[University Policy 3.9, Capital Assets](#)

[University Policy 3.15, Unrelated Business Income Tax](#)

[University Policy 4.3, Sales Activities on Campus](#)

[Fees for Internal Users of Cornell Physical Space](#)

[Rate Proposal Content and Format, Recharge Entities \(XLSX\)](#)

[Requirements for Accounting, Recharge Entities](#)

[User-Fee Calculation Example, Recharge Entities \(XLSX\)](#)

External Documentation

[2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

Generally Accepted Accounting Principles (GAAP)

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CONTACTS – ITHACA-BASED LOCATIONS AND CORNELL TECH

Direct any general questions about this policy to your college or unit administrative office. If you have questions about specific issues, contact the following offices.

Contacts, Ithaca-Based Locations and Cornell Tech

Subject	Contact	Telephone	Email/Web Address
Policy Clarification and Interpretation	Cost and Capital Assets	(607) 255-9368	uco-cost@cornell.edu
Academic User Fees Classification of Operation Type Functional Coding of Space Used for Recharge Rate-Approval Process Record Retention for Recharge Units Renewal and Replacement Accounts for Recharge Units	Cost and Capital Assets	(607) 255-9368	uco-cost@cornell.edu
Enterprise Accounting Inventory Requirements	University Accounting		accounting@cornell.edu
Program Income	Financial Research Administration	(607) 255-2016	dfa-fra@cornell.edu
Sales and Other Taxes	University Tax Manager	(607) 255-3790	tax@cornell.edu
Space Rental Fees	Assistant Vice President for Budget and Planning	(607) 255-3991	dbp.cornell.edu/home/offices/university-budget-office/interdepartmental-fees/dbp.intdepfees@cornell.edu

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DEFINITIONS

These definitions apply to terms as they are used in this policy.

Allocable	A cost is allocable to a particular activity (i.e., a specific function, project, sponsored agreement, department, or the like) if the cost (a) was incurred specifically for the activity, (b) benefits both the activity and other activities, and can be distributed amongst them in reasonable proportion to the benefits received, or (c) is necessary to the overall operation of the activity, although a direct relationship cannot be shown.
Billing Rate	The rate used to recover some or all the cost associated with producing and delivering a good or providing a service. A billing rate may vary by types of customers and/or services/products; however, billing rates charged to federal funds, either directly or indirectly, may not subsidize non-federal users or non-federal billing rates in any way. The billing rate must be determined only by dividing the federal allowable costs of a particular service or product by the billing unit. Billing rates may also include surcharges (e.g., indirect costs) to non-university users in an effort to promote full cost recovery.
Break-even Period	A reasonable time period over which cumulative revenue for a service or product equals cumulative expenses. Generally, break-even periods do not exceed three years.
Carry-forward	The over or under-recovery of operating costs from one period that is included in the user fee calculation of a subsequent period to promote break-even operations. Carry-forwards are allowable cost adjustments to subsequent-year user-fee computations
Deficit	The amount by which an account's expenses exceed its revenues, net of any transfers.
Depreciation	The systematic allocation of the cost of a long-term, tangible capital asset to those accounting periods in which the university expects to benefit from the use of the asset. Depreciation expense is recognized in each accounting period during the asset's depreciable life. Depreciation used in rate calculations must be equal to that recorded in the university's general ledger for financial statement purposes
Enterprise	(Sometimes called "Auxiliary Enterprises" or "Student Enterprises") Activities operated in a manner similar to that of a business, with revenues matched against expenses and including university overhead for administrative services. An enterprises' primary customers are students or an external population. Examples of enterprises are dining, housing, student service centers, and the Cornell Store. Student-focused enterprises do not receive direct appropriations from the university to support operations. The only units considered enterprises at Cornell are several in Student and Campus Life, the Campus-to-Campus Bus, and similar activities.
Facilities and Administrative or Indirect Cost Rate	A rate, negotiated with the federal government, for reimbursement of facilities and administrative costs associated with sponsored agreements.
Federal Allowable Cost	Costs identified in the Uniform Guidance (2 CFR 200) as reimbursable by the federal government, unless specifically superseded by the terms and conditions of a sponsored project. Only federal allowable costs can be recovered through interdepartmental fees.

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DEFINITIONS, continued

Federal Unallowable Cost	A cost identified in the Uniform Guidance (2 CFR 200) as non-reimbursable by the federal government. Federal unallowable costs must be excluded from interdepartmental fees. Examples of federal unallowable costs include advertising of services/products, alcoholic beverages, bad debts, entertainment (amusement and social activities), and fines and penalties.
Institutional Recharge Operation (IRO)	An operating unit that provides goods or services primarily to institutional units for which it recovers predominantly all of the costs of those goods or services from its customers. When aggregated with similar units in its division, institutional recharge operations (IRO) generate revenues of at least \$2,000,000 per year (but often much more); typically provide goods or services to units across the university; any sales to individuals or external parties are <i>de minimis</i> ; have physical space specifically dedicated and assigned to their operation; bear institutional, and may bear divisional, overhead. IRO rates must be approved at least annually by the Division of Financial Affairs and the Division of Budget and Planning. Where IRO bear divisional overhead, the allocation method shall be subject to periodic review associated with the rate-approval process and must ensure that only federally allowable costs are borne. IRO exclude units otherwise classified as service facilities, specialized service centers or auxiliary enterprises. Examples of IRO include Infrastructure Properties and Planning's Trade Shops; Digital Print Services; and the University Fleet Services.
Internal User	A recharge entity customer who pays for goods or services using a university account or purchasing card.
Inventory	The value of goods on hand available for production or resale. Generally accepted accounting principles require the recording of inventory as asset in the general ledger that is then expensed at the time of use.
Operating Cost	The total cost of providing goods or services (e.g., supplies, salaries, benefits, and depreciation).
Program Income	Gross income earned by the university that is during a sponsored project's life (1) directly generated by that project, or (2) earned as a result of a that project. See University Policy 3.8, Program Income from Sponsored Projects.
Reasonable	A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflects the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
Recharge Operation	An operating unit that provides goods or services primarily to the academic community for which it recovers some or all of the costs of those goods or services from users. Recharge operations generate revenue of less than \$50,000 per year; typically provide goods or services to users in a single department; do not have physical space specifically dedicated and assigned to their operation; and have their user fees reviewed and approved by DFA biennially. Examples of recharge operations are departmental charges for use of copiers or supplies from shared inventory.
Service Facility	An operating unit that provides goods or services primarily to the institution for which it recovers some or all of the costs of those goods or services from users. Service facilities generate revenues in excess of \$50,000 but less than \$2,000,000 per year; typically provide goods

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	or services to users across the university; have physical space specifically dedicated and assigned to their operation; and must have their user fees reviewed and approved by the Division of Financial Affairs biennially. Examples of service facilities are machine shops, analytical services, instrument and computer facilities, and large-volume copy operations.
Specialized Service Center	An entity, as specifically defined in the federal government's Uniform Guidance (2 CFR 200) that provides institutional services involving the use of complex or highly specialized facilities. Specialized service centers are defined in the university's disclosure statement. There are only two specialized service centers at the university: Utilities and CIT Networks and Communication Services.
Surplus	The amount by which an account's revenues exceed expenses net of any transfers.
Transfer	Movement of funds from one account to another not recorded as expense or revenue. Transfers either increase or decrease resources in an account. ◆ Caution: Typically, the only transfers allowed out of recharge operation and service facility accounts are those to renewal and replacement plant fund accounts for equipment replacement or renewal.
University Overhead	University administrative and facilities costs that are allocated via the budget model or other mechanisms.
Useful Life	The time period over which the cost of a capital asset is distributed to determine annual depreciation. See University Policy 3.9, Capital Assets to determine applicable depreciable lives.

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RESPONSIBILITIES – ITHACA-BASED LOCATIONS AND CORNELL TECH

The major responsibilities each party has in connection with this policy are as follows:

Cost and Capital Assets Department/Division of Financial Affairs	Review and approve rates as provided under this policy. Provide rate oversight for all units covered by this policy. Provide policy clarification.
Division of Planning and Budget	Review and approve institutional recharge operations and specialized service facility rates as provided in this policy.
Units Wishing to Charge Interdepartmental Fees	Know the provisions of this policy. Seek authorization for all fees covered under this policy. Work with the Cost and Capital Assets department to classify recharge operation type. Submit rate proposals for review as provided under this policy. Charge only approved rates. Maintain business records as provided under this and other policy. Provide a responsible party for cost monitoring (i.e., working in conjunction with the unit financial transaction or business service center, monitor and appropriately document expenses and revenue.)

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PRINCIPLES

Overview

This policy covers most interdepartmental fees at Cornell University, including recharge operations, service facilities, and institutional recharge operations (IRO). This policy does not address enterprise operations, academic user fees assessed directly to students (e.g., course fees, laboratory fees), or program income.

Fees for Use of Physical Space

Unless cost-justified internal space rental fees present an administrative burden, reduce space utilization, restrict access to valuable space resources, and hinder the university's mission; stewarding units may only charge campus users fees for the short-term use of university-owned physical space under particular circumstances. Please refer to "Fees for Internal Users of Cornell Physical Space" approved by the Space Use Advisory Committee on April 27, 2015. See Related Resources.

Recharge Operations, Service Facilities and Institutional Recharge Operations

Recharge operations, service facilities, and IRO are operating entities that provide goods or services primarily to the university through interdepartmental sales, for which they recover some or all of the costs of those goods or services from customers.

The following is a summary of the university's policies governing interdepartmental fees:

1. Potential recharge entities must obtain approval from the college or division senior financial officer prior to proposing a billing rate in accordance with this policy.
2. Billing rates must be calculated in such a manner so as to recover from interdepartmental payers no more than the federal allowable cost of the goods or services being provided. See Calculation of Billing Rates in Procedures.
3. All interdepartmental billing rates, except IRO, must be approved biennially by the Cost and Capital Assets department of the Division of Financial Affairs. IRO require annual approval.
4. Operating surpluses must be reflected in an adjustment to future billing rates. Normally such an adjustment is made annually. Under no circumstances may an operating surplus be transferred out of a recharge operation, service facility, or IRO to subsidize other activities.

An operating deficit may be incorporated into future billing rates, or offset by the provision of a subsidy.

◆**Note:** Recharge operations, service facilities, and IRO are annually subject to institutional requirements regarding the funding of deficits.

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PRINCIPLES, continued

Classification of Recharge Entities

	Recharge Operations	Service Facilities	Institutional Recharge Operations	Specialized Service Centers*
Revenue	Less than \$50,000/yr.	Between \$50,000 and \$2,000,000 per year	Over \$2,000,000 per year	Over \$2,000,000 per year
Orientation	Typically limited to a small number of departments	Used broadly across campus	Used widely across campus	Used widely across campus
Dedicated Space	Typically no dedicated space	Typically dedicated space	Typically dedicated space	Typically dedicated space
Costing Review	Limited Biennial Review by Cost and Capital Assets	Biennial Review by Cost and Capital Assets	Annual or, on approval biennial, review by Cost and Capital Assets and University Budget Office	Annual review by Cost and Capital Assets and University Budget Office
University Overhead in Rates	May not include	May not include	May include with approval	May include with approval
Higher Education Function Codes	4525	4420, 4520	5XXX (or 4850 for IPP units, with approval)	5XXX

*Specialized service centers include only utilities and CIT Network and Communication Services, or those explicitly defined in the university's disclosure statement.

What May Be Included in Billing Rates

For internal users, billing rates must be based on and designed to recover no more than the federal allowable operating costs for the goods and services being provided. Examples include:

- Salaries, wages, benefits
- Supplies, materials, services
- Equipment lease or rental
- External interest expense
- Facilities expense paid by the charging operation
- Prior-year deficits or surpluses
- Other direct expenses
- Depreciation

◆**Note:** Capital equipment costs must be incorporated through depreciation, and the acquisition cost cannot be contained in the billing rate. Depreciation of equipment purchased on sponsored agreements may not be included in billing rates, unless specifically approved by the Cost and Capital Assets department.

◆**Note:** Federally unallowable expenses (e.g., entertainment, bad debts, alcoholic beverages) may not be included in billing rates nor, except for certain IRO and specialized service facilities, may billing rates include normally indirect facility or

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Volume: 3, Financial
Management
Responsible Executive:
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2016
Last Updated: March 8, 2019

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institutional expenses (i.e., building depreciation, utilities, allocated costs, or overhead).

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PROCEDURES – ITHACA-BASED LOCATIONS AND CORNELL TECH

Calculation of Billing Rates

Billing rates must be designed to break even, while including only federally allowable costs.

Details of the billing rate calculation may be found at www.dfa.cornell.edu/sites/default/files/user-fee-calculation-examples.xlsx.

Billing Rates for External Users

The university encourages charging the full cost of all goods and services to external customers. Units may add the applicable endowed or contract college negotiated facilities and administrative cost rate to the calculated billing rate when billing customers outside the university community.

Subsidies and Subsidy Types

Normally, recharge entities should be able to cover operating expenses through non-subsidized billing rates. Continuously subsidizing inefficient or non-competitive facilities directs vital university resources away from activities that could further the accomplishment of the university's primary missions. Therefore, before developing a billing rate that includes a user-fee subsidy, management should carefully evaluate whether to commence or continue operation of such a facility.

Facilities funded through interdepartmental billing rates should normally be able to cover their operating expenses. In limited circumstances, after careful consideration of the circumstances, a unit may choose to subsidize some or all users. For example, a department may subsidize the operation of a chemical storeroom, because it benefits research activities by making sure that commonly used chemicals, available elsewhere at a lower cost, are readily available. Subsidizing billing rates should only be considered when **both** of the following conditions exist:

1. The entity furthers the accomplishment of a primary university mission.
2. The goods or services provided either are not available from sources outside of Cornell, or cannot be provided from external sources in a more cost-effective or efficient manner.

If subsidizing is determined to be the best option, departments may choose to subsidize the operation of a recharge operation or service facility in either or both of the following ways:

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PROCEDURES – ITHACA-BASED LOCATIONS AND CORNELL TECH, continued

Billing Rate Subsidy

When all users are charged less than the total cost of the goods or services provided (e.g., a service facility receives an appropriation from the college to defray costs not included in the billing rate).

User Subsidy

When certain users are not charged for the cost of the goods or services provided (e.g., a department does not bill students for the use of a service facility). The department must transfer funds to the recharge fee account to cover the cost of providing the service to students.

For information on recording subsidies, see the Accounting section of these procedures, below.

Billing Rate Approval

In accordance with federal regulations and audit guidance, the billing rate must be approved at least biennially. Rates are approved by the Cost and Capital Assets department in the Division of Financial Affairs. Rate proposals for the following fiscal year are due no later than January 15 of each year, and must follow the template found at www.dfa.cornell.edu/sites/default/files/user-fee-submission-template.xlsx. Rate approvals are normally issued by May 1 of each year; however, other schedules may be accommodated to meet the institution's budget cycle.

Accounting

Charging entities must account for all activity in accordance with university standards. Only federally allowable costs may be charged within the base account of the charging entity. All sales or billing-rate proceeds must be recorded as income using the appropriate revenue object codes. All expenses must be recorded as expenditures using the appropriate expense object codes. Subsidies shall be recorded as transfers.

Recharge entities with substantial amounts of inventory, typically greater than \$100,000 at any given point during the year, must record inventory using the appropriate asset object code in their main or a subsidiary account. Operations billing external entities must record receivables in their main or subsidiary accounts.

Information on accounting requirements may be found at www.dfa.cornell.edu/capitalassets/cost/recharge#structures.

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PROCEDURES – ITHACA-BASED LOCATIONS AND CORNELL TECH, continued

Tax on External Activity

Charging units are reminded that sales to external parties may be considered unrelated business income, and, if assessed, the tax burden is borne by the charging entity. External sales may also be subject to sales tax, especially when the charging entity maintains a formal “store.” Certain activity may also constitute “private use” in the context of bond-funded buildings.

For any of these matters the Division of Financial Affairs will contact the unit for any necessary information.

Billing

Charging entities shall process internal billings in a prompt and efficient manner. Normally it is expected that a charge shall be posted to the general ledger in no more than 30 days from when the associated good or service has been delivered. Where necessary, itemized billing shall be made available to the paying entity on request. External invoices shall be issued in a timely fashion and recorded in the university’s general ledger.

◆**Reminder:** Bad debts resulting from facility operations are federally unallowable expenses.

Record Retention

Sales and service operations are subject to the university’s policy on record retention. Detailed billing records must be available on request by paying units or by central offices for the entire retention period. In the event that an operation ceases, arrangements must be made by the sponsoring college or division to make records available until the period expires.

Facilities Inventory

Units charging interdepartmental billing rates, for which dedicated space is utilized, may have special provisions for coding space, as covered in University Policy 2.7, Reporting the Use of Facilities. In particular, special treatment exists for auxiliary enterprises, service facilities, IRO, and any units for which the costs of their spaces are incorporated into their rates. Please refer to this policy, or contact the Cost and Capital Assets department for further assistance.

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