Recharge Compliance Overview

Many core facilities operate as cost recovery systems (recharge or break-even operations), at either full or partial cost recovery. This differs significantly from a non-profit entity which can make a profit, but that profit goes back into programs that fulfill the mission of the organization, not into owner or shareholder’s pockets.

“Operating at break-even means there is no significant profit or loss resulting from charging users for goods or services in the operating cycle... and any excess surpluses or deficits are eliminated by adjusting future rates.”

The costs of services must be charged directly to applicable awards based on **actual usage** of the services on the basis of a schedule of rates or established methodology that:

- **✓** Does not discriminate between activities under Federal awards and other activities of the non-Federal entity.
- **✓** Is designed to recover only the aggregate costs of the services normally both direct & allocable share of indirect costs.

Because many research service center users are paying with federal sponsored dollars, rates charged must adhere to cost principles established by the federal Office of Budget and Management’s “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”, commonly referred to as the Uniform Guidance.

**Uniform Guidance Cost Principles:**

- **Cost must be Reasonable**
  A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

- **Cost must be Allocable**
  A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

- **Cost must be Allowable**
  Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

- **Cost must be accorded consistent treatment**
  A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. A cost must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.