



# *What Should Go into a Service Center Policy?*

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# X Housekeeping Items

- Questions / Chat
- PowerPoint Handout / Recording
- Evaluation / CPE Credits



# *Agenda*

- **About Maximus Higher Ed**
- **Definitions**
- **Policy Essentials**
  - Background / Purpose / Introduction
  - Roles and Responsibilities
  - Criteria for Establishing and Continued Operation
- **Operational Requirements**
  - Allowable Cost
  - Rate Setting
  - Equipment
  - Tax Implications
  - Record Retention

# X Maximus Higher Education Practice

## Organization and structure

- Established in 1985
- Headquartered in Northbrook, IL, with multiple satellite offices across the country

## Consulting services

- F&A proposal assistance, Space Survey, Negotiations
- Fringe benefit rate proposals
- Reviews of service/recharge centers

- Uniform Guidance Compliance Diagnostic
- Pre- and Post-Award Assistance

## Software Solutions

- Comprehensive Rate Information System (CRIS<sup>®</sup>)
- WebSpace<sup>®</sup> — Space Inventory and Survey System
- Effort Reporting System<sup>®</sup>

**35+**

Years of Experience

**250+**

Colleges and universities served

# X Service Center – University-specific Definition

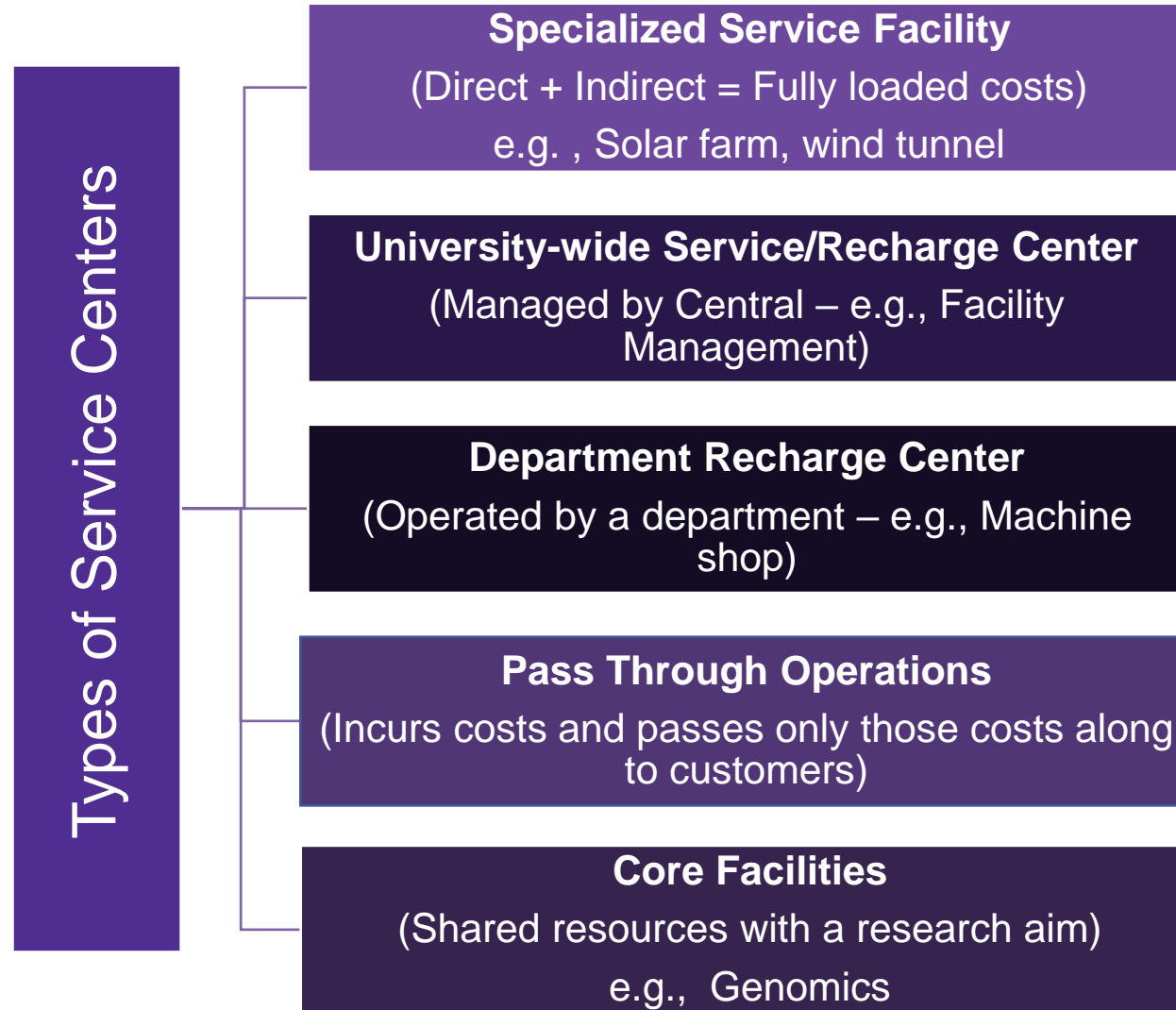
Define in  
University  
Policy

University  
Policies

An operating unit within the University that:

- Provides a good/service or groups of goods/services
- Operates on a recurring basis
- Is primarily for users within the University
- Recovers the costs of providing the good/service through charges to users
- Meets a specified dollar threshold of either revenue or expense (Best Practice)

# X Types of Service Centers



# X Service Center Policy Essentials

Background/ Purpose/  
Introduction

Definitions

Roles and  
Responsibilities

Criteria for  
Establishing and  
Continued Operation

Operational  
Requirements

- Allowable Cost
- Rate Setting
- Equipment
- Tax Implications
- Record Retention



# X Service Center Procedures (not part of Policy)

- How to Establish a New Service Center
- How to Close a Service Center
- Rate Setting for Service Centers
- Annual Service Center Review
- Operating a Service Center
  - Should refer to existing Policies or Procedures
  - Billing and Cash Handling
  - Record Retention
  - Sales Tax / Unrelated Business Activity (UBIT)
  - Setting up a new activity code (project, Org code)
- Could be many more





# X Process for Establishing a Service Center

Establish responsibility for approval

Develop a standard form or format

- Purpose of center / how it support the University mission
- Services or products now and anticipate in the future
- Competition - similar services/products in area
- Customer base and mix (How much federal, external?)
- Capital equipment/resources needed
- Start up funding needs and source
- Deficit funding source
- Detailed operating budget
- Separate account/project

**Form #xxxx: Request to Establish a New Service Center**

**GENERAL INFORMATION**

**Service Center Name:** [Click here to enter text.](#)

**Service Center Director/Manager:** Who within the service center or within the department will be responsible for the day-to-day operations of the proposed activity?

**Name:** [Click here to enter text.](#)

**Email:** [Click here to enter text.](#)      **Phone:** [Click here to enter text.](#)

**Financial Administrator:** Who within the service center or within the department will be responsible for monitoring the finances of the proposed activity?

**Name:** [Click here to enter text.](#)

**Title:** [Click here to enter text.](#)

**Email:** [Click here to enter text.](#)      **Phone:** [Click here to enter text.](#)

**Department:** Which department will the service center operate under? [Click here to enter text.](#)

**Location:** [Click here to enter text.](#)      **Startup Date:** [Click here to enter a date.](#)

**BUSINESS PLAN**

**Background and Purpose of Core:** Describe the proposed activity. How does the activity relate to the mission of XX University? What purpose will it serve? What is the benefit to XX University?

[Click here to enter text.](#)

# X General Costing Principles

## Costs of providing services must be:

- Allowable
- Allocable
- Consistently applied
- Reasonable

## Unallowable Costs

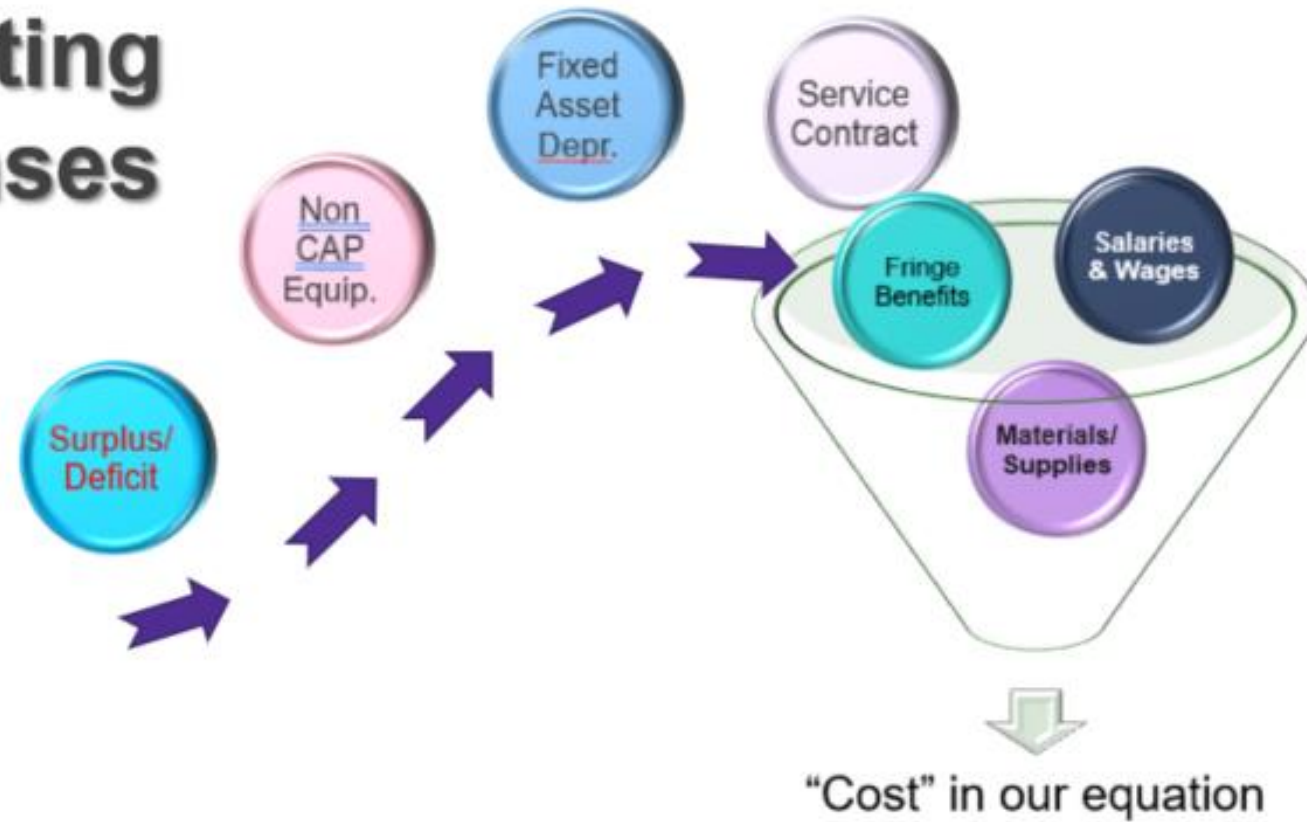
- Refer to 2 CFR, Part 200 Uniform Guidance, Subpart E - Cost Principles, Sections 200.400 – 200.475

# X Rate Setting Principles

- Actual cost is the most the rate is allowed to recover
- Rates must be reviewed and approved on a regular basis
- “Regular basis” means no less than every other year, i.e. biennially
- Surplus from recharge centers cannot be used to fund unrelated activities
- Rates must be adjusted when incoming funds exceed expenses (surplus balance) or else refunds must be issued
- Guidance is different for external user rates

# X Develop the Budget

## Operating Expenses



$$\text{Cost} \div \text{Usage} = \text{Rate}$$

# X Actual Usage

Section 200.468 of 2 CFR Part 200 (Uniform Guidance – UG) requires the cost of each service be charged directly to users based on actual use of the service and that rates do not discriminate between federally and non-federally supported activities, including university internal activities

$$\text{Cost} \div \text{Usage} = \text{Rate}$$

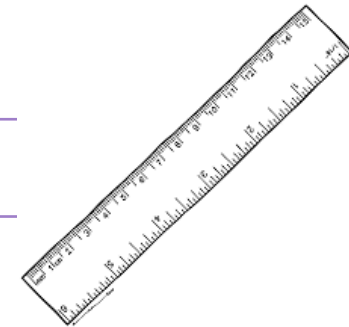
# X Usage Must be a Measurable Unit

The measurable unit must allocate costs equitably among all users

Requires a basic understanding of the science

## Examples of Units

- Per Rack Slot per Month
- Labor hour/ Machine hour
- CPU unit
- Zebra Fish Facility – Fish
- Super Computing Facility – Excess CPU



# X Develop the Revenue Budget

1

## Estimate Usage by Type of User

Internal federal  
Internal non-federal  
External user  
Special considerations?

2

## Aim to Break Even

Must show that total cost and total revenue (excluding reserve) will net to zero for the year

3

## Best Practice

It is not sufficient to “build a rate”

$$\text{Cost} \div \text{Usage} = \text{Rate}$$

# X Subsidies (Institutional Support)

- Recharge centers have the option of not including all costs in the rates
- Any partial subsidy of a center needs to be identified as an unallowable cost for F&A rate calculation purposes
  - Could be included as part of the budget
  - Or amount absorbed as a deficit at year-end
  - Or just not charged to the center (not recommended)



# X External Users

Different rules than for Federal and Internal Users

The use of market prices may be appropriate

Charges may include F&A plus “fee in excess of costs”

This additional income is not used in the calculation of surplus/deficit balance

Caution - Recoveries in excess of full cost might be Program Income

# *NIH + University Funds to Support a Core*

<b>Total Allowable Direct Cost</b>	<b>\$110,000</b>
<b>NIH Direct Funding to Core</b>	<b>(\$ 60,000)</b>
<b>Institution's Funding to Core</b>	<b><u>(\$ 10,000)</u></b>
<b>Net Recoverable Cost</b>	<b>\$ 40,000</b>
<b>Number of service units</b>	<b><u>÷ 1,000</u></b>
<b>Net cost/unit</b>	<b>\$40 = Federal Rate</b>

**100 External User units**  
**plus F&A at 50%**  
**External User rate**

**\$110,000 ÷ 1,000 = \$110**  
**\$110 + \$55 = \$165**  
**\$165 (or more)**

# X Payroll Considerations

- The service center should have a unique activity code
- When working on service center activity, employees must charge the service center activity code
- Required to accurately record costs
- Percentage of time for exempt is acceptable

# X Inconsistent Costing

Institutions sometimes charge only the cost of the materials and supplies through the billing rates. The salaries of the personnel that operate the center or provide the service are not included in the billing rate. They are allocated as either GA or DA.

- Government views this as CAS 502 violation, similar costs in like circumstances as both direct and indirect
- The salaries and fringes are unallowable costs

# X Accounting Considerations

- Service centers must bill their users in a timely manner based on actual usage
- Best practice is at least monthly
- Create a natural account code specifically for internal recovery of cost (credit) (Best Practice)
- Credit should be recorded in the same activity code (project code, org code) as the operating expenses
- Payments from external users are revenue
- Recommend create separate activity code (project, org code) for external users (Best Practice)

# X Account Considerations – Reserve Accounts

- **Used to retain balances and record transactions that don't directly affect the rate**
  - Recovered depreciation
  - Equipment replacement fee
  - “Fee in excess of cost” charged to external users
  - Depending on your policy, could be F&A
- **Not used in the calculation of surplus/deficit at year end**



# X Equipment



Can include only non-Federal depreciation in Federal rates



Can include all depreciation plus an equipment replacement fee for non-Federal users (external/internal)



Do NOT include in F&A rate calculation



Maintain meticulous, current depreciation records

# X Documentation Must be Retained

- **Official/approved price (rate) list**
- **Detailed equipment depreciation records**
- **Rate calculation documentation**
- **Original approval to establish the center**
- **Billing data as well as Usage Data**

Activity/Account/Org/Project number and user

Service performed or product sold

Rate charged

Date



# X Animal Research Facilities

- **Rates are developed according to the National Center for Research Resources (NCRR) Cost Analysis and Rate Setting Manual for Animal Research Facilities**
  - ✓ Requires a cost analysis study
  - ✓ Include Space costs – depreciation, building interest, utilities, repairs & maintenance, security, pest control
  - ✓ Include an allocation of General Administration costs, but only if excluded from F&A base
  - ✓ Assign costs to cost centers using personnel activity reports, space survey, cage washing schedules, animal days by category, quantities of feed and bedding, number of technical activities
  - ✓ May require computer program to calculate

# X Upcoming Events

**maximus**

36th Annual  
**Higher Education Hybrid Meeting**  
September 20 - 23, 2023



- At the Maximus Annual Higher Education Hybrid Meeting, you will advance your F&A/CRIS knowledge and have a chance to network with other attendees from colleges & universities across the United States.
- AT&T Hotel and Conference Center in Austin, TX

# X Contact Information

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# maximus

