



MAXIMUS Higher Education

**Service Centers
Are They Right for You?**

May 19, 2020



Agenda

- **Introduction to MAXIMUS and Higher Education Practice**
- **Definition**
- **Compliance Issues**
- **Rate Setting Considerations**
- **Subsidies**
- **Accounting Issues**
- **Considerations Before Approving New Centers**
- **Does Recovery Justify the Expense?**

MAXIMUS Higher Education Practice

- Serves more than 200 colleges and universities in 49 states plus Puerto Rico and the U.S. Virgin Islands
 - 90 of top 100 research institutions
 - Ranging from <\$1M to >\$1B in research
- Headquartered in Northbrook, Illinois
 - Satellite offices in: Colorado Springs, Colorado | Lexington, Kentucky | Columbus, Ohio | Phoenix, Arizona | Charlottesville, Virginia | Bluffton, South Carolina
- MAXIMUS is a leading provider of government services worldwide with more than 30,000 employees and \$2.0+ billion annual revenue

MAXIMUS Higher Education Practice

F&A Consulting Services

- F&A Cost Rate Proposal Preparation (Long and Short Form)
- Negotiations (HHS-CAS & ONR/DCAA)
- Space Surveys/Reviews
- Fringe Benefit Rates
- Federal Disclosure Statement (DS-2) and Direct Costing Policy
- Service Centers and/or Recharge Centers Rates and Policies

F&A Software

- Comprehensive Rate Information System (CRIS®)
 - 200+ universities use CRIS
- WebSpace® – Space Utilization Software
 - 60+ universities use WebSpace

The logo for CRIS (Comprehensive Rate Information System) features the letters "CRIS" in a bold, blue, sans-serif font. The "C" and "R" are connected, and the "I" and "S" are separate.The text "WebSpace" is written in a bold, yellow, sans-serif font.

Other Services and Products

- Internal Controls Consulting and Effort Reporting Software (ERS)
- Uniform Guidance Diagnostics and Compliance Consulting
- Pre and Post Award Consulting Services and Training
 - Research Operational Reviews – Business Process Review and Improvement – Change Management
 - Policy Review and Development
 - Fringe Benefit Rates

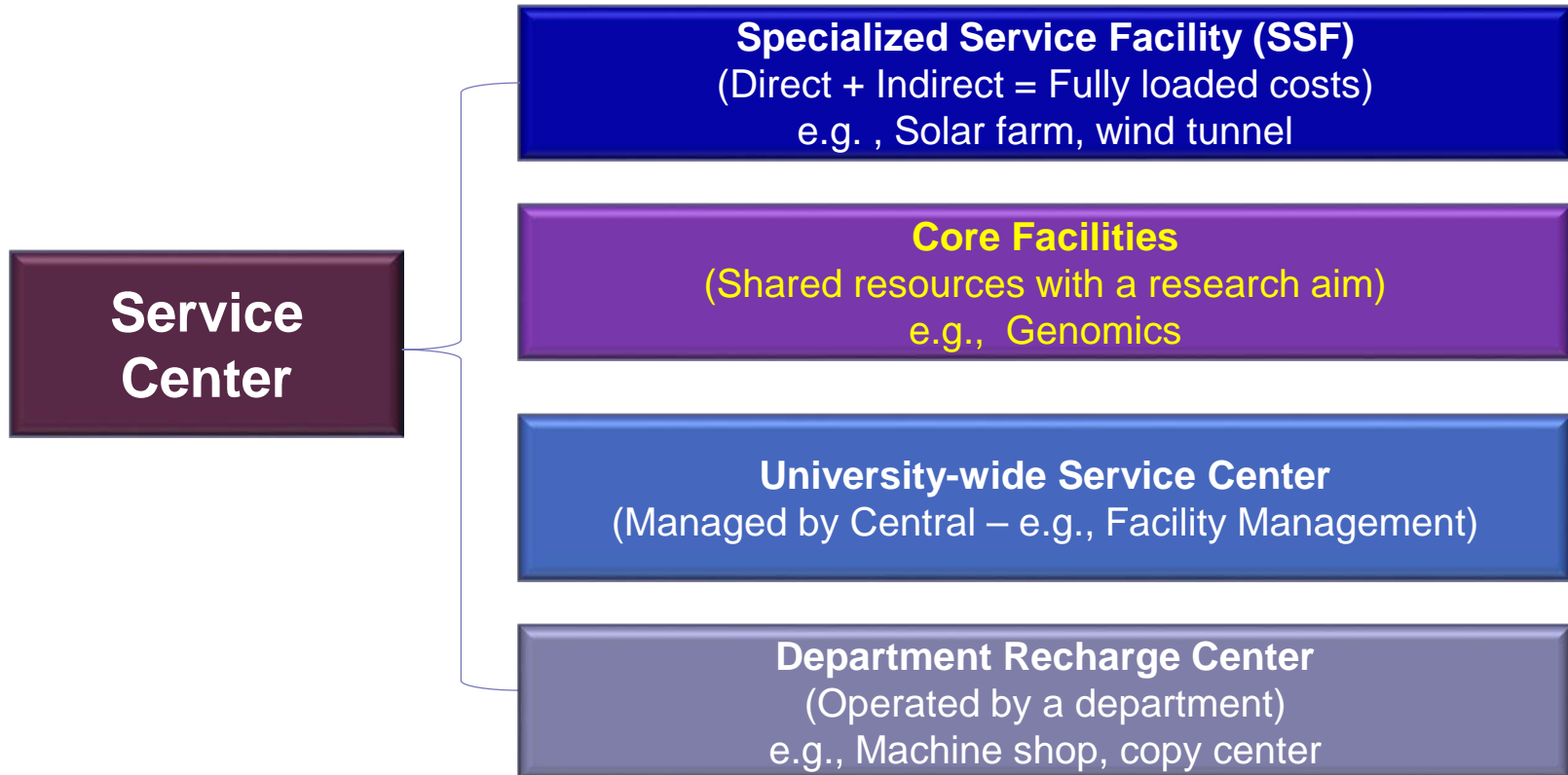
What are Service Centers

- Definition of Recharge Centers*
 - “Recharge centers at universities, also known as specialized service centers, operate as in-house enterprises that provide goods or services to individual users or other operating units. These centers function as non-profit businesses, funding operations through fees from users.”



* Summary Report on Audits of Recharge Centers at 12 Universities
~ HHS Office of Inspector General, January 1994

Example of Classifying Service Centers



Terminology

Each University has its own terminology

- Service center – means SSF in some schools, but not at other schools
- Recharge center – means only departmental centers in some schools, but not at others
- Core – same as recharge center in some schools
- Internal service provider
- Auxiliary – in Florida, includes recharge centers and SSF

Regulations Governing Service / Recharge Centers

- Uniform Guidance, 2 CFR 200, Subpart A, Subsection 200.468 and Appendix V and VII
- 2 CFR 200, Subpart A, Subsection 200.521 Management Decisions
- CAS Best Practices Manual For Reviewing IHE Long-Form F&A Cost Rate Proposals, XII.B Specialized Service Facilities
- Cost Accounting Standards (CAS) Disclosure Statement (DS-2), section 3.2.0 Service Centers
- Audit Guide: Adequacy and Compliance Audits of Disclosure Statements Submitted by Educational Institutions (HHS OIG)
- Federal Audits of Recharge Centers (HHS OIG)

Key Compliance Issues

OIG Audit – 1994: Summary Report of Audits of Recharge Centers at 12 Universities

- Billing rates were not adjusted for accumulated surplus and deficit fund balances
 - Included duplicate or unallowable costs in the calculation of billing rates
 - Included recharge costs in the calculation of indirect cost rates
 - Used funds of recharge center account for unrelated purposes
 - Billed some users at reduced rates
- *Summary Report on Audits of Recharge Centers at 12 Universities (A-09-92-04020)*

DOJ - University in New England

- \$2.5 Million Whistleblower; False Claims Investigation Settlement
 - Specialized Service Centers: Overstated anticipated expenses, overcharged the government and billed for items not covered by the grants
 - Billing Rates: Failure to revise and appropriately set its rate structure resulted in submission of numerous false claims
- *Newsday, January 9, 2006 (Associated Press); Hartford Current, January 10, 2006*

Key Compliance Issues

Service Center Charges Not Allowable – July 2012

- The animal facility computed rates by averaging rates that other universities charged
- The University did not perform biennial reviews to adjust the rates based on actual costs
- The telecommunications center did not charge based on actual usage of the service provided
- Furthermore, it charged administrative fees that were not part of the aggregate cost of providing the service
- Originally \$5.8 million findings, eventually reduced
- *HHS OIG A-04-11-01095*

Summary of 10 Key Compliance Issues

Rates

- Should recover no more than the cost of the good or service
- Must breakeven over time, reviewed and adjusted at least every two years
- Must not discriminate between users, especially those paying with federal funds

Surpluses

- Must either be incorporated into subsequent rates or else refunded to users
- Should not be used to fund unrelated activities

An official published price list should be maintained

Depreciation

- Expense may be included in rates, not the acquisition cost of equipment
- If included in Service Center Rates cannot be included in the F&A rate

Service center subsidies should not be included in the F&A rate

Use of a “Flat User” fee unrelated to actual usage is not allowed

Different Rules for Federal vs. External Rates

Federal Rates

- Actual cost is the most the rate is allowed to recover
- Only allowable cost can be included in federal rate
- Retain documentation of the rate calculation
- Rates must be reviewed and approved no less than every other year, i.e. biennially
- Rates must be adjusted when incoming funds exceed expenses (surplus balance) or else refunds must be issued

External User Rates

- 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
- Accounting for excess can be challenging
- Caution – Recoveries in excess of full cost might be Program Income

Subsidies to Service Center Almost Always Necessary

Subsidies to Service Centers should be built into rates

- Paying salaries of staff in a non-center charge code is a subsidy
- Absorbing a year-end deficit is a subsidy
- If formally committed (e.g. in NIH core proposal) this is “voluntary committed cost share” (from NOT-OD-13-053)

Identify subsidies

- Through the rate setting form
- Through the budget system
- Through the accounting system
 - With new cost centers
 - With expense codes
 - With transfers

Accounting for Service Centers

Operating Cost Center

Equipment Replacement Reserve Cost Center

External Users (can use Reserve cost center)

Subsidies to Users – Separately Accounted for

When working on service center activity, employees must charge the service center

Service centers must bill all users in a timely manner based on actual usage (monthly is best)

What to consider before approving a new center

Is it a wise business decision?

- How does it support the University mission(s)?
- Will projected demand – by PI, Dept, grant – support it?
- Who will provide the administrative support?
- Who will provide the subsidy?
- Is this service offered by other firms / universities?
- Is this service unique or substantially superior to other suppliers?
- Are services provided on an ongoing basis?
- Is the service provided needed in the future or will it be obsolete soon?

Reasons Not to Start a Service Center

- 1 They are an administrative burden to central
- 2 They are an administrative burden to the department/center
- 3 They most often require subsidies from departments or central
- 4 They put the institution at risk in an audit
- 5 All of the above

Does the Recovery Justify the Expense?

	Salaries & Wages	Other Expenses	Total Expense
Projected Annual Operating Expense	\$290,000	\$105,000	<u>\$395,000</u> ^a

Projected Usage	Hours	Rate	Projected Revenue/ Recovery
Federal Sponsored Users	3,400	\$60	\$204,000 ^b
Internal Users	1,300	\$60	\$78,000 ^c
External Users	1,000	\$132	<u>\$132,000</u> ^d
Total Projected Recovery + Revenue			<u>\$414,000</u>

Currently the VPR budgets pays for all expenses	\$395,000 ^a
Currently External Users are being billed	-\$132,000 ^d
Current expense borne by the University	<u>\$263,000</u>

Service Center budget pays for all expenses	\$395,000 ^a
Federal Sponsored Users are billed for usage	-\$204,000 ^b
External Users are billed for usage	-\$132,000 ^d
Additional expense to hire administrative support	\$50,000 ^{estimated}
Expense borne by the University with a Service Center	<u>\$109,000</u>

Questions



thank
you

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