



MAXIMUS Higher Education

**Service Center
Accounting Concepts**

June 4, 2019



Agenda

- **Introduction to MAXIMUS and Higher Education Practice**
- **Summary of Service Center Basics - Compliance Issues**
- **Accounting for External Users**
- **Accounting for Depreciation**
- **Accounting for Subsidies**
- **Handling the year-end surplus/deficit**
- **What can go into a reserve account?**
- **What goes into shutting down a center?**
- **How many accounts/cost centers do I need?**

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 (DHHS-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

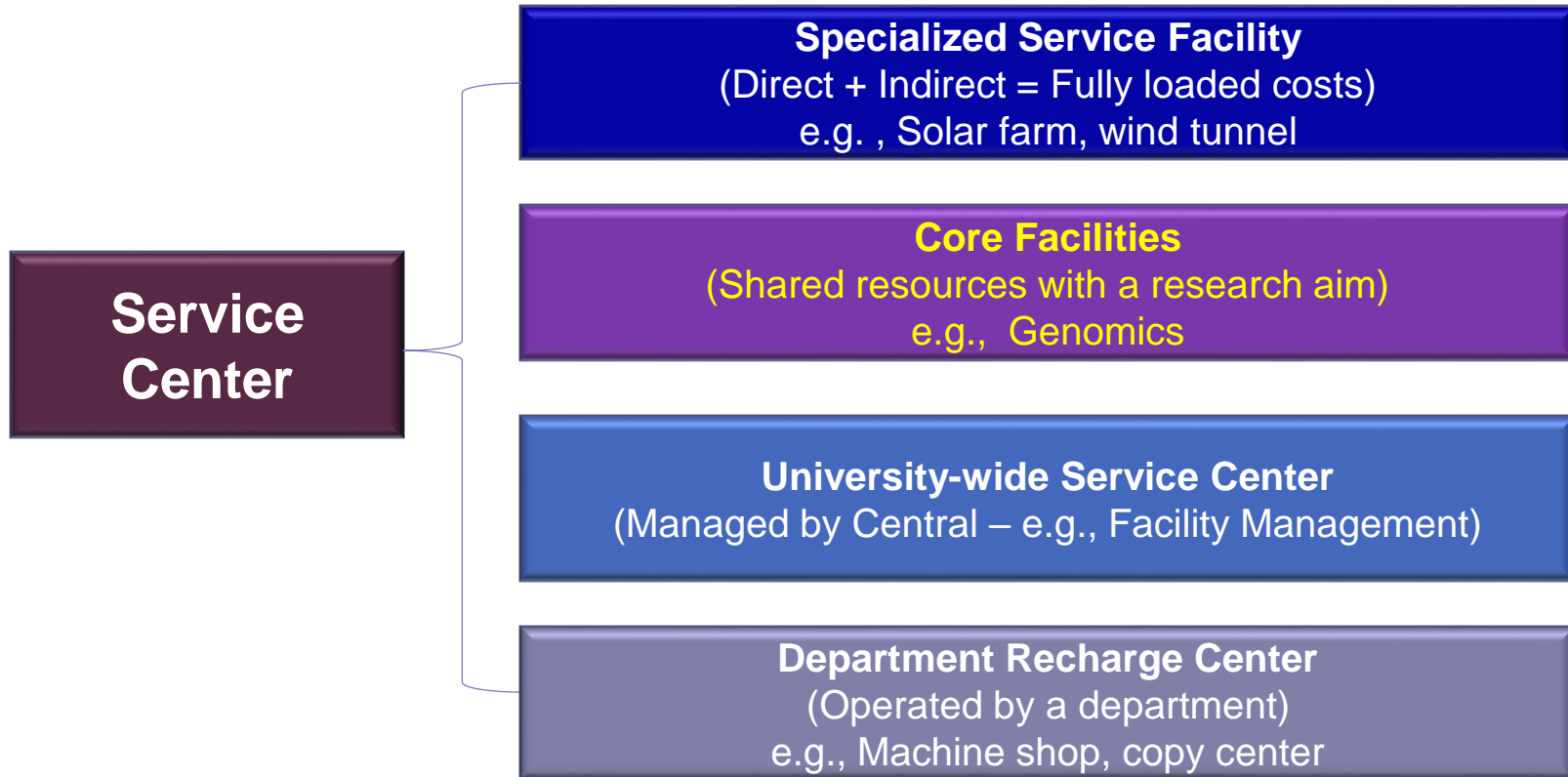
The logo for CRIS (Comprehensive Rate Information System) features the letters "CRIS" in a bold, blue, sans-serif font. The "C" and "R" are connected, and the "I" and "S" are separate.

WebSpace

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
 - Onsite and Online Training in Grant Management
 - Fringe Benefit Rates

Example of Classifying Service Centers



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 must 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

Accounting for External Users

Separate cost center/project/FOPL/PTAO/chart string/index

One for all external users or one for each

Charge (debit) the external project the federal rate and credit the service center operating project, same as for internal users

Bill the external user the external rate

Surplus is recorded in the external project, not the service center operating project

Service center operating project has credits (at the cost-base rates) for all users to offset the expenses

Accounting for External Users

Service Center Operating	
Debit	Credit
Description	Description
[1] Salaries	
[1] Wages	
[1] Fringe Benefits	
[1] Supplies	
[1] Maintenance	
	Recoveries billed to Fed award [2]
	Recoveries billed to External [3]
Net zero in ideal world	

Federal Award	
Debit	Credit
Description	Description
[2] Amount billed to Fed award	
[2a] F&A on Service Center bill	
	Revenue received from Fed [4]
Net zero	

Service Center Reserve	
Debit	Credit
Description	Description
[3] External units at <i>federal</i> cost	
	Revenue received from External [5]
Credit Balance = Revenue - Cost	

Depreciation

Best practice: establish a reserve, versus recording in operating cost center

Disposal of equipment – record gain or loss to Service Center

Can have a shorter useful life, but must defend and should agree with financial statement useful life

Do not include in equipment depreciation cost pool for F&A rate calculation

Equipment replacement fee is unallowable for federal rate

Monthly/annual/quarterly depreciation expense entry: DR (charge) service center operating, CR (credit) reserve

Actual depreciation recovery would require calculating recovery per each billing unit

Depreciation

Recover Depreciation	
Service Center Operating	
Debit	Credit
Description	Description
[1] Salaries	
[1] Wages	
[1] Fringe Benefits	
[1] Supplies	
[1] Maintenance	
[2] Trsf in - Depreciation	
	Recoveries billed to External [3]
Net zero in ideal world	

Equipment Reserve	
Debit	Credit
Description	Description
	Trsf out - Depreciation [2]
Credit Balance	

Subsidies to Service Center

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

Subsidies to Users

Create and charge a subsidy charge code

- No need to impute revenue
- Accurate usage data
- Every user is billed

Through the accounting system different methods

- With new cost centers to charge the bills to – use the “old” fund
- With existing cost centers and budget transfers to cover the billings
- With transfers from subsidy cost center into Service Center to cover the billings

Surplus/Deficit

Include in next rate

Absorb deficit / Issue refunds?

Excess external revenue not part of surplus

Impute revenue for free/discounted services

Working capital = 60 days is allowable

Year-end entries: Accrue Revenue, Record Open A/R, and Ending Inventory Balances

What goes into the reserves?

- 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

Shut Down

Annually or biennially assess viability of center

Equipment – incorporate into university inventory or dispose

Ensure that all invoices have been paid – purchases and billings

Offset ending deficit with subsidy funding

Ending Surplus is a problem – is it more than 60 days allowable capital? Refunds

If possible, de-activate charge code

How many projects/cost centers?

Operating

Reserve

External Users (can use Reserve cost center)

Subsidies to Users

Reality - Institutional constraints

Restrictions on new expense codes

No reserve accounts allowed

Carryforward not allowed

Depreciation recorded centrally

Etc.

Upcoming Webinars and Annual Meeting



- Information for F&A Short Form Institutions • July 16 • Webinar
- Tips for Becoming a CRIS Power User • August 20 • Webinar
- Alternative Methods for Documenting Compensation • October date TBD • Webinar
- F&A Workshop • September 10-12 • Gaylord Opryland Resort & Convention Center in Nashville, TN
- 32nd Annual MAXIMUS Higher Education Practice Meeting • September 11 through September 14 • Gaylord Opryland Resort & Convention Center in Nashville, TN

Questions



thank
you

Caroline Beeman

CarolineMBeeman@maximus.com

540.308.3170