

Service Center Training

GRANTS & CONTRACTS
ACCOUNTING

CREATING THE NEXT

OVERVIEW

1. What is a Service Center?
2. What are the Regulations and Requirements to be Considered?
3. When Should a Service Center be Established?
4. How to get Started?
5. Determining Charge Rates
6. Service Center Operating Procedures
7. Annual Rate Validation Procedures



WHAT IS A SERVICE CENTER?

- Service Centers are separately budgeted self supporting units established to provide specific types of services and/or supplies;
 - Required for educational, research, or public service projects managed by multiple users.
 - Charge Rates are established to recover allowable costs from users.
 - Service Center Charge rates include both direct and an allocable share of Facilities & Administrative (F&A or indirect) costs.
 - Each center is responsible for the management of its service activities, including work required to establish user fees.



WHAT IS A SERVICE CENTER?

Georgia Tech policies and procedures provide for three types of Service Centers:

1. Specialized Service Facilities / Service Centers

- Service Centers which provide specialized services to the Georgia Tech community, either by
 - an operation of \$50,000 or more with a majority of charges to sponsored projects, or
 - an operation with charges of \$50,000 to sponsored projects regardless of the total size of the operation.
 - substantially all of the utilization is measured and invoiced to users.

- Examples:

➤ IPST – Testing Services	Revenue: \$ 760,000
➤ MSE – Ctr for Nanostructure Charac.	Revenue: \$ 142,000
➤ Printing and Copy Center	Revenue: \$1,080,000



WHAT IS A SERVICE CENTER?

2. Recharge Centers

- Service Centers with annual operations of less than \$50,000 with;
 - majority of charges to sponsored projects, or
 - operations with less than \$50,000 of charges to sponsored projects regardless of size.
 - Costs for materials/services should constitute a pass-through of direct costs only.
- Examples:
 - IBB - Histology Center Revenue: \$ 19,322
 - IBB – Micro-Computed Tomography Facility Revenue: \$ 7,542



WHAT IS A SERVICE CENTER?

3. Facility Usage Rates

- Service Centers established for the infrequent and non-recurring use by external entities of Georgia Tech,
 - particularly lab facilities that are unique and not commercially available.
- Examples:
 - MARC – Clean Room
 - ECE – Organic Thin Film Deposition Lab



REGULATIONS & REQUIREMENTS

- **Service Center Policies and Procedures have been established to incorporate :**
 - Georgia Tech policies and procedures
 - State of Georgia regulations
 - OMB 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- **OMB 2 CFR 200.413 Direct Costs**
 - *General.* Direct costs are those costs that can be identified specifically with a particular Federal award with a high degree of accuracy.
 - *Federal Awards.* The cost of materials supplied from services rendered by specialized facilities or other institutional service operations may be included as direct costs of Federal awards.



REGULATIONS & REQUIREMENTS

OMB 2 CFR 200.468 Specialized Service Facilities.

- .468 (a) The cost of services provided by highly complex or **specialized facilities operated by the non-Federal entity**, such as computing facilities, wind tunnels, and reactors **are allowable**, provided the charges for the services meet the conditions of either paragraphs (b) or (c) of this section...
- .468 (b) The cost of such services, when material, **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:
 - (1) Does not discriminate between activities under Federal awards and other activities of the non-Federal entity, including usage by the non-Federal entity for internal purposes, and
 - (2) Is designed to recover only the aggregate costs of the services.



REGULATIONS & REQUIREMENTS

OMB 2 CFR 200.468 Specialized Service Facilities (contd.).

- .468 (c) Where the costs incurred for a service are not material, they may be allocated as indirect (F&A) costs.
 - **Document these centers and the circumstances.**
- .468 (d). Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the non-Federal entity to **establish alternative costing arrangements**, such arrangements may be worked out with the Federal cognizant agency for indirect costs.
 - **Review operations and consider this option if appropriate.**

Other Federal Requirements

- Rates for Service Centers are subject to review and approval by the Office of Naval Research (ONR) and the Defense Contract Audit Agency (DCAA).



WHEN SHOULD A SERVICE CENTER BE ESTABLISHED?

Examples of instances when consideration should be given to the establishment of a Service Center are listed below:

- A. Your department purchases an expensive piece of equipment with significant operating costs that will be used by representatives of your department and representatives of other departments.
- B. Your department plans to initiate the operation of a special services laboratory staffed with high cost technicians and support personnel that will be used by various members of your department for sponsored activities as well as instructional activities.



WHEN SHOULD A SERVICE CENTER BE ESTABLISHED?

- **Examples of instances when consideration should be given to the establishment of a Service Center are listed below (contd.):**

- **C. If your department has an existing special services laboratory that previously served faculty members in your department for instructional purposes, a change in costing practices is required when:**
 - **a. The laboratory begins to be used by faculty members to support sponsored research projects, and/or**
 - **b. The laboratory begins to be used by faculty members from other departments or units to support sponsored research projects.**



WHEN SHOULD A SERVICE CENTER BE ESTABLISHED?

- **Examples of instances when consideration should be given to the establishment of a Service Center are listed below(contd.):**
- D. A member of your faculty tells you that he wants to charge Professor Smith in another department for use of his laboratory and staff.
- - This type of request needs to be studied to determine if a Service Center should be established, and if so, the type of Service Center to be established.



HOW TO GET STARTED?

If there is a need to establish a Service Center in your department please complete a Service/Recharge Center Request & Approval Form using the following link.

<http://grants.gatech.edu/sites/default/files/images/service-center-request-form.pdf>

- After submission of the Service/Recharge Center request & approval form, a Grants & Contracts Accounting Office staff member will work with the departmental representatives to gather additional details to prepare a Service Center rate study. This preparation process may require several drafts to document all of the required information.



HOW TO GET STARTED?

Service/Recharge Center Questionnaire

1. Name of Service/Recharge Center _____
2. Expense Project No's. _____
3. Revenue Account No's. _____
4. Brief description of each service (whether billed for or not) of the Center.

5. What units of measure are used as a billing base (hour, day, procedure, mileage, etc.)?
6. How many units of measure (hour, day, procedure, mileage, percent, etc.) will be processed during the current fiscal year?



HOW TO GET STARTED?

Service/Recharge Center Questionnaire

7. Are all users charged for the services? Yes _____ No _____

If not, how is it determined who is charged for what?

8. Are all users charged the same rate? Yes _____ No _____

If not, how is it determined which rate is used for whom?

9. Are charges made to anyone other than University Departments? Yes _____ No _____ If yes, please list some examples.

10. Are any of the costs related to this activity charged to another project/account?

Yes _____ No _____ If yes, what project/account numbers.



HOW TO GET STARTED?

Service/Recharge Center Questionnaire

11. List the location by buildings and room numbers, involved with this activity. Please be complete and accurate. List all offices, storage areas, as well as main facility.
12. A. Please attach a listing of all non-computer equipment used in this center as of 6/30/XX.
(Decal, description, serial number, location...)

B. Please attach a separate listing of all computer equipment used in this center as of 6/30/XX. (Decal, description, serial number...)
13. Please attach a separate listing of all expenditures that should be included in the center rate calculations (i.e.. M&S, travel, maintenance).
14. Please attach a separate listing of any personnel data that should be included in the center rate calculations (i.e.. Salary, employee ID, % allocation, etc.).



HOW TO GET STARTED?

Service/Recharge Center Questionnaire

15. Describe any other potentially relevant information about the center. Please be complete and accurate _____.

16. Contact Person _____ Phone Number _____

17. Latest Departmental Rate Study Date (if any) _____

Copy Provided: Yes___ No___

18. Proposed rates for the projected fiscal year _____.



DETERMINING CHARGE RATES

Procedure – Service Center Rate Studies and Charge Rates

- The Cost Accounting group of the Grants & Contracts Accounting Office is responsible for the development of Service Center Rate Studies based on information provided by the Service Center managers and financial officers.

A. General Guidelines

- Service Center Rate studies are scheduled on an annual basis, but rates can be used for multiple years when acceptable.
- Charge rates are based on actual activity and actual costs incurred, or projected costs that are based on the most recently completed fiscal year.
- Charge rates are not based on what others charge for similar services.



DETERMINING CHARGE RATES

Procedure – Service Center Rate Studies and Billing Rates

A. General Guidelines (Continued)

- New or expanded services must be approved to operate as part of an existing Service Center
- Rates can be changed at any time during the year provided a revised rate study is prepared and approved for use.
- All rates must be applied consistently to both federal and non- federal users.
- If preferential rates or free services are provided to some users (usually in the home department), rate calculations are to be based on full charge rates, and the resulting under recovery must be subsidized by departmental funds.



DETERMINING CHARGE RATES

B. Determining Service Center Revenues

- Projected revenue for Service Centers should be based on documented utilization of the service center from the prior period, if available, and a justification of the selected new utilization base.
- Charge Rates should be developed for each significant function or type of service provided.
- Service Center records are to document the amount of services provided for each function and type of service. (Track user data)



DETERMINING CHARGE RATES

C. Determining Service Center Operating Costs

- Projected Service Center operating costs should include only those direct and F&A (Indirect) costs which are directly allocable to the activity;
 - Allowable under Georgia Tech, State and Federal regulations;
 - Reasonable in relation to the service performed; and
 - Depreciation of equipment and facilities used directly by the activity
- Only charges for actual cost should be included. No charges for profit are authorized.
- No charges to generate surpluses for future periods are allowed.
- No charges for any item provided by the Federal government are allowed.



DETERMINING CHARGE RATES

C. Determining Service Center Operating Costs

- Direct Costs include all labor, fringe benefits, materials and supplies, and services which can be identified as directly benefiting the Center.
- F&A (Indirect) Costs include equipment depreciation by specific item, facility depreciation for net square footage occupied, facilities maintenance costs based on the prior year, and departmental administrative costs, if appropriate.



DETERMINING CHARGE RATES

D. Over/Under Recovery of Costs

- Service Center charge rates must recognize adjustments to costs for any over/under-recovery of costs from prior years.
- A five year cycle is considered an appropriate time period for a Service Center to operate at no better than break-even
- Operating cost subsidies - When departments subsidize a portion of the operating costs by charging related personnel and/or expenses to unrestricted funds in the unit, these costs should be recognized in the charge rate calculation.



DETERMINING CHARGE RATES

E. Service Center Charge Rates

- Service Center Charge Rates normally become effective July 1 of the subsequent year.
- Prior to ONR approval, if required, rates utilized will be considered provisional until amended.
- All work sheets and documents supporting rate calculations should be retained for audit.



DETERMINING CHARGE RATES

Format used to calculate support service unit rates

EXAMPLE 1: Research Support Laboratory - Sales Unit is Hours of Service

OPERATING STATISTICS for period 07/2015 - 06/2016

Charged out 1285 hours performing Test A on samples.

Charged out 1930 hours performing Test B on samples.

Total hours charged out: $1285 + 1930 = 3215$ hours



DETERMINING CHARGE RATES

EXAMPLE 1: Research Support Laboratory

➤ PROJECTED CHARGEABLE HOURS for period 07/2016 - 06/2017

<u>Employee</u>	<u>Gross Hours</u>	<u>Holidays</u>	<u>*Annual Leave</u>	<u>*Sick Leave</u>	<u>Non- Assignable Hours</u>	<u>Net Chargeable Hours</u>
A	2080	96	144	96	1000	744
B	2080	96	144	96	200	1544
C	1040	48	72	48	100	772
						<hr/>
Projected Total Chargeable Hours						3060
Projected Test A Chargeable Hours (40%)						1224
Projected Test B Chargeable Hours (60%)						1836



DETERMINING CHARGE RATES

EXAMPLE 1: Research Support Laboratory

➤ PERSONNEL COSTS for period 07/2016 - 06/2017

<u>Employee</u>	<u>Annual Salary</u>	<u>Chargeable Salary</u>	<u>Test A</u>	<u>Test B</u>
A	54,000**	54,000**	18,000	36,000
B	47,500	47,500	23,750	23,750
C	30,000*	15,000*	3,750	11,250
Total Personnel Costs			45,500	71,000

* Employee "C" is a full-time employee devoting 1/2 effort to this project

Only 1/2 salary and anticipated leave are considered in the calculation
with 25% effort going to Test A and the remaining 75% to Test B

**Employee "A" is a full-time employee devoting full salary and effort to
the center, 33% of their effort going to Test A and the remaining 67% to
to Test B.



DETERMINING CHARGE RATES

EXAMPLE 1: Research Support Laboratory

Total Projected Operating Costs for period 07/2015 - 06/2016

	<u>Test A</u>	<u>Test B</u>
Salaries	45,500	71,000
Fringe Benefits	13,650	21,300
Lab Supplies	1,000	1,700
Contractual Services	1,000	2,000
Travel	400	600
Equipment R&M	500	1,200
Depreciation	600	1,125
Total Operating Costs	62,650	98,925



DETERMINING CHARGE RATES

EXAMPLE 1: Research Support Laboratory

➤ Total Projected Operating Costs for period 07/2016 - 06/2017

RATE CALCULATION

	Total	Chargeable	Rate
	<u>Costs</u>	<u>Hours</u>	<u>Per Hour</u>
Test A	\$62,650	1,224 (40%)	\$ 51.18
Test B	\$98,925	1,836 (60%)	\$ 53.88



DETERMINING CHARGE RATES

EXAMPLE 2: Laboratory Copy Machine

Operating statistics from previous year:

Total actual copies made 07/2015 - 06/2016	273,619
Projected operating cost 07/2016 - 06/2017	
Lease purchase of copier	5,300.00
Maintenance Agreement	4,400.00
Paper Legal size 50 reams @ 3.25	162.50
Paper Letter size 525 reams @ 2.60	1,365.00
Toner 12 cartridges @ 37.50	450.00
Developer 1 bottle 55.00	55.00
Fuser oil 2 bottles @16.50	33.00
Total Operating Costs	<u>11,765.50</u>
Less over recovery from prior year	<u>-1,200.00</u>
Total Cost to be recovered	<u><u>10,565.50</u></u>



DETERMINING CHARGE RATES

EXAMPLE 2: Laboratory Copy Machine

➤ Total Estimated Copies for Fiscal Year 2016 - 2017 287,300

$$\begin{array}{r} \text{Total Costs} \qquad \qquad \$10,565.50 \\ \hline \text{Total Copies} \qquad \qquad 287,300 \end{array} = \$ 0.0368/\text{copy}$$



OPERATING PROCEDURES

Service Center Unit Managers or Financial Officers are Responsible for:

A. Overall Responsibilities

- 1. Preparation of annual Service Center Budget to assure that center is self supporting
- 2. Preparation and maintenance of financial and operating records required to document Service Center activities, revenues and expenses as required for Rate Studies and Reviews
- 3. Participate in the preparation of Rate Studies that determine charge rates or inventory markup rates including interim rate adjustments, if needed.
- 4. Completion of monthly financial reviews to assure that Service Center operations are operating according to budget.



OPERATING PROCEDURES

Service Center Unit Managers or Financial Officers are Responsible for:

B. Service Center Revenues

- Service Center Revenue are to be recorded to Service Center Revenue accounts established to account for center activities (e.g. 471900, 452800, 452900)
- Prepare and maintain records of goods and services requested, provided and invoiced
- Document of all charges by function and type of service provided (Track user data).
- Prepare and submit timely invoices for services rendered, at least monthly, with adequate documentation
- Internal billings are to be invoiced to a GT account/project.
- External billings are coordinated through the Bursar's Office.



OPERATING PROCEDURES

Service Center Unit Managers or Financial Officers are Responsible for:

C. Service Center Operating Costs

- Direct expenses applicable to the service center are to be recorded to projects/accounts established for purposes of reporting and accounting for center activities.
- Expense Projects should be established and maintained to separately identify all Service Center Operating expenses
- If required, a physical inventory of merchandise for resale should be maintained
- Records of equipment used in service center activities are to be separately identified and maintained in accordance with Georgia Tech Capital Asset Accounting requirements.



OPERATING PROCEDURES

Service Center Unit Managers or Financial Officers are Responsible for:

D. Service Center Financial Review

- Review of monthly revenue and expenditure financial statements for accuracy and completeness
- Analyze monthly operating results to determine if revenue obtained using approved charge rates is adequate to recover costs.
- Consider adjustments to charge rates if actual revenue is not covering all allowable operating costs.
- Prepare Annual Rate Validation Form
- Submit information in a timely manner.



OPERATING PROCEDURES

OMB 2 CFR 200 Audit Procedures

- When material charges are made from internal service, central service, pension, or similar activities or funds, the auditor should verify that the charges from these activities or funds are in accordance with the applicable cost principles. The auditor should consider procedures, such as:
 - a. Test working capital balances/refunds
 - b. Test that all users of services are billed in a consistent manner.
 - c. Test that billing rates exclude unallowable costs, in accordance with applicable cost principles.
 - d. Test that billing rates (or charges) are developed **based on actual costs and were adjusted to eliminate profits.**



OPERATING PROCEDURES

Types of Problems Identified In Service Center Audits

- 1. Accumulation of surplus funds due to the lack of analysis of recoveries and adjustment of billing rates resulting in overcharges.
- 2. Not crediting recharge center accounts for earned interest on excess fund balances.
- 3. Improperly classified inventory that was not consumed as an operating expense.
- 4. Including surplus and deficits of recharge centers as an indirect expense in the calculation of indirect cost rates and overcharging federally sponsored projects.
- 5. Use of recharge center surplus funds for unrelated purposes.
- 6. Use of inequitable billing practices by charging inconsistent billing rates to users of computer services.



OPERATING PROCEDURES

DHHS-OIG Audits of Recharge Centers

- Suggestions developed from prior audits;
 - 1. Complete annual or bi-annual rate studies and adjust subsequent year rates for appropriate prior year over/under recoveries.
 - 2. If you have accumulated surplus balances, credit the account for earned interest.
 - 3. Use proper business practices related to identification of operating costs, including proper inventory accounting.
 - 4. Service/Recharge Center operations should be accounted for as Other Institutional Activities to avoid any recognition of gains or losses in the F&A rate calculation.
 - 5. Account for all service center utilization in the rate determination process to avoid inconsistent billing practices.



ANNUAL RATE VALIDATION

Service Center rates are validated periodically to ensure that charge rates were at or below cost during the prior period(s).

- This validation work is scheduled and managed by the Grants and Contracts Accounting Office with significant assistance from the responsible Center or Unit Financial Officer.
- Accurate tracking and reporting (including detailed supporting documentation) for expenses and revenue entries is critical to the timely performance of service center rate validations.
- Existing (previously approved) Service Center billing rates, where a significant amount of charges were posted to sponsored projects, will be suspended if this validation process is not completed in a timely fashion.



ANNUAL RATE VALIDATION


To complete the Annual Validation Procedures, the Service Center files need to be updated related to:

- Service Center operations, location, and equipment to confirm that the approved rates determined by the latest Rate Study are still valid for use in charging for services.
- Confirm that the Service Center is still operating, and/or if other significant changes have occurred in the Service Center's operations.
- To determine if Service Center revenues and expenditures match the original plans, space is provided to identify the current year Service Center revenues by account and the Service Center operating costs by project number.



ANNUAL RATE VALIDATION

Information Required for Annual Validation Forms

- 1. Contact Information
 - 2. Revenues and Expenses
Enter the amount of actual operating revenue and expense
 - 3. Description of Operating Changes:
Report any significant changes to the Service Center operations since the last Rate Study was performed
 - 4. Equipment Changes:
Report any new equipment purchases and/or any equipment that has been removed from the Service Center operations.
 - 5. Locations Changes:
Report any changes to the Service Center location, including the addition or deletion of space in the same building.
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QUESTIONS?

For more information regarding service centers please visit our Policy Library via the following link:

<http://policies.gatech.edu/cost-service-centers>

If you have any additional questions please feel free to contact us by email:

servicecenter.ask@lists.gatech.edu

