Service Center Policy and Procedures

University at Albany

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# Table of Contents

1. Regulations .................................................................................................................. 2

2. Definitions .................................................................................................................... 3

3. Steps to Open a Service Center Account .................................................................. 5

4. Rates ............................................................................................................................. 6

5. Cost Study Updates ..................................................................................................... 6

6. Recharge Centers and Activities ................................................................................ 6

7. Rate Methodology ....................................................................................................... 8

8. Calculation of Costs .................................................................................................... 8

9. Record Retention ........................................................................................................ 8

10. Service Center Revenue ............................................................................................ 9

11. Termination of Service Center Account .................................................................... 9
I. REGULATIONS:

- **Federal Requirements**

  **Uniform Guidance 2 CFR 200**

  Office of Management & Budget (OMB) issued final guidance on Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in the Federal Register on Thursday, December 26, 2013. 2 CFR Chapter I, Chapter II, Part 200, et al. (78 FR 78590)

  This final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122, and A-133. The final guidance consolidates the guidance previously contained in the aforementioned citations into a streamlined format that aims to improve both the clarity and accessibility. The interim joint final rule implementing the OMB Uniform Guidance is now available in the Federal Register (Vol 79, No. 244, Friday, December 19, 2014)

  It is effective for new awards and for selected funding increments, issued on or after December 26, 2014. The 240-page Federal Register notice is structured with introductory comments at the beginning followed by a listing of the technical corrections/amendments. The OMB Uniform Guidance will be updated to reflect the technical corrections/amendments at 2 CFR Part 200. The bulk and the remainder of the Federal Register notice is a posting of each Agency's implementation plan.

- **Research Foundation Requirements**

  **Service Center Policy**

  As a recipient of federal funding, the Research Foundation for The State University of New York (RF) must comply with the U.S. Office of Management and Budget (OMB) Cost Principles. OMB Cost Principles govern cost allocation for specialized service facilities (SSF) which includes the principles for service centers. There are additional requirements for Animal Research Facilities (ARF) (NIH National Center for Research Resources’ (NCRR) Cost Analysis and Rate setting Manual for Animal Research Facilities (CARS)) and NIH-Funded Core Facilities (FAQs for Costing of NIH-Funded Core Facilities). This policy outlines the requirements for operating
locations to comply with these sections. Non-compliance could result in Government-imposed fines or disallowed costs.

II. **DEFINITIONS:**

- **Services:** Services indicate specialized services and other less specialized services. Highly complex or specialized services include animal care facilities, wind tunnels, reactors, and mass spectrometers, etc. Other services usually involve State-funded and income fund reimbursable services or RF-administered services and facilities.

- **Service Center:** are operating units within an institution that provides a service or group of services or product or group of products to users – principally within the institution for a fee. There are two types of service centers:
  
a) Specialized service facilities, as defined in Section J.47 of OMB Circular A-21, *Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions,* and

b) All other service centers, which are service centers that do not meet the definition of a specialized service facility.

**Specialized Service Facilities**

Specialized service facilities (SSFs) provide highly complex or specialized services to a select group of users (rather than the general campus community) and have combined annual direct operating costs and internal service center overhead of $1,000,000 or more. Examples may include animal care facilities, wind tunnels, reactors, and mass spectrometers.

The billing rate for an SSF should include the appropriate direct operating costs and internal service center overhead cost. The Research Foundation includes certain indirect (F&A) costs (e.g., maintenance and operations, and use allowance) associated with service centers as a component of the federal indirect (F&A) cost rate; therefore, these costs should not be included in the SSF billing rate.

**Other Service Facilities**

"Other services centers" include those of a less specialized nature that do not meet the definition of or the criteria for an SSF. These usually involve State-funded and income fund reimbursable services or RF-administered services and facilities. Examples of *State-funded service centers* include motor pool, mail and messenger, computer, stockroom, and central duplicating and printing. *Examples of RF-administered services and facilities* include technical research equipment and laboratory analysis.
The billing rate for "other services centers" should include only the appropriate direct operating costs and internal service center overhead costs.

- **Internal User**: Any user that is employed at the University at Albany or the Research Foundation at the University at Albany and other University affiliated corporations.

- **External User**: Any user that is external to the University at Albany.

- **Affiliated User**: Any user that is not employed by the University at Albany or the Research Foundation at the University at Albany, but does provide a service that benefits the University. This final determination is made by the Office of the Vice President for Research at the University at Albany.

- **Direct Cost**: Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. All direct costs must be budgeted and charged directly to service center. These costs include the salaries, wages and fringe benefits of University or Research Foundation faculty and staff directly involved in providing the service, materials and supplies, purchased services, travel expenses, equipment rental or depreciation, interest associated with equipment acquisitions. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

- **Indirect Cost**: The costs of administrative and supporting functions of the University. Institutional indirect costs consist of general administration and general expenses, such as executive management, payroll, accounting and personnel administration; operations and maintenance expenses, such as utilities, building maintenance and custodial services; building depreciation and interest associated with the financing of buildings; administrative and supporting services provided by academic departments; libraries; and special administrative services provided to sponsored projects. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

- **Unallowable Cost**: Unallowable costs means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.
• **Equipment:** An item of tangible property having a useful life exceeding one year and an acquisition cost of $5,000 or more. Purchases under this amount are considered consumable supplies.

• **Useful Life:** The estimated time period over which capital equipment and buildings will provide useful service.

• **Billing Unit:** The unit of service provided by a service center. Examples of billing units include hours of service, animal care days, tests performed, machine time used, etc.

• **Billing Rate:** The amount charged to a user for a unit of service. Billing rates are usually computed by dividing the total annual costs of a service by the total number of billing units expected to be provided to users of the service for the year.

• **Surplus:** The amount that the revenue generated by a service exceeds the costs of providing the service during a fiscal year.

• **Deficit:** The amount that the costs of providing a service exceed the revenue generated by the service during a fiscal year.

### III. STEPS TO OPEN A SERVICE AND FACILITY ACCOUNT:

The University at Albany maintains several funding mechanisms for the receipt of income from sources other than sponsored research programs or gift solicitation activities. These funding mechanisms include Income Fund Reimbursable (IFR), Research Foundation Multiple Sponsor, Research Foundation Service and Facility accounts, UAF Donation accounts and UAS Agency accounts. You must establish one of these approved funding mechanisms to accommodate the receipt and disbursement of such income. **The State Finance Law and University policy prohibit the use of private bank accounts to accommodate any University-related activities or programs.**

A Committee comprised of representatives from the offices of University at Albany Controller, Financial Management and Budget, Research Foundation Award Management Services, the University at Albany Foundation and University Auxiliary Services is charged with the task of developing and implementing a process to ensure the most appropriate funding type is established for each request to open a University account. The committee designed the account application to standardize and simplify the process of establishing a University account.

An account application form, available at [http://www.albany.edu/controller/account_procedures.php](http://www.albany.edu/controller/account_procedures.php), should be completed and
submitted to the Controller's Office in UNH 212 at least 30 days prior to the start of the proposed activity. Applications will be reviewed by a classification committee to ensure the most appropriate funding type is established. Once approved, the applicant will be notified of the approved account type and instructions for its proper use. Funds will be accepted only after an account has been approved and established.

As exceptions, sponsored research funds should be coordinated directly with the Office of Pre-Award and Compliance Services and all gifts should be coordinated directly with the Office of University Advancement.

IV. RATES:

- **Internal Rate**: Internal Rates only apply to Internal Users, which are users within the University at Albany. The internal user rates include direct cost of labor, equipment, supplies, and other necessary costs, to use the facility/service. No overhead is assessed for internal user rates.

- **External Rate**: External Rates are charged to External Users. External users are any user outside of the university that uses the facility/service. External rates are established by adding the appropriate overhead rate (15% for S&F accounts), cost of space and cost of utilities to the internal rate. External rates are established based on fully recovering the cost of facility/service and what the market can bear.

- **Affiliated Rate**: Affiliated Rates are charged to Affiliated Users. The rates are determined by the Department that is providing the service. The rate usually sets between the Internal Rate and External Rate. This is rare and up to the department providing the service to make the determination. The Affiliated user must provide some benefit to the University and be charged more than the internal user rate.

V. COST STUDY UPDATES:

An individual cost study for each service is required to be updated every two years according to Uniform Guidance (2 CFR 200) requirements. Departments are responsible to provide updated data to reflect any changes pertaining to the service provided.

VI. RECHARGE CENTERS AND ACTIVITIES:

Recharge Centers are established for the purpose of providing goods and services to University customers. The Centers are expected to offer goods or services that are unique, convenient or not readily available from external sources. The sale of goods
and/or services must be consistent with the University's mission and the normal activities of the college/department associated with the organization.

- **Recharge Activities**
  - Billing rates should be designed to recover the direct operating costs of providing the services on an annual basis. All direct costs of recharge activity operations, actually incurred and documented, must be charged to the recharge activity account and included in the billing rates. No costs other than the costs incurred in providing the services should be included in the billing rates. The costs should exclude unallowable costs and be net of applicable credits.
  - Billing rates should be based on a reasonable estimate of the direct operating costs of providing the services for the period and the projected number of billing units for the period.
  - The billing unit(s) should logically represent the type of service provided.
  - The billing rate computation should be documented.
  - All users should be charged for the services they receive and all internal users should be charged at the same rates. Federal grants and contracts cannot be charged a higher rate for goods and/or services than any other internal or external users. No discounts or free service may be given to any user unless the value of such services is imputed in the rate calculation. External users may be charged a higher rate than internal users.
  - Records must be maintained to document the actual direct operating costs of providing the service, revenues, units of service provided, billings, collections, and the annual surplus or deficit.
  - A complete rate review and re-computation shall be conducted every two years.
  - Actual costs and revenues should be compared at the end of the period. Deficits or surpluses should be calculated as an adjustment to the billing rates of the following year.

- **Service Centers**
  - Billing rates should be designed to recover the direct operating costs of providing the services and internal service center overhead, on an annual basis. All direct costs of service center operations, actually incurred and documented, must be charged to the service center account and included in the billing rates. No costs other than the costs incurred in providing the services should be included in the billing rates. The costs should exclude unallowable costs.
  - Billing rates should be computed every two years. The rates should be based on a reasonable estimate of the costs of providing the services for the year and the projected number of billing units for the one year period.
  - The billing unit(s) should logically represent the type of service provided.
The billing rate computation should be documented.

All users should be charged for the services they receive and all internal users should be charged at the same rates. Federal grants and contracts cannot be charged a higher rate for goods and/or services than any other internal or external users. No discounts or free service may be given to any user unless the value of such services is imputed in the rate calculation. External users may be charged a higher rate than internal users.

Separate accounts should be established in the University's accounting system to record the actual direct operating costs of the service center, internal service center overhead, revenues, billings, collections, and surpluses or deficits. Documentation to support the costs of the service center and records of units of service should also be maintained.

A complete rate review and re-computation shall be conducted every two years.

Actual costs and revenues should be compared at the end of the period. Deficits or surpluses should be carried forward as an adjustment to the billing rates of the following year.

VII. RATE METHODOLOGY:

Each rate methodology and actual rate calculated is determined by the University at Albany Controller’s Office. The rate methodology must reflect rates which equate the direct costs of the service center to its annual operating budget. The service center must ensure that all appropriate costs of operation are included in its rates and that no unallowable cost have been added.

VIII. CALCULATION OF COST:

Costs in the internal rate may include but are not limited to:
- Equipment depreciation
- Salaries and wages, and fringe benefits of employees performing the service
- Cost of materials consumed performing the service
- Cost of materials supplied from stock
- Cost of services rendered by other institutional service centers (i.e. computer charges).

Costs to be included in External rate:
- Total costs (direct plus indirect costs) through their rates.
- The rates include their allocated indirect costs (University overhead) as well as direct costs in their expenses when calculating their rates.

IX. RECORD RETENTION:
Billing rate development and approval must be documented and records maintained. Financial, statistical, and other records related to the operations of a service center should be retained for the active life of the rate. In the case of expired rates, the retention period is 3 years from the end of the fiscal year to which the records relate or 3 years from the end of the grant period, whichever is later.

X. SERVICE CENTER REVENUE:

- If the University decides to form a service center which contains federally funded equipment and/or personnel, it is the policy of the University that the ultimate use of the income generated from the sales of services or products produced with federal funds will be under the provisions of Uniform Guidance (2 CFR 200), which states that such revenue must be applied to:
  - Expanding the federal or University share of the service center in order to further eligible federal program objectives, or
  - Fund other federal eligible program objectives.

XI. TERMINATION OF SERVICE CENTER ACCOUNT:

- In order to terminate a service center account, the Principal Investigator must notify the Controller’s Office and the Office of Award Management Services prior to termination.
- The Office of Award Management Services may terminate an inactive account with proper notification to the Principal Investigator due to inactivity or inappropriate use of the account.