Service Center Workshop

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SPFG Meeting
April 26, 2013
• Service centers are defined as operating units within the institution that provides a service or group of services or product or group of products to users – principally within the institution for a fee
• Service center operations/transactions (costs and revenue) may be recorded in SUNY accounts, RF accounts or a combination of both.
Results of Recent Audit

- Campus did not have established policies and procedures
- Pre-billing rates
- Appearance of surpluses as service center activity for SUNY and RF
- Potential overhead costs included in recharge rates and F&A rate
- Need for additional CO monitoring and clarity of guidelines
Service Center Policy

- Changed from guideline
- Includes procedures, as well as, best practices
- Threshold of $100K to be considered a service center

Specialized Service Facilities

- $1,000,000 or more of combined direct operating costs and internal overhead.
- Highly complex or specialized services (i.e. animal care facilities not mail recharges)
- Material federal charges ($250K)
Monitoring Process

- Need to consider SUNY service centers to determine if consolidated balances represent a true surplus or deficit
- Campus should maintain a listing of service centers
- Review of billing rates every 2 years (independent office)
- Ensuring written procedures covering service centers are established, communicated, and implemented
- CO is performing additional monitoring and will need campus cooperation
Rate Development- Service Centers

Your campus is considering establishing a service center (not an SSF) and you are asked to calculate the rate per unit of service (assuming 1,000 units of service).

<table>
<thead>
<tr>
<th>Expense</th>
<th>Estimated Amount</th>
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<tbody>
<tr>
<td>Salaries</td>
<td>$100,000</td>
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<tr>
<td>Supplies</td>
<td>50,000</td>
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<tr>
<td>Service contracts</td>
<td>50,000</td>
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<tr>
<td>Equipment depreciation</td>
<td>100,000</td>
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<tr>
<td>Entertainment</td>
<td>50,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>150,000</td>
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</tbody>
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Based on the information above, what should be the rate used?

A. $200/unit  
B. $300/unit  
C. $350/unit  
D. $500/unit
Rate Development- Service Centers

A. $200/unit ($200,000 expenses/1,000 units)
B. $300/unit ($300,000 expenses/1,000 units)
C. $350/unit ($350,000 expenses/1,000 units)
D. $500/unit ($500,000 expenses/1,000 units)

Entertainment is an unallowable expense per OMB Circular A-21 and service center rates should only include direct costs; therefore, utilities should be excluded from the rate calculation.
Your campus is considering establishing an animal care facility (specialized service facility) and you are asked to calculate the rate per unit of service (assuming 10,000 units of service).

<table>
<thead>
<tr>
<th>Expense</th>
<th>Estimated Amount</th>
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<tr>
<td>Salaries</td>
<td>$700,000</td>
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<td>Supplies</td>
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<td>Equipment depreciation</td>
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<td>Entertainment</td>
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<tr>
<td>Utilities</td>
<td>200,000</td>
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<tr>
<td>Janitorial service</td>
<td>200,000</td>
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</tbody>
</table>

Based on the information above, what should be the rate used?

A. $100/unit (1,000,000/10,000 units)
B. $120/unit (1,200,000/10,000 units)
C. $140/unit (1,400,000/10,000 units)
D. $145/unit (1,450,000/10,000 units)
Rate Development- SSFs

A. $100/unit (1,000,000/10,000 units)
B. $120/unit (1,200,000/10,000 units)
C. $140/unit (1,400,000/10,000 units)
D. $145/unit (1,450,000/10,000 units)

Advertising is an unallowable expense per OMB Circular A-21. Unlike service centers however, SSFs should be calculated using a “fully loaded rate” which includes all direct charges, as well as, an allocated portion of F&A costs.
Best Practices

- Campuses should have campus specific procedures
- Training should be conducted on a regular basis
- Campuses should have a person (or group of people) responsible for
  - Approving new service centers and service center rates
  - Ensuring that existing rates are reviewed and approved and rates are updated at least every two years
- If possible, costs and revenue should be recorded in the same account (SUNY IFR account, RF S&F, etc)
- Campuses should maintain published price lists
- Campuses should maintain an inventory of service centers
Common Mistakes

- Inadequate policy and/or oversight
- Billing rates not based on actual costs
- Unallowable costs included in billing rates
- Surpluses not carried forward
- Invoicing not done on a timely basis
- Pre-billing of charging
- Surpluses used for unrelated activities
True/False

1. Service Centers should be established to make a profit.
   FALSE

2. The same rate does not have to be charged to every user.
   TRUE

3. Surpluses should not be carried forward in developing rates.
   FALSE
Animal Care Research Facilities

- Cost Analysis and Rate Setting Manual for Animal Research Facilities
- Three types of costs
  - Direct costs
  - Internal support costs
  - Institutional F&A costs
- Treatment of costs particularly space costs need to be coordinated with F&A proposal
Animal Care Research Facilities

- A call was held last September with University Centers and HSCs
- We are looking for rate schedules and the detail rate calculation from each school
Impact on F&A Proposal

• In the development of the F&A proposal all campuses should identify the RF S&F accounts, SUNY recharge accounts and related SUNY revenue (IFR) accounts in the following indirect cost functions:
  1. General Administration/General Institutional Services
  2. Maintenance & Operations
  3. Library
  4. Student Services (applicable only to long form campuses)
Impact on F&A Proposal

- For SUNY accounts, identify the type of cost that is being recharged (S&W or OTPS)

- Central Office cost accounting staff will reclassify the RF S&F accounts and SUNY recharged costs and revenue account to other institutional services (OIA) in the F&A proposal. This will ensure the costs are not included in the F&A rate since they are charged directly to sponsored programs.
Impact on F&A Proposal

For long form campuses:

• All RF S&F and third party recharge accounts are reclassified to other institutional services in the F&A proposal.

• Sponsored research space is identified for a service center in the academic department, core or animal care facility as follows:
  1. Through a sponsored program space survey conducted at the campus or
  2. By using the service center billings records. Based on total billings identify the percentage that is charged to RF research grants. The same percent can be applied to the service center space to calculate the sponsored research space.