

Service Centers Best Practices

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Overview

- What is a Service Center?*
- When to Establish a Service Center?*
- Determining Charge Rates
- Basic points about Charge Rates
- Regulations and Requirements*
- Annual Rate Validation Procedures
- What is a SSA?

What is a Service Center?

- Service Centers are organizational units within a university that provides:
 - specialized goods or services typically related to research
 - to customers, principally within a university
 - for a fee
- The entity is a self-supporting unit that recoups their allowable costs via fees charged to its users in order to fund its operations.
- Service centers are established to support on-going operations and should not be used for one-time billing of services.

What is a Service Center?

- Specialized Service Facilities
(Serves a very specific function and has annual operating budgets in excess of \$1 million)
 - Animal Care Facility
 - Clean room
- Institutional Service Centers
(Serves a large portion of the institution)
 - Facilities Management
 - Copy/Printing Center
 - Partnership for an Advanced Computing Environment
- Recharge centers / Core Facilities
(Localized operations providing a more specific service)
 - Machine Shop
 - High-Throughput
 - Organic Molecular Chemistry Lab

When to Establish a Service Center?

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 to Establish a Service Center?

Examples of instances when consideration should be given to the establishment of a Service Center are listed below (cont'd):

- C. If your department has an existing services laboratory that previously served faculty members in your department for instructional purposes, a change in costing practices is required when:
- The laboratory begins to be used by faculty members to support sponsored research projects, and/or
 - The laboratory begins to be used by faculty members from other departments or units to support sponsored research projects.
- D. A member of your faculty tells you that he wants to charge Professor Smith in another department for use of his lab:
- 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.

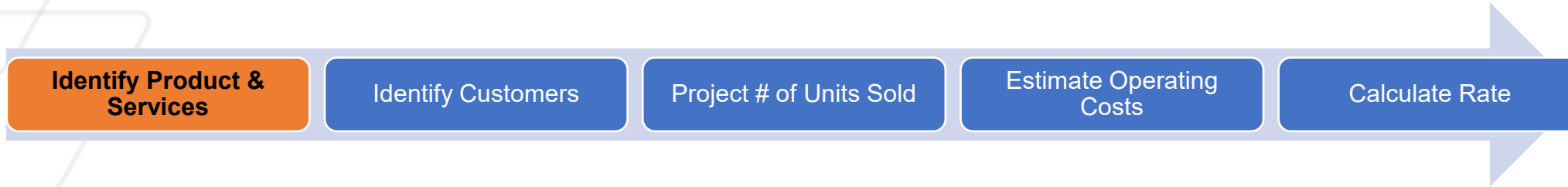
Determining Charge Rates

There are five basic steps in determining charge rates:

1. Identify Products & Services
2. Identify Customer Base
3. Estimate Usage
4. Estimate Operating Costs
5. Calculate Rate



Determining Charge Rates



What products will you sell & what will be the unit of measure?

Product / Service	Service Center	Unit of Measure
Use of Microscopes	Organic Molecular Chemistry Lab	Per Hour
Data Storage	Partnership for Advanced Environment	Per TB
Fabrication Services	Machine Shop	Per Machine Hour
3D Print Services	GVU Prototyping Lab	Per Cubic Inch

Determining Charge Rates



Who are your customers?

Internal Users	External Users
Students	Federal/State/Local Gov't
PI's	Industry
Other Departments	Other Universities

Determining Charge Rates



What is your projected # of units sold for the year?

- Examine historical use levels (if available) to forecast demand.

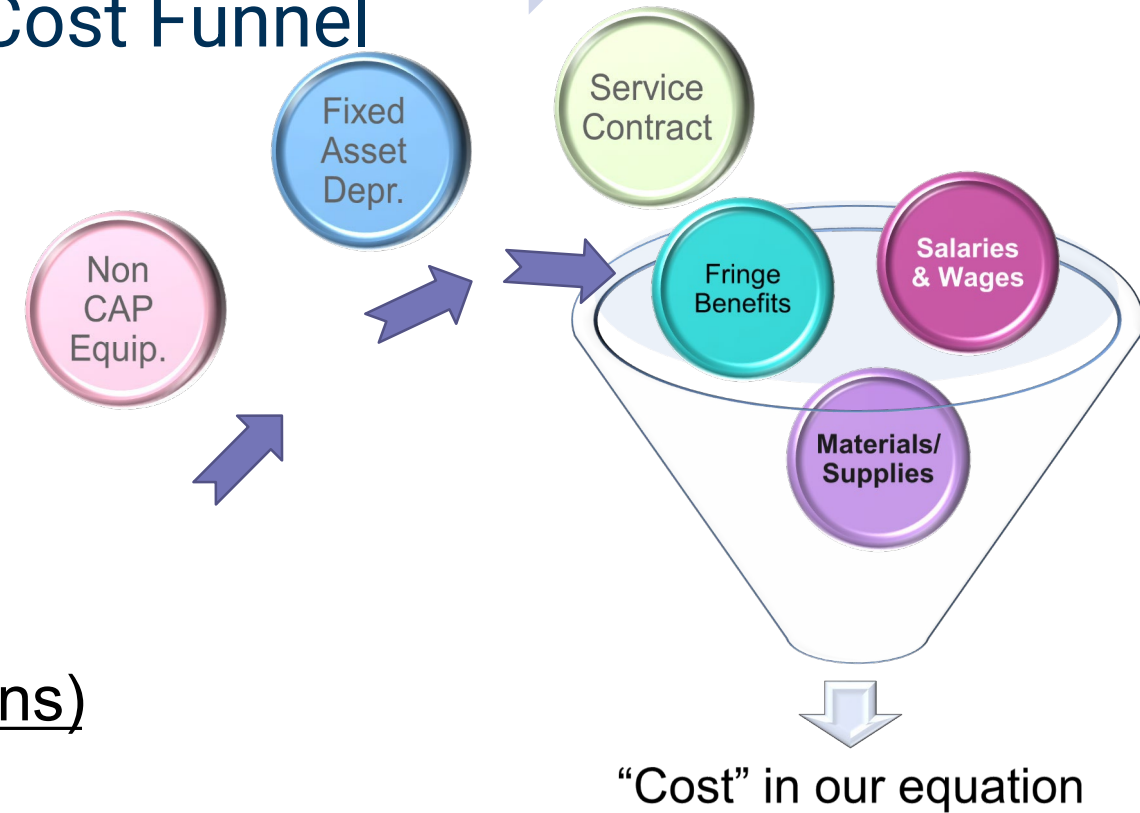
Determining Charge Rates



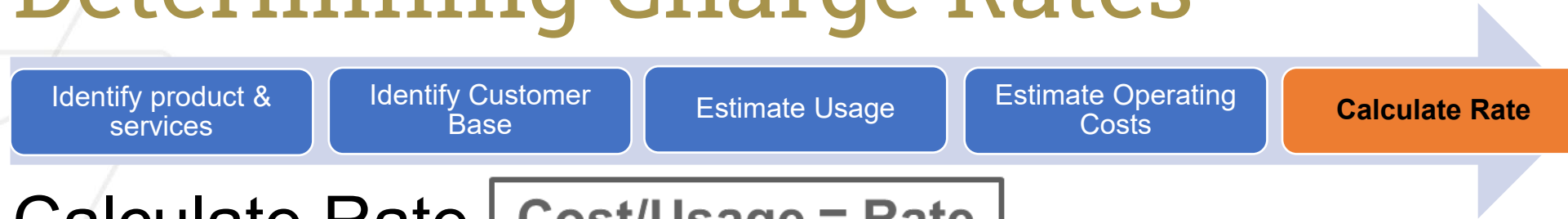
What are the expected costs?

- Direct
 - Salaries & Wages
 - Fringe benefits
 - Supplies & Materials
 - Service Contracts
 - Repairs & Maintenance
- Indirect (excluded under certain situations)
 - Equipment depreciation
 - Building depreciation
 - Plant Maintenance

Cost Funnel

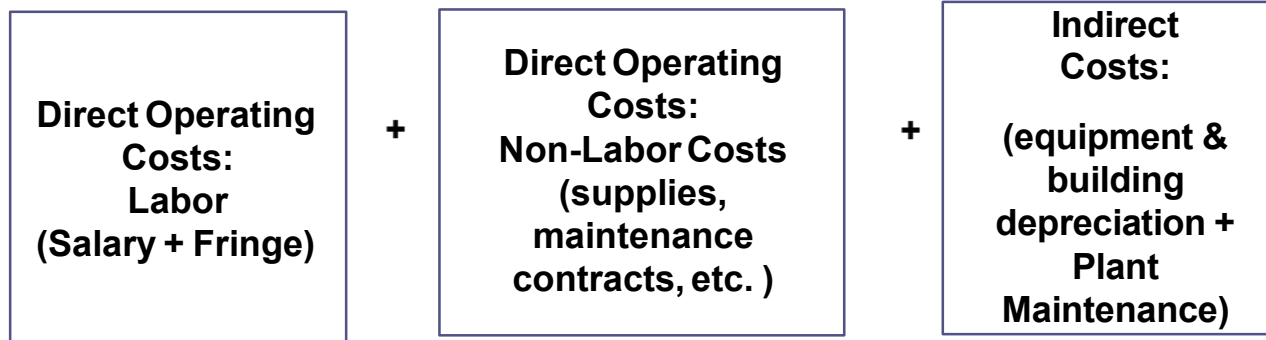


Determining Charge Rates



Calculate Rate $\text{Cost/Usage} = \text{Rate}$

Basic Equation:



÷ **Projected # of Goods or Services Sold**

=**“Calculated” Rate per Unit**

(may not be the same as the **Actual Recharge Rate**)

- Widget Shop Example



Basic Points about Charge Rates

- At Georgia Tech, the Cost Accounting group of the Office of Grants & Contracts Accounting is responsible for the development of Service Center Rates via a formal rate study based on information provided by the Service Center managers and financial officers.
- The Service Center rates represent the appropriate amount to charge for each service or product in order to recover all or a portion of allowable costs incurred in running the center.
- Users need to be charged the formal rates from the rate study for each service or product and avoid “rogue” rates.

Basic points about Charge Rates

- 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.
- 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.

Basic points about charge rates

- Once the rates are set, they must be applied consistently to both federal and non-federal users.
 - *If for example, the rate is set at \$20/hr for external customers, then **ALL** external customers need to be charged this rate.*
- Federal customers should never be charged a higher rate than any other external or sponsored customer.
- If preferential rates or free services are provided to some users (usually in the home department), any resulting losses must be covered by departmental funds.
- Free usage must be factored into the rate calculation.

Basic points about charge rates

Service Center Unit or Financial Managers are responsible for:

1. Preparation of annual Service Center Budget to ensure 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 including interim rate adjustments, if needed.
4. Completion of quarterly financial reviews to assure that Service Center operations are operating according to budget.

Regulations & Requirements

- Service Center Policies and Procedures should be established to incorporate :
 - [Institution policies and procedures](#)
 - [State regulations](#)
 - [OMB 2 CFR 200](#)
 - [CAS Best Practices Manual for IHE](#)

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 stock or services rendered by specialized facilities may be included as direct costs of Federal awards.

Regulations & Requirements

Uniform Guidance – 2 CFR 200

- Subpart E – Cost Principles (á200.468) – Specialized Service Facilities
 - Costs of each service must include direct & indirect costs
 - Is designed to recover only aggregate costs & charged based on actual usage
 - Rates must be adjusted at least biennially
- Subpart F – Audit Requirements (á200.500)
 - Service Centers are reviewed and tested annually as part of the Uniform Guidance Single Audit

Regulations & Requirements

Issues with Rates

- Not based on actual cost
- No cost study performed
- Use of market rates
- Use of flat user costs
- Departmental surcharge in rate
- Unallowable costs in rate
- Depreciation on federal equipment in rates
- Not factoring in non-paying customers

Annual Rate Validation

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

- 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 grants will be suspended if this validation process is not completed in a timely fashion.

Annual Rate Validation

Information Required for Annual Validation Forms

- Contact Information:
 - Name, phone # and email address of financial manager
- Revenues and Expenses:
 - Enter the amount of actual operating revenue and expense
- Description of Operating Changes:
 - Report any significant changes to the Service Center operations since the last Rate Study was performed
- Equipment Changes:
 - Report any new equipment purchases and/or any equipment that has been removed from the Service Center operations.
- Location Changes:
 - Report any changes to the Service Center location, including the addition or deletion of space in the same building.

Annual Rate Validation

Billing to a Worktag established in the Financial System

Ledger Account 471100 Quasi – Revenue

- RC471101 - Quasi/Internal DSS - State, GTF, and GTRC Funds
- RC471111 - (New Revenue Category) - Sponsored Awards

The ledger account 471100 is setup as a contra by the Controller's office to avoid duplication of revenue from Grants billing and to avoid intra-departmental transfers creating revenue

Billing to external sources without a Worktag (Bursar)

- Ledger Account 452500 – Sales Miscellaneous
- RC452590 - DSS - External to GT

What is an SSA?

Specialized Services Agreements (SSA's) are *template* contracts for the performance of activities in *support of research* and development programs and objectives.

Examples

Economic development forecasts for GA municipality through EI²

Standard safety compliance testing of electrical equipment through NEETRAC

Facilities use: specialized performance testing of 3rd party tech through EIN

Novel testing of new systems or tech through unique expertise of a GT researcher

What is an SSA?

SSA

Focus on
research
services

Results are centered
on data

Contract template contains all
research and academic supporting
terms and conditions with a simple
intellectual property section

Research Agreements

Focus on
research
investigations

Results are focused on new scientific
discoveries and intellectual property.

Contract template contains all
research and academic support
terms and conditions with a robust
intellectual property sections

QUESTIONS?

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

[Service Center Policy](#)

[Service Center FAQs](#)

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

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