



Symposium for Research Administrators

Continuous Improvement in a Time of Change

Service Centers and Core Facilities

May 11, 2011

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Duke University Symposium for Research Administrators

Today's Presenters

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Objectives

- Understand the following:
 - Reference and Guidelines
 - Types of Service Centers
 - How to Establish a Service Center
 - Development of Recharge Rates
 - Approvals Required
 - Work for External Customers
 - Roles and Responsibilities

Service Center Administration

- Consistent operational guidance for Duke University service centers to promote compliance with University policy and government cost principles ([Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions"](#)).
- GAP 200.300 - Service Center Administration (Updated April 2011)

New Draft Guidance from NIH

Draft Published: September 2010

“Created to provide NIH staff and awardees with a set of common questions and answers to aid in assuring core facilities operate in compliance with the terms of award including applicable Federal Cost Principles.”

New Draft Guidance from NIH

Notice Number: NOT-OD-10-138

Title: FAQs to Explain Costing Issues for Core Facilities

Web Link:

<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-10-138.html>

- Comment Period Ended in December 2010
 - Comment Letter from Council of Governmental Relations (COGR) and Duke University.
- Expect Final Document in CY 2011?

What is a Service Center?

- Unit that provides goods or specific technical or administrative services mainly to Duke University and Health System users. They charge directly for these goods or services using rates based on costs incurred.

Service Center Objectives

- To provide services or goods to University or Health System units in a more convenient manner than is available from outside vendors
- To provide services or goods at a total cost to the University or Health System that is less than that of outside vendors
- To provide services or goods required within the University or Health System that are not readily available from outside vendors and/or facilities
- To provide a mechanism for capturing the cost of providing services or goods and to distribute that cost to University or Health System users

Types of Service Centers

- **Service Component:**
Primary purpose is to provide goods or services to other University or Health System departments
- **Shared Resource:**
Provide goods and/or services that do not represent the major purpose of the generating department

Service Components

- Provide complex, specialized services to the University and Health System and **generate greater than \$1,000,000 of recharge credits per fiscal year.**
- Assigned a 157-9xxx cost center and a unique 7xxxxx G/L account to charge users.
- The expense base can include operating costs, capital equipment depreciation (betterments), and space and general administrative costs.

Shared Resources

- **Generate less than \$1,000,000 of recharge credits per fiscal year.**
- Assigned to 459-xxxx cost center series when possible.
- Should use 6901xx G/L account to record charge to customer and 7510xx-7525xx to record offsetting credit.
- The expense base includes only operating costs but can also include capital equipment depreciation (betterments) with approval.

Establishing a New Service Center

- Complete the Cost Object Request Form
- Submit to the appropriate Management Center
- Once approved, it will be forwarded to Accounting Systems and Procedures; they will notify the Management Center when the cost center has been set up.
- Obtain approval prior to using calculated recharge rate.

Development of Recharge Rates

- Recharge rates should be based on the actual cost of providing services
- If expected to recover full cost via the recharge mechanism, rates must be within the competitive pricing ranges established by independent for-profit businesses
- Full cost can include both direct and space and general administrative expenses for Service Components and only direct expenses for Shared Resources

Allowable Costs

Direct:

- salaries, wages, fringe benefits
- supplies and materials
- subcontracts
- outside services

Allowable Costs

F&A-like expenses (Allowable for Service Components only)

- General and administrative expense 9011xx
- Space rental charges 9009xx
- Departmental allocation of internal administration expense if applicable 9013xx/ 9014xx
- Betterments reserve not to exceed straight-line depreciation on capital equipment used by Service Center 6923xx
- Interest expense related to debt financing that is included as a portion of debt service 8017xx

Unallowable Costs

- Scholarship/Fellowships 63xxxx
- **Capital Acquisitions 66xxxx**
- Advertising and Publicity 6902xx
- Bad Debts 6910xx/ 6911xx
- Contributions/Donations/Subsidies 6918xx/ 6988xx
- Public Relations and Social Expenses/Alcoholic Beverages 6932xx
- **Interest Expense: Internal 6951xx**
- Losses/Damages/Write-off 6956xx
- Transfers (except when necessary or amounts to cover interest charges related to debt financing) 8xxxxx

Capital Equipment and Depreciation

- Capital equipment purchases **cannot** be included in the costs used to develop Service Center recharge rates.
- However, the recharge rates can include depreciation on the capital equipment used in the service center's operations.

Capital Equipment and Depreciation

- The depreciation is transferred as a betterment (G/L 6923xx) to a unique cost center in the 7479xxx series.
- Annual amounts credited to the 7479xxx cannot exceed the straight-line depreciation amount recorded in Duke's financial accounting system (SAP).

Capital Equipment and Depreciation

Depreciation on capital equipment purchased with Federal funds must be excluded from the service center recharge rate calculation.

7479xxx Betterment Code

Funds in the betterment code can only be used to purchase capital equipment for the corresponding service center.

The funds cannot be transferred to other service centers or utilized for any other purpose.

Capital Equipment Listing

If depreciation is included in the service center recharge rates then a capital equipment listing, along with the Duke asset number (silver tag), must be provided with the rate calculation.

- Why?
 - Verify annual depreciation amounts used in recharge rates to SAP.
 - Avoid double recovery: List used to remove depreciation from the Facilities & Administration (F&A) rate proposal.

Capital Equipment Listing

The Service Center Capital Equipment Detail form can be download from:

<http://www.finsvc.duke.edu/gap/forms.php#capequip>

Calculating the Recharge Rate

- Rates must be based on actual costs
- Users should be charged directly based upon the actual number of units purchased multiplied by the approved recharge rate.
- Rates must be consistently applied to all internal customers (Federal grants and contracts must always be charged the lowest rate.)
- Rates must be reviewed annually by the management center's appropriate budgetary official and approved by Asst. V.P., Cost & Reimbursement Accounting

Calculating the Recharge Rate

- Service centers can not generate a surplus for a prolonged period (2-5 years).
- Year-end surpluses from operations should be carried forward into the development of the next year's rate calculations.
- The same guidelines apply to deficits or the deficit may be subsidized by other university funds.
- A working capital balance can be maintained but may not exceed 2-3 months of operating expenditures.

Service Center Rate Calculation Form

Will assist in the calculation of the appropriate rate, it must include the following:

- Rate documentation by G/L Account to support identification of allowability or unallowability of costs
- Billing transaction information that identifies which G/L Account is utilized in the charging transaction and what Cost Object is credited
- Identification of customer base by major category (e.g., federal grants and contracts, other grants and contracts, other).



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(E - 2) Shared Resources

Duke University
 Cost and Reimbursement Accounting
Service Center Rate Calculation Form
 Form No. E-2
 9/13/2005

Please refer to instructions before completing form
 Attach additional detail as needed

Department Name: NeuroBiology Description: Purchased an electron microscope that we allow users , primarily in the bldg to utilize for a small fee. *Item No.*
 Department Number: 4511234 *F1*
 Building Name: North Bldg *F2*
 Room Number(s): 118 - B % Utilized By Service Center: 15% *F3*
 Effective Date: 7/1/2003 *F4*

I. DIRECT COSTS
Salaries & Wages (if additional space is needed, attach separate page)

Employee Name	Position Title	% of Total Effort	Service Center Salary	Service Center Fringe 05/06	ANNUAL COST
bi-weekly Jane Smith	Technician	15	4,500	1,161	5,661
bi-weekly				-	0
bi-weekly				-	0
bi-weekly				-	0
monthly Joe Doe	Business Mngr.	10	5,000	1,135	6,135
monthly				-	0
Total Service Center Salaries and Fringes:					\$ 11,796 <i>F6</i>

** - Please verify current fringe benefit rates at <http://www.finsvc.duke.edu/CostReim/frbrates.htm>

Maintenance Contracts	4,710	<i>F7</i>
Repairs	2,000	<i>F8</i>
Technical Supplies	1,500	<i>F9</i>
Travel	-	<i>F10</i>
Other (list): Non-capital office equipment	1,000	<i>F11</i>
TOTAL DIRECT COSTS	\$ 21,006	<i>F12</i>

II. F&A COSTS *G/L Account*

F&A Costs - Not Applicable for Shared Resources

Ready Shared Resource-blank Shared Resource-filled 85%

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Shared Resource-blank Shared Resource-filled

85%

F&A Costs - Not Applicable for Shared Resources

TOTAL COSTS (Direct + F&A)		\$	21,006	1,22
III. UTILIZATION	(Units = HOURS)		500	1,24
IV. USE RATE	(Total Costs/Utilization)	\$	42.01	1,25
V. USER BASE	(\$'s)			
	Federal Grants & Contracts (30x-xxxx through 34x-xxxx)		15,000	1,26
	Other Grants and Contracts		1,000	1,27
	Administrative (xx7-xxxx)		0	1,28
	Departmental/Instruction (xx1-xxxx)		3,500	1,29
	Other (list)			1,30
	Total User Base	\$	19,500	1,31
VI. SURPLUS/DEFICIT (1-22 minus 1-31)		\$	1,506	
Submitted By:	Name & Title		College or Department	Date
Approved By:	Name & Title		College or Department	Date
Rate Approved:				
	Submit completed form to: Appropriate Management Center			
	Page 1			

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Rate Calculation Forms – On Web

- Service Component Form:

<http://www.finsvc.duke.edu/gap/forms.php#SvcCntr>

- Shared Resource Form:

<http://www.finsvc.duke.edu/gap/forms.php#SvcCntr>



Approval of Recharge Rates

- Service center recharge rates must be submitted to the appropriate Management Center annually along with the proposed operating budget for the service center.
- **All recharge rates must be approved by Asst. V.P. , Cost and Reimbursement Accounting or designee prior to their use.**

Application of Approved Recharge Rates

- Rates must be consistently applied to all internal customers (Federal grants and contracts must always be charged the lowest rate.)
- The service center should charge users no less frequently than quarterly.
- The user should receive an invoice at a sufficient level of detail to support effective reconciliation in accordance with GAP 200.012.
- **Advanced billing for services or products is not allowed.**

Charges to External Users

Because sales of goods and services to persons or organizations outside of the University community may raise legal, tax, accounting and community relations issues, managers of service centers should use extreme caution in making services available to users outside the University or Health System.

Charges to External Users

Should discuss your situation in advance with University Counsel.

- For SOM: Office of Corporate Research Collaborations (Gil Smith)
- For Campus: University Counsel's Office (David Singleton)

Service Center Management

- Responsible for preparing and administering the service center budget, maintaining adequate records (ex: daily logs), and accurately invoicing users on a timely (no less than quarterly) basis.
- Determine the proper rate development methodology incorporating historical data, projected data, or both.

Service Center Management

- Responsible for preparing and supporting a schedule of rates for services or products charged to users of the service center.
- Must ensure that all internal (federal and non-federal) users are charged the same rate and is consistent with the rate schedule.

Service Center Management

- Must be able to support internal and external audit requests and show satisfactory accounting and management control.

EXTERNAL REVIEW

Recharge rates for service centers are subject to review and approval by Duke University's federal cognizant agency, the Department of Health and Human Services.

Recharge rates that result in over-recovery of full cost (direct and indirect) over time can cause one or both of the following:

- a one-time full or partial settlement
- future recharge rate reductions resulting in the under-recovery of full cost to compensate for past over-charges

Randy Best

Randy will now provide his perspective
on Service Center Management.