

Symposium for Research Administrators



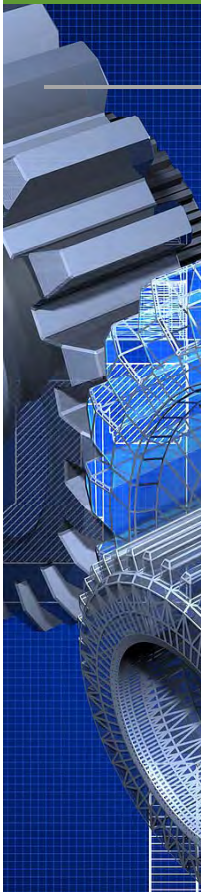
Reengineering Research Administration

Service Centers and Core Facilities

October 16, 2012

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Duke University Symposium for Research Administrators



Today's Presenters

- Brian Bertlshofer – Cost Reimbursement and Analysis (Financial Services)
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- Moria Brass – Associate Dean Administration (SOM)
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Objectives

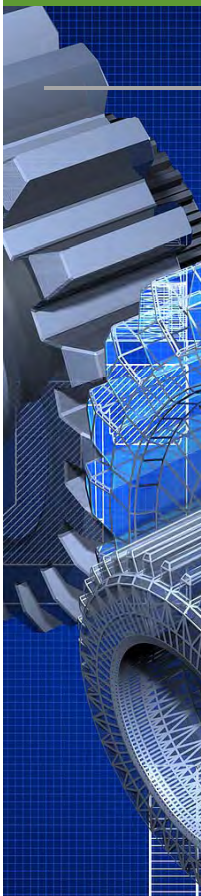
- Understand the following:
 - Reference and Guidelines
 - Types of Service Centers
 - How to Establish a Service Center
 - Development of Recharge Rates
 - Approvals Required
 - Work for External Customers
 - Roles and Responsibilities

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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)

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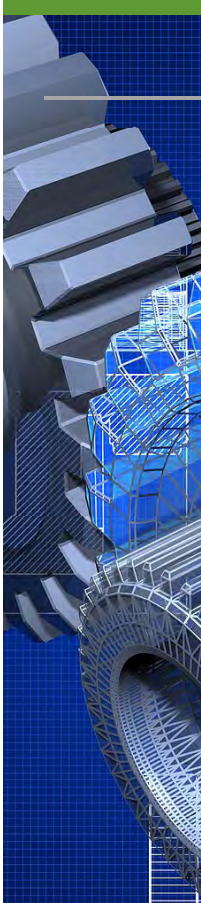


New Draft Guidance from NIH

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.”

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New Draft Guidance from NIH

Notice Number: NOT-OD-10-138

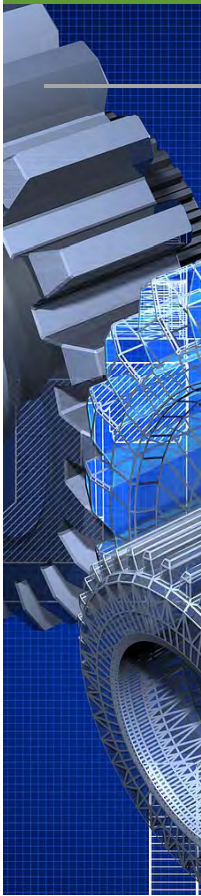
Title: FAQs to Explain Costing Issues for Core Facilities

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 on Governmental Relations (COGR) and Duke University.
- Expect Final Document in CY 2012?

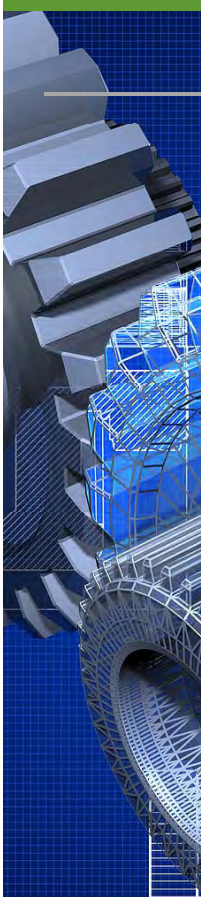
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What is a Service Center?

- 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.

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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

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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

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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.

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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.

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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.

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Development of Recharge Rates

- Recharge rates should be based on reasonable estimates for the cost of providing services, using historical data when available
- 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

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Allowable Costs

Direct:

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

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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

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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**

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Capital Equipment and Depreciation

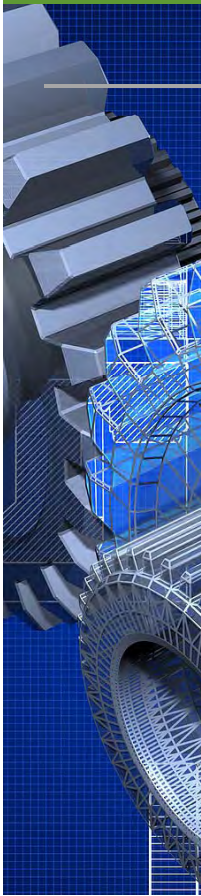
- Capital equipment purchases **cannot** be included in the costs used to develop Service Center recharge rates.
- However, the recharge rates can include depreciation on the capital equipment used in the service center's operations.

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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).

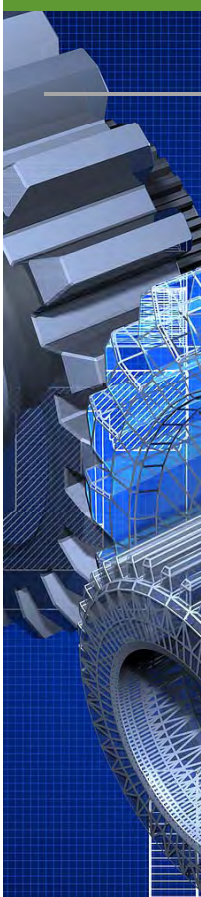
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Capital Equipment and Depreciation

Important:

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.

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Capital Equipment Listing

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

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

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Recharge Overview

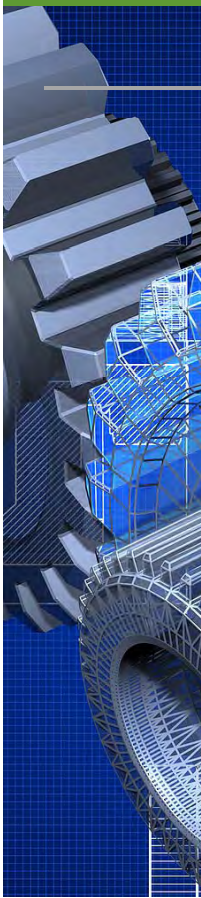
- Rates must be reasonable estimates using historical data when available
- Users should be charged directly based upon the actual number of units purchased multiplied by the approved recharge rate
- A recharge rate calculation must be established for each individual service line that is being recharged
- Rates must be consistently applied to all internal customers (Federal grants and contracts must always be charged the lowest rate.)
- Unallowable costs cannot be included in the recharge rate calculation nor as a charge to the service center operating code

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Recharge Overview

- 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.

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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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Microsoft Excel window: E2_SvcCntrShdRes.xls [Compatibility Mode]

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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. F1
 Department Number: 4511234 F2
 Building Name: North Bldg F3
 Room Number(s): 118 - B % Utilized By Service Center: 15% F4
 Effective Date: 7/1/2003 F5

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
Jane Smith	Technician	15	4,500	1,161	5,661
				-	0
				-	0
				-	0
Joe Doe	Business Mngr.	10	5,000	1,135	6,135
				-	0
Total Service Center Salaries and Fringes:					\$ 11,796 F6

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

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

II. F&A COSTS G/L Account

F&A Costs - Not Applicable for Shared Resources

Ready Shared Resource-blank Shared Resource-filled 85%

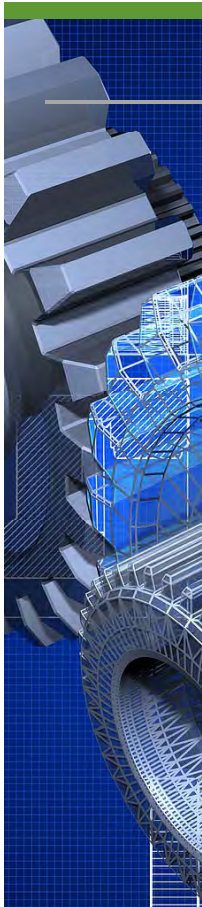
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F&A Costs - Not Applicable for Shared Resources

TOTAL COSTS (Direct + F&A)		\$ 21,006	1.22
III. UTILIZATION	(Units = HOURS)	500	1.24
<i>Item No. 1.2?</i>			
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:			
	<i>Name & Title</i>	<i>College or Department</i>	<i>Date</i>
Approved By:			
	<i>Name & Title</i>	<i>College or Department</i>	<i>Date</i>
Rate Approved:			
Submit completed form to: <input type="text" value="Appropriate Management Center"/>			
Page 1			

Shared Resource-blank Shared Resource-filled



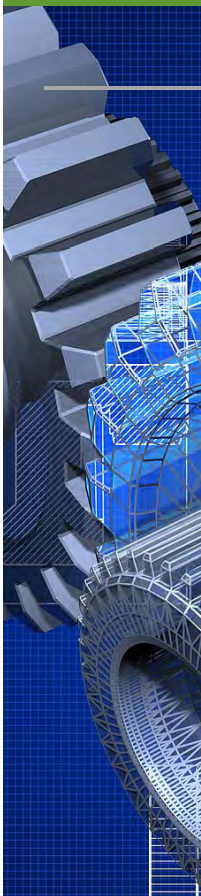
Rate Calculation Forms – On Web

- Service Component Form:

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

- Shared Resource Form:

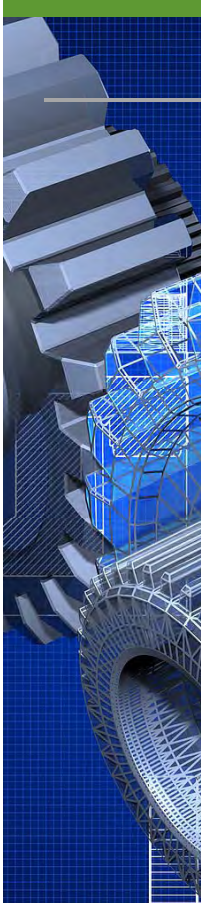
<http://www.finsvc.duke.edu/gap/forms.php#SvcCntrr>



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.**

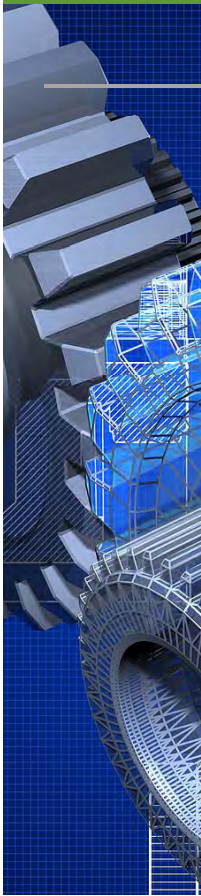
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Application of Approved Recharge Rates

- 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 customers no less frequently than quarterly (best choice – monthly)**
- The customer 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.**

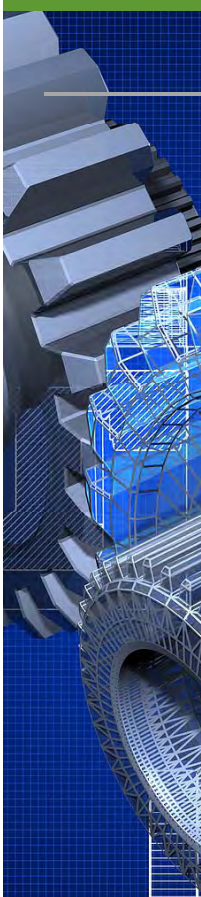
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Charges to External Users

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.

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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)

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Service Center Management

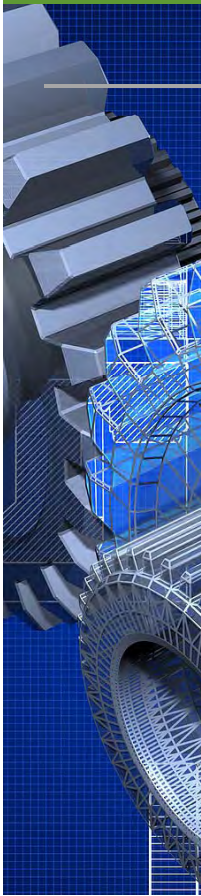
- Responsible for preparing and administering the service center budget, maintaining adequate records (ex: daily logs), and accurately invoicing customers on a timely (no less than quarterly) basis.
- Determine the proper rate development methodology incorporating historical data, projected data, or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

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Service Center Management

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

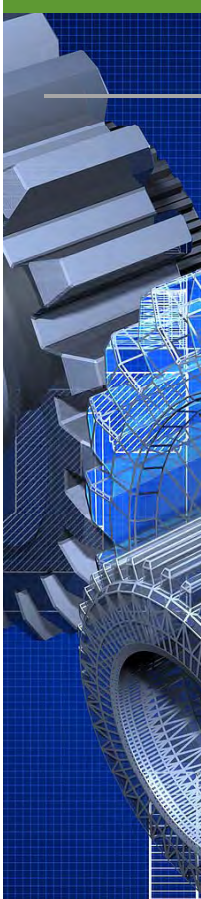
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Service Center Management

- Monitor operational cost center to ensure that unallowable costs are not charged to code.
- Must be able to support internal and external audit requests and show satisfactory accounting and management control.

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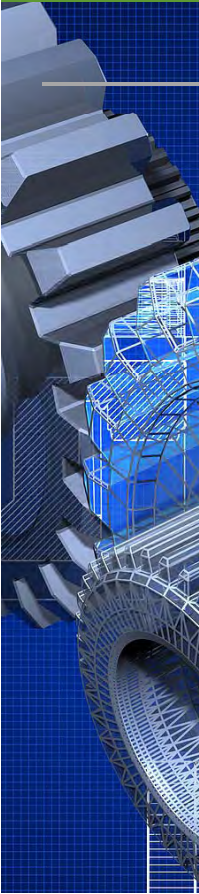
EXTERNAL REVIEW

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**

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Moria Brass

Moria will now provide her perspective on Service Center Management.