



UNIVERSITY OF
ARKANSAS

Service Centers

University of Arkansas





Topics to Cover

- What is a service center
- Why do I need a rate?
- What is our policy?
- What is our process?



What is a Service Center

- Org unit that charges for goods or services provided to:
 - Internal Users (Other University Depts.)
 - External Users (including Federal entities)



Cost Accounting Standards Definition

- “Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service centers include recharge centers and the specialized service facilities”



Example

**Service
Center**

Specialized Service Facility
(Direct + Indirect = Fully loaded costs)
e.g. , Solar farm, wind tunnel

Core Facilities
(Shared resources with a research aim)
e.g., Genomics

University-wide Service/Recharge Center
(Managed by Central – e.g., Facility
Management)

Department Recharge Center
(Operated by a department)
e.g., Machine shop





UARK Service Centers

- Wind Tunnel
- Nuclear-magnetic Resonance Laboratory (NMR)
- High Density Electronics Center (HiDec)
- High Performance Computing Center (HPCC)
- Department Plotter



Uniform Guidance

- Cost of services of highly complex/specialized facilities when charged to a federal sponsor must:
 - Include costs of services based on actual usage
 - Does not discriminate between Federal and non-federal
 - Can only recover aggregate costs of the services.
 - Rates adjusted biennially
 - In process...



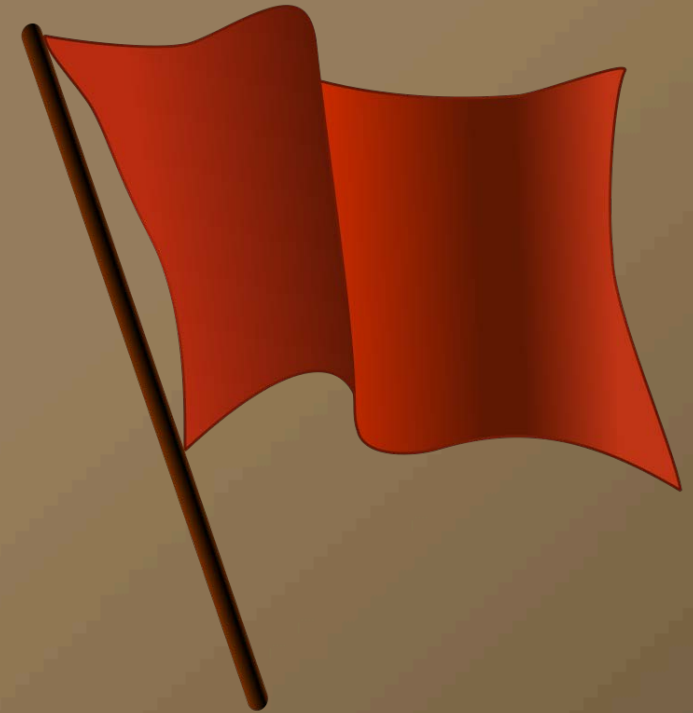
UG Interpretation

- Can only charge the actual computed cost of operating service center.
 - Labor costs, supplies, depreciation, etc.
 - Can not charge Feds more than non-feds
 - Can be less though
 - Can not make a profit



Gov't Concerns

- Inadequate policies & procedures
- Billing rates do not represent actual cost
- Unallowable costs included
- Fund balances not properly monitored
- Subsidizing internal users and not Feds 😞





Audit Findings

- 2014 University of South Florida
- 2012 Florida State
- 2006 University of Arizona Sahara Center
- 2006 University of Connecticut
- 2005 Dartmouth
- 2005 University of Massachusetts Medical School
- 2003 Northeastern
- 1995 University of Colorado, Washington University-St. Louis, University of Utah, University of Iowa, University of California Berkley



Compliance Violations

OIG Audit Findings: Reasons for Overcharges

- **Universities did not:**
 - Establish or adhere to policies and procedures
 - Maintain adequate accounting records
 - Provide adequate monitoring of service centers and adjust billing rates on a regular basis



Compliance Violations

- Surplus from recharge centers used to fund unrelated activities
- Specialized Service Centers: Overstated anticipated expenses, overcharged the government and billed for items not covered by the grants.



Our Policy

- We have no official policy
- However, the University has procedures to ensure that we follow the Uniform Guidance when charging service center rates to a Federal Grant.
- Research Accounting completes a thorough review of costs that can be included in the rate for federal sponsors.



Rate Setting

- Rates developed for federal programs must follow UG cost principles
- Must maintain records for auditing purposes



Allowable Costs

- Cost included in billing rates must be:
 - Reasonable
 - Necessary
 - Consistent with gov regs and university policy
- Costs usually include salaries and fringe, equipment depreciation, maintenance contract, supplies



Unallowable Costs

- Entertainment Costs
- Bad Debts
- Fully Depreciated Equipment
- Advertising/PR Costs



Calculated Rate vs. Actual Rate

- Calculated Rate- to achieve breakeven
 - Can not overcharge internal users (no profit)
- Actual Rate (the Reality)
 - Can be set lower than the calculated rate
 - Consistent Rate for internal users
 - Federal sponsored not discriminated



Over Simplified Example

- Dr. Smith spends 20% of his effort on lab at annual salary of \$120,000
- Fringe benefits 30%
- Lab Supplies are \$10,000 annually
- Equipment costing \$200,000 purchased with some federal funds (40%)
- Projected to run 500 tests annually, at 3 hours per test

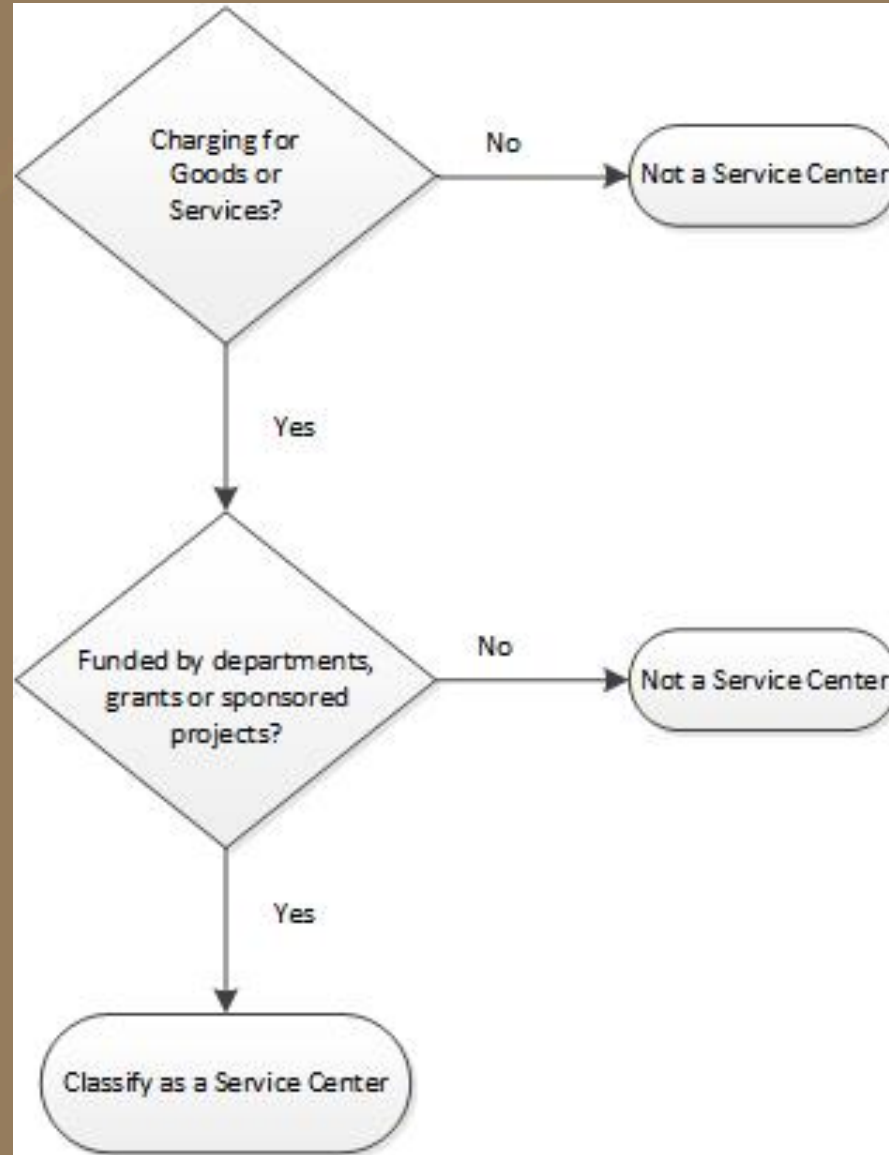


Calculation

Dr. Smith	\$ 24,000.00	(120,000 * 20%)		
Fringes	\$ 7,200.00	((120,000 * 20%)*30%)		
Lab Supplies	\$ 10,000.00			
Equipment Depreciation	\$ 17,143.00	((200,000*60%)/7		
Total Expenses	\$ 58,343.00			
Projected # of Tests	500	(3 hours per test)		
Calculated Rate				
Per Test	\$ 117.00	(58,343/500)		
Per Hour	\$ 39.00	(117/3)		



Do I Need a Service Center Rate ?





The Process

1. Contact Research Accounting to get rate template
2. Determine costs of service
3. Calculate Rate
4. Send to RA to review
5. Request Dean & Dept Head for Approval
6. Forward Approvals to RA
7. RA will instruct Controller to setup cost center



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General Info

	A	B	C	D
1	University	of Arkansas Service Center Information		
2				
3	Name of Service Center			
4				
5	Service Center Company Cost Center	To be assigned		
6				
7	Host Department			
8				
9	Campus Contact:			
10	- Name			
11	- Campus Address			
12	- Phone #			
13	- E-mail Address			
14				
15	Proposed Service Description / Scope			
16				
17				
18				
19				
20				
21				
22				
23	Client Description			
24				
25				
26				
27				
28				
29	Admin / Accounting Contact:			
30				



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Rate Calculation

	A	B	C	D	E	F	G	H
1								
2		Non-Affiliated		Federal				
3		Entities		Entities				
4								
5	Equipment Depreciation hourly rate	-		-	<i>From "Equipment" tab</i>			
6	Note: Rate may vary depending on equipment usage.							
7								
8	Equipment Maintenance Costs	-		-	<i>From "Maintenance" tab</i>			
9								
10	Building Depreciation	-		-	<i>From "Building" tab</i>			
11								
12	Labor Costs per Hour	-		-	<i>From "Labor" tab</i>			
13								
14	Supplies	-		-	<i>From "Supplies & Expenses" tab</i>			
15								
16	Admin costs can be charged at 26% of total direct costs	-		-				
17								
18	Hourly Rate	-		-				
19								
20								
21	Approval Needed:							
22	<ul style="list-style-type: none"> For existing service centers, the service center accountant must review and approve any proposed changes. 							
23	<ul style="list-style-type: none"> For a new academic department's service center, the appropriate Department Chair and academic Dean must review and approve the <i>ISC Rate Worksheet</i>. 							
24	<ul style="list-style-type: none"> For a new non-academic department's service center, the appropriate Director and Associate Vice Chancellor must approve the <i>ISC Rate Worksheet</i>. 							
25								
26	After Approval:							
27	<ul style="list-style-type: none"> Return the spreadsheet with approvals (signature or via email) to Nick Freyaldenhoven at Research Accounting (npfreyal@uark.edu) 							
28								



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Equipment

	Asset	Description	Date Acquired	Cost	Annual Depreciation	% of use by Service Center	Service Center Cost per Year	Federal Cost per Year	Average Hours Per Week Used	Service Center Cost per Hour	Federal Cost per Hour
3	Item 1						-	-	10	-	0
5	Item 2						-	-	10	-	0
7	Item 3						-	-	10	-	0
9	(Add More Lines for More Items)										
11										-	-
12										<i>To the "Rate" Tab</i>	



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Maintenance Contract

	A	B	C	D	E	F	G	H	I
1	Company Name:		Company Name:		Company Name:				
2	Equipment Description:		Equipment Description:		Equipment Description:				
3	Tag#:		Tag#:		Tag#:				
4	Maintenance Period:		Maintenance Period:		Maintenance Period:				
5	PO#:		PO#:		PO#:				
6	AP ID:		AP ID:		AP ID:				
7	Invoice Total:		Invoice Total:		Invoice Total:				
8									
9		52 weeks		52 weeks				52 weeks	
10	Weekly Total	\$ -	Weekly Total	\$ -	Weekly Total	\$ -		\$ -	
11									
12		40 hours		40 hours				40 hours	
13	Hourly Total	\$ -	Hourly Total	\$ -	Hourly Total	\$ -		\$ -	
14									
15	Total Hourly Maintenance	\$ -	<i>To the "Rate" Tab</i>						
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									



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Labor Charges

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1		Employee #1	Employee #2	Employee #3	Employee #4	Employee #5										
2	Employee Title															
3																
4	Employee Position #															
5																
6	Employee Name															
7																
8	Employee Cost Center Paid															
9																
10	Employee Hourly Rate															
11																
12	Fringe Benefits*	0.00%	0.00%	0.00%	0.00%	0.00%										
13	<i>just fringe rate per rates below</i>															
14	Total Salary and Benefits p	\$ -	\$ -	\$ -	\$ -	\$ -										
15																
16	Total Hourly Rate	\$ -	<i>To the "Rate" Tab</i>													
17																
18																
19																
20																
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33																

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admin.corkado
OWS3270 Edit View Options Tools Help
Pot FR Rates off 07/01/2016 displayed; please enter new key fields
PBOPFBR 1 PROD Percent Fringe Benefit Rate - PFBR 06/02/16 10:05
Command: Action: Position: Emp ID: Date: 07/01/2016
BU: OCC:
-----
Action: V Rates Effective 07/01/2016 thru 12/31/2099
Inst. Location/Federal
Category Sys Fay Agri Fed ArkSur CJI
SalNC 28.710 28.710 28.710 23.880 28.710 28.710
SalClass 28.710 28.710 28.710 23.880 28.710 28.710
SalGA 6.680 6.680 6.680 6.680 6.680 6.680
Wages 6.260 6.260 6.260 6.260 6.260 6.260
WagesStu 0.200 0.200 0.200 0.200 0.200 0.200
OtherCom 6.260 6.260 6.260 6.260 6.260 6.260
SalSumAL 16.240 16.240 16.240 16.240 16.240 16.240
SalCIPB 28.710 28.710 28.710 23.880 28.710 28.710
SalNCPB 28.710 28.710 28.710 23.880 28.710 28.710
Updated on: 04/25/2016 by: CFRAIA

```

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Supplies

	A	B	C	D	E
1					
2					
3	Supply Description	Quantity	Usage	Costs	
4					
5					
6					
7					
8				Total:	-
9					
10					
11					2080 hours
12				Hourly Supplies	\$ - <i>To the "Rate" Tab</i>
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					



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Building

	A	B	C	D	E	F	G
1							
2	Estimated final building cost	\$ -					
3							
4		30 years					
5	Annual Depreciation	\$ -					
6							
7							
8		2080 hours					
9	Hourly Depreciation	\$ -	<i>To the "Rate" Tab</i>				
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							



What's Next

- After you calculate rate, send to RESACCT to review.
- Once RESACCT approves, forward for approval.
- Forward to RESACCT to notify controller to set up cost center.



Things to Remember

- Rate must be based on estimated Cost (no profit)
- Be fair to Feds
- Do not include depreciation associated with federal contributions to the equipment.
- Update every 2 years
- Can also calculate based on tests ran instead of hourly rate