

ESTABLISHMENT AND FINANCIAL MANAGEMENT OF SERVICE CENTERS

OVERVIEW

As a recipient of Federal funding, the University of Connecticut (the University) must comply with the U.S. Office of Management and Budget (OMB) regulations under Uniform Guidance Title 2, Part 200 of the Code of Federal Regulation (2 CFR, Part 200). The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or Uniform Guidance supersedes and streamlines requirements from 8 OMB Circulars including A-21, A-110, and A-133 that are currently applicable to institutions of higher education (IHEs).

CFR 200.468 states that Service Center Charges must:

- Be based on the actual usage of the center.
- Not discriminate between Federally and Non-Federally funded programs; and
- Be designed to recover not more than the aggregate cost of providing services, over a reasonable period.

Since service center activities can result in charges, directly or indirectly to federal sponsored programs, the University must comply with Office of Management and Budget Uniform Guidance. The government monitors the University's compliance with these regulations through the Department of Health and Human Services (DHHS) Office of Inspector General (OIG) auditors and its negotiators from Cost Allocation Services (CAS) unit. Non-compliance with Federal regulations could involve reimbursement to the government and/or penalties.

I. PURPOSE

To define requirements and procedures for University of Connecticut service centers and to promote compliance with the OMB's Uniform Guidance and University policy. Refer to Service Center Policy on the University Policy website (add link when available).

II. SCOPE

Operating units that process internal charges for goods and services are subject to government regulations concerning service centers. These operating units are responsible for developing service center billing rates in accordance with University policy and government regulations.

III. TYPES OF SERVICE CENTERS

A service center or recharge center is an institutional unit established for the purpose of providing goods and services to university departments, and only incidentally to customers outside the university, for a fee. Service Centers offer goods and services that are unique, contribute to the mission of the University, require special control, are subject to federal and/or state regulations, or are not readily available from external sources. Goods and services are provided using approved billing rates, and on a regular and continuing basis. University of Connecticut requires that the rates be reviewed and updated every two years.

The University operates three types of service and recharge centers (collectively called service centers):

- a. Specialized Service Facility (SSF) – a large service center that (a) provides unique and complex or specialized services to a select group of users rather than for overall University operations, and (b) has combined annual direct operating costs and internal overhead costs of \$1,000,000 or more. The University currently only has one SSF: Animal Care Services.
- b. Service Center – It is a facility which provides goods and services on a continuous basis to the University community and charges the user a predetermined and approved billing rate to recover its annual cost of operations. These pertain to units that generate revenues over \$25,000 and/or have expenditures over \$100,000.
- c. Department Recharge Center – these pertain to facilities and/or department units which provide services to sponsored programs and that generate revenues less than \$25,000 and/or have expenditures below \$100,000.

IV. REQUIREMENTS

A. Establishing a Service Center

Service centers are established to obtain operational efficiencies, eliminate duplication of effort, and provide access to specialized services and/or products. Departments or units are advised to use existing service centers before requesting to establish a new service center.

The Office of Cost Analysis (OCA) provides a service center checklist to prospective service centers that outlines standards and information needed to set up a facility. Refer below to Exhibit A.

To initiate a service center, the Department or Unit Administrator must submit a proposal to the Office of Cost Analysis. The proposal must be reviewed and approved by the sponsoring Department Head. The proposal must include the following information:

- Description of services to be provided.

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- Justification that the services can best be provided internally rather than by an external provider and that the demand for services is sustainable and ongoing.
- Other universities or entities providing the same services and their rates for comparison.
- A projection of costs and revenues and utilization of services

B. Service Center Funding

Funding for start-up costs for any service center must be agreed to and provided prior to commencing the activity. This includes funds for required equipment and inventory, plus funds to finance receivables and losses during the initial stages of operation. Ideally, the department, college, or the Provost Office provide start-up funds. This support indicates that the activity is important to the university's mission.

Funding from sponsored awards is not permitted for service centers.

Foundation funds may be used to establish service centers provided the following conditions are met:

- Funds must be unrestricted or explicitly permitted by Donor for infrastructure or operational support.
- The service center using the funds adheres to federal cost principles.
- Proposal to set up a service center using foundation funds must be approved by the Department Head and rate calculations reviewed and approved by the Office of Cost Analysis to ensure financial integrity.

C. Rate Setting Standards

- Service center rates are developed to recover total operating costs. Deficits in service center accounts must be subsidized by the Department.
- The University is not allowed to subsidize external customers. Rates for external users must be based on total operating costs, and may include internal service center overhead, where applicable, and institutional indirect costs.
- All rates must be based on actual usage of the service or goods acquired by the user.
- All University users should be charged equitably according to measure of actual usage with no internal user subsidizing another University user.
- All users must be billed at the approved rates and in a timely manner.
- Advanced billing for goods or services is not allowed.

D. Cost Recovery

Rates can only include expenditure directly related to the operation of the service center and must be designed to recover no more than the operating cost for the services or goods provided.

Costs included in the rate must be reasonable, allocable, and allowable. Allowable costs are the following:

- Salaries and fringe rates for employees who directly support the service center.
- Fringe benefit rates for staff who are paid by the service center account get the sponsored programs rates.
- Depreciation expense on capital equipment purchased with nonfederal funds. Depreciation is based on a straight-line calculation defined as the acquisition cost divided by useful life.
- Supplies or materials (consumables) needed to operate the service center.
- Repairs and maintenance of equipment including equipment service contracts.
- Indirect costs (overhead) must be included if the unit is a Specialized Service Facility.

Certain costs are excluded and unallowable under the Uniform Guidance. These include (but not limited) the following:

- Advertising
- Alcoholic beverages
- Bad Debts
- Contributions and donations
- Entertainment
- Fundraising
- Public relations

E. Review

New Center/Facility

The Office of Cost Analysis (OCA) reviews the proposal and the rate summary. Cost calculations to support the rates to be charged must either be based on actual or be estimable and allocable.

The establishment of a Specialized Service Facility requires the approval of the Manager of Cost Analysis and the Associate Controller. All other service and recharge centers are reviewed and approved by the Manager of Cost Analysis. The approval of a department recharge center is designated as an internal approval.

Once approved by the Manager of Cost Analysis, a dedicated service center account must be set up in Quali Financial System (KFS). Service Centers and Specialized Service Facilities will have an Account Type Code "SC" in Account Attributes in KFS. Department Recharge Centers will use the default Account Type Code NA.

Rate Renewals

Rates must be reviewed at least biennially. If a facility decides to keep current rates, the Office of Cost Analysis must be informed. Renewals require current rate calculation worksheets and

additional information as requested by the Office of Cost Analysis. The Manager of Cost Analysis approves all rate renewals.

V. BILLING PROCEDURES

Billings must be based upon measured and documented utilization (based on samples, equipment runs, technician hourly rate, etc.). All billings shall be processed on a timely basis (no less frequently than monthly) using the approved service center rates. The support for the charges, including documentation of expenses and usage, should be retained by the service center to answer any user inquiries or in case of an audit. Services charged to accounts (including grants) must use the expense code 6610 (Recharge Center Facilities).

A service must not be billed until service has been provided; that is, prepayments are not appropriate. Each service center must operate in accordance with the University's fiscal year. Service centers must oversee each year-end billing consistently, to ensure that twelve months of cost recovery are associated with twelve months of incurred cost and thereby provide a more accurate calculation at year end. The service center is responsible for invoicing and collecting all fees. All invoices must have the following information:

- Description of the services rendered.
- The number of units
- The amount charged per unit and the total cost.

The user of these services is responsible for documenting the purpose of the charge, and basis for allocation of charges among several account numbers, when applicable.

From time to time, the Office of Cost Analysis will perform a review to determine if service centers are billing customers accurately, and consistently. The following procedures will be performed:

- Select a sample representative of monthly service billings from KFS.
- Obtain supporting documentation for selected monthly billings from the service center which includes the following information:
 - Log sheets to monitor daily usage.
 - Daily or monthly summary of billings
 - Name of user and department to be charged
 - Unit cost of goods/services provided.
 - Total quantity of goods/services received by the department.
- Cost Analysis staff will compare the supporting documentation and agree information to the service billings.
- Cost Analysis staff must ensure that only approved billing rates are used.
- Discrepancies, if any, are investigated and resolved.

VI. CLOSING A SERVICE CENTER

Should it become necessary to close a service center, written notifications must be made to the appropriate Department Head and the Office of Cost Analysis. Once all activity at the service center has ceased, the fund balance must be brought to zero as part of the closing process. If the center ends with a deficit balance, the department is responsible for funding the deficit. If the center ends with a surplus balance, the service center manager must perform an analysis of the service center's users within the last fiscal year to determine the extent to which Federal grants were charged. A refund must be calculated, and credit provided to the federal projects originally charged. An Account Edit must be submitted in KFS to close the dedicated service center account.

VII. RECORDS RETENTION

Service center charges are subject to audit if the grants or contracts, which they charge (either directly or indirectly), remain subject to audit requirements. Service centers are also subject to periodic review by the University's Internal Audit unit (Audit Management and Advisory Services), and by external auditors, to evaluate compliance with federal regulations, established university policies and accounting practices. Therefore, service center activities must be adequately documented, and records maintained to support expenditures, billings, and cost transfers.

Records should be maintained in accordance with the University's Record Retention Policy – refer to this site (<http://rim.uconn.edu/record-retention-schedules/>).

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EXHIBIT A: [UConn SERVICE CENTERS CHECKLIST](#)

EXHIBIT B: PROCESS AND COMPLIANCE CHECKLIST/SUMMARY

#	Requirement Area	Compliance Action	Responsible Party	Frequency/Timing
1	Establishment	Submit proposal with required details to Office of Cost Analysis (OCA)	Dept./Unit Administrator	Before center opens
2	Approval	Obtain approval from Dept. Head and OCA (and Associate Controller for SSF)	Dept. Head/OCA	Before center opens
3	Start-up Funding	Secure non-sponsored, approved start-up funds	Dept./College/Provost	Before center opens
4	Rate Setting	Develop rates per OMB Uniform Guidance; document any subsidies	Service Center Manager (SCM)	At setup and renewal
5	Rate Approval	Submit rate calculations for OCA review and approval	Service Center Manager/OCA Mgr	At setup and every 2 yrs
6	Billing	Bill only for measured/documented usage, no prepayments; use approved rates	Service Center Manager (SCM)	At least monthly
7	Documentation	Retain support for charges (usage logs, invoices, calculations)	Service Center Manager (SCM)	Ongoing
8	Monitoring	Monitor activities and financials throughout the year	Service Center Manager (SCM)	Ongoing
9	Rate Renewal	Review and update rates; submit for OCA approval	Service Center Manager (SCM)	Every 2 years
10	Records Retention	Maintain records per University’s Record Retention Policy	Service Center Manager (SCM)	Ongoing
11	Audit/Review	Cooperate with OCA, Internal Audit, and external auditors	Service Center Manager/OCA Mgr	As requested
12	Closing	Notify Dept. Head and OCA; zero out fund balance; refund federal users if surplus	Service Center Manager	At closure