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Finance and Administration
Responsible Officer: Controller
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SERVICE CENTER POLICY

Policy Statement

A Service Center is a University of Southern Mississippi (USM) organizational unit that provides specific technical or administrative services to internal and/or external users at a cost. These services can result in charges to USM federally sponsored grants and contracts. Therefore, it is the responsibility of Service Centers to charge internal users based on the federal regulatory cost principles under the Code of Federal Regulations Title 2, Subtitle A, Chapter II, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”).

Reasons for Policy/Purpose

The purpose of this policy and procedure is to provide consistent operational guidance for USM Service Centers to promote compliance with USM policy and the federal cost principles under Uniform Guidance.

Who Needs to Know This Policy

Faculty and administrators providing technical or administrative services to internal and/or external users at a cost.

Operating units such as Bookstores, Housing, Dining, etc. that provide goods and services to external/individual users on other than an incidental basis are not considered Service Centers for purposes of this procedure. Most of these types of units are considered "auxiliaries" and have a primary customer base that includes students.

Website Address for This Policy

<https://www.usm.edu/controller/policies-and-procedures-0307-finance-and-controller>

Definitions

A Service Center is defined as an organizational unit that charges users, which are primarily internal users, for specific technical or administrative services. USM categorizes Service Centers as follows:

Specialized Service Facility (SSF) – A Service Center that offers highly complex and technical services that are not readily available from outside vendors and has annual expenses of at least

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\$1 million.

Recharge Center - A Service Center that does not fit the Specialized Service Facility definition. A Service Center provides goods and/or services primarily to internal users throughout the academic community. The goods and/or services provided may be readily available from external sources, however, they are offered via a service facility predominantly as a convenience to users. Any Recharge Centers generating income less than \$20,000 a fiscal year are excluded from this policy.

Policy/Procedures

Service Centers providing services to internal users, i.e. USM department users, may charge costs for these services to federal awards and other sources of funds. These costs must be charged directly to applicable sources of funds based on actual usage and established billing rates that:

1. Do not discriminate between activities under federal awards and other sources of funds, and
2. Are designed to recover only the aggregate costs of the services. The costs of each service must consist of direct costs and for Specialized Service Facilities, its allocable share of all indirect (F&A) costs.

Service Center billing rates must be reviewed at least annually, and must take into consideration over/under applied costs of the previous period(s).

This policy does not apply to the following sources of revenue:

- Program income (income generated from sponsored awards)
- Revenue generated from academic activities or services
- Revenue generated from an auxiliary operation
- Revenue generated from agency budgets; a non-USM organization

The following procedures should be followed by Service Centers or units planning to provide internal services at a cost to users.

A. Billing Rate Development

Proper billing rate development requires an accurate composition of allowable costs, both direct costs and F&A costs as outlined in Uniform Guidance. The “USM Service Center Rate Worksheet” should be used to calculate annual billing rates unless another rate methodology has been approved by the Controller’s Office.

The “USM Service Center Rate Worksheet” includes the following key requirements for developing billing rates:

1. Allowable Costs

Allowable direct costs are those costs that are directly identifiable with the Service Center and will normally include cost elements such as:

- Salaries, wages and fringe benefits
- Materials and supplies
- Travel

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- Equipment
- Facilities and Administrative/Indirect Costs (for Specialized Service Facilities only)

Costs identified as unallowable or indirect costs in Uniform Guidance (Section 200.420 Considerations for selected items of cost.) should be excluded from the rate calculation. These include but are not limited to:

- Alcoholic beverages
- Contributions and donations
- Entertainment costs
- Plant and security costs

Since indirect and unallowable costs are not recovered through billing rates or chargeable to the Service Center budget, funding for such costs may only be obtained from other USM funds.

2. Billable Units

Total billable units, or total units of output, are the quantity of product generated by the Service Center which is the basis for the calculation of the billing rate(s).

Typical billable units are as follows:

- hours of machine time
- hours of labor
- number of users
- pieces of glassware
- units of measure such as pounds or liters

Billable units should represent the anticipated number of units that will be billed in the coming year, not the highest potential output of the Service Center. An estimate of billable hours should take into consideration the estimated time away from work (vacation, sick and personal time), machine downtime and hours for which there are no customers.

Once the allowable pool of anticipated costs and anticipated billable units has been determined, the rate(s) are calculated by dividing the costs (including any surplus or deficit from prior fiscal year as appropriate) by the anticipated billable units.

The completed “USM Service Center Rate Worksheet” should be submitted to the Controller’s Office for review and approval of billing rates. Once approved, a unique Budget String should be used to account for expenses and income received for services.

B. Accounting for Expenses

A unique Budget String should be established for each Service Center to capture the expenses incurred to provide services and income received for these services. To request a Budget String for a Service Center, use the Request for a Designated Fund form found on the Office of Fiscal Planning and Analysis [website](#). The Controller’s Office will assign a unique budget to the Service Center.

All associated direct, allowable expenses incurred for the services provided should be

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charged to the Service Center Budget. And, the allocable portion of indirect costs will be charged to Service Centers designated as Specialized Service Facilities. The Controller's Office will assist Service Centers in making this distinction.

C. Billing and Tracking of Income

Service Centers are responsible for preparing and distributing billings, i.e. invoices, on a timely basis (generally monthly) and billing should include the following information:

- Description of the service received
- Service dates
- Invoice date
- Number of units billed
- The amount charged per unit and the total cost

Services may not be billed without approved Service Center rates. And, a service should not be billed for until the service has been rendered; that is, prepayments are not allowed.

It is the responsibility of the user to identify the source of fund(s) that should be charged for the billed services. The charges should be processed by the Service Center using an Interdepartmental Invoice ([Controller's Office forms](#)) per Policy ADMA-FIN-006 "[Interdepartmental Invoice Policy](#)".

Some Service Centers may utilize an automated system feed to charge users for services. The Controller's Office can assist a Service Center interested in creating a system feed.

Service Centers should follow USM's fiscal year for the charging of expenses and income consistent with Generally Accepted Accounting Principles and to determine a more accurate break-even calculation as required for each Service Center (see Section E. Break-Even Requirement).

D. Services to External Users

The Service Center requirements outlined in this procedure also apply to services provided to external users, i.e. non-USM department users that may include corporations, non-profit organizations, etc. Below are additional considerations for external users.

If the external user requires a contract for services rendered, authority for signing contracts falls under the IHL Board Policy No. 707 and guidelines provided by the Office of General Counsel.

In addition to the above billing requirements (Section C. Billing and Track of Income), sales tax, when applicable, must be charged to external users who do not provide tax-exempt certificates. Further, income received from external users may be subject to Unrelated Business Income Tax (UBIT), i.e. federal income tax on net income from activities unrelated to the exempt mission of USM for education, research and public service. The Controller's Office can assist in making this determination.

Service Centers should follow USM's fiscal year for the charging of expenses and income consistent with Generally Accepted Accounting Principles and to determine a more accurate break-even calculation as required for each Service Center (see Section E. Break-

Even Requirement).

E. Break-Even Requirement

A Service Center must develop rates so that income offsets expenses over the fiscal year. Once a Service Center has been established, a Service Center's surplus or deficit for a given fiscal year must be carried forward and the rates may be adjusted in the succeeding fiscal year. For example, when developing rates in the spring to be charged for services in the following fiscal year beginning July 1, the billing rate should include the prior fiscal year's surplus or deficit (as of June 30), net of any profit charged to external users. Therefore, the carry-forward is on a year lag for inclusion in the rates. Inclusion of a surplus will lower the newly developed rates; inclusion of a deficit will increase the newly developed rates unless the deficit is subsidized by another source of funds.

In addition to full recovery of actual costs, Service Centers may establish and maintain through its charges a fund balance for working capital needs. The working capital allowance should not exceed 90 days of annual operating expenses.

F. Review of Billing Rates

Service Center rates should be reviewed each fiscal year consistent with the break-even requirement (Section E). The Controller's Office will work with each Service Center to review rates and must approve any changes to rates. The "USM Service Center Rate Worksheet" should be used to document the change in rates unless another methodology is used to calculate rates.

The Service Center should evaluate their financial position and rates periodically throughout the fiscal year to assess their position with respect to break-even. Under special circumstances, rates may be adjusted during the fiscal year when approved by the Controller's Office.

G. Closing an Inactive Service Center

Should it become necessary to close a Service Center, notify the Controller's Office. Once all activity on the Service Center has ceased, the fund balance must be brought to zero as part of the closing process. If the Service Center ends with a deficit balance, the responsible department is required to fund the deficit. If the Service Center ends with a surplus balance, the Service Center must perform an analysis of the Service Center's users within the last fiscal year to determine the extent to which Federal users were charged. A refund should be calculated and a credit provided to the federal projects charged during the period with a surplus.

H. Record Retention

It is the Service Center's responsibility to maintain detailed records of all charges and to answer inquiries concerning those charges. The support of the charges, including documentation of expenses, usage and billing, should be retained by the Service Center in accordance with Policy ACAF-LIB-013 "[University Records Retention and Disposition Policy](#)".

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Review

The Controller is responsible for the review of this policy every four years (or whenever circumstances require immediate review).

Forms/Instructions

USM Service Center Rate Worksheet
Interdepartmental Invoice

Appendices

Related Information

RSCH-CGA-007 [“Policy for Governing External Support”](#)
ACAF-LIB-013 [“University Records Retention and Disposition Policy”](#)
ADMA-FIN-006 [“Interdepartmental Invoice Policy”](#)

History

Authorization

INTERDEPARTMENTAL INVOICE POLICY ADMA-FIN-000-006

As the Responsible Officer, I have reviewed this policy and believe it represents the current policy.

Name and Title

Signature

Date