

# Service Center Policy and Procedures

 COLORADO SCHOOL OF <b>MINES</b>	<b>Service Center Policy and Procedures</b>	
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## 1.0 BACKGROUND AND PURPOSE

Mines conducts research under federally-funded awards/agreements and uses service centers to assist with managing the costs related to providing goods or services within the university. Service centers are organizational units that provide goods or services, principally to users within Mines academic and administrative community. Service centers recover the cost of operation from users through established Rates, which may result in charges to federally sponsored awards, either as Direct Costs or Indirect Costs.

Mines' service centers must comply with government regulatory costing principles (e.g., 2 CFR Part 200 Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)).

## 2.0 POLICY STATEMENTS

Service centers must adhere to both generally accepted accounting principles and regulatory costing methods when setting Rates.

Only Allowable Costs can be recovered through recharge operation and service facility Rates (even if recovery is from non- federal funds). Unallowable Costs must be excluded from recharge operation and service facility Rates.

No cost other than the actual costs incurred in providing goods or services should be included in the Rates.

Service centers that receive \$5,000 or more annually in Revenue are required to review their Rates/fee structure every two years and revise Rates as necessary to incorporate any Surpluses or Deficits (2 CFR Part 200.468).

Dissimilar services operated by the same department must be established as separate service center entities, with separate funds, budgets, and rates (e.g., a computer facility vs. a copy center vs. a machine shop).

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## 3.0 RESPONSIBILITIES

Service center managers are responsible for assuring that the costs included in the Rate for the service are in compliance with this policy and the procedures attached in Exhibit 1.

The Controller's Office is responsible for monitoring costs charged to service center funds and developing Rates in compliance with this policy.

Service centers managers must operate service centers as break-even entities. The break-even period is a reasonable time-period over which cumulative Revenue for goods or services equals cumulative Expenses. Generally, break-even periods do not exceed three years.

## 4.0 COMPLIANCE/ENFORCEMENT

Service centers that are not in compliance with this policy will not be allowed to charge Direct Costs or Indirect Costs to federally sponsored awards.

## 5.0 DEFINITIONS

**Allowable Cost** - A cost identified in Sub Part E of 2 CFR Part 200 Subpart E as reimbursable by the federal government, unless specifically superseded by the terms and conditions of a sponsored program. See also [Allowable Costs for Sponsored Projects Policy](#)

**Carry-forward** - The over or under-recovery of operating costs from one period that is included in the Rate calculation of a subsequent period to promote break-even operations. Carry-forwards are allowable cost adjustments to subsequent year Rate computations.

**Direct Cost** - Direct Costs are those costs that can be identified specifically with a particular cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easy with a high degree of accuracy (2 CFR 200.413). Only costs directly related to the work performed or supplies purchased may be charged as Direct Costs. These costs include salaries, wages, and fringe benefits of University faculty and staff directly involved in providing the service, travel Expenses, materials and supplies, purchased services, equipment rental or depreciation, interest associated with equipment acquisitions, etc.

**Deficit** -The amount by which a fund's Expenses exceed its Revenues, net of any transfers.

**Expense** - An expenditure of the recharge operation or service facility incurred, whether paid or accrued, that benefits only the current fiscal period.

**External User** - A recharge operation or service facility customer who does not pay for goods or services with a Mines fund.

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**Unallowable Cost** - A cost identified in 2 CFR Part 200 Subpart E as non-reimbursable by the federal government. See also [Allowable Costs for Sponsored Projects Policy](#)

**Indirect Cost** - Indirect costs are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. (2 CFR Part 200.414)

**Rate** - Also known as billing rate or user fee. The rate used to recover some or all of the costs associated with producing a good or providing a service. The rate may vary by types of customers and/or services/products, however, rates charged to federal funds, as either Direct Costs or Indirect Costs, must not subsidize non-federal users or rates in any way. Rates may also include surcharges (i.e., facilities and administrative costs) to users in an effort to promote full costing. Per 2 CFR Part 200.468, billing rates must be approved at a minimum of every two years. Rates are generally formulated to recover the costs of operations such as salaries, benefits, maintenance, repairs, and supplies.

**Rate Subsidy** - A subsidy provided to a service facility in order to lower the Rate charged to all customers for a given product or service. This subsidy covers operating Deficits that result from the charging of a reduced Rate. *Caution: Rates charged to federal funds, as either Direct Costs or Indirect Costs, must not subsidize non-federal users or rates in any way.*

**Revenue** - Amount recovered for providing goods or services.

**Surplus** - The amount by which a fund's Revenues exceed Expenses net of any transfers.

**Unit of Output** - A specified quantity of product from a recharge operation or service facility, such as an hour of machine time, or an hour of labor, test performed, that acts as the basis for the calculation of a Rate.

### 6.0 RESOURCES

#### Federal Regulations

- [2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- [2 CFR Part 220 - Cost Principles for Educational Institutions \(OMB Circular A-21\)](#)
- [2 CFR Part 215 - Uniform Administrative Requirements for Grants, and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations \(OMB Circular A-110\)](#)

#### Mines Policies

- [Educational Business Activities Policy](#)
- [Allowable Costs for Sponsored Projects Policy](#)

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## **KEY WORDS**

**Service center policy, rate, billing rate, recharge, user fee, Allowable Cost, Unallowable Cost, UBIT**

## **7.0 HISTORY AND REVIEW CYCLE**

The policy will be reviewed at least every 2 years or as needed by the Controller's Office

Issued: July 1, 2008

Updated/Amended May 1, 2014, December 23, 2019

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## EXHIBIT I - SERVICE CENTER PROCEDURES

**1.1 Creating a Service Center.** Contact the Controller's Office for assistance in creating a new service center if you anticipate having a service center that you anticipate will charge federally funded awards. A service center fund will be established using an unrestricted fund with a prefix of '3x' under an appropriate organization. The department will designate a fund financial manager. The fund financial manager is the individual responsible for maintaining and documenting the billing rates and monitoring operating costs. This can also be, but is not necessarily, the same person who is responsible for tracking usage, creating invoices or managing the service center.

**1.2 Determining Operating Costs.** Rates must be based on and designed to recover no more than the federal allowable operating costs for the goods or services being provided. Examples of federal allowable operating costs include:

- Salaries and wages, and applicable university benefit rates
- Supplies and materials
- Subcontracts and outside services (e.g. maintenance contracts)
- Non-capital equipment lease or rental
- Prior-year operating Deficit (increase to Rate);
- Prior-year operating Surplus (decrease to Rate);
- Other directly-related Expenses (e.g., travel, communications);

**1.2.1** Costs that must not be in Rates because they are recovered through another means, such as the Indirect Cost recovery mechanism, include:

- Building depreciation
- Facilities Expense (utilities, maintenance, and custodial cost) paid by the Mines and not recorded in the recharge operation or service facility account
- Mines and departmental overhead costs that are not charged to the recharge operation or service facility account
- Purchase price or value of equipment

**1.2.2** Costs that must not be in Rates because they are unallowable and must not be recorded in recharge operation or service facility accounts include, but are not limited to:

- Entertainment;
- Bad debt;
- Advertising;
- Public relations;
- Alcoholic beverages;
- Contributions and donations.

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**1.3 Calculate the Rates.** Rates are calculated in terms of Units of Output (a specified quantity of product from a recharge operation or service facility, such as a copy, an hour of machine time, an hour of labor, or test performed that acts as the basis for the calculation of a Rate). See **Appendix B** for Sample Rate Calculation.

**1.3.1** Develop an estimate of the demand for each product or service in terms of Units of Output. This can be derived from past results and/or using information from likely users.

*Caution: When hours is the chosen Unit of Output, it is important to ensure that the total hours used to calculate the Rate reflects estimated billable hours (hours demanded) and not available hours (readiness to serve). Available hours do not directly relate to the number of hours that will be demanded by and billed to your customers. Usage of available hours may result in a lower Rate and an under-recovery of costs (operating Deficit). However, usage of billable hours will yield a Rate that reflects the actual costs of providing the product/service.*

**1.3.2** Develop an Expense estimate for each product or service provided based on the demand estimate from step two above. Typical Expenses include salaries & wages, employee benefits, supplies, communications charges, equipment repair and maintenance, etc.

*Caution: Unallowable Expenses must not be included in the Expense estimate (see 1.2.2 above)*

*See **Appendix B** for a Sample Rate Calculation*

Note: The method selected to develop and calculate a compliant and equitable Rate will vary depending upon the nature and complexity of the operation or facility. Because Rates are developed using estimated Revenues and Expenses, there may be some variance between estimated and actual Revenues and Expenses. This variance is referred to as a "Carry-forward." Carry-forwards can be either positive or negative indicating either an operating Surplus or an operating Deficit. If actual operating Revenues exceed actual operating Expenses, then a Surplus will result, which **must be** factored into the development of subsequent Rate calculations. Likewise, if actual operating Expenses exceed actual operating Revenues, then a Deficit results, which can also be factored into the development of subsequent user, fee calculations.

**1.4 Obtain Approval of Rates.**

**1.4.1** Rate calculations may occur at any time during the first year of operation. Once the center is operating, the billing rates should be reviewed and revised at least every two years

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- 1.4.2 Any service center operation with any amount of sales to federally funded projects should submit the Rate calculation to the Controller's Office for review and approval. All service center operations should maintain documentation for the Rate calculation and operating costs for a period of 4 years.
- 1.4.3 Submit a proposed line-item budget as part of the fee approval process. Budgeted Expenses should be listed by account code group (e.g., Salaries and Wages, Benefits, Supplies) for ease of review. Estimated Revenues must be documented as proposed rate(s) multiplied by the estimated Units of Output. Estimated Revenues should equal budgeted Expense plus or minus prior-year operating Surplus or Deficit.
- 1.4.4 The document submitted to the Controller's Office should include the service center's fund and organization, the fund financial manager, room number and the appropriate certification and signatures

### 1.5 Subsidies.

Departments may choose to subsidize the operation of a recharge operation or service facility. Before developing a Rate that includes a Rate Subsidy, management should carefully examine the economic factors and operating environment confronting the recharge operation or service facility. Under normal circumstances, recharge operations and service facilities should be able to cover operating Expenses through non-subsidized user charges

The subsidizing of Rates should only occur after it is determined that:

- a. Doing so furthers the accomplishment of a primary mission area (i.e., instruction, research or public service); and
- b. The goods or services provided either are not available from sources external to Mines or cannot be provided from external sources in a more cost effective or efficient manner

The continual subsidization of inefficient or non-competitive recharge operations and service facilities redirects vital Mines resources from activities that could further the accomplishment of the Mines primary missions.

See **Appendix A** for examples and different approaches to subsidizing service centers.

### 1.6 Billing Procedures.

#### 1.6.1 Collect Funding Authorization from Each User

Service center business managers are responsible for invoicing and collecting Revenue for their service center. In order to properly charge sponsored projects, the service center manager will collect the authorization for funding

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source before the service is provided. A “Service Center Funding Authorization” form is completed and signed by the principal investigator for each user of the service center. A Sample User Authorization Form can be found at **Appendix C**. This form is updated as frequently as necessary when the funding source changes, but not less frequently than annually.

### 1.6.2 Prepare and Submit Invoices

No less frequently than quarterly, Invoices should be prepared detailing the charging information. (**See Appendix D**). These invoices differ slightly from the typical ISSV’s because they include detailed information about the number of units used, the Rate per unit, the time period covered, and the total price. The debit will be the fund authorized by the “Service Center Funding Authorization” and the credit will be the service center fund. Typical account codes for service centers can be found in Appendix E.

### 1.6.3 Make Entries into the Accounting System

Some of the larger, higher volume service center financial/business managers have been authorized to enter the charges directly into the Mines finance system. Those individuals will enter the information and then submit supporting documentation to the appropriate office, ORA for sponsored programs and Controller’s office for non-sponsored programs.

Once the transactions are entered and approved, they will appear in the Banner financial accounting system.

For service center managers not entering their own transactions, an ISSV along with supporting documentation should be submitted to the Controller’s office for input into the accounting system.

***Please note that if there are insufficient funds or if the charges fall beyond the end date of the sponsored fund that was originally authorized, the individuals entering the charges are authorized to charge the home organization.***

### 1.6.4 External Users

When billing customers outside the Mines community, the applicable negotiated Indirect Cost Rate and administrative fee of 8.5% should be added to the calculated Rate. Where applicable, sales tax must also be charged to outside parties. Any amounts charged to outside parties in excess of the regular internal Mines billing rates should be excluded from the computation of a service center’s Surpluses and Deficits for the purposes of making Carry-forward adjustments to future rates. External Users must provide either a purchase order, credit card, advance

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payment, or be a customer in good standing (customer with no delinquent accounts).

**Please contact the Controller's office and Business Operations for information on processing external use payments.**

Since Revenues from outside parties may have Unrelated Business Income Tax (UBIT) implications, the Controller's Office will monitor Revenue from External Users.

UBIT is any activity that is:

- Carried on with a profit motive--an intention to produce a net income after deducting all direct and indirect Expenses, and
- Regularly carried on (i.e., regularly occurring or seasonal, rather than intermittent, casual, or sporadic), and
- Not "substantially related" to Mines tax-exempt purpose (i.e., teaching and research), and
- Not covered by specific IRS code exceptions (e.g., an activity conducted primarily for the convenience of the Mines community)
- Income from unrelated business is subject to taxation under IRS code Sections 511-513
  - Note: Activities that contribute importantly to the accomplishment of the Mines tax-exempt purposes (other than by providing funds) are considered "related."

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## APPENDIX A - Approaches to Subsidies

### Option A

All users are charged less than the total cost of the goods or services provided.

Example: a service facility receives an appropriation from Mines to defray costs not included in the Rate. If there is no Rate Subsidy to your service facility, record Expenses and Revenues in one operating fund. If, however, there is a Rate Subsidy, record the dollar amount of the Rate Subsidy in a separate service facility fund with the appropriate Revenue fund.

### Option B

Certain users are not charged for the cost of the goods or services provided.

Example: a department does not bill students for the use of a service facility. The department must transfer allocations to the service facility fund to cover the cost of providing the service to students. The lab manager must track the usage of all users in order to determine the actual rate

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## Appendix B - Sample Rate Calculation



**COLORADO SCHOOL OF MINES**  
**Rate Calculation**  
**For Fiscal Year: \_\_\_\_\_**

Expenditure Summary for : \_\_\_\_\_

BANNER INDEX NO:	FUND #	ORG #	PRG #

Lab Manager: \_\_\_\_\_ Fin Mgr (if different): \_\_\_\_\_

Lab Location: \_\_\_\_\_

EXPENSES:	Fiscal Year:	0	
Salaries		30,000	
Fringe Benefits		6,000	
Supplies/Services		3,000	
Machining			
Equipment			
Postage			
Phone			
Copying			
Maintenance		25,000	
Travel			
<b>Total Operating Expenses</b>		<b>\$64,000</b>	A
Administrative fee @ 8.5%		5,440.00	B = A * .085
<b>Total Expenses</b>		<b>\$69,440</b>	C = A + B
Total Logged Hours/Units:		900	D
Internal Rate for FY:		\$77.16	E = C/D
External Rate with Overhead		\$126.84	F = E * 1.644
External Rate Markup		\$200.00	G
<b>Base External Rate</b>		<b>\$326.84</b>	H = F + G

**Additions to Base External Rate**

<table border="1" style="margin: auto;"> <tr> <td style="padding: 2px;">Option A</td> <td style="padding: 2px;">\$50.00</td> </tr> </table>	Option A	\$50.00	<table border="1" style="margin: auto;"> <tr> <td style="padding: 2px;">Option B</td> <td style="padding: 2px;">\$100.00</td> </tr> </table>	Option B	\$100.00	<table border="1" style="margin: auto;"> <tr> <td style="padding: 2px;">Option C</td> <td style="padding: 2px;">\$150.00</td> </tr> </table>	Option C	\$150.00
Option A	\$50.00							
Option B	\$100.00							
Option C	\$150.00							
		A - DESCRIPTION B - DESCRIPTION C - DESCRIPTION						

**Options:**

Certification: I certify that these calculations are consistent with past performance and future estimates. I understand that if deficits occur I will be required to raise the rates to compensate or cover the deficit from Departmental or Division Sources. Additionally, if a market exists for this good/service then the external rate has been set so that there is no unfair competition with private industry.

Lab Manager/Financial Manager Signature: \_\_\_\_\_

Department Head or Center Director: \_\_\_\_\_

Manager of Research Administration: \_\_\_\_\_

Deputy Controller: \_\_\_\_\_

\*All Expenses for the FY should be included.

\*Since equipment depreciation expense is already included in the F&A rate, equipment/depreciation should not be part of this rate calculation.

\*8.5% Admin fee assessed to cover administrative overhead.

\*The "base" for the rate can be a combination of actual use plus projections for the upcoming FY.

\*Total expenses divided by usage Units.

\*External rate is the Internal Rate multiplied by Industry/Private overhead (63.9%) to ensure non-competition with private owned business.

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## Appendix C - Sample User Authorization Form



**COLORADO SCHOOL OF MINES**  
**USER ACCOUNT APPLICATION FORM**

Please complete ALL information below. By signing, the PI and their designees agree to comply with the rules of the Laboratory and be responsible for all charges. Please list all FOAP's that you expect to use. Each student, postdoctoral fellow or other designee will be able to use one or more User Accounts, per the PI's authorization.

**Faculty/Project PI:** \_\_\_\_\_ CWID: \_\_\_\_\_  
 (Print or type)  
 \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 (Signature)  
 \_\_\_\_\_ E-mail: \_\_\_\_\_  
 (Date)

Department: \_\_\_\_\_  
 Campus mailing address: \_\_\_\_\_  
 \_\_\_\_\_

	Fund	Org	Acct	Program	User Account Number (assigned by Service Center)
1					
2					
3					
4					
5					
6					

Note: Funds beginning with a "4" denote federal funds.

**(Optional)**  
**Account Administrator:** \_\_\_\_\_ CWID: \_\_\_\_\_  
 (Print or type)  
 \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 (Signature)  
 \_\_\_\_\_ FAX Number: \_\_\_\_\_  
 (Date)  
 E-mail: \_\_\_\_\_

**Please return completed form to:** Service Center, Manager

Rev. 9/06

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## Appendix D - Sample Invoice

Service Center **July\_September2019**  
 Charges:  
 Bill to: **PI**  
 ISSV #: **19294**

<b>IC</b>				<b>IC TOTAL</b>
Date	Index: Student: Project:	4xxxxx		
08/01/19	2			
08/07/19	5			
08/20/19	8			
<b>Total #</b>	15	0	0	<b>\$120.00</b>
<b>\$/Sample</b>	\$8.00	\$8.00	\$8.00	
<b>Amount Due</b>	<b>\$120.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	

<b>July_September2019 SUMMARY</b>					
Index	Project	Student	Analysis	Subtotal	TOTAL
4xxxxx			IC	\$120.00	
				<b>GRAND TOTAL DUE:</b>	<b>\$120.00</b>