

## **PROCEDURE P3-007A: SERVICE/RECHARGE CENTERS**

Revision 1. Effective August 12, 2022

### **I. PURPOSE**

To establish University Procedures for the internal review and monitoring of Service/Recharge Centers charging University accounts.

### **II. REFERENCES**

Title 2 CFR Part 200 (Uniform Guidance).

Utah Board of Higher Education Policy R 555, "Providing Facilities, Goods and Services in Competition with Private Enterprise".

### **III. DEFINITIONS**

- A. Service/Recharge Centers (SRCs) - Operating centers established for the primary purpose of providing specialized services and/or specialized products to the university community (services and products may be provided to external users as requested). University operating centers that provide general services and/or commercial products to the University campus, and which otherwise have oversight from and report to other central levels of administration within the University, are not required to additionally report to or submit annual assurances (VII.E.) to the Office of Compliance Oversight and Reporting.
- B. An activity whose primary business deals with the reproduction of documents (copy facilities) and charges \$1.00 or less per copy is not required to complete Section IV.

### **IV. REQUESTS TO ESTABLISH A SERVICE/RECHARGE CENTER (SRC)**

A request to establish an SRC must be submitted in writing to the Office of Compliance Oversight and Reporting within Financial Services. The request should be signed by the person with administrative or managerial responsibility of the requested SRC and the cognizant department director/ chairperson and cognizant Vice President. The request should include the following information:

- A. Description of the services to be provided
- B. Identification of anticipated customers

- C. Projected number of transactions billed (annual basis)
- D. Projected dollar volume of transactions (annual basis)
- E. Documentation on how rates are to be determined. Rates charged to Federal Programs must not exceed actual costs and may not include unallowable costs.
- F. Documentation demonstrating that the:
  - 1. Services to be provided are consistent with the mission of the University.
  - 2. Services to be provided will not inappropriately or unfairly compete with private enterprises. (See Utah Board of Higher Education Policy R555)
- G. Identification of projected annual direct costs associated with the service. Direct costs of an SRC may include, but are not limited to:
  - 1. Salaries, wages and related fringe benefits
  - 2. Supplies and materials
  - 3. Subcontracts and outside services
  - 4. Interest on debt external to the University
  - 5. Equipment maintenance
  - 6. Training and travel
  - 7. Departmental administrative costs for running the SRC (e.g., accounting expenses for managing the SRC)

## **V. SERVICE/RECHARGE CENTER RESTRICTIONS**

- A. Certain costs recovered through the University indirect cost rates cannot be included in the SRC billing rates unless specifically approved. Such costs include:
  - 1. Depreciation on building
  - 2. Depreciation on equipment
  - 3. Operation and maintenance of the building
- B. Costs used to determine billing rates must be clearly identifiable and auditable on an ongoing basis.

C. Where an SRC is approved to recover costs for buildings or equipment depreciation, such recoveries should be based upon the actual useful life of the equipment. Capital acquisitions must be recorded in an activity separate from the SRC operating activity. The department must maintain a cost recovery schedule of the capital acquisitions as documentation to validate the capital expenditures included in the SRC billing rates. Cost recovery accounting entries, charged to the SRC activity, must be made at least annually.

D. The following costs must be excluded from the billing rates:

1. Capital acquisitions
2. Lease to own purchases
3. Debt principal payments
4. Interest paid to the University
5. Transfers of funds to another account

E. Unallowable costs - Certain types of costs are considered unallowable for recovery by the Federal Government under the Uniform Guidance. These costs must not be included in the determination of the billing rates. Unallowable costs include, but are not limited to, the following expense categories:

1. Entertainment
2. Bad debts
3. Advertising except for:
  - a. Recruitment of Personnel
  - b. Procurement of Goods & Services
  - c. Disposal of Surplus Property
4. Public relations
5. Alcoholic beverages
6. Contributions and donations
7. Goods or services for personal use

Questions regarding the allowability of costs should be directed to the Office of Compliance Oversight and Reporting.

## **VI. APPROVALS**

A. All requests to establish an SRC should be forwarded to the Office of Compliance Oversight and Reporting. Each request will be reviewed to determine if:

1. The request submitted is complete and understandable.
2. The services are consistent with University policy and federal regulations.
3. The rate computations are complete and accurate.
4. The rate determined is reasonable.

B. The Office of Compliance Oversight and Reporting will:

1. Provide notification to the requesting department if their request was approved or denied.
2. If approved, an accounting activity and any supporting activities for the SRC will need to be established with General Accounting by the department.

## **VII. RESPONSIBILITIES OF AN APPROVED SERVICE/RECHARGE CENTER**

Initial and continued approval of an SRC is based upon each SRC's commitment to the following:

A. Maintain detailed records supporting billing rates:

1. Activities and projects billed
2. Services performed
3. Entities requesting the service
4. All operational expenses. (Normally, a separate activity or account will be established to record all appropriate SRC costs. Costs related to a SRC should not be commingled with other expenses of unrelated entities.)

5. All supporting records must be maintained for seven years and are subject to audit by federal or state auditors or the University's Internal Audit Department.

B. Ensure that billing rates are based on actual costs and applied uniformly to all university users. An approved SRC should operate on essentially a break-even basis over a reasonable period of time (five years). Costs include direct and approved indirect expenses (see Section V.A.) plus under/over recovery from prior year.

C. Ensure that revenues derived from sales to external entities outside the University (off campus non-university) that exceed actual costs are recorded in a separate activity or account. For example:

	University Including Federal (Internal)	Off Campus Non- University (External)
Cost Recovery from Billing Rates (Internal Break-even Rate)	\$70.00	\$70.00
Amount Over Cost (Credit to separate activity)	\$0.00	\$40.00
Total amount billed	\$70.00	\$110.00

D. Ensure that rate reviews are conducted by the SRC at least biennially, (if at any time it becomes apparent revenues vary significantly from actual costs, it is essential to promptly adjust rates). Rate revisions should be considered when it is apparent that annual billings vary from actual costs by more than 10 percent. If the SRC activity fund balance exceeds two-months of operating expenses at the end of a fiscal year, rates must be reasonably adjusted to bring the fund balance down.

E. Submit the following information to the Office of Compliance Oversight and Reporting by October 1, if during the fiscal year ended June 30 (a) the SRC had annual billings that exceeded \$1,000,000 or (b) the SRC had annual billings to grants and contracts that exceeded \$25,000.

1. A signed assurance statement by the Account Executive of the applicable SRC that the requirements of Sections V and VII of these procedures have been met.
  2. An operating statement for the applicable SRC showing the revenue, costs of sales, expenses and profit or loss for the fiscal year ended June 30. This statement should include any adjustments necessary to reconcile to the University accounting statement(s).
  3. A written statement outlining the steps to be taken if the profit or loss exceeds the requirements established in Section VII .D. SRC' s meeting the annual billing minimums that do not provide the written analysis may be restricted from processing charges to other University activities/projects.
- F. Ensure that inappropriate transfers for unrelated purposes are not made.
- G. Ensure that sufficient funds are available in the SRC activity, when it is established, to cover necessary expenditures. Deficits that cannot be covered by rate adjustments must be funded by the responsible department. The funding of any cost determined to be unallowable is the responsibility of the department.
- H. Notify the Office of Compliance Oversight and Reporting when changes are anticipated in services or accounting procedures, or when cessation of the SRC is anticipated.
- I. Notify the Office of Compliance Oversight and Reporting to close the SRC account when the service is no longer being provided.

## **VIII. RESPONSIBILITIES OF THE OFFICE OF COMPLIANCE OVERSIGHT AND REPORTING**

Responsibilities include the following:

- A. Periodically review and analyze SRC activities to determine if revenues, expenses, and fund balance are reasonable (expenses within 10% of revenue and/or fund balance is within two-months of operating expenses) as a reflection of SRC billing rates being charged by the SRC's.
- B. Monitor SRC activities to identify deviations from approved procedures.
- C. Recommend corrective action to be taken to ensure compliance with these procedures.

D. Maintain a list of approved SRC's.

E. Take action to prevent the processing of charges to federal grants and contracts if corrective action is not implemented by an SRC to comply with these procedures.

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## **IX. HISTORY**

A. Current Version. Revision 1

1. Approved by Chief Financial Officer August 12, 2022 with effective date of August 12, 2022

B. Previous Versions.

1. Revision 0. Effective September 30, 2006