Academic Service Center Policy

Introduction
The purpose of this policy is to provide guidance on establishing, maintaining and accounting for Academic Service Centers in accordance with Brown University policy and federal regulations. The intended audience is faculty, students and staff at Brown University involved in the operation of an academic service center. While users are primarily the research community, it is not uncommon for service centers to provide services for instructional purposes as well.

Policy Statement
Academic Service Centers are units within Brown University departments or cost centers that charge for goods or services directly supporting the research or academic mission of the University and recovering costs through charges to internal and external users. All Academic Service Centers are expected to recover no more than the aggregate costs of their operations through charges to users. All Academic Service Centers must be able to demonstrate compliance with federal requirements and cannot use fee structures that discriminate against federally funded activities.

As a recipient of federal funding, the University must comply with the U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. §200) (“Uniform Guidance”). In accordance with Uniform Guidance, Subpart E (§200.468), University policy requires that all Academic Service Centers, charging federally sponsored projects, may only recover the allocable, allowable and reasonable direct costs of services provided. Noncompliance could result in government-imposed fines or disallowed costs. In addition, noncompliance could harm the University’s reputation and reflect negatively on future grant proposals. Academic Service Centers are reviewed and tested annually as part of the single audit required by Uniform Guidance, Subpart F Audit Requirements (§200.500).

Any Brown University cost center or unit operating as an Academic Service Center must comply with this policy. See Definitions below of Departmental Service Centers and Central Service Units that would not be covered by this policy.

Approval is required from senior leadership within the business unit before establishing, operating or closing an Academic Service Center. Please refer to the Service Center Procedures Manual for guidance on establishing a new Academic Service Center.

Definitions

Academic Service Center - A Brown University Academic Service Center is an operation that provides goods and/or services in direct support of the research or academic mission of the University. Academic Service Centers recover their costs through fees charged to internal and external users, including federally sponsored projects, based on established billing rates and actual usage of service. According to the University’s Cost Accounting Standards Board Disclosure (DS-2), there are two types of service centers:

1) Specialized Service Center - A specialized service center has an annual budget of over $1 million and provides highly complex or specialized services to a select group of users. The billing rates for these centers are based on their direct operating costs and an allocated portion of overhead. Brown’s Animal Care Facility (ACF) is the only Brown service center specifically designated in the University’s DS-2 as a specialized service center.

2) Recharge Center - A recharge center bills users for direct costs and has an annual budget of less than $1 million. There is one type of recharge centers: Core Research Facilities.
**Core Research Facilities** : Core Research Facilities (CRFs) are centralized, shared resources that provide scientific and clinical investigators access to instruments, technologies, services, and technical expertise. The typical core facility is a discrete unit within an institution and may have dedicated personnel, equipment and space for operations. In general, core facilities recover service costs, or a portion of these costs, in the form of user fees that are charged to an investigator's funds, often to NIH or other federal grants. Institutions may determine that establishing a core facility is appropriate to address the need for services based on a variety of expected advantages which may include, but are not limited to, assuring access to resources or services required to address institutional needs; providing for required compliance with applicable regulations and institutional policies; and achieving economies of scale. Accordingly, these facilities can take many forms to address institutional needs and objectives. Core facilities may be fiscally supported by institutional funds, federal funds, external revenue, other funding, or any combination of these. No matter the source of funding for a core facility, the costing issues discussed in this document should be observed if federally sponsored funds are charged for the use of a core facility or provide general support to establish or operate the facility.

**Departmental Recharges**: Departmental recharges, that are unrelated to Core Research Facilities, are not covered under this policy. Departments often have the need to allocate research costs across multiple funding sources (i.e. Principal investigators (PI's). It is preferred that such costs are split at the time the charge is recorded in the University’s accounting system. At times this is not feasible or practical, therefore charges are redistributed post use. When this is the case there should be a documented allocation methodology. If charging sponsored funds, the methodology should be usage-based and reviewed by the Controller’s Office. Otherwise a Cost Center Manager or someone in a departmental financial role should be delegated to review the methodology. Departments must maintain supporting documentation whenever submitting recharge journal entries. An example of this activity is when a department has shared research equipment that requires service contracts and/or incurs repair costs. A detailed log of usage can be used to determine how to split the warranty and/or repair cost to the various uses of the equipment. In this instance there is no goods or service provided, only the use of the equipment.

**Central Service Units** that do not directly support the research or academic mission of the University, such as University Dining Services, Graphic Services, Copy Centers and similar operations, are not Academic Service Centers and are not covered by this policy.

**Subsidy**: Financial support for a service center that is not generated by the sales of goods or services.

*User Subsidy* – Funds provided to a service center to cover a deficit when a certain group of users is charged a rate that is lower than the full rate charged to unsubsidized users. For example, subsidies may be provided by a specific department that wishes to subsidize only users from that department. The service center recovers the full cost of services provided to subsidized users by charging the difference between the full rate and the subsidized rate to the department providing the subsidy.

*Service Center Subsidy* – Academic Service Centers may be subsidized by unrestricted departmental funds to cover operating costs or deficits.

**Users**: Purchasers of CRF services can be internal, affiliated, or external to the University.

*Internal users* – Investigators within Brown University who pay for goods or services through internal billing using a Brown account.

*Affiliated users* – Academic research investigators at affiliated hospitals and other academic institutions within the State of Rhode Island. These users are billed using internal rates.

*External users/commercial customers* – An entity or person that is legally separate from Brown that typically purchases goods or services for reasons of convenience, quality, or uniqueness of goods or services offered. Examples include collaborators at other institutions outside of the State of Rhode
Island and investigators at commercial research labs.

**Rates:**

*Internal rates* - All Brown University cost centers, Brown Hospital affiliates and academic institutions within the State of Rhode Island are considered internal users, and will be billed internal rates. Brown University Hospital affiliates and academic institutions within the State of Rhode Island will be billed through the Workday customer accounts module. See billing procedures below.

*External rates* - External rates are higher than internal rates and include the facilities and administrative costs of the Academic Service Center.

*Commercial rates* - Commercial customers may be charged rates above the external rate.

*For additional definitions, please refer to the Academic Service Center Manual.*

**Responsibilities**

*Unit-level responsibilities* - Local managing units are responsible for oversight of ongoing operations and compliance with this policy. These responsibilities include:

- Initiate creation and/or dissolution of new Academic Service Centers with the Controller’s Office.
- Account for the operations of the Academic Service Center and report annually on revenues, expenses and balances generated by the Service Center’s activities.
- Review financial information periodically to ensure break-even status or necessity to change rates.
- Calculate rates, at least annually, based on estimated expense data and projected usage and complete the Service Center Annual Rate Proposal Form that is submitted annually to the Controller’s Office.
- For Academic Service Centers that include depreciation as a component of expenses, create and maintain information on equipment purchases and applicable depreciation.
- Ensure that rates comply with the guidance in this policy and are reported and reviewed by the Controller’s Office.
- Account for subsidies, revenue generated from Facilities and Administration (F&A) costs included in the rates, and for any accumulated depreciation reserves, if applicable.
- Review the annual financial results for Academic Service Centers including income and expenses to ensure that the balance forward is within the recommended 25% margin.
- Assist with internal and external audits.

*Central Office responsibilities*

- The Controller’s Office will maintain this policy and provide oversight and guidance relating to the policy.
- The Controller’s Office will maintain a current Academic Service Center list.
- The Controller’s Office will review and approve rates on an annual basis.
- The Office of Vice President for Research will meet annually with the Controller’s Office to monitor compliance with this policy and timely submission of service center rates.

**Procedures**

*Financial Considerations*

*Components of Costs in Rate:* All costs, subsidies, and revenue relating to a service center must be accounted for within the general ledger.

*Separate Accounting:* All Academic Service Centers are required to maintain Brown general ledger.
account codes ("worktags" in the Workday financial system) that are sufficiently segregated and detailed to facilitate the financial reviews required by this policy.

Rate Development and Break-even Considerations
An Academic Service Center must develop rates so that revenues do not exceed expenses for services provided to customers. An Academic Service Center's surplus or deficit for a given fiscal year should not exceed 25% of annual operating expenses. Academic Service Centers may be subsidized by departmental funds.

A mid-year review is strongly recommended. To the extent that there is a deficit for the fiscal year, the rates should be increased in subsequent years to reduce the carried forward deficit balance over a period of time. To the extent that there is a surplus of 25% or less the surplus may remain in the Academic Service Center. Surpluses beyond the 25% range should be eliminated through rate adjustments or expense realignment. When it appears that the operating results will exceed the 25% break-even range at fiscal year-end, the service center should adjust its rates.

In certain circumstances, the initial break-even time frame needed to cover startup costs is longer than the first year of operations of an Academic Service Center. Initial multiyear breakeven periods of up to five years are allowable. Requests for a multi-year break-even period must be included in the "New Service Center Request Form" and be approved by the Controller’s Office.

Non-discriminatory Rates
An Academic Service Center must charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. The use of special rates, such as for high volume work or off-hour usage, is allowed, but the special rates must be equally available to all users.

External users, however, may be charged a higher rate that includes the facilities and administrative costs of the Academic Service Center. Additionally, commercial customers may be charged rates above the total direct and indirect costs. Funds generated by incremental charges to external customers must be used exclusively to support the Academic Service Center. No funds can be transferred outside the service center.

Subsidized Users and Subsidies
Services provided to all users must be accounted for and charges must be based on total costs and actual usage. The Academic Service Center billing rate must be calculated for all users based on total Academic Service Center expenses and total units of output. Subsidies are applied after the total rates are calculated and are recorded within the Academic Service Center account.

Pricing for Multiple Services
An Academic Service Center is required to document the rate calculation for each type of service it provides. Academic Service Centers with multiple services must ensure that there is no cross subsidization between user groups. Combining the results of various services is not acceptable if the mix of users for each service is different.

Service Center Annual Rate Proposal Form
Each Academic Service Center is required to document its rate calculations annually by completing the “Service Center Annual Rate Proposal Form” or by providing alternative documentation. The purpose of the form is to document the use of the general ledger and provide the information used in rate calculations (anticipated volume, expenses, inclusion of carry forward balances). This information will be reviewed and utilized by individuals outside the Academic Service Centers, including the department financial managers and the Controller’s Office.

Billing Procedures
Billing must be based upon measured and documented utilization. All billing must be processed on a timely basis at established Academic Service Center rates. Academic Service Centers should provide
appropriate invoicing documentation. All invoices must include the name of the services/goods provided (e.g., genetic sequencing or glass washing), the number of units (e.g., pounds, hours, # of items), and the amount charged per unit. The Academic Service Center is responsible for the proper use of the Workday worktags related to the recording of revenue and expenses.

- Billing cannot occur until the goods or services have been rendered
- Each Academic Service Center must bill twelve months of activity within a fiscal year, and billing should be performed monthly
- Academic Service Center revenues from internal users must be recorded using the Ledger Account LA68000: Internal Services and Spend Category Internal Billing (9800). The journal source Service Center Billing should be used for internal billing.
- Revenues from external customers must be recorded in Ledger Account LA40600: Other Income and Sales Item Service Center Sales (0171).

Mid-year Review
The local level managing units are responsible for evaluating their financial performance throughout the year; at least one interim rate review should be performed during each fiscal year. Rates may be adjusted at mid-year or at any other points during the year if the Academic Service Center determines that they will be out of compliance with respect to break-even status without a rate adjustment. Proper documentation is required for rate adjustments.

Designated Fund Transfers
Academic Service Centers may not transfer balances out of the Academic Service Center’s Cost Center. Surpluses or deficits must be carried forward to the following fiscal year through a designated fund transfer within the Academic Service Center Cost Center. The operating surplus/deficit should be included in calculating subsequent years’ rates and break-even position.

Record Retention
Academic Service Centers must retain financial documentation. For additional information, see the Brown University Record Retention Schedule.

Refer to the Academic Service Center Manual for additional operational and financial information

Forms/Instructions
- Brown University New Service Center Request Form
- Academic Service Center Procedures Manual

Related Information
Brown University Record Retention Schedule
FAQs for Costing of NIH-Funded Core Facilities, Notice Number: NOT-OD-13, Release Date April 8, 2013
OMB Chapter II, Part 200 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Univor Guidance)
Section 200.468 - Specialized service facilities

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Revision Date: Thu, 2018-05-31 09:25

Source URL (retrieved on 2018-Jul 06):
https://www.brown.edu/about/administration/policies/node/656