



## **Policy Governing Specialized Service Facilities and Recharge Centers**

*(Approved by the President on September 13, 2006)*

---

### **I. PURPOSE**

This policy defines the University's position and establishes guidelines necessary to comply with the provisions of the Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions," regarding specialized service facilities.

### **II. BACKGROUND**

OMB Circular A-21 is the Federal regulation governing the University regarding the charging of facility and administrative (indirect) and direct costs to sponsored activities. Under OMB A-21, the cost of each defined service facility consists of both its direct and its allocable share of indirect costs. Further, educational institutions are required to report on service centers as a part of their disclosure statement (CASB form DS-2) as a part of Facilities and Administrative rate negotiation.

### **III. DEFINITIONS**

- A. Service center – functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service centers include “recharge centers” and “specialized service facilities” as defined in section J of circular A-21.
- B. Specialized service facility – defined in circular A-21 section J as “services provided by highly complex or specialized facilities operated by the institution”. A specialized service facility is broadly defined as any major recharge activity that provides specific measurable services to users with total annual revenues in excess of \$500,000, or revenues of at least \$200,000 derived from charges to sponsored contracts and grants. Examples of specialized service facilities may include: computer centers, animal facilities, motor pools, and telecommunication systems. Service centers that do not meet these annual revenue thresholds will be considered to be recharge centers.
- C. Recharge centers – units providing technical or administrative services for primarily internal customers, and having annual operating revenues below the threshold of specialized service facilities.

### **IV. POLICY**

This policy shall apply to both specialized service facilities and recharge centers unless otherwise noted.

#### **A. Direct and Indirect Costs**

- 1. Definition of Total Costs – The total cost of each specialized service facility will consist of its identifiable direct costs and the allocable indirect costs. Indirect costs will be allocated to each service facility in accordance with OMB A-21, Section F.

## UMBI Policies and Procedures

---

Allocable indirect costs will include the following as cited in OMB A-21, Section E.2.e.(2):

- a. Depreciation or use allowance for buildings and equipment
  - b. Plant maintenance and operation expenses
  - c. General administrative and general expenses The total service facility costs will include all direct and indirect costs along with the State contributed fringe benefits identified to the facility.
2. Exceptions – Under this policy, indirect costs allocable to the service facility may be excluded from the total costs, if:
- a. The total amount of indirect costs is immaterial.
  - b. The campus can demonstrate, to the satisfaction of the cognizant agency, that the allocation of indirect costs to the services would not be in the best interests of the University or the federal government.]
  - c. Activities of the center fall within the definition of recharge center
- B. Capital Expenditures: Any expenditures for property, plant and equipment (including building improvements and renovations) consistent with UMS Policy VIII-1.10-POLICY FOR CAPITALIZATION AND INVENTORY CONTROL whose value is over \$5,000 and which has a useful life of more than one year is a capital expenditure. Such expenditures may not be included directly into a center's rates as a single year expense or period cost. These costs may be recovered by depreciating the historical cost of the item over its useful life and including depreciation expense as a component of the user rates. Replacement cost accounting (using replacement cost value as a component of user rates) is not permitted by A-21, therefore centers cannot include the future cost of capital expenditures in user rates.
- C. Unallowable costs: Unallowable costs may not be included in federal charges. Expenses such as internally charged interest, alcoholic beverages, entertainment, unallowable travel and other unallowable expenses listed in OMB Circular A-21, Section J must not be included in user rates or charged to federal awards or federal pass-through awards.
- D. Specialized service facility costs and the indirect cost distribution bases: Because UMBI is approved to utilize the approved Facilities and Administrative (F&A) rate of UMCP for COMB, CARB, and CBR, and the F&A rate of UMB for IHV and MBC, the costs associated with service centers operated by UMBI units must be included in the respective rate calculation. The Universities will include specialized service facility operating costs in the applicable indirect cost distribution in a separate allocation base developed for calculation of the indirect cost rates negotiated with the federal government. In doing so, the specialized service facilities will be allocated their fair share of indirect costs. Specialized service facility charges will be excluded from the research, instruction, and other sponsored bases used to apply indirect cost to the individual accounts.
- E. Recovery of Costs/Schedule of Rates: The total costs of the specialized service facilities will be accounted for through a schedule of rates which will apply to all users of the facility on the basis of actual utilization, and which does not discriminate against any one segment of the user population. Volume discounts or other special pricing mechanisms must be equally available to all users who meet the criteria. Rate schedules should be

## UMBI Policies and Procedures

---

published and be available to all potential users. External users of a center may not be charged at a rate less than that charged to internal USM and federal users. Also, external user rates must include University indirect cost.

- F. User rates: Rate proposals for specialized service facilities are to be submitted to the UMBI Comptroller's Office at least annually for a formal analysis of costs and recharge rates. For recharge centers, rates must be reviewed by the UMBI Comptroller's Office for newly established centers, or when the methodology for rate calculation significantly changes. Recharge center rates should be reviewed at least bi-annually by the UMBI unit and approved by the Unit Head.
- G. Accounting: Specialized service facilities are separate and distinct entities. Funds and accounting activities will not be commingled with funds or accounting activities of other organizational units inside or outside of the departments where the centers reside. Each service center must operate from separate accounts, normally in the educational and general designated range. An operating surplus of a service center should not be used for purposes unrelated to the operating of that particular service center.
- H. Breakeven: All service centers must operate at breakeven over the long run (10 years). Specialized service facilities that conclude a fiscal year with a surplus or deficit in excess of 5% must roll forward that amount into the following rate calculations.
- I. Records Retention: Service centers are subject to audit as long as the grants and contracts which they charge remain subject to audit requirements. Charges to federal and pass-through grants and contracts are subject to challenge for three years after the project expires and is fully settled. Since some projects continue for more than ten years, there is no simple rule-of-thumb for record retention. Specialized service facilities and recharge centers are subject to periodic review by UMBI Comptroller's Office and audit by USM Office of Internal Audit, external auditors, federal auditors, and legislative auditors to evaluate compliance with established policies and accounting practices. Therefore, activities must be adequately documented and records maintained to support user rates, expenditures, and billings.
- J. Service centers must retain documentation showing how user rates were calculated, the rate review letter from the Comptroller's Office, supporting documents relating to expenses incurred including payroll expenses records supporting utilization (level of activity), records supporting amount and basis for user billings, monthly ledgers and annual financial statements of the center.

**APPROVED:** Jennie C. Hunter-Cevera 9/13/06

Templates for rate calculations:  
Specialized Service Facilities  
Recharge Centers