



Service Center Procedure Appendix to Service Center Policy

I. Introduction

These procedures provide a framework for the fiscal operations of the University of Nebraska at Omaha (UNO) service centers that ensure their compliance with sound accounting principles and government regulations.

II. Definitions

- A. Service Center** - A service center is an organizational unit, or an activity within a unit, that on a recurring basis, charges for goods or services provided primarily to other internal university operations or units, but also potentially to users external to the university. Any unit or activity established for the purpose of, or participating in, supporting internal or external research objectives through billing to federal or federal flow-thru funds for goods or services provided may be a service center. Examples include, but are not limited to, computer services, copy services, lab analysis services, research animal care services, 3-D Printing, and Nebraska Biomechanics Core Facilities usage.
- B. Internal User** – An internal user is an academic, administrative, or auxiliary unit within the University of Nebraska system or a person affiliated with one of these units that wishes to purchase goods or services from a service center to support the internal user’s university-related academic or research activities. Service center rates are typically subsidized by the institution and these subsidized rates, therefore, are available only to internal users. This work may include federally sponsored projects. All internal users must provide a cost object number to be charged for each and every usage of services or purchase of goods when requesting goods or services. Payments from internal users are processed using cost transfers.
- C. External User** - An external user is an entity or person having no direct affiliation with the University of Nebraska system who may wish to purchase services for reasons of convenience, cost effectiveness or uniqueness of the service offered. External users include students, faculty or staff acting in a personal capacity. All external users will be expected to provide credit card, cash, or check for payment for services received.

Caution: Allowing the use of university facilities and services by parties not otherwise associated with UNO may carry tax related consequences. Therefore, consult with the Controller’s Office before providing goods or services to non-university users.

III. Responsibilities

- A. Departments** - Ultimate responsibility for service centers rests with the dean, director, or department head. They normally delegate day-to-day responsibility to the department

administrator or service center director who monitors the operation. The department administrator or service center director must ensure that:

- Service centers prepare a budget and rate schedule along with a Revenue and Expense Worksheet annually and submit the two documents to the UNO Service Center Committee by May 25 (submit to unoservicecenters@unomaha.edu). The committee will review and approve by July 1.
- Billings are timely and accurate.
- The approved rate schedule is applied uniformly to all users.
- Internal users are billed at nondiscriminatory rates. This means internal users are not billed using rates less than the federal government is billed.
- The service center financial position and rates are reviewed monthly to assess their position with respect to break even, and if necessary, rates are adjusted but not more often than quarterly. The review should also ensure cost types are clearly identified by account code.
- The service center committee is updated when capital assets are purchased.
- If it becomes necessary to adjust rates throughout the year, contact the UNO Service Center Committee prior to implementation. Documentation of rate change approval should be obtained and retained on file by the department for potential review.
- Rates are managed, published and updated.

B. Office of Research and Creative Activity

Is responsible for the following:

- Including service center fees for internal users when submitting proposals for sponsored funding.
- Providing education on when and how service center fees apply to externally or internally funded projects.

C. Service Center Committee (Assistant Vice Chancellor for Research, Controller, Manager of Grants Accounting and Senior Grants Accountant in Grants Accounting)

Is responsible for the following:

- Administering the approval process for the formation of service centers.
- Approving annual rates and reviewing revenue and expense reports.
- Approve interim rate adjustments that are necessary throughout a fiscal year to fall within the breakeven range.
- Assisting service center directors with policy or procedural matters related to accounting operations.
- Assisting centers in the preparation of rate schedules and the annual revenue and expense report.
- Recording depreciation expense/recovery for the service center on a monthly basis.
- Contact the Service Center Committee with questions at unoservicecenters@unomaha.edu.

D. Controller's Office

The Controller's Office is responsible for the following:

- Assisting Grants Accounting and departments in reviewing annual service center rate renewals and other service center accounting issues as they arise.
- Maintaining service center equipment records and provide capital acquisition amounts and depreciation expense annually to service centers.

E. Budget Office

The Budget Office is responsible for the following:

- Establishing cost object numbers for the service center.
- Recording budget transfers when necessary.

IV. Establishing a Service Center

A. The UNO Service Center Committee must approve requests for new service center numbers, as well as changes in existing center numbers. This provides university officials the opportunity to review the proposed service center for feasibility and to ensure it will operate in accordance with federal cost principles and university policies and procedures. The request for a service center number must include the following:

1. Request to Establish a New Service Center form
2. Rate Setting documentation which includes the following:
3. Detailed budget of annual expenses
4. Depreciation schedule (list of capital assets, if any)

B. Upon the Service Center Committee approval of a request for a new service center, its budget and rates established by the center, the committee will seek Dean, Director, or Department Head approval to proceed with the setup of the service center.

C. Upon approval, service centers will be assigned two cost object numbers with a "43" in the identifier section of the center number (i.e., 43#####). These will represent the Service Center cost object and the Service Center Reserve cost object. In addition, a new account code may be assigned to be used when charging out costs to users.

D. Budget transfers will be completed as necessary.

V. Rate Development**A. Break Even Concept**

Most service centers operate on a fiscal year basis with rates based on budgeted

projections of operating expenses and projected levels of activity or demand for its goods or services. Basically, the financial goal of a service center is to establish rates that will ensure that revenues reasonably offset expenses.

Operating at break-even means there is no significant profit or loss resulting from charging users for goods or services in any particular period, and no profit or loss over the long-run. The policy on service centers allows service centers to carry forward, to the following fiscal year, surpluses and deficits that are within 15% of annual expenses (see "Treatment of Over/Under Recoveries" below). **Service centers that have no immediate intention of recovering full cost will not be allowed to carry forward any deficits.**

B. Treatment of Over/Under Recoveries

Although service centers target break-even through budgeting and rate setting, it is seldom that expenses exactly match revenues. Therefore, the university has defined "break-even" for this purpose as a net result that falls within a range of plus-or-minus 15% of annual expenses computed as of the final closing of the books on June 30. Under or over recoveries should be calculated based on actual revenues and expenditures, without regard to budgeted funds.

If a service center rate produces a profit or loss outside the range noted above, the loss must be added or the profit subtracted from the following fiscal year's budget when developing the user rate(s) so the operation will break even over time. For example, the rates submitted for approval for fiscal year 2016 (beginning July 1, 2015) would be based on the 2016 projected volume and expenses and under or over recoveries carried forward from actual results for fiscal year 2015. Use the "Prior Period" tab on the Rate Setting worksheet.

When it appears that a service center may end the fiscal year outside the +/- 15% "break even" range, the center should attempt to resolve the situation by adjusting user rates before year-end. Service centers not operating within the 15% threshold will be reviewed semiannually by the UNO Service Center Committee to ensure the necessary rate adjustments take place. This guidance does not apply where Long Term Break-even Agreements have been arranged with the cognizant federal agency. An excel spreadsheet will be included as part of rate calculation to help a department know where they are at throughout the year.

C. Nondiscriminatory Rates

Rates established by service centers must be nondiscriminatory and all users must be billed for services received. Service Centers are not to discriminate to the detriment of federal grants and contracts in the rates charged to governmental and non-governmental users.

A service center may provide service to a particular group of users at a lower rate than other users such as sponsored projects and administrative departments. When this occurs, the service center must initially charge the user the full cost of the service. Users may then be subsidized by the department in a separate transaction charged to the appropriate departmental cost object. The point is that all usage should be billed at rates that are the same in similar circumstances.

Service centers may, however, charge all users rates that will recover less than actual cost. It is recognized, though, that the decision to charge these services directly to federal sponsors precludes the university from recovering the difference as indirect cost. A subsidy such as this must be clearly identified in the accounting system to facilitate proper treatment in calculating F&A (indirect cost) rates.

D. Unallowable Costs

Unallowable costs are described in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and include such items as foreign travel, entertainment, alcohol, bad debt, and promotional advertising. Such expenses may not be included in the federal user rate calculations. However, unallowable costs may be included in the internal and external user rate calculations.

E. Cost Components

- i. The salaries, wages, and fringe benefits of all personnel directly related to service center activity (e.g. lab technicians or machine operators, administrative staff) should be included in the rate calculation and charged to the service center's operating account unless charged as a direct cost to a federal award. When an individual has multiple duties, an equitable distribution of his or her salary among the duties can usually be accomplished by using the proportional amount of time the individual spends on each service. To adequately reflect an individual's duties, Personnel Action Forms (PAFs) should be processed to split his or her funding among departmental (state-aided), grant, and service center (auxiliary) cost objects as appropriate. Personnel numbers need to be included on the budget.
- ii. Supplies and Expenses - The cost of materials and supplies and equipment costing less than \$5,000 needed to operate the center should be included in the rate calculation. Volume discounts may make it prudent to order large quantities of supplies at times, yet over-accumulation of inventory should be avoided.

Costs associated with the operation of service centers may include rental and service contracts, travel to conferences related specifically to the service center, professional services, and interest on debt used to acquire capital assets.

These costs should be properly identified by account code. Contact the UNO Service Center Committee with any questions regarding the allowability of costs.

- iii. Capital Equipment and Depreciation - Federal regulations do not allow the full purchase cost of a capital item to be recovered through service center rates in the year acquired. It is appropriate, however, to recover such cost through depreciation over the item's useful life. Service center reserve accounts will be charged for the purchase price of capital equipment (account codes 55xxxx), however only depreciation expense may be recovered.

The Controller's office will provide service centers a listing of capital assets and depreciation expense annually. For equipment qualifying for capitalization under a lease arrangement or through university bond issues (account codes 553XXX),

principal payments may be included in the rate in lieu of depreciation.

Caution: Depreciation of equipment purchased or paid for by the federal government, whether or not title has reverted to the university, cannot be included in the rate calculation. The Controller's Office will flag the federal portion for such equipment in the depreciation data provided to service centers annually.

External user rates may include full depreciation regardless of funding source.

Grants Accounting and the Controller's Office is responsible for these entries. Depreciation recovery (599212 G/L code) can only be on non-federal purchases.

F. Service Center Rate Defined

A service center rate is the cost per unit of output used to recover expenses of the service center. To compute this rate, service centers should use the following equation: (Budgeted Expenditures + Depreciation – External/Internal Subsidy +/-Prior Year Under/Over Recovery) in the numerator divided by the budgeted usage base.

The budgeted usage base, the denominator in the above formula, is the volume of work expected to be performed, expressed in terms of units. Examples of units, are labor hours, machine hours, CPU time, tests performed, per diem, or any other reasonable measurement. The rate calculated using the budgeted amount is then applied to the actual level of this activity when charging users.

G. Pricing of Multiple Services

A service center providing more than one service may sometimes make a surplus on some services, and a loss on others. Combining the results of various services is acceptable if the mix of users of each service is the same, so that higher prices charged to one set of users are subsidizing only those losses charged to that same set of users.

If the mix of users of each service is different, then the surplus on some services may not be used to offset the losses on others. For ease of tracking the surplus or loss on services with different sets of users, it may be desirable to request different service center numbers for the different services.

H. Request for Rate Change during the Year

Service center rates should be reviewed when it is evident that a service center will not fall within break-even range using the calculated rate. Rates may not be changed more often than quarterly. Centers must submit the new rate to UNO Service Center Committee for review and approval. A prospective expense budget, the estimate of the level of activity anticipated during the budget period, and year-to-date account balances should be submitted with the request for new rates.

VI. Budgeting

Each year, service centers must submit a budget and rate schedule for the following fiscal year by May 25 to the UNO Service Center Committee for approval, even if the rates have not changed from the previous year. The budget and rate schedules should be developed to correspond to the university's fiscal year and need to be submitted with supporting documentation. The rates submitted will become effective July 1. The Rate Setting worksheet should be used to submit rate information to the UNO Service Center Committee.

Projected Expenditures

Annual service center expenses are budgeted in the same way as other departmental cost centers. Budgeting considerations may include changes in operating expenses, adjusting for changes in salaries, wages, or other known fluctuations.

Establishment of a separate cost object for the service center and clear identification of expense types by general ledger account code is required and will facilitate annual submission of projections.

Projected Revenues

Service centers must attempt to match revenues with the budgeted level of expenses through development of user rates. When estimating sales or usage levels, considerations may include prior year performance, as well as known future needs of internal and external users.

VII. Billing Procedures

A. General Billing Requirements

Billings to internal and external customers and to federally sponsored grants must be processed each month for services rendered in the preceding month. Delays in billing may result in uncollectible amounts due to closed awards.

All billings will be at established service center rates. The support for the charges should be retained by the service center to answer any user inquiries or in case of an audit.

The invoices must provide sufficient documentation of the charges to allow the document to "stand alone" in the event of a subsequent review. For an invoice to stand alone, an uninformed reader can determine the following:

1. What the charge is for (e.g., photocopying, MRI);
2. How many units (e.g., pounds, hours, # of items);
3. Amount charged per unit (e.g., \$0.5/photocopy);
4. Date service was provided.

Further, if a reader was to have any difficulty determining why the particular amount

would be charged to this account, the invoice should contain a description that will allow for this determination to be made. When charges are divided among several cost objects, a justification for allocation must be provided.

Advance billing for services or products is not generally allowed. Advance billing is not allowed for federal awards.

Service centers should handle year-end billings consistently from year to year to assure that twelve months of cost recovery are associated with twelve months of incurred cost. This also provides for a more accurate break-even calculation at year end. The annual cycle should be from July 1 through June 30.

B. Internal Billings

Internal billings should be prepared at the time services are rendered and is completed by a cost transfer. The SAP document number of the cost transfer along with the internal invoice is sent to users for their records. On a monthly basis, the service center activity should be reconciled to the ledgers. Reconciling items must be followed up on and corrected before the next month-end closing.

C. External Billings

Service centers providing services external to the university community (see section on Definitions for Users for Service Centers) must charge rates that are equal to or greater than those charged to internal users. Sales tax must be applied to all external users who do not have tax exempt status. Invoices should provide the information and support discussed above. Sales tax should be credited to account code 452119, Unrelated Business Income Tax.

A market rate adjustment will be charged to external users. The Rate Setting worksheet reflects the addition of a market rate adjustment to the rate calculation for external users.

In addition, a surcharge may be added in calculating the rates for external users. Universities may not compete unfairly with for-profit enterprises. In order to avoid unfair competition, a surcharge may be necessary. It is allowable to add a surcharge to generate additional revenue from external users, only.

A separate cost object (reserve cost center) will be established to record the additional revenue generated by the market rate adjustment and surcharges. The reserve cost center and the service center cost center will be used when depositing the funds received from an external customer. Additional revenue may be used to fund any allowable expenditure. This includes being used to offset a loss in the service center. To offset a loss in the service center do not do the journal entry to transfer additional revenue.

VIII. Cash Controls

Some service centers due to the nature of their services or products, must have cash sales. Cash sales are treated in the same manner as sales to external users. That is, applicable sales tax must be added to the cost of the goods or services. An internal cash control system is essential for service center cash operations, and as a result, service centers must comply with the university's cash handling policy as stated below:

Cash Handling Policy

To ensure compliance with university policy regarding cash handling by university employees, this document is a reference guide for employees who have cash handling responsibilities. Cash handling is defined as including all monies received by the university, for the university, in the form of currency, coin, payments, money orders or traveler's payments.

1. All monies received by departments for sales of goods and services should be recorded on official university receipt forms or cash registers immediately upon receipt. All funds received must be deposited intact. Receipts may not be used for refunds, reimbursements, or any other payments of salaries, fees, costs, charges, or expense. The receipt forms can be obtained at the Cashiering/Student Accounts Office. Departments are required to deposit all monies with Cashiering/Student Accounts when collections total less than \$500 within seven days of receipt. Collections of \$500.00 or more should be deposited within 24 hours of receipt. Cash should never be sent through the mail.
2. Payments, money orders and traveler's payments should be restrictively endorsed as soon as they are received. Endorsements must be placed on the back side of the "Pay to the order..." portion of the payment. Endorsement stamps can be obtained from the Cashiering/Student Accounts Office.
3. All payments should be made payable to the "University of Nebraska at Omaha" and should be accepted only in the amount of the sale. Payments may not be cashed or written for more than the sale.
4. No post-dated or two-party payments are to be accepted.
5. Procedures for **handling change funds** are covered under separate documentation.
6. For departments with funds protected by a safe, access to the combination to the safe should be restricted to essential personnel only. Whenever there is a turnover in essential personnel, the combination to the safe should be changed.
7. All funds should be kept in a locked safe or in a secured area that can be locked, out of public view. If the funds are stored in a desk, the desk should be lockable and the key to the desk should be secured in another location in the office. Certain funds should be protected in a fireproof secured area depending on the amount involved and the replacement cost should a fire occur.
8. Any significant dollar change in cash or receipts during an employee's absence or vacation should be reported to Operations Analysis for immediate investigation.
9. Whenever any special or unusual problems or questions arise involving the collection, receipting, or remitting of cash, the department should contact the Cashiering/Student Accounts Office immediately.

10. All departments involved in cash handling are subject to unannounced audits by Operations Analysis for verification of funds and operating procedures.
11. Segregation of duties should exist so the person handling receipts is not the person responsible for the accounting of such receipts. Exceptions are permitted when the number of staff does not allow for separation of duties.

IX. Service Center Procedure: Record Retention

<https://www.unomaha.edu/campus-policies/retention-destruction-disposal-regulated-information.php>

It is the responsibility of service center management to maintain records of the details contained in all service center charges and to answer inquiries concerning those charges. Service center charges are subject to audit as long as the grants or contracts they charge remain subject to audit. All service center activity must be documented and records maintained to support expenditures, billings and cost transfers. Each service center must retain the following in accordance with the university's record retention policy:

1. UNO Service Center Committee approval to establish the service center.
2. Work papers documenting their rate calculation.
3. UNO Service Center Committee approval of rate.
4. Records documenting and measuring use of the services or products.
5. Documentation, including invoices, of actual costs of operations.

If a service center is closed the records must continue to be retained in accordance with this procedure. The sponsoring department will be responsible for maintaining the records.

APPENDIX I**Specialized Service Facilities**

Specialized Service Facilities are defined in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as highly complex or specialized facilities, the rates of which should include their appropriate share of indirect costs. The language in 2 CFR Part 200 is not precise; however, the university has defined its specialized service facilities as meeting all of the following criteria:

1. The service center incurs over \$2 million annual expenses and chargeout volume;
2. Treatment of its indirect costs within the service center rate rather than as part of the overhead pool, would "materially" affect the universitywide overhead rate; and
3. Its services should not be easily available from external vendors or has been the subject of an agreement between the university and the federal Department of Health and Human Service (HHS).

If a service center is determined to meet the requirements to be considered a specialized service facility, then the service center rates must be set to recover both its direct costs and its allocable share of the university's facility-related indirect costs. The facility costs to be charged to specialized service centers are:

1. Operations and Maintenance, including utilities;
2. Depreciation of Equipment and
3. Depreciation of Buildings for the space occupied by the specialized service facility;
4. External interest on purchase or construction of capital assets.

The facility costs allocable to specialized service facilities will be provided by the Controller's Office. All specialized service facilities are required to submit annual rate calculations for review and approval.

APPENDIX II

**University of Nebraska at Omaha
Request to Establish a New Service Center**

The Request to Establish a New Service Center form must be used to request a new service center.

The Service Center Director or Manager should complete and sign the form. The form, along with the detailed rate setting worksheet must be submitted to unoservicecenter@unomaha.edu for approval. This account is administered by the UNO Service Center Committee.

The approval signature of the Dean, Director or Department Head will be obtained by the Service Center Committee once the service center has been approved.