

UNIVERSITY OF UTAH SERVICE/RECHARGE CENTERS REGULATIONS & PROCEDURES (SRC)

I. PURPOSE

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

II. REFERENCES

Office of Management and Budget, Circular A-21, Cost Principles for Educational Institutions. Board of Regents Policy R555, A Providing Facilities, Goods and Services in Competition with Private Enterprise.

III. DEFINITIONS

1. Service/Recharge Centers (SRCs) - operating centers established for the primary purpose of providing specialized services to the university community (although services may be provided on an incidental basis to external users).
2. List of current authorized Service/Recharge Centers. (A current authorized Service/Recharge Center list can be obtained from the Governmental Accounting Office.) SRCs on this list are not required to complete Section IV.
3. An SRC whose primary business deals with the reproduction of documents (copy facilities) and charges \$.05 or less per copy is not required to complete Section IV.

IV. REQUEST TO ESTABLISH A SERVICE/RECHARGE CENTER (SRC)

A request to establish an SRC must be submitted in writing to the Office of the Assistant Vice President for Financial and Accounting Services. The request should be signed by the person with administrative or managerial responsibility of the requested SRC and the cognizant department director/chairperson. A departmental account must be provided at the time the SRC rates are established which will be used to fund unallowable costs or deficits not recoverable through rate adjustments. The request should include the following information:

1. Description of the services to be provided
2. Identification of anticipated customers
3. Projected number of transactions billed (annual basis)
4. Projected dollar volume of transactions (annual basis)
5. Documentation on how rates are to be determined. Rates charged to Federal Programs (Ledger 5 accounts) must not exceed actual costs and may not include unallowable costs.
6. Documentation demonstrating that the:
 - Services to be provided are consistent with the mission of the University.
 - Services to be provided will not inappropriately or unfairly compete with private enterprises. (See Board of Regents policy R555)
7. Identification of projected annual direct costs associated with the service. Direct costs of an SRC may include, but are not limited to:
 - Salaries, wages and related fringe benefits
 - Supplies and materials
 - Subcontracts and outside services
 - Interest on debt external to the University
 - Equipment maintenance
 - Training and travel

V. SERVICE/RECHARGE CENTER RESTRICTIONS

1. Certain costs recovered through the University indirect cost rates cannot be included in the SRC billing rates unless specifically approved. Such costs include:
 - Depreciation on building
 - Depreciation on equipment
 - Operation and maintenance of the buildings

2. Costs used to determine billing rates must be clearly identifiable and auditable on an ongoing basis.
3. Where an SRC is approved to recover costs for buildings or equipment depreciation, such recoveries must be based on University depreciation schedules. Capital acquisitions should be recorded in an account distinct from the SRC operating account and should be referenced in the depreciation schedule.
4. The following costs must be excluded from the billing rates:
 - Capital acquisitions
 - Lease to own purchases
 - Debt principal payments
 - Interest paid to the University
 - Transfers of funds to another account
5. Unallowable Costs - Certain types of costs are considered unallowable for recovery by the Federal Government under OMB Circular A-21 guidelines (see Attachment B). 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:
 - Entertainment
 - Bad debts
 - Advertising except for:
 - Recruitment of Personnel
 - Procurement of Goods & Services
 - Disposal of Surplus Property
 - Public relations
 - Alcoholic beverages
 - Contributions and donations
 - Goods or services for personal use

Questions regarding the allowability of costs should be directed to the Governmental Accounting Office.

VI. APPROVALS

1. All requests to establish an SRC should be forwarded to the Office of the Assistant Vice President for Financial and Accounting Services. Each request will be reviewed to determine if:
 - The request submitted is complete and understandable.
 - The procedures are consistent with University Policy.
 - The services are consistent with University Policy and federal regulations.
 - The rate computations are complete and accurate.
 - The rate determined is reasonable.
2. The Office of the Assistant Vice President for Financial and Accounting Services, will:
 - Notify the requesting department, in writing, if their request was approved or denied. A copy will be sent to Governmental Accounting.
 - If approved, an account for the SRC will be established with General Accounting.

VII. RESPONSIBILITIES OF AN APPROVED SERVICE/RECHARGE CENTER

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

1. Maintain detailed records supporting billing rates:
 - Accounts billed,
 - Services performed,
 - Entities requesting the service,
 - All operational expenses. (Normally, a separate account or subcode will be established to record appropriate SRC costs. Costs related to an SRC should not be commingled with other expenses of unrelated entities.)
 - 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.
2. 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.
3. Assurance that revenues derived from sales to entities outside the University (off campus non-university) that exceed actual costs are recorded in a separate account or subcode.
4. Assurance that rate reviews are conducted at least annually, (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.

5. Submit the following information to the Office of the Assistant Vice President for Financial and Accounting Services 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,
 - 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.
 - 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).
 - A written statement outlining the steps to be taken if the profit or loss exceeds the requirements established in Section VII. D.

SRCs meeting the annual billing minimums that do not provide the written analysis may be restricted from processing charges to other University accounts.

6. Assurance that inappropriate transfers for unrelated purposes are not made.
7. Ensure that sufficient funds are available in the SRC account, 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.
8. Notify the Office of the Assistant Vice President for Financial and Accounting Services when changes are anticipated in services or accounting procedures, or when cessation of the SRC is anticipated.
9. Notify the Office of the Assistant Vice President for Financial and Accounting Services to close the SRC account when the service is no longer being provided.

VIII. RESPONSIBILITIES OF THE ASSISTANT VICE PRESIDENT FOR FINANCIAL AND ACCOUNTING SERVICES

These responsibilities include the following:

1. Periodically monitor rates to determine if the net income or loss from SRC activities is reasonable (within 10% of actual costs).
2. Monitor activity to identify deviations from approved procedures.
3. Monitor fund balances for reasonableness.
4. Recommend corrective action to be taken to ensure compliance with these procedures.
5. Provide Research Accounting with a listing of all approved SRCs.
6. Direct Research Accounting to discontinue the processing of charges to federal grants and contracts if corrective action is not implemented by a SRC to comply with these procedures.