

University of Maine Service Center Procedure Manual

A service center is an operating unit created for the primary purpose of providing a service, a group of services, or products to users principally within the University of Maine academic and/or research communities for a fee that is based upon the actual cost of the goods or services. University of Maine (UMaine) Service Center costs can be directly allocated to and recovered from users of the service center with the goal of maintaining a break-even position. All service centers are subject to the terms and conditions of Office of Management and Budget (OMB) Uniform Guidance, 2 CFR 200, and all applicable University of Maine System Administrative Practice Letters (UMS APL), notably APL VIII A-L. This procedure manual does not pertain to University of Maine auxiliary enterprises, which are by definition, self-supporting entities (i.e. residence halls, dining services, and the bookstore).

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Establishing a New Service Center

Required Application Information

The application process is designed to document resources available to establish and operate the service center, to calculate service rates, and to gather the adequate documentation necessary to ensure that the proposed service center will be operated in compliance with Federal Cost Principles and UMS APLs. In cooperation with the University of Maine System's Office of Budget and Business Services, the application process is overseen by the Coordinated Operating Research Entities (CORE), a unit within the Office of the Vice President for Research and Dean of the Graduate School (OVPRDGS). It is recommended that units interested in completing a service center application meet with CORE Administrative staff prior to beginning the application process with the intent of reviewing the process and implications of becoming a service center. Applications for a new service center must have the approval of the head of the research unit, the department chair or center director, the Dean (or equivalent individuals for non-academic areas), and the Provost or VP that oversees the unit stating acceptance of operational, administrative, and financial responsibility. Prior to finalization of the application to be submitted, it is recommended that the applicant, appropriate unit leadership, and CORE administrative staff meet to discuss the specific details of the financial and operational plan for the proposed service center, including the details of the plan to transition from the current management strategy of the unit.

An application is used for establishing a new service center, recalculating established rates, or adding new services and equipment. The application to establish a new service center, which can be requested from CORE administrative staff, must be completed in its entirety and submitted with requested attachments and signatures to the Senior Financial Manager of CORE for review and calculation of the billing rates. The application and rates will then be reviewed by the Service Center Financial Compliance Committee, which consists of members of CORE and other OVPRDGS units, as well as a member from the UMS Controller's Office. Approved applications will be forwarded to the Office of Budget & Business Services for notification purposes and to establish a new PeopleSoft Chartfield, if an existing chartfield does not yet exist. Denied applications will be returned to the applicant with comments regarding the denial.

The application requires the following:

- Name & physical address of service center
- Purpose of form (choose from drop down list)
- Department & contact information
- General description of the service center
- Description of the resources available to operate the service center
- Client & billing information
- Approvals & signatures
- List of services and service descriptions that will be offered by the lab / equipment facility and projected billable units per service.
- Institutional subsidies supporting the lab / equipment facility
- Expenses necessary to run the lab / equipment facility that can be directly allocated to a service provided (see recoverable & non-recoverable cost sections below)

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- Expenses necessary to run the lab / equipment facility that cannot be allocated to a specific service provided (see recoverable & non-recoverable cost section below)
- Capital equipment purchases and purchase dates (for purposes of calculating allowable depreciation)
- A copy of existing lab / equipment facility service rates (if applicable)

The Senior Financial Manager of CORE is available to answer questions and assist with the completion of the application.

Institutional Subsidies

An institutional subsidy is funding provided to the facility from a UMaine or UMS department or unit to help cover the cost of providing goods and/or services. The subsidy is intended to offset general or specifically identified expenses. Institutional subsidies are factored into the calculated rate and reduce the rate charged to internal and federal clients. An institutional subsidy benefits all internal and federal users by lowering their billing rate.

An institutional subsidy is not to be confused with a user subsidy. A user subsidy is a subsidy sought by the user, at their discretion, to assist them in paying the charges that they have been billed. For example, researcher A receives their final invoice from a service center and their department agrees to pay 25% of the invoice total. The department is providing the user a subsidy to help pay the final bill. A user subsidy benefits only the user by reducing their individual financial responsibility. A user subsidy does not affect calculated rates nor should offers of post-billing subsidies be made to the user by the facility.

Costing

All recoverable direct costs allocable to the service center and its provision of goods and services should be included in the calculation to determine rates. Published rates may be adjusted downward for internal and federal clients if institutional subsidies have been provided to the service center. Published external rates may include a market adjustment to either increase or decrease rates when appropriate but external rates can never be lower than the internal or federal rates offered. Additional discounting may be applied (e.g. volume discounting) provided the discount is applicable to all clients satisfying the discount criteria. Discounts must be published so that all clients are aware of their availability.

Recoverable Costs

Because service centers may have federal clients and/or have clients who pay for services using federal funding (i.e. NSF, NIH, etc.), all service centers are subject to the terms and conditions of OMB Uniform Guidance, 2 CFR 200 and all applicable UMS APLs. Links to these documents are found below.

2 CFR 200: <https://www.ecfr.gov/cgi-bin/text-idx?SID=cd988339747b9fa6c7c297bd0c3c1bcf&mc=true&node=sp2.1.200.e&rqn=div6>

UMS APLs: <https://www.maine.edu/apls/>

The service center must follow the set guidelines that determine the ability to recover costs. Service centers may recover costs if they are directly attributed to operating and/or providing goods and services. Costs that are incurred to provide a specific product or service must be allocated only to that product or service. Costs that cannot be allocated to a specific product or service, such as lab

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supervisor costs, cleaning supplies, etc., will be allocated based on the estimated percentage of use calculated in the application or a more suitable approved formula.

Examples of allowable recoverable costs include but are not limited to:

- Direct salaries, wages, and employee benefits (including graduate student tuition & insurance). A 3% increase should be applied to all full-time salaries when calculating subsequent year's rates. A 5% increase to student tuition and student insurance should be applied when calculating subsequent years' rates if applicable. 2 CFR 200.430, 200.431, 200.466
- Recruiting and Relocation Costs pursuant to 2 CFR 200.463 and 200.464
- Administrative salaries and benefits directly allocable to the Service Center (for example, an administrator that purchases supplies, completes billing and invoicing, provides customer service, and/or provides financial support). 2 CFR 200.413(c)
- Materials and supplies 2 CFR 200.453
- Training and education costs when provided for employee development. 2 CFR 200.472
- Travel costs when directly related to the operations or the provision of service and including travel for training and educational purposes. 2 CFR 200.474
- Outreach & conference expenses as defined in 2 CFR 200.421 and 2 CFR 200.432
- Rental costs of real property and equipment per 2 CFR 200.465.
- Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of building and equipment (including Federal property unless otherwise provided for) which neither add to the value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. 2 CFR 200.452
- Necessary and reasonable expenses incurred for routine and security to protect facilities, personnel, and work products are allowable in accordance with 2 CFR 200.457 but subject to the restrictions in 2 CFR 200.439 Equipment and other capital expenditures.
- Depreciation of capital equipment in accordance with 2 CFR 200.436 and with guidance from UMS accounting. Depreciation associated with equipment purchased with federal funds may not be included. Newly purchased capital equipment and equipment that will be purchased within the rate calculation period may be included in the depreciation calculation unless it will be included in the UMS depreciation schedule. Depreciation of equipment not yet purchased at the time of the rate calculation should be pro-rated. Equipment owned by the University and included in the UMS F&A rate calculation should not be included in the rate calculation. It is recommended that any consideration of including depreciation in a service rate be discussed with and approved by UMS accounting.
- Costs of memberships in business, technical, and professional organizations are allowable. Costs of subscriptions to business, professional, and technical periodicals are allowable. 2 CFR 200.454
- Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the Service Center are allowable pursuant to 2 CFR 200.459.
- Adjustment for prior year's surplus or deficit. A surplus of 15% or less in the previous year will act as a subsidy and lower current year rates whereas a deficit in the previous year will be treated similar to an expense and increase rates (cf. 2 CFR 200.468). See Deficits / Surpluses on page 7 of this document for information on surpluses and deficits over 15%.

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Non-Recoverable Costs

Non-recoverable costs are costs that are determined unallowable according to Federal regulations and/or UMS policy (please see APL VIII-C Direct Charging of Costs). These costs should never be included in an application to build or recalculate a service rate.

Examples of non-recoverable costs include but are not limited to:

- Capital expenditures for general purpose equipment, buildings and land are unallowable as direct charges per 2 CFR 200.439. Capital equipment is defined as equipment costing \$5000 or more with a useful life of over 1 year. Depreciation may be included in accordance with 2 CFR 200.436 and guidance from UMS accounting. Please see the Depreciation Section under the Recoverable Costs heading of this document.
- Alcoholic beverages 2 CFR 200.423
- Costs of Entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose. 2 CFR 200.438
- Advertising, selling & marketing expenses, and public relations per 2 CFR 200.421 and 200.467.
- Charitable contributions and donations per 2 CFR 200.434.
- Goods & services for personal use (mugs, t-shirts, memorabilia, etc.) per 2 CFR 200.445
- Bad debts which have been determined as uncollectable and related collection costs. 2 CFR 200.426
- Fines, penalties, damages and other settlements per 2 CFR 200.441
- Costs incurred for interest on borrowed capital, temporary use of endowment funds, or use of UMS funds per 2 CFR 200.449 Patent Costs
- Commitments or Transfers out of the Service Center or to other departments (all charges must be actual expenses).
- University F&A (typically includes electricity, heat, water, human resource support, etc. which are all paid by UMS and are not typically direct charges to service centers)

Billable Units

A billable unit is a unit of service or product that has been provided by a lab or equipment facility, the measure of which may vary from facility to facility or service to service. Activity must not be billed until lab/facility use has occurred or services have been provided. Pre-billing is not allowable. Commonly used billing units include service hours, animal care days, tests performed, and machine/equipment hours used. It is important to recognize that billable units represent a projected number of units that are likely to be billed in the coming year and not the highest potential output. Billable units may be projected using historical data or knowledge of pending projects or commitments. It is prudent to factor in any known events that may cause a decrease or an increase in potential output such as anticipated contracts or awards, staffing issues, or equipment downtime.

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Client Types

Internal Clients:

- UMS Community Members paying for services with internal, sponsored project or gift funds (examples include operating funds, Maine Economic Improvement Funds, research grants, gift accounts)
- UMS Students paying for services with personal funds

Federal Clients:

- A federal client is a federal employee or agency that has a direct relationship or contract with the University.

External Clients:

- External, non-federal, organizations seeking services, which are typically contracted through DIC or ORA.
- Individuals seeking services for personal use or gain (i.e. resale of products created or use of prototyping services.)

Rate Types

Service centers must determine rates based on their client types and the client's source of funding. The two basic rates that should be calculated for every service center are internal/federal rates and external/non-federal rates. The internal/federal rate must always be the lowest rate offered, as 2 CFR 200 directs that internal client rates should not be discriminated by funding source and that the Federal rate must be the break-even rate. Service centers may choose to also calculate and publish rates for specific subgroups of otherwise external clients, such as "Other Educational Institutions," so long as these rates are not lower than the internal/federal rate.

Internal / Federal Rate

The internal/federal rate is applied to clients per the definitions in the Client Type section. The Internal/Federal Rate is the lowest rate established by a service center. The basic formula for the rate is:

$$\frac{\text{Total Direct Costs} + (-) \text{Prior Year Deficits (Surpluses)} + \text{Depreciation} - \text{institutional subsidies}}{\text{Total Projected Units}}$$

Total direct costs include costs that can be tied directly to a service provided as well as costs that are directly involved with providing all services but not easily allocated to one specific service.

External / Non-Federal Rate

The external/non-federal rate is charged to individuals, industry, foundations, and non-profit organizations in accordance with the client type definitions above. Market adjustments may be used, when appropriate, to either increase or decrease external/non-federal rates to make them comparable to market prices or industry standards. Market adjustments cannot be used to reduce the External/Non-Federal rate to less than the Internal/Federal rate. UMS F&A costs are calculated based on the costs before market adjustments have been made.

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Clients that are external to the University of Maine System community and are not directly federally funded are considered external/non-federal clients. The formula for the external/non-federal rate is:

External, Non Federal Rate =

$$\frac{\text{Total Direct Costs} + (-) \text{Prior Year Deficits (Surpluses)} + \text{Depreciation}}{\text{Total Projected Units}} \times \text{UMS F\&A Rate (Other Sponsored Activity)} \times \text{Market Adjustment}$$

Discounts / Waivers

Discounts are allowable but must be published in a manner that notifies all possible users of their availability. Discounts must be applied consistently to all eligible users. Unpublished discounts or waivers may not be provided to any client at the risk of giving them a rate lower than that charged to a federal client.

Deficits / Surpluses

Billing rates are designed to break even with operating expenses over a two-year period, are reviewed annually, and are adjusted as necessary to ensure there is no accumulation of large surplus or deficit balances.

Upon approval of billing rates, a fund 80 account will be established in the general ledger (GL) for service center accounting. All operating expenses and revenues should flow through the fund 80 account. Fund 80 accounts will be monitored continuously throughout the fiscal year to assure that a surplus/deficit threshold of 15% or less of total operating costs is maintained. Deficits or surpluses within the 15% threshold will be carried forward as an adjustment to consecutive year billing rates as described in the Calculation of Rates section. When unforeseen circumstances arise that create a surplus or deficit balance over 15% of total operating costs, a rate adjustment should be made within the fiscal year to bring the surplus or deficit back to within the allowable level. (CFR Appendix V to Part 200, Title 2)

Labs or equipment facilities carrying forward a surplus beyond the tolerable threshold of 15% of their annual expenses at the end of the fiscal year must create a balance liquidation plan. The balance liquidation plan will outline how the facility will liquidate the balance within the next two years and provide an explanation of the accumulation. The balance liquidation plan may require that a refund be issued to clients that paid a higher than break-even rate.

Service centers carrying forward a deficit over the tolerable threshold of 15% of its annual expenses at the end of the fiscal year may be required to cover the amount over the tolerable level with unrestricted funds. A chartfield will be provided at the time of rate application and signatures will be collected to acknowledge and certify approval of this process. In the event that the provided chartfield must be charged the deficit amount, the senior financial manager of CORE will work with the financial manager / administrator listed on the application to come within the tolerable threshold of 15% and assure that all appropriate transfers are made.

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Use Agreements

External clients must sign a Use Agreement prior to gaining access to a Service Center. The Use Agreement defines the client's expectations and needs, notifies the client of their responsibilities while on University property, provides official notice of rates, and gathers preliminary contact and payment information that the Service Center will need as part of the billing process. A Use Agreement is typically established to cover the term of a project but may be set up to cover a rate period or fiscal year to better suit the client's needs.

Invoicing

Invoices should be created and sent to internal and external clients on no more than a monthly basis. The billing cycle for all clients does not need to be on the same day so long as all invoices are consistently sent within the same timeframe. The timeframe for invoices is recommended to be a minimum every 30 days but no more than a maximum of 90 days.

Invoices for all clients should be sent electronically to the client via the iLab System when possible.

It is recommended that invoices for external clients be submitted to the Bursar's Office following UMS guidance for invoice processing when possible. Invoicing guidance can be found at umaine.edu/bursar/home/about-us/#univaccts. Receipt of payments must follow the UMS Cash Management policies which can be found at <https://umaine.edu/bursar/home/about-us/cash-management-training-information/cash-management-training-session/>.

Invoices to both internal and external clients should include the following information.

- Name of Service Center Providing Services
- PI / Chartfield Owner
- Lab / Service User
- Date of Invoice
- Date of Service
- Service Type
- Number & Type of Service Units
- Cost per Unit
- Total Cost
- Internal Chartfield being charged when applicable

Non-Payment

External Clients

Balances owed by external clients past 180 days will be forwarded to an outside collection agency when invoiced through the Bursar's Office, in accordance with University practices.

Internal Clients- Sponsored Projects

Charges for services provided to sponsored projects will be made monthly to accommodate accurate accounting and facilitate timely financial reporting of sponsored projects. Internal client invoices associated with sponsored projects will be charged automatically after a seven-day review period. During the review period, the PI and/or Account Manager can dispute charges or approve the invoice.

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If extenuating circumstances arise which result in non-payment after 30 days, the balance due will be charged to the project's cost-share account (typically fund 04 or 24). The cost-share account will then be funded by the closing account chartfield that was provided when the project was approved by the Office of Research Administration.

Internal Clients- Unrestricted Projects

Internal clients charging to an unrestricted chartfield will be charged automatically after a seven-day review period. During the review period, the PI and/or Account Manager can dispute charges or approve the invoice.