

# 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 OMB Uniform Guidance, 2 CFR 200, and all applicable UMS APLs\*. 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).

## Application and Accounting Procedures for Establishing a New Service Center

- Required Application Information
- Institutional Subsidies
- Costing
  - Recoverable Costs
  - Non-recoverable Costs
- Billable Units
- Calculation of Rates
- Deficits / Surpluses
- Use Agreements & Client Order Sheets
- Invoicing
- Payments
- Non-Payment of Services

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# University of Maine Service Center Procedure Manual

## 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 provide the Office of the Vice President for Research and Dean of the Graduate School (OVPRDGS) adequate documentation necessary to ensure that the proposed service center will be operated in compliance with Federal Cost Principles and UMS APLs. It is recommended that units interested in completing a service center application meet with the General Manager and the Financial Manager of CORE 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, 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 before the proposal will be reviewed by the OVPRDGS.

The application to establish a new service center can be found at <https://umaine.edu/research/core/> and must be completed in its entirety and submitted with requested attachments and signatures to the Financial Manager of CORE for review and calculation of the billing rates for the upcoming fiscal year. The application and rates will then be reviewed by the Service Center Financial Compliance Committee. Approved applications will be forwarded to the Office of Budget & Business Services for notification purposes and to establish a new PeopleSoft chartfield. Denied applications will be returned to the service center's listed point person with comments regarding the denial.

The application to establish a new service center 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
- Services provided by the lab / equipment facility and projected billable units
- 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)
- Expenses necessary to run the lab / equipment facility that cannot be allocated to a specific service provided (see recoverable & non-recoverable cost section below)
- Maintenance contract expenses
- Capital equipment purchases (for purposes of calculating allowable depreciation)
- A copy of existing lab / equipment facility service rates (if applicable)

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

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## 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 in to the calculated rate and reduce the rate charged to internal and federal clients. An institutional subsidy benefits all users by lowering the billing rate charged to all internal users.

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 his/her final invoice from a service center and his/her 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 the calculated rate 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 the provision of goods and services should be included in the calculation to determine rates. Rates may be adjusted downward for internal and federal clients if subsidies have been provided to the service center. External rates may include a market adjustment when appropriate. Additional discounting may be applied (e.g. volume discounting) provided the discount is applicable to all clients satisfying the discount criteria.

## Recoverable Costs

All service centers are subject to the terms and conditions of OMB Uniform Guidance, 2 CFR 200, and all applicable UMS 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 supervisor costs, cleaning supplies, etc., will be allocated based on the estimated percentage of use calculated in the application.

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

- Direct salaries, wages, and employee benefits (including graduate student tuition & insurance). A 2% 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.
- Administrative salaries and benefits
- Materials and supplies
- Travel (when directly related to the operations or the provision of service)
- Outreach & conference expenses as defined in 2 CFR 200.421 and 2 CFR 200.432
- Rental or lease costs
- Equipment maintenance agreement costs and special insurance expenses

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# University of Maine Service Center Procedure Manual

- Depreciation of capital equipment in accordance with 2 CFR 200.436 and with guidance from UMS accountants. 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. 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.
- Adjustment for prior year's surplus or deficit

## 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 billable rate.

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

- Capital Equipment purchases (defined as equipment costing \$5000 or more with a useful life of over 1 year).
- Alcoholic beverages
- Entertainment (including meals with no documented business purpose)
- Advertising, selling & marketing expenses, and public relations
- Charitable contributions and donations
- Goods & services for personal use (mugs, t-shirts, memorabilia, etc.)
- Bad debts
- Fines & Penalties
- Internal Interest
- Patent Costs
- "Reserves" for future expenditures

## Billable Units

A billable unit is a unit of service or product provided by a lab or equipment facility, the measure of which may vary from facility to facility. 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 may be billed in the coming year and not the highest potential output. A previous or current year's billable units may be used to project a future year's activity. 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 or a reduction in contracts or awarded grants.

## Calculation of Rates

Once the recoverable costs have been determined and the billable units have been projected for the upcoming period, the billing rate can be calculated. The billing rate charged to a client is determined by the type of client requesting services and the client's source of funding.

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# University of Maine Service Center Procedure Manual

Clients internal to the University of Maine System community that are not funded by industry contracts or projects and federal clients are to be charged the Internal/Federal Rate. The Internal/Federal Rate is the lowest rate established by a service center. The formula for the rate is:

*Internal Federal Rate =*

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

Clients that are internal to the University of Maine System community that are funded by industry contracts or projects will be charged the Internal Industrial rate. The invoices for these clients will be sent to the University Of Maine Department Of Industrial Cooperation (DIC) for payment. The formula for the Internal Industrial rate is:

*Internal Industrial Rate =*

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

Market adjustments may be used when appropriate to either increase or decrease the rate to make it comparable to or competitive with market prices or industry standards. Overhead costs are calculated based on the costs before market adjustments have been calculated. When DIC initiates the external invoice, they will apply the overhead costs to their invoice.

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 =*

$$\frac{\text{Total Direct Costs} + (-) \text{Prior Year Deficits (Surpluses)} + \text{Depreciation}}{\text{Total Projected Units}} \times \text{Overhead Costs (OSA rate)} \times \text{Market Adjustment}$$

It is important to note that the federal government must always receive the most favorable rate. 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 2 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 XX account will be established for service center accounting. All operating expenses and revenues should flow through the fund XX account. Fund XX accounts will be

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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 will be made within the fiscal year to bring the surplus or deficit back to within the allowable level.

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.

Labs or equipment facilities 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 departmental or unit 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 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.

## Use Agreements & Client Order Sheets

All 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.

Internal clients must complete a Client Order Sheet to initiate use of a Service Center. The Client Order sheet provides similar information as a Use Agreement but is tailored to internal users. Internal users must identify the source of funding as federal or non-federal and provide a payment chartfield before access is gained or work is begun.

## Invoicing

Invoices will be created and sent to internal and external clients on 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 at least every 30 days. Invoices for external clients will be submitted to the Bursar's Office following the guidance for invoice processing (<https://umaine.edu/bursar/forms/>). Invoices for internal clients will be sent electronically to the client by the Service Center.

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# University of Maine Service Center Procedure Manual

## Payments

### *External Clients*

External clients will remit payment to University of Maine Accounts Receivable Department for processing.

### *Internal Clients*

Internal client payments will be charged to the chartfield provided on the Client Order Sheet.

## Non-Payment

### *External Clients*

Balances owed by external clients past 180 days will be forwarded to an outside collection agency, 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.

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 in PARS.

### *Internal Clients- Unrestricted Projects*

Internal clients that provided an unrestricted chartfield on their Client Order Sheet will be charged automatically.

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