Policy 7.15
Accounting for Service Centers

This policy version was not current at the time of printing. Please see http://policies.emory.edu/7.15 for the current version.

Responsible Official: VP for Research Administration
Administering Division/Department: Sponsored Programs
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Overview

This Policy Statement establishes Emory University’s policy and procedures for the financial management and accountability of service centers that charge federal funds. It will ensure compliance with federal cost principles and consistency in cost accounting practices for the wide variety of service centers within the University community.

As a recipient of federal funds, the University must comply with OMB Circular A-21 Cost Principles for Educational Institutions section J.47. Non-compliance with federal regulations and costing principles may result in repayment to the government in addition to adverse publicity which could have long term effects on future funding.

Applicability

This policy applies to all service centers operating at Emory University that charge federal grants or contracts. A service center is defined as an activity that performs specific technical or administrative services primarily for the internal operations of the University and charges users for its services through a billing rate.

Policy Details

Service centers at Emory University are subject to the following policies which will be under the purview of the Office of Grants and Contracts Accounting:
A. Billing Rates.
   - Service centers must develop and document their billing rates to recover the direct costs of performing or providing the service on an annual basis.
   - Service centers can also include internal service center support cost in the billing rate.
   - Only costs that are directly related to providing the service can be included in the billing rate.
   - The direct cost should be reduced by any refunds or rebates and should NOT include any unallowable costs (See A-21 Allowability Policy).
   - Billing rates should be calculated on an annual basis and changed when an annual deficit occurs or the cumulative surplus exceeds 60 days working capital.
   - Billing rates should be based on a reasonable estimate of the direct cost for providing the service for a twelve month period and the projected number of billing units for the same period. (Direct cost of providing the service/ projected number of billing units = Billing Rate).
   - Each service center will be assigned a review date for billing rates by OGCA.
   - Service centers should reduce the number of rates in use by grouping like services together and establishing one rate instead of multiple rates when possible. The use of job costing (determining the number of labor hours + direct supply costs for each specific job) is another way to reduce the number of rates in use.

B. Multiple Services
   - When a service center provides multiple services, the direct costs for each service provided should be segregated and unique billing units should be used for each separate service.
   - If direct costs cannot be segregated, the costs related to each service must be separately identified through a cost allocation process. (Please contact OGCA for more information and assistance with this aspect of rate development)
   - Surpluses and deficits should be identified for each service.
   - The surplus from one service cannot be used to offset the deficit of another service.
   - If services are similar in nature, those services should be grouped together and one rate should be developed for those services.

C. Multiple Rates
   Service centers must charge the same internal rate to all internal users including federal awards for the same level of service. Special rates for high volume work, off-hours (evenings and week-ends) etc. are allowed, but they must be available to all users equally who meet the criteria. The federal government allows for a higher rate to be charged to external users. However, if higher rates are charged to external users the revenues and costs associated with external users must be tracked separately to avoid perceptions of overcharging.

D. Review of Rates
   At the end of each fiscal year, an accounting of the service center must be performed by the department and reviewed by OGCA. Operating deficits and surpluses should be included in future year billing rate calculations. Billing rates will be reviewed on an annual basis with dates of review assigned by OGCA. Billing rates should be adjusted when an annual deficit occurs or the cumulative surplus exceeds 60 days working capital. Service centers will be allowed to carry a surplus of up to 60 days of operating costs without being forced to adjust rates.

E. Equipment
   - Expenditures for equipment purchases cannot be included in the costs used to establish service center billing rates.
The rates, however, can include depreciation of the equipment of non-federally funded equipment. Including equipment depreciation for non-federally funded equipment in the billing rates will generate funds that will enable service centers to purchase equipment.

The funds generated by the depreciation must be set aside in an equipment replacement reserve account.

When a service center needs to purchase a new item of equipment, the equipment should be purchased from this equipment replacement reserve account.

If the amount in the equipment replacement reserve account is not sufficient to cover the cost of the new equipment, other (non-service center) funds must be used.

When equipment depreciation is included in the service center billing rates, a listing along with inventory identification numbers must be provided to the Office of Grants and Contract Accounting at the end of each fiscal year. This information is needed to assure that the equipment is excluded from the depreciation portion of the University’s F & A cost rates charged to federally sponsored programs.

Definitions

- **Applicable Credits:** Transactions that offset or reduce costs, such as purchase discounts, rebates, allowances, refunds, etc. For purposes of charging service center costs to federally sponsored programs (either directly or through the institution’s indirect cost rate), applicable credits also include any direct federal financing of service center assets or operations (e.g., the direct funding of service center equipment by a federal program).

- **Billing Rate:** The amount charged to a user for a unit of service. Billing rates are usually computed by dividing the total annual costs of a service by the total number of billing units expected to be provided to users of the service for the year. Examples of billing rate computations are in Exhibit B.

- **Billing Unit:** The unit of service provided by a service center. Examples of billing units include hours of service, tests performed, machine time used, etc.

- **Deficit:** The amount that the costs of providing a service exceed the revenue generated by the service during a fiscal year.

- **Direct Costs:** All costs that can be specifically identified with a service provided by a service center. These costs include the salaries and fringe benefits of University faculty and staff directly involved in providing the service; materials and supplies; purchased services; travel expenses; equipment rental or depreciation; interest associated with equipment acquisitions; etc.

- **Equipment:** An item of tangible personal property having a useful life exceeding one year and an acquisition cost of $5,000 or more. Purchases under this amount are considered consumable supplies.

- **Institutional Facilities & Administrative (F & A) Costs:** All costs of administrative and supporting functions of the University. Institutional F & A costs consist of general administration and general expenses such as executive management, accounting, payroll and personnel administration; operations and maintenance expenses, such as utilities, building maintenance and custodial services; building depreciation and interest associated with the financing of buildings; administrative and supporting services provided by academic departments; libraries; and special administrative services provided to sponsored programs.

- **Internal Service Center Support Costs:** All costs that can be specifically identified to a service center, but not with a particular service provided by the center, such as the salary and fringe
benefits of the service center director.

- **Job Costing:** A methodology of charging services to a project based on determining the direct labor and direct supplies required for the specific job and including a percentage for overhead/administrative costs.

- **Surplus:** The amount that the revenue generated by a service exceeds the costs of providing the service during a fiscal year.

- **Unallowable Costs:** Costs that cannot be charged directly or indirectly to federally-sponsored programs. These costs are specified in Circular A-21 issued by the U.S. Office of Management and Budget. Common examples of unallowable costs include institutional advertising (advertising the service center within the institution is allowable), alcoholic beverages, bad debts, charitable contributions, entertainment, fines and penalties, goods and services for personal use, interest (except interest related to the purchase or construction of buildings and equipment).

**Related Links**

- Current Version of This Policy: [http://policies.emory.edu/7.15](http://policies.emory.edu/7.15)
- [OMB Circular A-21](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)
- [Direct Cost Policy](https://www.finance.emory.edu/external/polprod/gc2.cfm#directcosts)

**Forms and Attachments**

Excel Workbook on Rate Development: [download](#)

**Contact Information**

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<tr>
<th>Subject</th>
<th>Contact</th>
<th>Phone</th>
<th>Email</th>
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<tbody>
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**Revision History**

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