



## SERVICE CENTERS PROCEDURE

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### I. COSTING REQUIREMENTS

- A. Fees are based on an approved rate schedule in compliance with Uniform Guidance (2 CFR 200), which requires:
- i. The rate schedule must be consistently applied to all internal users regardless of their source of funding;
  - ii. The rates cannot be designed to discriminate against users paying for their services from federally sponsored awards;
  - iii. The costs of each service must include its direct costs, and when appropriate, its allocable share of indirect costs.
  - iv. Must be designed to recover only the aggregate costs of providing services.
  - v. Capital purchase costs may not be included in the annual rate calculation. Rather the eligible annualized depreciation may be used as a cost to calculate the rate(s).
  - vi. Use of allowable costs, please see “Service Center Allowable Costs” section.
- B. Rates shall be reviewed annually.
- C. Year-end balances shall take into consideration over/under applied costs from previous period(s).
- i. Determine current year-end surplus/deficits
  - ii. What would be acceptable carryforward balances
    - Consider a +/- percentage cap (i.e. 5%) as well as a length of period to protect against continual carry forward of these surpluses/deficits. And stipulate what action related to any remaining balance

### II. SERVICE CENTER ALLOWABLE COSTS

- A. Allowable Costs include:
- Salaries and Wages
  - Fringe Benefits
  - Materials and Supplies
  - Depreciation expense on capital equipment

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- Purchase cost for non-capital equipment
  - Equipment Service Contracts
  - Communication Fees, Mailings, Other Support Costs
  - Prior Year-end Surpluses or Deficits
  - Facilities and Administrative Costs (For Specialized Service Facilities only)
- B. Salaries and wages include faculty and staff who provide services, produce products, direct the recharge operation, supervise the staff and provide other administration and support functions. If salaries are included in user rates, they should be paid from the service center's account.
- C. Fringe benefits related to salaries and wages charged to the center's fund must also be charged, in direct proportion to the amount of salary charged to the recharge operation's unique fund.
- D. Materials and supplies include the supplies that are necessary for the operation of the recharge activities. Office supplies are generally considered indirect costs and treated as unallowable. However, to the extent office supplies/materials are consumed solely for the operation of the recharge operation in deliverance of its products or services, they may be included as allowable costs of the center.
- E. If capital equipment is involved in producing the product or service, depreciation associated with that equipment may be included in the rates. Depreciation must be calculated based on the information in the University's asset system, including purchase date, purchase cost, any federal contribution (which must be subtracted from the purchase costs) and useful life. The straight-line depreciation method should be used and be consistent with the University's financial statement. The full purchase cost or the replacement cost of an asset cannot be the basis for the depreciation cost.
- F. Actual expenses for items such as travel, equipment service contracts, or long-distance telephone charges incurred specifically for the operation of the center should be treated as a cost of the service center and included in the rate calculation.
- G. Service Center operations involving the use of highly complex or specialized equipment or processes may be considered Specialized Service Facilities. The costs of these facilities include allowable direct costs and include an allocable share of F&A costs. Expenditures for a Specialized Service Facility's products or services to a sponsored project fund will not be included in the Modified Total Direct Cost ("MTDC") base and are therefore not subject to CSUSM Corporation's F&A rate.

### III. SERVICE CENTER CHARGING REQUIREMENTS

- A. Fees are charged to users based on their actual usage of the service center;
- i. If a subsidy is provided, the full amount of the subsidy will be the responsibility of the Service Center.
    - Exceptions to this requirement only apply in instances where a sponsor specifically stipulates a subsidy.
    - The subsidy generated must be tracked for purposes of analyzing the rates.

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- B. Rates applied to external users must include at minimum the maximum federally agreed Facilities and Administrative rate in the total costs and stated in the invoices.

### IV. SERVICE CENTER ALTERNATIVES

- A. Non-Routine, Ad-hoc Services—operating units with non-routine, ad hoc services may calculate a fee on a case-by-case basis. This fee must follow the costing requirements of this policy (i.e. charge based on actual usage, recover only the aggregate costs, and does not discriminate against users paying with federally sponsored awards) and be approved by the Office of Sponsored Projects.
- B. Recharge Center Model—academic departments may allocate costs for shared resources to a defined group of users. This would serve as a cost allocation function (e.g. charging for glass washing or shared chemicals) to allocate costs to a pool of users based on their proportion of usage using a reasonable allocation method. This allocation method would also need to be approved by the Office of Sponsored Projects.
- C. Fee-for-Service Model—operating units providing services only to external users (i.e. a customer or client of a service center who is not affiliated with the University in a faculty, staff, student or fellow relationship and is paying for services using proceeds not derived from CSUSM funds) are not subject to this policy.

### V. ROLES AND RESPONSIBILITIES

**The Service Center Director:** must assist CSUSM Corporation with a Cost Analysis at the end of each fiscal year in order to produce a rate schedule for the following fiscal year that incorporates any over/under recoveries of cost, along with being adjusted for anticipated changes in cost and usage.

The Service Center Director and Service Center staff are responsible for providing the services, preparing the documentation for processing payment, invoicing, collecting outstanding receivables, and monitoring Service Center spending.

**CSUSM Corporation Finance and Business Operations:** in conjunction with the Service Center will review the annual rate schedule and approve the rate schedule for the upcoming fiscal year based on dates and deadlines outlined in Service Center Procedures.

CSUSM Corporation Business Operations staff will also periodically monitor Service Center project(s), make allowability determinations, and approve the financial transfer or interunit billing journal approval to process charges to internal users.

**CSUSM Office of Sponsored Projects:** staff will be responsible for approving actual recharges to sponsored projects.

**The Academic Department, Center or Institute:** operating the Service Center will be responsible for funding operating deficits each fiscal year.

### VI. DEFINITIONS

**Break-even:** when service center income equals expense this is considered the “break-even” point.

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**Budget:** for purposes of this policy, this refers to a resource plan for a business unit or series of activities, typically with an upper limit that should not be exceeded.

**Capital Asset:** For the purposes of this policy, this refers to the amount associated with the purchase of equipment provided it meets the definition of the capital threshold (\$5,000 or greater).

**Chargebacks:** income derived from charging internal (i.e. CSUSM) users.

**Cost Analysis:** process to estimate costs and user volume to arrive at a break-even cost for each service. The break-even cost for each service is the basis for developing a rate schedule.

**Deficit:** a budget condition where Expenses exceed Income.

**Depreciation:** a reduction in the value of an asset with the passage of time, due to wear and tear. Usually derived by a straight-line methodology.

**Direct Cost:** costs that can be identified specifically with a particular final cost objective, such as an award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

**Expense:** costs incurred from Service Center operations.

**External Users:** a customer or client of a service center who is not affiliated with the University in a faculty, staff, student or fellow relationship and is paying for services using proceeds not derived from CSUSM funds.

**Fee-for-Service Agreement:** is a non-routine service provided to external customers.

**Fixed Cost:** cost incurred by a Service Center regardless of actual usage or volume.

**Indirect Cost:** a cost or grouping of costs that benefits common and joint objectives.

**Internal User:** a customer or client of a service center who is affiliated with the University in a faculty, staff, student or fellow relationship paying for services from CSUSM or CSUSM Corporation funds, whether internally funded or externally sponsored awards.

**Operating Unit:** a phrase that refers to an Academic Department, Center or Institute in the University.

**Rates:** A fixed price paid or charged for something, especially goods or services. For the purposes of this policy, it represents the amount charged to either internal or external users based on their related to the unit of volume being produced.

**Recharge Center:** is a method to charge a defined group of internal users their portion of shared resources.

**Revenue:** income earned from Service Center operations that are off-set with corresponding Service Center costs (i.e. Expenses).

**Service Center:** an operating unit or center within CSUSM that provides goods or services on a continual basis to customers conducting research activities. The services are typically scientific or highly complex in nature.

**Service Center Director:** role of the faculty or staff member in charge of the financial, administrative and operations of a Service Center.

**Specialized Service Facility:** an entity, as specifically defined by the federal government (see 2 CFR 200.468), that provides institutional services involving the use of highly complex or highly specialized facilities, not easily available from an outside vendor.

**Surplus:** a budget condition where Income exceeds Expenses.

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**Subsidies:** a benefit given to an individual, business, or institution. Usually referred to as a discount.

**Users:** customers or clients of the service center.

**Variable Cost:** cost incurred by a Service Center that varies based on the volume of usage.

### FORMS/DOCUMENTS

- New Service Center Request form
- Recharge Center Rate form
- Billing Procedures

### LINKS TO POLICIES AND PROCEDURES

- [CSUSM Corporation Cost Transfer Procedure](#)
- [CSUSM Corporation Cost Principles Policy](#) and [Procedure](#)

### RULE PROMULGATED UNDER

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (for sponsored awards made December 26, 2014 and later)
  - <https://www.ecfr.gov/current/title-2/part-200>
- Costing of NIH-Funded Core Facilities
  - <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-053.html>