Section 4	Fiscal Policies	07/20/98 -Originated
Subject 4.5	Cost Accounting	09/07/12 -Reviewed w/ changes -Reviewed w/o changes
Policy 4.5.1	**Service Centers**	10/03/12 -Effective Cost Accounting -Author

Service Centers

Definition

***Service Centers*:** UTMB activities that provide goods or services to the UTMB community. Service centers charge the user a rate based on actual cost incurred in providing the good or service. It is the expectation that service center rates will be sufficient to cover the cost of operations. For purposes of this policy the following definitions are provided to identify different types of service center activities and the expectations for the operation of those activities.

Note: Activities with sales primarily to individuals are not considered service centers but instead are considered Auxiliary Enterprises.

***University Service Centers (USC)*:** provide goods or services to the UTMB community at large and will be established and maintained only when goods or services are needed by a broad base of internal UTMB customers. The cost base will include internal service center direct operating costs, travel deemed necessary for the operation of the service center, and depreciation on capital equipment and may include allocated space and general administrative costs (Facilities and Administrative [F&A] expenses).

***University Core (UC)*:** laboratories provide services or echnologies essential to the overall mission of UTMB and its investigators. A University Core should provide service to a minimum of five (5) UTMB Departments or Centers (typically serving a minimum of twenty-five (25) project investigators) or provide unique services, expertise or technology to the community. A laboratory will be given the University Core designation by consensus of the University Core Development Committee. Rates are based on direct costs only and can only include internal Core operating costs. Capital equipment depreciation may also be included but only in special circumstances with approval of the Vice President, Financial Accounting and Reporting.

***Departmental Recharge Activities**:* such as department copiers, fax machines, scientific equipment, or services provided to users within the department or to fewer than five (5) UTMB Departments or Centers

Definitions, continued

are not considered a University Service Center or a University Core. The charge must be reasonable and is intended to only recover the costs of supplies. The services of a Departmental Recharge Activity are intended as a convenience to faculty, staff, and students in the conduct of mission-based activities. It is the responsibility of the department to maintain all records regarding costs used to determine recharge rates and the subsequent charges distributed to users.

Policy

It is the policy of UTMB to operate University Service Centers, University Cores, and Departmental Recharge Activities in compliance with generally accepted accounting principles, including government cost accounting principles, 2 CFR 220 Cost Principles for Education Institutions (OMB Circular A-21.)

Violation of this policy may result in disciplinary action up to and including termination for employees; a termination of employment relationship in the case of contractors or consultants; or suspension or expulsion in the case of a student. Additionally, individuals may be subject to loss of access privileges and civil and/or criminal prosecution**.**

Procedure

University Service Centers and University Cores will work with the Office of Budget and Analysis to establish financial plans and operating budgets in accordance with the Service Center Procedure. As appropriate the USC, UC, and budget office will coordinate with the Office of Financial Accounting and Reporting in order to ensure that rates are established in accordance with guidance provided in OMB Circular A-21 and the disclosed cost accounting practices of UTMB. More information regarding the Service Center Procedure may be found at:

http://www.utmb.edu/finance/servicecenters/polproc/scproc.asp

Responsibilities

University Service Center or University Core Management

1. Responsible for preparing annually the operating budget, annually reviewing and updating as appropriate rate structures, updating financial plan as required, maintaining adequate records, and accurately invoicing users on a timely (no less frequently than monthly) basis.
2. Determine the proper rate development methodology incorporating historical data, projected data, or both.
3. Must ensure that rates are consistently applied and that federally

Responsibilities, continued

funded users are charged the lowest rate.

4. Must be able to support internal and external audit requests and show satisfactory accounting and management control.
5. In accordance with UTMB record retention policy, the service center or core must maintain, at a minimum:
    a. Documentation supporting rate calculations
    b. Documentation supporting use of level of activity
    c. Invoicing records identifying service provided to each user
    d. Monthly review and reconciliations as required by good internal control

Office of Budget and Analysis

1. Review financial plans and operating budgets of University Service Centers and University Cores.
2. Prepare annual Service Center Profitability Analysis for University Service Centers and University Cores.

Office of Provost Administration

1. Review financial plans and operating budgets of University Cores
2. Review all proposed new University Cores and discuss with the University Core Development Committee

Office of Financial Accounting and Reporting

1. Interpret Federal cost principles
2. Review pricing models for compliance with Federal cost principles and UTMB disclosed cost accounting practices

Departmental Recharge Activities

1. Determine recharge prices
2. Provide assurance that prices are reasonable and in compliance with Federal cost principles and UTMB disclosed cost accounting practices
3. Work with Office of Budget and Analysis as needed.

References

2 CFR 220 Cost Principles for Education Institutions (OMB Circular A-21)

UTMB Disclosed Cost Accounting Practices (DS-2, November 22, 2000)