COLUMBIA UNIVERSITY
SERVICE CENTERS/RECHARGE CENTERS
PROCEDURE MANUAL

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1.0 INTRODUCTION

Service centers[1] are an essential element in the educational and research environment of Columbia University. Even though there is wide variation in size, complexity and services provided, there are administrative commonalities that need to be maintained. This procedure manual addresses those administrative features and is intended to help set forth the framework for the fiscal operation of the University's service centers.

The Research Policy and Indirect Cost Group (RP&IC) in the Controller's Office is assigned the responsibility for assisting service/recharge center managers with policy or procedural matters concerning the establishment of service centers and approving service centers' rates. Over time, we have seen a need to collect in one place the definitions, general procedures, and requirements governing service centers.

In the event more information is needed or additional help is required concerning service centers matters, please call Shabaki Lambert, Director, RP&IC at 212-854-1050 or email sl3139@columbia.edu.

[1] The term service center will be used to refer generally to recharge centers, service centers and specialized service facilities.

2.0 POLICY AND REGULATION

2.1 Policy

Service center activities usually result in charges to federal grants and contracts. In order to receive these research funds the University must comply with the federal Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions as it pertains to service center policies and practices. The Controller's Office, specifically RP&IC, is responsible for ensuring compliance with these regulations. The government monitors compliance with these regulations through Columbia's cognizant agency, the Department of Health and Human Services.

The costs of service center services or products must be charged directly to all users based on actual level of activity and these charges cannot discriminate against federally supported activities of the institution. The service center rates must be calculated to recover the estimated aggregate cost of the service or product over a fiscal period unless otherwise agreed upon in advance by the federal government (the concept of breakeven, which is defined as recovery of not more than cost). Recognizing the difficulty of exactly breaking even, the government allows a reasonable balance to carry forward to the next fiscal period.

The service center rate must be reviewed by the service center manager and adjusted annually or more frequently, if necessary, to ensure that the service center account approximates break even. Surplus and deficit balances from the previous period must be considered in the rate calculation for the subsequent year.

Service centers rates may not include any allocation of indirect costs. Such indirect costs are assessed, if appropriate, to the user incurring the service center charges via the University's indirect cost rate. Specialized service facilities (SSF), which are defined in section 3.2, are the only exception to this rule. Currently, the Institute for Comparative Medicine is the only approved SSF at Columbia University.

Please refer to the Administrative Policy Library for the full text of the Service/Recharge Center policy.

2.2 Regulatory Framework and Oversight

OMB Circular A-21

The principles set forth in Circular A-21 provide recognition of the full allocated costs of such research work under generally accepted accounting principles. No provision for profit or other increment above cost is provided for in charging accounts that will be billed or eventually allocated to the government. Circular A-21 stresses the need for consistency in treatment of costs as pertains to the government.

While the specific term "service center" is not utilized in OMB A-21, section J.47 of Circular A-21 discusses specialized service facilities, which provides guidance for the treatment of service centers. The section is explicit in two concepts:

- Recipients of federal funds are *not to recover more than cost*; and
- They are *not to discriminate* against federally supported activities of the institution

The rules set forth in Circular A-21 also allow that breakeven may be achieved over a long-term basis if agreed to by the recipient and the cognizant government agency.

Cost Accounting Standards

Research institutions must comply with the following federal Cost Accounting Standards (CAS):

- CAS 501-consistency in estimating, accumulating, and reporting costs;
- CAS 502-consistency in allocating costs incurred for the same purpose;
- CAS 505-treatment of unallowable costs; and
- CAS 506-the cost accounting period.

Each of these standards is implicit in this manual.

Government Oversight

The Federal government monitors the University's compliance with these regulations through its cost and audit cognizant agencies. Examples of compliance issues raised by these government officials in the past include the rate setting methodology and treatment of unallowable expenditures including interest, replacement of equipment, and use of reserves. The University's exposure from noncompliance with Federal regulations could involve payback to the government as well as adverse publicity which could harm future award applications.

3.0 SERVICE CENTER/RECHARGE CENTER DEFINITIONS

3.1 Service Centers

A service center is defined as an operating unit created for the primary purpose of providing a service, a group of services, or products to users principally within the University community. All service centers are subject to the terms and conditions of Circular A-21. Each facility is funded by charging users for actual usage of services at a non-discriminatory rate based upon direct costs.

The following are some general guidelines for establishing a service center at Columbia. These are not intended to be all inclusive:

- The annual budget is at least $25,000 (in order to obtain a license)
- The volume of service is expected to increase
- Multiple client groups and sources of funds within the University are served
- Both salary and expenses would be charged to users through use of a schedule of rates for products or services

Special situations, such as pricing or long-term break even agreements, can be negotiated with the government through RP&IC.

3.2 Specialized Service Facilities (SSF)

A specialized service facility can be distinguished by the following characteristics:

- Highly complex; limited customer base
- Large capital investment required
- Expenditures over one million dollars in a fiscal period
- Long–term break- even

If a center is determined to meet the requirements to be considered an SSF by RP&IC, then the full allocation of indirect costs may be applied to the specialized service facility and can be included in calculating its user rates. This is in contrast to non SSF’s which cannot include indirect costs in the rate determination.

If a center is deemed an SSF, it may be beneficial to dedicate special purpose building components. The specialized components would be funded through the service center rates. Examples of specialized components include special purpose equipment, heating and cooling equipment, etc.

3.3 Recharge Centers

Recharge accounts are a single function activity which provides a service or benefit to various users (the services are not institution-wide). As an example, where a photo copier is shared by three offices each using a different account number to operate the copier. The cost for each copy will be accumulated and charged back to the user department and credited to the recharge account.

4.0 Service Center Licensing and Annual Renewal

4.1 Establishing or Changing a Service/Recharge Center

All entities meeting the criteria noted above must have the charge-out rates approved prior to setting up the service center and billing users. High volume service enters (those with annual charges =>$25,000) should also request a restricted license for processing charges for recurring services provided to sponsored projects. A restricted license is a mechanism used to facilitate a service center's billing process. To obtain a restricted license the requesting department must complete and submit to RP&IC a restricted license application form together with documentation that adequately supports the charge-out rate. Refer to Exhibit I for a copy of the restricted license application form.

A service center license will be valid for one (1) fiscal year and must be renewed annually.

Proposals for a new service center must have the approval of the department chair/designee or the equivalent for non-academic areas, stating acceptance of operational and financial responsibility, before the proposal can be reviewed by RP&IC.

The proposal process is designed to provide RP&IC adequate documentation necessary to ensure that the proposed service center will be operated in compliance with Federal cost principles and University policies.
A license application to establish a new service center must contain the following information:

- The service center name as it will appear on the expenditure or operating statement.
- A description of the product(s) or service(s) to be provided, and list/description of the potential users (internal and external, if applicable).
- For each rate used by the service center – a detailed analysis as to how the service center rate(s) was determined including:
    1. A detailed annual expense budget for the proposed service center
    2. Description of the activity base, its appropriateness, and an estimate of the level of activity for the budget period
- A provision for a guarantee account which the department Chair or designee is committing to be used to cover the entire deficit whenever a service center's year-end deficit exceeds a reasonable level of its gross annual expenses.

Exhibit I "Application for a New Restricted License or Request for License Re-activation must be completed and submitted together with documentation necessary to support the proposal.

Entities with annual charges <$25,000 do not have to obtain a service center license with RP&IC, however, those units must still submit rates annually to RP&IC for approval and follow the general principles outlined herein.

In ARC, the unit-level account for a service center is a project. A separate project must be established to account for the expense, recovery, and revenue (if external users) for the service center's activity. All applicable activity must be appropriately recorded in the service center project.

4.2 Annual Renewal of a Service Center and Rate Schedule

The Service Center must develop, on an annual basis, a schedule of rates and charges for all users of the service center's goods and/or services and licensed service centers must reapply to maintain the licenses' active status. This schedule should include rates for users within the University and for external users. Users within the University that charge sponsored awards must be charged consistently at the same rates. Please refer to section 6.1 for a discussion on how subsidies should be managed.

The license application, budget and rate schedules are to be submitted to the Research Policy and Indirect Cost Group. RP&IC will review the rate development submission and will notify the service center managers of any additional data requirements or questions concerning the submission. Significant changes in operation and/or volume of operation should be highlighted in the annual reapplication process. The RP&IC group should be notified if there have been any significant changes in a service center's operations, products or services provided to sponsored grants and contracts. Significant changes will be reviewed and discussed with the service center managers.

External users are to be charged at rates at least equal to rates charged to internal non-sponsored users, higher rates may be charged unless known to be charging federally sponsored funds (i.e., other research institutions). Any subsidies or other special arrangements (which should be minimized) with end-users must be disclosed on the annual license application form to ensure that service centers are in compliance with federal regulations.

5.0 Service Center Budgeting & Rate Development

5.1 Budgeting

A service center must submit and have approved a budget, including a rate schedule to RP&IC before it can begin operations. Each year thereafter, a budget and rate schedule must be submitted for each service center 30 - 45 days prior to the beginning of the fiscal year for approval before the rates can be used in the new fiscal period. The service center budget should be developed on an annual basis which corresponds to the University's budgeting process and fiscal year. A service center is not authorized to operate during a period for which it does not have budget or rate approval from RP&IC.

The service center budget must include:

- Projected Expenditures
- Projected Revenue Recovery
- Projected Cash Revenue from External Sources

RP&IC will not be able to approve a service center's budget and rate(s) if it does not adhere to the policies and guidelines established by the University.

<u>Budget Cost Components</u>

Direct Personnel

An appropriate portion of the salaries and wages of all personnel directly related to the service center's activities (e.g., lab technicians or machine operators) should be included in the rate calculation and charged to the center's operating account. The portion of such an individual's salary which should be charged to the service center account is that percentage which represents the proportion of effort applied to this activity versus the individual's other University activities.

Administrative Staff

The appropriate portion of the salaries and wages of administrative staff supporting a service center, even if it is only for a *portion* of their time, should also be charged to the center's operating account and should, therefore, be included in the rate calculation. This category does **not** include support which is only general administrative support (e.g., that which might be incurred by the Chair in reviewing proposed rate changes). However, it **does** include effort applied in direct management of the service center operations (e.g., the maintenance of the center's billing system). The portion of such an individual's salary which should be charged to the service center account is that percentage which represents the proportion of effort applied to this activity versus the individual's other university activities.

Fringe Benefits

Service centers will be allocated fringe benefit costs of all personnel directly charged to the service center operating account. The Federal fringe benefit rate should be used in the calculation of the service center charge-out rate. These costs should be included in the rate calculation.

Supplies and Expenses

Materials and Supplies:

The costs of materials and supplies needed to operate the service center should be included in the rate calculation. Volume discounts may make it prudent to order large quantities of supplies at times. Over-accumulation of inventory should be avoided.

Service Center Inventories:

Commonly, a service center will base its operations on an inventory (e.g. a chemical stockroom) or will maintain an inventory of parts and supplies used in providing the service (e.g., a machine shop). Service centers maintaining inventories for these purposes may not treat unused inventory costs as a current operating expense in computing billing rates. Unused inventories maintained for resale will need to be accounted for as assets of the department responsible for the service center.

Other Costs:

Other costs associated with the operation of service centers which may be included in service center rates are:

- rental and service contracts;
- special conferences related specifically to the service center or
- professional services.

These costs should be properly identified by natural account. Please refer to section 6.5 for a discussion of unallowable costs.

Capital Equipment and Depreciation

Capital equipment acquisitions may not be charged directly to a service center project. Capital equipment is defined as an item of cost of at least $5,000 per item and has a minimum useful life of two (2) years. Purchases not meeting these criteria are not considered "equipment". Software purchased at the time a computer system is purchased can be capitalized as part of the system. The cost of capital equipment must be charged to an operating budget account or an unrestricted fund. Only the depreciation of the capital item (which is non-federally funded) can be recovered through the charge-out rates.

For depreciation to be allowable, the asset must be established as a "service center asset" in the University's equipment inventory database. In order to accomplish this, the service center manager must submit an equipment inventory adjustment form (http://finance.columbia.edu/content/equipment-inventory-adjustment-eia-form) to the

Capital Asset Accounting (CAA) Manager for approval (This step would need to be completed once for each piece of equipment). Newly purchased equipment for use in the service center is identified at the time of purchase utilizing the Asset Form. The CAA manager will furnish the service center manager the appropriate depreciation costs that may be included in the service center's rate calculation. The identification of the service center asset (s) in the University's equipment inventory database will ensure that the depreciation costs are not included in the University's indirect cost rate calculations.

Service centers that include depreciation in the charge-out rate should also establish a separate capital reserve project. The capital reserve project will be used to transfer the annual depreciation charge.

Disposal of Equipment

A specialized service facility should include a gain or loss from the disposal of equipment with a net book value (i.e., purchase cost less accumulated depreciation) which equals or exceeds $5,000 as either a credit or charge to operating expenses in the rate calculation in the year of disposal. To identify these gains or losses, equipment with a net book value which equals or exceeds $5,000 must be sold by sealed bid pursuant to the procedures of the Office of Capital Asset Accounting.

Federally-funded Equipment

Depreciation of equipment purchased on Federal grants and/or contracts whether or not title has reverted back to the University **cannot** be included in user rates. Depreciation of equipment used as cost share cannot be included in user rates. "Cost Sharing in Sponsored Research and Service Projects", equipment used as cost share must be identified in the capital equipment inventory database.

5.2 Rate Development

A <u>service center rate</u> is the cost per unit of output used to recover the expenses of the center. Service center rates are normally calculated for a fiscal year, in certain cases the service center manager may find it prudent to make adjustments during the year to accommodate changing circumstances and to assure break-even. When a service center is established mid-year, rates may be set for longer than twelve months so that the end of the first break-even period coincides with a fiscal year-end.

To compute this rate, departments should use the following equation:

$$\text{Calculated Rate} = \frac{\text{Budgeted Expenses } \mathbf{+/-} \text{ Prior Year Under/Over Recoveries}}{\text{Budgeted Level of Activity (Usage Base)}}$$

The budgeted level of activity (usage base) or denominator in the above formula is the volume of work expected to be performed as expressed in units (e.g., labor hours, machine hours, CPU time or any other reasonable measurement that is a driver of the overall expense). The calculated rate using the budgeted activity is then applied to the actual level of this activity when charging users.

For example, a computer costs approximately $100,000 each year to operate (allowable costs) and has an estimated use or activity level of 1,500 hours during that year. This would result in a rate of $100,000/1,500 hrs = $66.67 per hour. If a researcher uses the computer for four hours for a sponsored project, then his or her award should be charged 4 x $66.67 or $266.68.

The billing rate is established by dividing the appropriate costs by a usage base. There are two methods most commonly used to determine usage base:

1. Consumption and Output Usage Base
2. Cost of Sale Usage Base

Selection of an appropriate usage base is essential to ensuring the most accurate application of the service center's costs to its users.

1. <u>The Consumption and Output Usage Base Method.</u> Costs are distributed on the basis of a unit of measurement, i.e., hours, pounds, gallons, etc. The base should be one which incurs expenses in proportion to the unit of measurement. If consumption measurements cannot be reasonably obtained, output may be calculated on a per unit cost, where the total cost of the center is divided by the total anticipated number of units produced per year. Refer to Exhibit II for an example of the consumption bases (billable hours) and the output bases (number of boxes).

2. <u>Cost of Sale Usage Base</u> is used for centers which are more product- than service-oriented. Since the cost is known for each product for sale, an appropriate allocation based on total operating costs can be established to recoup the operating costs associated with the disbursements of the products. The allocation is added to the cost of the product and the resulting price is what the service center should charge. Refer to Exhibit III for an example of a service center budget with rates established using the sale usage base.

Billing rates for service centers are to be calculated to recover total direct costs. Indirect costs (University overhead) should not be included in the calculation. These costs will be recovered in part through the University's indirect cost rate. Billing rates for specialized service facilities (SSF's) are the exception to this rule and the full allocation of indirect costs may be applied and included in calculating the user rates.

6.0 Recovery Requirements

This section sets forth guidance governing service centers to ensure compliance with Federal cost principles. As noted above, Circular A-21 contains the cost principles used to determine amounts that may be recovered from Federal grants and contracts. The principles of Circular A-21, with regard to rates based on cost and nondiscriminatory pricing, apply to the determination of service center rates used for billings at the University.

6.1 Nondiscriminatory Rates

Rates charged must be nondiscriminatory, and all users must be billed for services received. "Nondiscriminatory" means that a service center will charge *all internal federal sponsored users at the same rate for the same level of services or products purchased in the same circumstances.* Federally sponsored users may be charged <= the calculated rate, they may not be charged higher than the calculated rate. Non-federally sponsored users may be charged a rate that is higher than the calculated rate. External users may be charged a higher rate unless known to be charging a sponsored project (e.g., another research institution), in that event the calculated rate must be charged. An evaluation of market pricing for the service must be conducted if the service center has external users. This analysis is important in determining the charge-out rate applicable to external users. The Tax department will work with service center managers to assist in this process.

The use of special rates, such as for high volume work and less demanding nonscientific applications are allowed; but they must be *equally* available to all users who meet the criteria. Further, these rates must be outlined in the license application and published along with the general rates.

The University may wish to provide goods or services to a particular *internal* group of users at a lower rate than other users (e.g., members vs. non-members). In this situation, the service/recharge center must calculate the same billing rate ***for all internal users*** based on total service center expenses and total units of output.

Subsidies

Subsidies should be minimized to the extent possible, however, if a subsidy is desired the mechanisms are outlined below. Subsidies must following these criteria:

- All costs must be included when developing rates
- Must be documented
- For subsidy of the entire service center and/or machine/product:
    - Include subsidy in the rate calculation
    - Transfer the subsidy into the service center account

Entire Customer Base

The service center would develop the budget accounting for direct allowable costs. The total estimated costs would then be reduced by the agreed upon subsidy amount. The adjusted total costs (total estimated cost – subsidy) would be used to develop the rate (the numerator) for all customers. The subsidy must be transferred into the service center account.

Individual Customer Group

The service center would develop the budget, accounting for direct allowable costs. The rate is then developed based on the total costs (numerator). The subsidy amount is recorded on the invoice and then applied to each individual/group that is eligible for the subsidy. The subsidy must be transferred into the service center account.

6.2 Invoicing and Invoicing Period

In charging out services to users, the invoice should include, to the extent possible, descriptive information that is sufficient to permit the reviewer of the charge to determine whether the charge is consistent with the goods and/or services provided. Invoicing should be done as close to the provision of service as possible, monthly invoicing and processing of charges in ARC is recommended.

Services should not be billed until the service has been rendered; that is, prepayments are not appropriate. Each center must operate in accordance with the University's fiscal year, which is July 1 through June 30. Service centers should handle year-end billings consistently to ensure that twelve months of cost recovery are associated with twelve months of incurred cost. This provides a more accurate breakeven calculation at year-end.

6.3 Breakeven Concept

Service center rates are generally calculated based on budgeted projections of operating expenses and projected volume of the services or products to be provided. The goal of the service center is to calculate a rate which will ensure that revenues reasonably offset expenses. "Operating at breakeven" means there is no significant profit or loss as a result of charging users for the services provided in any particular period, and no profit or loss over the long run.

If a service centers ends a given fiscal year with an operating surplus, a threshold of a 60-day working capital allowance can be used as guidance of how much may be carried-forward into the calculation of the next year's rate. The amount above the 60-day working capital allowance would be factored into the calculation for the next fiscal year. Refer to the discussion of "Treatment of Over/Under Recoveries" in section 8.5.

6.4 Long-Term Breakeven Agreements

In unique situations, when a service center requires a multiple-year period in which to recover or spread out operating costs, a long-term breakeven agreement may be negotiated. This usually occurs when operations require large initial capital equipment and building costs. However, such agreements must be negotiated by RP&IC with the cognizant agency. The need for such an agreement must be presented for review and approval by RP&IC .

6.5 Unallowable Costs

Unallowable costs may not be budgeted or expensed on service center accounts and may not be included in the user rate calculations when prohibited by Circular A-21. Such expenses (e.g., alcohol, entertainment, unallowable travel) must be excluded from the rate calculation. Refer to Section J of Circular A-21 for a list of unallowable expenses. For additional information, refer to the Administrative Policy Library for the University's policy on segregated costs.

6.6 Guarantee Account

Guarantee accounts are specific accounts designated by the Chair; or equivalent for non-academic departments, to cover any service center under-recoveries at fiscal year-end if the year-end balance exceeds the limitation. The guarantee account must be a department-designated account. All service centers must have a guarantee account.

7.0 Responsibilities

7.1 Chair (or Equivalent)

Ultimate responsibility for the service centers rests with the Chair (or equivalent for non-academic departments). The Chair (or his/her designee) has the responsibility for:

- fully reviewing and approving the establishment of new service centers prior to a new service center license being requested from RP&IC;
- reviewing and approving service center rates within his/her unit with approval of RP&IC;
- reviewing and approving special requests for rate adjustments at mid-year with the approval of RP&IC; and
- reviewing the performance of service centers with respect to breakeven at *fiscal year-end*.

7.2 Service Center Managers

The Chair (or his/her designee) normally delegates day-to-day responsibility to the Service Center Manager who monitors the operation and takes corrective actions as needed. The manager has an obligation to ensure that:

- a schedule of rates for service centers is prepared and submitted to the Chair (or equivalent) for review and approval to align with the University's budgeting process;
- the service center's financial results with respect to "breakeven" are reviewed at year-end, and future rates are adjusted for over-recoveries or under-recoveries as appropriate;
- the approved rate schedule is applied in accordance with CAS to all users;
- ensure that the application to extend the restricted license is submitted no fewer than 30 - 45 days prior to the license expiration date;
- service center equipment is reconciled with Capital Asset Accounting's inventory listing on an annual basis;
- depreciation is incorporated in service/recharge center rates in accordance with the procedures set forth in this manual;
- ensure that the department chair (or equivalent) is kept informed of service center matters; and
- billings are timely and adequately documented, and receivables are controlled and reconciled.

7.3 Research Policy & Indirect Cost Group

RP&IC is assigned responsibility for the following:

- approving the establishment of new service centers and the establishment of new center licenses;
- assisting service center managers with policy and procedural matters;
- performing an annual review of selected service center rate calculations;
- reviewing the performance of selected service centers with respect to breakeven at fiscal year-end;
- ensuring that year-end close takes place in accordance with University and government policy; and
- reviewing special requests for adjustments to service center rates at mid-year.

RP&IC will work collaboratively with the Office of Management and Budget in reviewing rate submissions and license applications. Depending on the particular circumstances of the service center, Capital Asset Accounting and Tax will advise and consult in the review of the rates and license application, as appropriate.

8.0 Monitoring Procedures

8.1 Periodic Review of Rates

Service center managers should evaluate their center's financial position and rates on a quarterly basis and submit rate changes as appropriate. A comprehensive year-end review will be conducted by the service center managers to determine that the service centers come within a reasonable breakeven. If appropriate, service centers should, at this time, adjust their rates to assure breakeven.

8.2 Billing Internal and External Users

Since the billing system must follow guidelines of the Federal government Circular A-21, proper documentation of costs is required to continue receiving Federal support. Documentation should be recorded and retained to support labor, materials, supplies and amount of usage. (Reference Columbia University Record Retention Policy) All documents used to charge users must contain both the level of activity and rate charged to ensure that only approved rates are used and that computations are made correctly. It should be noted that time and effort documentation is required to support the labor component of the rate. Moreover, billing is not to be done in advance of the actual occurrence of the expense.

- Internal Users

An internal user is defined as department or other entity within Columbia University. All internal users charging sponsored projects must be charged the same rate or set of rates for the same services. They must not be billed outside the accounting system. Moreover, billings should be done as soon possible after the occurrence of the expense. It may be prudent to bill customers on a monthly basis.

- External Users

Service centers are established primarily to meet the programmatic needs of the academic community. Permitting the use of University facilities and services by parties not otherwise affiliated with Columbia as employees or students or by faculty and students for non-University activities jeopardizes the University's tax-exempt status, may create warranty and liabilities and may promote unfair pricing practices in relation to the local business community. Therefore, service centers are discouraged from providing services to non-programmatically related entities. There may be, however, situations where the uniqueness of a service or other factors may justify a service center's product or service availability to non-University users.

8.4 Operating Accounts

Service center operations are classified as organized activities and their operating accounts should include both revenue and expenditure activity. It is the responsibility of the service center to ensure that funds from external billings are collected and that the receivables are controlled and reconciled.

8.5. Over- or Under- Recovery of Costs at Fiscal Year End

Although a service center targets breakeven, it is not always possible to be exactly at zero. In the case of an over-recovery (surplus), if the amount is less than or equal to 60 days of working capital, the service center may retain the amount in the service center operating account. Any amount greater than 60 days of working capital must be factored into the rate calculation for the following fiscal year.

Operating deficits will be reviewed as a part of the closing process on an individual basis and approved by the Office of Management and Budget. Funding plans describing the measures that will be taken to reduce the deficit over a reasonable period of time must be submitted.

9.0 Records Retention

It is the service center's manager's responsibility to maintain records of the details of service center charges and to answer inquiries concerning those charges. A service center's activities must be adequately documented and records maintained to support expenditures, billings and costs transfers. Each service center must, at the minimum, retain the following:

- Workpapers documenting how the charge out rate was calculated
- RP&IC license approval
- Supporting documents related to expenses incurred
- Records supporting utilization (level of activity)
- Records supporting billings including the level of activity provided each user

Further, employee effort certification documentation must be retained indefinitely. Other financial records, supporting documents, statistical records and all other records pertinent to a service center's activity must be retained for at least seven years after the project end date or until final audit clearance. Refer to Columbia University Record Retention Policy.

10.0 Exhibits

Exhibit I: Restricted License Application

Columbia University
Office of the Controller
Research Policy and Indirect Cost Group
Studebaker Building
615 W 131st Street
New York, NY 10027

Contact: Shabaki Lambert
Email sl3139@columbia.edu
Voice 212-854-1050

Application for a New Restricted License Or Request for License Re-activation

(To be used for billing product/service provided to a restricted account)

New ☐ **Re-activation** ☐ ______________________________ ______________________________

License Number **Submission Date**

Managing/Owning Department____

Name **ARC Level 8 Department Number**

Service Center Name____

Service Center Location____

Building **Floor** **Room(s)**

Service Center Address____

Description of
Product/Service____

____

____

Manager/Administrator of Service Center____

Name

____

Title **Tel No.** **Email Address**

Notes/Comments

Financial Information

Person responsible for service center rate(s) calculation and supporting documentation:

____

Name   Title   Tel No.   Email Address

For each service center project or for each service rate within a service center account please provide the following information:

	Prior Fiscal Year Actual	Next Fiscal Year Budget
Service Center Project #.________________		
Product or Service Provided_____________		
________________________________		
Total Annual Operating Expenses	$_________________	$_________________
Annual Charges to Federal Awards	$_________________	$_________________
Annual Charges to Others	$_________________	$_________________
Annual Operating Revenues:		
Internal Users	$_________________	$_________________
External Users	$_________________	$_________________
Annual Operating Transfers:		
To Service Unit	$_________________	$_________________
From Service Unit	$_________________	$_________________
Balances Available	$_________________	$_________________

Required Documentation

Please check each box to confirm that all required information is attached. For any unchecked box, please indicate date when we can expect to receive the information.

- ☐ Project(s) used to track service center activities.
- ☐ Description of the rate(s) setting process.
- ☐ Current rates for specific products/services.
- ☐ Detailed rate(s) calculation.
- ☐ Description of internal and external users and percent of activity.
- ☐ Explain how equipment is purchased and depreciation tracked, if applicable.
- ☐ Equipment inventory list with CUID Asset Tag, if applicable.
- ☐ Description of billing practice.
- ☐ How are subsidies treated? Who is responsible for deficits?

Other Comments/Notes

<u>Exhibit II: Example of a Consumption and Output Usage Base Method and Rate Calculation</u>

Operating Expenses

Expense by Type	$
Salaries & wages	600,000
Fringe benefits (@ *government rate*)	186,000
Supplies	25,000
Materials	60,000
Telephone	20,000
Consultant	20,000
Prior Year (Surplus)/Deficit *Not applicable when setting rates in first year.*	(15,000)
Total Expenses	**896,000**

Note: When computing salaries, wages and fringe benefits, only account for the percentage of time that the individual(s) spend(s) in service to the service center. Apply the percentage of time that the individual is dedicated to the service center to arrive at the appropriate salary, wage allocation. Keep the appropriate records for documentation of the percentages used.

Consumption Rate

<u>Example 1 - Hours</u>
Example for individuals 100% dedicated to the service center

(1) Available hours/person/year = 35 hours/week x 1 person x 52 weeks = 1,820 hours

(2) Less:
Vacation (80) hours
Sick Time (50) hours

(3) Billable hours/person/year <u>1,690</u>

<u>Billable hours/person/year = 1,690 x required 2 people = 3,380 Total Billable Hours</u>

$$\frac{\text{Total Expense}}{\text{Total Billable Hours}} \quad \frac{\$896{,}000}{3{,}380} = \$265.09$$

<u>Example 2 – Boxes</u>

(1) Total Boxes Produced 500

$$\frac{\text{Total Expense}}{\text{Total Boxes Produced}} \quad \frac{\$896{,}000}{500} = \$1{,}792/\text{box}$$

Exhibit III: Example of Cost of Sale Usage Base and Rate Calculation

Operating Expenses

Expense by Type	$
Salaries & wages	30,000
Fringe benefits (@ *government rate*)	9,300
Office Supplies	1,000
Miscellaneous	3,200
Total Expenses	**43,500**

Note: When computing salaries, wages and fringe benefits, only account for the percentage of time that the individual(s) spend(s) in service to the service center. Apply the percentage of time that the individual is dedicated to the service center to arrive at the appropriate salary, wage allocation. Keep the appropriate records for documentation of the percentages used.

Costs of goods to be purchased or drawn from inventory for use in the fiscal year

Goods/Products by Type	**$**
Chemicals	40,000
Glassware	20,000
Total Estimated Purchases	60,000

Operating Allocation (%)

Operating Expenses / Estimated Purchases

$$\frac{\$43,500}{\$60,000} = 73\%$$

Application

1 pint of acid with a purchase price $10.00 given to user

Service center should charge user:

<u>$17.30</u> ; where:

(A) Cost of Sale = $10.00
(B) Operating Allocation % = 73%
(C) Customer Charge = $10.00 + $7.30 (A*B) = $17.30