



Service Center

Policies and Procedures Manual

Prepared by:
Administration & Finance
Government Cost Compliance
Revised March 12, 2013

TABLE OF CONTENTS

	Page
I. Introduction	
A. Purpose of Manual.....	3
B. Scope of Manual.....	3
II. Definitions	4
A. Recharge Units.....	4
B. Cost.....	5
C. Materiality.....	5
D. Fund Groups.....	5
E. User.....	6
III. Criteria for Designation.....	7
IV. Service Center Policies.....	8
V. Guidelines for Calculating and Setting Rates.....	10
A. Calculation of Cost.....	10
B. Rates.....	12
C. Recovery of Surpluses or Deficits.....	13
D. Accounting Rules.....	13
E. Calculation of and Accounting for Depreciation.....	13
F. Calculation of and Accounting for Recovery of Unallowable Expenses.....	14
VI. Appendices	
- Appendix A - Criteria for Designation as a Service Center.....	16
- Appendix B - Calculation of and Accounting for Recovery of Unallowable Expenditures-Comprehensive Example.....	20
- Appendix C – Departmental Master Lease Financing Option for Funding New Equipment.....	22
- Appendix D – Service Center Questionnaire, Sample Departmental Service Center Rate Calculation.....	28

NOTE: ALL QUESTIONS/COMMENTS SHOULD BE REFERRED TO THE
GOVERNMENT COST COMPLIANCE OFFICE AT 556-4815.

I. INTRODUCTION

A. PURPOSE OF MANUAL

The purpose of this manual is to:

1. Define "Service Center"
2. Establish criteria to allow a determination to be made as to whether a department qualifies as a University Service Center, a Departmental Service Center, or other Recharge Unit.
3. Outline Service Center policies.
4. Establish University guidelines governing the calculation and setting of rates charged by service centers to ensure compliance with Federal Regulations (OMB Circular A-21 and A-110 and State Regulations (Uniform Manual of Accounts and Reports - Higher Education).
5. Establish standard cost accounting principles and methodology to be followed by service centers when calculating their rates.

B. SCOPE OF MANUAL

This manual includes criteria for designing service centers and guidelines, policies, and procedures for calculating and setting rates for Service Centers. It does not include guidelines, policies, and procedures for processing recharges. These are covered in the "University of Cincinnati Service Center Recharge Accounting Procedures" manual.

II. DEFINITIONS

A. RECHARGE UNITS

Recharge Units are those entities which are permitted to charge for services rendered. The charges are intended to recover the costs of providing the service. The University has established the following types of Recharge Units:

1. Service Center - An institutional entity which provides a service or product to university users for a fee. The rates charged by the center are calculated so that the center recovers its costs. The University has two types of Service Centers:
 - a. University Service Center - A facility which provides a service or product on a continuous basis to the University Community (including the public) and charges the user a predetermined rate calculated to recover the total (where the allocation of indirect cost is material) of operation over a period of time established in advance.
 - b. Departmental Service Center - A facility which provides a specific type of service or product to a limited segment of the University community; applies a rate to recover the direct costs of providing the service; and is not deemed a University Service Center. The absolute amount of University indirect costs that could be allocated does not materially affect the University's indirect cost pool. The indirect costs of this service would still remain as part of the costs of the University. State mandated Service Centers (except for University of Cincinnati Information Technology (UCit) Service Center and Utilities) are considered Departmental Service Centers.
2. Stores Operation - A facility which provides warehouse or stockroom type services to University departments and charges a nominal markup or handling charge on items "sold." The markup or handling charge is intended to recover the direct cost of providing the service.
3. Special Recharge Unit - A facility which provides a service or product and charges a rate to recover the costs of providing the service which has been reviewed by the Government Cost Compliance Office and determined to be exempt from rate approval due to special or unique circumstances. The rates and rate calculations for these units, while not requiring approval, are kept on file by the Government Cost Compliance Office for Federal Indirect Cost Audit purposes.
4. Auxiliaries
 - a. Auxiliaries - These units (Residence Halls, Dining Facilities, Tangeman University Center, Parking Lots & Garages, Faculty Club, for example) are self-supporting enterprises which provide goods/services to the University community and charge a rate or fee directly related to, although not necessarily equal to, the total cost of goods or services provided. The distinguishing characteristic of these units is that they are managed as self-supporting units.

B. COST

For purposes of this manual, costs are categorized as follows:

1. Direct Cost - OMB Circular A-21, paragraph D-1, defines direct cost as follows: "Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy." (See Section V.A. (1) for examples of direct costs.)
2. Indirect Cost - OMB Circular A-21, paragraph E-1, defines indirect cost as follows: "Indirect costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, and instructional activity, or any other institutional activity." (See Section V.A. (1) for examples of indirect cost)
3. Total Cost - The costs of providing the service or product by the facility (direct cost) plus allocations of building use allowance, operations and maintenance expense; and general administration expense (indirect costs).

C. MATERIALITY

The University has negotiated with the Department of Health and Human Services (DHHS) an indirect cost materiality of \$100,000. If a Service Center is allocated less than \$100,000 in indirect costs, that allocation does not materially affect the University's indirect cost pool.

D. FUND GROUPS

In this manual, there are references to different fund groups. For your convenience, a brief description of each fund group follows:

1. Current Funds - Current Funds consist of those funds to be expended in the near term and used for operating purposes. They include:
 - a. Unrestricted Undesignated Funds (A100001, A100005, and A100010) - Unrestricted resources expendable for any purpose.
 - b. Unrestricted Designated Funds (D1xxxxxx) - Unrestricted resources expendable only for purposes designated by the governing board.
 - c. Restricted Funds - Funds limited to a specific use by outside agencies/persons such as: Restricted Exp Endowment (E1xxxxx), Gift (F1xxxxx), Sponsored Programs (Gxxxxxx).
2. Renewal and Replacement funds (P6xxxxx) - These funds are plant funds in which funds from sources such as depreciation are set aside to be used for renewal and replacement of physical properties (e.g. equipment purchases).

E. USER

For purposes of this manual, a user is defined as the department, recharge unit, or individual who is receiving the goods or services and is billed for them. There are three types of users.

1. University User (Inside User) - Any user who is billed via an Intra-Departmental Transfer of Expense (NIU Form A-169) and pays for the service from a source of funds on University books including gift, endowment, and sponsored program funds.
2. Non-University User (Outside User) - Any user who pays for the service from a source of funds not on University books. That is, anyone who is not a University User as defined in (1).
3. Cincinnati Children's Hospital Medical Center is charged inside rates but is billed by invoice, instead of NIU Form A-169.

III. CRITERIA FOR DESIGNATION

Appendix A contains the materials available for determining whether an entity should be classified as a University Service Center, Departmental Service Center, or other Recharge Unit. Included in Appendix A, or OMB Circular A-21 paragraph J-44 "Specialized Service Facilities," and a copy of Uniform Manual of Accounts and Reports - Higher Education pages 16-17 (State of Ohio), containing the inclusive list of expenditures which are to be allocated for reporting purposes. The table below lists, for comparison, the major criteria used to determine if a Service Center should be designated as a University Service Center or a Departmental Service Center.

COMPARISON OF CRITERIA

	University Service Center	Departmental Service Center
Designation	Vice President - Finance	Government Cost Compliance
Continuous Basis	Transactions must be periodic; not infrequent	Transaction must be periodic; not infrequent
Indirect Costs	\$100,000 or more	Not allocated
Users	University Community	Various Departments
Cost Recovery Time	1 to 5 years	1 year
Rates	Calculated to recover total costs	Calculated to recover direct costs
Rate Study Review	Annually by Government Cost Compliance	Annually by Government Cost Compliance
Approvals	Ongoing by the Recharge Council	Ongoing by the Recharge Council

The Vice President for Finance or his designate will evaluate each entity based on the above criteria and is responsible for determining if any entity should be designated as a University Service Center, Departmental Service Center, or other Recharge Unit.

IV. SERVICE CENTER POLICIES

A. OVERALL RESPONSIBILITY

The Vice President for Finance or his designate will be responsible for policy implementation regarding the financial administration of all service centers.

B. SERVICE CENTER REVENUES

If the University decides to form a service center which contains federally funded equipment and/or personnel, it is the policy of the University that the ultimate use of the income generated from the sales of services or products produced with federal funds will be under the provisions of OMB Circular A-110, which states that such revenue must be applied to:

1. Expanding the federal or University share of the service center in order to further eligible federal program objectives, or
2. Fund other federal eligible program objectives.

C. SURPLUSES AND DEFICITS

1. University Service Center - Fiscal year-end deficits or surpluses will be eliminated through the following method:

- a. The surplus or deficit may be carried forward to the next fiscal year creating a fixed rate with carry forward provisions.
Under the method listed above, any surplus (over recovery) must be included in the rate calculation to reduce the rates in the following year. Any deficit (under recovery) may be included in the rate calculation at the discretion of the Service Center in conjunction with the Vice President for Finance.

2. Department Service Center - Funded from Unrestricted Designated Funds - Fiscal year-end deficits or surpluses will be eliminated through the following method:

- a. The surplus or deficit may be carried forward to the next fiscal year creating a fixed rate with carry forward provisions.
Under the method listed above, any surplus (over recovery) must be included in the rate calculation to reduce the rates in the following year. Any deficit (under recovery) may be included in the rate calculation at the discretion of the Service Center in conjunction with the Vice President for Finance.

D. BREAK-EVEN PERIOD

1. University Service Center - Each University Service Center will perform its operations to break-even over the long-range. The long-range is interpreted to mean no less than one year and no greater than five years.
2. Departmental Service Center - Each Departmental Service Center will perform its operations to break-even over a one-year period.

E. RATE METHODOLOGIES

Each designated service center is required to submit a methodology and rates for review by the Vice President for Finance or Government Cost Compliance. (See Exhibit for an example of the standard methodology employed for rate calculation.) A service center cannot use rates which have not been reviewed by Government Cost Compliance and approved by the Recharge Council.

F. RATE REVIEWS

The Vice President for Finance or his designee will review no less than bi-annually (per A-21) the rate methodology and actual rate calculated for each designated service center. Government Cost Compliance will regularly review Service Center funds balances, Actuals Document Journal Details, and Service Center invoices for consistent application of Service Center approved rates, processes and procedures.

G. RECONCILIATION TO BUDGET

The rate methodology submitted for approval must reflect rates which equate the direct costs of the service center to its annual operating budget. The service center must ensure that all appropriate costs of operation are included in its rates and that no unallowable cost has been added.

V. GUIDELINES FOR CALCULATING AND SETTING RATES

A. CALCULATION OF COST

1. Costs to be included - Because of the variance in requirements by the Federal Government (OMB Circular A-21) and the State Auditor's Office (Uniform Manual of Accounts and Reports - Higher Education), the University has two types of service centers - University Service Centers and Departmental Service Centers. One of the major differences between the two types of service centers is the costs which are required to be covered through the rates (see comparison table in Section III). Therefore, the following guidelines concerning which costs should be included when calculating and setting rates have been established:
 - a. Departmental Service Center - These service centers are not allowed to recover any indirect costs through their rates. They should only include direct costs in their expenses when calculating rates. Direct costs include, but are not limited to:
 - Equipment depreciation (See Section V.E. for guidelines)
 - Salaries and wages, and fringe benefits of employees performing the service
 - Cost of materials consumed performing the service
 - Cost of materials supplied from stock
 - Cost of services rendered by other institutional service centers (i.e. computer charges).
 - b. University Service Center - These service centers are required to recover their total costs (direct plus indirect costs) through their rates. They should include their allocated indirect costs (University overhead) as well as direct costs in their expenses when calculating their rates. Indirect costs often charged to University Service Centers fall into the following categories:
 - Building use allowances
 - General administration and general expenses
 - Operation and maintenance expenses

The remaining indirect cost categories which are included in the University's indirect cost pools are:

- Library expense
- Departmental administration expense
- Student administration and services
- Sponsored projects administration expenses

Indirect costs in these categories are charged to University Service Centers only if applicable.

- c. Application to Sponsored Agreements - For any service center which charges its rates to sponsored agreements, OMB Circular A-21 has established the following rules to distinguish between direct costs and indirect costs: "Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of sponsored agreements. Typical costs charged directly to a sponsored agreement are the compensation of employees for performance of work under

the sponsored agreement, including related fringe benefit costs to the extent they are treated consistently, in like circumstances, by the institution as direct rather than indirect costs; the costs of materials expended in the performance of the work; and other items of expense incurred for the sponsored agreement, including extraordinary utility consumption. The cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations may be included as direct costs of sponsored agreements, provided such items are treated consistently, in like circumstances, by the institution as direct rather than indirect costs, and are charged under a recognized method of computing actual costs, and conform to generally accepted cost accounting practices consistently followed by the institution." These rules must be followed when deciding what costs should be included in the rate calculation.

2. Cost to be excluded - OMB Circular A-21 defines certain expenditures as unallowable when determining costs. These expenditures (detailed below) should be excluded from service center costs for purposes of calculating and setting University user rates. However, if these costs are legitimate service center expenditures, they may be considered service center costs when determining the surcharge to be applied to non-University users (see Section V.F.).
 - a. Advertising costs - All advertising costs (the cost of the advertising media and corollary administrative costs) must be excluded except for those required for:
 - Recruitment of sponsored agreement personnel
 - Procurement of goods, disposal of materials and other specific purposes for sponsored agreements.
 - b. Bad debts - Any losses arising from uncollectible accounts and other claims and the related collection costs and legal fees must be excluded.
 - c. Commencement and convocation costs must be excluded.
 - d. Contingency provisions - contributions made to a contingency reserve or any other similar provision made for events, the occurrence of which cannot be foretold with certainty as to the time, intensity, or with an assurance of their happening must be excluded except for contributions to a reserve for self-insurance.
 - e. Capital expenditures - Expenditures for capital equipment must be excluded. Depreciation charge on fixed and movable capital equipment should be included (See Section V.E.)
 - f. Donated services and property - The value of donated property or services may not be included except for a depreciation charge on the fair market value of donated capital equipment.
 - g. Entertainment costs - Costs incurred for amusement, social activities, entertainment and any related items (e.g. meals, lodging, rentals, and transportation) must be excluded.

- h. Fines and penalties, unless incurred to comply with specific provisions for sponsored agreement or agency instructions, must be excluded.
- i. Insurance costs for risk of loss or damage to Government owned property (unless required or approved by the Government) must be excluded. - Losses which could have been covered by permissible insurance may not be included in service center costs.
- j. Interest expense
 - i. Interest expense on items purchased prior to July 1, 1982 is unallowable and must be excluded.
 - ii. Interest expense on items purchased after July 1, 1982:
 - If the item cost is less than \$10,000, then interest expense is unallowable and must be excluded
 - If the item cost is greater than or equal to \$10,000, interest expense is allowable and should be included.
- k. Organized fund raising costs must be excluded.
- l. Losses (excess of costs over income) under any sponsored agreement or contract of any nature is unallowable.
- m. All costs already fully funded from federal funds including use charges on federally funded capital expenditures must be excluded from service center costs.

B. RATES

1. Rate Development - Each service center will develop a rate for each distinct service it provides using the following general formula:

SERVICE CENTER COSTS ÷ USAGE FACTOR = RATE

Service center costs are costs which have been identified by the service center as a cost of providing a given service under the guidelines in the "Costs to be Included" section above. The 'Guideline for Costing for Service Center Billable Hours' is included in Appendix D. A usage factor, such as number of hours or number of occurrences should be developed for each service provided by the service center. For example, if a service center is calculating a rate for running tests on a per test basis, the usage factor to be included in the above formula would be the number of tests the service center expects to run.

The 'Service Center Questionnaire' (see Appendix D) must be completed and sent to Government Cost Compliance for review. After review the rate information is presented to the Recharge Council for approval.

2. Consistent application of rates - Service center rates must be applied consistently to all users of the service. Users of the service that cannot pay the full rate charged from their own departmental funds must seek other University funding.
3. Surcharges - Service centers will be allowed to place a surcharge on rates applied to non-University users (e.g. users outside of the University community). Additional

surcharges may be added for special service (e.g. quick turnaround or day-night shift differential).

4. Time Period - Rates should be evaluated by the Service Center at least once each year and a revised rate proposal presented at that time if rates need to be adjusted for significant changes.

C. RECOVERY OF SURPLUSES OR DEFICITS

1. University Service Center - (See Section IV - Surpluses and Deficits), any surplus (over recovery) must be included in future rates for recovery. Surpluses and deficits cannot be recovered or refunded through inclusion in cost pools allocated in the Federal Indirect Cost Proposal.
2. Departmental Service Center - (See Section IV - Surpluses and Deficits), any surplus (over recovery) must be included in future rates for recovery. Surpluses and deficits cannot be recovered or refunded through inclusion in cost pools allocated in the Federal Indirect Cost Proposal.

D. ACCOUNTING RULES

1. No direct costs which are used in a rate calculation can be funded from federal funds (G1xxxxxx)
2. All service centers must operate from Designated funds (D6xxxxxx), unless given express approval from the Vice President for Finance or his designee.
3. Service center "income" must be accounted for as recovery of expense.
 - a. GL 580100 is used for Internal Recovery of Expense – Service Centers
 - b. GL 580400 is used for External Taxable Recovery – Service Centers
 - c. 581300 is used for Cincinnati Children's Hospital Medical Center recovery
External Non-Taxable Recovery
4. All expenses used to calculate a particular rate structure must be funded from the same source. Also, all of a service center's recovery of expense generated by a particular rate structure must be credited to the same fund source from which the expenses used to calculate the rates were paid.

E. CALCULATION OF AND ACCOUNTING FOR DEPRECIATION

The entire amount of a moveable capital equipment expenditure (cost of \$5000 or more, useful life greater than one year) cannot be recognized in the year purchased. The expenditure must be spread over the useful life of the equipment. The following rules must be adhered to by service centers to calculate and account for depreciation.

1. OMB Circular A-21 allows an institution to compute a depreciation charge (straight line method only) on capital equipment. A service center should use the useful life information from the AA330 Asset Financial Report.
2. The Office of Asset Management maintains the University's Asset Management system. Service centers may charge depreciation only on that fixed or movable

capital equipment which has a University tag and software which is classified as a capital asset by Asset Management..

- a. Depreciation charges may not be taken on any capital equipment purchased with federal funds.
3. To properly account for depreciation, the following method must be used:
 - a. Service centers must book depreciation. It is the responsibility of these service centers to work with the Controller's Office to establish Renewal and Replacement funds to accumulate depreciation charges and properly account for depreciation charges.
 - Either monthly or quarterly, a service center will calculate depreciation charges based on Asset Management Asset Accounting, AA330 Asset Financial Report.
 - Depreciation charges will be recorded via a Transfer Voucher (TV) form. It will be the responsibility of each service center to work with the Controller's Office to see that these charges are properly processed.
 - The depreciation charge will be a debit to expense and corresponding credit to the Renewal and Replacement fund.
4. Non-capital equipment (cost of less than \$5000, useful life less than one year) must be purchased from the service center's current funds and expended in the year purchased.
5. Capital equipment (cost of \$5000 or more, useful life greater than one year) should not be purchased from a service center's operating fund. If a service center books its depreciation charges, all capital equipment should be purchased from the service center's Repair and Replacement fund, capitalized, and depreciated.

F. CALCULATION OF AND ACCOUNTING FOR RECOVERY OF UNALLOWABLE EXPENSES

A portion of service center revenue generated by the surcharge applied to non-University users may be used to support unallowable service center costs which would otherwise be supported by fund source other than service center revenue. Although these costs cannot be recovered from University users, there is no reason they cannot be recovered from non-University users. The following rules must be followed by service centers to properly calculate and account for these recoveries (see Appendix B for example).

1. Any Expenditure which is:
 - a. Defined as unallowable by OMB Circular A-21 and is not a capital expenditure (see Section V.A.2.),
 - b. Not included in service center costs for purposes of calculating the University user rate,
 - c. A legitimate service center cost,

- d. Not supported by service center revenue, may be supported, in part, by service center revenue generated by the surcharge applied to non-University user rates.
2. Calculation of amount of surcharge revenue to be used to support unallowable costs.
 - a. Calculate unallowable costs as a percent of total allowable and unallowable costs.
 - b. Calculate the amount of service center revenue (recovery of expense) generated by surcharge applied to non-University users.
 - c. Multiply the percentage calculated in (a) by the amount calculated in (b) to obtain the amount of surcharge revenue to be used to support unallowable costs.
 3. The amount calculated in (2) should be transferred from the Service Center Recovery account to the account from which the unallowable costs were paid on a Journal Voucher Adjustment (JVA).
 - a. The service center should request that a JVA be written to transfer the surcharge revenue amount.
 - b. The request with documentation of the calculation of the transfer should be submitted to Government Cost Compliance for approval.
 - c. Government Cost Compliance will review the documentation and, if approved, will forward the transfer to General Accounting for processing.
 4. If a service center elects this treatment of surcharge revenue, they should contact Government Cost Compliance so that the timing of the year-end transfers can be set. By working with Government Cost Compliance in advance, the service center assures that the transfer will be made on a timely basis.

APPENDIX A

Criteria for Designation as a Service Center

The following Exhibits contain the material available for determining whether a department should be a University Service Center, a Departmental Service Center, or other Recharge Unit.

Exhibit A-1 OMB Circular A-21, paragraph J-38, "Specialized Service Facilities"

Exhibit A-2 GASB Statement 34

Exhibit A-3 State of Ohio Mandated Service Departments

Using the criteria contained in the above material, the Vice President for Finance or his designate will make the final determination as to whether a department should be classified as a University Service Center, a Departmental Service Center, or other Recharge Unit. Initial determination needs to be made that the facility will operate on a continuous basis with frequent transactions. In addition, it needs to be determined whether the facility performs services for the entire University community, or a large portion hereof, which is a necessary criteria for qualifying as a University Service Center. If the facility provides service to a very limited number of departments, that center would not qualify as a University Service Center, but rather as a Departmental Service Center, or other Recharge Unit. However, the most important criteria which will be looked at is the amount of indirect cost likely to be allocated to a proposed service center. If that amount is material (\$100,000 or greater, as negotiated with DHHS), the service center qualifies as a University Service Center.

Upon ascertaining that an entity is a service center, it is necessary for the manager of the service center to develop a rate methodology, and rates, which need to be approved by the Vice President for Finance or his designate. These rates need to be annually reviewed. If the entity is determined to be a Recharge Unit other than a service center, a rate methodology and rates should be developed and forwarded to Government Cost Compliance to be kept on file for Federal Indirect Cost Audit purposes. Further, it will be the responsibility of the Vice President for Finance or his designee working with the service center, to determine that: rates are consistently applied; the break-even period does not exceed the period specified in the Service Center policy; any surcharge to outside users benefits all inside users (including the Federal Government); and surpluses and deficits be eliminated in compliance with policy. It should be understood that OMB Circular A-21 supersedes the Auditor of the State Manual because of potential audit disallowance. Thus while the State Manual does not direct us to allocate charges from an animal facility or a media center, those charges will be allocated under federal regulations in conflict with the State Manual. Proposed service centers not meeting the conditions defined in OMB Circular A-21, the Service Center Policies, or the Uniform Manual of Accounts and Reports - Higher Education should not be established as service centers. Charges for services performed by entities not qualifying as Recharge Units must be made through the University's overhead allocation.

EXHIBIT A-1

OMB Circular A-21

Excerpt - Paragraph J.44

38. Specialized Service Facilities:

- a. The costs of institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors are allowable, provided the charge for the service meets the conditions of b. through d. below.
- b. The cost of each service normally shall consist of both its direct costs and its allocable share of indirect costs with deductions for appropriate income or federal financing as described in Section C5.
- c. The cost of such institutional services, when material in amount, will be charged directly to users, including sponsored agreements based on actual use of the services and a schedule of rates that does not discriminate between federally and non-federally supported activities of the institution, including use by the institution for internal purposes. Charges for the use of specialized facilities should be designated to recover not more than the aggregate cost of the services over a long-term period agreed to by the institution, and the cognizant federal agency. Accordingly, it is not necessary that the rates charged for services be equal to the cost of providing those services during any one fiscal year as long as rates are reviewed periodically for consistency with the long-term plan and adjusted if necessary.
- d. Where the costs incurred for such institutional services are not material, they may be allocated as indirect costs. Such arrangements must be agreed to by the institution and the cognizant federal agency.
- e. Where it is in the best interest of the Government and the institution to establish alternative costing arrangements, such arrangements may be worked out with the cognizant federal agency.

EXHIBIT A-2

GASB Statement 34

Please see the GASB Statement 34 found at: <http://www.gasb.org/repmoel/index.html>

EXHIBIT A-3

State of Ohio Mandated Service Departments

The below listed service departments are required by the State of Ohio Accounting Manual, and (with the exception of the U.C. Computing Center) do not meet the University's definition of University Service Centers:

- Computer Centers
- Telephone Rentals and Tolls
- Postage
- Transportation
- Printing and Duplicating
- Secretarial Pool

A State mandated service department "provides a specific type of service to various institutional departments". This definition differs from section 201 of the University's Specialized Service Center Policy Statement where University Service Centers are defined as providers of a "service or product on a continuous basis to the University community (including the public)". The State of Ohio does not require indirect costs to be allocated to University service departments. University service centers must receive a full allocation of indirect costs which must then be included or excluded consistently in the service rates charged to users.

APPENDIX B

Calculation of and Accounting for Recovery of Unallowable Expenditure Comprehensive Example

A service center operates from Designated Fund #D6xxxxx. It has established a Renewal and Replacement Fund #P6xxxxx to account for depreciation on a \$20,000 piece of equipment (5 year life) purchased on a 5 year lease purchase agreement (payments of \$6,000/year) purchased prior to July 1, 1982. The service center has projected its costs for the fiscal year to be as follows:

- Salaries \$ 5,000
- Supplies \$1,000
- Depreciation of Equipment 4,000
- Total Allowable Cost \$10,000
- Unallowable Interest Cost on Lease Purchase \$2,000
- Total Allowable/Unallowable Cost \$12,000

The Salaries, Supplies, and Depreciation of \$10,000 expenses will be paid from the Designated Fund #D6xxxxx. The Lease Purchase expense of \$6,000 (\$4,000 principal, \$2,000 interest) will be paid from the Renewal and Replacement Fund #P6xxxxx. The Renewal and Replacement Fund #P6xxxxx is to be funded by \$4,000 in depreciation and a \$2,000 transfer from departmental general funds to cover the interest cost. The service center expects to do 1,000 tests during the year and has determined to charge a 56% surcharge on its rate for any test performed for non-University users. Therefore, the service center has established the following rates for the fiscal year:

- University user rate (\$10,000 ÷ 1,000 tests) \$10/test
- Surcharge (56% x \$10) \$ 5.60/test
- Non-University user rate \$15.60/test

At year-end, the service center has collected revenue (recovery of expense) as follows:

- 900 tests at \$10/test (University user) \$ 9,000
- 100 tests at \$15.60/test (non-University user) 1,560
- Total \$10,560

The non-University user revenue is broken down as follows:

- Revenue from base rate \$ 1,000
- Revenue from surcharge 560
- Total \$ 1,560

The service center calculates the amount of surcharge revenue to be used to support interest cost as follows:

Unallowable cost as a % of total allowable and unallowable cost (\$2,000 ÷ \$12,000)
20%

Amount of surcharge revenue attributable to unallowable interest cost (20% x \$560)
\$ 112

At the beginning of the year, the service center made the following transfer of funds to fund the unallowable interest costs to be paid from the Renewal and Replacement fund:

- DEBIT Department General Funds \$2,000
- CREDIT Renewal and Replacement Fund \$2,000

The net effect of these transfers will be to reduce the over recovery (surplus) of \$560 reported by the service center to \$448 and reduce the amount of general funds support for the service center to \$1,888 from \$2,000. A letter requesting a Journal Voucher Adjustment (JVA) to effect this transfer should be submitted

along with the calculation documentation to Government Cost Compliance for approval. Budget and Analysis would review the documentation and, if approved, forward the entry to the Controller's Office for processing.

APPENDIX C

UNIVERSITY OF CINCINNATI SERVICE CENTERS
 Departmental Master Lease Financing Option for Funding New Equipment

Adobe Acrobat Professional - [MLPA_APPLICTN_PROCEDURES-9-07 UPDATE.pdf]

File Edit View Document Comments Tools Advanced Window Help

**UNIVERSITY OF CINCINNATI
 DEPARTMENTAL MASTER LEASE FINANCING APPLICATION**

Minimum purchase amount to be financed under master lease is \$50,000.
 Repayment period must not exceed estimated useful life of assets being financed.
 Equipment purchase must follow all purchasing rules and regulations.
 To assure compliance with tax exempt financing regulations, this form must be completed, signed, and delivered to the Treasurer's Office, 500 University Hall, ML #0641, no later than 30 calendar days after the date of the purchase order. A copy of the purchase order on which the equipment being financed was ordered must be sent to the Treasurer's Office before the lease will be finalized. A copy of the business plan justifying this financing must be attached to this application. The lease is non-cancelable. Equipment may not be disposed of until lease is paid off.

DEPARTMENT

DESCRIPTION OF EQUIPMENT TO BE FINANCED

AMOUNT TO BE FINANCED REPAYMENT PERIOD

ACCOUNT CODE TO WHICH PURCHASE ORDER WAS CHARGED

ACCOUNT CODE TO WHICH REPAYMENT WILL BE CHARGED

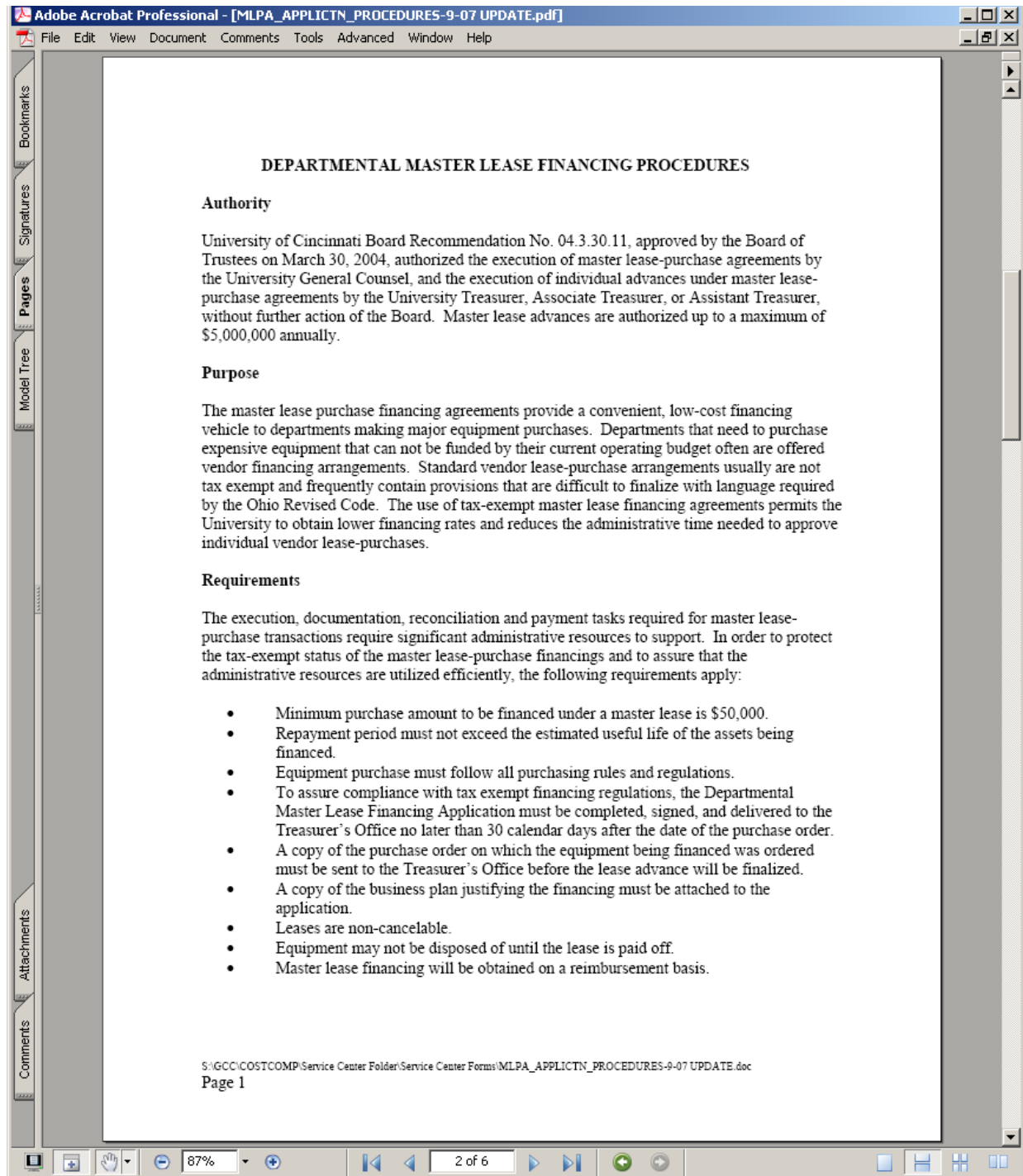
AUTHORIZATIONS:

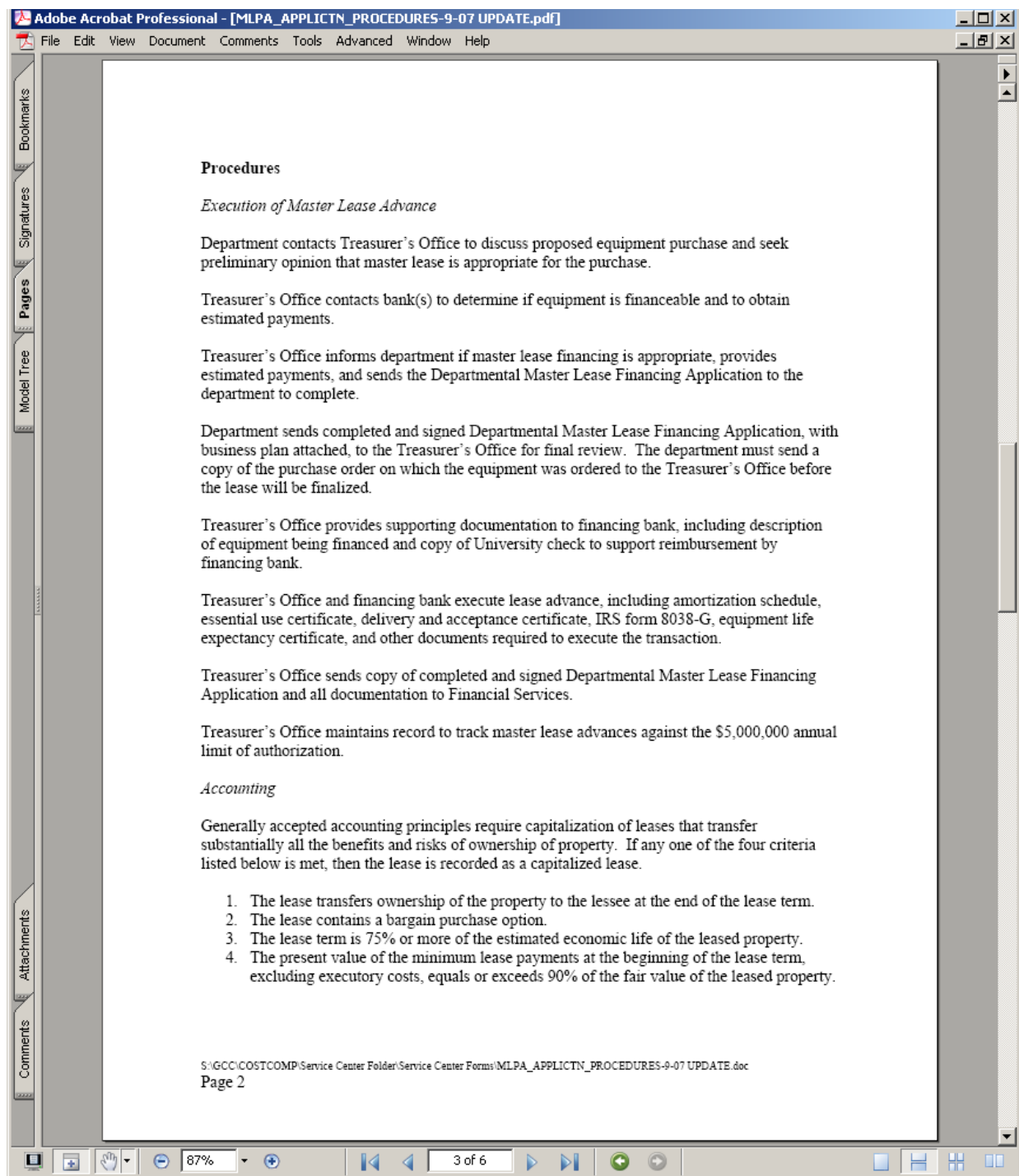
PERSON INITIATING FORM	<input type="text"/>	DATE	<input type="text"/>
DEPARTMENT HEAD	<input type="text"/>	DATE	<input type="text"/>
DEAN OR ADMINISTRATOR	<input type="text"/>	DATE	<input type="text"/>
VP FISCAL OFFICER	<input type="text"/>	DATE	<input type="text"/>
VICE PRESIDENT	<input type="text"/>	DATE	<input type="text"/>
SPONSORED PROGRAM ACCOUNTING IF GRANT/ CONTRACT	<input type="text"/>	DATE	<input type="text"/>
TREASURER'S OFFICE	<input type="text"/>	DATE	<input type="text"/>

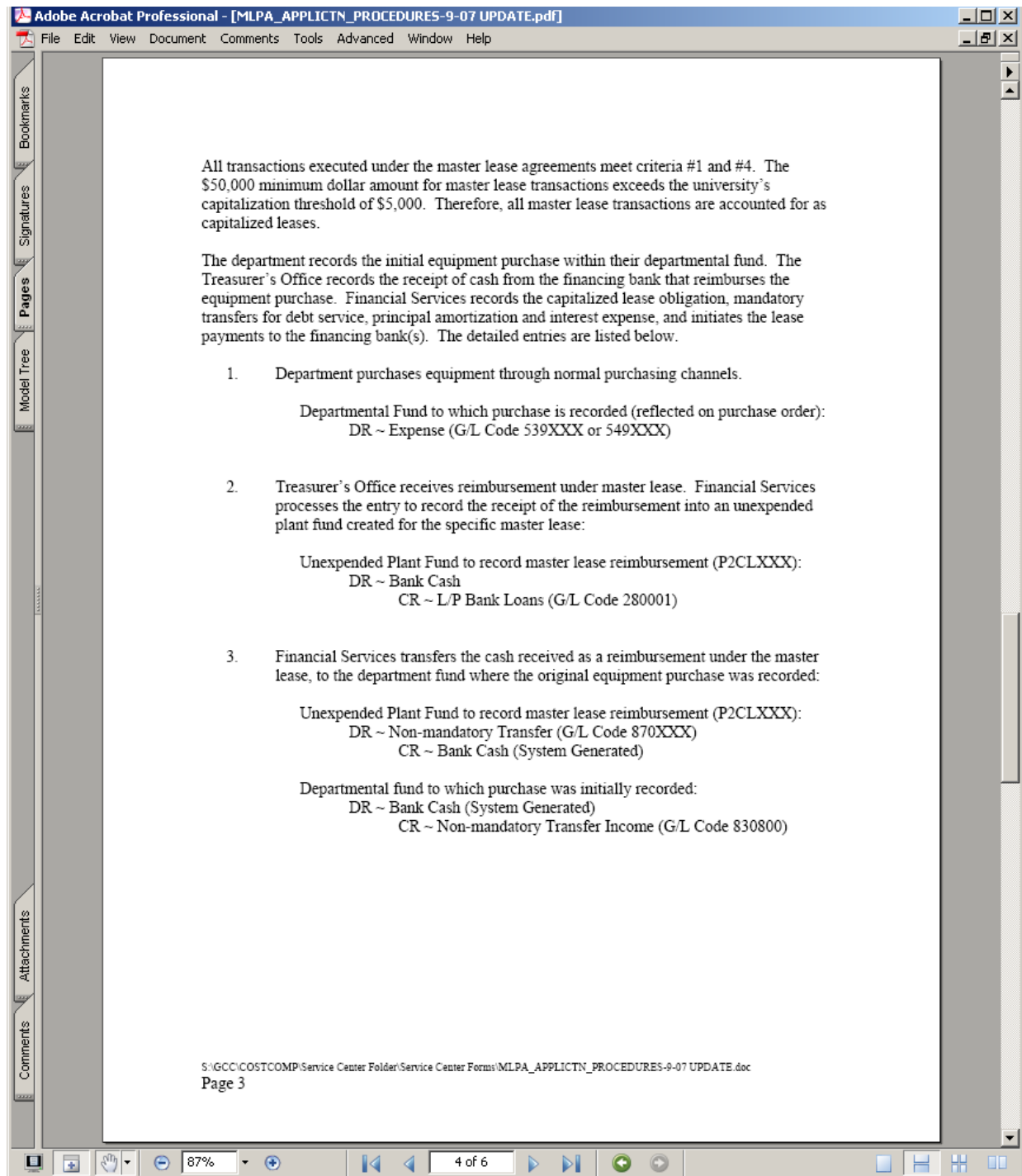
To be completed by Treasurer's Office:
 Interest _____ Annual Amortization _____ Financing Bank _____
 Rate _____ Payment _____ Schedule Attached _____
 Copy of completed form, all attachments, and all lease documents sent to Construction Management. _____

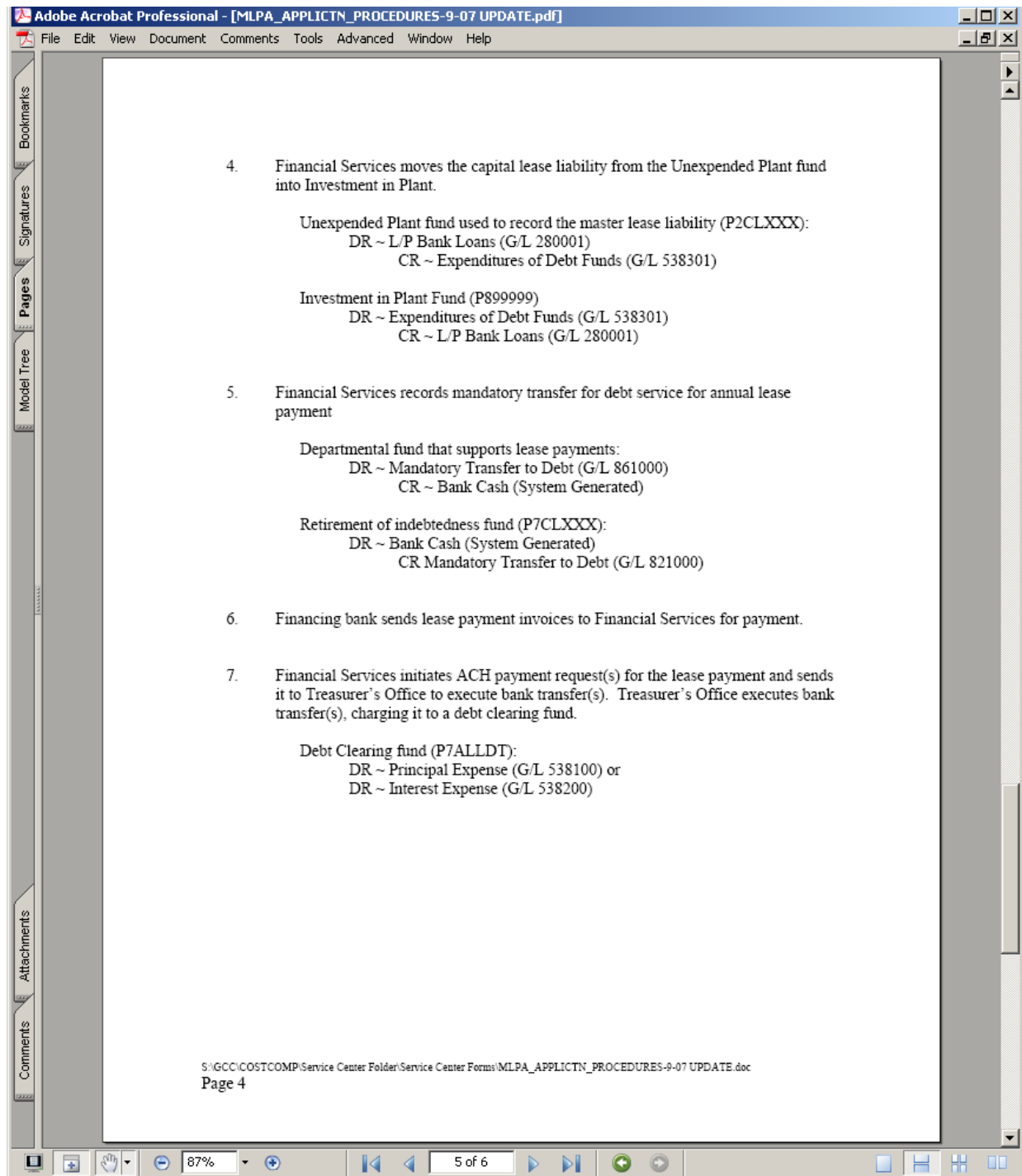
MLPA_APPLICTN_PROCEDURES-9-07 UPDATE

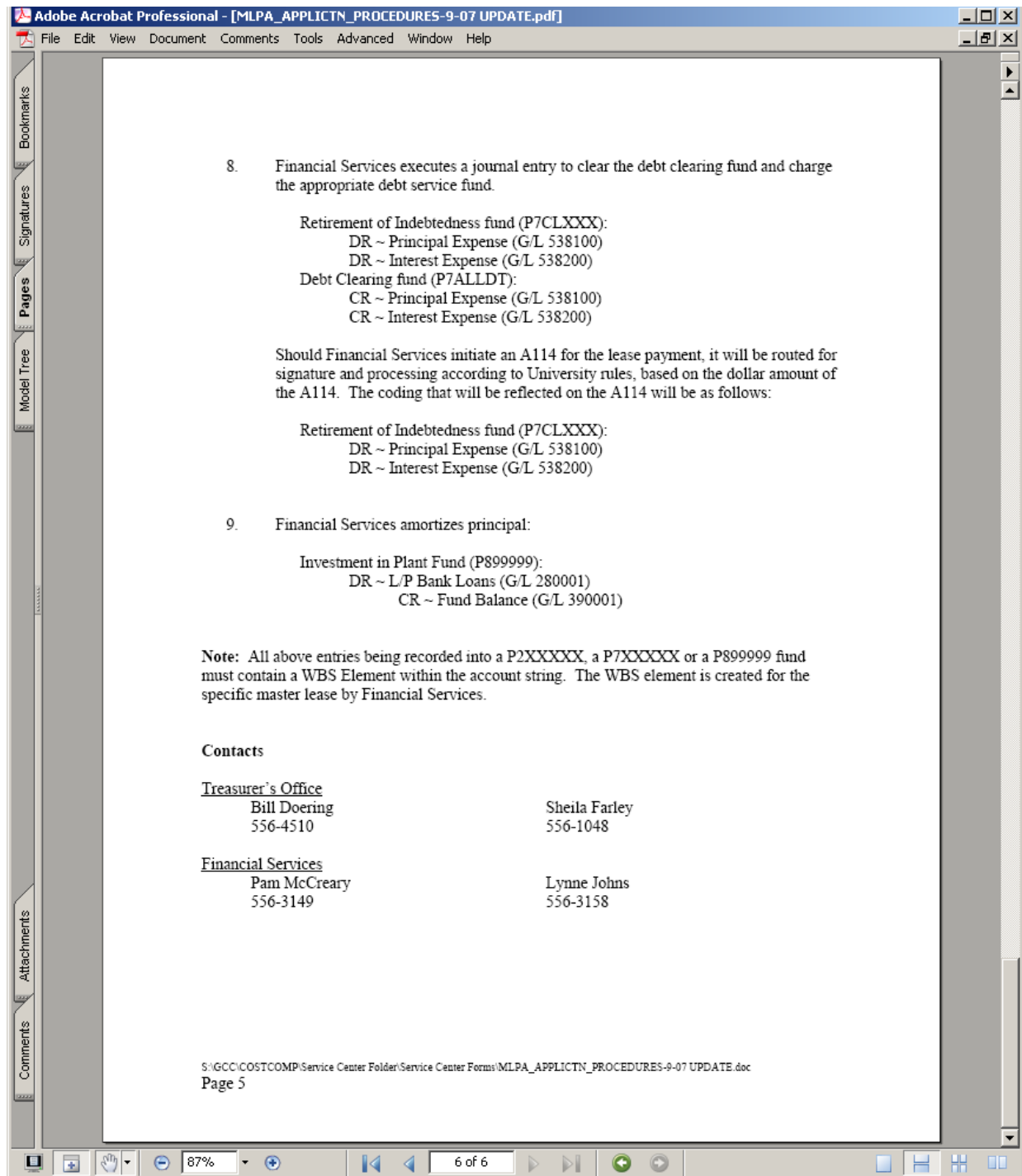
87% 1 of 6











Appendix D

SAMPLE DEPARTMENT SERVICE CENTER RATE CALCULATION, SERVICE CENTER

This appendix contains a Sample Department Service Center Rate Calculation, the Service Center Questionnaire, and the Guidelines for Costing/Service Center Billable Hours.

The Service Center Questionnaire is available at the Government Cost Compliance website, <http://www.uc.edu/af/gcc/default.html>

The Sample Department Service Center rate calculation can be used as a guide in calculating rates. The questionnaire must be completed and sent to Government Cost Compliance for all new rates or rate changes. Rates are reviewed by Government Cost Compliance and then submitted to the Recharge Council for approval. The Guidelines for Costing / Service Center Billable Hours can be used as a guide for calculating billable hours for the various types of faculty/staff appointments.

D-1

SAMPLE DEPARTMENT SERVICE CENTER

Department of: Research and Development

PERSONNEL:

Co-Directors

Eric A. Jones, Ph.D @ 5% Effort \$ 2,913
(Sal.=\$2,205; FB @ 32.1%=708)

Michael S. Cane, Ph.D. @ 5% Effort 3,219
(Sal.=\$2,437; FB @ 32.1%=\$782)

Programmer

Joe Smith @ 100% Effort \$31,981
(Sal.=\$23,550; FB @ 35.8%=\$8431)

Student Technician

John Smart @ \$7.30/hr for 10 hr/wk. 4,062
(Sal.=\$3,796; FB @ 7%=\$266)

Total Personnel: \$42,175

We have used the following in calculating the anticipated number of hours of usage per year (see `Guidelines for Costing for Service Center Billable Hours in Appendix D):

2,080 work hrs/yr (based on 8 hrs/day x 260 work days/yr)
- 80 holiday hrs/yr (based on 10 paid holidays/yr)
- 208 hours non-usage (10% of work hrs/yr estimated)
- 416 hrs development and/or downtime (20% of work hrs/yr estimated) 1376 hrs of actual usage (service for fee usage)

http://www.uc.edu/content/dam/uc/af/budgetfinsvcs/gcc/docs/service_center_policies_and_procedures_manual.pdf