

Rice University Policy No. 836

Service Center Policy

General Policy

Rice University has organizational units that provide goods and/or services in support of the University's mission and charge for those goods and services. It is the policy of the University that such charges must be consistent with sound business practices, Federal regulations and cost accounting and financial reporting principles. The University establishes such units as Service Centers to ensure compliance. This policy applies to all Rice units that charge for goods and services and users of such goods and services.

Elaboration of Policy

A Service Center must follow budget and accounting protocols to ensure that rates are reviewed annually, set at a level to recover only reasonable, allocable and allowable costs and to ensure a break-even operation and are applied to users consistently and fairly based on usage. The [Uniform Guidance on Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards](#) (replacing OMB Circular A-21, [Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions](#)) defines requirements for recovery of allowable costs and cost accounting standards and states that rates must be applied uniformly when charging government grants and other users.

The following principles apply to all Service Centers at Rice University.

- If a non-auxiliary department collects payment for a product or service, it is subject to the Service Center Policy.
- Users or customers should be primarily internal to Rice although there may also be external users especially where the external users are in collaboration with the University's mission and goals.
- The rates for the goods or services, including any subsidy, should at a minimum recover direct costs.
- Rates or fees must be based on actual costs and charged based on actual usage.
- Internal users (including sponsored projects) must be charged the same rate for similar services.
- External users are charged rates that are competitive with the market for similar services and include the direct costs and overhead costs. Departments selling to both external customers and Federal grants cannot charge Federal grants more than external customers.
- Fees must be charged and collected regularly to enable monitoring of break-even status.
- Business models are to be developed with the intent to break even over a twelve-month period to avoid generating a continuing surplus or deficit. Total accumulated surpluses should fall within 15% of annual operating expenditures.

Determining the Need for a Service Center

In determining whether to charge for products or services, the following criteria should be considered:

- A demand exists for the products and/or services to be provided by the Center.
- This demand should be by more than one other department, unit or user.
- Use of the service is measurable.

- A significant volume of products or services, both in dollar amount and number of transactions, will occur.
- The product or service is provided on a regular and continuing basis.
- Charging leverages the University's resources.
- Charging for the goods or services does not result in unintended consequences that would create risk to the University.
- The charge is allowable on externally funded research grants.
- The service users or consumers are predominantly internal Rice departments, employees or projects and University funds will pay the charges.

Definitions

Service Center: A Service Center is an entity whose primary purpose is to provide ongoing products or services to users in support of the University's mission. Service Centers charge a fee at a rate per use or by unit. Some Service Centers are straightforward in terms of their operation. Their primary purpose is to pass on a single cost through a recharge mechanism according to usage. These costs typically do not include salaries, support costs, or equipment depreciation. An example of this type of Service Center is one where the costs being charged are for a maintenance agreement and are allocated by usage.

Other Service Centers have operations that are more complex and have fees that are based on support costs, such as salaries and benefits of those working on the product or service, materials and supplies, and equipment depreciation. Examples of these more complex Service Centers at Rice are the Shared Equipment Authority, Confocal Microscope Service Center and the Animal Resource Facility.

Specialized Service Facility (SSF): A SSF is a highly complex or specialized facility (such as a wind tunnel or a reactor) organized to provide goods and/or services to other organizational units and charge for those goods and/or services. The end user typically determines the level of goods and/or services that is provided. SSFs normally have annual expenditures of at least \$1 million or charges to Federal funds of at least \$250,000.

Auxiliary Enterprise: An auxiliary enterprise is an entity that exists to furnish goods or services primarily to University customers (students, faculty, staff or visitors) and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities. Billings to other University (internal) units should be incidental to the auxiliary's main business activities. Examples at Rice are Parking and Transportation, and Housing and Dining. An auxiliary enterprise must collect sales tax for taxable items and should recover appropriate facilities and administrative costs through their rate structure.

Roles and Responsibilities

While all parties should be familiar with the regulations and policies that govern Service Centers, there are specific responsibilities for various individuals and offices. The Office of Research and Cost Accounting is the primary administrative office with responsibilities for assistance with and oversight of Rice's Service Center policy and procedures. http://www.professor.rice.edu/professor/Guidelines_and_Procedures_N-Z.asp?SnID=1774830806 - ServiceCenters

Service Center Owner/Manager:

- Ensure that expenditures are appropriate and properly coded.
- Ensure that revenues are booked properly and include F&A charges and/or Texas State Sales Tax as appropriate.
- Invoice users frequently (preferably monthly) so that Service Center balances can be accurately assessed.
- Prepare financial plans at least annually to ensure that expenditures and revenues are in balance.
- If gross revenues exceed \$50,000/year, present an annual formal planning document and rate calculation for approval by Research and Cost Accounting.
- If gross revenues are below \$50,000/year, perform an annual review of revenues and expenditures, adjusting the service center rates so that projected revenues for the next fiscal period fall with the 15% margin of break-even operation.

Department Administrators:

- Monitor the operations of departmental Service Centers to ensure compliance with Federal regulations and Rice policy.
- Act as liaison between departmental Service Center and Research and Cost Accounting.

Department Chairs:

- Resolve Service Center issues that may arise regarding compliance with Rice policy and procedures.

Vice Provost for Research:

- Monitor the operations of Service Centers under the control of the Vice Provost to ensure compliance with Federal regulations and Rice policy.
- Assist Chairs in resolving Service Center issues that may arise in their departments regarding compliance with Rice policy and procedures.

Vice President for Finance:

- Resolve issues that may arise regarding compliance with Rice policy and procedures.
- Ensure that financial reporting issues resulting from Service Center operations are appropriately addressed.

Research and Cost Accounting:

- Consult with appropriate manager and department administrator when a department has a situation that could lead to the establishment of a Service Center, advising them of the Service Center policy and procedures. If a decision is made to go forward with establishing a Service Center, provide formal training to all staff and faculty in the department who will be involved in the administration of the Service Center.
- Assist Service Center Managers and Department Administrators in establishing and reviewing Service Centers.
- Monitor the operations of Service Centers to ensure compliance with Federal regulations and Rice policy and procedures.

- Review Service Center rates annually when gross revenues exceed \$50,000 and perform periodic reviews of those Service Centers with gross revenues under \$50,000.
- Review and approve Service Center billing journals as appropriate.
- Raise issues of non-compliance with appropriate parties and identify solutions.
- Hold regular training on Service Center policies and procedures, providing training for any new departmental administrator who will have Service Center responsibilities.
- Ensure that Service Center costs are appropriately addressed in Facilities and Administrative (F&A) cost proposals to the Federal government.

Cross Reference to Related Policies

[Rice University Policy No. 809 – Control of Equipment and Other Property](#)

Responsible Officer

Vice President for Finance

Key Offices to Contact Regarding Policy and Implementation

Vice President for Finance
Controller
Research and Cost Accounting


David W. Leebron, President

Policy No. 836
February 6, 2015