



SERVICE CENTER PROCEDURES

This working document was last updated: September 25, 2009

TABLE OF CONTENTS

I. INTRODUCTION

- A. Purpose
- B. Objectives
- C. Resources
 - 1. OMB Circular A-21 including Cost Accounting Standards
 - 2. OMB Circular A-110
 - 3. OHSU Disclosure Statement
 - 4. OHSU Fixed Asset Guidelines and Procedures
 - 5. OHSU Guidelines for Direct and Indirect Charging of Costs
 - 6. OHSU Service Center Policy

II. TYPES OF SERVICE CENTERS

- A. Specialized Service Facility
- B. Service Facility
- C. Recharge Center

III. DEFINITIONS

- A. Auxiliary Enterprise
- B. Breakeven Operations
- C. Capital Equipment
- D. Direct Costs
- E. External User
- F. Institutional Overhead Costs
- G. Internal User
- H. Recharge Transaction
- I. Sponsored Agreement
- J. Unallowable Costs
- K. Units of Output
- L. Working Capital

IV. PROCEDURES

- A. Establishing a Service Center
- B. Rate Development Cost Components
 - 1. Institutional Overhead Costs
 - a. building depreciation
 - b. operations & maintenance
 - 2. Direct Costs
 - a. salaries and wages
 - b. other payroll expenses
 - c. supplies and services
 - d. equipment purchase expense
 - 3. Adjustments
 - a. equipment depreciation
 - b. unallowable costs
 - c. subsidized costs
 - d. fund transfers
 - e. prior year surplus or deficit
 - f. working capital reserve

- C. Billing Rates
 - 1. Rate Development
 - 2. Discount Options
 - a. market-based discount
 - b. volume discount
 - c. time-of-day discount
 - d. specified user subsidy

V. RESPONSIBILITIES

- A. Service Center Managers/Administrators
 - 1. Submit Request for Establishing a Service Center
 - 2. Operate and Monitor the Service Center
 - 3. Submit Billing Rates to CFS Annually
- B. Corporate Financial Services
 - 1. Establish New Service Centers
 - 2. Monitor Service Center Activity
 - 3. Approve Rate Proposals

VI. ACCOUNTING PRACTICES

- A. Equipment Purchases and Capital Project Expenses

EXHIBITS

- A: Calculation for an Hourly Rate
- B: Mark-Up Rate Calculation
- C: Rate Calculation for a Service (w. depreciation)
- D: Rate Calculation for Rental Space

FORMS

- 1: Request for Rate Approval
- 2: Establishing a Service Center
- 3: List of Billing Rates
- 4: Proposed Annual Budget

I. INTRODUCTION

A. PURPOSE

OHSU receives a substantial amount of Federal funds through grants, contracts and cooperative agreements. Because recipients of these awards purchase the products and services provided by service centers, it is necessary for service centers to operate according to Federal regulations. The purpose of the manual is to provide a framework for service center operations to assure they are in compliance with the Cost Accounting Standards and Federal regulations. Non-compliance could jeopardize the amount of Federal funds OHSU receives.

Service centers sell products and services ranging from the most common and convenient to those unique and not readily available from external sources. They provide a mechanism for charging internal users called recharge transactions. Billing rates are established to recover the operating costs necessary to provide the products and services. Therefore, service centers operate on a breakeven basis. Federal grants and contracts may not be charged more than any other customers unless those customers qualify for a discount option as defined in section IV-C-2.

B. OBJECTIVES

- Provide billing rate development methods in accordance with OMB Circular A-21 for recovery of the expenses necessary for providing the products and services.
- Ensure all costs are allowable, identifiable, reasonable, and consistently charged.
- Establish procedures for annual submission and approval of billing rates. This includes changes in billing rates or methodologies used to compute the rates, including mid-year changes.
- Ensure that service centers maintain all records necessary to support and document their operations and billing rates in accordance with OHSU record retention requirements.

C. RESOURCES

1. OMB Circular A-21 including Cost Accounting Standards (CAS)

The Office of Management and Budget Circular A-21 sets forth the principles for determining whether costs are direct or indirect and allowable or unallowable as they pertain to federally sponsored projects. OMB Circular A-21 contains appropriate cost account standards. This document can be accessed on the Internet at: http://www.whitehouse.gov/omb/circulars_a021_2004/

The Cost Accounting Standards Board issues cost accounting standards for colleges and universities. Service centers must comply with the following:

- CAS 501: Be consistent in estimating, accumulating and reporting costs.
- CAS 502: Allocate costs incurred for the same purpose, in like circumstances, as either direct or indirect costs. The purpose of this standard is to ensure each type of cost is allocated only once to any grant, contract or other cost objective.
- CAS 505: Unallowable costs must be identified and excluded from billings, claims, or application to a government sponsored agreement.
- CAS 506: Consistently use the same cost accounting period for cost estimating, accumulating, and reporting.

2. OMB Circular A-110

The Office of Management and Budget Circular A-110 contains uniform administrative requirements for grants and other agreements with institutions of higher education, hospitals, and other non-profit organizations. This document can be accessed on the Internet at: http://www.whitehouse.gov/omb/circulars_a110/

3. OHSU Disclosure Statement (DS-2)

Educational institutions that receive \$25 million or more in sponsored agreements subject to OMB Circular A-21 are required to file a Cost Accounting Standards Disclosure Statement. Service centers are responsible for complying with the cost accounting practices documented in OHSU's DS-2. If changes occur in a service center's accounting practices from those disclosed, amendments must be filed to update OHSU's DS-2. Please contact Central Financial Services for information regarding the DS-2.

4. OHSU Fixed Asset Guidelines and Procedures

Service centers are to comply with the Fixed Asset Guidelines and Procedures. The purpose of this document is to "establish management and control procedures for the acquisition, disposition and the safeguard of fixed assets or tangible property belonging to or in the custody of OHSU. This document is also established to fulfill the Federal requirements regarding verification of assets and the safeguard of federally purchased equipment." This document can be accessed on the Internet at:
<http://www.ohsu.edu/xd/about/services/financial-services/forms/forms-policies.cfm>

5. OHSU Guidelines for Direct and Indirect Charging of Costs

Sponsored Project Administration's guidelines for *Direct and Indirect Charging of Costs* (No. 04-40-001.100) establishes consistent practices for defining and charging costs as either direct or indirect costs to sponsored projects and other university accounts. This document can be accessed on the Internet at:
<http://www.ohsu.edu/research/rda/spa/direct.shtml>

6. OHSU Service Center Policy

The purpose of this policy is to ensure service centers operate, financially account for, and report in a manner consistent with the requirements set forth in Federal regulations, primarily the Office of Management and Budget (OMB) Circular A-21. This document can be accessed on the Internet at:
<http://www.ohsu.edu/xd/about/services/financial-services/forms/forms-policies.cfm>

II. TYPES OF SERVICE CENTERS

A service center is defined as a department, or organizational unit within a department, which sells products or services *within the university* for a fee. A service center's predominant revenue source is from interdepartmental billings, known as recharge transactions. Operating units that charge federal grants and contracts more than \$25,000 annually have their own distinct fund, while activity for operations that do not meet this criteria remain in the general fund or other unrestricted fund. Service centers are classified into one of the following three categories based on their annual expenses and charges to federal grants and contracts.

A. SPECIALIZED SERVICE FACILITY

A service center that annually charges federal grants and contracts more than \$25,000 and has annual operating expenses of \$1,000,000 or more. This type of service center should bear its fair share of institutional overhead, such as building depreciation, and operations & maintenance (utilities, custodial, etc) in addition to its direct costs. Specialized Service Facilities must follow the requirements set forth in OMB Circular A-21 Section J.44. Examples include Animal Care, Telecommunications, and Research/Office Stores.

B. SERVICE FACILITY

A service center that annually charges federal grants and contracts more than \$25,000 and has annual operating expenditures less than \$1,000,000. Billing rates are designed to recover direct costs such as salaries & wages, other payroll expenses, supplies & services, and equipment depreciation. After two consecutive years of charging federal grants and contracts \$25,000 or less, a service facility or specialized service facility is eligible to become a recharge center.

C. RECHARGE CENTER

A service center that annually charges federal grants and contracts equal to or less than \$25,000. These activities are generally incidental to total departmental activity. All transactions should use mission code 71. Formal cost studies are not required and rate development calculations do not need to be submitted annually to Central Financial Services, but cost-based rates should still be used. When a Recharge Center's charges to federal grants and contracts exceed \$25,000 they must establish a service center fund.

III. DEFINITIONS

- A. AUXILIARY ENTERPRISE.** A separately organized university unit or activity specifically established to sell products/services on a continuing basis to students, faculty, staff and the general public primarily for personal use. Only an incidental amount of their revenue will be from recharge transactions. Examples include bookstores, cafeterias, residence halls, and parking services. Auxiliary enterprises are not covered by this policy.
- B. BREAKEVEN OPERATIONS.** Annual revenue equals annual expenses (excluding capital expenses) at the end of the fiscal year.
- C. CAPITAL ASSET.** Property (tangible and intangible) that is owned, leased under a capital lease, controlled, or possessed by the institution and not consumed in the normal course of business, with a useful life of more than one year and has an acquisition cost of \$3,000 or more per item. This includes building improvement assets with a cost of \$10,000 or greater (not including related furnishings or equipment).
- D. DIRECT COSTS.** Costs that can be specifically identified and assigned with relative ease and with a high degree of accuracy. Examples include those costs incurred for service center operations such as salaries & wages, other payroll expenses, supplies & services and equipment depreciation.
- E. EXTERNAL USER.** A non-OHSU individual or entity that purchases the products or services of a service center. Typically, external users do not account for their transactions through the University's accounting system.
- F. INSTITUTIONAL OVERHEAD COSTS.¹** Institutional indirect expenses that are incurred for multiple or shared projects, functions or activities and therefore cannot be specifically identified with relative ease and high degree of accuracy to a particular project, function or activity. These costs include but are not limited to building depreciation, and operations & maintenance. Specialized Service Facilities shall recover these costs by including them into their rate calculations.
- G. INTERNAL USER.** A department, or individual, within OHSU that purchases the products and services of a service center. Sales are typically processed as recharge transactions.
- H. RECHARGE TRANSACTION.** The transfer of funds from one university department or unit account to the service center account in exchange for the service or product it provided.
- I. SPONSORED AGREEMENT.** Includes grants, contracts and cooperative agreements funded by Federal or non-Federal agencies.
- J. UNALLOWABLE COSTS.** These expenses may not be recovered in billing rates. Such items include alcoholic beverages, bad debt, donations & contributions, entertainment costs and capital equipment. The complete list of unallowable costs can be found within OMB Circular A-21, Section J.
- K. UNITS OF OUTPUT.** The total volume of products or services provided to customers by a service center such as number of items, productive labor hours, or machine hours.
- L. WORKING OPERATING RESERVE.** Fund balance representing *no more than two-months of operating expenses*. Two-months of working operating expense is calculated by determining the average annual operating expenses (excluding capital equipment and unallowable expenses) of the last three years multiplied by .1667 (60 days divided by 360 days).

¹ Also known as Facilities & Administrative costs and formally known as Indirect costs
Please contact Steven Cofield (494-1287) or Leanna Doering (494-2461) within Central Financial Services if you have any questions.
Last Updated 9/25/09.
Page 7 of 22

IV. PROCEDURES

A. ESTABLISHING A SERVICE CENTER

For service centers projected to have annual charges to federal grants and contracts of more than \$25,000, a written proposal must be submitted to CFS before a service center account is established. After the proposal is reviewed and approved by CFS, a fund number will be assigned. The following information must be included in the proposal.

- ✓ Service center name
- ✓ Purpose of the service center and description/list of potential users
- ✓ Org number
- ✓ Annual budget
- ✓ List of products/services that will be provided
- ✓ Billing rates including calculations and methodologies used for determining these rates
- ✓ Funding source to subsidize an unexpected or unrecoverable deficit
- ✓ The name, title, and signatures of the service center manager and the person responsible for the financial affairs

The following forms can be found in the last section of the Procedures and used for your convenience.

- Form 1: Request for Rate Approval
- Form 2: Establishing a Service Center
- Form 3: List of Billing Rates
- Form 4: Proposed Annual Budget

B. RATE DEVELOPMENT COST COMPONENTS

1. Institutional Overhead Costs

Institutional overhead expenses should be included in *Specialized Service Facility* (SSF) rate calculations since SSF's will be allocated their share of these costs. Internal overhead costs include:

- a. **building depreciation**
- b. **operations & maintenance**

2. Direct Costs

Direct expenses should be included in service center rate calculations provided they are reasonable, necessary and allowable per OMB Circular A-21, Section J. Direct costs include:

a. **salaries and wages**

Salaries and wages of employees directly involved in the service center operations shall be included in the rate calculation. These expenses must be budgeted for and paid for by the service center account. If an employee works for both the service center and the department, his/her salary shall be paid from both accounts.

A service center cannot charge a grant or contract for providing its products and or services by direct charging employee salary and wages in lieu of charging established cost-based billing rates designed to recover all over head expenses.

b. other payroll expenses

Includes fringe benefits related to the salary and wage expenses of the service center.

c. supplies and services

The cost of supplies and services necessary to operate the service center shall be included in the rate calculation. The purchases of supplies should reasonably match their rate of usage so excess supplies are not accumulated. Expenses include office and administrative supplies, telecommunications, postage, duplicating and copying, travel, building maintenance and repair, equipment maintenance and repair, and leased equipment or facilities. If the service center has procurement card purchases or miscellaneous expenses, they must be able to prove they are allowable per OMB Circular A-21, Section J. Suspense account balances must be zero at the end of the year. Unallowable costs may not be recovered through billing rates.

d. equipment purchase expense

The Fixed Asset Guidelines defines capital equipment as tangible property not consumed in the normal course of business with a dollar value of at least \$3,000 and a useful life of more than one year.

Per OMB Circular A-21 Section J.18. and the Service Center Policy, capital equipment expense may not be included in rate calculations. However, costs may be recaptured over the life of the equipment via depreciation expense in the rate development. Per OMB Circular A-21 Section J.14. "Institutes may be compensated for the use of their... equipment, provided that they are used, needed in the institutions' activities, and properly allocable to sponsored agreements." Refer to section B.3.a. below for information on how annual depreciation of capital equipment can be recovered through billing rates.

3. Adjustments

a. equipment depreciation

As discussed in B.2.d. above, Federal guidelines do not allow capital equipment purchases to be recovered in the year of acquisition. The expense may be recovered over the life of the asset by including equipment depreciation in the billing rate. The equipment must be clearly assigned to the service center and used for providing its products/services. Equipment purchased with Federal funds cannot be included in the billing rates. Recharge centers that want to include depreciation in their billing rates must purchase the equipment using mission code 71.

b. unallowable costs

Unallowable costs listed in OMB Circular A-21 Section J may not be recovered through billing rates.

c. subsidized costs

A subsidy is financial support from any department or unit outside the service center fund. Subsidies are permitted to pay for general or specifically identified expenses, or to reduce the price of specific products or services produced by the service center.

Service centers with committed subsidies can treat these commitments in one of two ways when developing rate support. A committed subsidy can be included in rate development if the department chooses to calculate a lower than cost based rate, or it can be excluded and the subsidy funds transferred into the service center fund to cover a deficit fund balance as needed.

The object code to use for service center subsidy transfers is 4872, with the exception of (1) Oregon Opportunity funds transferred from the Office of the VP of Research or (2) Oregon Opportunity funds from

one department transferred to another department's service center fund. In these two instances object code 4895 is to be used. The VP of Research Office must approve all transfers using object code 4895.

d. fund transfers

Excess revenue from the service center may not be transferred into another account to pay for unrelated purposes or budget shortfalls. Under certain circumstances, a transfer of revenue related to equipment depreciation may occur if the service center equipment was purchased from another account.

e. prior year surplus or deficit

A service center is to operate on a breakeven basis. However, service centers with surplus fund balances are allowed to maintain a two-month working operating reserve. A service center fund balance should be monitored regularly. If a surplus accumulates in excess of the allowable two-month working operating reserve, either billing rates shall be adjusted or over-recovered funds shall be distributed in reasonable proportion to the same users as were originally billed for the services that created the accumulation. If a deficit exists because billing rates are not sufficiently recovering the operating costs of the service center, either billing rates shall be adjusted or the department shall subsidize the service center to fund the shortfall. If the surplus or deficit is material, the adjustment may be amortized over two years.

There is an exception for service centers that provide multiple products or services. If one of their services incurs a deficit while another creates a surplus, the surplus from one service may be used to offset the deficit of another *only if the mix of users and the level of service provided to each user is approximately the same.*

f. working operating reserve

A working operating reserve equal to or less than two-months of operating expenses (excluding capital equipment and unallowable expenses) is allowable. Two-months of working operating expenses is calculated by determining the average annual operating expenses (excluding capital equipment and unallowable expenses) of the last three years multiplied by .1667 (60 days divided by 360 days).

The two-month working operating reserve is allowable only if a surplus fund balance exists.

C. BILLING RATES

• **Non-Discriminatory**

OMB Circular A-21 Section J. 47 states, "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." Internal users are to be charged the same rate for the same level of service provided in the same circumstance. External users may be charged a higher rate to include the institutional overhead costs of the service center.

Some services that cannot be direct charged to federal grants per OMB Circular A-21 may be direct charged to non-federally sponsored projects. This practice must be reviewed and approved by CFS. This activity must be accurately accounted for, regularly audited, and properly treated in the F&A cost proposal.

• **Cost-Based**

Allowable direct costs shall be included in calculating the service center billing rates. Allocable institutional overhead costs should also be included in Specialized Service Facilities rates. Rates must not include capital equipment purchases or unallowable expenses per OMB Circular A-21, but should recover equipment depreciation. Rate development must take into account the prior years' surplus (above and beyond the allowable working operating reserve) or the prior years' deficit. Subsidies received from the department or university can be excluded from rate development and used to offset a deficit fund balance, or included to calculate a lower than cost based rate. Excess inventory purchased, but not consumed during the year should be excluded from billing rates.

1. Rate Development

Each service center rate is based on the allowable costs of providing the product or service. Costs must be allowable, reasonable, identifiable, and consistently treated. A service center that provides multiple services or products shall establish multiple rates that, in aggregate, recover the total costs of the center. Rates must not discriminate against users funded by the Federal government (grants, contracts, etc.).

Rates are to be calculated on an annual basis for each fiscal year. Mid-year rate adjustments are allowable as needed to accommodate changing circumstances or to correct for a foreseeable deficit or surplus as long as new rates are approved by CFS. See *Form 1: Request for Rate Approval*.

The following chart displays the items that should be included in the various types of service centers. Those checked with an "X" should be included in rate calculations.

	Recharge Center	Service Facility	Specialized Service Facility
INSTITUTIONAL F&A COSTS			
Building Depreciation			X
Operations & Maintenance			X
INTERNAL OPERATING COSTS			
Salaries and Wages	X	X	X
Fringe Benefits (OPE)	X	X	X
Supplies & Services	X	X	X
Leased Equipment & Facilities	X	X	X
ADJUSTMENTS			
Add Depreciation	X ⁽¹⁾	X	X
Less Subsidies Received (Optional)	X	X	X
Add Prior Year Deficit (if applicable)	X	X	X
Less Prior Year Surplus in excess of the allowable two-month working operating reserve (if applicable)	X	X	X

(1) Equipment depreciation can be included in recharge center rate development as long as the equipment was purchased using mission code 71.

For service centers that provide **multiple** services or products, direct and indirect costs must be allocated among services in a logical and consistent manner. Each service and product must be identifiable and measurable. The direct cost allocation principles in OMB Circular A-21 Section C.4.d.3. state, "If a cost benefits two or more... activities in proportions that can be determined without undue effort or cost, the cost should be allocated... based on the proportional benefit. If a cost benefits two or more... activities in proportions that cannot be determined... then, the costs may be allocated or transferred to benefited activities on any reasonable basis" as long as they follow the cost principles. A reasonable basis could be actual usage or effort of those engaged in the activity.

One of the following methods may be used in calculating rates:

- Actual costs of the previous fiscal year
- Estimated budget for the upcoming fiscal year
- A combination of the above

Rates are generally calculated one of two ways. (1) Dividing the annual allowable operating expenses (plus/minus adjustments listed in section B.3.) by the number of units of output. (2) Calculating a markup to add to the actual cost of good sold. See Exhibits A-D for sample rate calculations.

Federal regulations require internal user rates to be equal to or lower than external user rates. However, rates for external users can be higher. This additional amount can be determined by using the negotiated Facilities & Administration rate by excluding Sponsored Project Administration, Library, and Student Services because they are usually not beneficial to service centers users. This rate may be obtained by contacting CFS.

2. Discount Options

Under certain circumstances, discounts may be provided as long as they do not discriminate between users and as long as the service center continues to operate on a breakeven basis. Service center discounts provided to customers must be explained in the Rate Proposal and approved by Corporate Financial Services. Discount options are described below.

a. market-based discount

It may be necessary to lower billing rates in order to keep rates competitive with providers outside of OHSU. A service center may adjust one or more of its rates to a level the market will bear. This may require the service center to be subsidized. *However, rates cannot recover more than the operating expenses of the service center (plus/minus adjustments listed in section B.3.), even if market rates are higher.*

b. volume discount

If large quantities of a product or service can be provided to a customer at a lower cost because of economies of scale, a volume discount may be offered. These discounts must be offered equally to all customers.

c. time-of-day discount

Service centers that experience a large volume of use during certain hours of the day may encourage customers to request services during off-peak hours by providing them lower rates. This may improve performance during peak hours and reduce the cost for additional labor and equipment.

d. user subsidy discount

Service centers that receive a subsidy to benefit a specific group of users may charge those users a lower rate based on the subsidy amount. This must be documented in the rate support and approved by CFS. The object code to use for service center subsidy transfers is 4872. Refer to page 9 3.c. for the exception of transfers from Oregon Opportunity funds.

V. RESPONSIBILITIES

A. SERVICE CENTER MANAGERS/ADMINISTRATORS

Please contact Steven Cofield (494-1287) or Leanna Doering (494-2461) within Central Financial Services if you have any questions.
Last Updated 9/25/09.

1. Submit Request for Establishing a Service Center

A proposal must be submitted to CFS for all operations expected to have annual charges to federal grants and contracts of more than \$25,000.

2. Operate and Monitor the Service Center

The service center's fund balance shall be closely monitored to ensure that the center is operating on a breakeven basis. If over or under recovery becomes material, rates shall be recalculated and submitted to CFS for approval. Please include the items listed below in Section A.3 along with an explanation for the requested rate change(s); *Form 1: Request for Rate Approval* may be used.

Service center accounts that have little or no activity and do not meet the service center criteria for one year may be closed by CFS. The department will be contacted for closure approval and a fund-org will be requested so the remaining fund balance may be transferred. The object code to use for service center fund balance transfers is 4872. Refer to page 9 3.c. for the exception of transfers from Oregon Opportunity funds.

3. Submit Billing Rates to CFS Annually

Billing rates are to be reviewed annually to ensure service centers are operating on a breakeven basis. Proposed rates must be submitted each year to CFS for approval during the budget cycle. This is necessary even if the service center is not proposing rate changes. Rates are to be implemented after approval by CFS and should extend throughout the entire fiscal year unless an approved rate change occurs. Please include the following items as rate support for CFS to review and approve:

- Annual operating budget
- Current and proposed rates
- Rate calculations
- Disclose the source (account), amount, and funding purpose of any subsidies received

B. CENTRAL FINANCIAL SERVICES

1. Establish New Service Centers

Review proposal requests for establishing service centers. Create an operating fund for those approved.

2. Monitor Service Center Activity

CFS will review service center accounts periodically to determine if total billings for services and products are reasonable compared to the cost of operation. CFS may request service center accounts with minimal or no activity to be closed.

3. Approve Rate Proposals

Conduct an annual rate review and approval process. This is to ensure service centers are compliant with this policy and Federal regulations. CFS is to review service center operations, billing rates, support documentation, and treatment of any surplus/deficit in the fund balance.

VI. ACCOUNTING PRACTICES

A. EQUIPMENT PURCHASES AND CAPITAL PROJECT EXPENSES

Federal guidelines do not allow capital equipment purchases to be recovered in the year of acquisition. The expense may be recovered over the life of the asset by including equipment depreciation in the billing rate. The equipment must be clearly assigned to the service center and used for providing its products/services. Recharge centers that want to include depreciation in their billing rates must purchase the equipment using mission code 71. Equipment purchased with Federal funds cannot be included in the billing rates.

All service center funds have a corresponding capital fund. For example, a service center with fund #1401 will have a capital fund #0801. All capital items (equipment and capital project expenses) for a service center should be expensed from the 08XX capital fund. Central Financial Services will set up a monthly recurring entry to transfer the depreciation amount from the 08XX to the 14XX fund using object code 4871 SrvCntr Capital Payment Transfer(CFS use only). At the end of each year, a true-up entry will be made if necessary. This would keep the 14XX operating account closer to break even and the 08XX capital account would have the negative expense of the capital items.

Example: You purchase a piece of equipment \$100,000 with a useful life of 5 years from the 08XX Capital account. Every month we will transfer \$1,666 ($100,000/5/12$) from the 08XX account to the 14XX account. If no more equipment is purchased, the 08XX account will have a zero balance after 5 years.

EXHIBIT A: CALCULATION FOR AN HOURLY RATE

Purpose: To determine an hourly rate for providing a service

Type of service center: Service Facility

Units of output: Employee productive hours

1. Calculate Operating Costs and Adjustments

Operating Costs

Salaries and Wages (5 technicians)	200,000
Other Payroll Expenses	66,000
Office and Administrative Supplies	3,000
Telecommunications	2,800
Postage	300
Equipment Maintenance & Repair	<u>6,345</u>
Total Operating Costs	278,445

Adjustments

Add Depreciation Expense	4,350
Less Subsidy Received (Optional)	(5,500)
Less Prior Year Surplus	<u>(1,000)</u>
(Less surplus in excess of the two-month working capital reserve)	
Total Adjustment	(2,150)

Expenses to use in rate calculation \$ **276,295**

2. Calculate Units of Output

Productive hours

40 hours per week for 52 weeks	2080
Less Holiday Hours	(64)
Less Vacation Hours	(96)
Less Sick Leave	<u>(96)</u>
Total Productive Hours per Technician	1824

Number of Technicians 5

Total Units of Output to use in rate calculation **9,120 hours**

3. Calculate Hourly Rate

= \$276,295 / 9,120

Expenses / Units of Output **\$30.30 per hour**

EXHIBIT B: MARK-UP RATE CALCULATION

Purpose: To establish a mark-up rate and apply it to determine the billing rate for a set of test tubes.

The set of test tubes were purchased from the dealer for \$10.00.

Type of service center: Service Facility

1. Calculate Operating Costs* and Adjustments

Operating Costs

Salaries and Wages	25,000
Other Payroll Expenses	8,250
Office and Administrative Supplies	1,000
Freight & Moving	5,000
Telecommunications	300
Miscellaneous Fees & Services	<u>100</u>
Total Operating Costs	39,650

Adjustments

Less Unallowable Costs	(40)
Add Prior Year Deficit	<u>500</u>
Total Adjustments	460

Expenses to use in rate calculation **\$ 40,110**

2. Calculate Cost of Goods Sold

Chemicals	100,000
Supplies	50,000
Glassware	<u>31,250</u>

Total Cost of Goods Sold **\$ 181,250**

3. Calculate Mark-Up Rate

= \$40,110 / \$181,250

Expenditures / Cost of Goods Sold **22.13%**

4. Calculate Billing Rate

= \$10.00 + (\$10.00 x 0.2213)

Cost of good sold + (Cost of good sold x mark-up rate) **\$12.21**

* Operating Costs do not include Cost of Goods Sold, which are products purchased for the intent to be resold by the service center

EXHIBIT C: RATE CALCULATION FOR A SERVICE

Purpose: To establish a billing rate for a color copy (8 1/2" by 11")

Type of service center: Service Facility

Units of Output: Estimated number of copies per year

1. Calculate Equipment Depreciation

Equipment	Asset Item Number	Acquisition Cost	Date Placed in Service	Useful Life (years)	Total Amount to be Recovered in FY03
Copier A	345678	60,000	8/1/2002	5	12,000
Copier B	123456	40,000	10/1/1993	5	0

Total Equipment Depreciation

12,000

2. Calculate Operating Costs and Adjustments

Operating Costs

Salaries and Wages (.5 FTE)	14,300
Other Payroll Expenses	4,300
Equipment Maintenance Contract	500
Office and Administrative Supplies	<u>15,500</u>
Total Operating Costs	34,600

Adjustments

Equipment Depreciation	<u>12,000</u>
------------------------	---------------

Expenses to use in rate calculation

\$ 46,600

3. Estimated Units of Output

Estimated Number of Copies Per Year

50,000 copies

4. Calculate a Rate Per Copy

= \$46,600 / 50,000

Expenses / Units of Output

\$ 0.93 per copy

EXHIBIT D: RATE CALCULATION FOR RENTAL SPACE

Purpose: To determine a *monthly* rental rate to store a box

Type of service center: Service Facility

Units of Output: Number of boxes that will be stored per month x 12 months*

1. Calculate Operating Costs and Adjustments

Operating Costs

Salaries and Wages	50,000
Other Payroll Expenses	13,900
Office and Administrative Supplies	1,500
Minor Equipment (less than \$3,000 per item)	1,800
Telecommunications	<u>2,500</u>
Total Operating Expenses	69,700

Adjustments

Less Prior Year Surplus in excess of the two-month working capital reserve	<u>(1,000)</u>
Total Adjustments	(1,000)

Expenses to use in rate calculation **\$ 68,700**

2. Estimate Units of Output

= 600 x 12 months*

Estimated number of boxes stored per month x 12 months* **7,200 units**

3. Calculate Monthly Rental Rate

= \$68,700 / 7,200

Expenses / Units of Output **\$ 9.54 per month**

* A *daily* rental rate can be calculated using 365 days instead of 12 months.

FORM 1: REQUEST FOR RATE APPROVAL

- Review Type** Annual review
 Mid-year review. Reason for changing rates: _____
 Establishing rates for a new service center (attach *Form 2*)

General Information

Name of Service Center: _____ Date Submitted: _____

Service Center Account: _____

Department Name: _____

Manager of Service Center: _____ Phone Number: _____

Contact Person (if different): _____ Phone Number: _____

Type of service center (based on annual expenses and charges to federal grants and contracts):

- Service Facility: More than \$25,000 charged annually to federal sponsors, plus annual expenses less than \$1,000,000
 Specialized Service Facility: More than \$25,000 charged annually to federal sponsors, plus annual expenses of \$1,000,000 or more

Please Answer the Following Questions:

The approximate percentage of customers: Within OHSU ____% Outside of OHSU: ____%

The approximate percentage of revenue received from sponsored grants and contracts: ____%

Does the service center receive a subsidy? YES ____ NO ____

- If so: 1. Funding comes from _____
2. Amount _____

Are discounts available to customers? YES ____ NO ____

The following items must be submitted to CFS:

Annual Budget

Include a copy of the service center's proposed annual budget. Unallowable costs should not be budgeted for in the service center account. A list of unallowable costs may be found in OMB Circular A-21 Section J. *Form 4: Proposed Annual Budget* can be used.

Rate Calculations

Include calculations, methodologies, and support documentation for determining rates. See Exhibits A-D for sample rate calculations. Please contact CFS for equipment information to calculate the depreciation component in the rate development.

Summary of Products and Services

List all products and services provided, the annual projected units of output, and the proposed rate. *Form 3: List of Billing Rates* can be used.

FORM 4: PROPOSED ANNUAL BUDGET

Name of Service Center: _____

Budget Period: _____

FY
Proposed Annual Budget

Revenues	
OHSU Revenue	
External Revenue	
Other (specify)	
TOTAL REVENUES	

Expenses	
Salaries and Wages	
Other Payroll Expenses (OPE)	
Supplies	
Telecommunications	
Duplicating & Copying	
Equipment-Minor	

Total Operating Expenses	

Adjustments to Operating Expenses	
Less Unallowable Costs	
Less Subsidies (Optional)	
Add Prior Year Deficit / Less Prior Year Surplus (1)	
Add Depreciation	
Total Expenses After Adjustments:	
Use this in Rate Calculations	

(1) If there was a surplus fund balance the prior year and you choose to maintain a working capital reserve, enter your prior year surplus **less** the allowable working capital reserve.