



NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY

SEC. V—CENTERS 2.0

SERVICE CENTERS

UNIT POLICY -- DORED

I. INTRODUCTION

Creating and developing relationships with private and corporate sponsors, educational institutions, and federal and state agencies are important pathways to fulfilling the mission of the North Carolina Agricultural and Technical State University (hereafter “University” or “A&T”). University Service Centers, which include recharge centers and specialized service facilities, are exemplary of how this cooperative and collaborative process may grow.

Service Centers provide the research community with highly specialized equipment and/or services which are normally beyond the need and financial/technical capability of an individual laboratory or department. Service Centers are shared resources, which exist to provide open access for all investigators. Service Centers operate as cost recovery systems—rates are charged to users to recover actual costs in direct proportion to the services used. The primary purpose of Service Centers is to support researchers internal to the University although services may also be provided to external users, in most cases on an incidental basis. In providing such a good or service, the University must not unfairly compete with the private sector.

The objective of the Service Center Policy is to provide a uniform framework governing the establishment, oversight, and discontinuation of Service Centers to ensure the effective and efficient use of these University resources.

II. PURPOSE AND SCOPE OF SERVICE CENTERS

Service Centers are established within the University to strengthen and enrich research programs. Service Centers are based on goods or services that are uniquely beneficial to researchers at A&T and can additionally be of use to external users. Service Centers also may have a strong positive impact on the economic development of the state by supplying technical assistance to private industry and enhancing the transfer of technologies.

The direct sale of goods and services means an exchange of tangible or intangible University property or services with internal and external customers for monetary consideration. The following factors should be considered and weighed in determining whether a direct sale of goods or services is authorized under this Policy:

- the goods or services support and/or extend the University's teaching, research or outreach mission;
- the prices charged for the goods or services take into account all direct costs as well as indirect costs for external customers of providing the goods or services, in addition to the competitive price of such items in the public market;
- the goods or services are not commonly available or otherwise easily accessible in the public market;
- provision of goods or services represents an opportunity to utilize existing capacity or under-performing assets to reduce the University's internal costs of providing the goods or services.

Service Centers may be established when a unit on campus (e.g., a department, School or College) has goods or services produced in a manner consistent with the normal activities of the unit and the sale of those goods or services supports the teaching, research or outreach mission of the University. Goods or services provided by Service Centers may not be readily available from external sources and may not be subject to external market forces. Examples of goods or services provided by Service Centers can include, but are not limited to, instrumentation and scientific equipment, clean rooms, machine shops, computing centers, educational media services, as well as specialized analysis and evaluation activities.

III. AUTHORITY AND LINES OF RESPONSIBILITY

A. Regulatory Information

Universities that perform federally funded research are required to have costing policies that are in compliance with the Federal Government Office of Management and Budget 2 C.F.R. Part 200 "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards." This Policy provides guidance for a Service Center's operational oversight and rate-setting methodology. If a Service Center charges federally

sponsored projects, the activity is subject to 2 C.F.R. Part 200. The Cost Accounting Standards address consistency in estimating, accumulating and reporting costs, as well as in allocating costs incurred for the same purpose.

Consideration should also be made of the *HHS Review Guide for Long-Form University Indirect Cost Proposals* and *Audit Guide: Adequacy and Compliance Audits of Disclosure Statements Submitted by Educational Institutions (HHS OIG)*.

Federal auditors may review procedures for establishing and monitoring Service Center rates and conduct reviews to ensure that proper accounting procedures are in place. If institutional policies and procedures are not observed, Service Center charging activities may be disallowed, resulting in repayment, fines and other adverse consequences.

As a starting point, to be allowable, costs must:

- be reasonable (and allowable in accordance with 2 CFR Part 200);
- be incurred either solely to benefit the good or service provided by the Service Center or proportionally allocated to the Service Center based on reasonable allocation methods,¹
- be treated consistently by the institution; and
- be well-documented, separately from other funds within the University.

B. Institutional Oversight

The Division of Research and Economic Development (DORED) provides institutional oversight. DORED approves requests from a Service Center for new rates, operating accounts and rate revisions. DORED performs periodic rate reviews and is available for consulting related to rate-setting and financial compliance. DORED also publishes annually a complete list of all Service Centers and updates services provided and the administrative contacts. The Office of Internal Auditing provides internal auditing from time to time to ensure compliance with University policies.

C. Operational Oversight

Academic units (e.g., Schools/Colleges or departments) managing the Service Center are responsible for confirming that billing rates are appropriately determined, operating protocols are established and followed, and that day-to-day management, fiscal accountability, business support are maintained as required to appropriately administer Center operations. If necessary, during the start-up of operations for the Service Center, DORED can provide assistance with accounting and financial compliance. The academic units managing the Center are also responsible for ensuring timely submission of

¹ For example, management must ensure the federal government does not subsidize other Center users by charging rates that do not reflect all Center usage.

documentation to DORED for periodic review at least every 6 months for the first two years and every year thereafter, and more often if requested by DORED. The unit (School/College or department) may provide additional guidance, policies and procedures so long as those do not conflict with this policy.

IV. ESTABLISHING A SERVICE CENTER

A Service Center is established at the request of a University unit having goods or services produced in a manner consistent with the normal activities of the unit, wherein the sale of those goods or services would support the teaching, research or outreach mission of the University.

The University unit must submit a proposal that meets the requirements outlined in the Service Center Procedures, and specifically includes a letter of financial responsibility from the University unit, to the Vice Chancellor for Research and Economic Development (VC-DORED).

A Service Center is established at the recommendation of the VC-DORED in consultation with the supervisor of the requesting University unit (e.g., a Dean, when the requesting unit is a Department, or the Provost, when the requesting unit is a School/College), the Vice Chancellor of Business and Finance (VC-BF), and with the approval of the Provost and the Chancellor.

When determining whether a Service Center should be established, the University unit, and the VC-DORED in discussion with the VC-BF should consider the following guidelines:

- The good or service proposed by the Center is primarily for customers internal² to the University for a long-term need.
- It is cost effective³ to perform the service or manufacture the good in-house.
- The Center will break even⁴ in an operational cycle, typically one fiscal year.
- The measurable unit of output from the Center is well-defined. Usage can be easily and accurately measured.
- The roles and responsibilities for the oversight, maintenance and accounting of the Service Center are well-defined.
- All allowable costs are included in the proposed rate schedule. Allowable costs may include, but are not limited to:
 - Salaries + wages + benefits, including administrative oversight
 - Depreciation expense for equipment purchased without Federal research funds
 - Materials and Supplies
 - Outside Services, including repairs and maintenance contracts and subcontractors
 - External User Rates must include F&A costs; Internal User Rates should not

² If a good or service is to be provided principally to external customers, it does NOT meet the requirements for a Service Center.

³ A cost/benefit analysis needs to be completed to show cost effectiveness of the proposed Service Center.

⁴ Operating at break-even means there is no significant profit or loss resulting from charging users for goods or services in the operating cycle and zero profit or loss over the long-term as any excess surpluses or deficits are eliminated by adjusting future rates.

include F&A costs

- Non-allowable costs are excluded from the proposed rate schedule. Non-allowable costs may include, but are not limited to:
 - Capital equipment purchase
 - Entertainment + unrelated food/beverage
 - Memberships
 - Salaries over approved Federal rates
 - Sales tax
- The Center has plans for regular billing of all customers, preferably monthly or at least within 30 days of providing the good or service.
 - Centers may not charge federal or government sponsored agreements or other funding sources in advance of actual service performed.
 - The price schedules for internal and external customers must be readily accessible and consistent within each customer segment.
- The Center has a mechanism to adequately and correctly record ALL equipment usage and Center output.
- The Center will provide open access to multiple investigators on a first come first serve basis, taking into account workflow needs.

Within 60 days of receipt of the Request to Establish a Service Center, the VC-DORED will evaluate the Request in conjunction with the Vice Chancellor of Business and Finance and make a recommendation to the Provost for approval or will send a letter to the University requesting unit outlining the reasons the Request was rejected. On the Provost's approval, the Request to Establish a Service Center will be submitted to the Chancellor for approval. The outcome of the approval process will be provided to the requesting University unit no later than 6 months after the Request is submitted.

V. PERIODIC REVIEW OF SERVICE CENTERS

A financial review of each Service Center by DORED must be conducted every 6 months for the first two years after establishment and annually thereafter, and more often if requested by DORED. The rate schedule must be approved annually by DORED, regardless of whether there are projected changes from the prior year. The rate schedule can be changed mid-year, with documentation, typically to address the need for the Center to break even. Significant changes in the budget from year to year or significant differences between the budget and actual should be explained in detail.

The Office of Internal Auditing will conduct internal audits from time to time in consultation with DORED.

Separate accounts should be established in the University's accounting system to record the Center's operating costs, overhead (where applicable), revenue, and any surpluses/deficits. Documentation to support user billings and rate calculations, as well as documentation supporting the billing methodology, should also be maintained by the Center. It is the Service

Center's responsibility to maintain detailed records of all charges and expenses for seven years and to answer inquiries in reference to those charges.

VI. DISCONTINUATION OF SERVICE CENTERS

The University may discontinue a Service Center at the recommendation of the VC-DORED and VC-BF, in consultation with the University unit financially responsible for the Service Center and with the approval of the Provost and the Chancellor. This decision may be based on a number of factors, including, but not limited to:

- a loss of funding, key faculty, technicians, or facilities;
- it is no longer cost-effective to produce the good or provide the service;
- the Center was unable to maintain adequate financial management.
- a non-recoverable, catastrophic event which renders the Center inoperable

The "phase-out" period for a Service Center that is to be discontinued shall be sufficient to permit an orderly termination or transfer of any contractual obligations and to allow an effort to find alternative employment for any full-time staff. Normally, the "phase-out" period shall be no more than one year after final approval is given to discontinue the Service Center. The unit responsible for financial support of the Center will carry any related personnel expenses.

In the event a decision is made to discontinue a Service Center, the VC-DORED or his/her designee provides a letter to the Service Center detailing:

- the reason for discontinuation;
- proposed activities for the "phase out" period; and
- the effective date for discontinuation.

Approved by the Chancellor

First approved: March 28, 2016

Revised:

Date new policy is effective: upon approval