

LEHIGH UNIVERSITY

Policy for Scientific Equipment Service Centers

A. Introduction

In most cases, scientific equipment use indexes (also known as maintenance indexes) are service centers as defined in the federal Office of Management and Budget (OMB) Circular A-21. As such, if they charge federally sponsored grants and contracts, they fall under regulatory policy contained in Circular A-21, as well as cost accounting (CASB) standards incorporated into A-21 on April 26, 1996. The CASB standards stress consistency in estimating, accumulating and reporting costs, as well as consistency in allocating costs incurred for the same purpose by educational institutions.

Pursuant to the changes in A-21, it is important for universities to have clear, consistent costing policies. This document defines and differentiates service centers and recharge centers and establishes Lehigh University policy and procedures for scientific equipment use service centers. Please read it carefully and keep it on file for future reference.

It is important that this policy be adhered to. Federal auditors carefully review procedures. In particular, auditors may make spot checks to determine if written procedures are being followed. If procedures are not properly implemented, charges to sponsored grants may be disallowed. This would most certainly result in deficits in equipment use indexes.

B. Identifying a Service Center

1. Definition of a Service Center. A Service Center is an entity which performs or provides, for a fee, specific technical or operational services, primarily for internal users. Service Centers vary in size and complexity, as well as in the costs included in their rate structures.
 - a. A Service Center provides services to a broad range of users throughout the campus. Rates often include: salaries and benefits, material costs, and part or all of their associated overhead costs (facilities and administrative costs). Examples of Service Centers are Telecommunications, Instrumentation Centers and Scientific Equipment Use Centers. A Service Center may provide services to external users, as long as this is not its primary purpose.
 - b. A Recharge Center is a Service Center that reallocates materials costs (excluding salaries and wages) within a department or a limited area of indexes. Recharge Centers simply recoup, through a redistribution method, the support costs relating to a particular activity. An example of a Recharge Center is a departmental copier.
2. Why is a Service Center policy necessary? It is good business practice to segregate costs for distinct functions. The University must use consistent and equitable cost accounting practices to ensure compliance with federal regulations and cost accounting standards. This is essential to ensure continued funding of federal grants and contracts. These federal regulations are outlined in detail in the procedures which follow.

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3. Responsibility. Departments or principal investigators are responsible for the initial determination that a Service Center is needed. Research Accounting is responsible for approving the establishment of a new Service Center for Scientific/Research Equipment. Other Service or Recharge Centers are approved by the Controller's Office.

C. Administrative Summary

1. Why is a Service Center rate policy necessary? It is good business practice to review rates and costs on a regular basis. The University must use consistent and equitable cost accounting practices to ensure compliance with federal regulations and cost accounting standards.
2. Responsibility. Either departments or financial managers may be responsible for the initial calculations of what the preliminary billing rate will be. Detailed steps in the development of rates are outlined below. Research Accounting is responsible for the initial approval of rates, and periodic review of the rates for compliance issues.
3. Definition of a Billing Rate. The billing rate is the dollar amount charged per unit of goods or services provided and used for billing purposes.

Example: Estimated Total Annual Costs = Billing Rate Per Unit x Total Estimated Billing Units

D. General Guidelines

Federal Regulations Regarding Service Center Rates. All Service Centers, no matter how small, are subject to the cost principles and cost accounting standards outlined in OMB Circular A-21. In general, rates must be based on actual costs, applied consistently, and based on actual use of the services.

1. Service Centers should recover costs over a reasonable period. A reasonable period is usually defined as one fiscal year.
2. The same rate schedule should be used for all internal users. (i.e. departmental indexes and sponsored projects in the 5xxxxx range.) This rate schedule must not discriminate against federally funded indexes for the benefit of other internal users.
3. Rates must be reviewed biennially (Section J-47 of A-21) for consistency with long-term costs by the department staff administering the Service Center and Research Accounting.
4. Service Centers must exclude unallowable costs from their billing rates and the rates must include the actual costs of performing the services to all users.