LSU Health Science Center – New Orleans
Service Center Policy

Purpose

The purpose of this policy is to provide guidelines for establishing, costing, pricing, and administering Service Centers and other operations regularly selling goods and/or services to internal and/or external users. Service Centers must be able to demonstrate compliance with federal, state, and University requirements and cannot use fee structures that discriminate against federal awards. As a recipient of federal funding, the University must comply with Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. S200) (Uniform Guidance). In accordance with Uniform Guidance, Subpart E (S200.468), our policy requires that all Service Centers charge customers using federal funds for services according to actual usage and costs and not make a profit. Non-compliance could result in government-imposed fines or disallowed costs.

What is a Service Center?

Service Centers can be defined as any activity within the University that charges for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and/or external users.

Who Must Comply

Service Centers with operating expenses *below $50,000 per year, with one time charges for services, or expect to operate less than a year*, are exempt from this policy but must comply with Uniform Guidance, all federal requirements, state and University policies. Service Centers that do not meet the threshold must be able to demonstrate this exemption with financial detail from the most recent fiscal year. Approval is required from the Dean of the School and the Executive Director of Accounting Services before establishing and operating a Service Center.

Responsibilities

Schools and individual departments are responsible for the oversight of ongoing operations and compliance of this policy. Responsibilities include:

- Initiating the establishment of a new Service Center with School and Accounting Services.
- Accounting for the operations of the Service Center and reporting on revenues, expenses and balances generated by Service Center activities annually.
- Reviewing financial information yearly to determine the necessity to change rates. Calculating rates, at least biennially, based on estimated expense data, projected usage and over/(under) applied costs of previous period(s).
- Completing all necessary forms to send to Accounting Services.
- For Service Centers that include depreciation as a component of expenses, creating and maintaining information on equipment purchases and applicable depreciation.
- Ensuring that rates comply with the guidance in this manual and are reported and reviewed by Accounting Services.
- Assisting with internal and external audits as needed.

Rate Development and Breakeven Considerations

A Service Center must develop rates so that revenues do not exceed expenses for services provided to customers who use federal funds to pay for services. A Service Center's surplus for a given fiscal year should not exceed 10% of annual operating expenses without approval by Accounting Services. To the extent that a surplus or deficit for a fiscal year is within the break-even range of +/- 10% that surplus or deficit should be carried forward and the rate calculation for the subsequent year should include the adjustment. If a deficit exists it may be necessary for the department or center to cover the deficit from other funds. The rate development process varies with the size and complexity of each Service Center and is often coordinated with departmental, school, and University budget cycles.

In certain circumstances, the initial break-even time frame needed to cover start up costs is longer than the first year of operations of a Service Center. Initial break even periods of 5 years are allowable. Requests for a break-even period longer than 5 years must be approved by Accounting Services.

When it appears that the operating results will exceed the 10% break-even range at fiscal year-end, the Service Center should adjust its rates. A mid-year review is strongly recommended. If, at fiscal year-end, the Service Center's operating results exceed the 10% break-even range:

- **Surpluses** beyond the 10% range should be eliminated through rate adjustments.
- **Deficits** beyond the 10% range should be funded by any funds not externally restricted.

Non-discriminatory Rates

A Service Center must charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. The use of special rates, such as for high volume work or off hour usage, is allowed, but the special rates must be equally available to all users. External users, however, may be charged a higher rate that includes the facilities and administrative costs of the Service Center. Funds generated by incremental charges to external customers should be used exclusively to support the Service Center.

Subsidized Users and Subsidies

Services provided to all users must be accounted for and charges must be based on total costs and actual usage. If a Service Center chooses to provide a service to a particular internal group of users at a subsidized rate this cannot affect the annual rate calculations. The Service Center billing rate must be calculated for all users based on total Service Center expenses and total units of output. Subsidies are applied after the total rates are calculated and are recorded within the Service Center account.

Pricing for Multiple Services

A Service Center is required to perform and document the rate calculation for each type of service it provides. Service Centers with multiple services must ensure that there is no cross-subsidization between user groups. Combining the results of various services is not acceptable if the mix of users for each service is different.

Service Center Annual Rate Documentation Form

Each Service Center is required to document its rate calculations annually by completing the "University Rate Documentation Form" or provide alternative documentation. The purpose of the form is to document the use of the general ledger and provide the information used in rate calculations (anticipated volume, expenses, inclusion of carry forward balances).

Billing Procedures

Billing must be based upon measured and documented utilization. All billing must be processed on a timely basis at established Service Center rates. All invoices must include the name of the services/goods provided (e.g., genetic sequencing or glass washing), the number of units (e.g., pounds, hours, # of items), and the amount charged per unit. The user of the service is responsible for documenting the purpose of the charge and the allocability of the expense to the funding source. The Service Center is responsible for the proper use of the object codes related to the recording of revenue and expense.

- Billing cannot occur until the goods or service has been rendered.
- Service Centers should provide appropriate supporting invoicing documentation.
- Each Service Center must bill in the proper fiscal year on a timely basis.
- Service Center revenues from internal users must be recorded using the expense account codes established by Accounting Services (account codes range: 530600-530799).
- Revenues from external customers must be recorded in budgeted revenue account codes.
- Some Service Centers may have different coding requirements.

Components of Costs in Rate

All costs, subsidies, and revenue relating to a Service Center must be accounted for within the general ledger account codes that are sufficiently segregated and detailed to facilitate the financial reviews required by this policy.

Transfers

Service Centers may not transfer surplus balances. Balances must be carried forward in the Service Center's operating account and included in calculating subsequent years' rates and break-even position. The only exceptions are incremental charges to external customers which can be transferred to a Service Center Support Fund and used to offset future expenses, purchase equipment or cover deficits directly related to the Service Center.

Record Retention

Service Centers must retain financial documentation in accordance with the university's document retention policy. For additional information, see the Office of Compliance's website.