

University of Connecticut Health Center

Service Center Procedure Manual

Table of Contents

	Page
1.0 INTRODUCTION AND SUMMARY.....	1
2.0 REGULATIONS.....	1
2.01 OMB Circular A-21	1
2.02 Cost Accounting Standards	2
2.03 Government Oversight	2
3.0 SERVICE CENTER DEFINITIONS	2
3.01 Specialized Service Facilities.....	3
3.02 Major Service Centers.....	3
3.03 Recharge Centers.....	3
3.04 Other Recharge Units	3
4.01 USERS	4
4.01 Internal Users	4
4.02 Affiliated Users	4
4.03 External Users	4
5.0 RESPONSIBILITIES	4
5.01 Service Center Director.....	4
5.02 Associate Vice President, Research Finance	6
5.03 Property Management	6
6.0 BASIC POLICIES	6
6.01 Rate Setting	6
6.02 Billing Affiliated and External Users.....	7
6.03 Billing Period	7
6.04 Breakeven Concept	8
6.05 Working Capital	8
6.06 Long-Term Breakeven Agreements.....	8
6.07 Unallowable Costs.....	8
7.0 ESTABLISHING SERVICE CENTER ACCOUNTS.....	9

8.0	SERVICE CENTER REVENUE AND EXPENSE COMPONENTS..	10
	8.01 Service Center Revenues.....	10
	8.02 Service Center Expenses	10
	8.03 Personnel	10
	8.04 Fringe Benefits	11
	8.05 Supplies and Other Expenses	11
	8.06 Capital Equipment.....	12
	8.07 Depreciation	12
	8.08 Federally-Funded Equipment.....	12
	8.09 Equipment Inventory	12
	8.10 Debt Funded Equipment.....	13
	8.11 Space	13
	8.12 Indirect (F&A) Costs.....	13
	8.13 Billing Rate Summary	14
9.0	RATE DEVELOPMENT.....	14
	9.01 General	14
	9.02 Projected Revenues and Expenses	14
	9.03 Review of Budgets and Rate Calculations	15
	9.04 Treatment of Over or Under Recoveries.....	15
	9.05 Pricing of Multiple Services.....	16
10.0	MONITORING PROCEDURES.....	16
	10.01 Mid-Year Rate Change Request.....	16
	10.02 Year-End Review	16
	10.03 Audits	16
11.0	BILLING PROCEDURES.....	17
12.0	RECORD RETENTION	17

Service Center Procedures

1.0 INTRODUCTION AND SUMMARY

The Policies and Procedures for Managing Sponsored Programs and this Service Center Procedure Manual provide the framework for the fiscal operation of the University of Connecticut Health Center (UCHC) service centers that will ensure compliance with sound accounting principles and government regulations. Both are essential elements in supporting the educational and research missions of the Health Center. Although there is a wide variation in size, complexity, and services provided by service centers, they should maintain common administrative practices. These procedures expand upon Section 2002-09 (University Service Centers) of the Policies and Procedures for Managing Sponsored Programs, address the administrative practices of operating a service center, and provide examples of billing rate structures and the steps involved in building such rates.

This manual is effective November 1, 2006.

2.0 REGULATIONS

Service center activities can result in charges, directly or indirectly, to federal grants and contracts at the UCHC. The UCHC must comply with the United States Government's Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions (Circular A-21) and Cost Accounting Standards (CAS), other regulatory or statutory requirements, and internal accounting policies and practices.

2.01 OMB Circular A-21

Service Centers must comply with the cost principles in Circular A-21. These principles provide guidelines as to the allowability and allocability of costs that may be charged to federal grants and contracts, including costs charged through service centers. Specifically:

- a. Charges must be designed to recover no more than the cost of the services provided;
- b. Service center rates must be based on allowable costs;
- c. Rates must not discriminate against federal users; and
- d. Service centers must set rates to break even over the long term.

2.02 Cost Accounting Standards

Research institutions must comply with Cost Accounting Standards 501, 502, 505, and 506. Essentially, these standards promote consistency and uniformity in cost accounting. The four standards pertain to:

- a. Consistency in estimating, accumulating, and reporting costs;
- b. Consistency in allocating costs incurred for the same purpose;
- c. Treatment of unallowable costs; and
- d. Cost accounting period.

Each of these standards is implicit in this policy. The Standards are part of Circular A-21.

2.03 Government Oversight

The federal government monitors the UCHC's compliance with these regulations through audits and cost reviews. Examples of compliance issues include the rate setting methodology, treatment of unallowable costs, and the accumulation of unreasonable surpluses. To minimize exposure from noncompliance with the regulations, it is of the utmost importance that service centers comply with the following policies and procedures. The UCHC's exposure from noncompliance with federal regulations could involve reimbursement of damages and payment of penalties to the federal government, as well as adverse publicity which could harm future grant applications.

3.0 SERVICE CENTER DEFINITIONS

A "Service Center" is defined as an operating unit that provides services, a group of services, or products to users principally within the UCHC community for a fee. Users are primarily UCHC departments and centers, and include sponsored research and other sponsored programs. Services may be provided on an incidental basis to individuals or external users.

Services may range from highly specialized to routine, necessary functions. Often they cannot be provided as effectively or efficiently by external sources. A service center develops a billing rate for the activity based on an estimate of allowable costs and usage, and charges users for their actual usage. The UCHC distinguishes three categories of service centers, defined as follows:

3.01 Specialized Service Centers

Specialized Service Centers are defined as service centers with annual operating expenditures of \$1,000,000 or more that provide highly complex or specialized services to a select group of users. The billing rates for these centers are based on their direct operating costs and internal service center overhead costs that are specifically identified to the center, such as the salary and fringe benefits of the service center director. UCHC facilities and administration (F&A) costs allocable to specialized service centers will be identified during the F&A cost study. The inclusion of F&A costs in the costs or billing rates of specialized service centers will be determined on a case-by-case basis.

3.02 Major Service Centers

Major Service Centers are defined as service centers with annual operating expenditures of \$100,000 or more. The billing rates of these centers are based on their direct operating costs and internal service center overhead costs that are specifically identified to the center.

3.03 Recharge Centers

Recharge Centers are defined as service centers that have more than \$50,000 and less than \$100,000 of annual operating expenses. Recharge center rates should normally include only direct operating costs. Service centers that have less than \$50,000 of annual operating expenses must still meet the requirements of Circular A-21 regarding unallowable costs and breaking-even.

3.04 Other Recharge Units

Other units may charge UCHC departments and sponsored projects for services, but they are not considered service centers. These include:

- a. Auxiliary Units provide goods or services primarily to students, faculty, staff, alumni, and the general public, generally based on market prices or rates. Billings to UCHC departments and sponsored programs should be incidental to its normal activities. Auxiliary units are normally not subject to this Service Center manual. Auxiliary units that anticipate annual billings of more than \$25,000 of direct charges to federally sponsored programs should contact the Associate Vice President, Research Finance for assistance.

- b. Clearing Accounts are set up to record charges for various types of costs that are subsequently distributed to users on a pro-rata basis. Clearing accounts do not combine various types of costs and do not calculate a billing rate, and are therefore not subject to this service center manual.

4.0 USERS

4.01 Internal Users

Internal Users of service centers are UCHC operating units, including academic, research, administrative, and auxiliary areas which purchase services to support their work at UCHC.

4.02 Affiliated Users

Affiliated Users are all other state, federal (other than sponsored programs of UCHC) and other not-for-profit agencies (e.g., American Red Cross, area hospitals), including the University of Connecticut (UCONN) – Storrs and other UCONN campuses and organizations.

4.03 External Users

External users are organizations or individuals that are not affiliated with the UCHC. External users also include UCHC faculty and staff acting in a personal capacity or in a capacity that is not directly related to sponsored programs of the UCHC.

5.0 RESPONSIBILITIES

5.01 Service Center Director

The Associate Vice President, Research Finance through his/her designee will delegate day-to-day responsibility to the Service Center Director who monitors the operation and takes corrective actions as needed. The Service Center Director is responsible for providing efficient and effective services to the service center's clients on a regular basis. The Service Center Director is also responsible for ensuring that the following requirements are met:

Financial Reporting:

- a. Monthly
 1. Prepare financial status report and highlight any potential issues which may need attention. Provide to and review with the Associate Vice President, Research Finance as necessary to address issues.
 2. Adequately document service center costs.
 3. Adequately document invoices for services.
 4. Bill for services timely.
 5. Manage and reconcile receivables.
- b. Semi-annually
 1. Prepare a semi-annual financial status report and review with the Associate Vice President, Research Finance with particular focus on the service center's break even analysis and any resulting changes to the billing rates to adjust for any over or under recoveries according to section 9.01.
- c. Annually
 1. Prepare the final year end financial status report and review with the Associate Vice President, Research Finance.
 2. Prepare a statement changes in working capital balances and review with the Associate Vice President, Research Finance.

Budgeting:

- a. Prepare an annual budget for the upcoming fiscal year within the UCHC's normal budgeting process.
- b. Prepare a rate schedule for the upcoming fiscal year with under or over recoveries from previous 6 month period documented and included in rate calculations.

Compliance and Monitoring:

- a. Reconcile service center equipment with the Property Management's inventory listing on an annual basis.
- b. Maintain adequate documentation to support all reported revenues and expenses for the service center for the period of time required under federal and UCHC policies, see section 6.0.

- c. Make records available to internal and external auditors and cooperate with auditors during audits of service center operations.

5.02 Associate Vice President, Research Finance

The Associate Vice President, Research Finance is responsible for the following:

- a. Approve the formation of new service centers and the establishment of new accounts.
- b. Assist service center managers with policy and procedural matters.
- c. Perform annual reviews of all service center rate calculations and approve rates.
- d. Review the performance of all service centers with respect to break even at semi annual intervals.
- e. Review and approve mid-year requests for adjustments to rates.

5.03 Property Management

At least annually, Property Management will work with Service Center Directors to reconcile center equipment with Property Management's inventory listing.

6.0 BASIC POLICIES

This section sets forth the policies governing service centers to ensure compliance with federal cost principles. As noted above, Circular A-21 contains the cost principles used to determine amounts that may be recovered from federal grants and contracts. The principles of Circular A-21, with regard to rates based on allowable costs, pricing that does not discriminate against federal projects, and “break-even” concepts, apply to the determination of service center rates for all service centers at the UCHC.

6.01 Rate Setting

Rates charged to internal users (as defined in section 4.01) must not discriminate against federal projects, and all users must be billed for services received according

to the approved fee schedule. The rate for a specific service or product must be applied to internal users in a manner that does not result in federal projects being charged more for the same service than non-federal projects. The use of special rates, such as for high volume work and less demanding nonscientific applications, is allowed, but it must be equally available to all users who meet the criteria.

The UCHC may wish to support or subsidize a particular internal group of users at no charge or at a lower rate than other users (e.g., students). The UCHC may also wish to subsidize the service center itself. Contact the Associate Vice President, Research Finance for further assistance on the accounting treatment of subsidies.

6.02 Billing Affiliated and External Users

Before a service is provided to an affiliated or external customer, the service center manager must ensure that the UCHC is not in competition with the private sector.

Affiliated users will be charged the full billing rate of the service center. At no time will an affiliated customer be charged less than the federal government through charges to internal users. Sales tax, when applicable, must be charged to all affiliated users who do not provide a tax-exempt certificate. UCHC may allocate an amount up to the prevailing F&A rate to billings for affiliated users. Contact the Associate Vice President, Research Finance for assistance.

External users will be charged the full billing rate of the service center. UCHC will allocate the current F&A rate to billings for external users. At no time will an external customer be charged less than the federal government through charges to internal users. Sales tax, when applicable, must be charged to all external users who do not provide a tax-exempt certificate. External users may be charged market rates that are higher than rates charged to internal or affiliated users.

6.03 Billing Period

Services should not be billed until the service has been rendered, unless the work is to be completed in stages and the stages are expected to take more than 8 weeks. If a prepayment is received, it must be recorded as a liability until earned. Service centers must operate in accordance with the UCHC's fiscal year, which is July 1 through June 30. Service centers should handle year-end billings consistently to ensure that twelve months of billings are associated with twelve months of incurred expenses. This provides a more accurate breakeven calculation at year-

end.

6.04 Breakeven Concept

Service center rates are generally calculated based on budgeted operating expenses and projected volume of the services to be provided. The goal is to calculate a rate that will ensure that revenues reasonably match expenses. "Operating at break-even," means there is no significant profit or loss as a result of charging users for the services provided in any particular period, and no profit or loss over the long run.

Break-even must be calculated semi annually in accordance with Circular A-21. If a service center ends a 6 month period with a deficit or surplus, the deficit or surplus must be carried forward and factored into the rate calculation for the upcoming 6 month period. Refer to the discussion of "Treatment of Over or Under Recoveries" in section 9.04.

6.05 Working Capital

If a service center requires working capital to manage its cash flow, the service center may establish and maintain, through its charges, a fund balance for working capital needs. A service center may maintain a fund balance for working capital of up to 10% of its operating expenses. Working capital balances in excess of 10% must be approved by the Associate Vice President, Research Finance.

6.06 Long-Term Breakeven Agreements

In rare situations, when a service center requires a multiple-year period in which to recover or spread out operating costs, a long-term breakeven agreement may be permitted. This usually occurs when operations require large initial capital equipment and/or renovations. The Associate Vice President, Research Finance must approve these arrangements. The federal government must also agree to them.

6.07 Unallowable Costs

Unallowable costs as identified in Circular A-21 may not be budgeted or expensed on service center accounts and may not be included in the billing rate calculations. These expenses (e.g., alcohol, entertainment, unallowable travel) must be excluded from the rate calculation. Refer to Section J of Circular A-21 for a list of

unallowable expenses and the UCHC Policy and Procedures Manual for Managing Sponsored Programs, Section 2002-05 (Unallowable Costs).

7.0 ESTABLISHING SERVICE CENTER ACCOUNTS

Service center revenues and expenses must be reported in UCHC accounts that have been established specifically for this purpose. Service centers will be assigned a Ledger 3 account to be used solely for the purpose of accounting for service center operations. All allowable service center operating costs should be charged to this account. Revenues should be charged to the appropriate revenue sub-codes in the Ledger 3 account. All revenues generated by external users should be charged to a separate sub-code in order to segregate external and internal revenues.

In order to permit proper identification of applicable equipment, all service center equipment (and only that equipment) should be purchased directly out of the related Ledger 3 account.

A request to establish a new service center should include the following information:

- a. A description of the products or services to be provided.
- b. A description of the users of these services.
- c. An explanation of how the service center rates were determined, including:
 1. A detailed budget of annual expenses for the service center.
 2. A description of the unit of service (i.e., the measure of utilization such as labor hours, machine hours, CPU time, etc.).
 3. The rate calculation, using budgeted amounts and the projected level of activity for the first year of operation.
- d. The name, title, phone number, and signature of the responsible party.
- e. The signature of the Dean or his/her designee, indicating acceptance of operating and financial responsibility

8.0 SERVICE CENTER REVENUE AND EXPENSE COMPONENTS

8.01 Service Center Revenues

Service Centers derive revenues from the following sources:

- a. Rate recovery from internal, affiliated, and external users.
- b. Budgeted support or subsidies from UCHC accounts (i.e., HCRAC).

8.02 Service Center Expenses

Direct Operating Costs

These costs are specifically identified with the services provided by the service center. Costs include salaries and wages of personnel directly involved in providing services, materials and supplies, purchased services, travel, equipment rental, maintenance, and other direct costs.

Internal Service Center Overhead Costs

These costs are specifically identified to a service center, but not with a particular service provided by the center. Examples include the salary and fringe benefits of the service center director, and depreciation expense for center equipment. Internal Service Center overhead costs should be charged to specialized service centers and major service centers. These costs are normally not included in the billing rates of recharge centers.

Details on specific types of expenses are provided below.

8.03 Personnel

Salaries and wages should be included in the rate calculation and charged to the service center's operating account based on the percentage of effort of personnel directly related to the service center's activities.

Administrative staff who directly support the service center should also be charged to the service center operating account and should be included in the rate calculation.

8.04 Fringe Benefits

Fringe benefit costs of all personnel directly charged to the service center operating account should be included in the rate calculation.

8.05 Supplies and Other Expenses

Materials and Supplies

The costs of materials and supplies needed to operate the service center should be included in the rate calculation.

Service Center Inventories

Service centers may maintain an inventory that is used to provide products or services to users. Service centers maintaining inventories for these purposes may not treat unused inventory costs as a current operating expense in computing billing rates. Unused inventories maintained for resale will need to be accounted for as assets of UCHC and reported on the Service Center's annual operating statement. A physical count of inventory must be taken at least annually and reported by July 15.

Other Costs

Other costs associated with the operation of service centers, which may be included in rates are:

- a. Equipment rental and service contracts
- b. Equipment maintenance costs
- c. Travel
- d. Professional services
- f. Other costs directly related to the service center's operations

These costs should be properly identified by object code. Please contact Research Finance for any questions regarding the allowability of costs or refer to the UCHC Policies and Procedures for Managing Sponsored Programs, #2002-05.

Credit Adjustments

Credit adjustments resulting from returned goods, overpayments, or erroneous charges should be recorded as a credit to the expense subcode originally charged.

8.06 Capital Equipment

Capital equipment is defined as an item with a value greater than \$1,000 and a useful life of more than one year. Based on Federal guidelines, the purchase cost of capital equipment should not be charged as an operating expense. Depreciation and any external interest associated with equipment are allowable costs. The purchase price of capital equipment should be charged to the service center related account. Equipment, which cannot be capitalized, (i.e. costs less than \$1,000) should be treated as a service center operating expense in calculating billing rates.

8.07 Depreciation

Depreciation is an allowable charge to current operations. Depreciation will be calculated using the straight-line method. Under no circumstances should depreciation exceed the total acquisition cost of the asset. Depreciation is not allowable on assets fully depreciated by the UCHC. Monthly, a journal entry will be recorded by Fiscal Services to record the actual depreciation expense and associated accumulated depreciation.

Annually, as provided in section 5.01, service centers must identify equipment used for service center operations and identify the budgeted depreciation amounts to be used in establishing rates for the following year. All service centers should include depreciation on equipment in the rate calculation. Property Management will be responsible for calculating depreciation for service center equipment.

8.08 Federally-funded Equipment

Depreciation of equipment purchased or donated by the federal government cannot be included in service center rates. Federal funding of equipment is identified by its payment from a Ledger 5 (i.e., federal grant) or Ledger 6 (non-federal subrecipient grant) accounts.

8.09 Equipment Inventory

It is important that the government not be charged for equipment depreciation through a service center billing rate and again through the depreciation portion of the research indirect (F&A) cost rate. To avoid this, service centers will need to notify Property Management of all service center equipment. In addition, the service center will annually reconcile its equipment with Property Management's inventory listing so that depreciation of these items is not included in the UCHC's

F&A cost rate calculation.

8.10 Debt Funded Equipment

Federal regulations allow only for the recovery of interest associated with debt for the purchase of equipment if all three of the following conditions are satisfied:

- a. An external financing source was used.
- b. Equipment costs are over \$10,000.
- c. The arrangement is agreed to by the sponsor or appropriate Federal Agency.

Contact the Associate Vice President, Research Finance if a debt-funded equipment purchase is anticipated.

8.11 Space

Space occupied by all service centers should be identified and designated as such during the space survey for the F&A rate proposal.

8.12 Indirect (F&A) Costs

Facilities and administrative (F&A) costs represent the costs of administrative and support functions provided by the UCHC. F&A costs include general administration, building depreciation, utilities, and other costs that are part of the UCHC's negotiated F&A rate.

Specialized Service Centers will be allocated the F&A costs of their operations for the F&A Cost Study. The allocation of these costs is required by Circular A-21. The inclusion of F&A costs in billing rates of specialized service facilities will be determined on a case-by-case basis.

The UCHC's negotiated F&A rate will not be included in billing rates for major service centers and recharge centers (except for external users and affiliated users as indicated in section 6.02).

8.13 Billing Rates – Summary

Billing rates for Specialized Service Centers and Major Centers will include direct operating costs and internal service center overhead costs. Recharge center rates will include direct operating costs only.

9.0 RATE DEVELOPMENT

9.01 General

A service center billing rate is the cost per unit of output used to recover the expenses of the service center. Departments should use the following equation to establish rates:

$$\frac{\text{Budgeted Expenses +/- Prior period Under/Over Recoveries, less unallowable costs}}{\text{Budgeted Level of Activity (Usage Base)}}$$

The budgeted usage base, or denominator, in the above formula is the volume of work expected to be performed as expressed in units (e.g., labor hours, machine hours, CPU time, or other reasonable measurement). The calculated billing rate using the budgeted activity is then applied to the actual level of this activity when charging users.

For example, a service center budgets \$100,000 for operations (allowable costs) and has an estimated activity level of 1,500 personnel hours. This results in a rate of $\$100,000/1,500 \text{ hrs} = \66.67 per hour.

Any prior period under or over recovery should be added to, or subtracted from, budgeted expenses when calculating the billing rate. If the prior period's variance was an over-recovery (surplus), it should be subtracted from budgeted expenses. If the prior period's variance was a deficit, it should be added to budget expenses.

9.02 Projected Revenues and Expenses

Projected Revenues

Service centers should attempt to match the amount of revenues with the budgeted level of expenses. When estimating revenue and usage levels, considerations should include prior year performance, prior year subsidy levels, and future needs

of internal, affiliated, and external users.

Projected Expenses

Service center expenses are budgeted in the same way as other departmental expenses. Budgeting considerations may include changes in operating expenses, changes in depreciation, or other known fluctuations. The establishment of a separate account and clear identification of cost types by sub-code will facilitate annual projections.

9.03 Review of Budgets and Rate Calculations

Each year, service centers must submit a center budget and rate schedule for the upcoming fiscal year for review and approval by the Associate Vice President, Research Finance, see section 5.01. The budget and rate schedules should be developed to correspond to the UCHC's fiscal year, which is July 1 to June 30.

9.04 Treatment of Over or Under Recoveries (Surpluses and Deficits)

A service center's surplus or deficit should be computed semi-annually, each December and June. Under or over recoveries should be calculated based on actual revenues and expenses for the previous 6 month period and the fee schedule adjusted, if appropriate (See section 10.01.)

The calculated surplus or deficit for the proceeding 6 months will be applied to the rate calculation for the upcoming 6 month period so that the operation will break even over time.

For example:

<u>Actual 6 month results</u>		<u>Budget for upcoming 6 months</u>	
Total Revenue	\$230K	Budgeted Expense:	\$280K
Total Expenses	<u>\$197K</u>	Less Surplus:	<u>\$33K</u>
Surplus *	\$33K	Adjusted Expense:	\$247K

**In this example the surplus, \$33K would be subtracted from the budgeted expenses for the upcoming 6 month period to reduce the rates for the next 6 months, if appropriate.*

Since there is a surplus for the proceeding 6 month period, it will be subtracted from the budgeted expenses for the upcoming 6 months and thereby reduce the

calculated rate for that period. The \$247K adjusted expense would be used to establish the rate for that period.

You can bill outside users more than internal users, but rates should be developed as if you charge all users the same rate. If you roll over or under recoveries into future billing rates, the over or under recoveries will take into consideration the additional amount recovered from the outside users. In other words, you will reduce the rate for internal users downward by the extra revenue collected from external users.

9.05 Pricing of Multiple Services

A service center providing more than one service may sometimes make a surplus on some services and a loss on others. Combining the results of various services is acceptable as long as the mix of users of each service is not different, and the higher prices charged to one set of users are subsidizing only those losses charged to that approximate same group of users.

10.0 MONITORING PROCEDURES

10.01 Mid-Year Rate Change Request

Service center rates should be reviewed semi-annually, but billing rates should only be changed if the impact of the over or under recovery is to increase or decrease the working capital balance more than the 10% allowed under section 6.05. A mid-year rate change for a specialized service center or major service center must be approved by the Associate Vice President, Research Finance.

10.02 Year-End Review

On or before August 15, all service centers must submit a Statement of Revenue and Expenses and a Statement of Changes in Working Capital for the prior fiscal year to the Associate Vice President, Research Finance.

10.03 Audits

The Office of Compliance and Audit may perform an audit at any time to determine if the Service Center is operating in compliance with Policies and Procedures for Managing Sponsored Programs and this Procedure Manual.

11.0 BILLING PROCEDURES

Users should be billed via invoice. Invoices must provide sufficient documentation of the charges to enable the documents to "stand alone" in the event of a subsequent review and audit. For an invoice to stand alone, an uninformed reader should be able to determine the following:

- a. Purpose of the charge (e.g., photocopying).
- b. How many units (e.g., hours, # of items).
- c. Amount charged per unit (e.g., \$0.05/photocopy).

The invoice should contain a description that will aid in determining why a particular amount was charged to an account. When charges are divided among several account numbers, a basis for the allocation must be provided.

At a minimum, service centers must process their charges (bill) monthly.

12. RECORD RETENTION

It is the responsibility of the Service Center Director to maintain records of the details involved in all service center charges and to answer inquiries concerning those charges. Service center charges are subject to audit as long as the grants or contracts they charge remain subject to audit. All service center activity must be documented and records maintained to support expenditures, billings, and cost transfers. Each service center must retain the following:

- a. Work papers documenting the billing rate calculation.
- b. Justification of the selected utilization base.
- c. Documentation, including invoices, of actual costs of operations.
- d. Approval of the rate from the Associate Vice President, Research Finance, if applicable.
- e. Records documenting the use of the services or products.

All financial records and supporting documents, including salary and wage documents pertinent to a service center's activity, must be retained for at least seven years unless a litigation claim or audit is started before the expiration of this period. In this case, records shall be retained for seven years after all litigation, claims, or audit findings are resolved. Charges to grants and contracts are subject to challenge for three years and sometimes four or more years, after the project expires and is fully settled. Because some projects run over ten years, there is no simple rule-of-thumb for a holding period. If there is any doubt concerning how

long records should be maintained, please contact Research Finance.

(10/30/06)