

Administrative Operational Guidelines

Section Number:	2.5	Section Title:	University Controller: Grants & Contracts Financial Services
Guideline Number:	2.5.2	Guideline Title:	Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities
Effective Date:	02/01/08	Approved By:	Kerry Kennedy, Vice President for Business Affairs Janet Parker, Assoc Vice President for Financial Affairs
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I. Purpose / Scope

As a recipient of federal funds, UTSA must comply with OMB Circular A-21, Cost Principles for Educational Institutions, as published by the U.S. Office of Management and Budget (OMB). This policy provides a framework for the fiscal operations of UTSA service centers to ensure compliance with federal cost principles and consistency in accounting and costing practices. All service centers must maintain common accounting and administrative practices despite variations in volume and complexity of goods and services rendered.

II. Definitions

External Customers: Use of UTSA resources for providing services to external customers: students, individuals or organizations outside of the University must be consistent with the primary missions of instruction, research, and public service. See Section IV for additional requirements prior to providing services to external customers.

Internal Customers: Internal customers are defined as those paying for goods and services through interdepartmental transfers (IDT) against funds held in a UTSA account. Services provided to internal customers require a unilateral agreement (format at Appendix D) signed by the requesting party. This agreement will serve as supporting documentation to be kept on file by the service center. A copy of the agreement should be attached to the Interdepartmental Transfer (IDT) as authorization to charge the account.

Service Center: An activity that performs specific technical or administrative services, primarily for the internal operations of the University and is authorized to charge users for its services. An authorized service center can provide services to external customers. A separate account is established and monitored to record all costs and revenues.

Specialized Service Facility: A service center that offers highly complex or specialized services that are not readily available from outside sources - for example, animal care facilities. A separate account must be established to record all costs and revenues associated with a Specialized Service Facility.

Pass-Through Operations: A unit within the university which re-allocates costs from a central account to users throughout the university. Charges include only the cost of the original product. No additional costs, however characterized, are allowable. No value is added to the product other than convenience. The activity represents a re-distribution of expenses and not a fee for services rendered. An example would be UTSA Mail Services.

III. Establishment of Service Center and Specialized Service Facility

Service Center and Specialized Service Facility: The request to establish a new UTSA wide service center or specialized service facility must be submitted to the Director, Grants and Contracts Financial Services (GCFS) for initial review using the UTSA Service Center and Specialized Service Facility Information Sheet. This worksheet may be found at: https://rowdyspace.utsa.edu/xythoswfs/webui/xy-86124_1-t_4NBHX7sz
The same information sheet is to be used whenever a service center or specialized service facility intends to expand its customer base to include users external to UTSA, i.e., non-UTSA customers.

The approval of the Director of the unit involved and/or Dean and the appropriate Vice President is required. Specialized service facilities will also need the approval of the Vice President for Research or designee.

GCFS or designated costing personnel will meet with the initiator to review the request. Final budget and billing rates will be presented to the Vice President for Business Affairs and the Vice President for Research or designees for final approval.

IV. Contractual Requirements for External Customers

A unilateral agreement signed by the client is required for all customers external to the University. See Appendix A. The basic agreement may not be revised or edited in any way. The billing schedule may be appended to the document along with a full description of the services to be provided. The Agreement should be reviewed by the official to whom the service center reports to determine the appropriateness of the proposed work. These agreements should be kept on file by the service center.

External clients who identify themselves as federally-funded must provide appropriate documentation that may include a copy of the federal award that is paying for the services.

- o Revenues from external clients must be tracked separately to avoid the perception of overcharging.
- o If services are charged to external clients, UTSA may have a liability for unrelated business income tax (UBIT) which would be paid by the service center.

V. General Financial Management Requirements

A. Billing Rates

1. Internal Customers
 - a. For service centers, billing rates or user fees should be designed to recover the direct costs of the goods or services provided. Indirect costs of operating the service center that are paid by UTSA and not charged to the service center operating account cannot be included in the calculation of billing rates.
 - b. For specialized service facilities, billing rates must be fully costed to include both direct costs and the facility's allocable share of institutional indirect costs.
 - c. All UTSA customers must be charged the same rate for the same level of service under the same circumstances.
 - d. Billing rates cannot be marked up to accumulate a reserve for equipment replacement or purchases.
2. External Customers
 - a. Separate billing rates should be developed for external customers. These rates should recover all costs, both direct and the appropriate indirect costs. Rates charged to external, non-federal clients should include a surcharge at least the equivalent to the current approved F&A rate. This additional income is not used in the carry forward balances but will be recovered in a separate account that can be used to replenish equipment.
 - b. External rates should not be so low as to constitute unfair competition with private enterprise for similar services available in the area.
 - c. At no time should an external customer be charged less than internal (UTSA) customers or the federal government for the same service.
3. Federal Customers
 - a. Federal grants or contracts must be charged a rate equal to or lower than the rate charged to any other customer.
 - b. Federal grantors cannot be charged for services rendered free of charge to other customers.
4. Rate Setting
 - a. Service centers and specialized service facilities are required to update their rates on an annual basis.
 - b. To determine the billing rate, the total annual costs to provide the goods or services plus or minus any surplus/deficit from the prior year is divided by total annual usage:
$$\text{Billing Rate (Fee)} = \frac{\text{Budgeted operating costs +/- prior year adjustment}}{\text{Expected units of activity (customer base)}}$$
 - c. All costs must be reasonable, allowable, allocable and consistently treated. Unallowable costs **cannot** be budgeted or expensed on service center accounts. See OMB Circular A-21, Section J for a complete list of all allowable and unallowable costs.
 - d. Allowable costs include but are not limited to:
 - o Salaries, wages, fringe benefits
 - o Materials and supplies
 - o Equipment lease or rental
 - o Equipment maintenance contracts/repairs
 - o Postage and telephone
 - o Non-capitalized equipment (unit cost less than \$5,000)
 - o Travel expenses related to center business

- e. Unallowable costs cannot be included in the billing rate calculations. Typical unallowable costs include but are not limited to:
 - o Advertising and public relations costs
 - o Alcoholic beverages
 - o Bad debts or uncollected billings
 - o Contingency provisions
 - o Cost of equipment \$5,000 or greater per item
 - o Entertainment costs
 - o Fines and penalties
 - o Goods and services for personal use
 - o Insurance and indemnification
 - o Memberships, subscriptions and professional activity costs of a social or individual nature
 - o Selling and marketing costs
5. User rates must be supported by cost calculations based on historical costs and service levels. Estimated rates may only be used in the first year of service.
6. A service center and specialized service facility may have different measurable units for the different types and classes of goods and services offered. User rates consisting of flat fees that charge per range of actual use (e.g. light, medium or heavy) are not in compliance with Cost Accounting Standards. Centers providing multiple services may not subsidize the cost of certain services by charging excessive rates for other services.

B. Billing Procedures

1. All customers must be billed consistently, timely and accurately for services received. User bills must have sufficient detail to identify the services provided. Billings must be based upon measured and documented use.
2. Billings to UTSA departments are done through Interdepartmental Transfers of expense (IDTs). Sufficient detail must be included to identify the services provided, billing rates and usage. A copy of the required unilateral agreement (Appendix C) should be attached as authorization to charge the account.
3. Service centers and specialized service facilities must comply with university cash handling and billing procedures. All invoices to external customers must be on UTSA letterhead and include certain key elements as displayed at Appendix B. Each service center or specialized service facility may customize as necessary. All invoices and supporting documentation must be maintained by the service center or specialized service facility for a period of five (5) years.
4. Advanced billings are not allowed. "Pre-billing" customers at year-end for services to be delivered in the next fiscal year is prohibited.

C. Accounting Guidelines

1. **Accounts.** University wide service centers and specialized service facilities may have multiple accounts in which to record revenue and expenditures depending upon their customer base.
 - a. If 80% or more of income is derived from internal customers, a single 18 account will be used to record all income and expenditures to include the 20% or less derived from external customers.

- b. If income from external customers exceeds 20% of total income, a separate 19 account will be established for external customers.
 - o A single 19 account will be used for multiple external agreements that are less than \$5,000 per agreement.
 - o Individual 19 accounts must be established for each external agreement totaling \$5,000 or more.
2. **Expenditures.** All costs related to the operation of service centers and specialized service facilities must be recorded in specified accounts within fund group 18 or 19. This includes salaries, fringe benefits, supplies and related travel costs. See Section V for a listing of allowable and unallowable costs.
3. **Fiscal Review.** Service centers and specialized service facilities should target break-even goals through proper budgeting, rate setting and billing practices. Centers and facilities are responsible for comparing actual costs and revenues at the end of each fiscal year and taking appropriate action.
 - a. **Deficit Balances:** A service center or specialized service facility may not operate for more than one complete fiscal year with a deficit account balance unless justified and approved by the Associate Vice President for Financial Affairs. Any center with a deficit of more than 10% of operating costs must provide the Office of Grants and Contracts Financial Services with a written plan to eliminate the deficit. This plan may include one or a combination of the following:
 - o Rate increases sufficient to liquidate the deficit
 - o A transfer of funds from another university department
 - b. **Surplus Balances:** Surplus balances will be reduced either by rate reductions or refunds to all customers or both. Surplus amounts will not be transferred from service center accounts to subsidize other university operations or to purchase goods/services for operations unrelated to the service center or specialized service facility. However, such transfers are permitted if the transfer is to an account which previously provided a subsidy to cover an operating deficit or provided start-up funds.

Grants and Contracts Financial Services will conduct periodic reviews of the financial operations of existing service centers to review billing rates and practices, including the treatment of surpluses and deficits and the adequacy of record keeping procedures. A schedule of current billing rates must be maintained and made available upon request.

4. Subsidies.

- a. If fees cannot be set at a rate sufficient to recover operating costs, another department may not directly pay the operating costs of a service center or specialized service facility from other sources. The subsidy must be accomplished as a transfer of funds to the center or facility's operating account. The transfer is not accounted for as revenue or negative expenses.
- b. Any partial subsidy of a center either included as part of the budget or absorbed as a deficit at the end of the fiscal year, needs to be identified as an unallowable cost for F&A rate calculation purposes.
- c. A class of users (e.g. students) may receive service at a reduced fee, if the discount is subsidized from another source, but not through a reduction or elimination of the billing. The subsidy must be deposited in the center account as income. This is necessary to avoid misstating either usage or revenue.

D. Records Retention

Records should be maintained by the center to document: the actual direct operating costs of providing the service; the units of service provided; revenues, billings and collections; and the annual surplus or deficit. Support for charges must be retained by the service center to answer user inquiries or in case of an audit. Records should be maintained for a minimum period of 5 years. Examples of documents that must be maintained are:

- a. Work papers showing how the charge out rate(s) were calculated.
- b. Approval of rate(s).
- c. Records supporting the level of activity.
- d. Billing records that identify the service provided to each user.

VI. Reference Documents

Appendices

Appendix A: Sample Unilateral Agreement for Service Centers

Appendix B: Sample Service Center Invoice

Appendix C: UTSA Project Agreement

References

Office of Management and Budget Circular A-21 (revised 08/31/05) includes Appendix A – CASB's Cost Accounting Standards.

<http://www.whitehouse.gov/omb/circulars>

Service Center and Specialized Facilities Information Sheet:

https://rowdyspace.utsa.edu/xythoswfs/webui/_xy-86124_1-t_4NBHX7sz

VI. Revision History

Date	Description
02/27/09	Published guideline.

Appendix A: Sample Unilateral Agreement

The University of Texas at San Antonio

Service Center Agreement/Specialized Service Center

THIS AGREEMENT is entered into on this ____ day of _____ 20__ by and between _____ (Client) having its principal place of business at _____, and The University of Texas at San Antonio (UTSA), a state institution of higher education.

WHEREAS, CLIENT desires services which UTSA has the capability, facilities and equipment to provide; and

WHEREAS, the performance of the services is consistent, compatible, and beneficial to the role and mission of UTSA to provide educational experiences for students and to encourage and support research and related educational activities;

1. **Scope of Work.** UTSA shall provide the following goods and services as requested by the CLIENT:

The services will be provided under the direction and supervision of _____ of the _____ [department or center]. The parties agree that UTSA shall have discretion to involve its students in the conduct of the services.

2. **Scheduling Services.** The scheduling of such services shall be arranged to avoid conflict with UTSA'S educational and research programs. UTSA shall control the scheduling of such services, but will try to meet the convenience of the CLIENT.

3. **Term and Termination.**

3.1 This Agreement shall become effective _____ and shall be completed on _____, unless an extension is mutually agreed upon in writing between parties or the Agreement is otherwise terminated as provided herein.

3.2 Either party may terminate this Agreement upon 30 days written notice to the other party. Upon such termination, UTSA will be paid for all expenses incurred through the termination date and for any commitments that are not able to be cancelled.

4. **Payment.** CLIENT agrees to pay UTSA for services performed under this Agreement, in accordance with the rate schedule incorporated into this Agreement as Appendix A.

Indicate payment method:

The University of Texas at San Antonio

_____ Advance payment of \$_____ is required prior to initiation of services.

_____ UTSA will provide monthly invoices based upon services used. Payment is due upon receipt. Invoices will be sent to:

All payments shall be made payable to UTSA at the following address:

The University of Texas at San Antonio

One UTSA Circle

San Antonio, Texas 78249

Attn: Director of Financial Services & University Bursar

5. **Indemnification.** Each party agrees to be responsible and assume liability for its own wrongful or negligent acts or omissions, or that of its officers, agents or employees to the full extent required by law, and agrees to hold the other party harmless from any such liability. Each party agrees to maintain reasonable coverage for such liabilities either through commercial insurance or a reasonable self-insurance mechanism, and the nature of such insurance coverage or self-insurance mechanism will be reasonably provided to the other party upon request.
6. **No Warranty.** UTSA makes no warranty whatsoever regarding any outcome obtained hereunder. Any decision regarding safety, applicability, marketability, effectiveness for any purpose, or other use or disposition of said outcome shall be the sole responsibility of client and/or its assigns and licenses.
7. **Force Majeure.** UTSA shall not be liable for any failure to perform as required by this Agreement due to acts of God, strikes or other disturbances, including, without limitation, war, insurrection, embargoes, governmental restrictions, acts of governments or governmental authorities and any other cause beyond the control of UTSA.
8. **No University Endorsements.** In no event shall the CLIENT (or its successors, employees, agents and contractors) state or imply in any publication, advertisement or other medium that UTSA has approved, endorsed or tested any product or service. In no event shall UTSA's performance of the services described herein be considered a test of the effectiveness or the basis for any endorsement of a product or service.
9. **Use of UTSA Name or Logo.** The CLIENT agrees not to use the name, logo, or any other marks owned by or associated with UTSA or the name of any representative of UTSA in any sales promotion work or advertising, or any form of publicity, without the prior written permission of UTSA in each instance.
10. **Applicable Law.** Any dispute regarding or arising under this Agreement shall be subjected to and resolved in accordance with the laws of the State of Texas.
11. **Assignment.** Neither party shall assign or transfer any interest in this Agreement without prior written approval of the other party.
12. **Similar Research.** Nothing in this Agreement shall be construed to limit the freedom of UTSA or of its researchers who are not participants under this Agreement, from engaging in similar services made under other grants, contracts or agreements with parties other than the CLIENT. However, UTSA and its researchers who are participants under this agreement warrant that performance of services as provided for herein will not cause a conflict of interest because of work undertaken with others.
13. **Independent Contractor.** In the performance of their obligations under this Agreement, the parties shall be independent contractors and shall have no other legal relationship, including, without limitation, partners, joint ventures or employees. Neither party shall have the right or

The University of Texas at San Antonio

power to bind the other party and any attempt to enter into an agreement in violation of this section shall be void. Neither party shall take any actions to bind the other party to an agreement.

14. **Export Controls.** The CLIENT shall notify UTSA in writing if any technological information or data provided to UTSA is subject to export controls under U.S. law or if technological information or data that the CLIENT is requesting UTSA to produce during the course of work under this Agreement is expected to be subject to such controls. The CLIENT shall notify UTSA of the applicable export controls (for example, Commerce Control List designations, reasons for control, countries for which an export license is required). UTSA shall have the right to decline export controlled information or tasks requiring production of such information.

By using the services of the _____ at the University of Texas at San Antonio, the Client agrees to all of the terms and conditions listed in this Agreement.

CLIENT

By: _____

Name:

Title:

Date: _____

The University of Texas at San Antonio

Appendix B: Sample Invoice

The University of Texas at San Antonio

Invoice # _____

Date _____

To: _____

From: Service Center #1
UTSA
Phone #
Contact

Date(s) of Service: MM/DD/YYYY – MM/DD/YYYY

Detail pertinent information based upon billing unit. For example:

Date	Service	Usage	Rate/Hour	Cost
01/01/08	xxxxxxx	4 hours	\$50	\$200.00
Surcharge				83.00
Total				\$283.00

Payable upon receipt.

Please make check payable to The University of Texas at San Antonio and reference account # 19-xxxx-xx-95. Remit to:

The University of Texas at San Antonio
Financial Services
Attn: Gary Lott
One UTSA Circle
San Antonio, TX 78249

Appendix C

UTSA Project Agreement

Service Center: _____
Services Requested: _____

Services provided under the direction of _____

Client Data

Client: _____
Contact Name: _____
Contact Phone Number: _____
UTSA Account # to be charged: _____
Federal Funding: ___ Yes ___ No

Terms

The Client agrees to pay the Service Center or Specialized Service Center for services performed under this agreement in accordance with the attached rate schedule, not to exceed \$_____.
This agreement shall begin on _____ and end on _____.

Authorized signer for account to be charged:

Signature: _____ Date: _____

Printed Name: _____