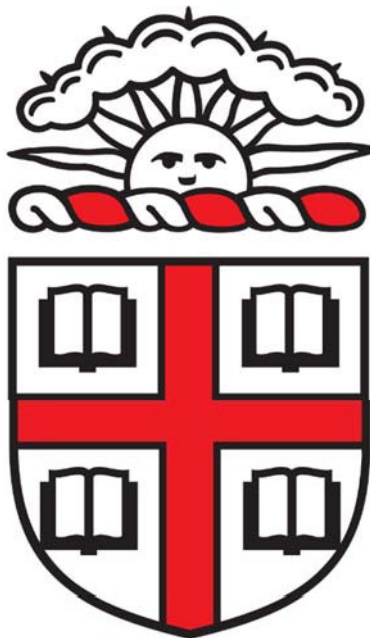


BROWN UNIVERSITY

Academic Service Center Manual



BROWN

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Introduction

Academic Service Centers are units within Brown University departments or cost centers that charge for goods or services directly supporting the research or academic mission of the University and recover costs through charges to internal and external users. All Academic Service Centers are expected to recover no more than the aggregate costs of their operations through charges to users. All Academic Service Centers must be able to demonstrate compliance with federal requirements and cannot use fee structures that discriminate against federally funded activities.

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. §200) (“Uniform Guidance”). The Uniform Guidance requires that service units charge according to actual usage at non-discriminatory rates calculated to recover no more than the actual costs of the service provided (§200.468). Non-compliance could harm the University's reputation and reflect negatively on future award proposals, and could also lead to repayments or fines to the government. In addition, academic service centers, as prescribed by the Uniform Guidance Audit Requirements (§200.500), are reviewed and tested as part of the annual single audit.

Any Brown University cost center or unit operating as an Academic Service Center must comply with the Academic Service Center Policy. The purpose of this manual is to provide additional guidance on establishing, maintaining, and accounting for Academic Service Centers in accordance with Brown University policy and federal regulations. The intended audience is faculty, students and staff at Brown University involved in the operation of an academic service center.

Definitions

Academic Service Center - A Brown University Academic Service Center is an operation that provides goods and/or services in direct support of the research or academic mission of the University. Academic Service Centers recover their costs through fees charged to internal and external users, including federally sponsored projects, based on established billing rates and actual usage of service. Cores are not dedicated to the work of a single research group or department, but should maintain equitable access to all investigators. According to the University's Cost Accounting Standards Board Disclosure (DS-2), there are two types of service centers:

- 1) *Specialized Service Center* - A specialized service center has an annual budget of over \$1 million and provides 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 an allocated portion of overhead. Brown's Animal Care Facility (ACF) is the only Brown service center specifically designated in the University's DS-2 as a specialized service center.
- 2) *Recharge Center* - A recharge center bills users for direct costs and has an annual budget of less than \$1 million. There is one type of recharge center: Core Research Facilities.

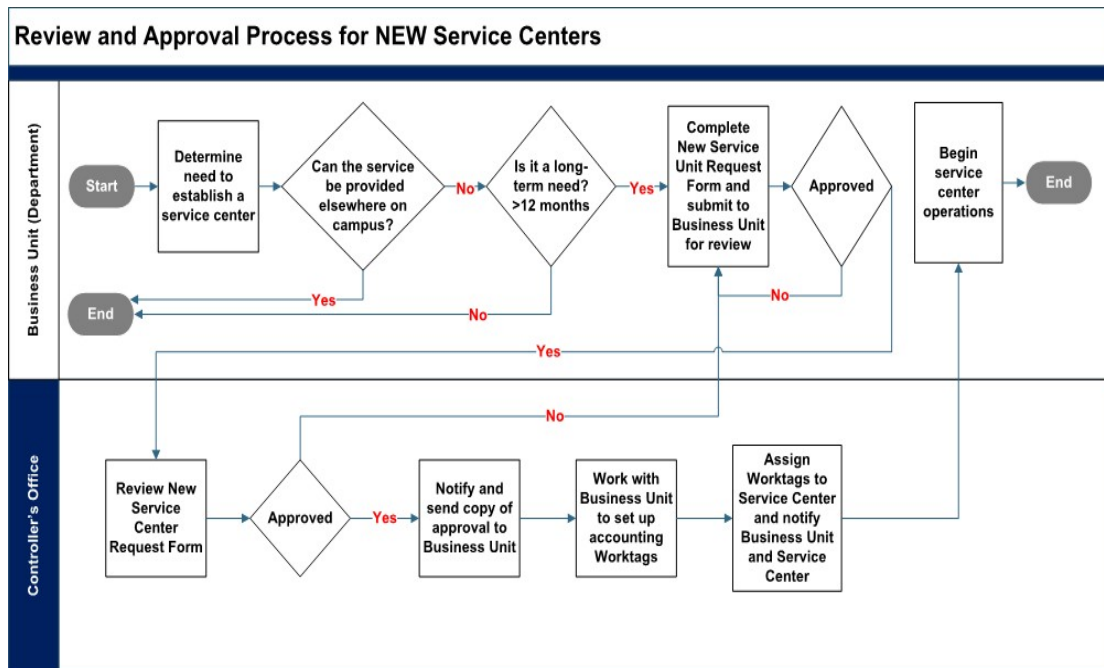
Core Research Facilities: Core Research Facilities (CRFs) are centralized, shared resources that provide scientific and clinical investigators access to instruments, technologies, services, and technical expertise. The typical core facility is a discrete unit within an

Chapter 1: Creation of Academic Service Centers

Considerations for a new Service Center

Prior to establishing a new service center, the following items should be considered:

- Facility Overview - What is the name and purpose of Center, how does it support the University's mission, and what are the products or services to be offered?
- Availability - Is this service available elsewhere on campus, or at a nearby affiliated hospital or other academic institution?
- Duration - Is the need for this service short-term or long-term (generally greater than a year)?
- Responsibility - Who will be responsible for managing the Service Center?
- Employees - How will the service center be staffed?
- Funding - What will be the funding sources for the new Academic Service Center?
- Access - Will the Academic Service Center provide access to all investigators?
- Customer base - What portion of users will be internal vs. external?
- Billing - Who will be responsible for billing for the Service Center?
- Equipment - What capital equipment/resources will be needed?
- Space - Where will the Service Center be located? (room #)
- Workflow - What is the planned scheduling process?
- Marketing - Are there any plans to promote the services to be provided?



Approval Process

Approval is required from senior leadership within the business unit before establishing, operating or closing an Academic Service Center. The *Brown University New Service Center Request Form* should be completed and submitted to the Controller's Office via email (accounting@brown.edu) at least 60 days prior to the anticipated commencement of the proposed operation.

Advisory Board

An advisory board or committee composed of senior faculty and administrators from the proposed service center's business unit and the Office for Research is an effective means for ensuring an alignment of institutional goals with core facilities. The date of approval by the advisory committee is documented in the *Brown University New Service Center Request Form*.

Accounting for Operations

The Controller's Office will work with the business unit proposing the new service center to ensure that the service center's activity will be properly tracked in Workday using appropriate Cost Center, Program Code, and/or other worktags.

Service Center Rates

The *Service Center Annual Rate Proposal Form* must be completed with initial rates approved by the Controller's office prior to commencement of operations.

Chapter 2: Budgeting for Service Centers

Service centers must create annual budgets that include anticipated revenues and expenses. The budget process is independent and more in depth than the University's annual operating budget. However, budgets prepared for the service center and annual operating budget should be reconciled.

Revenue Budget

The revenue budget should be based on the estimated volume of goods or services sold times the applicable rates. When estimating revenue and usage levels, considerations should include prior year performance, prior year subsidy levels, and anticipated changes in the operations of the service center and needs of internal and external users. Service centers derive revenue from the following sources:

- User fees (internal, external, and commercial)
 - Internal customers – Service Center Billing Journal Source using Ledger Account (LA) 68000: Internal Services. The journal should typically debit the appropriate Spend Category within Ledger Account 68000, e.g. Miscellaneous Facility (6630), and the credit is recorded to Ledger Account 68000 using Spend Category: Internal Billing (9800).
 - External customers – Workday Customer Invoice using Sales Item: Service Center Sales (0171)
- Subsidies – University support, gifts, or grants

Allowable Direct Costs

The expense budget should include all costs for operating the academic service center including administrative expenses directly associated with operations of the facility. Expense categories include:

- Salaries, wages and fringe benefits
- Materials and supplies
- Maintenance and repair, including equipment maintenance agreements
- Rentals and leases, including operating equipment leases
- Travel & conferences
- Purchased services/professional fees
- Equipment depreciation
- Interest paid on externally debt-funded equipment used by the service center

Salaries, wages, and fringe benefits for direct personnel and administrative staff whose efforts are directly related to the service center's activity or management should be budgeted and included in the rate calculation. If an individual works on more than one activity, the costs associated with that individual must be allocated to the activities based on the effort spent. Likewise, administrative costs benefiting more than one service center activity must also be allocated. Effort reporting, a time study, or another equivalent method may be used to determine the appropriate allocation.

Materials, services, and supplies needed to operate the service center are allowable and should be included in the rate calculation. These expenses must be included in the financial analysis for the fiscal year in which they are used. If excess materials or supplies are purchased during the fiscal year, the service center should exclude these costs from the rate calculation. If material, the inventory balance may be booked as part of the year end closing process. Please contact the Controller's Office (accounting@brown.edu) for assistance with recording and adjusting inventory balances.

Lease, Rental and Service Contracts and other professional services are allowable and should be included in the rate calculation for the fiscal year in which they were incurred. The only exception is that capital leases cannot be charged directly to service centers.

Equipment Depreciation may be included in a service center's rates and is a means of funding future equipment purchases. See *Chapter 3 Capital Equipment and Depreciation* for details.

Travel related directly to and necessary for the operation of the service center (i.e. conferences, meetings, local travel) are allowable.

Other Direct Costs not identified above are allowable to the extent that they relate directly to and are necessary for the operation of the service center and are not specifically unallowable under University policy.

Indirect Costs (Facilities and Administration, or F&A) and additional fees recovered from external users of service centers is allowable.

Unallowable Costs

Unallowable costs *must be excluded* from the budget as well as the service center rate calculation and may not be charged to Service Center users. Examples of unallowable costs include, but are not limited to those listed below:

- Alcoholic beverages
- Airfare in excess of "coach"
- Bad debt or uncollected billings
- Capital equipment purchases (See *Chapter 3 Capital Equipment and Depreciation*)
- Capital leases
- Donations and contributions
- Entertainment/Gifts
- Fines and penalties
- Internal Interest
- Memberships
- Principal payments on debt-funded equipment
- Salaries over the NIH cap
- "Reserves" for future expenditures
- Sales tax

For a complete list of unallowable costs, refer to Subpart E of the OMB Uniform Guidance and the University's [Travel](#) and [Expense Reimbursement](#) policies.

Chapter 3: Capital Equipment and Depreciation

Service Center Equipment Purchases – Overview

Capital Equipment is defined as an item with a purchase price of \$5,000 or more and a useful life of greater than one year. Federal guidelines do not allow the purchase cost of capital equipment to be recovered through service center rates or to be included in the calculation of the annual surplus or deficit. However, as described below, the depreciation expense associated with capital equipment purchases may be included in service center rates. Equipment costing less than \$5,000 is allowable and must be treated as an operating expense when calculating billing rates.

When a service center directly purchases capital equipment, the cost should be charged using program worktag PRG105 Research Equipment within the service center cost center so it can be capitalized. The associated depreciation is an allowable expense in the rate calculation.

Note: Contact the Controller's Office with questions on the usage of Program Codes and other worktags.

PRG105 Research Equipment

Funds in PRG105 Research Equipment are used for the purchase of equipment in support of the associated service center. PRG105 is funded by revenue derived from the inclusion of depreciation expense in the rate calculation. The funding source for the purchase of equipment should not be derived from the current year operations of the service center.

Revenue derived from depreciation expense should be tracked and accounted for. Supporting documentation showing the amount of accumulated depreciation is necessary so that it will be allowed to carry over from year to year and not be considered surplus revenue from normal operations. When properly tracked, the accumulated balance of collected depreciation funds in PRG105 can be applied to the purchase of new equipment for the service center.

Tracking revenue earned from depreciation is accomplished by first determining the percentage that depreciation contributes to the over-all rate and then multiplying that percentage by the revenue earned from the service center that used the equipment.

For example: Assume the service center rate is \$20.00/unit of which \$2.00 or 10% is related to depreciation. If 100 units were sold in that year, then 10% of the generated revenue of \$2,000, or \$200 is available to transfer to PRG105.

Using the same example, at the end of the fiscal year, transfer the \$200 of revenue earned from depreciation to PRG105 as follows using journal source *Designated Fund Transfer*:

DR: LA80200, Spend: Designated Funds Transfer (9310) \$200 (CC, FD100)
CR: LA80200, Spend: Designated Funds Transfer (9310) \$200 (CC, FD130, PRG105)

Note: This entry is required since reserves are accumulated and rolled forward in FD130 Designated Funds.

Purchasing Equipment

Purchase of equipment in support of the service center operations can occur at any time during the fiscal year. When equipment needs to be purchased, transfer PRG105 reserves from FD130 to FD100 to fund the equipment purchase as follows using journal source *Designated Fund Transfer*:

DR: LA80200, Spend: Designated Funds Transfer (9310) \$200 (CC, FD130, PRG105)
CR: LA80200, Spend: Designated Funds Transfer (9310) \$200 (CC, FD100, PRG105)

This entry is moving the funding for the equipment purchases from FD130 to FD100. This is required since equipment purchases cannot be made directly from FD130. When the equipment is purchased it is recommended to include PG105 in the Purchase Order worktags. If more than one service center uses the same piece of equipment, the purchase cost of the equipment must be allocated between the respective service centers, either at the time of purchase or through a journal entry. The allocated cost becomes the depreciable base to use to calculate depreciation expense for each respective service center.

Depreciation Expense

Identifying the original funding source for the equipment is critical before any consideration of depreciation. Depreciation expense on equipment purchased with federally sponsored funds **cannot** be included in the service center rates. If equipment was purchased using federal funds, the government has already paid for the full cost of the equipment. Therefore, including equipment depreciation in the rates would be in effect double billing for the cost of the equipment.

Depreciation for capital equipment purchases that were *not* federally funded may be included in a service center's rates. Any depreciation expense for a given piece of equipment must be applied to only those rates which utilize that specific instrument.

If the equipment is used solely for service center operations, then 100% of the depreciation can be included in the associated service center rate.

If two or more service centers "cost share" the same equipment, then depreciation is calculated based on the Depreciable Cost Base for the respective service center.

So that equipment can be properly tracked, all equipment that is depreciated must be identified by Asset Tag Number and Cost on the *Depreciation Schedule* tab of the *Service Center Annual Rate Proposal Form*. Equipment whose depreciation is used to calculate service center rates is removed from the Indirect Rate Calculation of F&A. Conversely, equipment included in the University's indirect cost rate (F&A) cannot be included in service center rates.

Including depreciation expense in the rates can often render the service too expensive for users. This is a determination that each service center must decide based on their own circumstances. It is not required that either all equipment or no equipment costs be included in the rate structure; and service centers may choose to include depreciation on some but not all equipment. It is recommended that service centers consistently include or exclude the depreciation in the rates since the Indirect Cost Rate is not calculated on an annual basis and is effective for a period of several years. If equipment is included in the University's indirect cost rate (F&A), it cannot be

subsequently included in the service center rate.

Equipment Useful Lives

The amount of depreciation charged must be calculated using the appropriate useful life of the asset as defined below using the straight-line method. For example:

$$\frac{\text{Equipment cost, including freight, set-up charges, etc.}}{\text{Estimated useful life in years}}$$

In accordance with the University's Cost Accounting Standards Board Disclosure Statement ("DS2"), useful lives for equipment purchased at Brown University are as follows:

Computer Equipment: 3 years

Scientific Equipment: 7 years

The useful lives established in each asset category reflect the period of useful service and take into consideration such factors as the nature of the equipment, technological developments in the area, and renewal and replacement policies within the University for individual items or asset category. In certain circumstances, service centers with "specialized" equipment, or equipment that is unusual in the nature of its depletion or use, may need to estimate a more accurate useful life. Deviation from standard useful lives requires review and approval by the Controller's Office.

Chapter 4: Rate Development

Local managing units are responsible for ensuring that service center rates comply with the guidance in the Academic Service Center policy and this manual, and are submitted annually to the Controller's Office for review and approval by September 30th. Rates should be calculated using the *Service Center Annual Rate Proposal Form*.

A service center rate is the cost per billable unit of goods or services sold in order to recover the expenses of the service center and achieve a breakeven financial position. A billable unit is the measurement used to identify the specific goods and/or services provided by a service center. The use of an appropriate billable unit is essential to ensuring that users are charged only their fair share of the actual costs of operating the service center. Examples of billable units include:

- Labor hours or machine hours
- Unit cost
- Number of samples or tests performed
- Any other unit of measurement appropriate to the type of activity

Rates are based on budgeted projections of operating expenses, including a carryforward surplus/deficit, divided by projected levels of activity or revenue.

$$\frac{\text{Budgeted Expenses} + /- \text{Cumulative Carryforward Surplus/Deficit}}{\text{Billable Units}}$$

For example, a microscope costs approximately \$100,000 per year to operate and has an estimated usage (activity level) of 1,500 hours during the year. The resulting hourly rate would be calculated as $\$100,000/1500 \text{ hours} = \66.67 per hour. A researcher using the microscope for 4 hours would then be charged \$266.68, or $4 \times \$66.67$.

Pricing that is contingent upon types or levels of usage should be developed for each discrete type of service, and there should be no cross subsidies between services. See Pricing of Multiple Services below.

Breakeven Expectation

The break-even period is a reasonable period of time over which cumulative revenue for a service or product equals cumulative expenses. Service center billing rates should be calculated to recover the aggregate cost of a service/product over a defined period (normally one year).

Some service centers require a long breakeven period due to startup costs or volume fluctuations. Initial multiyear breakeven periods of up to five years are allowable. Requests for a multi-year break-even period must be included in the "New Service Center Request Form" and be approved by the Controller's Office.

Surpluses or Deficits

It is not possible to predict what rate(s) will achieve an actual annual breakeven financial position. For this reason, as defined in the [Academic Service Center Policy](#), a threshold of +/- 25% of total operating expenses is reasonable and allows for unbudgeted variances in volume or expenses. Sometimes, it may be necessary to adjust rates at mid-year or at other times during the annual cycle.

Monthly and fiscal mid-year reviews of service center accounts are recommended to determine compliance with the annual +/- 25% surplus/deficit requirement. If there is an operating surplus in excess of 25% at midyear, the budget should be reviewed to determine whether a mid-year rate reduction is necessary. If there is an operating deficit in excess of 25% at midyear and the service center is not subsidized, the budget should be reviewed to determine whether a mid-year rate increase is necessary. All rate changes must be documented, approved by the Controller's Office, and dated for audit purposes.

Carryforward of Prior Year Gain/Loss

Fiscal year-end reviews of service center accounts must also be performed to determine compliance with the cumulative surplus/deficit requirement. A cumulative gain (surplus) or loss (deficit) from prior years over the 25% annual threshold should be factored into future rate calculations. When this produces material fluctuations in the subsequent year's calculations, it is allowable to spread the carryforward over multiple years.

Pricing of Multiple Services

Service centers offering multiple services should calculate appropriate rates for each service. The goal is to create a billing rate that does not cross-subsidize between services or user groups.

Blending the costs and revenues of various services is not allowed if the component costs of each service is different because blending the costs would result in the lower cost service users subsidizing the higher cost service users. For example:

	Service A – Tech assisted Sorting	Service B – Self- Service Sorting
Costs	Service unit = 1 hour \$cost /hour	
Senior Tech compensation	\$60	0
Supplies	\$10	\$10
Service Contract	\$15	\$15
Total costs per service unit	\$85	\$25

In this example, the fees for Service A and B could not be blended to arrive at a fee of \$55/hour for both services because the costs associated with Service A are different from those associated with Service B; one requires the skill of a senior tech and the other does not. The users of Service B cannot be charged more than \$25/hour in order to decrease costs for the users of Service A; i.e., the fees for Service B may not cross subsidize the fees for Service A.

Rate Consistency

Rates can be set based on hours, units, or any other metric that is the closest approximation for utilization of resources to produce the good or service. Rates established by service centers must be non-discriminatory, and all users of the facility must be billed for services. Non-discriminatory means **all internal** users are charged at same rate(s) for the same level of services rendered or products purchased. If a service center offers any discounted rates (e.g. volume discount) that rate must be available to all internal users. Note that subsidies may be applied to the full rates, as described below. **External users** may be charged a billing rate higher than the rate charged to internal users due to the addition of University F&A and other add-on fees to cover incremental

expenses related to external users (such as bad debt and collection fees). It is not necessary to itemize add-on fees for external users on the invoice however, the service center must maintain supporting documentation that identifies the components of the rates charged.

Internal versus External Users and Rates

Users: Purchasers of service center services can be internal, affiliated, or external to the University.

Internal users – Investigators within Brown University who pay for goods or services through internal billing using a Brown account are billed through internal billings as described in *Chapter 5 Billing*.

Affiliated users – Academic research investigators at affiliated hospitals and other academic institutions within the State of Rhode Island. These users are billed using internal rates.

External users/commercial customers – An entity or person that is legally separate from Brown that typically purchases goods or services for reasons of convenience, quality, or uniqueness of goods or services offered. Examples include collaborators at other institutions outside of the State of Rhode Island and investigators at commercial research labs. The external user distinction is very important to the University for unrelated business income tax (UBIT), sales tax, F&A (indirect) cost rate, and Organized Research policy purposes. There are some service centers which have external users.

Sales to affiliated and external users are billed through Workday customer accounts. See the Cashier's Office website at www.brown.edu/about/administration/cashier/departmental-information for guidance.

Rates: Service center users may be charged different rates as described below:

Internal rates – All Brown University cost centers, Brown Hospital affiliates and academic institutions within the State of Rhode Island are considered internal users, and will be billed internal rates. Brown University Hospital affiliates and academic institutions within the State of Rhode Island will be billed through the Workday customer accounts module. See billing procedures below.

External rates – External rates are higher than internal rates and include the facilities and administrative costs of the Academic Service Center.

Commercial rates – Commercial customers may be charged rates above the external rate.

Subsidies and Subsidized Rates

Subsidies are financial support for a service center that is not generated by the sales of goods or services, where the service center's expenses are paid from an account outside of the service center's operating account. Subsidies may be applied as described below:

Service Center Subsidy – Academic Service Centers may be subsidized by departmental or grant funds to cover operating costs. The total service center budgeted expenses should first reflect the full unsubsidized cost of providing the services. Then, subsidies should be applied as offsets to arrive at total cost net of subsidies. The Service Center Annual Rate

Proposal Form follows this format. The fee charged to all internal users is calculated net of the subsidy.

User Subsidy – Subsidies may be provided by a specific department or other outside source to subsidize certain groups of users (e.g. users from that department, junior faculty, students, or members of a lab). The service center charges and recovers the full cost of services provided to these users by charging the full rate to the user. The difference between the full rate and the subsidized rate is charged to the department providing the subsidy and credited back to the user. The aggregate subsidy will be recorded as with Spend Category 9630 (Expense Reallocation Within Fund Type) for transfers within the same fund and Spend Category 9760 (Expense Reallocation Across Fund Types) for transfers between different funds. All rate calculations are done at a gross level with the subsidy applied after the rates are calculated.

Chapter 5: Billing

Documentation for Billing

Information necessary to bill customers should be obtained when orders are placed. Billing for services must be based upon measured and documented utilization, and rates which are approved annually by the Controller's Office. Service centers should maintain a price list of all services or products available, and the approved rates should be published for internal and external users, if applicable.

All billing should be processed on a timely basis. Each Academic Service Center must bill twelve months of activity within a fiscal year, and billing should be performed monthly.

Advance billing is **not** allowed. Billing cannot occur until goods or services have been rendered.

Recording Revenue related to Service Center Activities

Internal billings - Revenue from internal billing should be consistently recovered and recorded by a journal entry in Workday using "Service Center Billing" Journal Source and Ledger Account 68000 Internal Services on both sides of the entry. Select an internal services spend category beginning with 6XXX for the debit side of the entry and Internal Billing (9800) for the credit side of the entry.

External billings/affiliated users - External customers and affiliated users outside of Brown University do not have Brown worktags and revenue resulting from services provided by service centers to these users must be recorded through a Workday Customer Invoice. This also applies to those service centers that charge researchers from affiliated hospitals or other academic institutions within RI at internal pricing rates.

Academic Service Centers should provide appropriate invoicing documentation. 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. When generating a Customer Invoice use Sales Item: Service Center Sales (0171).

A service center that bills to External and/or Commercial Users may use a rate that includes F&A and sometimes other charges (i.e. the billing rate differential). The billing rate differential should first pay back any subsidy received from the University.

Chapter 6: Tax Issues Relating to Service Centers

Private Business Use

All service centers should be aware of the potential for private business use (PBU). PBU is actual or beneficial use of tax-exempt bond financed property by any person or organization other than (1) a Section 501(c) (3) organization such as the borrower, or an affiliate, pursuing its exempt purposes or (2) a state or local government. Any direct or indirect use of tax-exempt bond financed property at Brown, other than by Brown (or another non-profit) for its exempt purposes, may result in PBU. All management contracts, naming rights agreements, lease agreements, or any other agreement for the use of space by a non-governmental entity (i.e., space used by an entity or individual other than by the University), in which tax-exempt bonds were issued and remain outstanding for a building, require notice to the Treasurer's Office for review of any potential PBU. Applied research sponsored by the federal government or a private business may also result in private business use, and potential PBU activity is monitored by the Treasurer's Office. Please contact the Treasury Department at treasury@brown.edu for assistance with potential PBU issues.

Unrelated Business Income Tax (UBIT)

A business activity generates unrelated business income subject to taxation if the following three conditions are met:

1. It is a trade or business,
2. It is regularly carried on, and
3. It is not substantially related to furthering the tax-exempt purpose of the University

A trade or business includes the selling of goods or services with the intention of making a profit. An activity is regularly carried on if it occurs with a frequency and continuity, similar to what a commercial entity would do if it performed the same activity. An activity is substantially related to furthering the exempt purpose of the organization if the activity contributes importantly to accomplishing the organization's purpose, other than for the sake of producing the income itself.

If external users of the service centers are being charged a rate that is higher than the University's aggregate cost of the goods and services provided, there may be a liability for unrelated business income tax. Under most circumstances the services centers will not meet the three tests for UBIT, however if profits are made over an extended period of time, the tax department may be required to report this income to the IRS and the University may have a UBIT liability. Please contact the University Tax Department via email to accounting@brown.edu for more information or with any potential concerns.

Sales Tax

Sales of goods to external users are generally subject to sales tax. Sales tax, equivalent to the sales tax rate times the sale price, should be collected from the customer. Rates are based on the state in which the goods are picked up or delivered. Brown University currently collects and remits sales tax on items picked up or delivered to addresses in Rhode Island. Should sales of goods occur outside of Rhode Island, the tax department should be notified to determine the extent of the activity and whether or not the University will have an obligation to collect the sales tax. If the external user has a valid sales tax exemption certificate for Rhode Island, the certificate must be collected from the external party and sales tax need not be collected or charged. Internal users are not charged sales tax on items purchased for University use. Please contact the University Tax Department via email to accounting@brown.edu for more information or with any potential concerns.

Chapter 7: Monitoring Performance

Annual Rate Approval Process

Annual rate proposal submissions are due to the Controller's office annually by September 30th and should include:

- Annual financial operating report for the previous year.
- Revenue and expense budget incorporating the cumulative surplus/deficit from the year just ended, if applicable.
- Proposed rate structure for the current year
- Description of any changes in methods from those previously approved by the Controller's Office.

The Controller's Office will review and approve all rate proposals, and will notify departments when completed.

Annual Financial Operating Reports

An annual financial and operating report is required as part of the annual rate approval process. The Workday "Manager Activity Report - Actuals" can be used to determine that service centers are operating at or near breakeven and that expenses are allowable and properly allocated to service center accounts.

Periodic Review and Analysis

In addition to the annual rate approval, service center managers are expected to monitor and evaluate their service center's activity periodically, in order to:

- Determine accuracy of billings and expenses charged (including ensuring that appropriate and approved rates were charged).
- Identify and remove any unallowable costs charged to the service center
- Monitor customer invoices for bad debts and remove accounts when deemed uncollectible
- Determine if adjustments to the rates are necessary based on significant changes in operation (e.g. purchase of new equipment or the loss of a major user).

Mid-year Rate Review

It is recommended that the local-level managing unit conduct a mid-year review of service center operations based upon the first six months of fiscal year operations in order to ensure that the service center will meet the breakeven expectation. If required, a request to change a service center's rates should be made as soon as possible if it appears that the service center will not breakeven at year-end using the previously approved rate. Such rates should be routed to the Controller's Office for review and approval before the new rate is used.

Chapter 8: Documentation, Audit Compliance and Post-Operation Requirements

Record Keeping and Retention

Documentation for revenues and expenses must be retained in accordance with Brown's Record Retention Policy, generally seven years after the fiscal year end close.

The service center is also responsible for maintaining complete documentation related to operations including:

- Rate calculation and rate approval forms
- Annual budgets
- Documentation of rate changes with dates for audit purposes
- Other supporting documentation (e.g. order forms, correspondences, calculations, support for depreciation expense included in the rates, etc.)

Audits

Audits may require participation by departments responsible for service center operations when the scope of these audits warrants it. In such cases, the department employee designated as having responsibility for a service center will be contacted as far in advance as possible by the Controller's Office. A Controller's Office staff member will assist service center personnel in identifying any documents selected for audit that cannot be located.

The annual single audit performed by an external audit firm includes a review of service center activity. Also, Internal Audit may periodically perform audits of service center activities.

Dissolution of a Service Center

A service center may be closed if it is deemed to be no longer necessary and/or viable. Approval is required from senior leadership within the business unit prior to closing an Academic Service Center. Other close-out procedures for the closing service center include:

- Notify the Controller's Office
- Work with the Controller's Office to close all accounts
- Work with the Controller's office to determine the disposition of any service center equipment
- All purchase order commitments should be closed out
- Ensure all pending invoices have been paid prior to closure of the service center
- Service center staff's salaries need to be reassigned to another cost center
- The service center surplus's or deficit must be brought to zero

If operation of a service center has ceased and it is to be closed, the service center's surplus or deficit balance must be brought to zero as part of the closing process. A deficit indicates an under-billing of costs. The cost center responsible for the operation of the service center must fund the deficit. A surplus indicates an over-billing of costs, and it may be necessary to analyze the Center's users to determine the extent to which federally-funded research projects were charged. If it is determined that a full analysis would not be cost effective, the entire surplus would be liquidated.