

# WASHINGTON UNIVERSITY SPECIALIZED SERVICE FACILITIES

Revised July 1, 2005

## A. SCOPE

Specialized service facilities (SSFs) are University operating units that provide goods and services primarily to other University departments. SSFs recover their costs through charges to benefiting users. OMB A-21 (J.44) defines SSFs as “institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors....” Because the language in A-21 is not precise, the University has defined a SSF as one that meets all three of the following criteria:

- Provides highly complex and specific services to the University community that are not readily available from an outside vendor;
- Generates over \$1,000,000 in annual billings; AND
- Charges at least \$250,000 directly to grants.

## B. REQUIREMENTS

1. SSF activities result in charges to federal and nonfederal grants and contracts. In connection with Washington University’s receipt of federal grants and contracts, we must comply with applicable government requirements (*i.e.*, A-21, A-133). The government monitors, by routine audits, the University’s compliance with federal regulations regarding SSFs. This policy helps assure that Washington University consistently applies sound cost accounting practices and complies with the regulations.
2. SSF rates should recover the direct and indirect costs of providing the services or products.
3. Rates cannot discriminate between federal and nonfederal sponsored activities of the University. All University users must be charged the same rate(s) for the same level of service or products under the same circumstances. Volume discounts or other special pricing mechanisms must be equally available to all users who meet the criteria. SSFs may provide services to users outside the University community at higher, market-based rates.
4. SSFs operate on a fiscal year basis, with rates based on budgeted projections of operating expenses and projected levels of activity or products to be provided. All recharge centers will calculate rates annually. Billing rates should be designed to recover no more than the cost of the goods or service being provided. While it is not necessary that the costs be equal to the revenue in a given year, they should be equalized over a period of no longer than five years. Billing rates must be reviewed and adjusted as needed for consistency with the long-term plan. The accumulated surplus or deficit balance from previous years should be included in the development of rates unless the deficit reflects the University’s long-term plan to subsidize the SSF. (Deficits that are part of the long-term plan are not carried forward to adjust future years’ billing rates.)

5. SSFs will establish separate operating accounts to record revenues and expenses related to the services provided. At fiscal year end, the net surplus or deficit should be transferred to the fund balance account. The accumulation of surplus and deficit balances into one balance sheet account will act as a control to insure that billing rates will accurately reflect prior year surpluses or deficits.
6. SSFs should contact General Accounting to establish a unique budget/object (BUOB) code for their services. All internal billings should request the use of that BUOB when the customer pays the invoice.
7. The following worksheets for NEW SSFs should be submitted to the IDC department prior to operation:

<b>WORKSHEET</b>	<b>PURPOSE OF WORKSHEET</b>
Summary of Revenues and Expenses (Worksheet 1) Calculation of Billing Rates	Worksheet supports billing rates to users during the next fiscal year.
Transfer of Surplus/deficit to Fund Balance (Worksheet 2)	Worksheet supports transfer of surplus/deficit to fund balance at yearend
Service Center Questionnaire (Worksheet 3)	Questionnaire to assist the Indirect Cost staff in the preparation of the F&A proposal and to assist with external audits
Asset Listing (Worksheet 4)	Worksheet compiles equipment depreciation

NOTE: The above worksheets (or similar data) should be maintained by the operating department and available for review upon request for on-going centers.

### **C. OPERATING THE SSF**

1. The department administrator is responsible for preparing and administering the SSF budget, preparing a rate schedule, maintaining adequate records, segregating unallowable costs and preparing accurate invoices.
2. The department administrator should prepare the budget annually. The budget should reflect actual performance data for the two most recently completed fiscal years. The budget should also include year-to-date and annualized data for the current fiscal year and projected data for revenue and expense items for the next fiscal year.
3. The department administrator is responsible for preparing and supporting a schedule of rates for services or products charged to users of the SSF. The rate schedule should include **all** services or products normally offered by the SSF. This schedule of rates, according to OMB Circular A-21, cannot discriminate between federal and nonfederal supported activities of the University. SSFs must charge federal sponsored agreements the same rate as non-federal sponsors. The recharge centers may charge users outside the University higher, market-based rates.

- 4 The recharge centers must be able to support audit requests and show satisfactory accounting, budgeting and management control. To accomplish this, the department administrator must maintain, at a minimum, the following:
  - a. work papers supporting rate calculations;
  - b. work papers supporting use or level of activity projections;
  - c. billing records identifying services provided to each user.
  
5. The invoice used by the department administrator must provide adequate, mathematically accurate support for the activity billed. Department administrators must prepare invoices of sufficient detail to withstand auditor examination. Department administrators may use the following examples of invoice information as a guide to preparing accurate invoices:
  - a. center number;
  - b. customer;
  - c. description of the service performed or products provided;
  - d. rate schedule reference;
  - e. units of service or product multiplied by the appropriate rate;
  - f. the extended cost;
  - g. invoice date;
  - h. date of service or product was provided.

In instances where an unfamiliar reader might have trouble determining why a SSF is making a charge to a specific customer, the invoice should include a brief justification of the billing. Advance billing for services or products is not allowed. SSFs can only make billings for services performed or products delivered. Estimates cannot be used as the sole basis for billing. SSFs must consistently bill all users for service. Department administrators must retain all documentation supporting a billing to support customer and internal or external audit inquiries.

#### **D. ESTABLISHING AND REVISING SSF RATES**

1. SSF rates are costs per unit of output (*i.e.*, dollars per hour, cents per unit) calculated to recover no more than the allowable costs of operation. SSFs should recover direct and indirect costs. According to A-21, rates developed for SSFs “. . . should be designed to recover not more than the aggregate cost of the service over a long time period.” The period used by Washington University is five years. Equaling the cost of services or products in any single year is not necessary for SSF rates. However, department administrators must review and adjust rates at least annually to prevent recovering more than the costs of operations. Occasionally, SSFs may find it necessary to establish rates at less than full cost, but in no circumstance may rates exceed cost over a long period (*e.g.*, five years).
  
2. SSF rates should include the **direct** and certain **indirect** costs of operating the center plus or minus any under or over recovery from preceding years. SSF Worksheet 1 is the summary format that should be used to support the billing rates. The Indirect Cost Department will calculate the allocable share of the University’s appropriate indirect costs (operations and maintenance, external interest and building and equipment depreciation). The following are examples of allowable and unallowable categories of SSF costs for development of billing rates to users:

a. Allowable SSF Direct Costs

- (1) Salaries, wages and fringe benefits
- (2) Travel related to the operation of the specialized service facility
- (3) Materials and supplies
- (4) Rental and service contracts

b. Allowable SSF Indirect Costs

- (1) Equipment depreciation
- (2) Building depreciation
- (3) Operations and maintenance
- (4) External interest expense

c. Unallowable SSF Costs

- (1) Equipment purchases of more than \$5000 (budget codes 60 - 64)
- (2) University allocations and prorations including repayment of loan principal used to purchase equipment used in the recharge center, interest payments on internal loans and mandatory and nonmandatory transfers
- (3) Costs that are not allocable to federal sponsored agreements;  
Consultants: 30-20, 30-87  
Dependent Tuition: 29-03  
Supplies: 34-43, 34-52, 34-87  
Services: 35-50, 35-52, 35-53, 35-54, 35-69, 35-74, 35-87, 35-88  
Travel: 36-47, 36-87

d. Prior Year Adjustment

- (1) Prior year operating deficit (increase to recoverable costs)
- (2) Prior year operating surplus (decrease to recoverable costs)

3. Department administrators should calculate SSF rates for a fiscal year. There is flexibility in the method used to calculate SSF rates although billing rates must be based on cost.