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Superseded Date: June 2008  
Last Reviewed: June 30, 2016

## **Policy Name: Service Center Policy**

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### Policy Summary

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Service Centers are units within Dartmouth divisions, departments or centers that charge for goods or services that directly support Dartmouth’s research or academic mission and recover costs through charges to internal and external users. All Service Centers are expected to recover no more than the aggregate costs of their operations through charges to users. All Service Centers must be able to demonstrate compliance with federal requirements, and cannot use fee structures that discriminate against federal or other funding sources. All Service Centers must follow the steps outlined in this policy and its associated procedures for approval to initiate a Service Center and for ongoing review and reporting.

Service Centers do not include auxiliary services such as dining services where a unit engages in sales of goods and services that are not directly tied to Dartmouth’s mission.

This policy and its associated procedures, definitions, and forms have been established to provide consistent fiscal and administrative practices among the various service center units, and to ensure compliance with both government regulations and Dartmouth’s internal accounting policies.

<http://www.dartmouth.edu/~control/policies/service-ctr-policies.html>

<http://www.dartmouth.edu/~osp/resources/policies/>

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## Reason for Policy

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Dartmouth is a recipient of federal and other sponsored funding to perform research and other academic activities. Research, in particular, may involve the use of resources and core facilities (also known as cores). Each of these areas is organized to provide user services that facilitate research activity by providing products, expertise, state-of-the-art equipment and/or technology to more than one research group or department. Successful operation requires actively involved scientific and managing directors who interact effectively with researchers and administrative and financial staff. Service Center Staff should have an understanding of federal costing policies, Dartmouth financial policies and other applicable policies concerning facility operations such as environmental health and safety and security.

Given the complexity and breadth of knowledge and infrastructure necessary to effectively and compliantly operate a Service Center, this policy, and its associated procedures set forth the framework for creation and ongoing oversight of the financial and administrative aspects of these centers. While the focus of this document is administrative and financial in nature, Service Center managers are required to be knowledgeable of and comply with all other relevant Dartmouth policies.

Service centers are operating units that provide goods or services, principally to users within Dartmouth's academic, research or administrative community. A service center recovers the cost of its operations through charges to its users. Dissimilar services operated by the same department or division, for example a computer facility or a copy center or a machine shop, must be established as separate service center activities, with separate funds, budgets, and rates.

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## Scope: Who should know this policy?

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- Service center managers and financial staff
- Office of Sponsored Projects
- Controller's Office
- Financial and Fiscal Officers of schools, divisions, departments or centers who initiate or operate a service center

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## Policy Statement

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The cost of running the Service Center facility or providing the product is charged to users on a "rate" basis. Rates are generally formulated to recover the costs of operations

such as salaries, benefits, maintenance, repairs, and supplies. There are three types of service centers defined as follows:

**A Service Center (SC)** is an operating unit established for the purpose of providing goods or services to both internal and external customers and meets the following criteria; the costs of its good or services can be directly identified with the activities in which the goods or services are produced, i.e., its charges constitute direct costs to users; its goods or services benefit instruction and/or research activities; it has a predetermined rate(s) for goods or services; and, there is an element of direct overhead included in the rate(s), i.e., the operation is not simply redistributing the specific cost of individual items or labor hours.

A **Specialized Service Facility (SSF)** is a service center that provides highly complex or specialized services, see Uniform Guidance for examples and additional information (link provided on page 9 of this policy). Dartmouth has no specialized service facilities as of June 30, 2016.

**A Recharge Center (RC)** is an operating unit that provides goods or services as a convenience to generally localized internal customers. Recharge centers typically charge users a retroactive fee based on actual usage and specific costs. Examples of recharge centers include departmental copy machines, fax machines and postage meters.

Throughout this document the term “service center” includes specialized service centers and recharge centers unless differentiated.

The following applies to all service centers:

- a. To **establish** a service center, a department must demonstrate that there is both a need and a clear benefit to be derived from providing goods and services within Dartmouth rather than through an external vendor. Approval must be obtained to establish a service center. (See Appendix A for approval matrix.)
- b. A separate **funding value** must be established in Dartmouth’s accounting system to record the actual direct operating expenses, revenues, billing, collections, and surplus or deficit for each service center. A service center must transact in an Activity specifically created for service center use. If an existing general/nonspecific service center Activity value isn’t appropriate, a service center may request to establish a new Activity value. Service and recharge activity values are identified as such at parent level L3 or L4.
- c. **Rates** charged to internal users must be based on and designed to recover no more than the direct costs of goods and services being provided. For external users, higher rates may be established to recover all costs of providing goods and services including indirect costs. (See Appendix B for unallowable costs). Only **federal allowable costs** may be recovered in user fees.
- d. Rates must **not discriminate** between Dartmouth’s federally and non-federally

- supported activities. All internal users must be charged the same rate for the same service under the same circumstances. User fees charged to a federal project may not directly or indirectly subsidize nonfederal users. User fees charged to external users can be higher but not lower than rates charged to internal users. For example, external users can be billed for indirect costs, administrative fees, etc. to create a ‘fully loaded’ rate.
- e. Each service center is expected to **break even** on a fiscal year basis after including subsidies. Any remaining operating surplus or deficit must be reflected in an adjustment to the current or future rate. In certain circumstances it is recognized that it may not be possible for a service center to achieve breakeven results within one year. In this case multi-year break even budgets may be established. This extended break even period permits the development of more stable user fees, and avoids significant user fee increases and decreases. (See Service Center Procedures for additional information)
  - f. The methods used to estimate costs, allocate costs, prepare service center budgets, and accumulate costing information for rate computations must be consistent with Dartmouth’s cost accounting practices used to identify, record, and report actual charges. Service centers will also adhere to generally accepted accounting principles. This is needed to ensure compliance with federal and Dartmouth policies.
  - g. All service center activities must be **documented**, and **records maintained**, to support rate calculations, units of service/utilization, and expenses incurred, including salary and depreciation schedules for fixed assets, revenues, amount and basis of user billings, collections, the basis of shared costs and any annual surplus or deficit. All records pertaining to recharge operation and service facility activity should be retained for seven years. (See Service Center Procedures for additional information.)
  - h. Service centers must **review their rates**/fee structure annually and revise rates as necessary to incorporate any surpluses or deficits. A general guideline for an extended break-even time frame is three years. Service centers having projected expenses over \$100,000 must submit the proposed rates and documentation of operating costs to the Controller’s Office annually for approval. Service centers having projected expenses less than \$100,000 must submit the proposed rates and documentation of operating costs to the Controller’s Office every three years for approval.

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## Contacts / Responsibilities

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- Office with Primary Responsibility: Controller’s Office
- Office with Secondary Responsibility: Office of Sponsored Projects
- Approval Authority: Controller and Director of Sponsored Projects

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## Definitions

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<b>Activity Base</b>	A measurement of the goods or services provided by a service center that serves as the basis for the calculation of its rates. Examples include machine or labor hours, number of orders, number of copies, etc.
<b>Auxiliary</b>	An operating unit that furnishes goods or services to students, faculty, or staff. An auxiliary operation is managed as a self-supporting activity. Examples include residence halls, dining services, and the Hanover Inn. Auxiliaries are not service centers.
<b>Breakeven</b>	The point at which revenues equal expenses; there is no surplus or deficit at the breakeven point.
<b>Breakeven Period</b>	A reasonable time period over which cumulative revenue for a product or service equals cumulative expenses. Generally, breakeven is expected within a fiscal year but unusual circumstances may warrant an extended breakeven period of up to three years.
<b>Capital Equipment</b>	Property other than real estate having a useful life of two years or more and an acquisition cost of \$5,000 or more per item.
<b>Carry Forward</b>	The over or under recovery of operating expenses from a fiscal period that is included in the user fee/rate calculation of a subsequent period to achieve operational breakeven. Carry forwards are allowable cost adjustments to subsequent year user fees/rate computations.
<b>Deficit</b>	The amount by which a center's expenses exceed its revenues, net of subsidies/transfers.
<b>Depreciation</b>	A method for apportioning the cost of property and equipment over the estimated useful lives of the assets.
<b>Direct Cost</b>	A cost that can be specifically identified with a particular program or activity or can be assigned to a program or activity with a high degree of accuracy.
<b>Expense</b>	An expenditure incurred to operate a service or recharge center, whether paid or accrued, that benefit only the current fiscal period.

<b>External User</b>	An entity or person that is legally separate from Dartmouth. This includes organizations using agency accounts (entity 9x) or who are not paying for goods or services with a chart string.
<b>Facilities and Administrative Costs (F&amp;A)</b>	Expenditures incurred for common or joint objectives that are not identified with, or charged directly to, a particular sponsored project or institutional activity. Facilities and administrative costs are considered to be "indirect" costs.
<b>Federal Allowable Cost</b>	A cost identified in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance Section 200.400), as reimbursable by the federal government, unless specifically superseded by the terms and conditions of a sponsored program. Only federal allowable costs can be recovered through recharge operation and service facility user fees (even if recovery is from non-federal funds).
<b>Federal Unallowable Cost</b>	A cost identified in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance Section 200.400) as non-reimbursable. Federal unallowable costs must be excluded from recharge operation and service center user fees. Examples of federal unallowable costs include advertising of services/products, alcoholic beverages, bad debts, entertainment (amusement and social activities), and fines and penalties.
<b>Fiscal Period</b>	Dartmouth's financial accounting period which begins on July 1 and ends on June 30 of the following year.
<b>Indirect Costs</b>	Costs incurred for common or joint objectives that therefore cannot be identified solely and specifically with a particular activity but must be allocated and distributed between benefiting programs or activities.
<b>Internal User</b>	A Dartmouth department that purchases goods or services to support a program or activity at Dartmouth. This includes investigators whose research is funded by grants to Dartmouth, since these grants represent Dartmouth activity. Charges are posted to a chart string.
<b>Inventory</b>	Goods or materials on hand that are: available for sale or utilized in the production of goods or services that are then made available for sale.
<b>Inventory Asset Account</b>	An account used to record the dollar value of inventory on hand

<b>Non-Discriminatory Pricing</b>	A pricing method that charges all users the same rate for the same service or product under the same circumstances.
<b>Other Institutional Activity (OIA)</b>	All activities of Dartmouth <i>except</i> : instruction, departmental research, organized research, and other sponsored activities facilities operation, administrative functions, libraries, student services, and service centers/recharge centers.
<b>Program Costs</b>	Costs incurred to perform a function that is similar in nature to service center activities but is <i>not</i> an integral part of service center operations. These costs are typically associated with personnel who are involved with the operation of a service center but serve a dual purpose, i.e., a portion of their time is devoted to service center operations and the remainder is spent on other department or institutional activities. Program costs are not recoverable through service center rates.
<b>Rate</b>	A fee or unit price used to recover a portion or all of the costs of providing goods or services. The user fee may vary by type of customer and/or services/products, however user fees charged to a federal project may not directly or indirectly subsidize non-federal users.
<b>Reasonable</b>	A cost may be considered reasonable if the nature of the good or service acquired, and the amount charged, reflect the action that a prudent person would have taken under similar circumstances.
<b>Recharge Center</b>	An operating unit that provides goods or services as a convenience to generally localized users. Recharge centers typically charge users a retroactive monthly fee based on actual usage and specific, direct costs.
<b>Recoverable Costs</b>	A cost incurred by a service or recharge center that is recoverable from users and is included in the rate computation.
<b>Revenue</b>	Amounts recovered from the sale of goods or services, whether received or accrued, that benefit only the current fiscal period.
<b>Service Center</b>	An operating unit established to provide goods or services to other Dartmouth programs and activities that meets all of the following criteria; 1) the costs of its goods or services can be directly identified with activities in which the goods or services are used, i.e., its charges constitute direct costs to users; 2) its goods or services benefit instruction and/or research activities; 3) it is not classified as an Other Institutional Activity (OIA) or an Auxiliary; 4) it has a predetermined rate(s) for goods or services; and, 5) there is an

element of direct overhead included in the rate(s), i.e., the unit is not simply redistributing the specific cost of individual items or labor hours.

**Specialized Service Facility**

A service center that meets all three of the following criteria; 1) it involves the use of highly complex or specialized facilities; 2) it incurs substantial annual expenses and charge out volume; 3) its services are not readily available from external vendors. A specialized service center bears its allocable share of facilities and administrative (F&A) costs.

**Subsidy - Rate**

A subsidy provided to a service facility in order to lower the rate charged to customers for a product or service. A subsidy covers operating deficits that result from charging a reduced user fee.

**Subsidy - Service Center**

A subsidy provided to a service center to cover a deficit created when *all* users are charged a rate that recovers less than the total cost of the center's goods or services. For example, such subsidies may be provided by Dartmouth in recognition of the institutional support for certain goods or services provided by a service center.

**Subsidy - User**

A subsidy provided to a service center to cover a deficit created when a certain group of users is charged a rate that is lower than the full rate charged to unsubsidized users. For example, such subsidies may be provided by a certain department that wishes to subsidize only users from that department. The service center recovers the full cost of services provided to these subsidized users (to comply with the non-discriminatory pricing policy) by charging the difference between the full rate and the subsidized rate to the department providing the subsidy.

**Surplus**

An amount by which a center's revenues exceed its expenses, net of subsidies/transfers.

**Unallowable Costs**

Both direct and indirect costs that cannot be recovered from federally funded projects under the federal cost accounting standard, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Examples include alcohol and entertainment expenses.

**Unit of Output**

A specified quantity of product or service from a service center i.e. a copy, an hour of machine time, or an hour of labor, that is the basis for the user rate calculation.

**Unrelated  
Business Income**

Activity carried on with a profit motive, carried on regularly, not substantially related to Dartmouth's tax exempt purpose, not covered by specific IRS code exceptions. Income from unrelated business is subject to taxation under IRS code 511-513. Contact the Controller's Office Tax department for assistance regarding unrelated business.

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**Related Policies and Information**

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Uniform Guidance:

<https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>

See § 200.468 for information on specialized service facilities

FAQs for Costing of NIH-Funded Core Facilities:

<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-053.html>

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**Forms / Instructions / Procedures**

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The procedures, forms and instructions listed below can be found on the Controller's Office website:

- [Am I a Service Center](#)
- [Appendix A – Approval Matrix](#)
- [Appendix B – Unallowable Costs](#)
- [Service Center Procedures](#)
- [Service Center Questionnaire and Rate Document](#)
- [Fee Schedule Examples](#)
- [Rate and Activity Base Examples](#)