Dartmouth College

Service and Recharge Centers Procedures& Guidelines

Dartmouth College
Office of the Controller

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Introduction

This document contains procedures for the financial management of service centers and recharge centers. Throughout this document, the term "service center" should be interpreted to include recharge centers unless the two are differentiated. These procedures are intended to provide guidelines for establishing and administering service centers and to ensure compliance with the federal cost principles for educational institutions contained in the Uniform Code, the federal Cost Accounting Standards, and Dartmouth policies.

I. Establish Service Center or Recharge Center

To establish a ***service center,*** a department must first 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. Advance approval and/or review is required from the executive or fiscal officer of the area, the Controller's Office, the Office of Sponsored Projects and in some instances the Chief Financial Officer. A new service center must submit a rate proposal at least two months before it plans to begin operations.

The process for establishing a new service center requires the following steps:

- Complete the Service Center Questionnaire and Rate Documentation Form
- Obtain approval as outlined in the Service Center Policy; Appendix A
- Request Chart of Account Segment Values; Funding/Activity
- Request a Source for transaction processing

A. Completing the Service Center Questionnaire

Each service center must complete the service center questionnaire and rate documentation template prior to beginning operations. The questionnaire is used to provide information about the proposed service centers operations, including service center contacts, location, goods or services to be provided and other general operating details. This information will be used to determine whether the service center is needed and will provide a benefit to Dartmouth, and to ensure that it is properly set up and will operate in compliance with Dartmouth and federal policies. Departments, divisions and/or schools should thoroughly review and analyze proposed service center activities prior to submitting for approval. To request assistance with completing forms email to: financial.reports@dartmouth.edu
Subject Field: Service Center.

B. Completing the Rate Documentation Form/Rate Development

A service center rate is the price used to recover the cost of goods or services provided. If a service center provides distinctively different goods or services, it must determine a rate for each separate service or major product line. Rates charged to internal users must be based on and designed to recover no more than the costs of the goods or services being provided. The calculated rate must be the same for all internal users. Higher rates may be established for external users to recover all costs of providing the goods or services, including any institutional indirect costs at the established research rate (Finance &Administration (F&A) costs). Charges to federally funded sponsored projects must use the lowest rate available. All rates must be reviewed and approved in accordance with the service center policies and procedures. For additional information and F&A recovery rates refer to Office of Sponsored Projects at:
http://www.dartmouth.edu/~osp/resources/profile-fa.html

1. Required Documentation

Use the service center questionnaire and rate documentation template to document the methods used to develop your service center rate(s). Other rate documentation formats are acceptable so long as all required information is provided and the format is approved by the responsible fiscal officer. Budget expenses separately by natural class. Expenses must be allocated to each major product line in order to determine whether breakeven is achieved for each product line. Documentation should include:

- Position title and percentage of effort for all personnel whose salaries and benefits are included in the rate(s). For confidentiality, include only the aggregate of these salaries and benefits. The service center must retain documentation showing how the aggregate was derived, and make this documentation available for rate review and auditing.

- A schedule of all equipment owned or used by the service center including: equipment type, date equipment placed in service, acquisition cost, annual and accumulated depreciation, acquisition date, useful life. For equipment purchased using internal loans; provide the chart string for repayment, and amortization schedule.

- Budgeted revenues based on the proposed rate(s) and the volume of activity for each type of product or service. Document the assumptions and method used to determine the level of activity used to compute the rate(s).

2. Rate Defined

To compute the rate(s), a service center generally uses the following equation which includes any service center subsidy and any prior year operating surplus or deficit:

$$\text{Rate} = \frac{\text{Budgeted Expenses (less Svc Center subsidy) + Prior Year Deficit (or - Prior Year Surplus)}}{\text{Budgeted Level of Activity ("Activity Base")}}$$

Often, budgeted expenses and the activity base are determined by reference to historic actual results which are then adjusted for any expected changes in costs and/or demand for goods and services. Service centers providing services to external users should also calculate an external rate designed to recover all costs of providing the goods and services, excluding any service center subsidies and including all indirect costs. Service centers at a minimum should use the federally approved research rate to determine its charges for indirect costs. Fiscal Officers must approve using a rate lower than the federal indirect cost recovery rate. The current negotiated federal rate is available on the Office of Sponsored Projects website:
http://www.dartmouth.edu/~osp/resources/profile-fa.html

3. Expenses

a. Recoverable Expenses

Below are some of the types of costs that may be charged to service center accounts. If a cost benefits two or more activities or product lines, the cost must be allocated between them on a reasonable basis.

- **salaries and fringe benefits**: An appropriate portion of the salaries and fringe benefits of all personnel directly involved in service center activities (such as lab technicians or printing press operators) is included in the rate calculation and charged to the center's operating account. The salaries and benefits of any administrative staff or other personnel supporting a service center are included in the rate calculation to the extent that their time is devoted to this function. These costs are allowable as long as they are reasonable, are consistently applied, and reflect no more than the percentage of time actually devoted to the service center function. The allocable portion of salaries and fringe benefits (percent effort) should be charged each month to the service center account(s).
- **supplies and materials** used in the delivery of goods or services: Costs incurred for the purchase of supplies, materials, and fabricated parts to be used or consumed in the process of providing goods or services. Examples include office supplies, paper, machine parts, lab supplies, photographs, photocopies, lab animals, etc.

- **subcontracts and outside services**: Costs incurred to subcontract a portion of the work to an external third-party. Examples include graphic design, printing, professional services, cleaning, consultants, etc.
- **equipment operating leases and rentals**
- **equipment maintenance and repairs**
- **equipment depreciation or debt in lieu of depreciation (see section IV B)**
- **prior year operating deficit** (increase costs) or **surplus** (decrease costs)
- **other directly-related expenses** (e.g., postage, telephone, travel, etc.)

b. Non-Recoverable Costs

Below are some of the various types of costs which cannot be included in a service center's rate for internal users, but which may be included in rates charged to external users:

- costs charged directly to a federal award

- **indirect costs** related to service centers such as: labor costs for department administrators who are not directly involved in the day-to-day operation of the center, space costs such as utilities, custodial services, maintenance, and building depreciation, general administrative services such as procurement, central finance, human resources, etc., and any other such costs that are not solely and specifically assigned or assignable to service center activities. An allocable portion of these costs is recovered from sponsored projects through Dartmouth's indirect cost rate.

- **program costs**: In some instances, a service center may incur costs for an activity or function that is closely related in nature to the center's activity but is *not* an integral part of service center operations. *Such costs are not recoverable through a service center rate.* 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. Generally, program costs are the type of costs that would be incurred to achieve an institutional objective even in the absence of a service center. Only a small proportion of costs usually qualify as program costs.

    For example, assume that the manager of an internal print shop also handles all external purchases of printing services for departments. The manager spends part of his/her time overseeing the operation of the service center, and the rest of the time is devoted to "program" activities, i.e., acting as procurement agent for departments that contract for printing services from external vendors. The latter (program costs) are not recoverable through the print shop's rates.

- **Unallowable costs**: Costs that are unallowable on federal grants and contracts must be excluded from service center user fees. These costs are identified in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and include, for example, alcoholic beverages, entertainment, and bad debts. (See Policy Appendix B for more information on unallowable costs.)

4. Subsidies

To achieve a breakeven bottom line, service centers may require a ***subsidy***. A subsidy is an amount applied to cover the operating costs of a center that are not recovered from the prices charged to users. There are two types of subsidies a service center may receive.

a. Service Center Subsidy/Rate Subsidy

A *service center subsidy* is 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 providing the goods or services. For example, such subsidies may be provided by departments, schools, or Dartmouth’s central administration to recognize the institutional support for certain goods or services provided by a service center.

> For example, assume a service center's expenses total $100,000, and it sells 25,000 units of X each year. The unsubsidized charge to users is therefore $4.00 per unit. If a service center subsidy of $25,000 is provided to the center, the charge to all internal users is reduced to $3.00 per unit.

b. User Subsidy/individual or Department Subsidy

A *user subsidy* is provided by departments or cost centers to obtain lower rates for specific users. 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.

> For example, assume that the cost of X is $4.00 per unit, and Department Y decides to subsidize its users. Since the charge per unit is $4.00, Department Y would have to provide a user subsidy of 50 cents per unit to reduce the charge to $3.50 for any purchases made by members of Department Y. The user subsidy of 50 cents per unit is billed to an account provided by Department Y while the reduced rate of

$3.50 is billed to the account provided by the department Y user. The service center records revenue at the full rate of $4.00 per unit.

If a service center is subsidized during the year and produces an operating surplus at year-end, its subsidy can be reduced by an amount which does not exceed the surplus or the subsidy, whichever is less. Any remaining surplus for the service center is used to adjust the center's rate(s) in subsequent year(s) in accordance with the breakeven policy. The appropriate fiscal officer(s) must approve the reduction of any subsidies.

5. Breakeven

Every service center is expected to breakeven on an annual basis after all subsidies have been recorded. If approved, breakeven budgets may extend over a longer period. Only the internal portion of charges to external users need be included in the breakeven calculation, the markup applied to external users does not need to be included.

a. Annual Breakeven

The assumptions used to estimate expenses, calculate rates, and determine subsidies must reflect an annual net budget of $ -0- for each major product line and for the service center as a whole.

b. Long-Term Breakeven

In certain circumstances it may not be possible for a service center to achieve breakeven results within one year. Multi-year, breakeven budgets may be established for a service center in these situations. A general guideline for an extended breakeven is three years. Typically, this occurs when a new service center is established and its operation requires large capital outlays or other start-up costs, involves potentially significant volume fluctuations, is subject to especially volatile or uncertain market conditions, or is burdened with extraordinary expenses. An established service center that introduces a new product line or experiences a major disruption in its operation may also require a longer period of time to breakeven. Multi-year breakeven periods may also be considered for established service centers when actual surpluses or deficits would result in a rate fluctuation that is expected to have a significant detrimental impact on users. In these circumstances the service center should establish a rate stabilization reserve fund and transfer the balance (surplus/deficit) into this fund.

c. Rate Stabilization Reserve – Operating Surpluses or Deficits

A rate stabilization reserve may be used to record an annual surplus or deficit up to 15% of the estimated/budgeted annual operating expense. If a cumulative operating deficit in excess of 15% exists at year-end the deficit must be funded by funds from outside the service center via a transfer into the service center account. If a cumulative operating surplus in excess of 15% exists at year-end, the surplus must be included in future rate calculations. The balance in the rate stabilization reserve is not to exceed 15% of the estimated/budgeted annual operating expense. Note: Creation of a Rate Stabilization Reserve must be approved by the applicable Fiscal Officer and the Controller's Office. Deficit balances in a Rate Stabilization Reserve must be approved by the Controller's Office.

6. Activity Base

An activity base (the denominator of the rate formula) is a measurement of service center activity that is used for cost allocations, rate computations, and billing purposes. More specifically, it is the estimated volume of activity of a service center, or line of business for which a rate is being calculated, expressed in terms of units or costs. Selection and use of an appropriate activity base ensures that users pay only their share of the costs for the goods or services received. The selection of an activity base is approved through the rate review process, and the same base must be used consistently from year to year.

The activity base must be directly related to the factors that drive costs in order to achieve the proper offset between the revenues and costs. The activity base should reflect the anticipated level of activity of the service center or a line of business for the forthcoming year, taking into consideration such factors as seasonal and cyclical demands, increasing or decreasing trends in demand, and unavoidable losses of productive time (e.g., vacations, holidays, repairs to equipment etc.). Refer to "Rate and Activity Base Examples" document for definitions of commonly used activity bases and additional information for rate development.

7. Non-Discriminatory Pricing

The non-discriminatory pricing policy requires that all internal users be charged the same rate for the same service under the same circumstances. The term "same circumstances" generally refers to the volume of services provided, the manner in which services are provided, or the purpose of providing the services, any of which may differ enough to justify a separate rate (e.g., different rates may be charged to users who purchase large quantities or who are using the services during off peak hours or to produce other products for resale). No service center goods or services can be provided free of charge to any user.

Service centers may establish rate structures or agreements that allow for varying prices which reflect the level of demand during peak periods, the volume of individual purchases, or other similar factors that affect product costs and prices. These prices must be made available to all users and must be non-discriminatory with respect to specific classes of users.

Service centers providing services to external users should charge rates that will recover all costs of providing the goods and services, excluding any service center subsidies and including all indirect costs. Service centers at a minimum should use the federally approved research rate to determine its charges for indirect costs. If the service center uses a lower rate they must obtain approval from their fiscal officer. The current negotiated federal rate is available on the Office of Sponsored Projects website:
http://www.dartmouth.edu/~osp/resources/profile-fa.html
Under no circumstances shall rates charged to external users be lower than those charged to internal users.

8. **Change in Operating Circumstances**

If a change in circumstances during the year effectively makes the service center's charges excessive or disproportionate in some way, the center may be required to refund a portion of its revenues to users, carry forward the entire surplus, or take other remedial action before reducing its subsidies. All surpluses of this nature must be disclosed to the executive/fiscal officer and the Controller's Office.

C. Service Center Approval Process

After a department/division/school has completed the service center questionnaire, rate analysis form and any other required schedules, these documents must be reviewed by their division's fiscal/executive officer. Once the fiscal/executive officer has approved the forms they must be submitted to the Controller's Office for review. The Controller's Office will contact the submitter if there are additional questions prior to forwarding for additional approval per the Service Center Policy Appendix A – Approval Matrix.

Please submit forms to: financial.reports@dartmouth.edu Subject Field: Service Center.

D. Financial System Requirements

1. Chart Segment Values

Once approved a service center must establish/request a Funding value specifically to record all service center transactions. In addition Fiscal Officers may require separate funding values to establish a rate stabilization reserve and/or an equipment replacement reserve. 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. If a service center provides more than one product or service, a method to differentiate between product lines must be established. Fiscal Officers should determine whether additional Activity values should be created or whether Subactivities should be used.

To set up required chart segment values the service center may work with their Fiscal Officer, Finance Center, or directly with the Controller's Office. To request assistance with completing forms email: financial.reports@dartmouth.edu Subject Field: Service Center. Use the following link to access chart of accounts forms: http://www.dartmouth.edu/finance/forms-policies-systems/forms_library

2. Source

All financial transactions processed in Oracle have a "source". The source identifies where or what system created the transaction. Some examples are: SRVCTR_CCMR_DC, SRVCTR_DMSNCCCSHARESVC_DC. A service center must use its assigned source when processing service center revenue transactions via SPUD Uploads. A new service center must contact the Controller's Office to request a source prior to beginning operations. The Category for all revenue transactions is always SERVICE_DC.

II. Accounting for Service Center Activities

A. Chart String Use

Proper accounting for the activities of a service center requires the matching of revenues and expenses. This matching is accomplished by recording revenues and expenses in the same Funding and Activity combination that was set up for service center use. This allows identification of a deficit or surplus for a given year and enables a service center to apply its operating results to the projected expenses of a subsequent year and adjust future rates for prior year results.

1. Revenues / Billing

Revenues are amounts recovered from the sale of goods or services through billing users. Billings must be based upon measured and documented utilization, and all billings must reflect the approved service center rates. Service center billings must include, at a minimum, the units purchased, the rate used to calculate the charges, and the months in which the charges are incurred. Advance billings for services or products is not allowed.

Documentation to support the charges must be retained by the service center in sufficient detail to allow for the verification and reconciliation of internal and external billings by product line. Billing must be processed in a timely manner, preferably monthly but at least quarterly.

All billings are invoiced in the following manner:

a. **Internal user**: Charges for internal users (including Dartmouth professional schools and all sponsored projects) are billed to a Dartmouth GL chart string or PTAEO string. The billing is recorded by the service center using a SPUD template. Revenue from internal users should be recorded using the natural classes assigned to their service or recharge centers (48XX-service center internal revenue). The corresponding expense natural class must be used when debiting department accounts for service center charges (78XX – service center internal charge) i.e., if the revenue is recorded in the service center using natural class 4811, the expense to the user is recorded using natural class 7811.

b. **External User:** Any charges that will be billed to a legal entity other than Dartmouth College (including its professional schools), or to students, faculty or staff acting in a personal capacity or the Dartmouth Hitchcock Medical Center (DHMC), the Veterans Administration Medical Center (VA), other colleges and universities, and organizations having agency accounts (entity 9x) must be recorded using external revenue natural classes. External billings are invoiced by the service center, finance center or Dartmouth's Accounts Receivable department and should be recorded as a receivable when billed. Any goods or services provided but not yet billed as of year-end must be accrued as an accounts receivable. Any service center that plans to make its goods or services available to external users should contact Accounts Receivable for assistance with external billing and collections. The markup/surcharge portion of the external rate may be recorded in a separate service center reserve, or used to fund service center related expenses that are not recoverable in the internal rate, used to fund a service center deficit or used to fund divisional administrative expenses.

- **Unrelated Business Income Taxes:** Service centers that sell goods and services to *external* users may be engaged in an "unrelated trade or business". The term "unrelated trade or business" means any trade or business that is not substantially related to the performance of Dartmouth's tax-exempt functions. Dartmouth's exempt purposes are education, research and campus life therefore any activity that does not substantially relate to one of those purposes would generally be subject to federal and state income taxes and must be reported by Dartmouth on its federal income tax return (Form 990-T). Any service center that plans to make its goods or services available to external users should first contact the Controller's Office (email Tax@Dartmouth.edu) to discuss the tax implications of these activities.

2. Expenses

Service center expenses should be recorded using the appropriate natural class, not a single natural class for all types of expenses. Expense adjustments should be credited against the natural class to which the expenses were originally charged. Only expenses attributable to service center operations should be recorded in the Funding and Activity combination that was set up solely for the service center.

For an up to date list of available natural classes run the IRA Segment Lookup Report.

3. Subsidies and Transfers

a. Service Center Subsidies

Service center subsidies (institutional support) received by a service center must be recorded in the service center's assigned Funding and Activity. Subsidies should be recorded using the appropriate transfer natural classes based on the funding segments being debited and credited (4901-4982). Refer to the transfer matrix to determine the proper transfer natural class to use.

b. **Rate Stabilization Reserve Transfers**

In general, the only allowable transfers from service centers are transfers of year-end deficit or surplus to a rate stabilization fund.

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4. Inventories

Service and recharge centers with year-end inventories valued at $25,000 or more (on a replacement cost basis) must establish an inventory asset account. The service center must perform a complete physical inventory at fiscal year end and reconcile the inventory on hand to the inventory account. Contact the Controller's Office for assistance in establishing, valuing, and maintaining an inventory asset account.

III. Equipment and Depreciation

A. Capital Equipment

For service centers, "capital equipment" is defined as any property other than real estate having a useful life of more than one year and an acquisition cost of $5,000 or more per item. Acquisition cost is the net invoice price of the equipment including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment operable. Acquisition cost also includes other charges such as the cost of transportation, installation, taxes, duty or protective in-transit insurance. The cost of equipment does not include warranty or maintenance expenses. The entire cost of capital equipment cannot be charged to the service center's operations in the year purchased. The expenditure may be recovered over the useful life of the asset through a depreciation charge to the service center's account if they elect to do so.

1. Purchases

Capital equipment purchases are not charged to the service center's operating account; instead, the equipment is capitalized and funded from the equipment replacement reserve to the extent funds are available. The department is responsible for securing any funding or additional funding needed to cover the cost of equipment purchases.

If depreciation expense is to be included in a service center's rates, notify the Controller's Office before the capital equipment is purchased. The service center's equipment record will be updated, depreciation will be calculated and the monthly/recurring depreciation entry will be updated to reflect the change.

For more information see Dartmouth's Property, Plant and Equipment Policy and Property, Plant and Equipment Threshold Policy:
https://policies.dartmouth.edu/policies

2. Repairs and Upgrades

Equipment repair and upgrade costs will be capitalized only when these costs are $5,000 or more and they extend the useful life of the equipment by two years or more. When such costs are capitalized, the asset value and useful life of the original piece of equipment will be updated to reflect the new value and adjusted useful life of the asset. Depreciation will also be adjusted to reflect the additional costs.

3. **Donated or Federally-Funded Equipment**

If a service center receives *donated* equipment, the fair market value of that equipment at the date of the gift is used to record the asset and calculate the amount of depreciation recoverable through the rate. If the *federal government* has donated the equipment or provided full or partial funding towards the purchase of a piece of equipment, depreciation cannot be charged for the portion of the equipment purchased with federal funds.

Equipment that is purchased with funds provided by a sponsoring agency must be used in a manner that complies with the terms and conditions of the grant. Often, equipment purchased with federal funds can be used for other purposes, provided such other use does not conflict with the primary purpose of supporting research on the grant that provided funding for the equipment.

4. Funding of Capital Equipment

In addition to funds from external sponsors and gifts from donors, the following resources may be available to finance capital equipment purchases:

- service center equipment/depreciation reserves
- department reserves or operating funds
- lease agreements
- external loans, or
- internal loans

If funding from sponsors, donors, and reserves is insufficient to cover capital costs, but the operating budget has capacity to cover annual debt service, internal loans from Dartmouth are generally available for small purchases of equipment having a useful life of 3-5 years for amounts of $50,000 to $300,000. Lease financing is also an option. Procurement Services can assist with analysis of lease vs loan financing. Loans for larger (over $300,000) capital expenditures can be obtained using Dartmouth's available financing and should be discussed during the annual budget process. All requests for loans should be submitted to Dartmouth's Budget Office and Treasury Office. Please see the following loan policy for further details:
https://policies.dartmouth.edu/policy/internal-loan-policy

a. Equipment/Depreciation Replacement Reserve

Additions to the equipment/depreciation replacement reserve account are made from depreciation charges to service center operations. Depreciation is an expense (debit) to the service center operating account, the offset is a credit to the equipment/depreciation replacement reserve. This transaction is processed via a Recurring Journal set up by the Financial Reporting department within the Controller's Office. Equipment purchases should be funded from the equipment/depreciation replacement reserve account to the extent funds are available. The department is responsible for securing funding or any additional funding needed to cover the cost of equipment purchases.

5. Disposal of Equipment

Procurement Services is responsible for the coordination of disposition of surplus property. Materials.Management@Dartmouth.edu must be notified of any Dartmouth owned property which is to be sold, transferred to another department, traded in, salvaged, donated, or scrapped. Review Dartmouth's Disposal Policy at: https://policies.dartmouth.edu/policy/disposal-policy
If depreciation expense is included in a service center's rates, notify the Controller's Office when disposing of capital equipment. The service center's equipment record will be updated, depreciation will be re-calculated and the monthly depreciation entry will be updated to reflect the change. In addition, the asset will be removed from the Oracle Fixed Asset Module.

When equipment is sold, all the proceeds from the sale and any gain or loss will be recorded in the service center's equipment/depreciation reserve.

6. Insurance

Insurance coverage for property and equipment owned by service centers is arranged through the Office of Risk and Internal Control Services (RICS). Dartmouth's insurance program provides a blanket all-risk policy which covers real property (buildings), and contents (computers, desks, science/technical equipment) for damage done to Dartmouth property located at a Dartmouth-owned location. For more information regarding Dartmouth's insurance program, please visit
http://www.dartmouth.edu/~rmi/rmsinsurance/

B. Depreciation or Debt in Lieu of Depreciation

A service center may recover the cost of capital equipment *after* it is purchased by charging depreciation to the center's operations over the useful life of the asset. Depreciation is recorded monthly via a journal entry prepared by the Financial Reporting department within the Controller's Office. If capital equipment was financed with a loan a service center may recover the cost of capital equipment by charging debt in lieu of depreciation to the center's operations over the useful life of the asset. The loan principal payment must be calculated using the straight line method. Interest must not be charged to the service center operating account.

If a service center includes depreciation in its rates, all capital equipment within the center must be depreciated, and the depreciation policy must be applied consistently each year. A decision to exclude depreciation from the rate(s) requires the approval of the executive/fiscal officer. For asset classes and useful life information go to:

http://www.dartmouth.edu/finance/financial-management/fixed_assets_materials_management/useful_life_schedule.php

Depreciation that is based on a useful life other than those published by the Controller's Office must be justified and documented as part of the rate documentation and approval process.

IV. Compliance & Review of Operations

All service centers are subject to periodic review by the Controller's Office, the Office of Risk and Internal Control Services, external auditors and/or federal auditors.

A. Review

Service centers are required to submit documentation of their operations including updated **service center questionnaire**, **rate calculation**(s), and a **fee schedule** to the Controller's Office. These documents must have the prior approval of the executive /fiscal officer. To submit completed forms email: financial.reports@dartmouth.edu Subject Field: Service Center.

1. Timing

Service Centers with $100,000 or more in annual expenses:
Annually, on or before May 1 of each year, a service center with over $100,000 of annual gross expenses is required to submit all required documentation to the Controller's Office for approval.

Service Centers with less than $100,000 in annual expenses:
Every three years (or earlier if a change in practice occurs), on or before May 1, a service center with less than $100,000 in gross expenses is required to submit the required documentation noted above to the Controller's Office for approval.

2. Interim Review

Service center managers are expected to regularly monitor their center's activity throughout the year (at least quarterly) to (1) ensure the accuracy of billings and expenses charged by/to the service center, and (2) review the interim profit or loss on sales, and (3) determine, to the extent possible, whether breakeven will be achieved at year-end by product line and for the service center as a whole.

3. Significant Variances

The service center should take appropriate action to reduce or eliminate an expected significant variance from breakeven that is likely to occur by year-end. This may be accomplished by reducing expenses, increasing revenues, revising rates, providing or reducing subsidies, or a combination of these actions. The size, and the nature of the variance must be disclosed to both the executive/fiscal officer and the Controller's Office. Any proposed mid-year rate changes are subject to review and approval per the Service Center Policy- Appendix A before the revised rates are implemented.

Some service centers may operate under circumstances where rate adjustments during the year are a routine part of their normal business cycle. In such situations, the service center manager should explain in the annual rate proposal the method used to determine these adjustments. A waiver from the normal rate change approval process may then be granted.

B. Record Retention

Service center managers are responsible for maintaining complete documentation of financial records, rate calculations, and supporting documents pertinent to service center activities. All service center activities must be documented and the records maintained to support expenditures, revenues, billings, and cost transfers. Each service center must retain the following:

- Records documenting how the rate(s) was calculated;
- Records supporting utilization (level of activity);
- Documents related to expenses incurred, including salary data for all current employees and depreciation schedules for fixed assets;
- Records supporting the amount and basis of user billing, including invoices;
- Records documenting and measuring the use of the services or products; and,
- Records documenting and supporting the basis of shared costs.

Documentation must be retained for 7 years in accordance with Dartmouth's Record Retention Policy: https://policies.dartmouth.edu/policy/records-retention-and-destruction-policy

V. Closing a Service Center

If it is determined that a service center is no longer needed or that there is no benefit derived from providing goods and services within Dartmouth rather than through an external vendor, steps to close the service center should be initiated by the service center manager with input from the applicable fiscal/executive officer. The Controller's Office should be notified as early as possible so they are able to assist in the shut-down process. To notify or request assistance email: financial.reports@dartmouth.edu Subject Field: Service Center.

Before closing, the service center is responsible for ensuring:

- Salary distributions to the service center account are moved.
- Purchase orders are updated or closed so that any remaining encumbrances are brought to $0.
- Internal loans are fully paid.

Equipment used in the service center is transferred, sold, or disposed of following Dartmouth policies. See Section IV.5 and review Dartmouth's Disposal Policy: https://policies.dartmouth.edu/policy/disposal-policy

- The remaining depreciation reserve should move to the department receiving the equipment or be closed by Financial Reporting through the sale or disposal process.
- Notify Financial Reporting to stop depreciation entries
- If a deficit balance exists, a transfer into the service center's operating account is made by the responsible department/division/school to bring the deficit to $0."
- After all closing processes and operating activities have been completed any surplus balances are transferred to the department.
- Service Center Chart String segment values are disabled
- Service Center Source is disabled

VI. Functional Responsibilities

The major responsibilities of each party in connection with Dartmouth's service centers are as follows:

Service Center Manager	• Comply with service center policies and procedures. • Develop rate(s) and maintain documentation for service center activities. • Submit rate documentation form to the Controller's Office for review and approval. • Develop annual budget in accordance with service center policies and the approved rate(s). • Perform periodic review of rate(s) to ensure annual breakeven. • Implement procedures for accurate tracking and recording of sales and billing.

Executive/Fiscal Officer	• Ensure compliance with service center policies and procedures. • Approve new service center. • Approve service center's rate proposal. • Ensure that breakeven policy is met. • Approve service centers disposition of surplus/deficits.
Controller's Office	• Implement service center policies and procedures. • Review and approve rates for service centers. • Assist centers with accounting and costing issues. • Set up service center chart segment values and source.
Office of Sponsored Projects	• Ensure federal cost principles and cost accounting standards are reflected in the current policy. • Facilitate federal audit of service center practices.
CFO	• Assist service centers with budget issues. • Review and approve new service centers with budgeted expenses over $100,000.
Accounts Receivable	• Assist service centers with external billing and collections
Finance & Treasury Management/Budget Office	• Review and approve loans to service centers.
Office of Risk & Internal Control Services	• Ensure compliance with Dartmouth and federal policies.

VII. Resources

Service Center Criteria
Service Center Policy
Service Center Policy – Appendix A Approval Matrix
Service Center Policy – Appendix B Unallowable Costs
Service Center Questionnaire and Rate Document
Rate and Activity Base Examples
Fee Schedule Examples
Equipment Funding Examples

Link to Dartmouth Facilities and Administrative Cost Rates:
http://www.dartmouth.edu/~osp/resources/profile-fa.html

Link to Chart of Account forms:
http://www.dartmouth.edu/finance/forms-policies-systems/forms_library

Link to Dartmouth's Equipment Capitalization Policies:
https://policies.dartmouth.edu/policy/capitalization-policy
https://www.dartmouth.edu/finance/financial-management/fixed_assets_materials_management/useful_life_schedule.php

Link to Dartmouth's Internal Loan Policy:

https://www.dartmouth.edu/finance/documents/financial_management_tab_documents/internal_loan_policy.pdf

Link to Dartmouth's Disposal Policy:
https://policies.dartmouth.edu/policy/disposal-policy
Link to Uniform Guidance:
https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards