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SERVICE CENTERS AND RECHARGE OPERATIONS

PURPOSE

As a recipient of federal grants and contracts, LSU must comply with cost principles and cost accounting standards promulgated by the U.S. Government. This policy provides a framework for the fiscal operations of LSU service centers and recharge operations that will assist such units in complying with sound accounting principles and government regulations.

DEFINITIONS

Major Service Centers - operating units which provide goods and/or services, primarily to University departments, for a fee based upon actual incurred costs and which have total annual direct costs of providing those goods and services exceeding $500,000.

Minor Service Centers - operating units which provide goods and/or services, primarily to University departments, for a fee based upon actual incurred costs and which have total annual direct costs of providing those goods and services between $50,000 and $500,000.

Recharge Operations - departmental units which provide goods and/or services, primarily to University departments, for a fee, and which have total annual direct costs of providing those goods and services of less than $50,000.

GENERAL POLICY

Since service centers and recharge operations at LSU may result in charges to Federal grants and contracts, only service centers and recharge operations approved under this policy will be eligible to charge sponsored projects for services rendered. Requests for new service centers or recharge operations must be forwarded to the Office of the Vice President for Finance & Administration and CFO for approval of billing rates and assessment of the impact on the University budget.

Service Center Standing Committee

The Service Center Standing Committee shall maintain an ongoing study of the operations of service centers and recharge centers, and shall make recommendations as needed regarding this service center policy and the efficiency of these operations. The Standing Committee shall consist of seven members serving staggered, three year terms, and this committee may appoint and assign charges to special ad hoc committees as deemed necessary.

Service Centers

Each service center must have a separate account(s) for budgeting and accounting for its operations. All direct costs of operations must be charged to the service center account, and any permitted indirect costs must also be charged to the service center account, if included in the billing rates charged for services rendered.

Service centers that include depreciation, building use allowances, or operations and maintenance costs in their billing rates will have special restricted accounts used solely for purchasing of capital equipment and paying for alterations and renovations to service center facilities.

Recharge Operations

Each recharge operation must also have a separate account(s) for budgeting and accounting for its operations. Billing rates used by recharge centers must recover no more than the **direct cost** of the goods or services being provided. Recharges to a particular sponsored project or any other account may be applied only when there is a direct relationship to the account being charged.

It is the responsibility of the department head to ensure that rates do not exceed the direct cost of providing the service, and that total annual direct costs do not exceed $50,000. If the direct costs of a recharge center are projected to exceed $50,000, a minor service center must be established during the budget process for the next fiscal year.

Billing Rates

Federal grants and contracts cannot be charged higher rates for goods and/or services than any other internal user. However, external users may be charged rates higher than internal users. Service center billing rates must be calculated, reviewed, and approved annually. Billing rates should be based upon budgeted operating costs, prior year carry forward amounts, and expected units of activity in the current year.

Any surplus of recharges (i.e., user fees charged to internal users) of 10% or less in a fiscal year and any unsubsidized deficits of 10% or less in a fiscal year must be transferred to a restricted carry over account and used to calculate future billing rates. Disposition of recharge surpluses in excess of 10% will be determined on a case-by-case basis. A surplus of an unrestricted service center generated by higher billing rates to external users must be transferred from the service center account and used for any unrestricted purpose prior to the end of the fiscal year.

Direct costs to be included in billing rate calculations include personnel services, fringe benefits, supplies and materials, cost of inventory items used to provide services, rental and service contracts, related special conferences, professional services, and external interest.

The purchase price of **capital equipment** must not be charged to the service center operating account. Federal guidelines do not allow the purchase cost of capital assets to be recovered through service center rates. However, it is appropriate to recover **depreciation** on capital equipment as an indirect cost. Thus, all service centers may include equipment depreciation costs when computing their billing rates. Depreciation is not allowable on fully depreciated assets, and under no circumstances shall depreciation exceed the total acquisition cost of an asset.

Space occupied by all service centers must be identified and designated as such in the University's annual space inventory, and a **building use allowance** will be allocated to each service center based on square footage determinations. **Operations and maintenance rates** are assigned either on a net assignable square footage basis, or as a direct charge based on actual costs (auxiliaries). Major service centers may include both a use charge on buildings and operations and maintenance costs when calculating billing rates. Minor service centers are not allowed to include such indirect cost components in their billing rates.