

## Service Centers

### POLICY

Special needs of the University community may stimulate establishment of a service center. Services provided by a service center must promote the education, research, or public service missions of the University. The University does not intend for service centers to compete with private business. See also *Executive Policy Manual* EP17.

Any WSU operation that intends to charge for goods, services, and/or use of equipment must obtain the prior approval of the Office of General Accounting.

### Service Center Defined

For purposes of this policy, a service center is defined as any University operation that charges for goods, services, and/or use of equipment.

Types of service centers are defined as follows:

### Recharge Operation

The primary purpose of a recharge operation is to provide specific services to the University community. A recharge operation provides a method for generating revenue to offset costs. Examples of WSU recharge operations include: Motor Pool, Franceschi Microscopy and Imaging Center, Central Stores, or any unit that charges fees for publications, copying, or equipment use.

The costs associated with recharge activities are separately accounted for and charged to clients in proportion to services rendered. Other characteristics include the following:

- The costs of each service may include its direct costs, and when appropriate, indirect costs, i.e., overhead.
- The service center should be a break-even operation; that is, rates should not recover more than the total costs of the service center over a long-term period (normally defined as two years).

### Enterprise Account

An enterprise account is established primarily to make sales to non-WSU entities, although services may also be provided to internal clients, i.e., faculty, staff, and students. The University Press and Cunningham Farm are examples of enterprise accounts.

### Specialized Service Facilities

Specialized service facilities (SSF's) are institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors. (OMB Circular A-21, Section J.44)

### Exceptions to Policy

Unless exceptions are specifically granted in writing and in advance, service centers must comply with this section (30.15). Written requests for exceptions must be submitted to General Accounting for review and approval.

## **Service Centers**

### **Assistance**

Telephone General Accounting, 335-2027, for help with establishing rates, determining appropriate clientele, accounting for sales, or any other service center concern.

### **Noncompliance**

When policy noncompliance or irregularities occur, state or federal auditors may recommend the disallowance of charges to grants and contracts. Amounts disallowed by virtue of failure to comply with this policy are the responsibility of the responsible dean and/or the department.

### **Cost Recovery**

#### **Enterprise Accounts Only**

Fees charged by enterprise accounts for goods, services, or facilities must take into account the full direct and indirect costs, including overhead. (RCW 28B.63.040) NOTE: This policy and statute do not apply to recharge operations.

Exceptions to this policy must be approved in writing and in advance by General Accounting.

See 30.15.1 for definitions of enterprise account and recharge operation.

#### **Administrative Service Charge**

Overhead charges assessed by the central administration may be factored into the rates charged most clients, but are not included in rates charged those federal grants and contracts which pay F&A costs to the University. (See 40.25.)

#### **F&A Costs**

The University charges most federal grant and contract sponsors for Facilities and Administrative (F&A) costs. As such, rates for purchases from such federal grant and contract accounts are not to include overhead, e.g., administrative service charge. See 40.25 for more information about F&A costs.

#### **Accounts**

Expenditures and receipts are to be accounted for in the same University account unless the service center has received permission from the Executive Director of Business Services/Controller to account for operations in a different manner.

### **Exclusions**

The procedures described in this section do not apply to the following:

#### **Contract Work**

Services (e.g., testing, workshops) to non-University entities provided on a contractual basis. Such contracts are processed through the Office of Grant and Research Development and /or Business and Finance. See also 10.11 and 40.02.

**Service Centers**

Interdepartmental Sale of Surplus Equipment	Sale of surplus equipment to other University departments. See 20.76 and 20.80 for a description of surplus property exchange procedures. (NOTE: Surplus Stores is a service center and is not included in this exclusion.)
Instruction	Instruction in degree programs in regular, extension, evening, or continuing education.
WSU Extension Programs	WSU Extension may deliver programs within its mission, with or without a fee, depending on administrative budgeting constraints and decisions. (7 USC Subsection 342, RCW 42.52.160(2), RCW 28B.30.200)
Tickets for Athletic and Artistic Events	Admittance to intercollegiate athletic events or artistic performances, e.g., plays, concerts, exhibitions.
Fund-Raising Events	Events put on by University groups to raise funds or to seek donations for University purposes.
Auxiliary Enterprises	Auxiliary Enterprises are comprised of various service providers that deliver a variety of goods and services. Auxiliary service units recover operational costs by charging for services provided.  Examples of auxiliary enterprises include: Housing and Dining Services, Parking and Transportation Services, and Student Recreation Center.

**Intellectual Property Ownership and Data Rights**

The University asserts an ownership interest in all intellectual property developed using University resources, including the intellectual property resulting from service center operations. (See 30.15.4 for a definition of intellectual property.)

The University does not assert an ownership interest in data developed by performance of "service only" tasks in a service center. (See 30.15.4 for a definition of "service only.") The University retains the right to use "service only" data for its own internal noncommercial research and education if able to do so without disclosing the client's confidential information.

A service center may accept only "service only" tasks and may not agree to perform tasks which could reasonably be expected to create intellectual property. In the event a service center task results in the unanticipated creation of intellectual property, WSU notifies the service center client of such intellectual property within thirty days of the Office of Intellectual Property Administration's receipt of invention disclosure forms from University inventors. (See 35.50 regarding invention disclosure.)

## **Service Centers**

### Definitions

#### *Intellectual Property*

"Intellectual property" is defined as the inherent value produced by human creativity and invention, which is protected by law from unauthorized exploitation by others. Intellectual property includes patents, copyrights, trademarks, know-how, trade secrets, and other proprietary information.

#### *Service Only*

"Service only" is defined as performance of standardized manufacture, formulation, processes, or established testing procedures to obtain data which is not a discovery, invention, or improvement.

## **RESPONSIBILITIES**

### **Service Center Administrators**

Service center administrators are responsible for the operations of the service center. Administrators include the responsible dean or director, chair, and service center manager. The responsibilities include the following:

- Read and comply with this section (30.15) of the *BPPM*.
- Assemble and verify the accuracy of information required to establish the service center and to establish the rates charged clients.
- Calculate and review service center rates at least annually.
- Submit applications for rate review to General Accounting as required by this section.
- Consistently apply service center rates to all clients within each category.
- Ensure that unallowable costs are not included in rate calculations.
- Maintain accurate and complete records of operations.

### **Business Services/ Controller's Office**

General Accounting oversees service centers. The Executive Director for Business Services/Controller's Office supervises General Accounting. The responsibilities of General Accounting include the following:

- Provide guidance to University personnel.
- Review and approve rates for service centers in a timely manner and in conformance with this *BPPM* section (30.15).
- Perform rate reviews.

## **Service Centers**

### **Business Services/ Controller's Office (cont.)**

- Monitor compliance of service center transactions with federal regulations relating to the University's periodic F&A rate proposal.
- Monitor service center compliance with federal Cost Accounting Standards (CAS); specifically:
  - CAS 501 - Consistency in estimating, accumulating and reporting of costs.
  - CAS 502 - Consistency in allocating costs incurred for the same purpose.
  - CAS 505 - Accounting for unallowable costs.
  - CAS 506 - Cost accounting period.

### **ESTABLISHING A SERVICE CENTER**

In order to establish a service center, a requesting operator completes a Service Center Application, a rate proposal spreadsheet, and a Service Center Questionnaire. The operator submits the three completed documents to the responsible dean/director and chair for approval and then to General Accounting for final review and approval.

Procedures for completing these three documents are provided below.

#### **Application**

A service center manager completes a Service Center Application to establish a service center, to seek approval to charge specified categories of clients, and to seek approval to provide specified services.

#### **Alternative Application Format**

General Accounting may approve an alternative application format when appropriate.

#### **Completing the Service Center Application**

Print or photocopy the blank master on 30.15.16 and complete it according to the following instructions. Form blanks without explanation are considered self-explanatory.

#### **Name of Service Center**

Enter a descriptive title which reflects the function of the service center.

#### **Service Center Account**

Do not complete this section unless there is a pre-existing account. Applicable when:

- The application is a renewal, or
- Generated revenues are to be treated as recoveries of expenditures. (Small service centers only.)

## **Service Centers**

Sponsoring Department	Indicate the name of the department that is responsible for and/or sponsors the service center.
Client Category	Service center managers may only sell to the categories of clients indicated and described on approved Service Center Applications. Indicate categories of clients to be served. Check all that apply.
<i>University Departments/ Organizations</i>	Sales to University departments and organizations. These sales are noncash transactions completed through the University's Interdepartmental Requisition and Invoice (IRI) system. Recharge operations conduct sales to these clients.
<i>WSU Faculty, Staff, or Students</i>	Direct personal sales to University staff, students, or faculty. Such sales must meet the following criteria: <ul style="list-style-type: none"><li>• Sales should be substantially and directly related to at least one of the University's primary missions, i.e., instruction, research, or public service.</li><li>• Sales should support and represent a special convenience to the campus community or facilitate the extracurricular, public service, or residential life of the campus community.</li></ul>
<i>External Community</i>	Sales to entities or personnel not directly affiliated with the University. Such sales must meet the following criteria.  Sales are to be for goods and services which are: <ul style="list-style-type: none"><li>• Substantially and directly related to the unit's educational or research mission,</li><li>• Not commonly available in the local marketplace,</li><li>• In demand in the external community.</li></ul> The external sales activity may not be solely due to excess capacity within a University unit.
<i>Sales to Public Agencies</i>	A WSU service center may provide goods and services to other governmental entities (local, state and federal) if a written document defining the terms of agreement is signed by authorized representatives from each agency in conformance with the Interlocal Cooperation Act ( <i>RCW 39.34</i> ). Contact Business and Finance for assistance.
Client Description	Provide a written description of the anticipated clientele, e.g., departmental students, faculty professional organizations.

## **Service Centers**

**Justification** Provide ample detail to clearly demonstrate why the service center should be established or renewed. Possible justifications include, but are not limited to:

- Goods/services are not readily available from University or private providers. (Indicate where similar services may be obtained.)
- Goods/services are a by-product of professional or vocational training.

Establishment of service centers which duplicate services provided by private establishments must be thoroughly justified. Any such justification should document how the proposed service center will provide benefit to the University and support one or more University missions.

**Proposed Service—  
Description and Scope** Describe in detail services, products, and retail items offered to clients. The service center may only provide the kinds of services indicated in the application. Additional kinds of service require complete reapplication.

**Approvals** The supervisor and department chair/director indicate approval and route the application to the responsible dean or vice president. By approving the application, the responsible dean or vice president assumes financial responsibility for service center activities. Approved applications are routed to General Accounting.

If a separate account is designated for the service center, General Accounting enters the account coding on the form.

**Preparing Rate Proposal** The service center manager prepares a spreadsheet that identifies, calculates, and documents the components of each requested rate. The manager may use the automated Service Center Calculation Worksheet (in Excel) on 30.15.19-21 or may prepare her or his own spreadsheet. NOTE: The automated worksheet assists the manager in developing the rate for proposals.

The manager should consider the following when preparing the rate spreadsheet:

**Sources of Revenue** The spreadsheet should indicate sources of revenue by client category.

EXAMPLE: If students make up a portion of the service center income, a line showing the amount of revenue attributable to students would be sufficient.

For new service centers, use anticipated dollar amounts and revenue categories.

## **Service Centers**

### **Includable Costs**

Specify and identify components of the total cost relating to the service center and estimate annual amounts. The "total cost" of the service center should be collected. By not including total costs in the recharge rate, the service center increases the risk of incurring a negative working capital fund balance.

NOTE: If the service center provides services to projects supported by federal grant or contract accounts, the University's accounting system automatically excludes the administrative service charge from related charges. See explanation below and on 30.15.9.

Described below are examples of specific costs that:

- If incurred by an enterprise account, **must** be recovered by recharge activities through the rates.
- If incurred by a recharge operation, **may** be recovered by recharge activities through the rates.

### *Salaries, Wages, Benefits*

Include each individual employee (e.g. faculty member, sponsored project administrator), who spends a portion of his or her time directly involved with the activities of the service center. Include the percentage of full time equivalent effort that each individual devotes to the service center plus fringe benefits to derive the amount to be included in the charge rate for the activity.

NOTE: After an account number is assigned to a new service center, the individuals earning salaries and wages in the operation **must** have their supporting account sources adjusted to reflect the change in activity. Contact General Accounting for assistance as needed.

### *Supplies and Materials*

Supplies or materials that are identifiable with a specific client's order should be billed directly to that client. If the supplies and materials cannot be identified with a specific client or order, such items should be included in the supplies and materials expense pool and used to calculate the charge rate for all clients.

### *Other Costs*

All other direct costs, e.g., travel costs and costs of equipment maintenance contracts, should be specified in the schedule and included in the calculation of the billing rate.

### *Equipment*

For information regarding equipment costs to be included in the recharge rate development refer to "Equipment" on 30.15.10-12.

### *Administrative Service Charge*

Certain service centers are assessed the administrative service charge by the central administration. These costs are includable in the operations rate computation and should be documented on the spreadsheet. These costs are not the same as University-wide facilities and administrative costs, which are costs incurred for the university as a whole.

## **Service Centers**

*Administrative Service Charge  
(cont.)*

NOTE: The administrative service charge is not to be included in rates assessed projects supported by federal grants and contracts that already pay F&A costs.

*Building Components*

Contact General Accounting if the cost of a building or building component is to be factored into the rate calculation.

*Billing Units*

Estimate the total annual cost of operating the service center and divide that cost by the total estimated billing units to determine the billing rate per unit. For example, a billing unit for a service center that provides photocopies would be a per copy amount, whereas a billing unit for an activity which provides services would be based on an amount per hour of service.

NOTE: The total number of billing units should include those units that are actually billed, as well as those units that are not billed when goods or services are provided at no charge. If a service center only uses the number of units actually billed in its rate computation, the costs of the non-billed clients are included in the billing rate of the billed clients.

*Unallowable Items*

The following items are specifically not to be included as part of recharge rates.

*Interest*

Interest may not be included in the rates when service centers fund equipment purchases with internal loans and include as an expense the principal and interest repayment on the debt. (OMB Circular A-21)

*A-21 Section J Items*

Items explicitly disallowed by Section J of OMB Circular A-21 may not be included in the rates. Examples of such items include but are not limited to:

- Entertainment costs
- Bad debts
- Advertising
- Public relations
- Donations and contributions
- Alcoholic beverages
- Goods or services for personal use
- Fines and penalties resulting from violations of (or noncompliance with) federal, state, or local laws and regulations.

**Establishing a Budget**

The service center is to establish a budget separate from any other activity. This budget will be entered in the financial accounting system under a unique account number assigned by the Controller's Office.

## **Service Centers**

### **Equipment**

Each nonfederally-funded equipment item having an original cost of \$5,000 or greater should be capitalized and depreciated over the useful life of the item.

### Equipment Acquisition

Service centers have several ways to acquire equipment:

- Equipment may be purchased by a department using nonfederal or state dollars, such as gifts or federal/state F&A funds, and turned over to the service center. However, assets purchased by federal contracts or grants must be excluded from recharge rate computations when the department is charging the federal government.
- Equipment may be leased (with or without an option to buy).
- Equipment may be purchased from the equipment reserve funds of the service center.
- Equipment may be donated to the University and turned over to the recharge activity.

NOTE: Although not technically considered equipment, individual equipment items costing less than the University's equipment capitalization threshold may be built into the recharge rate and purchased using recharge operating funds.

### Depreciation Expense

When planning a service center, include a list of the potential assets to be used in the activity in the rate development information.

It is recommended that the service center send a copy of the potential equipment list, with University property inventory numbers, to General Accounting before calculating rates. This allows the service center to know exactly which assets are includable and the amount of depreciation to factor into the rates.

From the property inventory numbers, the Office of Property Inventory checks and verifies information, e.g., use of the correct depreciable life, asset valuation, and original fund source.

When appropriate, Property Inventory changes the ownership code for the equipment in order to avoid the inclusion of the equipment depreciation in the computation of the University's F&A cost rate.

### *Methodology*

Service centers should calculate equipment depreciation on a straight-line basis over the useful life assigned by the property inventory system. If the department believes that the equipment will work longer than the useful life assigned in the property inventory system, the department may use a longer useful life amount in the depreciation calculation.

## Service Centers

Equipment Reserve Accounts	If equipment depreciation is used in the rate, the service center establishes an equipment reserve account in order to generate funds for equipment replacement. By establishing and funding such an account, reliance on equipment grants or the availability of other University funds is reduced or eliminated.
<i>Depreciation Process</i>	The depreciation process prorates a portion of the cost of equipment to each period the equipment is in use or over the life of the equipment. This is accomplished by levying a charge against the service center operating account. A corresponding credit is applied to the equipment reserve account.
<i>Equipment Purchase</i>	Equipment, equipment upgrades, and equipment repairs are purchased from the equipment reserve account. The equipment purchased may replace the depreciated equipment or it may be different equipment entirely. The only requirement is that the equipment be used for purposes within the scope of the approved service center activity.
Maintenance Contracts	The service center is to review equipment maintenance contracts in order to ensure that agreements covering unallowable assets are not included in the service center's rates.
Equipment Issues	There are three important issues to stress regarding equipment: <ul style="list-style-type: none"><li>• The purchase price of capital equipment cannot be included in a service center's rates. An asset that costs more than the University's capitalization threshold must be capitalized and only the depreciation for the year may be included in the recharge rate;</li><li>• Excess fund balances may not be used to purchase equipment. Equipment may be purchased only through the equipment reserve account; and</li><li>• The equipment depreciation component of the service center's rates may not include any factor to accumulate balances to provide for the upgrading of equipment or for inflationary increases in replacement costs. There are some instances where this may be allowed when the department is charging external clients. See General Accounting for details.</li></ul>
<b>Discount Rates</b>	Volume discounts or other special pricing mechanisms are allowable; however, they must be equally available to all clients who meet the criteria and must not be subsidized by other clients.

## **Service Centers**

### **Discount Rates (cont.)**

Service centers may charge different rates to different groups of clients, as long as the service center can demonstrate that the federal government is not paying more than the cost of the service it is receiving. In other words, the service center can provide services for free to a certain client, but cannot pass the cost of the free service onto the federal government by building such costs into its rates. These unbilled costs must be segregated and subsidized from an appropriate source. The appropriate source should be determined through a discussion with General Accounting.

### **Multiple Services**

Frequently a recharge activity provides more than one service, accumulating a surplus on some services and a loss on others. Combining the results of various services is acceptable if the client groups for each service do not greatly differ. Higher prices should not be charged to one group of clients to offset losses resulting from undercharging another client group.

### **Compliance Questionnaire**

The service center manager completes the Service Center Questionnaire and submits it to General Accounting with the rate request documentation. This information provides data requested by auditors. Go to 30.15.17-18 to access the Service Center Questionnaire.

## **RENEWALS OR CHANGES**

### **Renewals**

#### **Full Renewal Application**

A service center renews its application with General Accounting annually when:

- Costs or number of processed units have significantly changed since the last application, or
- Client category or type of service provided have changed since the last application, or
- Revenues exceed expenditures by more than 20 percent.

Application renewal requires that the service center manager submit all documentation required for initial establishment of the service center.

#### **Memorandum Renewal**

If there is no condition that requires full renewal, the service center manager simply submits a memorandum requesting renewal of the previous year's application. In such cases, a full service center renewal application must be submitted at least every three years.

#### **Renewal Deadline**

Either a full renewal application or a memorandum requesting renewal of a previous application must be submitted to General Accounting each year by May 15.

**Service Centers****Changes**

A service center manager submits all service center application materials to request a change of rate, proposed service, or category of client served. Submit the application documentation at least one month before the planned effective date.

**Rate Revision**

Service centers which accumulate significant operating balances may have overcharged clients. In such cases billing rates are to be revised to keep expenses and income in reasonable balance.

Billing rates should be revised as often as necessary to avoid accumulating either a surplus in excess of two months' working capital reserves or a deficit in the recharge account. Rates should be reviewed periodically throughout the course of the year to ensure that a proper rate structure exists. If rates are found to be inappropriate, new rate proposals should be submitted to General Accounting at least one month before the new rates are to become effective.

**MANAGING  
SERVICE CENTERS****Transfers Out**

Service centers should not transfer revenues, expenditures or fund balances to other activities. Such transfers can distort billing rate calculations or alter the break-even plan.

**Sales Transactions**

Service center operators are responsible for applying the following regulations when considering or completing sales transactions with clients.

**Political Campaigns**

University facilities, equipment, or services may not be used to assist in campaigns for:

- Election of any person to any office. (RCW 42.17.130)
- Promotion or opposition to any ballot proposition. (RCW 42.17.130)
- Promotion or opposition of an initiative to the legislature. (RCW 42.17.190)

**Allowable Clients**

Service center operators may only sell to the categories of clients indicated and described on the approved Service Center Application.

**Personal Sales to WSU  
Faculty, Staff and Students**

When the service center is authorized to sell to WSU personnel but not authorized to make sales to the external community, the service center is responsible for ensuring that clients are current WSU faculty, staff, or students. The service center may request that the client produce a current WSU identification card to verify affiliation with the University.

**Service Centers**

Sales Tax

Service centers are responsible for collecting sales tax for nonexempt goods and services provided to most external clients. Use the following chart as a guide to determine whether sales tax should be collected.

CLIENT CATEGORY	SALES TAX	NO SALES TAX	CITATION
WSU personnel (personal sales)	X		RCW 82.08.020
Private agencies	X		RCW 82.08.020
Cities, counties, local school districts	X		WAC 458-20-189
Washington state agencies		X	WAC 458-20-189
Federal agencies		X	WAC 458-20-190
Out-of-state (when shipped out-of-state)		X	WAC 458-20-193

Sales Tax References

For clarification or exemptions see *WAC 458-20* and *RCW 82.08*.

**Ordering, Receipting, and Billing**

All services and goods provided to clients are to be accounted for and recorded.

Internal Sales

University departments and organizations use an IRI (Interdepartmental Requisition and Invoice) or other approved requisition document to request and pay for services from service centers. See 70.05 and 70.06.

Service Center Billing System

Service centers with a high volume of transactions may request access to the computerized Service Center Billing System which provides automated client billing. To request the system complete an AIS Access Request form. See 85.33.

External Sales

Sales to external clients are recorded on a WSU Invoice/Receipt form. See 30.52. Specialized procedures may be used with the approval of the Controller's Office.

Accounts Receivable

See 30.56.

**Inventory**

The service center maintains all merchandise and/or consumable inventories by using either a perpetual or periodic inventory tracking method and completing a physical inventory count at least annually. See 20.53.

Contact General Accounting for information and assistance concerning conducting a physical inventory count.

**Service Centers****Records Retention**

Retain service center records in accordance with the All-University Records Retention Schedule and the unit's Records Retention Schedule. See 90.01 for an explanation.

It is essential that the service center's costs and usage base be adequately documented to support the billings. Accordingly, each service center must observe the following practices:

- Collect and retain supporting documentation related to actual and accrued costs incurred by the service center.
- Maintain adequate records to support the number of hours or other measure of services and/or materials that form the basis for client billings.
- Retain working papers demonstrating rate development.
- Prepare cash sale invoices and internal sales documents in accordance with 30.52, 30.53, 30.56, and 30.57.

**Subject to Audit**

Service centers are subject to periodic review by the University's Office of Internal Audit and by external auditors. Auditors evaluate compliance with established University policies and accounting practices. Therefore, service centers activities must be adequately documented, and records should be retained for periods indicated on approved retention schedules. (See 90.01 for information about University retention schedules.)

*Complete and/or print the following master forms on pages and as needed.*

*30.15.16: Service Center Application*

*30.15.17-18: Service Center Questionnaire*

*Complete the automated worksheet*

*30.15.19-21: Service Center Calculation Worksheet*

*to prepare rate calculations as needed.*