

Policy on Service Centers

Policy Title	Policy on Service Centers
Policy #	01.105.1
Policy Owner	Vice President for Administration and Finance
Responsible Office	Office of the Vice President for Administration and Finance
Contact Information	Questions regarding this policy should be directed to the Vice President for Administration and Finance at (401) 874-2433
Approved By	Senior Leadership Team
Effective Date	January 1, 2018
Next Review Date	No later than December 1, 2023
Entities Affected by Policy	Housing and Residential Life, Dining and Retail Operations, Memorial Union, the URI Campus Store, Student Health Services, All Recharge Service Centers
Who Needs to Know About this Policy	Student Affairs, Managers of Auxiliary Service Centers and of Recharge Service Centers
Definitions	<p>Auxiliary Service Centers: Auxiliary Service Centers include: Housing and Residential Life, Dining Services, Memorial Union, the URI Campus Store, and Student Health Services. Auxiliary Service Centers are expected to recover all expenses through an appropriate rate-setting process. Auxiliary Service Centers are unique accounting entities and, as such, are required to maintain a separate set of financial records, including separate balance sheets and statements of activities. Auxiliary Service Centers are also required to accumulate a sufficient amount of excess revenue over expenses in order to independently fund and preserve the university's financial investment in such activities.</p> <p>Capital Costs: Equipment costing more than \$5,000 and with an expected service life of two or more years is considered a capital asset.</p> <p>Debt Service. The amount of money required to make payments on the principal and interest on outstanding loans, the interest on bonds, or the principal of maturing bonds on which the respective Service Center is the obligor.</p> <p>Fund Balance. Operating surpluses accumulated over time by, in this case, a Service Center.</p> <p>Recharge Service Center: Recharge Service Centers are internal cost recovery operations accounted for as designated accounts expected to recover all allowable direct costs, including departmental costs, through the appropriate rate-setting process. Recharge Service Centers are required to account separately for activities in unique account numbers; however,</p>

	<p>unlike Auxiliary Service Centers, Recharge Service Centers do not maintain separate balance sheets. Recharge Service Centers are also required to accumulate a sufficient amount of excess revenue over expenses in order to independently fund and preserve the university's financial investment in such activities, such as capitals costs for the replacement of equipment.</p> <p>Service Center. A Service Center is an operating unit whose primary purpose is to provide goods, services or groups of services in support of the university's education and research mission. Service Centers include auxiliary service centers and recharge service centers (internal cost recovery units).</p> <p>A Service Center has the following characteristics:</p> <ul style="list-style-type: none"> • It provides services or sells goods to students, faculty, staff and/or the public. • It charges a fee related to, but not necessarily equal to, the cost of services or goods. • It is managed as a self-supporting unit. • An Auxiliary Service Center's costs include direct operating expenses and all allocable general administrative expenses and facility-related costs. A Recharge Service Center's costs include all direct operating expenses only. • An Auxiliary Service Center pays all expenses and debt service on debt which is incurred for its capital expenditures with the intention, either formal (a revenue pledge) or informal (a memorandum), that the auxiliary revenues would pay the debt service. • Service Centers are expected to fund working capital and capital maintenance and replacement requirements. • Service Centers will accumulate adequate reserves to fund capital projects without drawing on the university's general reserves and/or operating budget.
<p>Statutes, Regulations, and Policies Governing or Necessitating This Policy</p>	<p>OMB Circular No. A-21 (Cost Principles for Educational Institutions)</p>
<p>Reason for Policy/Purpose</p>	<p>To establish guidelines for the fiscal management of Service Centers at the University.</p>
<p>Abstract</p>	<p>This policy defines and differentiates between Auxiliary Service Centers and Recharge Service Centers and delineates their appropriate financial accounting, financial reporting, and budgeting requirements.</p>
<p>Forms Related to this Policy</p>	<p>None</p>

Policy Statement

This policy requires that:

- Auxiliary Service Centers will propose billing rates annually that provide for recovery of all direct and indirect costs, including general university administrative overhead and facilities costs. These rates will be included each year in the budget request for the following fiscal year and are subject to approval by the Counsel on Postsecondary Education
- Recharge Service Centers will calculate billing rates annually that provide for the recovery of all direct costs, including departmental administrative costs.
- Service Centers may accumulate a surplus at the end of each fiscal year and will be required to justify the surplus through the budget, internal audit and external audit processes. The appropriate justification consists of capital reinvestment plans or adjustment of future rates downward to achieve break-even the following year. In general, Service Centers will expend the revenues they generate; however, with the concurrence of the Vice President for Administration and Finance for all Service Centers and, for Auxiliary Service Centers, additionally the Vice President for Student Affairs, Service Centers may offset losses on one service with surpluses from another similar service provided that the customers using the services are essentially the same.
- While a Service Center may accumulate a fund balance, the University retains the right to use the fund balance of any Service Center for general University purposes; provided however that in so doing the University must ensure that the Service Center maintains a prudent level of working capital since the University may not fund a Service Center's operations with Education and General Funds.
- Service Centers may carry forward deficits to the subsequent year with justification through the normal budget review process. In such instances, the deficits are expected to be covered via pricing in the next fiscal year. If such operating deficits cannot be recovered through future pricing, then they must be funded by the respective entity's fund balance in the fiscal year in which the unrecoverable deficit was incurred.
- Both Auxiliary Service Centers and Recharge Service Centers will retain all documentation for rate setting and service charge outs that is adequate to support an audit in accordance with the University's financial records retention policy.
- Both Auxiliary Service Centers and Recharge Service Centers will bill all external and internal users at the same prices unless there are justifiable differences in the nature of the service, in volume or in priority of delivery. Such changes must be documented in writing and forwarded to the Vice President for Administration and Finance for coordination and approval, and be retained in accordance with the University's records retention policy.
- The capital costs of a Service Center will be recorded in an Auxiliary Service Center's balance sheet as a capitalized fixed asset and in a Recharge Service Center's replacement reserve. However, these costs must be recovered over the estimated useful life of the asset. Accordingly, depreciation expense will be recorded as an operating expense annually and recovered when developing billing rates.
- Purchases of capital equipment by Service Centers for either operations or inventory will be funded through annual surpluses generated from operations or replacement reserves generated from the recovery of accumulated depreciation. At the discretion of the Vice President for Administration and Finance, an internal loan may be made from permitted funding sources. Service Center users will be charged for depreciation through Service Center pricing; however, purchases of capital equipment will be made from accumulated reserves, surpluses and approved debt financing.
- Each Service Center must establish at least one account number specifically associated with it in which to record its revenues, expenses and recoveries. No Service Center activity should be charged to regular departmental account numbers. Similarly, if a Service Center has an activity for which it does

not charge users, that activity must be accounted for via a separate account number associated only with that activity.

- Service Centers are subject to the Council on Postsecondary Education (CPE) procurement regulations unless the funds to be expended are unrestricted gift funds or otherwise specifically exempt from CPE procurement regulations.
- Service Centers are subject to the Council on Postsecondary Education human resources policies and the requirements of the labor agreements entered into by the Council on Postsecondary Education.

Users of Service Centers

Users of Service Centers include the university community who purchase services to support their work at University of Rhode Island and Service Center customers. Service Center work may also include federally sponsored projects.

Caution: Allowing the use of University facilities and services by parties not otherwise associated with the University of Rhode Island may carry tax-related consequences. Questions related to such use of University facilities and services should be directed to the Controller.

Service Center Management

Ultimate responsibility for the management of Service Centers rests with the Vice President, Vice Provost, or Dean under whose unit the Service Center operates. Normally this person will delegate day-to-day responsibility to the department administrator or Service Center director who monitors the operation.

Department Head or Service Center Director. The department administrator or Service Center director must ensure that:

- All direct and applicable departmental costs are recorded in the Service Center's account;
- Rates for the next fiscal year are established based on the prior year's actual financial results for each Service Center and must be finalized by July 1 in order to establish the rates for the services for the following fiscal year for inclusion in the University's budget proposal (e.g. rates for FY19 must be finalized by July 1, 2018)
- At a minimum, billings other than those billed to students through Enrollment Services, which are semesterly, must be made on a monthly basis and must be timely and accurate;
- The approved rate schedule, which may include seasonally differentiated rates, is applied uniformly to all users, with a documented and rigorously observed procedure for granting exceptions;
- All users are billed at nondiscriminatory rates.

Controller. The Controller is assigned responsibility for the following:

- Overseeing the formation of Service Centers and establishment of their organization numbers and object codes;
- Assisting Service Center directors with policy or procedural matters related to University and Council on Postsecondary Education regulations governing Service Centers;
- Assisting Service Center directors with policy or procedural matters related to accounting operations;
- Assisting Service Centers with the preparation of rate schedules and, where applicable, providing general administrative and facility-related overhead expense allocations;

- Reviewing the annual financial statements of Service Centers for compliance with this policy prior to preparing the applicable indirect cost proposal for the University;
- Coordinating the financial audits of the respective Service Center with all external and State auditors.

Budget Office. Service Centers should contact the Budget Office for assistance in establishing revenue, expense, and capital budgets. Within the context of the overall operating and capital budgeting processes, the Budget Office is responsible for reviewing and recommending approval of the budgets based on the annual rates to the Senior Leadership Team and reviewing the reasonableness of accumulated surpluses and the appropriateness of carrying forward annual operating deficits.

Capital Planning and Facilities Services. Each Service Center will maintain, in collaboration with the Offices of Capital Projects and Facilities Services, a five-year asset protection and capital improvements plan that is annually updated to reflect current and planned needs.

Service Center Facility Maintenance

Housing and Residential Life (HRL). Housing and Residential Life is responsible for managing and maintaining housing facilities within the footprint of the physical building. The University is responsible for the infrastructure around and up to the physical footprint of the buildings. Housing and Residential Life incurs direct costs associated with both skilled trade and safety labor directly in support of its facilities as defined with Facilities Services and Public Safety Departments, respectively.

Memorial Union (MU). The Memorial Union is responsible for providing entertainment and non-academic enrichment for the student body. The Memorial Union is responsible for maintaining the facility, including the shell and building systems.

URI Campus Store. The URI Campus Store sells textbooks, office and study supplies, spirit merchandise, computer sales and services, and incidentals to the URI community. The URI Campus Store is a tenant of the Memorial Union and supports its facilities financially through the payment of rent and other amounts as specified in its lease with the Memorial Union, approved by the Director of the Memorial Union, the Vice President for Student Affairs, and the Vice President for Administration and Finance.

Dining and Retail Operations (Dining). Dining is responsible for providing dining and catering services to the campus. Dining is responsible for maintaining all dedicated dining facilities, including the shell and building systems. Dining is also a tenant of the Memorial Union and supports its facilities there financially through the payment of rent and other amounts as specified in its lease with the Memorial Union, approved by the Director of the Memorial Union, the Vice President for Student Affairs, and the Vice President for Administration and Finance.

Student Health Services. Student Health Services is responsible for providing health services other than counseling services to the student body. Student Health Services incurs direct costs associated with both skilled trade and safety labor directly in support of its facilities as defined with Facilities Services and Public Safety Departments, respectively.

Other Service Centers. Management and maintenance of the shell and building systems of all other Service Centers is performed by the University's Facilities Services Department. "Tenant improvements", or changes to the facility after initial construction to accommodate user needs, are performed by Capital Projects, Small Projects, or Facilities Services as appropriate and at the cost of the Service Center.

Auxiliary Overhead/Indirect Costs

Auxiliary Service Centers incur overhead/indirect costs. These costs include administrative overhead, utility and maintenance usage, debt interest, and depreciation.

Administrative Overhead (Indirect Costs). Administrative overhead is an expense to auxiliary enterprises and includes such things as university services and support, system computer usage, and university services (payroll, purchasing, human resources, etc.). Administrative overhead will be budgeted using established formulas as estimates of the percentage usage of the various services.

Utility, Maintenance and Facility Usage. Utility and maintenance budgets should be based upon direct costs whenever possible. Otherwise, a reasonable estimate of percentage share of the total costs should be used. This estimate is often calculated using a square foot percentage. If the auxiliary in question is housed (or operates) in a university operating facility, an MOU should outline the financial arrangement.

Exceptions

None