Can we purchase equipment, and recover the cost of purchased equipment, in a service center?

Yes, but Sponsored Programs Accounting needs to be informed of equipment purchased in order to ensure it is not double counted. In other words, we do not need to recover equipment cost as a part of Operations and Maintenance within the research F & A rate if the equipment is going to be claimed as part of a service center.

How do we calculate the cost of equipment recovery?

This would be different depending on the type of equipment, but in general you should only recover the “annualized” cost of equipment usage as part of your rate calculation. The annualized cost would be determined based on an appropriate depreciation allowance based on the expected “useful life” of the equipment.

Can we have a separate reserve for equipment other than the 60 day work-in-capital?

Yes, however, the reserve can only be built from recovery of cost associated with “current use” of existing equipment. You cannot build up for replacement equipment based on anticipated future costs.

How do we determine if we need to operate as a service center?

In order to operate as a service center, the activity must comply with the definition of a recharge operation. You must be able to measure output in terms of units, and periodic billing must be feasible. There must be a demand for the service both in volume and in dollar amounts, and the service must be provided on a regular and continuing basis. Also, the allocation of costs to awards and other cost objectives must be more equitable using a service center rather than another method.

How often do we need to adjust our rates?

In accordance with A-21, “Rates shall be adjusted at least biennially, and shall take into consideration over/under applied costs of the previous period(s).”

How do we need to handle a surplus or deficit?

Surplus and deficits for service centers should be used to adjust future billing. The use of a surplus or deficit for other purposes is not allowed. For example a surplus cannot be used to purchase equipment or increase staff salaries.