

# **Advanced Service Center Training & UBIT**

**Controller & Treasurer Workshop  
Fall 2018**



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# **Advanced Service Center Training**

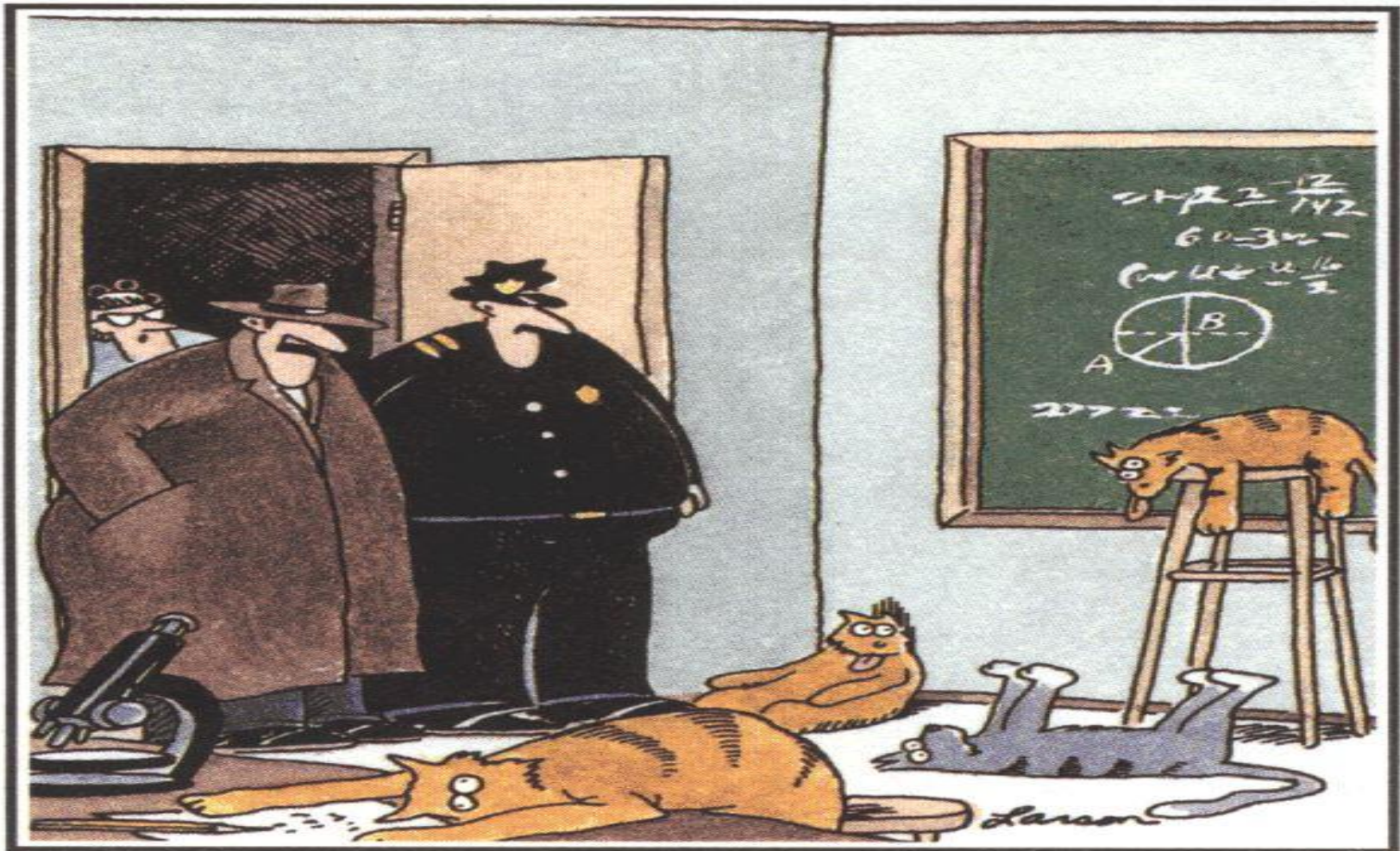
**Controller & Treasurer Workshop  
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"Notice all the computations, theoretical scribblings, and lab equipment, Norm. ...  
Yes, curiosity killed these cats."



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# QUALIFICATIONS



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# AGENDA

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- **Service Center Overview**
- **Review of Authoritative Guidance**
- **Cost Accounting website tools**
- **How to establish a Service Center**
- **Billing rate calculations/Cost studies**
- **Allowable vs Unallowable Cost Procedure**
- **Monitoring procedures**
- **Questions & Answers**



**SERVICE CENTERS, A.K.A.**

**CORE FACILITIES**

**RECHARGE CENTERS**

**SPECIALIZED SERVICE CENTERS**



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# 3 REFERENCES

1. Department of Health & Human Services  
Office of Inspector General Summary  
Report on Audits of Recharge Centers at 12  
Universities
2. National Institute of Health FAQs to Explain  
Costing Issues for Core Facilities
3. Uniform Guidance





# **Summary Report on Audits of Recharge Centers at 12 Universities, Department of Health and Human Services Office of Inspector General**



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# **SERVICE CENTER DEFINITION**

- **Operate as in-house enterprises**
- **Provide goods or services**
- **Function as Non-Profit businesses**
- **Revenues come from fees from users**
- **Billing rates are established/calculated**
- **Bill for actual services provided; no pre-paying allowed**



# **5 MAJOR FINDINGS**

- 1. Accumulated Surplus Fund Balances by not adjusting rates**
- 2. Billing rates included Unallowable Costs**
- 3. Service Center costs included in F&A Cost Rate Proposal**
- 4. Money used for unrelated Service Center items**
- 5. Some users were billed at reduced rates**





# **FAQs to Explain Costing of NIH-Funded Core Facilities**



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# TEN GUIDELINES

- 1. Rates should be documented**
- 2. Feds should get lowest rate**
- 3. Rates recover actual costs**
- 4. Rates adjusted at least every other year**
- 5. Prior year operating deficit/surplus included in rate calculation**
- 6. May not charge purchase price of new equipment**
- 7. Two acceptable methods of acquiring equipment for a core facility include:**
  - a. Recovery of existing equipment depreciation expense in user fees**
  - b. Institutional or other funding sources**
- 8. Billing at regular intervals (i.e. Monthly, Quarterly, etc.)**
- 9. All billing must be based on services provided. No Prepays**
- 10. Rates used must be consistently charged to all federally-supported projects**







# FEDERAL REGISTER

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## Part III

### Office of Management and Budget

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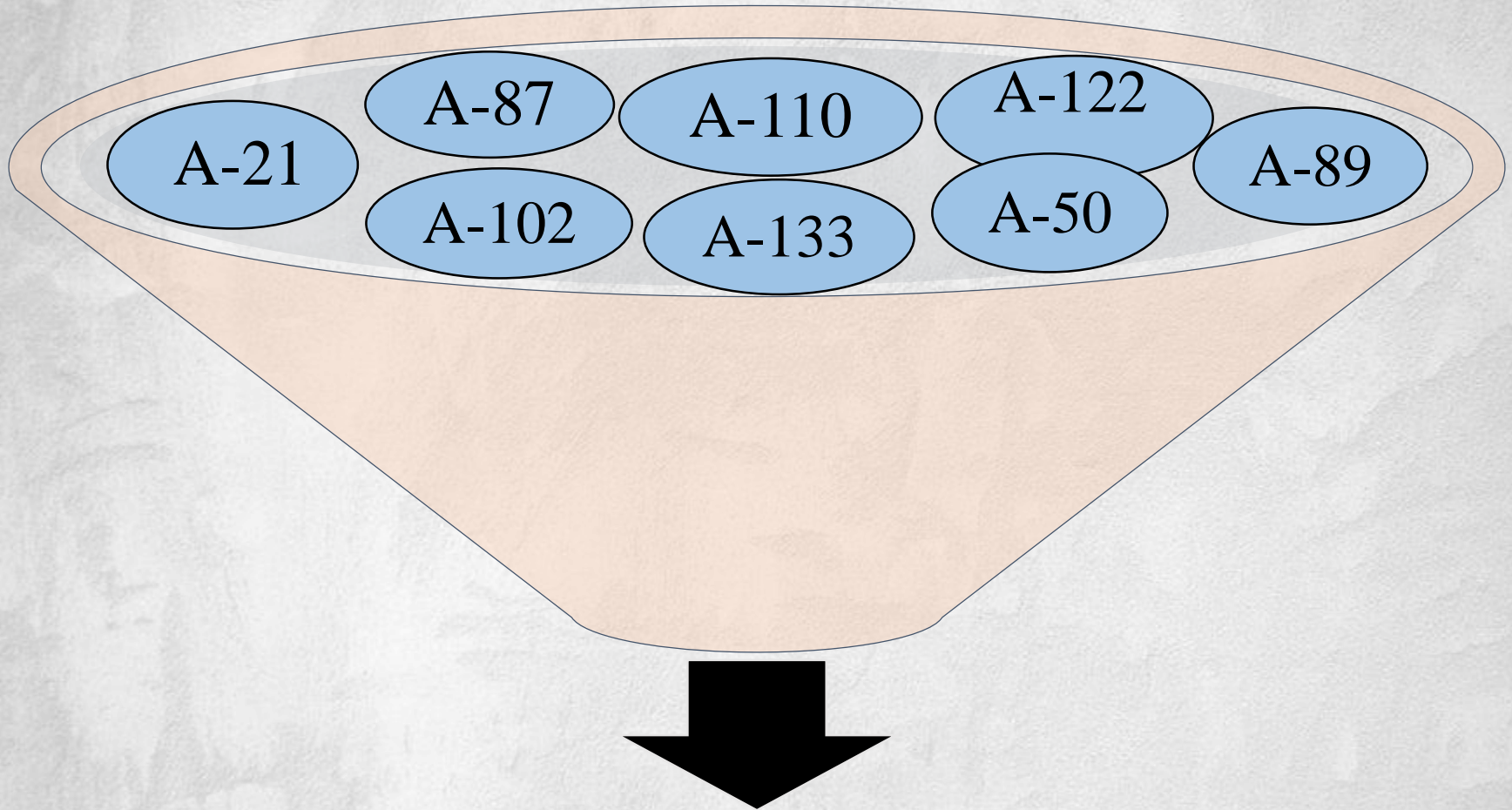
2 CFR Chapter I, Chapter II, Part 200, et al.

Uniform Administrative Requirements, Cost Principles, and Audit  
Requirements for Federal Awards; Final Rule



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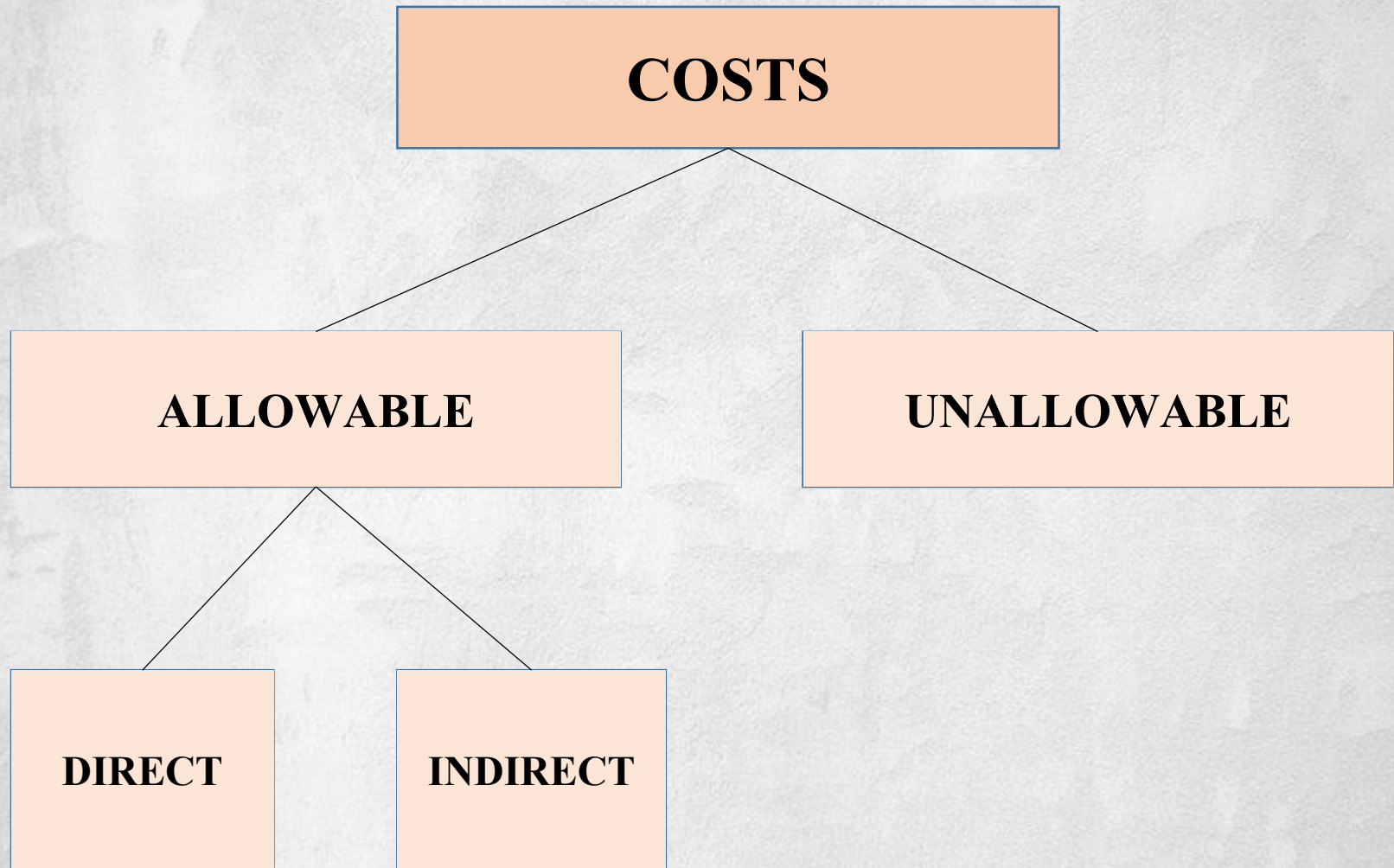
**UNIFORM GUIDANCE**



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# **THREE GUIDELINES IN UG §200.468 SPECIALIZED SERVICE FACILITIES**

- 1. Costs billed on actual usage. Also, Feds get lowest rate.**
- 2. Rates must be adjusted every other year.**
- 3. Surplus/Deficits must be included in rate calculation.**





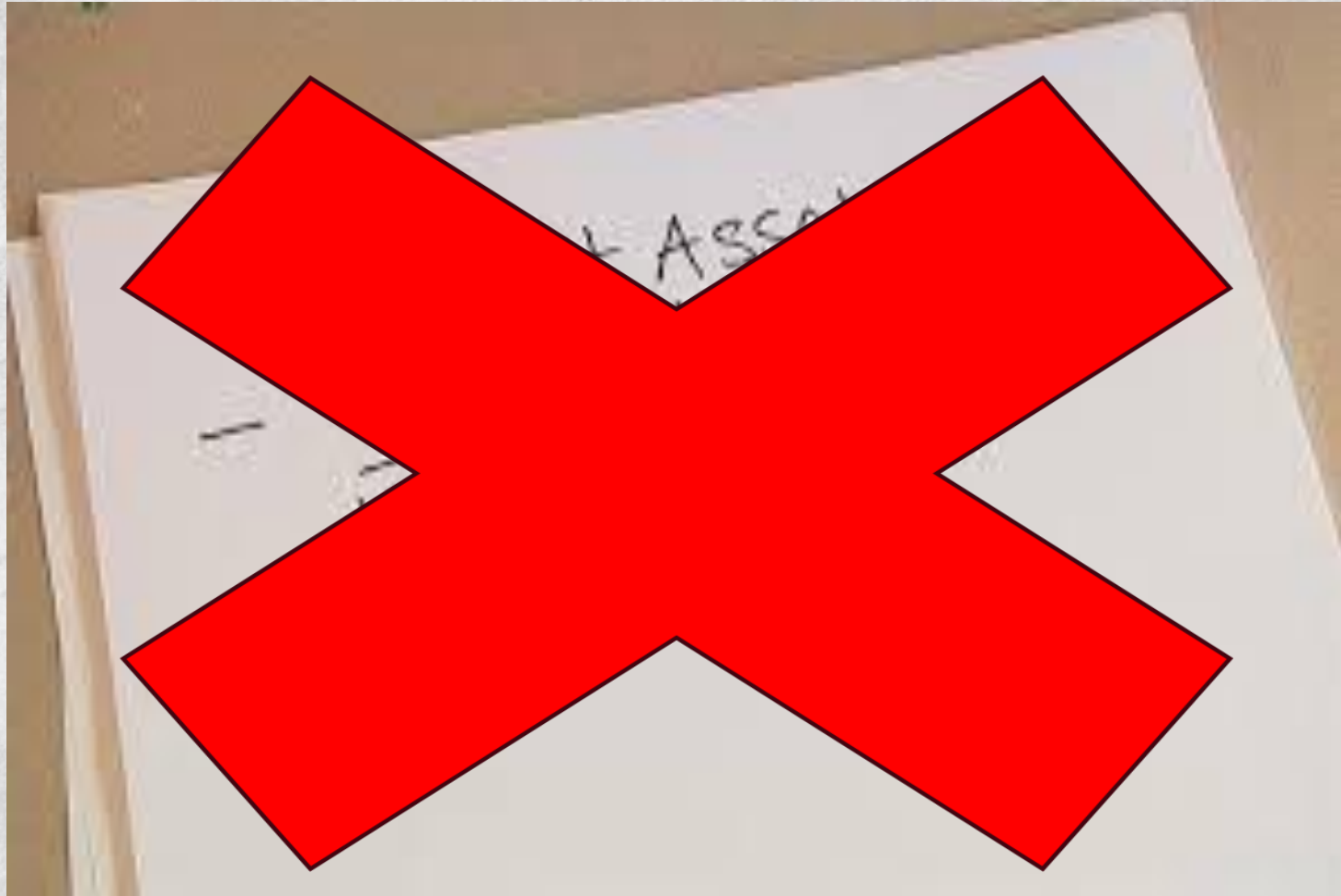
# UNIFORM GUIDANCE

Appendix V to Part 200 – State/Local  
Government wide Central Service Cost  
Allocation Plans  
Section G. Other Policies Item 2. Working  
Capital Reserves



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## Cost Accounting

Cost Accounting assists in the interpretation and application of the cost principles related to grants and contracts. This is accomplished by the following:

- a. Interpretation of the cost principles as outlined in Uniform Guidance
- b. Preparation of the Facilities & Administrative (F&A) Rate Proposal
- c. Maintenance of the Cost Accounting Standards Board (CASB) Disclosure Statement for Educational Institutions (DS-2)
- d. Assistance in the establishment and review of Service Center rates.

**Uniform Guidance**

**Negotiated F&A  
Rates**

**CASB Disclosure  
Statement (DS-2)**

**Service Centers**

**Training Materials**

**FAQ**

**Staff Directory**





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## Service Center

By definition, "operate as in-house enterprises that provide goods or services to individual users or other operating units. These centers function as nonprofit businesses, funding operations through fees from users."

**Per Summary Report on Audits of Recharge Centers at 12 Universities, HHS OIG, Jan 1994**

### Key Principles for Service Centers

- Rates are computed on the Cost Principles located in [Uniform Guidance](#). Therefore, costs should be [Allowable](#) , Reasonable, and Allocable.
- Rates use actual expenses with the goal of breaking even.
- Rates should be recalculated at least every two years.
- Rate computation should include subsidies, if any.
- Working Capital of 60 days allowed.\*

\*Definition of Working Capital: Annual Operating Expenses/360 days \* 60 days

[Uniform Guidance](#)

[Negotiated F&A  
Rates](#)

[CASB Disclosure  
Statement \(DS-2\)](#)

[Service Centers](#)

[Training Materials](#)

[FAQ](#)

[Staff Directory](#)

## Contact Information

PO Box 5227

[427 McArthur Hall](#);





To view the Service Center Reference Material/Authoritative Guidance, [please click here](#).

245 Barr Avenue  
Mississippi State University  
Mississippi State, MS 39762

To review Service Center Operating Procedures, [please click here](#).

Mailstop: 9602

To calculate a rate or revise an existing rate for a Service Center, [please click here](#).

Phone: 662-325-6325

Fax: 662-325-8394

Service Center Forms once a new or existing rate is calculated, [please click here](#).

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URL: <http://www.controller.msstate.edu/cas/casex/service.php>



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# **MISSISSIPPI STATE UNIVERSITY**

## **OPERATING PROCEDURE**

### **Service Centers**

## **GENERAL PURPOSE**

This document provides guidance and procedures covering the financial operation of service centers in order to ensure compliance with generally accepted accounting practices, applicable laws and regulations, and requirements of sponsored agreements.

## **DEFINITION**

Service Centers are established primarily as a means to capture costs associated with providing goods and services. Some, if not all, of the costs of providing the goods or services are then recovered from customers via a calculated billing rate. There are three types of service centers are – recharge center, specialized service facility, and service facility.



# **June 2018 Revision**

- Separate 24 Fund must be established
- Annual Federal Revenues >\$50k
  - Running 5 average

with last 5 complete Fiscal Years





# **June 2018 Revision**

- Use Account Code 405790 - Other Professional Fees & Services
  - When billing Restricted Funds





# DEFINING ROLES & RESPONSIBILITIES



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# **RESPONSIBILITIES**

## **Service Center Director**

- **Oversee Daily operations**
- **Ensure Financial Goals are achieved**
  - **Perform Rate Calculations**
- **Billing customers in a timely manner**
- **Excluding Unallowable Costs in Rate Calculations**





# RESPONSIBILITIES

## **Department Head/Dean/Vice President**

- Approve and accept financial responsibility of Service Center
- Providing funding to Service Center's deficits



# RESPONSIBILITIES

## Property Control

- Provide list of assets and source of funding



# RESPONSIBILITIES

## Cost Accountant

- Monitor for compliance with Federal guidelines





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<b>Operating Expenses</b>	<b>Year 1</b>
<b>Salaries</b>	<b>100,000.00</b>
<b>Contractuals</b>	<b>75,000.00</b>
<b>Commodities</b>	<b>60,000.00</b>
<b>Total Expenses</b>	<b>235,000.00</b>



Operating Expenses	Year 1
Salaries	100,000.00
Contractuals	75,000.00
Commodities	60,000.00
Total Expenses	<u>235,000.00</u>
Less Unallowables	(5,000.00)
Adjusted Expenses	<u>230,000.00</u>





## **PROCEDURE – Determination of Allowable vs. Unallowable Expenses**

### **Background and Purpose**

In order to comply with Uniform Guidance Section 200.302(b)(7) which requires “Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award”, Mississippi State University provides the following guidance:

Direct and indirect costs must be allowable, allocable, and reasonable in order to be charged to the Federal Government. Since Service Centers frequently bill Federal Awards, this procedure applies to them as well.



# **THREE COST PRINCIPLES**

- 1. Factors affecting allowability of costs**
- 2. Reasonable costs**
- 3. Allocable costs**



**Direct Costs:** Costs that can be specifically and readily identified with a particular project or activity. OMB A-21, 2 CFR 200, Subpart E and the Cost Accounting Standards require costs to be accumulated and reported at the same level proposed in the budget. For example, if "scientific supplies" are listed in the grant proposal, then this expense code must be used to charge these supplies. "General Supplies" would not provide sufficient detail and would place us out of compliance.

**Facilities and Administrative (F&A) Costs:** Costs that are incurred by the Institution for common or joint objectives and cannot be identified specifically with a particular project or program. These costs also are known as "indirect costs" or "overhead". When charging costs that are typically "indirect" directly to federal awards, use object codes that clarify allocability/allowability. By way of example, "long distance calls" are usually allowed as a direct





**The hierarchy to determine the allowability of a cost includes:**

1. Federal Award Terms and Conditions. If the Federal Award Terms and Conditions does not explicitly state whether a particular cost is allowable or unallowable, then go to the next step.
2. Uniform Guidance. An itemized list of common costs is located in the table below. Please refer to the specific section in the Uniform Guidance to determine if the cost is allowable or unallowable at the following link <https://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1&rgn=div5>

§200.421	Advertising and public relations
§200.422	Advisory councils
§200.423	Alcoholic beverages
§200.424	Alumni/ae activities
§200.425	Audit services
§200.426	Bad debts
§200.427	Bonding costs
§200.428	Collections of improper payments
§200.429	Commencement and convocation costs
§200.430	Compensation—personal services
§200.431	Compensation—fringe benefits
§200.432	Conferences



## **§200.466 Scholarships and student aid costs.**

(a) Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the Federal award is to provide training to selected participants and the charge is approved by the Federal awarding agency. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:

(1) The individual is conducting activities necessary to the Federal award;

(2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and

(3) During the academic period, the student is enrolled in an advanced degree program at a non-Federal entity or affiliated institution and the activities of the student in relation to the Federal award are related to the degree program;

(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) It is the IHE's practice to similarly compensate students under Federal awards as well as other activities.

(b) Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to the reporting requirements in §200.430 Compensation—personal services, and must be treated as direct or indirect cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis. See also §200.431 Compensation—fringe benefits.



## **Responsibilities/Procedures**

### Office of Sponsored Projects (OSP)

OSP reviews the project "...budget for compliance with MSU policies, cost accounting standards and sponsor guidelines" per Faculty and Staff Guide to Office of Sponsored Projects November 2012. ([http://spa.msstate.edu/pdf/FacultyandStaffGuideNovember\\_2012.pdf](http://spa.msstate.edu/pdf/FacultyandStaffGuideNovember_2012.pdf))

### Department

Departments, specifically the Principal Investigator (PI), determine if costs are unallowable or allowable. If unallowable, they ensure the costs are not billed to the Federal government via Restricted Funds.

### Service Center

Service Centers, specifically the Director, determine if costs are unallowable or allowable. If unallowable, they ensure the costs are not billed to the Federal government via Restricted Funds.

### Sponsored Programs Accounting (SPA)

SPA compares the expense with the approved Budget. If an expense is considered unallowable, SPA makes a JV entry reversing the expense from the Restricted Fund and charges the Department.

### Cost Accounting

Cost Accounting removes Unallowable Costs from the F&A Cost Rate Proposal.





## QUICK DECISION GUIDE

**Is the charge allowable?** For a cost to be allowable, it must conform to:

- Terms and conditions of the agreement, and/or
- Uniform Guidance

**Is the charge allocable to the project?** When allocating charges between projects, ask:

- Are the expenses allocated on a consistent basis?
- Is the method of allocating expenses between projects sound?
- Is the expense allocation clearly documented?

**Is the charge reasonable?** To determine if a cost is reasonable, ask:

- Is it necessary for performance of the award?
- Does it advance the scope of work?



Operating Expenses	Year 1
Salaries	100,000.00
Contractuals	75,000.00
Commodities	60,000.00
Total Expenses	<u>235,000.00</u>
Less Unallowables	(5,000.00)
Adjusted Expenses	<u>230,000.00</u>



<b>Adjusted Expenses</b>	<b>230,000.00</b>
<b># of Units</b>	<b>2,000</b>
<b>Rate per Unit</b>	<b>115.00</b>





Adjusted Expenses	230,000.00
Working Capital (WC) Calculation	
Divided by 360 Days	638.89
Multiplied by 60 Days	38,333.33



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<b>Working Capital</b>	<b>38,333.33</b>
<b>Fund Balance, End</b>	<b>40,000.00</b>
<b>Overage/(Shortage)</b>	<b>1,666.67</b>



<b>Operating Expenses</b>	<b>Year 2</b>
<b>Salaries</b>	<b>100,000.00</b>
<b>Contractuals</b>	<b>75,000.00</b>
<b>Commodities</b>	<b>60,000.00</b>
<b>Total Expenses</b>	<b>235,000.00</b>
<b>Less Unallowables</b>	<b>(5,000.00)</b>
<b>Less Prior Year's Overage</b>	<b>(1,666.67)</b>
<b>Adjusted Expenses</b>	<b>228,333.33</b>
<b># of Units</b>	<b>2,000.00</b>
<b>Rate per Unit</b>	<b>114.17</b>





<b>Working Capital</b>	<b>38,333.33</b>
<b>Fund Balance, End</b>	<b>37,000.00</b>
<b>Overage/(Shortage)</b>	<b>(1,333.33)</b>



<b>Operating Expenses</b>	<b>Year 2</b>
<b>Salaries</b>	<b>100,000.00</b>
<b>Contractuals</b>	<b>75,000.00</b>
<b>Commodities</b>	<b>60,000.00</b>
<b>Total Expenses</b>	<b>235,000.00</b>
<b>Less Unallowables</b>	<b>(5,000.00)</b>
<b>Plus Prior Year's Shortage</b>	<b>1,333.33</b>
<b>Adjusted Expenses</b>	<b>231,333.33</b>
<b># of Units</b>	<b>2,000.00</b>
<b>Rate per Unit</b>	<b>115.67</b>



	<b>Year 1</b>	<b>Year 2</b>
<b>Rate per Unit</b>	<b>115.00</b>	
<b>Surplus</b>		<b>114.17</b>
<b>Deficit</b>		<b>115.67</b>





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## Forms

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 ☐ Budget
 ☒ Cost
 ☐ Payroll
 ☐ Reporting, Planning, & Analysis
 ☐ SPAccounting
 ☐ Tax
 ☐ Treasury Services

**Department**

**Form Name**

**Format**

Cost

[Service Center Request Form](#)

PDF

## Contact Information

PO Box 5227

[536 McArthur Hall;](#)

245 Barr Avenue

Mississippi State University

Mississippi State, MS 39762

Mailstop: 9602

Phone: 662-325-2302

Fax: 662-325-6646



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### Service Center Request Form

This approved form along with a Rate Calculation worksheet should be submitted to the **Cost Accounting Department** at Mail Stop 9602.

I am requesting (please select one):

- ☐ a new account for the establishment of a Service Center  
**OR**  
☐ a rate revision of an existing Service Center.

Fund Service Name: \_\_\_\_\_

Responsible Department: \_\_\_\_\_

Primary Contact Person: \_\_\_\_\_

Department Head: \_\_\_\_\_

Responsible Vice President: \_\_\_\_\_

Purpose & Description of Service Facility: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Expected Users: \_\_\_\_\_

\_\_\_\_\_

User Base (e.g. Labor Hours or Units Completed): \_\_\_\_\_

\_\_\_\_\_

Estimated Operating Costs: \_\_\_\_\_

Estimated Rate: \_\_\_\_\_

- ☐ Rate Calculation worksheet with Budgeted Revenues and Expenses attached.

Approvals:

Dean, Director, Dept Head \_\_\_\_\_ Date: \_\_\_\_\_

Vice President \_\_\_\_\_ Date: \_\_\_\_\_

Cost Accountant \_\_\_\_\_ Date: \_\_\_\_\_



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Sponsored  
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Tax &  
Compliance

Treasury  
Services

## MSU Service Centers

Service Center	Current Rates
<a href="#">Automotive Electronics Lab Service</a>	<a href="#">PDF</a>
<a href="#">Chemistry Instrument Service Center</a>	<a href="#">PDF</a>
<a href="#">Geophysical/Archaeological Survey</a>	<a href="#">PDF</a>
<a href="#">Extension Service Print Shop</a>	
<a href="#">GRI Unmanned Aerial Systems Service Center</a>	<a href="#">PDF</a>
<a href="#">Hazardous Waste Disposal</a>	
<a href="#">Institute for Genomics, Biocomputing &amp; Biotechnology (IGBB)</a>	<a href="#">PDF</a>
<a href="#">Institute for Imaging and Analytical Technologies (I2AT)</a>	<a href="#">PDF</a>
<a href="#">LARAC Operations</a>	<a href="#">PDF</a>
<a href="#">Nematode Diagnostic Laboratory</a>	<a href="#">PDF</a>
<a href="#">nSPARC</a>	<a href="#">PDF</a>
<a href="#">Research and Curriculum Unit</a>	<a href="#">PDF</a>
<a href="#">Soil-Plant-Atmosphere-Research (SPAR)</a>	<a href="#">PDF</a>
<a href="#">Survey Research Laboratory</a>	<a href="#">PDF</a>
<a href="#">T.K. Martin Center Service Facility</a>	

**Uniform Guidance**

**Negotiated F&A  
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# SUMMARY



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# Contact Information

## Cully Carpenter

Email: [bcarpenter@controller.msstate.edu](mailto:bcarpenter@controller.msstate.edu)

Office: 427 McArthur Hall

Mailstop: 9602 Controller & Treasurer's Office



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# Unrelated Business Income Tax

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# TAX ACCOUNTANT



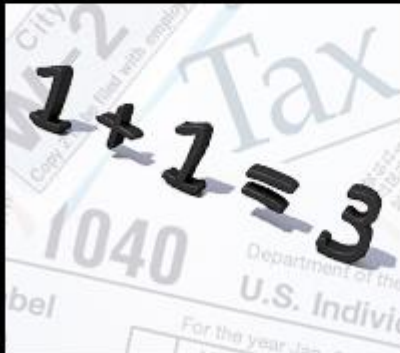
What the IRS thinks I do



What my Mom thinks I do



What society thinks I do



What departments think I can do



What I think I do



What I actually do

## What does the Tax Compliance Officer do?

59



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# How much does the Tax Office do?

60



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# FY18



- Paid \$1,580,000 in Sales Taxes
- Issued more than 12,000 Form W-2s
- Distributed 45 Form 1042-Ss
- Processed over 27,000 Form 1098-Ts
- Delivered over 1,400 Form 1099-MISCs
- Impacted 43 employees with IRC §127 Plan
  - Decrease from 52 in 2017

61



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# Unrelated Business Income



62



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# Unrelated Business Income

## Criteria to be considered UBI:

1. The activity constitutes a “*trade or business*”
2. The activity is “*regularly carried on*” by the organization; and
3. The conduct of the activity is “*not substantially related*” to the performance of the organization’s exempt purpose.





# Unrelated Business Income

## Exceptions to UBI:

1. Volunteer Labor
2. Convenience of University Members
3. Donated Merchandise
4. Mailing Lists
5. Royalties
6. Rents
7. Sponsored Research

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# Unrelated Business Income

## Examples:

1. Power Plant
2. Butler Guest House
3. TV Center
4. Employee Parking



65



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**How did recent tax legislation impact MSU?**

66



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# Tax Changes

- UBIT taxed at corporate rates – flat 21% as of January 1, 2018. Was a tiered system in the past.
- Estate tax and standard deduction for individuals doubled – will have some effect on charitable giving
- Athletic seat licensing (Bulldog Club) no longer a charitable deduction – will have some effect on charitable giving
- Employee parking is now a UBIT activity.
- UBIT activities' gains cannot be reduced by other activities' losses

67







## What are the most common FAQs in Tax?

68



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Questions????





# Contact Information



**Lacy Dean**  
**426 McArthur Hall**  
**245 Barr Avenue**  
**Mailstop: 9602**  
**P: 662-325-1751**  
**F: 662-325-8394**

**[ljones@controller.msstate.edu](mailto:ljones@controller.msstate.edu)**



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