“Overview of Service Center Policy and the Rate Study Process”
• Service/Recharge Center Management
• Facilities and Administrative (F&A) Rate
• Employer Relate Expenses (ERE)
AGENDA

- Rate Study Basics
- Rate Calculation Breakdown
- Performing a Rate Study
- Service Center Policy & Compliance
- Responsibilities
IS A RATE STUDY NEEDED?

• Does The Department Use Internal Billing (IB) Documents?
  ▫ MAYBE!

• Does The Department Collect Revenue From 3xxxxxx and 4xxxxxxx Accounts for Services?
  ▫ YES! These are considered “Sponsored” Accounts, and all charges to these accounts must be cost-based
WHY ARE RATE STUDIES REQUIRED?! 

- **Compliance**
  - **Federal**
    - Uniform Guidance
  - **University**
    - Service Center Policy 18.00
    - ABOR

- **Determine**
  - **Cost-base Rates**
    - Recover Allowable Costs
    - Operate On a Breakeven Basis

- **Impact to UA**
  - **Audit & Risk**
    - Fines, Disallowances and Refunds
  - **Headlines & Reputation**

- **Management Tool**
  - Reveal True Costs of Running the Service Center
HOW OFTEN DO YOU COMPLETE A RATE STUDY?

- Annually

- Possible Exceptions For Early Review
  - New Service Centers
  - New Services
  - Major Operational Changes
HOW OFTEN DO YOU COMPLETE A RATE STUDY?

RATE CALCULATION ELEMENTS

- Units of Service
- Operational Costs
- Employee Effort
- Equipment Depreciation
- Overhead

- Salary & Wages
- ERE
REQUIRED RATE INFORMATION

• Actual Expenses
  • Prior Full Fiscal Year of Data

• Supporting Documentation
  • UAccess Financials – System of Record
    • Payroll
    • Operational Expenses
  • Employee Effort
  • Subject to Audit
  • 10 Year Data Retention

• Exceptions
  • Projections
    • New Service or New Employee
COMPLETING A RATE STUDY

1. Compile Financial Data
2. Analysis and Allocation of Data
3. Complete Rate Study Template
4. FSO - Rate Studies Review
5. Approval Letter
6. Implement Rates
## SERVICE CENTER COSTS

### ALLOWABLE
- Expenses That Directly Benefit the Service Center
- Payroll
  - Direct
  - Indirect
- Operational Expenses
  - Service Contract
  - Supplies
- Travel  *Purpose directly relates to Service Center and provides a benefit to current customers*

### UNALLOWABLE
- Alcoholic Beverage
- Entertainment
- Prepayment
- Bad Debt Expenses
- Internal Interest
- Fines or penalties
- Donations, gifts & contributions
- Comm User FTE Charge
- Travel  *Purpose is to disseminate information and/or does not provide a direct benefit to service center customers*
SERVICE CENTER CUSTOMER TYPES

INTERNAL

Individuals/Organizations that have a direct relationship to the UA, such as, University departments, University organizations.

*Note: If the entity *will be* using a UAccess account number to pay for services it is considered an internal customer.*

EXTERNAL

Individuals/Organizations that do not have a direct relationship to the UA, such as, Other Universities, Private enterprises, Outside parties, or Public customers.

*Note: These entities *will not be* using a UAccess account number to pay for services.*
WHAT CAN DISTORT THE RATES?

- Estimates
  - Sales units
  - Cost
  - Effort

- Imprecise Allocations

- Transfers
  - Expense

- Adjustments for Fund Balance
  - Surplus
  - Deficit
OTHER COMMON BLUNDEERS

- Charging Market Rates
- Delayed Invoicing
- Misuse of Depreciation
- Unallowable Expenses Included in Rates
- Lower Rates for External Customers
- Varying Rates for Internal Customers
- Adding New Service Without Prior Approval
COMPLIANCE CHECKLIST

- Service Center Policy
- Breakeven Cost-based Rate
- Fund Balance – 60 Day Reserve
- Depreciation
- Indiscriminate

- Cross-Subsidization
  - Between Service Center Accounts
  - Between Services

EXAMPLE

Annual Operating Expenses $84,000
Allowable Fund Balance $14,000

* $84,000 / 12 x 2 = $14,000
DEPARTMENT RESPONSIBILITIES

• Establish and maintain record keeping procedures and systems
  • Financial Records
  • Statistical Records
  • Effort Reporting
  • Background Information
  • Billing Rate Methodology
  • Approved Rate Study Letters
  • Reconcile Accounts
• Review and approve new accounts for service centers

• Consult with department to ensure allocable costs, types of services and billing rates are permissible

• Review and approve billing rates to ensure appropriate cost accounting practices

• Consult with department to determine types of record keeping and break-even methodology

• Coordinate communications with governmental agencies (auditors)
WE LOOK FORWARD TO ASSISTING YOU!

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