



Service Centers

Date: January 4, 2023

Overview



General understanding of a service center

- Benefits
- Types
- Principles

Creating a service center

- Questions to ask
- Budgeting
 - Single rate
 - Multiple rates
- Depreciation schedule

Accounting for internal vs external customers

What type of cost center should I use?



- **Auxiliary (AUX)** – self-supporting entity, furnishing goods or services to external consumers
- **Revolving (REV)** – Run expenses through, but does not charge for goods or services (1 for 1)
- **Service Centers** (SRC, SRV, SSC or USR) – charging a cost center or WBS for goods or services.

What is a Service Center?



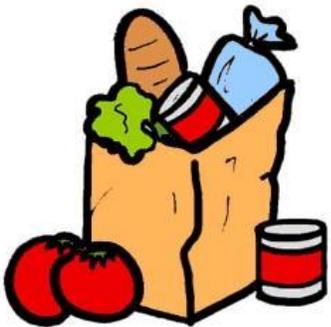
Service Center

Provides goods/services

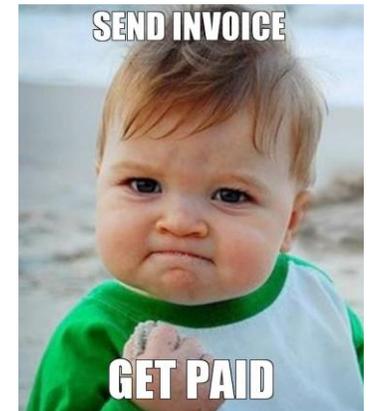
Operates on a recurring basis

Primarily for users within the University

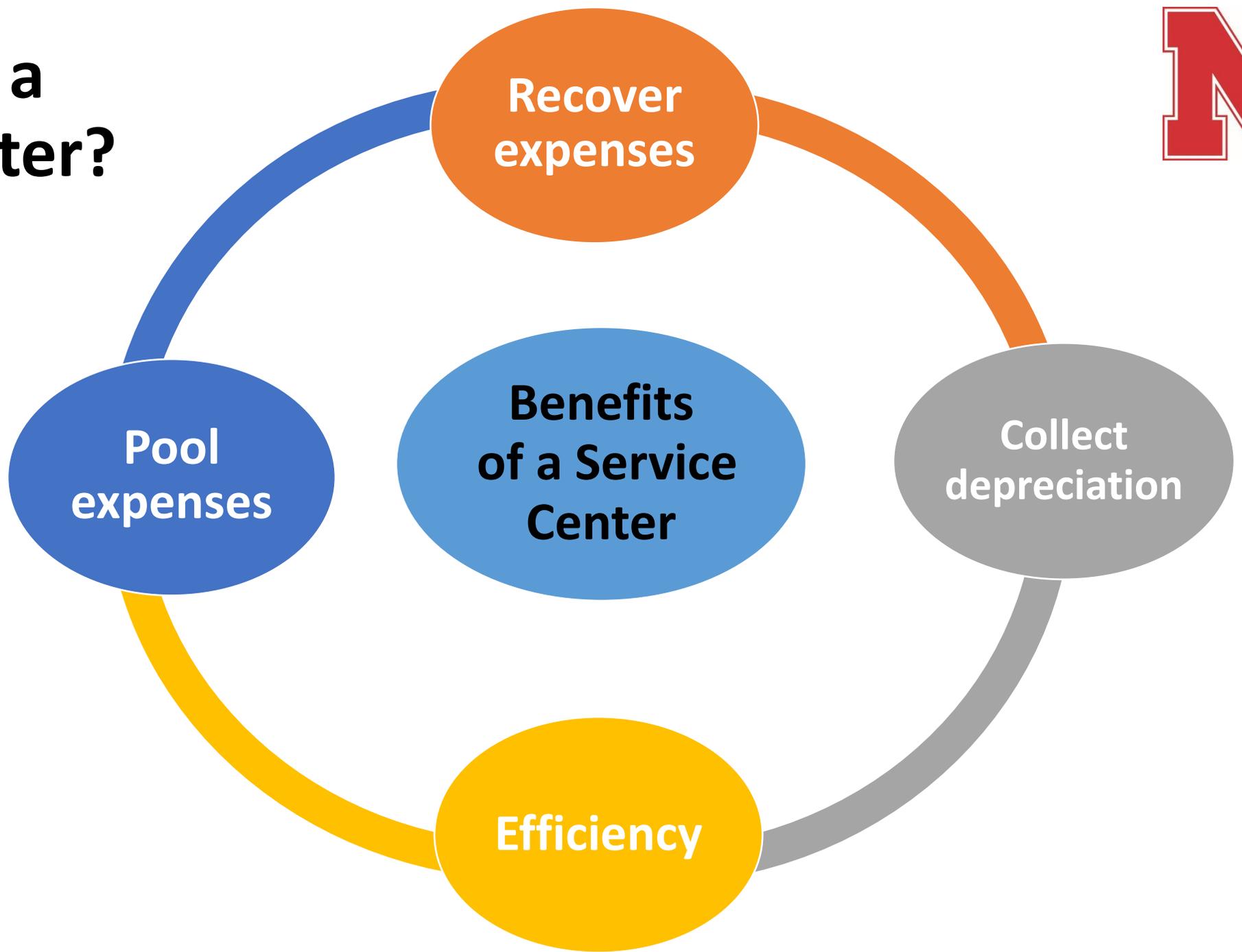
Recovers costs through charges to users



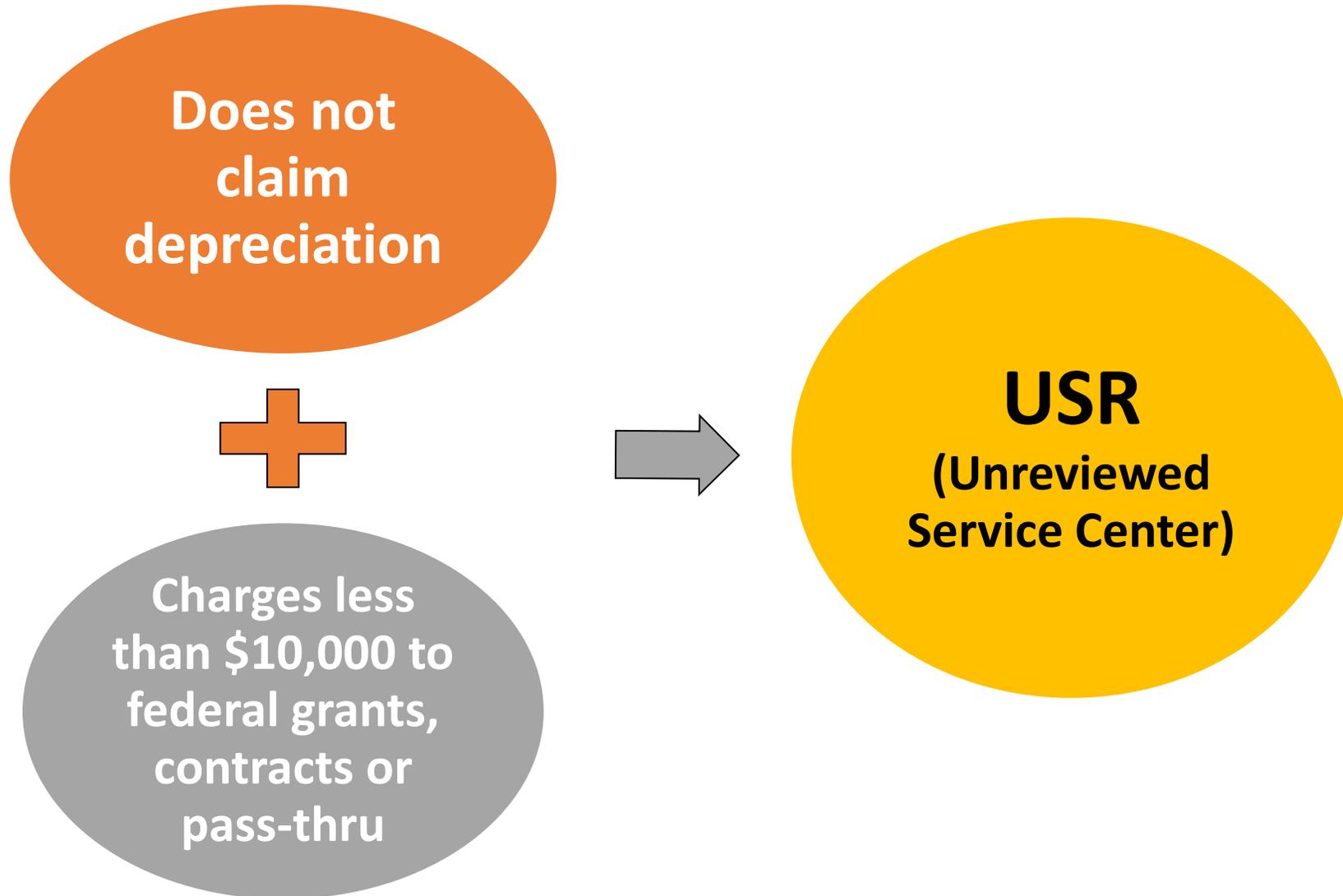
UNIVERSITY OF
Nebraska



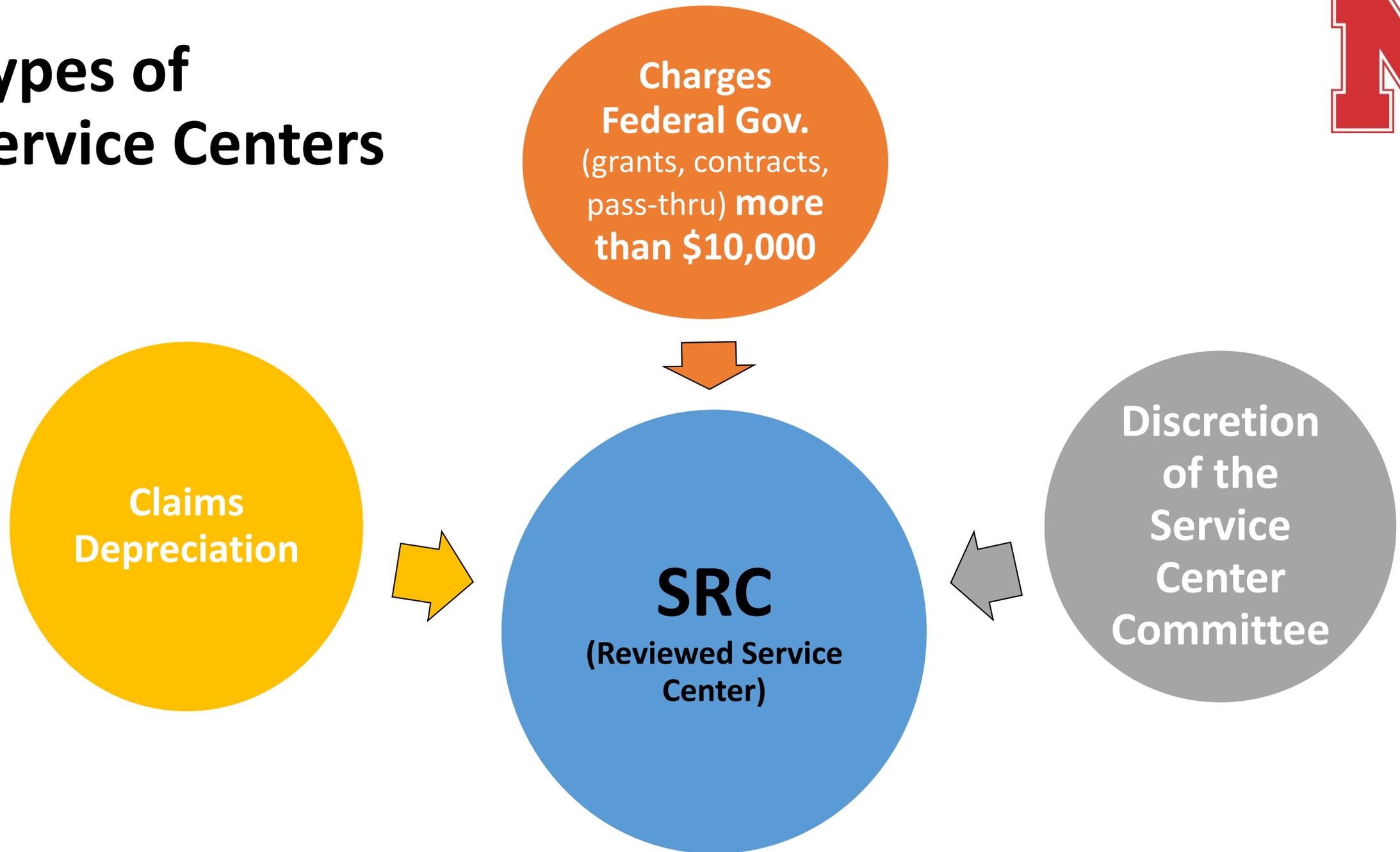
Why create a Service Center?



Types of Service Centers



Types of Service Centers





Types of Service Centers

SRV (Service
Center Reserve)

- Holds depreciation
- External revenue (above break-even)
- Used to purchase capital assets
- Cannot operate in a deficit
- Unrestricted funds – within University policy

Basic Principles



Costs of providing
the good/service

- Allowable
- Allocable
- Reasonable

Unallowable Costs

- 2 CFR, Part 200 Uniform Guidance, Subpart E – Cost Principles, Sections 200.400 -200.475
- Examples: Advertising (public relations), Lobbying, Alcohol, Bad Debts, Costs of Contributions/Donations, Entertainment Costs, Capital Expenditures, Fines/Penalties, Selling & Marketing Costs

Basic Principles



- Actual costs are the most the rate is allowed to recover
- Only allowable cost can be included in the rate
- Rates must be reviewed and approved yearly
- Rates must be adjusted when ending balance exceeds tolerable threshold

Establishing a Service Center



1. Develop a budget
2. Complete a New Service Center Request through Frevvo
3. Submit to Accounting





Questions to ask Faculty

- What is the purpose of the service center?
- What goods or services are being provided?
- Why should this service center be created (justification)?
- Who are the customers?
 - Internal
 - External
- What % of the revenue will be collected from external sources?
- Who will cover a deficit if the service center closes?
- Where is the good/service located? (rented space?)
- What assets are used to provide the good or service?
- Are expenses being subsidized?
 - If so, which expenses and from where?

Measuring Unit



Use the measurement that will allocate the costs equitably among all users

- Per hour, test, mile, acre, etc.



Budget Development – Single Rate

<u>Expected Personnel Expenses</u>	Service
<u>Processing labor</u>	
Johnnie Walker (Personnel #12345)	1000
Bruce Buffer (Personnel #54321)	2000
Benefits	840
Total Personnel Expense	3,840
<u>Operating Expenses</u>	
Office Supplies	1,000
Conference	800
Total Operating Expenses	1,800
<u>Depreciation</u>	
From Depreciation Schedule (Tab 2)	-
Total Depreciation	-
Subtotal Chargeable Items	5,640
Add - Deficit Carry forward	-
Less - Surplus Carried Forward	-
Total Billable Items	5,640
Less: Department Supplement (if applicable)	(1,000)
Net Chargeable Items	4,640
Divided by Projected Hours	100
	Test/Service
Calculated Rate	\$ 46.40
Proposed Rate per hour	\$ 47.00
Projected Revenue	\$ 4,700



Budget Development – Multiple Rates

		25%	50%	25%			
						Time Spent in Service Center	Salary to Service Center
<u>Expected Personnel Expenses</u>	Total	X-ray Machine	X-ray Photo Developer	X-ray Shredder	Yearly Salary		
<u>Processing labor</u>							
Johnnie Walker (Personnel #12345)	25,000	6,250	12,500	6,250	50,000	50%	25,000
Bruce Buffer (Personnel #54321)	12,500	3,125	6,250	3,125	50,000	25%	12,500
Benefits	3,751	938	1,875	938			
Total Personnel Expense	41,251	10,313	20,625	10,313			
<u>Operating Expenses</u>							
Service Agreement	30,500	5,000	25,000	500			
Lab Supplies	26,650	10,000	16,500	150			
Total Operating Expenses	57,150	15,000	41,500	650			
<u>Depreciation</u>							
From Depreciation Schedule (Tab 2)	22,960	8,250	10,150	4,560			
Total Depreciation	22,960	8,250	10,150	4,560			
Subtotal Chargeable Items	121,361	33,563	72,275	15,523			
Add - Deficit Carry forward							
Less - Surplus Carried Forward							
Total Billable Items	121,361	33,563	72,275	15,523			
Less: Department Supplement (if applicable)	10,000		10,000				
Net Chargeable Items	111,361	33,563	62,275	15,523			
Divided by Projected Machine Hours		1,000	2,700	1,500			
Calculated Rate		\$ 33.56	\$ 23.06	\$ 10.35			
Proposed Rate per hour		\$ 33.50	\$ 23	\$ 10.50			
Projected Revenue	\$ 111,350	\$ 33,500	\$ 62,100	\$ 15,750			



Depreciation Schedule



- If the asset is not assigned to the service center – Accounting will add it during the rate approval process.
- Use depreciation amounts from SAP
- 2 ways to lookup depreciation info in SAP
 - Trans Code: AS03
 - Trans Code: AR02

AS03 – Display Asset



Enter Asset Number & select Asset Values

Display Asset: Initial screen

Asset: 900000043425

Sub-number: 0

Company Code: 1000

Master data | Depreciation areas | **Asset values**

“Change” = depreciation for the fiscal year

Company Code: 1000 University of Nebraska
Asset: 900000043425 0 2019 RAM 1500 TRADESMAN TRUCK #307A
Fiscal year: 2022

Planned values | Posted values | Comparisons | Parameters

Planned values Book depreciation

Value	Fiscal year start	Change	Year-end	Crcy
APC transactions	26,289.00		26,289.00	USD
Acquisition value	26,289.00		26,289.00	USD
Ordinary deprec.	18,257.00-	8,032.00-	26,289.00-	USD
Unplanned depr.				USD
Write-ups				USD
Value adjustment				USD
Net book value	8,032.00	8,032.00-		USD
Down payments				USD
Scrap value				USD

AR02 – Asset History



Asset History Sheet

Program Edit Goto System Help

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🕒 [grid] [print] [info]

Company code	1000	to	[]	[arrow]
Asset number	[]	to	[]	[arrow]
Subnumber	[]	to	[]	[arrow]

Selections

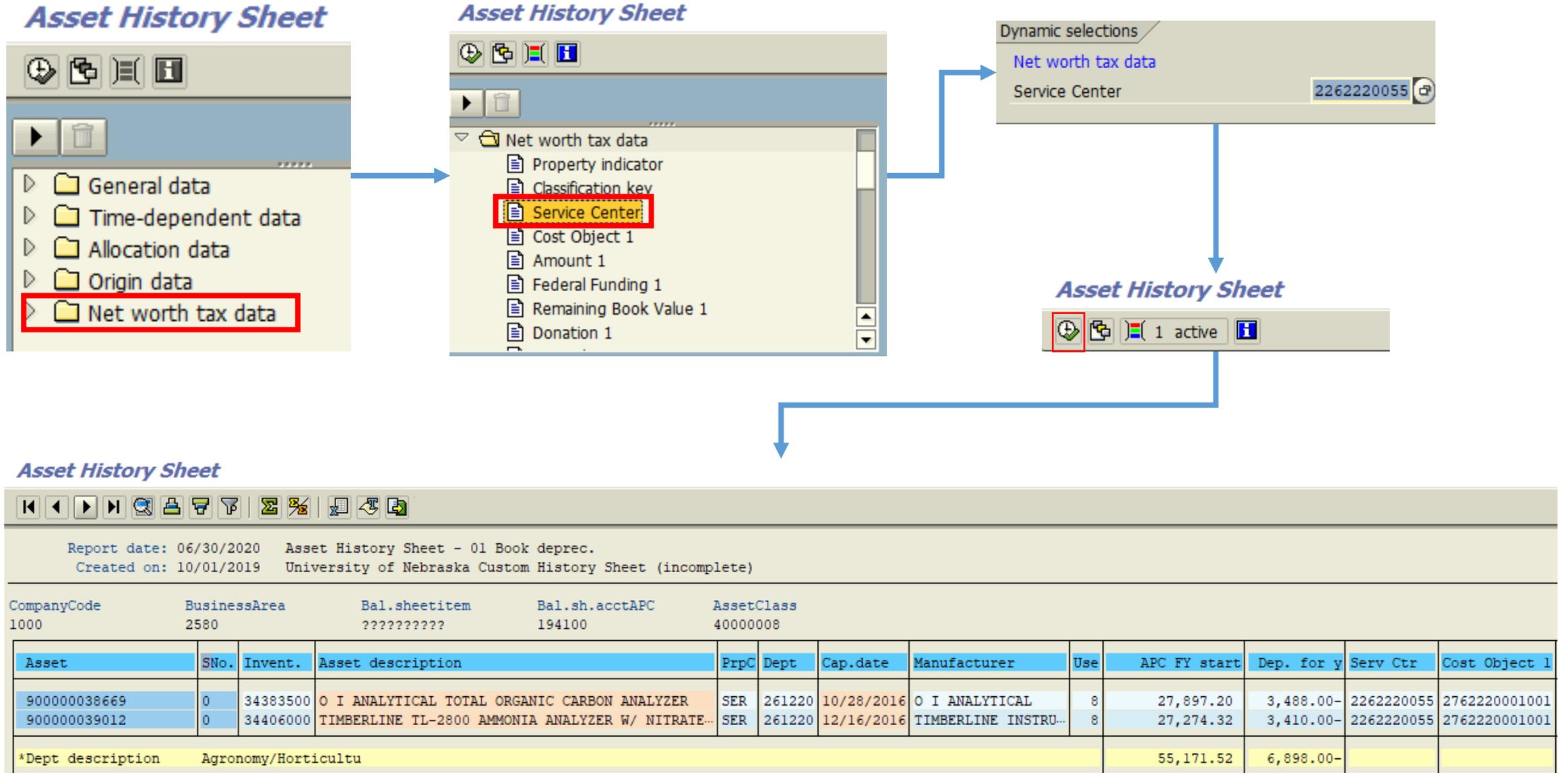
Asset class	[]	to	[]	[arrow]
Plant fund business area	[]	to	[]	[arrow]
Plant fund cost center	[]	to	[]	[arrow]
Plant	[]	to	[]	[arrow]
Location	[]	to	[]	[arrow]
Asset super number	[]	to	[]	[arrow]

Worklist []

Settings

Report date	06/30/2022	
Depreciation area	01	Book deprec.
Sort Variant	0001	Co. code/bus. area/bal. item/B/S acc
Translation method	[]	

AR02



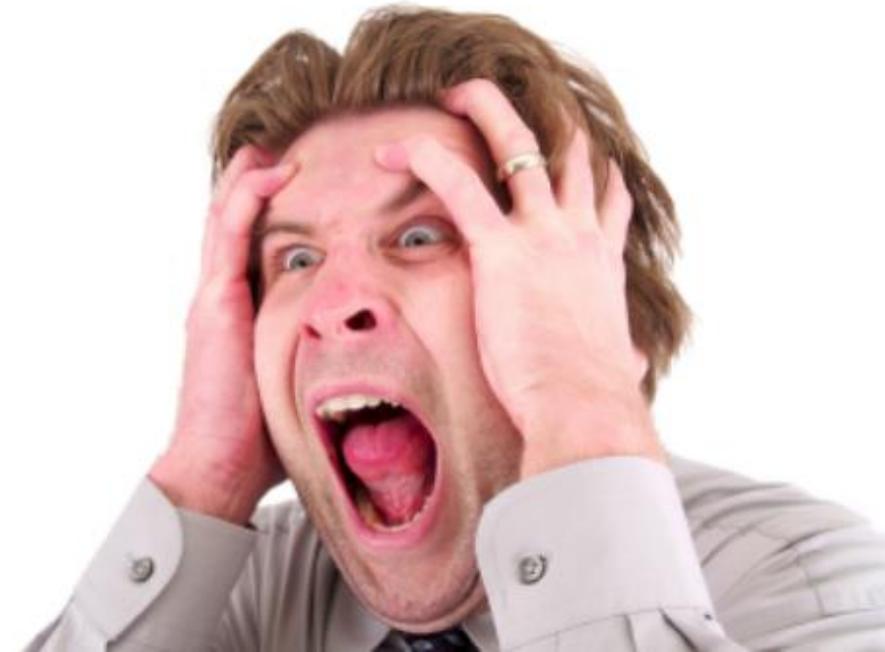
Tolerable Threshold



Operating expenses include:

- Total Personnel Services
- Total Operating & Supplies
- Utilities
- All Travel Domestic & Foreign
- Cost of Goods Sold

Do not include Expenditure Credits



Cost Center: Revenue/Expense Summary with prior year balance forward

Tran Code: Y_UN_83000139

Cost Elements	Plan	Period 14	Cumulative Act.	Commitments	\$ Variance	% Remain
*** Total Personal Services	81,086.00	0.00	80,918.29	0.00	167.71	0
** Total Operating & Supplies	425,000.00	0.00	521,175.47	0.00	96,175.47-	23-
** Utilities	0.00	0.00	1,048.86	0.00	1,048.86-	0
** All Travel Domestic and Forei	0.00	0.00	98.25	0.00	98.25-	0
** Expenditure Credits	0.00	0.00	591,850.57-	0.00	591,850.57	0
*** Total Non-Personal Services	425,000.00	0.00	69,527.99-	0.00	494,527.99	116
**** Total Direct Costs	506,086.00	0.00	11,390.30	0.00	494,695.70	98
***** Total Expenditures & Other De	506,086.00	0.00	11,390.30	0.00	494,695.70	98

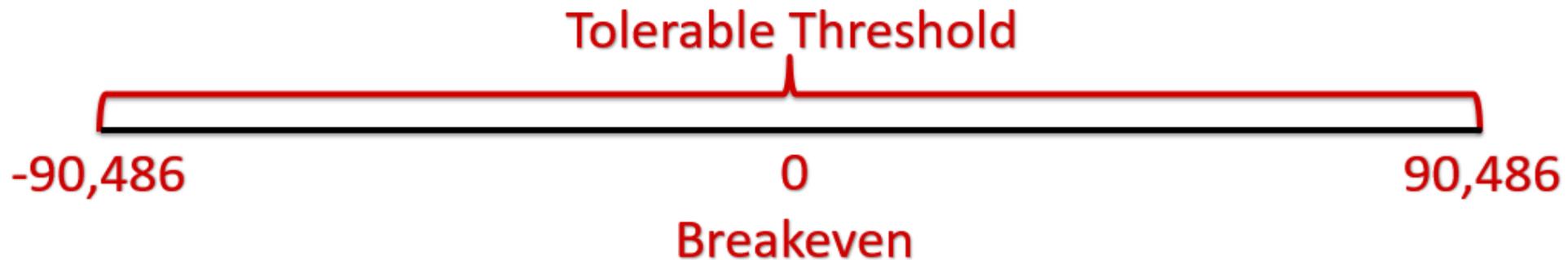
Current Yr Rev (over)/under Exp	Plan	Period 14	Cumulative Act.	Commitments	\$ Variance	% Var.
Current Yr Rev (over)/under Exp	0.00	0.00	11,390.30	0.00	11,390.30-	0

Prior Yr Bal Forward			Cumulative Act.	Commitments	Surpl/(Deficit)	
310000 Prior Yr Bal Forward			4,227.84	0.00	4,227.84-	
Total Balance			Cumulative Act.	Commitments	Surpl/(Deficit)	
Total Balance			15,618.14	0.00	15,618.14-	



Tolerable Threshold Calculation

Total Personnel Services	80,918
Total Operating & Supplies	521,175
Utilities	1,049
All Travel Domestic & Foreign	98
Basis for Threshold	603,240
X 15%	15%
Tolerable Threshold	90,486



Surplus/Deficit Calculation



Scenario 1

Total Balance (Surplus)	97,021	
Tolerable Threshold	90,486	
	<hr/>	
Subtract from FY24 proposed budget (reduce operating expenses)	6,535	Surplus

Scenario 2

Total Balance (Deficit)	-97,021	
Tolerable Threshold	-90,486	
	<hr/>	
Add to FY24 proposed budget (increase operating expenses)	-6,535	Deficit

Surplus



<u>Expected Personnel Expenses</u>	Total	X-ray Machine	X-ray Photo Developer	X-ray Shredder
<u>Processing labor</u>				
Johnnie Walker (Personnel #12345)	25,000	6,250	12,500	6,250
Bruce Buffer (Personnel #54321)	12,500	3,125	6,250	3,125
Benefits	3,751	938	1,875	938
Total Personnel Expense	41,251	10,313	20,625	10,313
<u>Operating Expenses</u>				
Service Agreement	30,500	5,000	25,000	500
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Total Operating Expenses	57,150	15,000	41,500	650
<u>Depreciation</u>				
From Depreciation Schedule (Tab 2)	22,960	8,250	10,150	4,560
Total Depreciation	22,960	8,250	10,150	4,560
Subtotal Chargeable Items	121,361	33,563	72,275	15,523
Add - Deficit Carry forward				
Less - Surplus Carried Forward	6,535	1,257	3,393	1,885
Total Billable Items	114,826	32,306	68,882	13,638
Less: Department Supplement (if applicable)	10,000		10,000	
Net Chargeable Items	104,826	32,306	58,882	13,638
		19%	52%	29%
Divided by Projected Machine Hours	5,200	1,000	2,700	1,500
Calculated Rate		\$32.31	\$21.81	\$9.09
Proposed Rate per hour		\$32.25	\$22.00	\$9.00
Projected Revenue	\$105,150	\$32,250	\$59,400	\$13,500

Deficit



<u>Expected Personnel Expenses</u>	Total	X-ray Machine	X-ray Photo Developer	X-ray Shredder
<u>Processing labor</u>				
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Subtotal Chargeable Items	121,361	33,563	72,275	15,523
Add - Deficit Carry forward	6,535	1,257	3,393	1,885
Less - Surplus Carried Forward				
Total Billable Items	127,896	34,820	75,668	17,408
Less: Department Supplement (if applicable)	10,000		10,000	
Net Chargeable Items	117,896	34,820	65,668	17,408
		19%	52%	29%
Divided by Projected Machine Hours	5,200	1,000	2,700	1,500
Calculated Rate		\$34.82	\$24.32	\$11.61
Proposed Rate per hour		\$35.00	\$24.25	\$11.75
Projected Revenue	\$118,100	\$35,000	\$65,475	\$17,625



Charging for Goods/Services

Internal

- University Departments (Cost Centers)
- University Sponsored Programs (WBS)
- IC & JE doc types

External

- Those who do not have a University account
- Industry
- Students, faculty or staff acting in a personal capacity
- CR & CN doc types



Internal Customers

Only charge approved breakeven rates

Retain supporting documentation

- Recommended attaching documentation to the IC or JE entry in SAP.
AND/OR
- Provide detail in the “Text” of the IC or JE entry. (example below)

Text	Amount
July ATV usage 5 hrs @ \$3.30/hr	16.50
July ATV usage 5 hrs @ \$3.30/hr	16.50-
	0.00

Sapphire – Reference Guides – UNL – Finance – Expenditure Credit Reference Table



UNL Expense Credit Reference Table

Expense Category	Expending Department G/L Account Range	Billing Department G/L Account Range
Supplies & Materials	520000-521199	592100-592119
	521300-524999	592130-592499 and 592692-592899
	530000-549999	593000-593369 and 593371-595269
	554100-554999	599211-599954 and 595100
	582100	599214
Communications	521200-521299	592120
Repair & Maintenance	525000-525999	} 592500-592599 and 595270
	550000-554099	
	555000-559999	
Contractual Services	526000-528999	592600-592693 and 593370
Utilities	529000-529999	592900-592999
Scholarships & Fellowships	560000-569999	596250-596600

External Customers



- Different rules than Internal Users
- Recommend charging what the market will bear
- Charges may include F&A rate plus % markup
- Profit (amount above breakeven) should be placed in the reserve account
- External Sales may be subject to Unrelated Business Income Tax (UBIT)
- Is a contract required? – contact Office of Sponsored Programs

Posting Revenues & Depreciation



External revenue

- GL 45XXXX – split between service center (break-even) and the reserve (above break-even)

Internal revenue

- 23-XXXX-XXXX use GL 48XXXX
- 22-XXXX-XXXX use GL 59XXXX

Depreciation

- Use GL 599212 on both the Service Center & Reserve
- Transfer depreciation based on the approved rate schedule
- Include current year changes

Key Compliance Issues



Rates

- Should not recover more than the cost of the good or service
- Must breakeven over time
- Must be reviewed every year
- Cannot discriminate between users
- “Flat Fees” not related to actual usage is not allowed

Depreciation

- Include the expense in the rates
- Do not include the acquisition of capital equipment in the rates

Surpluses

- Must be incorporated in the rates or refunded
- Cannot be used to fund unrelated activities

Deficits

- Must be incorporated in the rates or another source of funding must be found (typically Auxiliary funding)

ANY QUESTIONS?



ASK GOOGLE



Thank you!



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Service Center Website

<https://accounting.unl.edu/fin-acct-reporting/service-center-information>