



## Service Center Policy

### **I. Purpose**

This policy provides a framework for the fiscal operations of Worcester Polytechnic Institute's ("WPI") Service Centers (as defined herein) to ensure their compliance with University accounting policies and Federal regulations. As a recipient of federal funding, the University must comply with the U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R §200) ("Uniform Guidance"). This policy and Uniform Guidance require that costs incurred via Service Centers on federal awards must be necessary for the performance of the award and be a reasonable allocation of actual costs relative to the benefit received. Noncompliance could result in government-imposed fines and/or could negatively impact the success of future grant proposals. Service Centers are also subject to review and testing as part of the Single Audit required by Uniform Guidance and by the University's internal audit function.

### **II. Scope**

This policy applies to all existing Service Centers and all faculty and staff who are responsible for establishing and operating service centers. Approval is required from the Service Center Committee to establish and operate a Service Center. Please refer to the Service Center Procedures Manual for guidance on establishing a new Service Center.

This policy does not apply to research centers or shared facilities that are not set up as Service Centers, as defined below. Research centers and shared facilities cannot charge services to federal awards.

### **III. Definitions**

**Actual Costs** - Real, incurred, and allowable costs of operating the Service Center that form the basis of the rate charged to users. Actual costs must be supported by financial records, be directly tied to the operations of the service center, benefit the users receiving the service, and comply with Uniform Guidance.

**Allowable Costs** – Costs that are necessary, allocable, and consistently treated in accordance with federal regulations, University policy, and the terms and conditions of a sponsored agreement.

**External User** - An external user is an entity or person having no direct affiliation with WPI who may wish to purchase services for reasons of convenience, cost effectiveness or uniqueness of the service offered. External users also include students, faculty or staff acting in a personal capacity.

**Internal User** - Internal users of Service Centers are those existing within the WPI community,

including academic, administrative and auxiliary areas who purchase services to support their work at WPI using WPI funding.

**Service Center** - A Service Center is an operating unit that directly supports the research and/or academic mission of the University and recovers costs through charges to internal and external users. Service Centers are created for the primary purpose of providing goods, services, or a group of services to users principally within the University community, especially where there is a need to charge those goods or services to Federal grants.

**Service Center Committee (SCC)** – Group overseeing the approval of Service Centers and their rates consisting of at least one member from the Vice President for Research and Innovation Office (VPRI), the Controller’s Office, and Sponsored Programs Accounting (SPA). A member of the Service Center community will join as a non-voting member.

**Subsidy**– Financial support for a Service Center to cover operating costs during the year or to cover deficits at year-end that are not generated by the sales of goods or services (also called subventions).

#### **IV. Policy**

- A. **Separate Accounting:** All costs, subsidies, and revenue relating to a Service Center must be accounted for in the general ledger per the Service Center’s cost center. Service Centers are required to maintain general ledger account codes that are sufficiently segregated and detailed to facilitate the financial reviews required by this policy.
- B. **Rate Setting:**
  - **Rate Setting for Internal Users:** Rates must be based on actual costs. Service Center billings for goods or services to internal users can recover no more than actual cost. Costs included per the rate calculation must be allocable, allowable, and reasonable per Uniform Guidance.
    - **Unallowable Costs:** Unallowable costs, as defined within the Uniform Guidance, such as alcohol, certain entertainment costs, goods or services for personal use, etc., MUST NOT be included in the calculation of Service Center rates.
    - **Non-Discriminatory Rates:** Service Centers must charge all internal users at the same rate, regardless of funding source, for the same level of services or products purchased in the same circumstances. The use of special rates, such as for high-volume work or off-hour usage, is allowed, but the special rates must be equally available to all users.
  - **Rate Setting for External Users:** External user rates should include

recovery of the Service Center's F&A costs, using the rate specified in WPI's federally negotiated rate agreement, and may include additional fees. Service Centers must charge all external users the same rate for the same level of services or products purchased in the same circumstances. The use of special rates, such as high-volume work or for off-hour usage, is allowed, but the special rates must be equally available to all external users. Rates will be reviewed against comparable market rates and may be adjusted based on market analysis.

- **Annual Rate Setting:** Each Service Center is required to document its rate calculations annually by completing the WPI Service Center Annual Rate Documentation Form (or alternative document, if approved by the Service Center Committee) and obtain approval of rates from the Service Center Committee. Any data or assumptions used in rate calculations (anticipated volume, revenue, expenses, allowable carryforward balances, etc.) must be documented within the Form. Newly established Service Centers must review rates after six (6) months of full operations with the Service Center Committee and then annually thereafter as outlined above.
- **Rate Adjustments:** Each Service Center is responsible for evaluating its financial performance throughout the year and to request approval for a rate adjustment if current rates and usage will generate a deficit or surplus beyond 60 days of average operating expenses (refer to Surpluses and Deficits below) at fiscal year-end. Rate adjustments must be supported by a WPI Service Center Annual Rate Documentation Form.

C. **Budgeting:** All Service Centers must prepare budget aligned with annual budgeting cycle. Budgets must be approved by the Service Center Committee.

D. **Annual Reporting:** All Service Centers must prepare annual revenue and expense reports and calculate their annual surplus or deficit for review by the Service Center Committee. For any unplanned deficit balances, a recovery or corrective plan must also be presented to the Service Center Committee for approval (refer to Surpluses and Deficits below).

E. **Surpluses and Deficits:** Service Centers are permitted to maintain a cumulative operating balance (surplus or deficit) not to exceed 60 days of average operating expenses (calculated as annual operating expenses divided by 365, multiplied by 60) upon fiscal year end. This allows for reasonable working capital while maintaining compliance with federal cost principles (2 CFR 200). Treatment of surplus or deficit balances must be approved by the Service Center Committee.

- **Internal Surpluses:** If a year-end surplus from internal usage is within the break-even range of 60 days of average operating expenses, that surplus may be returned to users or, if not, must be carried forward so that the rate calculation for the subsequent year is reduced by the surplus. If the year-end surplus exceeds the break-even range of

60 days of average operating expenses, the surplus beyond the 60-day average must be refunded to the original users of the services from the year that generated the surplus. The surplus within the 60-day average may be returned to users or carried forward to the rate calculation for the following year.

- **External Surpluses:** If charges to external customers generate a surplus, the surplus shall be exclusively used to reinvest in the Service Center or to support the University's F&A costs. Surplus funds cannot be used to subsidize internal federally sponsored activity and cannot be transferred outside of the Service Center. External surpluses must also be reported to the Service Center Committee for UBIT consideration.
- **Internal Deficits:** If a year-end deficit from internal usage is within the break-even range of 60 days of average operating expenses, the deficit may be carried forward so that the rate calculation for the subsequent year will be increased by the deficit OR may be covered by a direct subsidy from non-federal institutional funds (or a combination of both). If a year-end deficit exists beyond the breakeven range of 60 days of average operating expenses, the deficit beyond the 60-day average MAY NOT be carried forward to the rate calculation for the subsequent year but it may be covered by a direct subsidy from non-federal institutional funds. Internal deficits cannot be subsidized by external user revenue. Service Centers operating in an unplanned deficit may be subject to additional oversight by the Service Center Committee.
- **External Deficits:** If a year-end deficit exists due to external usage, the deficit may be covered by external pricing adjustments or a direct subsidy from non-federal institutional funds (or a combination of both). External deficits cannot be subsidized by internal federally funded activities. Service Centers operating in a deficit may be subject to additional oversight by the Service Center Committee. It is not expected that external usage will drive a deficit.

- F. **Monthly Billing:** All users must be billed for services received monthly to ensure accurate financial reporting.
- G. **Record Retention:** Service Centers will retain documentation for rate setting and service billings in accordance with WPI's Records Retention Policy.
- H. **Failure to Comply –** Failure to comply with the Service Center policies may result in Service Center dissolution at the discretion of the Service Center Committee.

## V. **Questions**

If you have questions about this policy, please contact the VPRI Office at [vpri-shared-facilities@wpi.edu](mailto:vpri-shared-facilities@wpi.edu).

**VI. Related Policies and Guidance:**

- Service Center Procedures Manual
- WPI Service Center Annual Rate Documentation Form
- Effort Reporting

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**Responsible Department:** Sponsored Programs Accounting (SPA), Office of the Vice President for Research and Innovation (VPRI)

**Policy Administrator:** Sponsored Programs Accounting (SPA)

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