MEMORANDUM

TO: Deans, Department Heads and Service Center Directors

FROM: Charles D. Leffler, Vice Chancellor for Finance and Business
       Terri Lomax, Vice Chancellor for Research, Innovation, and Economic Development

SUBJECT: Revisions to Policy for Service Center Rates Charged to Internal Customers

DATE: June 10, 2014

As part of our commitment to continual improvement, service center operation is one area under review by the staffs of Finance and Business and the Office of Research, Innovation and Economic Development. These service centers are University entities, including recharge centers and specialized service facilities that are specifically organized to provide goods and/or services primarily to other NC State departments/units. At NC State, the Office of Cost Analysis works with any entity that desires to charge ledger 5 (sponsored activities) for services to establish the appropriate rate to charge and to adhere to all applicable federal and state guidelines.

We consulted several peer institutions to benchmark our policies and practices and reviewed best practices for service centers. We determined that our current policy and practices are inconsistent with the way service centers are handled at other institutions – in regard to both rate-setting and how the Facilities and Administrative research rate is constructed.

As we studied this issue, our goals included: reducing the administrative burden on departments and colleges; increasing research activity and access to service centers; and improving the strategic use of campus resources.

After thorough review, including an examination of how service centers currently charge for services, how that impacts the campus research F&A rate, and peer institution consultations, we have determined that it is in NC State’s best interests to change how service center rates are currently structured and how service centers are handled in the F&A process for the University’s research rate. This change will affect many, but not all of the rates currently in place across the university. It will be more efficient for campus entities and, while some rates may decrease, we are also committed to establishing new processes on campus to ensure that the costs of providing services are adequately covered.
Effective in fiscal year 2014-15, charges to internal campus users (including those to ledger 5 customers) will include only the direct costs of providing the service (indirect costs will be excluded). These direct costs typically includes the employee’s effort (salary and benefits), as well as the directly allocable maintenance contracts, repairs, and technical supplies. Moving forward, indirect costs such as equipment depreciation, building depreciation, physical plant, general administration and departmental administration will be excluded from the rates charged to internal users. In the University’s next F&A rate proposal, the space from service centers will be allocated according to the service center revenues, so if significant research work is being done, the associated indirect costs will be charged through the research F&A rate, not separately through the service center charges. Charges to external users of service centers may continue to be charged the approved full rate including indirect costs. Additional F&A generated as a result of service center equipment depreciation will be added to the allocation made by the Vice Chancellor for Research, Innovation, and Economic Development back to the college or administrative unit.

The Office of Cost Analysis is currently reviewing all rates that were previously approved. Each service center will receive notification of the revised rates, and if that is sufficient documentation for the service center, it is advised to begin charging the revised rate July 1, 2014 or immediately upon notification. If a service center would like assistance from OCA in further analyzing their costs and the revised rate, they may follow up directly with OCA staff. In addition, PRR 10.05.09 and the service center rate form (CG-006) are under review and appropriate revisions will be made shortly.

This revision in policy will help us function more effectively and bring us into alignment with current policies of our peer institutions. Thank you for your assistance in this effort.

If you have any questions about these changes or the revised rates once you have received them, please contact Ginger Burks, Director of Cost Analysis, at 919-515-6898 or ginger_burks@ncsu.edu.

cc: W. Randolph Woodson, Chancellor
    Warwick A. Arden, Provost and Executive Vice Chancellor
    Business LEADs