



UNIVERSITY of
SOUTH FLORIDA

Service Center Operating Guidelines for Charging Federal and Non-Federal Sponsored Projects

Institutional Research Effectiveness and Assessment (IREA)

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This manual is intended to provide assistance to USF department personnel. It does not replace government regulations.

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I. Objective

Service center activities can result in charges, directly or indirectly, to federal grants and contracts and non-federal awards alike. In connection with the receipt of these funds, USF must comply with the United States Government's Office of Management and Budget (OMB) 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The purpose of this manual is to define and provide guidelines for establishing and operating service centers charging federal and non-federal sponsored projects, including reporting and accountability requirements at the University of South Florida.

II. Definition of Service Center

A service center is a broad term used to define an institutional entity which provides a good or service to university users and /or external entities for a fee. At all times, service center activities must support the mission of the University and enhance its functioning.

The rates charged by operating units for service center activity must be sufficient to be self-supporting (e.g., activities are calculated so that the service center recovers its costs).

Revenue from other sources, such as auxiliary operations, tuition, state subsidies and financial aid are governed by policies specific to their funding source.

III. Types of Service Centers

Service centers are categorized by the type of goods and services they provide and the customers that are served. Service Centers include “specialized service facilities”, “recharge centers” and “core facilities” as defined in USF’s Cost Accounting Standards Board Disclosure Statement (DS-2), 2007 (see [Cost Accounting Standards DS-2-Statement.pdf](#)). Following is a summary of the types of service Centers at USF:

A. Specialized Service Facilities

Specialized service facilities, as defined by [2 CFR 200 Section 200.468 Specialized Service Facilities](#), are operating units within the University that provide specialized research-oriented services or products to a number of campus units or projects based on a rate schedule, to recover no more than the cost of the services and to break even over a period of time. Specialized service facilities are classified by total annual billings of at least \$1,000,000.

The USF Research and Innovation Division of IREA provides guidance on specialized service facility rates because of the special regulatory environment in which they operate.

B. Recharge Centers

Recharge centers are departments or functional units within the University that provide routine, non-specialized, on-going services to numerous campus units or sponsored projects based on a rate schedule. Recharge centers generate less than \$1,000,000 annually, which provide a material level of goods and/or services (charges exceeding \$100,000 annually in the aggregate) to sponsored programs.

Because recharge centers are primarily research-oriented, they differ from traditional auxiliaries and are, therefore, subject to federal regulations which require, among other things, that they operate on a break-even basis. The USF Research and Innovation Division of IREA provides guidance on recharge center rates because of the special regulatory environment in which they operate.

Recharge centers should not be set up to provide goods or services that are readily available from external sources. The following are not recharge centers:

1. Units which primarily serve members of the campus community as individuals (e.g., parking or

housing services) and which are classified as auxiliary.

2. Units which provide a one-time distribution of expense. A recharge activity is an ongoing activity.

C. Core Facilities

Core facilities primarily provides services to researchers internal to the University that may not be readily available from external sources; such support may not be subject to external market forces. Cores can vary in size, complexity, and rate structures. Typically, though, Cores have total annual budgets of \$50,000 or less.

Billing rates may generally include only direct costs. Research Cores must submit a fully costed rate analysis to the appropriate oversight authority for approval on a biennial basis.

The National Council of University Research Administrators (NCURA) (NCURA 20th Annual Financial Research Administration Conference, Service Center Compliance presentation, March 2019) has recommended applying the same requirements of the specialized service facilities to these smaller types of service centers. [National Institute of Health \(NIH\) Core Facility FAQ](#) from 2013, also aligned the requirements for core facilities with the Uniform Guidance requirements.

IV. Establishment of Service Centers

In establishing a service center operation, the University is mindful that the need for such goods or services exists and, if provided at a reasonable cost and at a convenient location, would enhance and support the University's mission. The plan to operate the service center must take into consideration the availability, price, and quality of any such goods or services offered by the local business community. The unit requesting a new service center activity should submit an EBA Request Form to IREA, which is available at [UCO Accounting and Reporting Forms](#). Once approved, a fund number will be assigned to the activity. The EBA request form should also be revised if a service center's fund's activities have changed or expanded substantially from what is documented in the original form that is on file with IREA and/or UCO. See also [USF Service Center Guidelines and Procedures Manual](#).

V. Responsibility for Managing and Operating Service Centers

The primary responsibility for managing and operating each service center shall rest with the operating unit's Director (or Chair). Each Director shall work with the unit's Budget Manager to develop budgets and operating plans and shall monitor the financial health of the activity.

Annual operating budgets and set formal financial goals and should be consistent within the guidelines provided by the [USF Service Center Guidelines and Procedures Manual](#) and the [RMA University Budgets and Reporting](#), if applicable.

VI. Accounting Guidelines

A. Rate and Billing Guidelines

- ✓ Rates established by service centers must be nondiscriminatory; all users/customers are charged the same rate for the same level of goods or services purchased under similar circumstances. Service centers are only required to apply non-discriminatory rates to internal users of the center's services. Rates charged to external users may be higher (but not lower) than those charged to internal users. See [Service Center Billing Rate Calculation Template.xlsx](#).
- ✓ The use of special rates, such as for high-volume work or for less demanding non-scientific applications, or for priority of delivery, are allowed; but such rates must be equally available to all users/customers and communicated as such. Supporting documentation justifying the rate development methodology for special

rates should be retained.

- ✓ All users/customers should be billed for goods and services received at the time of product/service delivery.
- ✓ The University may wish to provide a service to a particular internal group of users at a lower rate (e.g. computer time for students as part of the instructional program) than other users. In those cases, the difference between the rate charged to the subsidized user group and the normal rate for the services used by that group should be billed to a subsidy account representing the appropriate direct cost activity (the instructional budget in the case of computer time for students).
- ✓ Each service center is considered an individual business. All revenues and expenses associated with the operation of the service center should be assigned to that service center's fund number so that the financial performance of that individual enterprise can be documented.

B. Components of Fees Charged

Fees charged for **all** individual service center activities must incorporate the reimbursement of costs incurred in providing the services, including:

- ✓ Cost recovery of direct and indirect costs
- ✓ Reasonable working capital needs
- ✓ Reserves for expected capital outlay or to service debt

Service centers may not benefit from indirect cost allocations; if costs are not allocated to projects as direct costs, overhead must be backed out of the fees charged to sponsors. Fees charged should not be significantly less than the fair market value of similar operations outside the university.

C. Components of Costs

Each service center activity shall be accounted for as a self-sustaining enterprise whether the service is operated by the university or by a private contractor under the university's supervision. As such, all costs incurred by the service center operation should be "fully loaded" into the rates charged, thus ensuring that costs required to generate revenues are matched against the actual revenue earned. These costs include:

1. Direct Costs

Direct costs are those that can be specifically identified with the auxiliary activity. Examples include salaries and wages of faculty and technical personnel, fringe benefits, materials and supplies used to deliver the service, equipment, lease, rental and service contracts, etc., directly involved in the operations of the service center.

2. Unallowable Costs

According to State Regulations and USF Policy there are certain goods which may not be purchased with auxiliary funds. Details are available at [USF Service Center Guidelines and Procedures Manual](#) and the [USF Expenditure Guide](#).

Note: Operating units are also expected to comply with USF's Controller's Office's guidelines on unallowable costs for auxiliary operations at [USF Auxiliary Guidelines.docx](#) as is applicable.

3. Income Tax

The University is exempt from the federal corporate income tax because of its exempt purposes of education, research, and public service. However, in instances where the University receives revenue from activities unrelated to its exempt purposes, the revenue (referred to as Unrelated Business Income (UBI)), may be subject to tax. See [Unrelated Business Income Tax Guidance](#) for definitions and applicability standards of unrelated activities.

D. Fund Balance Management

Fund balances will be reviewed by IREA and/or UCO as necessary. Restricted activity fund balances in excess of those for working capital and expected capital outlay require the development of a plan to use excess funds. Unlike auxiliary operations, fund balances for restricted activities in excess of working capital and expected capital outlay may not be used for the benefit of other unit/college operations. To reiterate, it is not appropriate to transfer funds out of a service center account to other University funds or accounts.

E. Credits, Refunds, Discounts and Journal Entries

Occasionally there is need for the recording of credits, refunds, discounts, or adjustment journal entries. These actions must comply with University standards and policies and meet sound internal control policy. All of these actions require proper approval in accordance with USF Procedures. Find more information on the [Online Business Processes](#) web site.

F. Monitoring and Reconciling

Colleges, departments, and units that operate service centers have the responsibility to formally monitor all accounts receivable in a timely manner, pursue collection of outstanding accounts receivable, and reconcile service center activity in a timely manner in accordance with University standards. Refer to [UCO's Training page for Financial Reconciliations](#) for guidance.

VII. Operations

Service centers should have written policies and procedures which guide the day-to-day operations, document the rate development methodology or other noted information about the activity and direct its business processes.

Service Center departmental policies and procedures must be in compliance with University policies and procedures and those expressed in this guidance and in the [USF Service Center Guidelines and Procedures Manual](#). Where differences exist, the University's policies and procedures shall take precedence.

To ensure compliance with University policies and federal requirements, IREA has established a Service Center Oversight Committee to review all new service centers proposals, perform annual reviews of existing service centers, and provide feedback on facility use, operations, equipment and related issues.

VIII. Deactivation of Service Center Activities

Colleges, departments, and units that have service centers funds that become dormant have the responsibility to request the inactivation of the funds from the UCO and IREA as necessary. This follows sound business practice and mitigates the possibility of fraud. Service center funds which have been inactive for 12 months may be subject to inactivation. Existing balances (positive or negative) in the inactivated service center fund must be zeroed-out and should be absorbed by the unit/college's reserves.

In limited situations, the unit may request to re-use a service center fund number. The Controller's Office will approve such a request as long as the existing balance of the service center fund has been zeroed-out and there are no revenues or expenses in the past two fiscal years. This will provide adequate segregation in history between one service center activity and another.

IX. Recordkeeping and Retention Period

Service Centers must establish and maintain record keeping procedures and systems to capture all financial and statistical data necessary for internal control and for the development and maintenance of billing rates. Records of all sales and services provided to customers shall also be maintained to document the goods/services sold and the pricing of each. Records of equipment acquisition and the calculated depreciation factor must be retained to support the billing rate calculation.

Documentation for revenue and expenses must be retained in accordance with federal guidelines related to grants as well as the State of Florida's record retention requirements, which may exceed normal University retention guidelines. Specific guidelines are available at [USF Service Center Guidelines and Procedures Manual](#). Also consult CCHIP #007 at [CCHIP 007 Retention Requirements.pdf](#) and 2 CFR §200.334 (previously, [2 CFR Section 200.333 Retention Requirements for Records](#)).

X. Remedies for Correcting Continued Non-Compliance

Service center operating units are responsible for monitoring unit fund balances to ensure proper costing practices and appropriate billing rate structures are in place. However, to mitigate risk to the University and foster compliance with service center guidelines, ongoing non-compliance will warrant review by the appropriate Service Center Oversight Committee. Should circumstances warrant, the reviewing committee may elect to suspend temporarily or shut down permanently any service center that poses a risk to the University's reputation or has the potential to reflect adversely on future grant proposals.

APPENDIX A – Additional References

[Florida Statute 1011.47 "Auxiliary enterprises; contracts, grants, and donations."](#)

[NACUBO Advisory 1999-2 Accounting and Reporting for Auxiliary, Auxiliary-Other, and Other Self-Supporting Activities](#)

[National Institute of Health \(NIH\) Core Facility FAQ](#)

[University Controller's Office](#)

[UCO Purchasing Service Record Retention](#)

[USF Service Center Guidelines and Procedures Manual](#)