



SERVICE CENTER POLICY

(Effective July 1, 2004)

MIT's Service Centers accumulate the costs of providing goods/services and bill these costs, by means of a rate, primarily to Federally sponsored research programs. Service Center costs, therefore, represent direct costs to MIT research programs and are subject to audit by the Federal government. MIT operates Service Centers under a framework of regulations set forth in Office of Management and Budget (OMB) Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions." A-21 states that Service Center charges must:

- ◆ Be based on actual usage of the center;
- ◆ Not discriminate between Federally and Non-Federally funded programs, and;
- ◆ Be designed to recover not more than the aggregate cost of providing services, over a reasonable period of time.

At MIT, a Service Center (also known as a service facility or recharge operation) is essentially a "small business" operated by an academic department, interdepartmental laboratory or center (DLC) to facilitate departmental/institutional research. Generally speaking, each Service Center operates as a closed-loop, self-adjusting system. By closed-loop, we mean that all expenses to be recovered through the Service Center's rates and all revenues collected by the Service Center are recorded in that Center's cost collector and no funds are transferred out of that cost collector. In addition, no costs for unallowable items or activities unrelated to the operation of that Center are charged to the cost collector because these charges form the basis for rates charged to customers, including the Federal government. Service Centers are self-adjusting in that accumulated deficits/surpluses are incorporated into future rates such that each center maintains a break-even position over a reasonable period of time.

There are three levels of responsibility for monitoring Service Center operations:

- a) Service Center managers have primary day-to-day responsibility for operating their centers within Federal guidelines and Institute policy;
 - b) Administrative and Fiscal Officers, in conjunction with their respective Department Head or Lab/Center Director, are responsible for ensuring that Service Centers are properly managed, that all Service Center rates requiring approval by the Office of Cost Analysis are submitted on a timely basis, and that balance liquidation plans are submitted where appropriate and adhered to by Service Center managers;
 - c) The Office of Cost Analysis is responsible for monitoring, on an aggregate basis, the operation of all Service Centers to ensure compliance with this policy. This is primarily accomplished through the monitoring of balances and balance liquidation plans. Annually, a report of Service Center performance will be issued to the
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Provost, Vice President for Research, Executive Vice President, and the Deans Offices. The Office of Cost Analysis also provides technical assistance to units regarding establishment of new Service Centers, operation of existing Service Centers, and calculation of billing rates for Service Centers, as well as the annual review/approval of billing rates for those Service Centers with annual expenditures in excess of \$100,000.

All Service Center billing rates must be reviewed at least annually and revised when necessary. Recognizing the increased risk associated with large operations, billing rate calculations for Service Centers with annual expenditures in excess of \$100,000 must be submitted to the Office of Cost Analysis for review and approval on or before May 1 of each year. Approved rates will become the billing rates for the following fiscal year.

The goals of all Service Center operations are to break-even over a reasonable period of time and to avoid large unbudgeted changes in billing rates. Toward that end, Service Center managers must manage their cumulative under/over billing at the end of each fiscal year to be within the greater of; 1) 15% of annual Service Center expenses or 2) \$2,500.

Service Centers carrying forward balances in excess of the above threshold must submit a "Balance Liquidation Plan" to the Office of Cost Analysis describing how the balance will be liquidated over a maximum two year period. At the end of the two year period, any unliquidated balance in excess of the above limits will be written off to DLC funds (deficit) or returned to sponsors (surplus).

Additional information and detailed accounting and operating procedures for Service Centers can be obtained at <http://web.mit.edu/osp/www/> or by contacting the Office of Cost Analysis (E19-604).

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