

HARVARD UNIVERSITY



Academic Service Center Policy

Originally Issued: July 1, 2012

Last Revised: August 25, 2023

Effective Date: July 1, 2022

Responsible Office: Office for Sponsored Programs

Policy Statement

Academic Service Centers (ASC) are units within Harvard academic tubs, departments, or centers that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and external users. All ASCs are expected to recover no more than the aggregate allowable costs of their operations through charges to users based on usage. All ASCs must be able to demonstrate compliance with federal requirements and cannot use fee structures that discriminate between activities funded by federal funds or other sources. In addition, ASCs with total annual direct operating expenses of \$100,000 or more, or annual charges to federally funded projects of \$75,000 or more must follow the **Responsibilities** and **Financial Considerations** sections of this document. ASCs that do not meet these thresholds must be able to demonstrate that their expenses and federal billing from the most recent fiscal year are below these thresholds. ASCs that are below these thresholds are subject to school-level review at any time. School-level review may include, but is not limited to, evidence of strong financial oversight and continuous compliance monitoring. ASCs should not provide goods or services for a fee in competition with private companies that do not benefit from tax-exempt status and provide equivalent services. ASCs should seek to recover full direct and indirect costs from external users, but may, with tub approval, offer less-than-full-external rates to external users who document tax-exempt status. Rates charged to external customers should not be less than internal rates. ASCs must comply fully with [Harvard's policy on unrelated business income tax](#). ASCs should consult with the tubs Export Control Administrator to determine whether an export license is required. For more information, please see [Export Control Policy & Procedures](#).

Reason for Policy

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 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. Non-compliance could result in Government-imposed fines or disallowed costs. In addition, non-compliance could harm the University’s reputation and reflect negatively on future grant proposals. ASCs are reviewed and tested as part of the Single Audit required by Uniform Guidance, Subpart F (§200.500).

Who Must Comply

All Harvard ASCs (see definitions and glossary) must comply with this policy. Approval is required from the ASC’s local school/tub-level official before establishing and operating an ASC. Please refer to the Service Center Procedures Manual for guidance on establishing a new ASC.

Responsibilities

Local-level Managing Units are responsible for oversight of ongoing operations and compliance with this policy.

Local-level Managing Unit responsibilities include:

- Initiate a request for the establishment of new ASCs with school/tub officers
- Record transactions related to the operations of the ASC, including local support funds and subsidies
- Report on revenues, expenses and balances generated by ASC activities annually
- Assure the proper application of rates for internal and external billing, including the confirmation of tax-exempt status for qualifying external users.
- Evaluate financial performance throughout the year, including at least one documented review during the year, to ensure year-end breakeven within 15% and to adjust rates, if needed

- Calculate rates, at least annually, based on estimated allowable expenses, projected usage, and previous year allowable surplus or deficit
- Complete the "Harvard University Service Center Annual Rate Documentation Form" (or alternative documentation) and submit annually to the school/tub officer for review and approval
- For ASCs that include depreciation as a component of expenses, identify and document, equipment purchases and applicable depreciation in the University Asset system
- Ensure that square footage utilization and equipment location are up to date
- Ensure Service Center operations comply with the guidance in this policy
- Publish rates approved by school officers
- Retain billing documentation for all users and journal entries to record internal billing
- Retain documentation of rate calculation, interim review, year-end breakeven analysis, and approvals

School/tub-level responsibilities include:

- Approve the creation or dissolution of ASCs and approve requests for new general ledger chart values, as needed
- Record tub-level financial transactions related to ASC operations, including transferring subsidies and depreciation expense, or allocating facilities & administration (F&A) charges
- Review and monitor the interim and annual financial results for ASCs, including the proper classification of income to ensure that surplus or deficit is within 15% of annual operating expenses
- Monitor financial results for ASCs for compliance with University policy related to year-end deficits
- Review and approve all internal, external non-profit, and external rates as submitted by local level managing unit
- Determine and implement a tub-specific policy for the approval and use of less-than-full-external rates for external users that document tax-exempt status, including retention of certificates of tax -exempt status when reduced external rates are used or other method

- Retain documentation of all approvals, including approvals of rate calculation, adjustments, interim and year-end breakeven analyses
- Assist with internal and external audits
- Maintain a current list of ASCs
- Develop, disseminate, and monitor tub-specific ASC requirements that may be stricter than the University-wide policy or procedures

Office for Sponsored Programs Responsibilities include:

- Provide guidance and assists with oversight, when requested
- Coordinate clarification of the ASC policy and procedures, as necessary

Financial Considerations

Refer to the [Academic Service Center Procedures Manual](#) for additional operational and financial information.

Components of Costs in Rate

All costs, subsidies, and revenue relating to a service center must be accounted for within the general ledger.

Separate Accounting

All ASCs are required to maintain Harvard general ledger account codes that are sufficiently segregated and detailed to facilitate the financial reviews required by this policy.

Interim Review during the Fiscal Year

The local level managing units are responsible for evaluating their financial performance throughout the year; they should perform and document at least one interim rate review per fiscal year. Rates may require adjustment at any point during the year if the ASC determines that current rates and usage will generate a deficit or surplus beyond 15% of annual operating expenses. Documentation is required for rates and rate adjustments.

Rate Development and Breakeven Considerations

An ASC must develop rates so that revenues do not exceed allowable expenses for services provided to customers who use federal funds to pay for services. Rates must be developed using matched revenue and expenses over the same period.

Surpluses:

- If a year-end surplus is **within** the break-even range of 15% of annual operating expenses, that surplus may be returned to users, and, if not, must be carried forward so that the rate calculation for the subsequent year will be reduced by the surplus.
- In the unlikely event that a year-end surplus is **beyond** the break-even range of 15% of annual operating expenses, the surplus beyond 15% must be refunded to the original users of services from the year that generated the surplus. The surplus within 15% may also be returned to users, and, if not, it must be carried forward so that the rate calculation for the subsequent year will be reduced by the surplus.

Deficits:

- If a year-end deficit is **within** the break-even range of 15% of annual operating expenses, that deficit may be carried forward so that the rate calculation for the subsequent year will be increased by the deficit.
- If a year-end deficit exists **beyond** the break-even range of 15% of annual operating expenses, the deficit beyond 15% **may not** be carried forward to the rate calculation for the subsequent year and the deficit within 15% may be carried forward so that rate calculation for the subsequent year will be increased by the deficit.

The rate development process varies with the size and complexity of each ASC and is often coordinated with departmental, school/tub, and University budget cycles.

In unusual circumstances, the period required to achieve break-even may be extended beyond 1 year. For new ASCs, an initial break-even period of 2 years is allowable. Requests for an initial break-even period longer than 2 years must be included in the form called the “Harvard University New Service Center Request Form” and be approved by the school. Other requests for break-even periods beyond one year may be considered under limited and extraordinary circumstances, such as a University-wide recognition of a declaration of national emergency.

Non-discriminatory Rates

An ASC 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.

External users, however, may be charged higher rates that include the F&A costs of the ASC. Additionally, commercial customers may be charged rates above the total direct and indirect costs. Funds generated by charges to external customers must be used exclusively to support the ASC and the school’s F&A costs. No funds can be transferred outside the service center or the related support fund accounts.

Subsidized Users and Subsidies

Services provided to all users must be accounted for and rates must be based on allowable total costs and actual usage. If an academic unit chooses to provide a service to a particular internal group of users at a subsidized rate, this subsidy cannot result in higher than actual costs for non-subsidized users.

Pricing for Multiple Services

An ASC is required to perform and document the rate calculation for each type of service it provides. ASCs with multiple services must ensure that there is no cross-subsidization between user groups. Combining the results of various services is not allowed if the mix of users for each service is different.

Service Center Annual Rate Documentation Form

Each ASC is required to document its rate calculations annually by completing the “Harvard University Service Center Annual Rate Documentation Form” or provide alternative documentation. The purpose of the form is to document the use of the general ledger and provide the information used in rate calculations (including anticipated volume, revenue, expenses, allowable carryforward balances, and subsidies). This information will be reviewed and utilized by individuals outside the ASCs, including the department financial managers and school/tub officers.

Billing Procedures

Billing must be based upon measured and documented utilization. All billing must be processed on a timely basis at established ASC rates. All invoices must include the name of the services or goods provided (e.g., genetic sequencing or glass washing), the number of units (e.g., pounds, hours, # of items), and the amount charged per unit. The user of the goods or services is responsible for documenting the purpose of the charge and the allocability of the expense to the funding source. The ASC is responsible for the proper use of the object codes related to the recording of revenue and expense.

- Billing cannot occur until the goods or service has been rendered.
- ASCs should provide detailed supporting invoicing documentation.
- Each ASC should bill in the fiscal year when the services were rendered or good sold on a timely basis.
- ASC revenue from internal users is considered an expense offset for the University and must, therefore, be recorded using the intertub and intratub **expense** object codes established by the accounting policy (object code range: 6000-8999). (See Appendix III of the [Academic Service Center Procedures Manual](#) and the [Harvard University Internal Billing Policy](#)).
- Revenues from external customers must be recorded in **income** object codes (object code range: 5000-5999).

Transfers

ASCs may not transfer surplus balances. Carryforward surplus balances within the 15% of annual operating expenses must be carried forward in the ASC's operating account and included in calculating subsequent years' rates and break-even position. The only exceptions are F&A or other charges to external customers that can be transferred to a Service Center Support Fund and used to offset future expenses, to purchase equipment, or to cover deficits.

Definitions

Academic Service Centers

Units within Harvard departments or centers that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and external users.

Central Service Units

Separate operating units that are generally not part of academic tubs and provide services to the entire University community. Examples of central service units include University Dining Services, Harvard University Information Technology, and Harvard Real Estate Services. Central service units are not covered by this policy.

Incubator

An incubator is an entity that provides office space, funding, basic or specialized services, extensive business networks, and other necessary support to foster innovation for early-stage companies or entities. For purposes of this policy, requests for services that come to Harvard ASCs through incubators, (including Harvard incubators) will be charged full external rates.

Specialized Service Facilities "SSF"

A category of ASCs with annual operating expenses of more than \$2 million that provide highly complex or specialized services to a select group of users. The billing rates for these centers are based on their

direct operating costs and an allocated portion of F&A costs. If the F&A is not included in the service center rates, these indirect costs must be covered by other school or tub funds and excluded from the federal F&A calculations. See 2 CFR 200 Uniform Guidance, Subpart E §200.468.

Subsidy

Financial support for a service center that is not generated by the sales of goods or services. These funds are sometimes called “subventions”.

- ***Subsidy (to Users)***

Funds provided to cover the difference between a lower rate paid by some users and the full rate. For example, subsidies may be provided by a specific department that wishes to subsidize only users from that department. The service center recovers the full cost of services provided to subsidized users by charging the difference between the full rate and the subsidized rate to the unit providing the subsidy.

- ***Subsidy (to Service Center)***

Funds provided to a service center to cover operating costs during the year or to cover deficits at year end.

Tax-exempt Institution

An entity that is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code if 1986, as amended, and provides a copy of the certificate of exemption.

Users

Users are consumers of goods or services provided by ASCs whether or not they pay for those goods or services. Users can be internal or external to the University.

- ***Internal Users***

Users who:

- pay for goods or services using Harvard's general ledger 33-digit account, or
- are Harvard-based Howard Hughes Medical Institute (HHMI) investigators who are conducting research at Harvard University

Note: Users from [non-consolidating tubs](#) may be offered internal rates, but income from services rendered to those tubs must be recorded as external revenue.

- **External Users that are legally separate from Harvard that purchase goods or services from Harvard for reasons of convenience, quality, or uniqueness of goods or services offered. Examples include commercial research labs and collaborators at other tax-exempt institutions, among others.**

Note: Users from [non-consolidating tubs](#) may be offered internal rates, but income from services rendered to those tubs must be recorded as external revenue.

For additional terms, please refer to the [Academic Service Center Procedures Manual](#).

Related Policies and Guidance

- [University General Records Schedule \(HarvardKey required\)](#)
- [Sales Tax Guidance](#)
- [Harvard University Internal Billing Policy](#)
- [Tax Compliance for External Revenue-Generating Activities in the U.S.](#)
- [State Sales Tax Exemptions \(HarvardKey required\)](#)
- [Sponsored Cost Allocation Methodology Guidance](#)

Related Documents

- [Academic Service Center Procedures Manual](#) updated January 2021
- [FAQs for Costing of NIH-Funded Core Facilities](#)

Forms

- [Service Center Annual Rate Documentation Form](#) (Excel)

- [Annual Service Center Financial Operating Report](#) (PDF)
- [Request for New Service Center Form](#) (Excel)

Contacts and Subject Matter Experts

- Faculty of Arts and Sciences and School of Engineering and Applied Sciences – [Nuala McGowan](#)
- Harvard Medical School – [Brian Kimball](#)
- Harvard T.H. Chan School of Public Health – [Kristie Lister](#)
- For all other schools/tubs, contact the Office for Sponsored Programs – [Judith Ryan](#)

Revision History

For revision history, please see the [OSP Academic Service Center Policy](#) web page.