Institutional and Research Recharge Service Centers
Internal Audit Report
Project # 2013-40
August 8, 2013

Reviewed by:  
Dr. Ricardo Romo
President

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Executive Summary
Institutional and Research Recharge Service Centers
Internal Audit Report # 2013-40

Objectives
Determine if Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities” is periodically updated to reflect current procedures including responsible parties and is communicated effectively to the University community.

Determine if institutional and research recharge service centers that charge a fee for services are monitored for compliance with Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities”.

Conclusion
Guidance and policies for institutional and research recharge service centers need enhancements and updates. Improvement is needed in monitoring compliance of institutional and research recharge service centers with existing policies.

Recommendations – Vice President for Research
- Conduct a review of the Laboratory Animal Resources Center for compliance with Operational Guidelines.
- Create strategic guidance for research recharge service centers.
- Create VPR Policy on research recharge service centers.

Recommendations – Vice President for Business Affairs
- Conduct comprehensive reviews of institutional recharge service centers for compliance with Operational Guidelines.
- Update Operational Guidelines and communicate the policy with the University community.

Scope
We reviewed the monitoring activities of research and institutional recharge service centers. We interviewed the Director of Research Financial Administration, the Vice President for Research Cost Accountant, the Associate Vice President for Financial Affairs, and the Director of Grants and Contracts Financial Services.
Background


Recharge service centers and specialized service facilities are defined as units or departments that provide goods and/or services to users, primarily within the University. The recharge service centers and specialized service facilities may charge directly or indirectly federal grants and contracts. As a result, the University must comply with the following cost principles and accounting standards promulgated by the United States Office of Management and Budget Circular A-21.

- Rates must be calculated based on actual costs and/or known or anticipated changes and only include allowable costs as defined in Circular A-21.
- External users may be charged a higher rate than internal users.
- Higher rates cannot be charged for one product or service to offset or subsidize losses on another.
- Internal users cannot be charged different rates for the same product or service; rates must be applied consistently internally with no price discrimination.
- The Federal Government must be charged the lowest rate.

There are two types of recharge centers at UTSA: Research and Institutional.

Research recharge service centers offer services and access to research equipment and tools to UTSA faculty, students, and outside users for a fee. UTSA’s current research recharge service centers are:

- Laboratory Animal Resources Center (LARC)
- Confocal Center
- Kleberg Advance Microscopy Center
- Engineering Machine Shop
- Statistical Consulting Center

Institutional recharge service centers are a unit within the university which re-allocates costs from a central account to users throughout the university. The rate charged represents a redistribution of expenses and not a fee for services rendered.
UTSA’s institutional recharge service centers are:
- Publication Services
- Telecommunications
- Facilities Service Recharge Center
- Facilities Coordinated Projects
- DT Facility Service Recharge Center

The Vice President for Research (VPR) Office conducts reviews of the research recharge service centers while the institutional service centers are reviewed by the Grants and Contracts Financial Services Office within the Vice President for Business Affairs area.

Additionally, the Grants and Contracts Financial Services Office compiles the income of the five research recharge service centers and five institutional recharge service centers to track if the centers break even by the end of year and to assist in establishing future budgets. The following information was provided by the Director of Grants and Contracts Financial Services.

<table>
<thead>
<tr>
<th>Institutional Recharge Service Center</th>
<th>FY13 Income as of 5/31/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications</td>
<td>$1,281,386</td>
</tr>
<tr>
<td>Facilities Service Recharge Center</td>
<td>$1,046,069</td>
</tr>
<tr>
<td>Facilities Coordinated Projects</td>
<td>$956,959</td>
</tr>
<tr>
<td>Publication Services</td>
<td>$214,819</td>
</tr>
<tr>
<td>Downtown Facilities Service Recharge Center</td>
<td>$103,350</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Research Recharge Service Center</th>
<th>FY13 Income as of 5/31/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>LARC</td>
<td>$258,259</td>
</tr>
<tr>
<td>Kleberg Advance Microscopy Center</td>
<td>$66,654</td>
</tr>
<tr>
<td>Confocal Center</td>
<td>$13,925</td>
</tr>
<tr>
<td>Statistical Consulting Center</td>
<td>$10,510</td>
</tr>
<tr>
<td>Engineering Machine Shop</td>
<td>$4,697</td>
</tr>
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AUDIT RESULTS

Objective 1: Determine if Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities” is periodically updated to reflect current procedures including responsible parties and is communicated effectively to the University community.

Outdated Guideline
The Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities” was last updated on August 27, 2009 and needs to be revised. Areas that should be improved include expanding proper procedures for billing, receipt, and processing of payments for services and clarifying the authority and expectations of the Vice President for Research in the oversight of the research recharge service centers.

VPBA Recommendation:
Update the Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities” that governs Service Centers that charge fees for services and communicate the policy with the University community.

Management’s Response:
The Operational Guideline Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities will be updated.

Responsible Person:
Associate Vice President for Financial Affairs

Implementation Date:
August 31, 2014

Strategic Guidance for Research Recharge Service Centers
Strategic guidance for the mission and purpose of current and potential research recharge services centers is lacking.

The Deans, Vice President for Research leadership, and Research Core Facilities leadership should discuss the short and long term strategies for the research recharge services centers and determine the most effective way for communicating the strategies.

At minimum, the strategic guidance should include the following:

- The types of research that the recharge service centers should spend time and resources on,
The short and long term plans of subsidizing the centers,
- The availability of support staff dedicated to the centers to handle operational procedures such as billing, budgeting, and forecasting, and
- The methodology of the types of expenses that should be included in the billing rates.

Key factors in the long term success of the creation and implementation of new procedures and policies is ongoing documentation, training, and clearly defining expectations for all parties involved.

Additionally, the authority and expectations of the Vice President for Research in the oversight of the research recharge service centers should be established. A VPR Policy on Research Recharge Service Centers that is specific to research activities within the Colleges, Institutes, and Research Core Facilities should be written and parties responsible for daily operations and for oversight should be clarified. Effected parties should be trained on their expectations.

<table>
<thead>
<tr>
<th>VPR Recommendation:</th>
<th>Establish strategic guidance for research recharge service centers.</th>
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<tbody>
<tr>
<td><strong>Management’s Response:</strong></td>
<td>The Assistant Vice President for Research Support has recently begun an initiative to review all Research Recharge Service Centers and Research Core Facilities to better align these areas according to UTSA’s strategic research goals. Currently, staff is evaluating best practices at other UT System universities. The initiative will address the suggested items and may result in suggested revisions to the HOP, section 10.03 Guidelines for Research Centers and Institutes.</td>
</tr>
</tbody>
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| **Responsible Person:** | Assistant Vice President for Research Support |
| **Implementation Date:** | August 31, 2014 |

<table>
<thead>
<tr>
<th>VPR Recommendation:</th>
<th>Establish VPR Policy on Research Recharge Service Centers that is specific to research activities within the Colleges, Institutes, and Research Core Facilities.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management’s Response:</strong></td>
<td>Fiscal operations of all service centers should be consistent with the existing Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized</td>
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**Operational Guidance for Research Recharge Service Centers**
Service Facilities”. A separate policy may not be needed to address fiscal operations specific to research activities. The Assistant Vice President for Research Support will submit suggested revisions to the Operational Guideline to clarify the authority at expectations of the Vice President for Research in the oversight of the research recharge service centers. Based on the strategic guidance established above it may be necessary to add additional clarification regarding Research Core Facilities.

<table>
<thead>
<tr>
<th>Responsible Person:</th>
<th>Assistant Vice President for Research Support</th>
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<tr>
<td>Implementation Date:</td>
<td>August 31, 2014</td>
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**Objective 2: Determine if institutional and research recharge service centers that charge a fee for services are monitored for compliance with Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities”.

Reviews of Institutional Recharge Service Centers

Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities” states “Grants and Contracts Financial Services will conduct periodic reviews of the financial operations of existing service centers to review billing rates and practices, including the treatment of surpluses and deficits and the adequacy of record keeping procedures”. Key requirements in the Operational Guideline include:

- Target break even goals and eliminate deficits or surpluses of more than 10% of operating costs,
- Update billing rates on an annual basis,
- Bill customers consistently, timely and accurately, and
- Account for allowable and unallowable costs and subsidies appropriately.

In Fiscal Year 2012 and Fiscal Year 2013, the Office of Grants and Contracts Financial Services reviewed the Institutional Recharge Service Centers to ensure they broke even, but were not able to review for the other key requirements. All Institutional
Recharge Service Centers broke even as of August 31, 2012.

Additionally, the Office of Grants and Contracts Financial Services reviewed the Research Recharge Service Centers to determine if they broke even as of August 31, 2012. The Kleberg Advance Microscopy Center, the Confocal Center, and the Engineering Machine Shop had deficits in excess of 10%. The Statistical Consulting Center had a surplus in excess of 10%. The surplus of the Laboratory Animal Research Center was within the break even guidelines.

<table>
<thead>
<tr>
<th>VPBA Recommendation:</th>
<th>Conduct comprehensive reviews of the institutional recharge service centers that charge fees for services to ensure compliance with Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities”.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management’s Response:</td>
<td>Although limited reviews were conducted during FY13, the review revealed that the 3 largest revenue generating service centers were in compliance with breakeven goals and didn’t warrant further review. In prior years more extensive reviews and meetings were conducted to educate recharge center management and review key requirements of the operating guideline. A limited review of the recharge centers will be conducted as of August 31, 2013. An evaluation of the existing guidelines to clarify the review process will be completed. Comprehensive reviews will be conducted as needed in FY14.</td>
</tr>
<tr>
<td>Responsible Person:</td>
<td>Associate Vice President for Financial Affairs</td>
</tr>
<tr>
<td>Implementation Date:</td>
<td>August 31, 2014</td>
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</table>
Fiscal Year 2011 expenses of the five research recharge service centers were reviewed during Fiscal Year 2012; however, Fiscal Year 2012 expenses were not reviewed for the five research recharge service centers.

In May – August 2013, the Vice President of Research's Cost Accountant issued reviews of Fiscal Year 2013 expenses to date for the Kleberg Advance Microscopy Center, Confocal Center, the Statistical Consulting Center, and the Engineering Machine Shop. The scope of the reviews included some key requirements in the Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities”. Fiscal Year 2013 expenses of the Laboratory Animal Research Center (LARC) have not been reviewed.

| **VPR Recommendation:** | Conduct a review of current data of the Laboratory Animal Resources Center to ensure compliance with Operational Guideline “Establishment and Financial Management of Authorized Service Centers and Specialized Service Facilities”.

| **Management’s Response:** | The Vice President for Research’s Costing Accountant will perform a review of the Laboratory Animal Resources Center for Fiscal Year 2013 in the fall of Fiscal Year 2014.

| **Responsible Person:** | Director, Research Financial Administration

| **Implementation Date:** | February 28, 2014 |
CONCLUSION

Guidance and policies for institutional and research recharge service centers need enhancements and updates. Improvement is needed in monitoring compliance of institutional and research recharge service centers with existing policies.

J. Richard Dawson
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Director, Auditing and Consulting Services

Laura Buchhorn
Audit Manager

This engagement was conducted in accordance with The Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.