9.3 Closing a Service Center

This section provides an overview on the topic of closing a Service Center. A Service Center is identified by the 26-digit account number. Service Centers begin with ORG 47xx (currently) or ORG 48xx (reserved for future use) and use FUND 000011. When a Service Center is closing, the ORG must be disabled, all revenue must be billed and collected, and any remaining deficits or surpluses must be resolved.

A Service Center may be closed if it is deemed to be no longer necessary and/or viable.

Principles

- Communicate intentions to close a Service Center to SOM Division of Finance as soon as this information is available.

- The department responsible for the Service Center is also responsible for funding any outstanding cumulative deficits. The department will provide the funding source(s) to SOM Division of Finance when closing the Service Center.

Policy or Regulation

- There currently is no dedicated policy that governs this process.

- Circular A-21 requires any applicable credits to be applied where the cost was incurred. (See Section 2 Policies and Other Resources)
Illustration 9-1: OMB Circular A-21

5. Applicable credits.

a. The term "applicable credits" refers to those receipts or negative expenditures that operate to offset or reduce direct or F&A cost items. Typical examples of such transactions are: purchase discounts, rebates, or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. This term also includes "educational discounts" on products or services provided specifically to educational institutions, such as discounts on computer equipment, except where the arrangement is clearly and explicitly identified as a gift by the vendor.

b. In some instances, the amounts received from the Federal Government to finance institutional activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the institution in determining the rates or amounts to be charged to sponsored agreements for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds. (See Sections F.10, J.14, and J.47 for areas of potential application in the matter of direct Federal financing.)

For example:

To apply this requirement, assume the following facts regarding leased equipment charged to a Service Center:

- Quarterly lease payments of $3,000 charged to the Service Center.
- There is no penalty to break the lease.
- The vendor will refund Penn for any un-used portion of the lease where payment was made.

Assume the following situation occurred:

- Payment of $3,000 was made on December 20th for the upcoming lease period of January 1st through March 31st.
- The Service Center decides to return the equipment on January 31st and close the Service Center.
- The Service Center is entitled to a refund of $2,000 for the un-used portion of the lease, which was paid for on December 20th.
When the vendor remits a refund check to Penn, the BA must apply this refund to the Service Center ORG-FUND in order to comply with OMB Circular A-21.

**Action Items**

- **Disable ORG code:**
  - Any requests to disable an ORG code must be processed using this form: [http://www.finance.upenn.edu/forms/req_org.pdf](http://www.finance.upenn.edu/forms/req_org.pdf).
  - Submit the *Disable ORG* request to SOM Division of Finance, who will be responsible for having the ORG disabled in the BEN Financial System.

- Any cumulative deficits must be resolved by the department:
  - SOM Division of Finance will work with the department to identify what department resources will be used to satisfy the deficit.
  - Federal sponsored awards may **never** be used to satisfy deficits.

- Any cumulative surplus balance will be handled on a case-by-case basis to ensure some of the following items have been explored:
  - All items of cost necessary to operate the Service Center have been appropriately charged to the Service Center account.
  - Revenue credited to the Service Center was properly charged and applied accordingly.
  - Any expenditure removed from the Service Center account were not done so in error or charged inappropriately to another funding source.
  - All current fiscal subsidies to the Service Center have been analyzed.

- SOM Division of Finance will notify the University Office of Research Services, Director of Cost Analysis of the closing of any Service Center.

**Recommendations**

- A prompt close-out of a Service Center should only occur after:
  - the business need for the Service Center has been fully evaluated, and
  - all financial transactions have occurred.