

## **Comparison of Expenditure Allocation vs. Service Center**

**Expenditure Allocation PTA** formally known as Clearing Accounts  
(Award Range: AAQxx - AAZxx)

1. Expenditure Allocations are used to accumulate specific costs whose final distribution cannot be determined at the time the cost is incurred. Do not request an expenditure allocation if allocation can be handled via direct charging.
2. The department should clear each month's expense by the end of the following month.
3. The expenditure allocation allocates labor or materials costs incurred each month. An expenditure allocation may NOT have both salaries and expenses. An expenditure allocation is restricted to salaries or expenses.
4. If the allocation process starts at the beginning of the FY, there should be no balance forward at fiscal year end. Therefore if the Sept expenses are cleared in Sept, Oct expenses cleared in Oct, etc, then the PTA should be clearing each month. If the PTA is allocating a month behind expenses incurred, the carryforward will be approximately the difference between last month's expenses to this month's offset.
5. Allocation methodology is reviewed by RAPC when the clearing account is established.
6. A guarantee account is required in the event of any uncleared expenses at FYE when the PTA has posted 12 months of offset to 12 months of expenses.
7. Accounts are opened and closed directly with RAPC.
8. Usually a small number of users and fund sources are involved.
9. With the exception of salary clearing accounts, expenses are usually less than \$30,000.
10. Few problems arise because operations normally are not large or complex.
11. These accounts are not usually large enough to be included in the University annual Operating Budget process.
12. These accounts are NEVER allowed to direct charge any capital assets.

**Service Center PTA**  
(Award Ranges: ACAxx, ALAxx and AKAAF)

1. Service center PTAs are intended to provide an efficient expense recovery mechanism for single or multiple services in a complex cost environment. Do not request a service center PTA if the expenses can be direct charged or allocated as an expenditure allocation.
2. The allocation methodology is submitted with the next fiscal year's budget to RAPC between August 1<sup>st</sup> through September 30<sup>th</sup>. RAPC must approve rate(s) in order to be officially charged to users.
3. The department uses an approved rate, usually combining salary/labor and materials expense, to charge for the services actually provided each month.
4. Net account balances within +/- 5% at year-end may be carried forward to the next fiscal year if administration service center. If academic service center or the VSC, ONR approved a +/- 15% break even range.
5. RAPC budget review and rate approval is required every year. Even if the rate(s) or budget is forecasted to be the same as last year, an annual budget and rate(s) submission is required.
6. A guarantee account is required because an academic service center is not allowed to end the FY with a greater than 15% loss. The center may choose to re-charge its users for the proportional amount in deficit or subsidize the loss at YE.
7. RAPC reviews and approves accounts to be opened or closed.
8. Usually multiple users and fund sources are involved.
9. Budgets and expenses may range from under \$30,000 to millions of dollars.
10. Problems of complexity and size may require an experienced business manager and professional staff expertise.
11. Some administrative service centers as well as the VSC are large enough that estimated fiscal year charges are required in their Operating Budget process.
12. Service centers are allowed to include depreciation expense within their rate(s). Centers are NEVER allowed to direct charge any capital assets. The asset must be purchased by the department's gift / unrestricted account or commercial paper loan. The depreciation charges may then be posted to the service center.