



SUNY DOWNSTATE Medical Center

POLICY AND PROCEDURE

Department: Centerwide Policy

Subject: Service Center Policy

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Reason for Policy

As a recipient of federal funding, the RF must comply with the U.S. Office of Management and Budget Cost *Principles*. While OMB does not specifically address “service centers” it does address specialized service facilities (SSF). There are additional requirements for Animal Research Facilities (ARF) (NIH National Center for Research Resources’ (NCRR) Cost Analysis and Rate setting Manual for Animal Research Facilities (CARS)) and NIH-Funded Core Facilities (FAQs for Costing of NIH-Funded Core Facilities). This policy outlines the requirements for operating locations to comply with these sections. Non-compliance could result in Government-imposed fines or disallowed costs.

Regulations

Service Center activities can result in charges, directly or indirectly, to federal grants and contracts at the University Campus or Research Foundation. In connection with the receipt of these funds, the SUNY and the Research Foundation must comply with the United States Government's Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions* (Circular A-21), *The Code of Federal Regulations – Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Cost Accounting Standards (CAS), as it pertains to “service centers”, and any subsequent regulatory or statutory requirements as promulgated.

OMB Circular A-21

The principles set forth in Circular A-21 provide recognition of the full allocated costs of such research work under generally accepted accounting principles. No provision for profit or other increment above cost is provided for in charging accounts that will be billed or eventually allocated to the government. Circular A-21 stresses the need for consistency in treatment of costs as pertains to the government.

Section J.47 of Circular A-21 or CFR – 200, Section 200-468 deals specifically with recharge centers. The section is explicit in two concepts:

- recipients of federal funds are *not to recover more than cost*; and
- they are *not to discriminate* in the price of services charged to government users and to nongovernment users.

The concept of nondiscrimination, however, does not preclude the institution from charging external users higher rates for services in order to recover overhead costs. The rules set forth in Circular A-21 also allow that breakeven (recovery of not more than cost) may be achieved over a long-term basis if agreed to by the recipient and the cognizant government agency. Circular A-21 also does not preclude the application of prudent business practices (recovery of interest expense from internal borrowing) as long as such charges are not passed through to federal programs and indirect cost calculations.

Cost Accounting Standards

Research institutions must now comply with Cost Accounting Standards 501, 502, 505, and 506.

Essentially, these standards promote consistency and uniformity in cost accounting. The four standards pertain to:

- consistency in estimating, accumulating, and reporting costs;
- consistency in allocating costs incurred for the same purpose;
- treatment of unallowable costs; and
- the cost accounting period.

Each of these standards is implicit in this policy.

Government Oversight

The federal government monitors the Research Foundation and SUNY University's compliance with these regulations through its cost and audit cognizant agencies. Examples of compliance issues raised by these government officials in the past include the rate setting methodology and treatment of unallowable expenditures including interest, replacement of equipment, and use of reserves. To minimize exposure from noncompliance with the regulations, it is of the utmost importance that service centers comply with the following policies and procedures. The SUNY and the RF's exposure from noncompliance with federal regulations could involve reimbursement to the government as well as adverse publicity which could harm future award applications.

Statement of Policy

Types of Accounts

There are two high-level types of service centers; (1) SSFs and (2) Other Service Centers (see definitions). As noted above there are additional requirements for ARFs and NIH-Funded Core Facilities.

Service Centers can be administered by SUNY, the RF, or a hospital or campus-based foundation. Although best practices would dictate the use of only one account, service center activity may be included in one or several SUNY or RF accounts. If multiple accounts are used, the activity should be consolidated for monitoring purposes. The financial activities of RF-administered service centers can be maintained by establishing a service and facility (S&F) award. Refer to "Service and Facilities and Third-party Recharge Award Administration" for more information.

Written Procedures

Written procedures for operating service centers must be established, communicated, and implemented. These procedures should include information on developing, reviewing, approving, and maintaining billing rates and should prohibit charges to federally sponsored programs if a billing rate has not been developed in compliance with federal regulations. The procedures should also take into account the principles outlined in the Developing Billing Rates section of this policy.

SUNY and RF staff should collaborate in the development and implementation of the procedures. Collaboration is appropriate at all campuses, but is of particular importance at institutions where dollar charges to federally sponsored programs are significant.

Internal and External Users

Internal users of service centers are defined as existing under the SUNY University umbrella including academic, research, administrative, and auxiliary areas which purchase services to support their work at SUNY. This includes all state agencies that report to the Board of Regents for The University. In addition, the SUNY Education and Research Foundation, Inc. (ERF) are considered internal users.

External users are organizations or individuals that do not report to the Board of Regents of SUNY. External users include any members of faculty or staff, acting in a personal capacity, private companies or external institutions. Refer to part 10.1 for procedures on billing external users.

Responsibilities

Dean and Department Chairs

Ultimate responsibility for the SUNY service centers rests with the Dean (or equivalent for nonacademic service centers). The Dean (or his/her designee) has the responsibility to:

- * fully review and approve the establishment of each new service center prior to a new service center account being requested from Campus Finance Office or the RF Post-Award Research Administration;
- * review and approve all service center rates within his/her unit with the advice of RF Post-Award Research Administration;
- * review and approve all special requests for service center rate adjustments at mid-year with the advice and consent of RF Post-Award Research Administration; and
- * review the performance of all service centers with respect to breakeven at fiscal year-end.

Service Center Manager

The Dean normally delegates day-to-day responsibility to the Service Center Manager who monitors the operation and takes corrective actions as needed. The Service Center Managers have an obligation to ensure that:

- * a schedule of rates for the service center is prepared and submitted to the Dean and RF Post-Award for review and approval by March 1 (earlier submission is encouraged);

- * the service center's financial results with respect to "breakeven" are reviewed at year-end, and future rates are adjusted for over-recoveries or under-recoveries as appropriate;
- * the approved rate schedule is applied in accordance with CAS to all users;
- * service center equipment is reconciled with Property Management's inventory listing on an annual basis;
- * depreciation, if applicable, is incorporated in service center rates in accordance with the procedures set forth in this policy; and
- * billings are timely and adequately documented, and receivables are controlled and reconciled.

RF Post-Award Research Administration

Post-Award Administration is assigned the responsibility for the following:

- * approve the formation of new service centers and the establishment of new service center if managed by the Research Foundation accounts;
- * assist service center managers with policy and procedural matters;
- * perform an annual review of all service center rate calculations prior to approval by the Dean;
- * review the performance of all service centers with respect to breakeven at fiscal year-end; and
- * review special requests for adjustments to service center rates at mid-year.

Internal/External Auditors

Internal and external auditors will be facilitated by RF Post-Award Research Administration in selecting service centers for audit review in auditor's long-term workplan to ensure compliance with OMB Circular A-21, CFR-200 and the principles set forth in this policy.

Recovery Requirements

This section sets forth the policies governing service centers to ensure compliance with federal cost principles. As noted above, Circular A-21 and CFR-200 contains the cost principles used to determine amounts that may be recovered from federal grants and contracts. The principles of Circulars, with regard to rates based on cost and nondiscriminatory pricing, apply to the determination of service center rates used for all billings at SUNY and the Research Foundation.

Nondiscriminatory Rates

Rates charged to internal users must be nondiscriminatory, and all internal users must be billed for services received. "Nondiscriminatory" means that an individual service center will charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. Therefore, rates should not differentiate between users within the SUNY community. The use of special rates, such as for high volume work and less demanding nonscientific applications, are allowed; but they must be equally available to all users who meet the criteria.

SUNY may wish to provide goods or services to a particular internal group of users at no charge or a lower rate than other users (e.g., audio visual services as part of an instructional program). In this situation, the service center must calculate the same billing rate for all internal users based on total center expenses and total units of output and charges must be made to a dedicated program account and not be absorbed by the service center. Service centers may not give away or reduce their charges for goods or services. The recipient of goods or services, and/or a sponsoring account, must be charged the full amount of normal charges for the goods or services.

The above discussion concerning nondiscriminatory rates applies to internal users of the service center services.

Billing Period

Services should not be billed until the service has been rendered; that is, prepayments are not appropriate. If a prepayment is received, it must be recorded as a liability in the store's account until earned. Each store must operate in accordance with the SUNY's and the RF's fiscal year, which is July 1 through June 30. Service centers should handle year-end billings consistently to ensure that twelve months of cost recovery are associated with twelve months of incurred cost. This provides a more accurate breakeven calculation at year-end.

Breakeven Concept

Service center rates are generally calculated based on budgeted projections of operating expenses and projected volume of the services or products to be provided. The goal of the store is to calculate a rate which will ensure that revenues reasonably offset expenses. "Operating at breakeven" means there is no

significant profit or loss as a result of charging users for the services provided in any particular period, and no profit or loss over the long run.

If a service center ends a given fiscal year with an actual operating surplus or deficit within 10% of breakeven, the profit or loss must be factored into the following year's rate calculation. Refer to the discussion of "Treatment of Over/Under Recoveries" in part 8.4.

Working Capital

All service centers need a reasonable working capital to manage their cash flow. Therefore, each center may establish and maintain through its charges a working capital reserve, in addition to full recovery of its actual costs. Neither Circular A-21 nor CAS specifically addresses this issue for colleges and universities. Therefore, has referred to CFR-200 Appendix V, Section G- Other Policies (which applies to state and local governments) for guidance. Based on that document, SUNY and the RF has established that a service center's working capital should not exceed 60 days.

Long-Term Breakeven Agreements

In unique situations, when a service center requires a multiple-year period in which to recover or spread out operating costs, a long-term breakeven agreement may be negotiated. This usually occurs when operations require large initial capital equipment and building costs. However, such agreements must be negotiated by the Research Foundation with the cognizant agency. The need for such an agreement must be presented to and reviewed by Post-Award Research Administration.

Unallowable Costs

Unallowable costs may not be budgeted or expensed on service center accounts and may not be included in the user rate calculations when prohibited by Circular A-21 and CFR-200. Such expenses (e.g., alcohol, entertainment, unallowable travel) must be excluded from the rate calculation. Refer to Section J of Circular A-21 for a list of unallowable expenses.

Other Considerations

Additional considerations based on the following types of costs are necessary when developing billing rates:

Subsidized Costs

The campus may elect to subsidize the operations of a service center, either by charging billing rates that are intended to be lower than costs, or by not making adjustments to future rates for a service center's deficits. Service Center deficits caused by intentional subsidies cannot be carried forward as adjustments to future billing rates. The billing rate should include the federal government's payment for an equitable share of costs if there is selectivity between the federal sponsors and other users. For example, if students are not charged for the services or are charged at reduced rates, the full amount of revenue related to their use of the services must be included in computing the service center annual surplus or deficit. This is necessary to avoid having federal programs pay higher rates to make up for the reduced rate charged to the students.

Nonfederal and Third Party Costs

If a service center provides services to nonfederal sponsors or to persons or organizations outside of the institution, the billing rates may include indirect (F&A) costs even though these costs are not included in the rates applicable to federal programs. Any amounts charged in excess of the federal billing rate should be separately identified in the computation of a service center's surpluses or deficits for the purpose of making carry-forward adjustments to federal billing rates.

Animal Research Facilities (ARF)

ARF's are generally treated as SSF's however there are additional considerations that need to be considered. Rates for animal care facilities should be calculated according to the NIH National Center for Research Resources' (NCRR) Cost Analysis and Rate setting Manual for Animal Research Facilities (CARS).

NIH-Funded Core Facilities

Core facilities are defined as centralized shared research resources that provide access to instruments, technologies, services, as well as expert consultation and other services to scientific and clinical investigators. "FAQs for Costing of NIH-Funded Core Facilities" contains guidance and provides answers to common questions regarding NIH-Funded Core Facilities.

Establishing Service Center Accounts

All service centers must maintain a separate accounting. Service center will be assigned a SUNY "Income Fund Reimbursable" (IFR) account or a Research Foundation (Revenue & Expense) account to be used solely for the purpose of accounting for the service center operations. All allowable service center operating costs, including depreciation, should be charged to this account. Revenues should be charged to the appropriate revenue classification code. All revenues generated by external users should be charged to a separate classification code in order to segregate external and internal revenues.

The service center account request form, outlined in Appendix III, should include the following information:

1. a description of the products or services to be provided;
2. a description of the users of these services;
3. an explanation of how the service center rate was determined, including:
 - a. a detailed budget of annual expenses for the service center;
 - b. a description of the unit of service (i.e., the measure of utilization such as labor hours, machine hours, CPU time, etc.) and estimated activity for the budget period; and
 - c. the rate calculation, using budgeted amounts and the projected level of activity for the first year of operation. (If a new service center is established mid-year, the initial budget and breakeven period may be for longer than twelve months.)
4. the name, title, phone number, and signature of the Service Center Manager;
5. the signature of the Dean, Department Chair (or equivalent), indicating acceptance of operating and financial responsibility for the service center;
6. justification of the need to create the new service center, including an explanation as to why other internal or external providers of this service are not being used in lieu of establishing the new center operation; and
7. requests for the creation of the following new accounts for each business line:

- a. Operations--for operating revenues and expenses;

Developing Billing Rates

The costs of the services provided by service centers must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that does not discriminate against federally supported activities of the institution, including usage by the institution for internal purposes. The income for billing rates charged below actual costs must be imputed to cover the difference.

The billing rates for SSFs 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 amounts must be covered by other institutional activity (OIA) funds and excluded from the federal F&A calculations.

The billing rate for Other Service Centers should include only the allowable and allocable direct operating costs and internal service center overhead costs. When developing billing rates, the following areas should be addressed. These areas are further explained below:

- Actual cost recovery
- Documentation of rate components
- Identification of inappropriate or unallowable costs
- Equipment depreciation
- Year-end balances
- Other considerations

Actual Cost Recovery

Billing rates must be designed to recover only actual costs. Actual costs include those paid through a State-appropriated account, a State income fund reimbursable account, a campus-based foundation, or a Research Foundation S&F account. If a center is being established for the first time, budgeted costs may be used. Budgeted costs, statistics, and trends should also be reviewed when establishing future rates.

Documentation of Rate Components

The rate components for all applicable direct operating costs and internal service center overhead costs should be identified and documented.

Identification of Inappropriate or Unallowable Costs

Inappropriate or unallowable costs must be identified and excluded from the billing rate calculation. These include costs:

- Identified as unallowable in OMB Cost Principles.
- Included in the federal negotiated indirect (F&A) cost rate.
- Funded by the federal government.
- Unrelated to the service center.
- Identified as equipment or a replacement cost other than depreciation.

Service Center Rate Cost Components

Direct Personnel

An appropriate portion of the salaries and wages of all personnel directly related to the service center's activities (e.g., lab technicians or machine operators) should be included in the rate calculation and charged to the service center's operating account. The portion of such an individual's salary which should be charged to the center account is that percentage which represents the proportion of effort applied to this activity versus the individual's other SUNY or RF activities.

Administrative Staff

The appropriate portion of the salaries and wages of administrative staff supporting a service center, even if it is only for a portion of their time, should also be charged to the center operating account and should, therefore, be included in the rate calculation. This category does not include support which is only general administrative support (e.g., that which might be incurred by the Dean or Chair in reviewing proposed rate changes). However, it does include effort applied in direct management of the service operations (e.g., the maintenance of the center billing system). The portion of such an individual's salary which should be charged to the center account is that percentage which represents the proportion of effort applied to this activity versus the individual's other SUNY or RF activities.

Fringe Benefits

Stores will be allocated fringe benefit costs of all personnel directly charged to the service center operating account. These costs should be included in the rate calculation.

Supplies and Expenses

Materials and Supplies

The costs of materials and supplies needed to operate the service center should be included in the rate calculation. Volume discounts may make it prudent to order large quantities of supplies at times. Over-accumulation of inventory should be avoided.

Service Center Inventories

Commonly, a service center will base its operations on an inventory (e.g. a chemical stockroom) or will maintain an inventory of parts and supplies used in providing the service (e.g., a machine shop). Service centers maintaining inventories for these purposes may not treat unused inventory costs as a current operating expense in computing billing rates. Unused inventories maintained for resale will need to be accounted for as assets of the University or the RF. A physical count of inventory must be taken at least annually and reported to Accounting Services by July 15.

Other Costs

Other costs associated with the operation of stores which may be included in store rates are:

- rental and service contracts;
- * special conferences related specifically to the store; or
- * professional services.

These costs should be properly identified by classification code. Please contact Post-Award Research Administration for any questions regarding the allowability of costs or refer to Circular A-21 or CFR- 200.

Credits to Expenditure Accounts

Credit adjustments resulting from returned goods, overpayments or erroneous charges should be recorded as a credit to the expense classification code originally charged. Credit adjustments should not be recorded as revenue because this will overstate the service center's revenues and expenses.

Capital Equipment

Capital equipment is defined as an item with a value greater than \$5,000 and a useful life of more than two years. Federal guidelines do not allow the purchase cost of a capital item to be recovered through service center rates. It is appropriate, however, to recover the depreciation, external interest, or capital lease costs associated with that asset. Therefore, the purchase price of capital equipment should not be charged to the service center account but rather to a related Capital Ledger account. Equipment which is not capitalizable may be treated as a service center operating expense in calculating billing rates.

Depreciation

Depreciation is a charge to current operations which distributes the cost of a capital asset, less the estimated salvage value, over the useful life of that asset in a systematic and logical manner. Depreciation will be calculated using the straight-line method. Under no circumstances shall depreciation exceed the total acquisition cost of the asset. Depreciation is not allowable on assets fully depreciated by SUNY or the RF, including assets that have outlived their depreciable lives.

Service centers which have "specialized equipment" are encouraged to work with Property Management to establish an accurately estimated useful life for that equipment. For the purposes of these policies and procedures, specialized equipment is defined as equipment which is unique to the specific store activities and not common to other University departments. In establishing the useful life for specialized equipment, service centers shall take into consideration factors unique to the assets involved (e.g., nature of equipment or technological developments in the particular area).

Federally-funded Equipment

Depreciation of equipment purchased by the federal government, whether or not title has reverted back to the SUNY, cannot be included in user rates. Federal funding of equipment is identified by its payment from a federal grant account. Depreciation of equipment used as cost share also cannot be included in user

rates. Pursuant to the Research Foundation's Cost Sharing policy, "Cost Sharing in Sponsored Research and Service Projects", equipment used as cost share must be identified in the moveable inventory system through the use of a special classification code.

Equipment Inventory

It is important that the government not be charged for equipment depreciation through a user charge and again through the depreciation portion of the research indirect (F&A) cost rate. To avoid this, service centers will need to notify Property Management of all existing service center equipment. In addition, the service center will annually reconcile its equipment with Property Management's inventory listing so that depreciation of these items is not included in the RF's indirect (F&A) cost calculation.

Debt Funded Equipment

Federal regulations allow only for the recovery of interest associated with the debt for the purchase of equipment if all three of the following criteria are satisfied:

- * an external financing source was used;
- * equipment costs are over \$25,000; and
- * the arrangement is agreed to by the cognizant agency.

Space

Space occupied by all service centers should be identified and designated as such during the annual space survey. Space which is occupied by service center equipment must be assigned as center space, rather than departmental space.

Rate Development

General Chargeout Rate Defined

A service center rate is the cost per unit of output used to recover the expenses of the service center activities. To compute this rate, departments should use the following equation:

Budgeted Expenses +/- Prior Year Under/Over Recoveries (within +/- 10%)

Budgeted Level of Activity (Usage Base)

The budgeted usage base or denominator in the above formula is the volume of work expected to be performed as expressed in units (e.g., labor hours, machine hours, CPU time or any other reasonable measurement). The calculated rate using the budgeted activity is then applied to the actual level of this activity when charging users.

For example, a computer costs approximately \$100,000 each year to operate (allowable costs) and has an estimated use or activity level of 1,500 hours during that year. This would result in a rate of $\$100,000/1,500 \text{ hrs} = \66.67 per hour. If a researcher uses the computer for four hours for a sponsored project, then his or her award should be charged $4 \times \$66.67$ or \$266.68.

Service center rates should be calculated for a fiscal year. When a center is established in mid-year, rates may be set for longer than twelve months so that the end of the first breakeven period coincides with a fiscal year-end.

Types of Usage Bases

The usage base or activity level is used to arrive at a billing rate which reasonably allocates service center costs in proportion to those receiving its benefits. Selection of an appropriate usage base is essential to ensure that users pay only their share of the costs for the services rendered. Two methods are most commonly used to determine the usage base: consumption and output. These methods distribute costs based on a unit of measurement (e.g., hours, pounds, or gallons).

A consumption base is used when expenses are directly proportional to the amount consumed. For example, assume that labor and equipment usage costs can be accurately identified as being consumed on an hourly basis. This means that, for each hour of service, a proportional increase in labor and equipment usage occurs. In this case, the center would base the charges on the number of hours of service provided.

Another basis of allocation may be a measure of the output of the service center. An output based rate is calculated when the total cost of the store is divided by the total anticipated number of units produced per year (e.g., pages printed). A specimen service center budget with rates established on both the consumption base and the output base is found in Appendix I.

Projected Expenditures

Annual service center expenses are budgeted in the same way as other departmental expenditure accounts. Budgeting considerations may include changes in operating expenses, changes in depreciation, or other known fluctuations. The establishment of a separate account and clear identification of cost types by classification code will facilitate annual submission of projections.

Projected Revenues

Service centers should attempt to match the amount of revenues with the budgeted level of expenses through development of user rates. When estimating sales or usage levels, considerations may include prior year performance as well as known future needs of internal and external users.

Review of Rate Calculations

Each year, all service centers must submit a budget and rate schedule by March 1 for the following fiscal year for review and approval by Post-Award Research Administration and the Dean or Chair. The budget and rate schedules should be developed to correspond to the SUNY and the RF's fiscal year as the rates submitted will become effective July 1. The Rate Development Worksheet in Appendix II should be used to submit rate information to Post-Award Research Administration and the Dean.

Treatment of Over/Under Recoveries

Although service centers target breakeven through budgeting and rate setting, seldom do expenses exactly match revenues. The Research Foundation has defined a breakeven policy stating that a store's surplus or deficit for a given fiscal year should not exceed 10% of annual operating expenses, computed as of the final closing of the books on June 30. Under or over recoveries should be calculated based on actual revenues and expenditures as outlined in Appendix IV.

To the extent that a center's annual operating surplus or deficit is within the breakeven range of +/- 10%, that surplus or deficit must be applied to the following year's rate calculation so the operation will breakeven over time. For example, the rates submitted for approval by March 1, 2010, for fiscal year ending June 30, 2014, would be based on the 2014 projected volume and expenses and under/over recoveries carried forward from the fiscal year ending June 30, 2013.

Surpluses

When it appears that a service center is going to end a given fiscal year with an operating surplus for the twelve months exceeding the 10%, this excess surplus (the portion beyond the 10%) should be adjusted via a mid-year reduction in rates. Refer to the section on "Mid-year Review". If, at fiscal year-end, the operating surplus exceeds the 10% threshold, the store will be required to negotiate a long-term breakeven agreement with the University's cognizant agency so that rates do not exceed costs over an accepted period of time.

Service centers which have accumulated surplus funds through overstated billing rates may not transfer these funds out of the service center operating account as the balance must be used to adjust subsequent billing rates.

Deficits

When it appears that a service center is going to end a given fiscal year with an operating deficit for the twelve months exceeding the 10%, this excess deficit (the portion beyond the 10%) should be adjusted via a mid-year increase in rates. Refer to the section on "Mid-year Review". If, at fiscal year-end, the operating deficit exceeds the 10% threshold, the store may be required to negotiate a long-term breakeven agreement with the University's cognizant agency so that rates recover costs over an accepted period of time.

Pricing of Multiple Services

A service center providing more than one service may sometimes make a surplus on some services and a loss on others. Combining the results of various services is acceptable as long as the mix of users of each service is not different, and the higher prices charged to one set of users are subsidizing only those losses charged to that approximate group of users.

Monitoring Procedures

Mid-Year Review

The service center manager should evaluate the center's financial position and rates periodically throughout the year to assess their position with respect to breakeven. Under special circumstances (refer to the sections on "Surpluses" and "Deficits" see above), rates will be adjusted through a mid-year reduction/increase in rates, subject to review by the Dean, Chair and Post-Award Research Administration. Mid-year rate adjustments will be treated as exceptions.

Request for Rate Change During the Year

Service center rates should be adjusted as soon as it is evident that a center will not fall within breakeven range using the calculated rate. A mid-year rate adjustment for a center will be subject to review by the Dean, Chair and Post-Award Research Administration. The new rate will be approved by the Dean (or his/her designee) with the advice and consent of Post-Award Research Administration.

Year-End Rate Performance Review

At fiscal year-end, all service centers will be required to submit to the Post-Award Research Administration the actual financial results as calculated in the Revenues and Expenses Worksheet in Appendix IV.

Billing Procedures

All billings should be charged to SUNY accounts via campus vendor invoices (CVI) or Research Foundation invoice. External users should be billed via invoice. Billings must be based upon measured and documented utilization which is properly authorized for the account charged. All billings will be at established service center rates. The support for the charges should be retained by the center to answer any user or audit inquiries.

The invoice or CVI must provide sufficient documentation of the charges, enabling the documents to "stand alone" in the event of a subsequent review. For an invoice to stand alone, an uninformed reader should be able to determine the following:

- purpose of the charge (e.g., photocopying);

- how many units (e.g., pounds, hours, # of items); and
- amount charged per unit (e.g., \$0.5/photocopy).

The invoice should contain a description that will aid in determining why a particular amount was charged to an account. When charges are divided among several account numbers, a basis for the allocation must be provided. Advance billing for services or products is not allowed.

Billing External Users

Before a service is provided to an external customer, he/she will be queried as to whether the service is available through the private sector. The purpose of this inquiry is to ensure that the University is not in competition with the private sector.

At a minimum, external users will be charged for the full direct costs of the store operation. An allocable share of the University's or RF's indirect (F&A) costs of the store operation may be charged to external users. At no time will an external customer be charged less than the federal government and internal users. The federal government will always be treated as the most favored customer. Sales tax, when applicable, must be charged to all external users who do not provide a tax exempt certificate.

Record Retention

It is the responsibility of the service center management to maintain records of the details involved in all center's charges and to answer inquiries concerning those charges. The center's charges are subject to audit as long as the grants or contracts they charge remain subject to audit. All service center activity must be documented and records maintained to support expenditures, billings, and cost transfers. Each center must retain the following:

1. workpapers documenting the rate calculation;
2. justification of the selected utilization base;
3. documentation, including invoices, of actual costs of operations;
4. approval of the rate from the rate review committee, if applicable; and
5. records documenting and measuring the use of the services or products.

Financial, statistical, and other records related to the operations of a service center should be retained for the active life of the rate. In the case of expired rates, the retention period is 3 years from the end of the fiscal year to which the records relate.

Example of Billing Rate Development

Refer to "[Service Center Guidelines - Billing Rate Development Example](#)" for an example of billing rate development.

Responsibilities

The following table outlines the responsibilities for compliance with this Policy:

Responsible Party	Responsibility
Operations Manger or Designee	<ul style="list-style-type: none"> • Developing a long-term plan to recover costs. • Ensuring that service centers break even over time. • Developing a process to evaluate the need for new service centers, identify significant cost changes to existing service centers, and ensure use of the current and approved rate when charging sponsored programs. • Documenting billing rate development. Refer to "Service Center Guidelines - Billing Rate Development Example" for more information.
Central office Finance staff	<ul style="list-style-type: none"> • Assisting with the coordination and clarification of the policy. • Maintaining the policy and related procedures. • Providing guidance in rate calculations and other areas of service center compliance. • Monitor compliance with the policy. • Coordinate the F&A proposal process to ensure costs are not charged directly and indirectly (as F&A costs)

Definitions:

Core facilities are centralized shared research resources that provide access to instruments, technologies, services, as well as expert consultation and other services to scientific and clinical investigators. The typical core facility is a discrete unit within an institution and may have dedicated personnel, equipment, and space for operations. In general, core facilities recover their cost, or a portion of their cost, of providing service in the form of user fees.

Service Centers are defined as operating units within the institution that provides a service or group of services or product or group of products to users – principally within the institution for a fee

There are two types of service centers:

- Specialized service facilities, as defined in Section J.47 of OMB Circular A-21, and
- All other service centers, which are service centers that do not meet the definition of a specialized service facility.

Specialized Service Facilities (SSFs) provide highly complex or specialized services to a select group of users (rather than the general campus community) and have combined annual direct operating costs and internal service center overhead of \$1,000,000 or more, as well as, material charges (over \$250,000) to federal programs. Examples may include animal care facilities, wind tunnels, reactors, and mass spectrometers.

Other Service Centers: " include those of a less specialized nature that do not meet the definition of or the criteria for an SSF. These usually involve State-funded and income fund reimbursable services or RF-administered services and facilities.

Examples of *State-funded service centers* include motor pool, mail and messenger, computer, stockroom, and central duplicating and printing. *Examples of RF-administered services and facilities* include technical research equipment and laboratory analysis.

Related Information

Service, Facilities, and Third-Party Recharge Award Administration

[Service Center Guidelines - Billing Rate Development Example](#)

NIH National Center for Research Resources' (NCRR) Cost Analysis and Rate setting Manual for Animal Research Facilities (CARS)

FAQs for Costing of NIH-Funded Core Facilities

APPENDIX I - RATE DEVELOPMENT ILLUSTRATION

FORECASTED OPERATING COSTS OF A SERVICE CENTER*

	Total Departmental Costs	% Related to Store**	Cost Allocable to Store
Salaries and Wages	\$600,000	20	\$120,000
Fringe Benefits	90,000	20	18,000
Supplies	25,000	100	25,000
Materials	60,000	100	60,000
Telephone	5,000	100	5,000
Depreciation	15,000	100	15,000
Prior Year (Surplus)/Deficit	<u>-15,000</u>		<u>-15,000</u>
Total Costs	\$780,000		\$228,000

* Assume this service center could be either a machine shop or a printing center.

** All service center costs should be included in a separate account. However, if any service center costs remain in the departmental account, they should be allocated as demonstrated above.

CONSUMPTION APPROACH:

MACHINE SHOP

FORECASTED MACHINIST HOURS :

$$\begin{aligned} 40 \text{ HOURS/WEEK} * 52 \text{ WEEKS} &= 2,080 \text{ HOURS/Year} \\ \# \text{ Of Machinists: } 2 * 2080 &= 4,160 \text{ Total Billable Hours} \\ \text{Consumption Rate} &= \frac{\$228,000 \text{ TOTAL COST}}{4,160 \text{ Total Machinist Hours}} = \$54.80 / \text{HOUR} \end{aligned}$$

OUTPUT APPROACH:

PRINT SHOP

ESTIMATED OUTPUT:

$$\begin{aligned} \text{TOTAL PAGES PRINTED} &= 1,000,000 \\ \text{UNIT COST RATE} &= \frac{\$228,000 \text{ Total Cost}}{1,000,000 \text{ Pages Printed}} = \$.23 \text{ Page} \end{aligned}$$

Note: It is important for the chosen activity base to relate directly to what drives costs. For example, establishing a printing rate based on hourly use would not accurately distribute the costs of paper, ink, and other supplies. These costs directly relate to the amount of printing output. In addition, measuring the usage hours of printing activity would be difficult, and printing achieved each hour could vary greatly.

APPENDIX II – Rate Development Worksheet

1. Store Name: _____

Parent Department: _____

Store Account(s): _____

2. Period rate development is effective: From: _____

To: _____

3. Estimated Costs:

a. **Salaries & Wages** (please list all salaries and wages that will be charged to the store account):

Name	Salary	Fringe	Total
1			
2			
3.			
4.			
5.			
Total Salaries			

b. **Cost of goods sold, including supplies, services, and miscellaneous expenses** (indicate the type of expense and the estimated amount to be charged to the store account):

Type of Expense

Total

1.

2.

3.

4.

5.

Total Other Expenses

- c. **Equipment Depreciation** - Actual depreciation amounts are to be calculated by Risk, Plant, and Property Management. In computing next year's rates, Store Managers should consider prior year actual depreciation, likely acquisitions, and retirements as well as items that will become fully depreciated.

For example:

Equipment Description	Useful Life	Original Cost	Less: Accumulated Depreciation	Current Year Depreciation	Amount Remaining to Depreciate
Totals					

4. Total Expenses Calculation:

Salaries	\$ _____
Other expenses	\$ _____
Depreciation expense	\$ _____
General & administrative allocation (if applicable)	\$ _____
Over recovery from prior period (subtract)	\$ _____
Under recovery from prior period (add)	\$ _____
Total Expenses	\$ _____

5. Estimated Number of Units Produced/Consumed

(please specify units; e.g., hours, minutes, pieces, tests)

Sponsored projects _____

Own department _____

Other University departments _____

Outside University _____

Total Output/Consumption _____

6. Rate Development:

Cost per unit

(Divide total expenses by total output/consumption)

Approvals:

Dean or Department Chair

Service Center Manager

RF Post-Award Research Administration

APPENDIX III – Request for Establishing a New Store

- 1. Service Center Name:**
- 2. Affiliated Department:**
- 3. Provide a detailed description of products or services to be rendered.**

- 4. Describe the potential users of the service center (e.g., specific departments, sponsored research projects, students, external users, etc.).**

- 5. List the employees who are included in the budget, detailing their function and salary with respect to this service center.**

- 6. Attach a detailed budget of all annual costs associated with the store and rates to be charged (refer to *Rate Development Worksheet*).**

- 7. Describe the usage base to be used in the rate calculation (i.e., labor hours, units processed, etc.) and the estimated level of activity for the budget period.**

8. List funding sources other than recoveries from user charges.

9. Attach requests for the creation of the following new accounts for each business line:

a. Operations Account--for operating revenues and expenses

b. Equipment Account--for capitalization of equipment

10. Service Center Responsibility:

Name

Position

Phone Number

11. Approval signatures/Acceptance of operating and financial responsibility:

Department Chair

Dean

APPENDIX IV – Revenues and Expenses Worksheet

	Class Code	Description	Final Actuals 6/30/20xx
Salaries:			
		Administrative (Regular)	
		Support Staff (Regular)	
		Support Staff (Supplement)	
		Wages	
		Students-other	
Fringe Benefits:			
Operating			
		Supplies (cost of goods sold)	
		Telecommunications Equipment	
		Telecommunications Usage	
		Equipment Rental and Service	
		Postage & Mail	
		Contracted Services Other	
		Depreciation Expense	
		Noncapital/Minor Equipment	
		General Administrative (if applicable)	
Total Expenses:			
Revenues:			

		Expense recoveries (internal)	
		Revenues (external)	
Profit (Loss)			

