B.   SPECIALIZED SERVICE FACILITIES (SSF)

A specialized service facility is a service center that provides highly complex or specialized services that include, but are not limited to telecommunication centers, super computers, animal care facilities (vivariums), wind tunnels and reactors. The costs for these services should be charged directly to the users through a billing rate mechanism. Billing rates should be calculated for each SSF that do not discriminate between Federal and non-Federal users including internal university activities. The billing rates should be designed to recover the aggregate costs of providing the service and shall include both direct and an allocable portion of F&A costs. Billing rates must be adjusted biennially to adjust for under or over recoveries. Facility costs must be allocated to the SSF based on identifiable square feet associated with each SSF and the facility costs should be included in the appropriate billing rates. If an institution chooses not to include the facility costs in the billing rates, then the applicable facility costs must be assigned to other institutional activities (OIA). Facility costs associated with an SSF should not be allocated based on revenue generated. If administrative costs (GA, SPA or DA) are allocated to the SSF and included in the billing rate, the F&A MTDC base should exclude the recharge costs.

STEPS	COMMENTS
1. Review the university's policies for establishing SSFs from other recharge service centers.	A university may have several hundred service centers, but not all of them will be classified as an SSF. The university should have a written policy describing the guidelines used to identify an SSF from a recharge center. The negotiator should be aware that a university might treat service centers that are largely used by Federal projects as an SSF, while the costs of service centers primarily used by non-research functions are treated as either G&A, DA or O&M. The negotiator needs to look at the nature of the services being provided by the service center before making a decision on categorizing a recharge center as an SSF.

Request a listing of all service centers (recharge and |

112

SSFs) along with the total costs of operations, the total costs billed and the total amounts billed to Federal projects for the year under review. Service centers can be identified through a review of cost transfers.

STEPS	COMMENTS
2. Select several SSFs where charges to Federal programs are more than 50 percent of the total operational costs. Determine the following:	An SSF will usually have a formal published schedule of the billing rates. Users are charged based on the number of service units used, such as, hours or minutes of use, number of phone and fax lines serviced, number of installations, animal days etc. Variances between the billed costs and actual costs should normally be treated as adjustments to future billing rates. For reconciliation purposes, revenue should include all revenue (including imputed revenue for unbilled services or services provided at a discount to certain users.). The negotiator should also verify that SSF operating costs and losses are not included in the proposed F&A costs. Losses may be improperly included in the G&A or DA cost pool. Balances should be reviewed to make sure they are considered in developing future year rates. All transfers out of the fund, as well as surpluses and deficits should be reviewed. Fund deficits should not be transferred to F&A cost pools and surpluses should not be diverted for other uses. Surpluses and deficits associated with multiple service units within SSF must be treated individually within each unit. Surpluses and deficits may not be used to off-set other units of service.
☐ When was the SSF established?	
☐ How was the SSF initially funded?	
☐ Does the SSF have financial statements?	
☐ How often is there a reconciliation of billed charges to actual costs?	
☐ Do the billing rates include only allowable costs (direct as well as F&A costs)?	
☐ Are all users (including outside users) billed at the same rate for the same services?	
☐ What is the unit of service that is used for developing the billing rates and determining the charges?	
☐ How are over and under recoveries handled?	
3. Determine that F&A costs are properly allocated to all SSFs.	The allocation of F&A costs to a SSF is necessary to assure that these costs are assigned to the users of the services rather than to general overhead. However, it may not be necessary to require these allocations if the effect on the F&A cost rate is nominal (e.g., one tenth of a percentage point). It should be noted that the 26% limitation on the reimbursement of administrative costs

is not applicable to specialized service center charges. Institutions should not add new specialized service facilities in order to exclude administrative costs which would be subject to the 26% limitation on administrative costs. Institutions should not change their accounting or cost allocation methods which were in effect on May 1, 1991.

SPECIAL CONSIDERATION FOR ANIMAL RESEARCH FACILITIES (ARF)

Research involving animals has become more sophisticated over the years and much of that research is now being performed within the confines of a specialized service facility referred to as an animal research facility. Rooms are actually being used in the conduct of research, rather than serving as an SSF. As a result, guidelines were published in May of 2000 in the Cost Analysis and Rate Setting Manual for Animal Research Facilities (CARS) which permitted certain ARF room types to be classified as research space versus SSF space. These rooms are procedure rooms, operating and recovery rooms, isolation rooms and quarantine rooms directly related to research protocols, as well as rooms that house animals involved in research that are not generally removed from the facility for conducting research. An example of this would relate to an animal that is removed from the facility for a specialized procedure such as Magnetic Resonance Imaging (MRI). The animal is removed only for the MRI, which is part of the research protocol and then immediately returned to the ARF. Space that continues to be classified as ARF space and included in the billing rates are administrative offices, autoclave areas, food and bedding storage areas, employee locker rooms and scrubbing areas, cage washing areas, receiving areas and rooms housing animals that are routinely removed from the ARF to either research laboratories or to research classified animal facility space for conducting research.

In addition, to avoid potential over-allocations of G&A costs to animal charges, if the billing rates include an allocation of G&A costs, the animal charges may be excluded from the MTDC allocation base used to develop the organized research rate.

This guidance has been incorporated in the revised Cost Analysis and Rate Setting Manual for Animal Research Facilities (CARS) - May 2000, which is available on the NIH National Center for Research Resources (NCRR) web site (www.ncrr.nih.gov/newspub/cars.pdf).

STEPS	COMMENTS
1. Request a copy of the space survey instructions for the ARF.	The ARF Director should have this information, since it is an integral part of the rate setting process, as delineated in the CARS manual.
2. Review the space classifications to determine compliance with the revised guidance.	Compare space designated as research space with the animal facility rate setting supporting work-papers to

STEPS	**COMMENTS**

confirm that there is no duplication. Space designated as research should be reviewed to confirm that it relates directly to a research protocol and that the animals are not generally removed from the facility.

3. Review the space used for joint services.

In situations where space, i.e., animal rooms, are utilized for joint purposes of ARF service and research, request supporting data on how the space was identified to ARF service. The institution should identify space to either ARF or research based on the specific space within the joint area considering the days the activity took place within the space.