

## Service Center Policy

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<b>Supersedes:</b>	Service Center Guidelines
<b>Policy Review Date:</b>	December 2020
<b>Issuing Authority:</b>	Research Foundation President
<b>Responsible Party:</b>	Sr. Director, Cost Accounting and Procurement
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### Reason for Policy

As a recipient of federal funding, the Research Foundation for The State University of New York (RF) must comply with the U.S. Office of Management and Budget (OMB) 2 CFR Part 200 Cost Principles. OMB Cost Principles govern cost allocation for specialized service facilities (SSF) which includes the principles for service centers. 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.

### Statement of Policy

#### Types of Accounts

There are two high-level types of service centers; (1) SSFs and (2) Other Service Centers (see definitions below). 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, RF, hospital or campus-based foundation 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 by the campus, 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 campus staff should collaborate in the development and implementation of the procedures.

#### 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. For billing rates charged below actual costs revenue should be imputed to cover any differential between those rates.

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.

### **Equipment Depreciation**

Depreciation on federally purchased or cost shared equipment cannot be included in the billing rate.

If depreciation of non-federally purchased equipment is a component of a service center billing rate, ensure the equipment cost is eliminated from the calculation of the federal indirect (F&A) cost rate prepared by the RF. The acquisition cost must be \$5,000 or more for a purchase to be considered equipment in the federal indirect (F&A) cost rate.

### **Year-End Balances**

Year-end balances (i.e., deficits and surpluses) should be carried forward to ensure that service centers do not recover less or more than their aggregate costs. It is not necessary that the billing rates charged for services are equal to the cost of providing the services during any one fiscal year. However, the rate should be reviewed and adjusted (if necessary) at least every 2 years for consistency with the long-term plan to recover costs.

### **Other Considerations**

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

#### **1. 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.

2. 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.

3. 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 \(CARS\)](#).

4. 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.

**Reviewing Billing Rates**

An independent campus office that is not directly involved with the service center or billing rate development (most commonly performed by the State accounting office) must examine and approve the rate for accuracy and reasonableness. This would include eliminating inappropriate costs and ensuring consistency with the federal indirect cost rate and compliance with federal regulations.

Billing rate review must be done at a minimum of every 2 years. The frequency of review should be based on the dollar amount of service center charges to federally sponsored program activity. If this dollar value is significant, campuses should consider more frequent reviews.

**Record Retention**

Billing rate development and approval must be documented and records maintained. 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, Facilities, and Third-party Recharge Award Administration](#) for an example of billing rate development.

**Responsibilities**

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

Responsible Party	Responsibility
Operations Manager or Designee	<ul style="list-style-type: none"><li>• Developing a long-term plan to recover costs.</li><li>• Ensuring that service centers break even over time.</li><li>• 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.</li><li>• Documenting billing rate development. Refer to <a href="#">Service, Facilities, and Third-party Recharge Award Administration</a> for more information.</li></ul>
Central Office Finance Staff	<ul style="list-style-type: none"><li>• Assisting with the coordination and clarification of the policy.</li><li>• Maintaining the policy and related procedures.</li><li>• Providing guidance in rate calculations and other areas of service center compliance.</li><li>• Monitor compliance with the policy.</li><li>• Coordinate the F&amp;A proposal process to ensure costs are not</li></ul>

charged both 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 OMB 2 CFR Part 200.468, 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](#)

[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](#)

## Forms

None

## Change History

Date	Summary of Change
January 12, 2017	Updated references/link from "Service Center-Billing Rate Development Example" to the Procedure "Service, Facilities, and Third-party Recharge Award Administration" to reflect that the example is now incorporated within the procedure and is no longer a separate document.
December 26, 2014	Updated for implementation of 2 CFR Part 200.
9/1/2014	New policy

**Feedback**

Was this document clear and easy to follow? Please send your feedback to [webfeedback@rfsuny.org](mailto:webfeedback@rfsuny.org).

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