Research Service Centers (RSC) and Core Facilities

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Today’s Presenters

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Objectives

• Understand the following:
  – Definitions
  – Types of Service Centers at UNC
  – UNC Procedures and Federal Guidelines
  – How to Establish a Research Service Center (RSC)
  – Development of RSC Recharge Rates
  – Approvals Required
  – Work for External Customers
  – Roles and Responsibilities
What is a Service Center?

Operational units that provide goods or specific technical or administrative services mainly to UNC-Chapel Hill (UNC-CH) users. They charge directly for these goods or services using rates based on costs incurred.

These are also referred to as recharge units and core facilities.
What are Core Facilities?

(per NIH) “Core facilities can be defined as centralized shared 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 has dedicated personnel, equipment, and space for operations. In general, core facilities recover their cost of providing services in the form of user fees that are charged to an investigator’s fund, often NIH or other Federal grants.”
Types of Service Centers at UNC

- **Specialized Service Center**
  Fees reviewed and established by a Formal Oversight Body. Example: DLAM Oversight Committee

- **Research Service Center (RSC)**
  Oversight provided by Office of Sponsored Research (OSR) - Cost Analysis for service centers established to support sponsored research

- **Interdepartmental Fees & Charges (IF&C)**
  The IF&C has oversight of non-RSCs that provide services to more that one department outside of home division

- **Departmental Service Center**
  Division/department has oversight if service unit charges only customers within its home division
How do we determine oversight?

Fee oversight for all campus service center activities is determined based upon the decision diagram on page 4 of the IF&C policies and procedures located at:

Symposium for Research Administrators

Determination of Fee Oversight Authority*

II. Sponsored Agreements & Materiality*
A. Does the Operation:
   1. Entail a scientific based process, or
   2. Is it grounded in discovery and obtaining new knowledge, or
   3. Does it utilize highly complex or technical methodologies and specialized expertise not readily available outside the university?

   Yes

B. Does the service exist primarily to support sponsored agreements (e.g. research grants) on campus?

   Yes
   No

   Rates reviewed by the Formal Oversight Body (do not submit to IF&C Committee or OSR for review/approval)

   Research Service Center (RSC) Oversight by the Office of Sponsored Research (OSR)

   Interdepartmental Service Center (ISC) Oversight by the IF&C

   Departmental Service Center (DSC) Oversight by Home Department or Division

III. Other Oversight*

Does the operation provide services to more than one department outside the service unit’s home division (e.g. same school or Vice Chancellor area of responsibility)?

Note: If the service unit only charges customers within its home division, then the division/department has oversight responsibility and the rate request is not submitted to OSR or the IF&C for review and approval.

*If you have questions about oversight, please refer to the contact information and call with questions
RSC Policies and Procedures

On the Office of Sponsored Research (OSR) website there are links to RSC reference materials and rate calculation worksheets noted below:

- Research Service Center Policy and Procedure 900.1
- Operating Guidelines for Institutional Research Service Centers (RSC)
- Recharge Review Instructions
- Recharge Review Form

The website is located at:
http://research.unc.edu/offices/sponsored-research/resources/data_res_osr_rechargecenters/
NIH FAQ regarding Core Facilities

Title: FAQs to Explain Costing Issues for Core Facilities (April 2013)

Web Link:
http://grants1.nih.gov/grants/policy/core_facilities_faqs.htm

“Created to provide NIH staff and awardees with a set of common questions and answers to aid in assuring core facilities operate in compliance with the terms of award including applicable Federal Cost Principles.”
Federal Guidance for Service Centers

- OMB Circular A-21: Cost Principles for Higher Education
- DHHS Review Guide for Long-Form University F&A Proposals
- Cost Accounting Standards (CAS) – Disclosure Statement (DS-2)
- Results of Federal Audits of Recharge Centers (DHHS OIG)
RSC Objectives

• To provide services or goods to University units in a more convenient manner than is available from outside vendors

• To provide services or goods required within the University that are not readily available from outside vendors and/or facilities

• To provide a mechanism for capturing the cost of providing services or goods and to distribute that cost to the University users
Establishing a New RSC

Why? What is the motivation to create an RSC?

• The desire to provide something that cannot be obtained elsewhere, or cannot be obtained conveniently or efficiently.
• Bring in revenue to pay for the expense of providing the desired equipment or service.
Establishing a New RSC

- Approval from the appropriate Management Center (SOM: Office of Translational Technologies).
- Prepare the RSC Operating Plan which describes the nature of operations, and documents the resources used in RSC operations.
- Prepare RSC Rate Development Worksheets and supporting documentation to calculate rates for each service or product.
- Obtain rate approvals from OSR-Cost Analysis prior to using calculated recharge rate.
Development of RSC Recharge Rates

- RSC recharge rates should be based on reasonable estimates for the cost of providing services, using historical data when available.
- If expected to recover full cost via the recharge mechanism, RSC rates must be within the competitive pricing ranges established by independent for-profit businesses.
- All costs recovered by the fees charged to users must be allowable as direct costs under Federal and University guidelines.
- RSC rates charged should be designed to achieve a break-even over a long-term period (usually two years).
Development of RSC Recharge Rates

Charges included in the rates must be:

- Reasonable (based on good judgment under the circumstances; not excessive)
- Necessary to perform the objectives of the RSC
- Allowable as direct costs under Federal and University guidelines
Allowable Costs

Direct:

• salaries, wages, fringe benefits of personnel commensurate with effort expended
• lab supplies and materials
• maintenance/service contracts
• subcontracts
• outside services
Unallowable Costs

• Scholarship/Fellowships
• Capital Acquisitions
• Advertising and Publicity
• Bad Debts
• Contributions/Donations
• Public Relations and Social Expenses/Alcoholic Beverages
• Goods or Services for Personal Use
• Fines and penalties resulting from violations of (or non-compliance with) Federal, State, or local laws and regulations
Unallowable Costs

• **Cost Sharing** using RSC operating accounts as the support source on behalf of another project is **not** allowable.

• The RSC cannot be the source to fund any expense other than the operations of the RSC.
Capital Equipment and Depreciation

• The purchase of capital equipment **cannot** be included in the costs used to develop RSC recharge rates.

• However, the RSC recharge rates can include depreciation on the capital equipment used in the RSC’s operations.
Capital Equipment and Depreciation

The depreciation on capital equipment used in an RSC may be recovered through the recharge rates if:

- Capital equipment was purchased with non-sponsored funds
- Depreciation recovery is limited to item’s original useful life in accordance with UNC’s asset management policy
- Departmental and RSC management accept responsibility to account for and monitor equipment reserve portion of the RSC’s fund balance
Capital Equipment and Depreciation

Please remember:
When planning to use equipment reserve to purchase capital equipment, please contact OSR-Cost Analysis to review and verify the equipment reserve amount available, and obtain approval for purchase.
Important:

Depreciation on capital equipment purchased with Federal funds must be excluded from the RSC recharge rate calculation.
Capital Equipment Listing

If depreciation is included in the RSC recharge rates then a capital equipment listing, along with the asset number, must be provided with the rate calculation (see rate calculation worksheets).

• Why?
  – Verify annual depreciation amounts used in recharge rates to UNC financial records
  – Avoid double recovery: List used to remove depreciation from the Facilities & Administration (F&A) rate proposal
RSC Recharge Rate Overview

• Rates must be reasonable estimates using historical data when available

• Users should be charged directly based upon the actual number of units purchased multiplied by the approved RSC recharge rate

• A RSC recharge rate calculation must be established for each individual service line that is being recharged

• Rates must be consistently applied to all internal customers (Federal grants and contracts must always be charged the lowest rate.)

• Unallowable costs cannot be included in the RSC recharge rate calculation or charged as an expense to the service center operating code
Fund Balance Requirements:

- Fund balance is defined as the account fund balance adjusted for capitalized equipment reserves and timing differences such as unbilled sales, outstanding invoices, and expenditures incurred but not recorded.

- A working capital balance can be maintained but may not exceed 2-3 months of operating expenditures.

- An excessive actual surplus fund balance may not be reduced by purchasing equipment or incurring other expenditures which would not be reasonably expensed in normal operations.
RSC Recharge Rate Overview

Formal RSC Rate Reviews:

• RSC rates should be formally reviewed at least annually at the department level and every two years by OSR-Cost Analysis (Federal guideline).

• RSCs cannot generate a surplus for a prolonged period (2-5 years).

• Surpluses from operations will be carried forward into the development of the next RSC rate calculations.

• The same guidelines apply to deficits or the deficit may be subsidized by other university funds.

• Written approval from OSR-Cost Analysis is required whenever a RSC rate is added, revised, or deleted. Requests for such changes should include an updated business plan and a new rate development worksheet.
RSC Rate Calculation Form

Will assist in the calculation of the appropriate rate(s), it must include the following:

• Rate documentation by expense category to support identification of allowability or unallowability of costs

• Identification of customer base by major category (e.g., federal grants and contracts, other grants and contracts, other)
Approval of RSC Recharge Rates

• RSC recharge rate proposals must be submitted to the appropriate Management Center, if necessary, before submitting to the Office of Sponsored Research (OSR)-Cost Analysis for approval.

• All RSC recharge rates must be approved by the Director, OSR-Cost Analysis prior to their use.
Application of Approved RSC Recharge Rates

• RSC recharge rates must be consistently applied to all internal customers (Federal grants and contracts must always be charged the lowest rate.)

• The RSC should charge customers no less frequently than quarterly (best choice – monthly)

• The customer should receive an invoice at a sufficient level of detail to support effective reconciliation of account expenditures

• Advanced billing for services or products is not allowable
Charges to External Users

While RSC’s are established primarily to meet the needs of the University community, services may be provided to external entities.

• External entities are those whose operations and administration are governed independently from UNC-Chapel Hill.

• This includes UNC Hospitals, UNC GA, other institutions of higher education, state and local governments, non-profit and commercial organizations.
Charges to External Users

Approved External RSC Rates:

• should be based on the direct cost rate plus the negotiated on-campus F&A organized research rate effective at the time services are provided (currently F&A OR rate is 52%).

• may also be based on the market, provided market rates exceed the direct cost plus F&A minimum requirement.
Charges to External Users

Because sales of goods and services to persons or organizations outside of the University community may raise:

- legal (State Umstead Act)
- tax (IRS Unrelated Business income)
- accounting and
- community relations issues

RSC managers should use caution in making services available to users outside the University.

OSR-Cost Analysis can help you to determine if the RSC is in compliance as to its external sales.
RSC Management

• Responsible for preparing and administering the RSC’s budget, maintaining adequate records (ex: daily logs), and accurately invoicing customers on a timely (no less than quarterly) basis.

• Determine the proper rate development methodology incorporating historical data, projected data, or both.
RSC Management

• Responsible for preparing and supporting a schedule of rates for services or products charged to customers of the RSC.

• Must ensure that all internal (federal and non-federal) customers are charged the same rate and is consistent with the rate schedule(s).
RSC Management

- Monitor operational account to ensure that unallowable costs are not charged to account.
- Must be able to support internal and external audit requests and show satisfactory accounting and management control.
EXTERNAL REVIEWS

RSC recharge rates are subject to review and approval by UNC's federal cognizant agency, the Department of Health and Human Services.

RSC recharge rates that result in over-recovery of full cost (direct and indirect) over time can cause one or both of the following:

• a one-time full or partial settlement

• future recharge rate reductions resulting in the under-recovery of full cost to compensate for past over-charges
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