FREQUENTLY ASKED QUESTIONS

Q: Do I really have to comply with these Standard Operating Procedures?
A: Yes. If the objective is to recover costs of providing goods or services by charging users, then it is necessary to follow the research service center requirements. Charges are direct costs on sponsored projects and awards, and as such, they must conform to federal requirements for direct costs (in OMB Uniform Guidance). There are specific federal requirements related to how rates/fees are established and assessed to users. In the event of an audit, unsupported charges are likely to result in the University's repayment of those amounts. Additionally, the negative publicity for the University could be detrimental to our research endeavors.

Q: Why do we have to adhere to these Standard Operating Procedures?
A: PRR 07.30.07 in the University Policy Manual outlines the requirement for research service centers and compliance with federal regulation. Your research service center must comply with the PRR as well as the Standard Operating Procedures.

Q: Why is the federal Uniform Guidance so important?
A: If a research service center charges any federal grant or contract, then it *must* comply with the Uniform Guidance which states:

- Cost must be charged to federal projects based on actual usage
- The federal government must get the lowest rate
- Rates must be adjusted at least biennially
- Only a 60-day working capital balance is allowable

Q: Are rates calculated with the goal to breakeven?
A: Yes, the goal is to recover direct costs only, therefore no profit or residual should be purposefully generated. The research service center should adjust their rates if a surplus or deficit is expected.

Q: Are the rates reviewed before the end of the fiscal year?
A: All rates will be reviewed prior to fiscal year-end, however, rates may be reviewed at any point during the fiscal year. Performing at least an informal review during the fiscal year will identify the need for rate adjustments early and help avoid large, year-end deficits or surpluses. Be aware that rate adjustments

should be timed to allow your most active users to incorporate potential rate increases into their budgets.

Q: Is there a threshold for being defined as a research service center?
A: No. Assuming that your center meets the other research service center criteria, it does not matter whether you have $250,000 in revenue or $2,500, you are required to follow the Standard Operating Procedures.

Q: What if my users are mostly or entirely non-sponsored (non-grant) accounts?
A: The requirements still apply, although the audit risk may be lower.

Q: What if the goods/services are being provided on a non-recurring basis?
A: If goods/services are provided on a one-time-only basis, then research service center requirements do not apply.

Q: Can a research service center provide a <u>significant</u> amount of services to external users; i.e. private sector, non-university affiliations?
A: No, State law and University policy restrict competition with the private sector. Because research service centers may be subsidized, and the University enjoys non-profit status, the University has a definite pricing advantage over a comparable private sector company. Consequently, to avoid allegations of competition from private sector companies, services provided to the private sector should generally be isolated and infrequent. Research service centers should be established for the benefit of University's internal users. Significant business with external users can trigger an unrelated business tax. External users using the research service center should have a documented affiliation with the University or directly support the University's mission.

Q: What if an existing fund reflects a mix of unrelated activities, only one of which is a research service center activity?
A: The preferred solution is to remove the research service center activity from the fund and open a separate and distinct fund for its operation.

Q: Is it allowable to charge different rates for equipment use during peak, no-peak, or late night non-standard hours?

A: Charging different rates based solely on the time the service is obtained is <u>not</u> appropriate. The costs incurred during the different time periods would have to be different in order to charge multiple rates.

Q: Can we adjust our rates mid-year, or do we have to make the change at the beginning of the fiscal year?
A: You can adjust your rates mid-year; they can be adjusted at any time throughout the fiscal year. At a minimum, rates must be reviewed annually, but can be reviewed more often if needed. Rates should be adjusted if expenses or volume vary significantly from budgeted estimates.

Q: Can a research service center allow pre-payment of services?
A: No. Federal cost principles require that costs charged to the federal government be based on actual use of the services. Therefore, users should not be billed for future services to be provided by the research service center.

Q: Can indirect costs (F&A type costs) be included in the internal user rates?
A: No, indirect costs should be excluded from the internal user rates developed, with the exception of specialized service centers such as an animal care facility. External user rates should include indirect costs.

Q: What is a specialized service facility (SSF)?
A: Office of Management and Budget (OMB) *Code of Federal Regulations Title 2, Chapter II, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Cost Accounting Standards (i.e., Uniform Guidance) §200.468* defines specialized service facilities. A specialized service facility can be distinguished by the following characteristics:

- Highly complex; limited customer base
- Large capital investment required
- Expenditures over one million dollars in a fiscal period
- Long term breakeven

If a research service center is determined to meet the requirements to be considered a SSF, then the full allocation of indirect costs may be applied to the SSF and can be included in calculating its user rates.

Q: Can the purchase of equipment be recovered through the user rate?

A: Federal cost principles require that research service centers recover the cost of capital equipment through depreciation of over the useful life of the equipment as opposed to charging the full cost of the equipment in the year acquired. However, it is the University's policy that rates will <u>not</u> include a component for equipment depreciation.

Q: Can equipment that was purchased as part of a sponsored project or award be used in a research service center?
A: Yes, the equipment can be used only if the sponsored project or award has termed (closed).

Q: How does the research service center determine the total annual expected expenses in the rate calculation?
A: An existing research service center may use the prior year's expenses as an estimate. Justification for an increase over prior year's expenses must be documented. A new or yet-to-be established research service center will need to estimate the first year's annual expected costs. Adjustments may be made during the year if needed.

Q: Which types of costs can the research service center recover through user rates?
A: *Uniform Guidance 2 CFR 200 Subpart E Cost Principles* specifically states which costs are allowable and unallowable.

Q: Why does a research service center have to maintain a published rate schedule?
A: To help ensure that the research service center is used to its full extent, new and existing users need to be aware of all the services provided and be able to plan ahead in their budgets for any rate changes. Also, a published rate schedule will ensure consistency in the charges to users.

Q: If the research service center rate(s) remain the same as the previous year, is the *Service Center Application/Renewal Form* and the *Rate Development Workbook* required to be submitted to the Financial Services Cost Analyst?
A: Yes, research service centers are required to complete a *Service Center Application/Renewal Form* and the *Rate Development Workbook* each fiscal year. Adequate documentation of rate calculations is imperative in the event of an audit.

Q: The surplus from the prior fiscal year is large, does the entire surplus have to be carried forward into the calculated rate?
A: A large surplus need not be eliminated in its entirely within one year, however, an approved plan should be in place to reduce the surplus over a reasonable period of time.