UNIVERSITY OF SOUTH FLORIDA

SERVICE CENTER

MANUAL FOR RESEARCH ACTIVITIES

Guidelines and Procedures for Service Center Operations Charging Federal and Non-Federal Sponsored Awards

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Sponsored Research

Revised December 2020

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University of South Florida Guidelines and Procedures for Service Center Operations Charged to Federal and Non-Federal Sponsored Awards

The guidelines included herein apply to service centers providing goods or services to recipients of federal and non-federal sponsored awards exclusively. These guidelines are not intended to apply to other revenue generating or cost transfer activities. Further, requirements for rate approval apply only to research-related service center activity as discussed in this manual.

THE IMPORT OF COMPLIANCE

As a recipient of public funding, the University of South Florida and its stakeholders must comply with federal mandates designed to ensure that proper stewardship is exercised in administering funding provided for research and experimental development (R&D). Non-compliance with these mandates have the potential to harm the University's reputation, can reflect negatively on future awards and/or could place the University at risk for repayments or fines to the federal government.

Federal awards issued prior to December 26, 2014 are required to be managed in accordance with OMB Circulars A-21, A-110, and A-133. Federal awards issued on or after December 26, 2014 are to be managed in accordance with *2 CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal Awards* (The Uniform Guidance) or the appropriate regulations applicable to the award as specified in the Notice of Award issued by the funding agency.

Effective May 8, 1996, the Office of Management and Budget (OMB) revised Circular A-21 to incorporate four Cost Accounting Standards applicable to educational institutions. The Cost Accounting Standards Board (CASB) issued these on November 8, 1994, and the A-21 revision extended the standards to all sponsored agreements.

Responsibility for compliance with federal guidelines—including, 2 CFR 200 and Cost Accounting Standards—lie primarily with principal Investigators (PI's) of sponsored projects, department heads, and college/department fiscal officers. The University administration is responsible for guidance and training and for ensuring compliance through periodic internal and external audits (see the "Roles and Responsibilities" section below for further details).

SERVICE CENTER ACTIVITIES AND RELEVANT GUIDELINES GOVERNING PROPER STEWARDSHIP OF SPONSORED AWARD FUNDING

2 CFR Part 200 (The Uniform Guidance)

Service center activities can result in charges, directly or indirectly, to federal grants and contracts. In connection with the receipt of these funds, USF must comply with the United States Government's Office of Management and Budget (OMB) 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In accordance with Subpart E, §200.468, concerning specialized service facilities, the Uniform Guidance states:

1. Recipients of federal funds are *not to recover more than actual costs,*

2. and, they are *not to* discriminate between federal internal users and other internal users in prices charged for services. The concept of non-discrimination, however, does not preclude the institution from charging *external* users higher rates for services.

Cost Accounting Standards

Cost Accounting Standards (referred to as CAS) are a set of 19 standards and rules promulgated by the United States Government for use in determining costs on negotiated procurements. Research institutions must comply with the federal Cost Accounting Standards (CAS) 501, 502, 505, and 506. The four standards pertain to:

1. *501 - Consistency in Estimating, Accumulating and Reporting Costs by Educational Institutions*

   Fundamental Requirement - An educational institution's practices used in estimating costs in pricing a proposal shall be consistent with the educational institution's cost accounting practices used in accumulating and reporting costs.

2. *502 - Consistency in Allocating Costs Incurred for the Same Purpose by Educational Institutions*

   Fundamental Requirement - All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives.

3. *505 - Accounting for Unallowable Costs*

   Fundamental Requirement - Costs expressly unallowable or mutually agreed to be unallowable shall be identified and excluded from any billing, claim, application, or proposal applicable to a Sponsored Agreement.

4. *506 - Consistency in Using the Same Accounting Period for Purposes of Estimating, Accumulating and Reporting Costs*.

The National Council of University Research Administrators (NCURA)

The National Council of University Research Administrators (NCURA) (NCURA 20th Annual Financial Research Administration Conference, Service Center Compliance presentation, March 2019) recommends applying the same requirements of the specialized service facilities to smaller types of service centers (*e.g.,* core facilities and recharge centers). National Institute of Health (NIH) Core Facility FAQ from 2013, also aligned the requirements for core facilities with the Uniform Guidance requirements.

DEFINITIONS

Auxiliaries – These units (residence halls, dining facilities, etc.) are self-supporting enterprises which provide goods or services to the University community and charge a rate or fee directly related to, although not necessarily equal to, the total cost of goods or services provided. The distinguishing characteristic of these units is that they are managed as self-supporting units. Auxiliaries are not subject to review by Sponsored Research's Service Center Oversight Committee.

Billing Rate (Rate) – A “charge rate” that is developed for a specific service centers service(s). Billing rates are computed by dividing the total annual costs of a service by the total number of billing units expected to be provided to users during the service year.

Billing Unit – The unit of service provided by a service center. Examples of billing units include labor hours, machine hours, unit cost, number of samples, etc.

Core Facilities (Cores) – Primarily provides services to researchers internal to the University that may not be readily available from external sources; such support may not be subject to external market forces. Cores can vary in size, complexity, and rate structures. Typically, though, Cores have total annual budgets of $50,000 or less. Billing rates may generally include only direct costs. Research Cores must submit a fully costed rate analysis to the appropriate oversight authority for approval on a biennial basis.

Cost Accounting Standards – A set of 19 standards and rules promulgated by the United States Government for use in determining costs on negotiated procurements. Cost Accounting Standards require certain contractors and subcontractors to comply with Cost Accounting Standards (CAS) and to disclose in writing and follow consistently their cost accounting practices.

Cost Analysis – Identification of current and anticipated costs associated with operating a service center with an examination of the impact of those costs on setting service center billing rates with the anticipation to break-even (i.e. Revenue = Expenses) at the end of the fiscal year.

Deficit – Where the costs of providing a service exceeds the revenue generated by the service during the fiscal year.

External users - Legally separate organizations or individuals purchasing services which are not billed to a USF account number. External users include students, faculty, or staff, if they are purchasing services in a personal capacity.

Guarantee Accounts (GA) – Account to be used to offset any deficit above the amount which can be carried forward into future rates.

Internal users - Units within USF (including academic, administrative, and auxiliary areas) that purchase services from other USF units.

Non-discriminatory rates - All users are charged the same rate for the same level of services or products purchased in the same circumstances.

Recharge Centers (RC) - Classified as departments or functional units that generate less than $1,000,000 annually, which provide a material level of goods and/or services (charges in excess of $100,000 annually in the aggregate) to sponsored programs.

Recharge Centers provide routine, non-specialized, on-going services to a number of campus units or projects based on a rate schedule, to recover no more than the cost of the services and to break even over a period of time. Service center charges to sponsored program project numbers are considered recharge activities. Recharge centers should not be set up to provide goods or services that are readily available from external sources. The following are not recharge centers:

1. Units which primarily serve members of the campus community as individuals (i.e. parking or housing services) and which are classified as auxiliary.
2. Units which provide a one-time distribution of expense. A recharge activity is an ongoing activity.

Services - Highly specialized, typical, or necessary functions provided by a unit to other units, principally within USF. Often the services could not be purchased as effectively or efficiently from an entity external to the institution.

Service Center (SC) – A broad term to define an institutional entity which provides a service to university users, and sometimes entities external to the University, for a fee. The rates charged by the centers are calculated so that the center recovers its costs. Service Centers include “specialized service facilities”, “recharge centers” and “core facilities”.

Service Center Oversight Committee – A committee comprised of personnel from Sponsored Research. This committee is responsible for reviewing all new service centers proposals, annual reviews of existing service centers, and providing feedback on facility use, operations, equipment and related issues.

Specialized Service Facility (SSF) - An operating unit providing services or products to users for a fee. Specialized Service Facilities are classified by total annual billings of at least $1,000,000 as defined in 2CFR §200.468.

Surplus – The amount that the revenue generated by a service exceeds the costs of providing the service during a fiscal year.

Unallowable Costs – Costs that cannot be charged directly or indirectly to federally sponsored programs. Common examples include, but are not limited to, alcoholic beverages, bad debts, entertainment, etc.

Unrelated Business – Any activity that meets all of the conditions specified below is considered unrelated business. NOTE: Income or revenue from unrelated business is subject to taxation under the Internal Revenue Code.

1. The activity qualifies as a trade or a business. A trade or business is any activity that is carried on for the production of income from the sale of goods/services. Also, there must be a “profit motive”.
2. The activity is regularly carried on. Regularly occurring or seasonal activities normally qualify as “regularly carried on,” whereas intermittent, casual, or sporadic activities do not.
3. The activity is not substantially related to the University’s tax-exempt purpose. Activities that contribute importantly to the accomplishment of the University’s tax-exempt purpose (other than by providing funds) qualify as related.

SERVICE CENTER ESTABLISHMENT CRITERIA

To be considered a service center, the proposed activity must meet the following:

1. There exists a demand for this particular service by more than one department/unit/activity;

2. Service will be provided on a regular and continuing basis;
3. Service should be identifiable (*e.g*. machine shop, test tube cleaning) as opposed to general.
4. Separate costs and budget can be clearly defined for these activities.
5. Billing rates can be stated in measurable units of goods or services (hourly rates, per test rate, etc.).
6. Billing rates for goods and services must be charged at the same rate to all users and reflect the full cost of the operation, net of any approved subsidies or carry forward of prior year deficit/surplus. In establishing service center billing rates, a service center cannot discriminate against any internal group of users. A service center m*ust charge all internal users the same rate* for the same level of goods or services purchased under the same circumstances. The use of special rates, such as for high volume work, is allowed, but must be included in the service center's published rates and equally available to all users who meet the criteria. Users charging sponsored research projects must be billed at the internal rate approved.

   Note that the federal government does not prevent the service center from charging external users a billing rate higher than that charged to internal users. However, revenues from external users must be tracked separately. All users of the service center must be billed for goods or services. External users of a center may not be charged at a billing rate less than that charged to internal users.

7. Billing rates must be reasonable. Rates are considered reasonable if the nature of the costs and the related goods or services acquired or applied to provide the service reflect the action that a prudent organization would have taken under the circumstances prevailing at the time the decision was made to incur these costs.

   Considerations involved in the determination of the reasonableness of a rate are:

   a) Whether or not the costs included in the billable rate are of a type generally recognized as necessary for the operation of the service;
   b) The restraints or requirements imposed by such factors as arm's-length bargaining, federal and state laws and regulations, and any other related terms and conditions in the normal course of business;
   c) Whether or not the service center acted with due prudence in the circumstances, considering their responsibilities to the University and the federal government, and the public at large; and
   d) The extent to which the actions taken with respect to incurring these costs are consistent with established institutional policies and practices applicable to the work of the institution generally.
8. There must be a sound business case supporting providing the goods or services and the manner in which the service center is providing them. Alternative methods of providing these goods or services can been reviewed, provided the decision to provide or continue to provide these goods or services is in the best interest of the University and is in compliance with federal regulations. If the services are readily available from external sources, there must be overriding economic, ethical, or other institutional issues that support the continued needs for the University to provide these services.

9. The service center must operate on a break-even basis.
10. Goods or services should not be provided to external consumers except where they are specialized or unique and their existence is primarily to support the academic mission of the University.

SERVICE CENTER ESTABLISHMENT PROCESS

Funding for start-up costs for any service center must be agreed to and provided prior to commencing the activity. This includes funds for required equipment and inventory, plus funds to finance receivables and losses during the early stages of operation. Ideally, start-up funds would be agreed to and provided by the department or college. This support indicates that the activity is important to the University's mission.

1. Requests for new accounts, to include the service center business plan, service center budget and all attachments, will first be reviewed and approved by the responsible department. Consult USF's Controller's Office's EBA Process at https://www.usf.edu/business-finance/controller/documents/ebaprocesses.docx.

   If approved and adequate funding for start-up costs have been identified, the request will be forwarded to the college for approval. Following all internal departmental and college approval, the EBA will be sent to the appropriate oversight body for final review. See Appendix A.

2. There must be a reasonable assurance that service centers will be successful and generate necessary revenues required to cover operating costs. For that reason, these new activities need complete support from the responsible department chair and college dean/director. Departments/colleges/centers, as appropriate, will be expected to cover net losses or failed operations in the form of subsidies and agreement from department shall be provided as part of the packet to the Committee.
3. Once all signatures have been obtained, the service center packet should be forwarded to Sponsored Research as is applicable for review and approval by the Service Center Oversight Committee.
4. The service center oversight committee will review all requests to establish new service centers as well as all annual rate renewals.
5. Once the new service center is approved, a separate account will be established to record only service center expenditures and revenue receipts. All costs used in the development of service center billing rates should reside in the service center account. THE SERVICE CENTER SHOULD NOT COMMENCE OPERATIONS UNTIL THE RATES ARE APPROVED.
6. If E&G funds will be used to cover any subsidies for the service center *and* if the expenses are supporting education (as noted in Item 7, Special Funding Sources in the current UCO EBA Process), a second (sister) account will be established for this purpose. Each rate associated with a center will have its own account that will identify pre-established and approved internal and external account codes if applicable. These account codes will be the ones utilized when charging approved sponsored projects and external users.

New service center requests will be reviewed on a continuous basis throughout the fiscal year. Annual renewal of service centers will be reviewed in May each fiscal year.

SERVICE CENTER BUSINESS PLAN

A Service Center Business Plan should be completed for all new service centers. See https://www.usf.edu/business-finance/controller/documents/ebabusinessplan.doc.

For service centers charging federal and non-federal sponsored projects, additional guidelines are provided below as a reference for completing the business plan:

1. Narrative describing the scientific and business plans for the service center, including a list of goods or services to be offered, the need for the goods or services, the scope of the market place, etc.
    a. Scope of the Market Place: If the goods or services being offered by the service center are very specialized, the market could extend farther than the Tampa Bay metropolitan area. Understanding the market for which the service center is operating is crucial to making appropriate assumptions in terms of performing reliable cost analysis. Below is a list of questions that should provide valuable information to consider when understanding the market for which the service center competes:
        i. Does the service center provide a unique good or service with no basis for cost?
        ii. Does the service center provide a homogeneous good or service offered by competing firms? If so, what do competitors charge?
        iii. Do internal users have funding sources to pay for the good or services? If not, are you aware the University cannot discriminate against federal awards or provide discounts or free services to any users? Decipher how this will impact your cost analysis.
    b. Is the good or service provided considered cutting-edge technology or could possibly be obsolete very soon?
    c. Will the service center provide any tangible personal property to external customers in exchange for a fee?
    d. Will the service center allow external users to use/operate machinery and equipment in exchange for a fee?
    e. Explain how the service center's activities relate to the University's mission.
2. List of all staff, titles, levels of effort, and roles in the service center.

    In order for personnel time to be billed to a service center, the personnel must be allocable to the goods or services provided by the service center. This can include scientific directors (for faculty this should be in the form of release time), technical staff, and administrative staff utilized for billing, record keeping, etc. Because the University has elected not to charge its federally-negotiated Facilities and Administrative (indirect) rate to service center activities or on service centers charges when they post to sponsored research accounts, service centers are allowed to direct charge all administrative costs needed to provide the goods or service of the service center.

3. Usage Log or Job Tracking System.

   Service centers must establish and maintain a system of documenting goods or services provided. A proper record keeping system will ensure proper records for billing purposes, review of service center billing rates as well as evidence for the uniform and consistent rate application.

4. Proposed Annual Budget per Service – See Rate Development Principles below.

5. List of Capital Assets and Depreciation Schedule– See Rate Development Principles below.

6. Service Center Subsidy – There are two types of subsidies:

   a. Subsidies for Users – Funds provided to a service center to cover a deficit when a certain group of users is charged a rate that is lower than the full rate. For example, subsidies may be provided by a specific department that wishes to subsidize only users from that department. The service center recovers the full cost of services provided to the subsidized users by charging the difference between the full rate and the subsidized rate to the department providing the subsidy. The revenue to cover subsidies for users is required to be transferred to the appropriate service center account quarterly.

   b. Subsidies for the Service Center – Funds provided to a service center to cover operating costs or deficits. Lump sum subsidies should be included in the budget. Rates should be set so all users are charged based on the reduced cost of the services.

7. Source of Funding to Cover Deficits (guarantee department number) – Subsidies will be identified for accounting purposes through the use of a separate E&G source and accounting number in accordance with the current UCO EBA Process Item 7, Special Funding Sources. Each source code will be unique to the center and its associated department.

8. Environmental Health and Safety Considerations – Identify the nature of any hazardous materials, controlled substances, or other products that may pose a handling, storage or disposal hazard which are covered by any regulatory requirements. Identify any procedures, structures, or devices that may pose hazards to property or personnel. Attach approval from the University's Environmental Health and Safety department, if applicable.

9. Compliance with Practices and Standards – All applicable compliance issues, such as animal care, ethics, human subjects, must be identified and the methods for compliance with those standards must be described and approval from the appropriate University service center oversight committee should be attached. The costs of meeting compliance standards must be included in the business plan.

RATE DEVELOPMENT PRINCIPLES

A service center billing rate is the cost per unit of goods or services sold set to recover the expenses of the service center and achieve a breakeven financial position. The use of an appropriate billable rate is essential to ensuring that users are charged only their fair share of the actual costs of operating the service center. Instruments (or like services) can be "grouped" to develop the billing rate only if they are similar in nature, use the same supplies and technicians, or are required in sequence. If the billing rate consists of grouped instruments or services, the same instruments or services cannot also be billed individually.

Billing rates are based on budgeted projections of operating expenses, including a carryforward surplus/deficit, divided by projected levels of activity or revenue. The rate development worksheet template is available at Service Center Billing Rate Calculation Template.xlsx.

Budgeted Expenses +/- Cumulative Carry Forward Surplus/Deficit Budgeted/Projected Level of Sales of Goods/Services (Billing Unit)

Pricing that is contingent upon types or levels of usage should be developed for each discrete type of service.

1. Billing Units

   A billing unit is the measurement used to identify the specific goods and/or services provided by a service center. New service centers billing rates will be based upon a reasonable projection of the number of billing units for the year.

   Examples of billing units include, labor hours, machine hours, unit cost, number of samples, tests performed or any other unit of measurement that is appropriate for the type of activity being performed or service being rendered.

2. Budgeted Expenses

   Annual operating expenses proposed must meet a minimum threshold of **$10,000** (unless explicitly approved by the Director or Associate Director of Sponsored Research). Budgeted costs will be based upon prior year costs. New service center billing rates will be based upon a reasonable assumption (estimate) of the costs of providing the services for the year.

   Total service center budgets should reflect the full unsubsidized cost of providing the service; billing rates are based on total *actual* costs charged directly to users. Rate components may include:

   a. Salaries and Wages of Faculty and Technical Personnel

      The salaries and wages of all personnel directly related to a service center activity (i.e. lab technicians, machine operators, etc.) should be included in the rate calculation and charged to the service center operating account. If an individual works on more than one activity, the costs associated with that individual should be allocated to the activities based on the proportional benefit. This proportion can be determined by an effort or time study. Please note that for any faculty salaries included in the billing rate, costs in excess of the NIH salary cap must be excluded from the rate computation.

   b. Fringe Benefits

      Fringe benefits related to the salaries and wages charged to the service center account should be included in the service center billing rate calculation. Fringe benefits included in new service center budgets can be estimated using the latest composite fringe benefit rate for contract and grant proposals. After the first year, fringe benefit estimates can be based upon actual fringe benefits incurred. See Important Links below.

   c. Materials and Supplies

The cost of materials and supplies needed to operate a service center should be included in the rate calculation and charged to the service center operation account.

If a service center sells products from an inventory or maintains an inventory of parts and supplies used in providing its services, inventory records must be maintained. A physical inventory should be taken at least annually at the end of the fiscal year and reconciled to the inventory records. Inventory valuations may be based on any generally recognized inventory valuation method (i.e. first-in-first-out, average cost, etc.). The service center must exclude costs attributable to inventory growth in calculating billing rates.

d. Lease, Rental and Service Contracts

The cost of lease, rental and service contracts and other professional services are allowable and should be included in the rate calculation for the fiscal year in which they were incurred. The only exception is that capital leases cannot be charged directly to service centers.

e. Equipment Depreciation

Acquisition cost of equipment cannot be included as a cost in the service center annual budget. The cost of equipment should be included in the service center budget as depreciation based upon an annual depreciation schedule maintained in PeopleSoft. This ensures that users pay only for equipment cost associated with the usage in a given year.

The funds recovered by depreciation included in the service center billing rate must be set aside as an equipment replacement reserve to fund the purchase of replacement equipment. If additional funds are necessary to cover the cost of replacement equipment, other sources may be used. If a surplus is present as a result of the external user's service fees, the revenue must be *applied towards the total costs associated with maintaining the service*. Surplus balances in the service center operating account must be used as carry forward adjustments and **may not** be used to purchase equipment.

The depreciation of equipment purchased by federally sponsored programs, whether or not title has reverted to the University, <u>cannot</u> be included in the service center billing rates. Where the University has agreed to "cost-share" a piece of equipment on a federal award, depreciation of the university-funded portion is also unallowable in the service center billing rates.

f. Other Expenses

Other expenses that may be included in the service center billing rate include, but are not limited to, rental and service contracts, equipment operating leases, software and equipment maintenance and professional services.

RECOVERY REQUIREMENTS

Rate Charges

As indicated above, rates charged to *internal* users must be non-discriminatory and all users must be billed for services received. Rates should not differentiate between users of the same services *within* the USF community (which includes federal and non-federal sponsored projects). The use of special rates, such as for high volume work, for less demanding non-scientific applications, or for priority of delivery, are allowed; but must be equally available to all users of that special service.

The University may wish to provide a service to a particular *internal* group of users at a lower rate (*e.g.* computer time for students as part of the instructional program) than other users. In those cases, the difference between the rate charged to the subsidized user group and the normal rate for the services used by that group should be billed to a subsidy account representing the appropriate direct cost activity (the instructional budget in the case of computer time for students).

Service centers are only required to apply non-discriminatory rates to internal users of the center's services. Rates charged to external users may be higher (but not lower) than those charged to internal users.

Unallowable Costs

Any cost component(s) deemed to be unallowable under the provisions stipulated in 2 CFR §§200.420-476 cannot be included in a service center budget. For example, alcoholic beverages, cost for flights in excess of Coach class airfares, bad debt or uncollected billings, entertainment, salaries over the NIH cap, sales tax, etc. Generally, a service center should not include charges for its use of space (as space is funded from other sources). Additionally, any costs that are not incurred in support of providing the service or product of a service center is unallowable.

Allowable vs. Unallowable Cost Charging Table

Cost Category	Service Center Activities
Administrative Personnel-Other	Allowable if benefits Service Center activity
Personnel – Technical/Science Related	Allowable
Advertising-Other	Unallowable
Advertising-Personnel recruitment, good/services procurement	Allowable
Donations	Unallowable
Equipment Acquisition over $5,000/unit	Unallowable
Equipment Acquisition under $5,000/unit (minor equipment/materials)	Allowable
Equipment Depreciation	Allowable
Equipment repairs and maintenance	Allowable
Fines & Penalties	Unallowable
Interest Expense	Unallowable
Lab Supplies	Allowable
Leases (Operating Leases) & Rentals	Allowable
Leases (Capital Leases)	Unallowable
Cost of Legal Proceedings	Unallowable
Meetings & Conference	Allowable if benefits Service Center activity
Memberships – Scientific, Professional	Allowable
Office Supplies	Allowable if benefits Service Center activity

Office Supplies – Science Related	Allowable
Phones – Line & Equipment Charges	Allowable if benefits Service Center activity
Postage	Allowable if benefits Service Center activity
Repairs & Maintenance to Service Center	Allowable
Reproduction – Administrative photocopying	Allowable
Social Activities & Entertainment	Unallowable
Subscriptions – Scientific, Professional	Allowable if benefits Service Center activity
Travel	Allowable if benefits Service Center activity

To reiterate, unallowable costs as defined by the relevant sections of 2 CFR 200 (as denoted above) may not be budgeted or expensed in service center accounts and cannot be charged to a sponsored project. Therefore, unallowable costs are not to be included in the user rate calculations.

Transfer of Funds out of Service Centers

It is not appropriate to transfer funds out of a service center account to other University funds or accounts.

Dissolution of a Service Center

Service centers may be closed due to a variety of circumstances such as insufficient business volume, obsolete technology, lack of institutional support, programmatic or other reasons. Whether the closing is requested by the service center director or by other institutional officers, F&A will coordinate the orderly closing of the service center.

Sponsored Research will work with the appropriate department/college/center to develop a plan for closing the operation. This may include, but is not limited to, developing a plan to complete any work in progress, redeployment of personnel, and disposition of capital equipment, supplies and other assets of the center.

A financial status report of the center will be prepared to determine if there is a deficit or surplus. Outstanding financial obligations and accounts receivable, among other items, will be reviewed and analyzed. If there is a deficit, the account must be brought to zero by the guarantee account and closed within the University's financial system. If there is a surplus, there will be an analysis performed and a plan prepared of how the surplus will be distributed. This distribution plan will depend upon materiality and if university subsidies are part of the surplus.

The closed service center will be removed from the current list of active service centers.

RENEWAL OF SERVICE CENTER RATES

Although starting dates of a new service center may vary, service center operation cycles should align with the University's fiscal year: July 1st – June 30th. New service centers must have their budget proposed rate(s) approved in advance of operation. RETROACTIVE RATE SUBMISSIONS WILL NOT BE ACCEPTED.

Commencing January 2, 2021, service centers designated as specialized service facilities (SSFs) and recharge centers (RCs) that provide goods or services to sponsored awards funded directly or indirectly by the federal government must have their rates approved annually by submitting an Annual Operating Report, Appendix D, to Sponsored Research's Compliance unit at RFMCompliance@usf.edu no later than April 30th. All Core facilities (Cores) providing goods or services to sponsored awards funded by the federal government must have their rates approved on a biennial basis. Service centers providing goods or services to non-federal sponsored awards must have their rates approved at least biennially.

The following guidelines governing renewal of service center rates are provided for reference:

1) Narrative discussing the overall operation of the service center. Below are the suggested areas to discuss in the narrative:

    a. Volume – Explain volume fluctuations. Did it increase, decrease, stay the same, or did any notable users begin or stop using the service center? Compare what occurred to date to the assumptions that were made at the beginning of the year.

       For example, if you projected a 20% decrease in revenue as a result of one of the service centers' primary internal customers moving to another institution but despite this, revenue remained at previous levels, a detailed explanation is required to allow UCO and Sponsored Research to ascertain what events contributed to this phenomena (*e.g.,* new awards, new faculty researchers, new users, new goods or services, etc.).

    b. Rates – Are rate changes or updates needed? If so, explain what factors led to that decision and the impact of that decision.

    c. Costs – Explain in detail any fluctuations in costs from budget to actual based on occurrences during the year.

    d. Market – This is an opportunity to discuss the role of the service center and how changes in demand from internal and external users affect the solvency of the service center. Other market forces can be new technology, change in scientific need, and so on. This element is important because it may clarify issues raised elsewhere.

2) Copy of revenue summary for the FY to date.

3) Copy of expenditures for the FY to date.

4) If budget categories and rates are based upon calculations previously approved and there are no proposed changes, no further action is required. If updates to the budget estimates or rates are needed, an updated Service Center Annual Budget and Billing Rate form will be required as part of the annual renewal.

5) Description of any changes in methods used for calculating cost components in the annual budget from those previously approved. If there have been any changes in methods used in calculating rates, an updated Service Center Annual Budget and Billing Rate form should be submitted.

6) Copy of a revised Service Center Business Plan—if updates are needed.

Sponsored Research's Service Center Oversight Committee or its designee, Sponsored Research's Compliance Unit, will review and approve all rate proposals including those that are based upon previously approved rate structures and will notify departments when completed. Rate proposals will be reviewed in the order received.

RECORDKEEPING & RETENTION

Service Centers must establish and maintain record keeping procedures and systems to capture all financial and statistical data necessary for internal control and for the development and maintenance of billing rates. Records of all sales and services provided to customers shall also be maintained to document the goods/services sold and the pricing of each. Records of equipment acquisition and the calculated depreciation factor must be retained to support the billing rate calculation.

Documentation for revenue and expenses must be retained in accordance with federal guidelines related to grants as well as the State of Florida's record retention requirements, which may exceed normal University retention guidelines. Specific guidelines are available in 2 C.F.R. §200.334. Also consult CCHIP #007 at CCHIP 007 Retention Requirements.pdf.

Each Service Center must, at a minimum, maintain and retain the following:

1. Documentation as to how the billing rate(s) were calculated and approval of such rates.
2. Annual budgets.
3. Annual financial statements and records supporting the amount and basis of user billings (revenue and expenses).
4. Copies of invoices/billing statements.
5. Sales journal.
6. Use Logs/job tracking documentation.
7. Inventory lists and depreciation schedules.
8. Documentation on the life of equipment.
9. Documentation demonstrating monthly reconciliation of revenues and expenditures.
10. Establishment of the EBA, business plans, renewal rate documentation, annual operating reports, EBA dissolution requests, audit reports, etc.

REMEDIES FOR CORRECTING CONTINUED NON-COMPLIANCE

Service center operating units are responsible for monitoring unit fund balances to ensure proper costing practices and appropriate billing rate structures are in place. However, to mitigate risk to the University and foster compliance with service center guidelines, ongoing non-compliance will warrant review by the appropriate Service Center Oversight Committee. Should circumstances warrant, the reviewing committee may elect to suspend temporarily or shut down permanently any service center that poses a risk to the University's reputation or has the potential to reflect adversely on future grant proposals.

RELATED POLICIES, PROCEDURES AND TOOLS

Code of Federal Regulations
2 CFR 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards

USF Auxiliary Guidelines
https://www.usf.edu/business-finance/controller/documents/usfauxiliaryguidelines.docx

USF Cost Accounting Standards Board Disclosure Statement (DS-2), 2007
Cost Accounting Standards DS-2-Statement.pdf

USF Educational and Business Activity (EBA) Business Plan
https://www.usf.edu/business-finance/controller/documents/ebabusinessplan.doc

USF Educational and Business Activity (EBA) Process
https://www.usf.edu/business-finance/controller/documents/ebaprocesses.docx

USF Schedule of Business Activities
https://www.usf.edu/business-finance/controller/documents/ebaschedule.doc

USF Service Center Operating Guidelines
Service Center Operating Guidelines

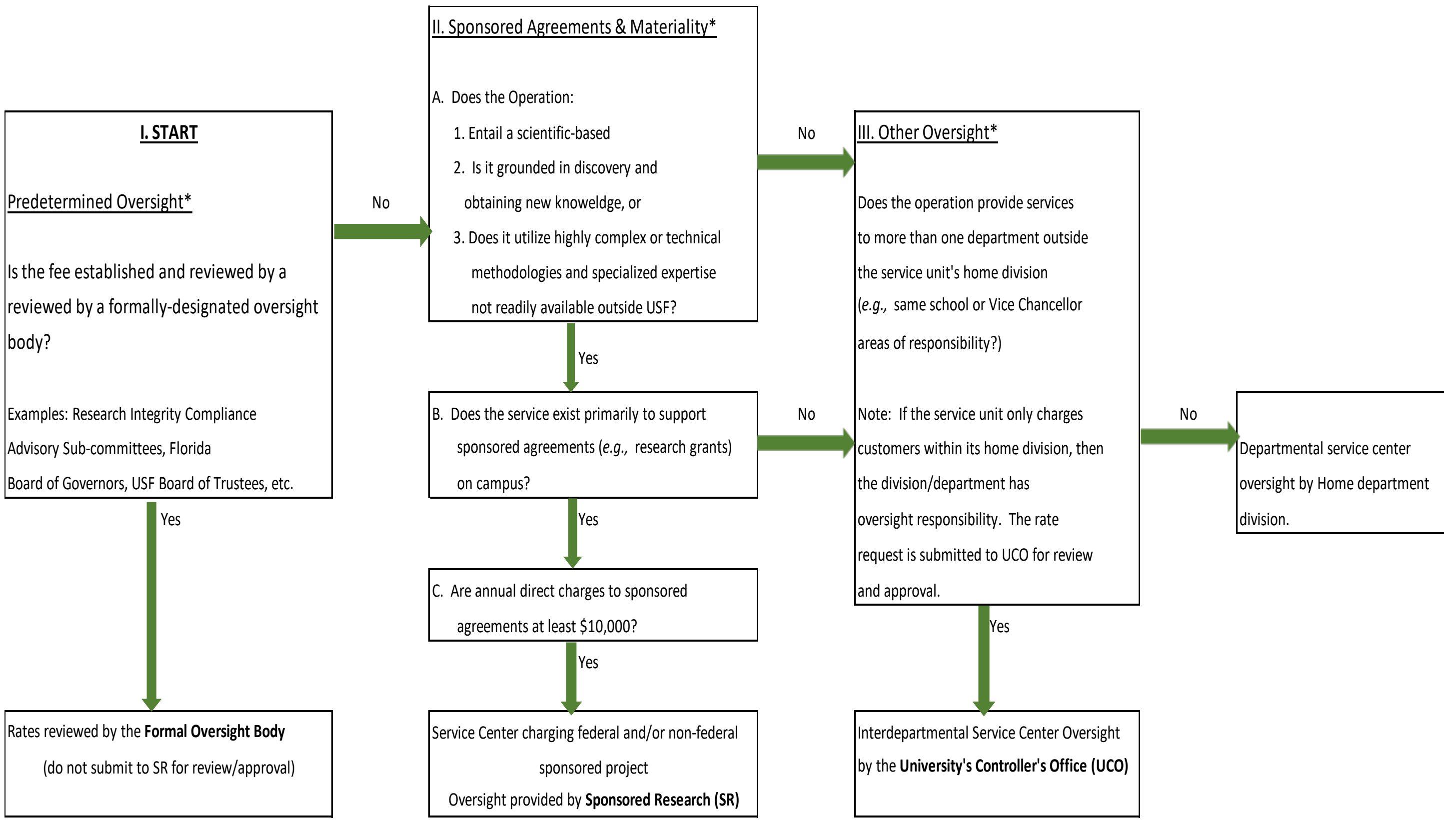
ROLES AND RESPONSIBILITIES

1. The operating unit's leadership, the service center director, along with the service center administrator(s), have the primary responsibility for the management of the service center's financial affairs. Responsibilities include:
    - Ensuring operations comply with all University service center procedures.
    - Ensuring operations comply with University payroll, reimbursement, accounting and personnel policies/practices.
    - Accurate estimating of staffing, operating expenses, service volumes, etc.
    - Completing of rate calculation documents.
    - Submitting documentation to the service center oversight committee for review and approval
    - Annual review of the expenses and income as well as rate and/or budget adjustments
    - Monitoring of fund balances on a regular basis.
    - Ensuring service center personnel charges, supplies, and other expenses are charged to the service center account.
    - Maintain records related to the service center as required by this manual and University policies and procedures.
    - Reviewing services on a regular basis to ensure that the services provided are necessary and are not readily available from outside sources.
    - Ensures billings are accurate, timely and adequately documented.
    - Ensures published billing rates are properly charged.
    - Ensure revenue to cover subsidies for users is transferred to the appropriate service center account quarterly.
    - Monitoring contracts and warranties with external customers.
    - Ensure that all findings or issues identified in audits are mitigated and corrected.

2. Sponsored Research's Compliance unit will review proposals for new service centers as well as perform annual reviews of existing service centers. Compliance will:
    - Act in an advisory capacity to service centers and departments/colleges/centers in reviewing recharge disputes.
    - Act in an advisory capacity for developing service center procedures and updates
    - Review and approve proposals for new service centers.
    - Perform annual reviews of existing service centers. Annual reviews will ensure that the service center meet both business and fiscal expectations.
    - Provide review and feedback on facility use, operations, equipment, and related issues.
    - Follow up to ensure that issues identified in audits are addressed and resolved.

Appendix A

Determination of Fee Oversight Authority



Questions regarding oversight authority are to be directed to RFMCompliance@usf.edu.

Appendix B

Service Center Rate Approval Form

✔ **Annual Renewal- FY ______**

Service Name: ____

Service Rate: ____

SERVICE CENTER OVERSIGHT COMMITTEE

Service Center Oversight Committee Approval:

Name: ____

Title: ____

Date:

Service Center Oversight Committee Approval:

Name: ____

Title: ____

Date:

Service Center Oversight Committee Approval:

Name: ____

Title: ____

Date:

Appendix C

Annual Operating Report Template

(Service Center Name):

Annual Operating Report: FY (XX)

1. Income: (Attach a copy of the revenue summary for the FY to date)

Internal Billings	$
External Billings	$
Total Income	$ -

2. Expenses: (Attach a copy of the ledger for the FY to date)

Salaries	$
Fringe Benefits	$
Materials & Supplies	$
Maintenance & Repairs	$
Equipment Depreciation	$
Rentals & Leases	$
Travel & Conferences	$
Purchased services/professional fees	$
Other:	$
Total Expenses	$

3. Net Operating Surplus/Deficit
4. Subsidy (if applicable)
5. Are updates needed to the annual budget for the next FY Y ☐ N ☐
   If yes, please attach an updated Service Center Annual Budget and Billing Rate Form.
6. Are updates needed to billing rate(s) for the next FY Y ☐ N ☐
   If yes, please attach an updated Service Center Annual Budget and Billing Rate Form.
7. Are annual budget updates needed due to changes in the methods used for calculating cost components? Y ☐ N ☐
   If yes, please attach an updated Service Center Annual Budget and Billing Rate Form.

8. Are updates needed to the Service Center Business Plan for the next FY? Y ☐ N ☐
   If yes, please attach an updated Service Center Business Plan.

Service Center Operating Account Number:

Guarantee Account Number Signature

Contact Person:

Position/Title:

Email:

Address/Telephone:

Date Submitted:

Appendix D

Frequently Asked Questions

1. Are operating units allowed to bill different rates to different users?

   A different rate may be established for external non-University users than the rate applied to internal users. Billing rates established for internal users must be consistently applied to all internal users. Billing rates established for external users must be applied to external users consistently. Please note that federal guidelines do not allow grants and contracts to be charged a higher rate than any other internal or external users.

2. How often should service center rates be reviewed by the operating unit?

   Institutional policy and best practices dictate that the operating unit must review actual costs and rates at least annually, based on the University's fiscal year.

3. Is it permissible for the operating unit to include the cost of equipment in its billing rate?

   The total cost of the equipment purchased cannot be included in its entirety in the year it was purchased when calculating service center billing rates. However, the cost of equipment can be included in the rate as depreciation. Please note that equipment purchased by federally-sponsored programs cannot be included in billing rates.

4. Does the billing rate calculation have to be done using the standardized template provided in the Research Service Center Guidelines housed on Sponsored Research's website?

   No, however, the same information and level of detail should be included in whatever template is used by the operating unit and it should contain sufficient detail to facilitate an audit trail.

5. How long do I have to keep my service center records?

   Although federal guidelines mandate that original service center records such as, actual costs, units of service provided, billings, collections, and annual surpluses/deficits, etc. must be retained for three years from the end of the fiscal year covered by the calculations, operating units must adhere to USF's record retention policy and CCHIP 007 CCHIP 007 Retention Requirements.pdf. Note that some documentation pertaining to sales tax documents must be retained for six years.

6. Is it permissible for the operating unit to transfer money out of its service center when there is a surplus?

   No, this not permissible. If there is an operating surplus in excess of 3 months of operating expenses, during the annual review, the budget should be reviewed to determine whether a rate reduction is necessary and the surplus must be included in a revised annual rate calculation.

7. Where do the federal guidelines come from that govern service centers?

   They come from the federal requirements set forth in 2 CFR 200, Uniform Guidance, this CFR is issued by the Office of Management and Budget (OMB) and is referenced in the University's service center policy at Service Center Operating Guidelines. See 2 C.F.R. §200.334 for the record retention requirements and § 200.469 regarding specialized service facilities.