



MEMO

May 30, 2019

Dear Campus Faculty and Staff,

To establish clear and consistent guidelines and principles around service center operations that accept federal grant and contract money for services, I am providing this memo to ensure that UO service centers are meeting federal requirements for cost principles. This guidance will apply to all shared service operations (Service Center or Income and Expense accounts) that accept federal dollars in exchange for services. It is not the intent of the guide to offer “best practices” for the management of shared service operations, but rather to outline and define regulatory and institutional policies for compliance issues.

Service center definition: A service center is a facility, center, operation, function, or activity whose output is measurable on a workload or other quantitative basis and the costs associated with these activities are separately accounted for and charged to users in proportion to services rendered. The primary purpose of a service center is to provide specific services to the UO community, although services may be provided to external users.

Research Core Facilities (RCFs): RCFs are OVPRI-affiliated service centers. They provide shared access to research instrumentation and services to the broader research community. The primary purpose of RCFs is to support and advance the research and training missions of the university’s researchers.

Service centers in other units: There are other facilities on campus that accept federal funding that do not report directly to the OVPRI. This memo applies to them as well.

Accounting/invoicing: Service centers will collect user fees only for allowable direct costs, not those captured by Facilities and Administration (F&A) costs. Services must at least be billed on a monthly basis after the service has been rendered; pre-payments are not allowable. Billings must occur at least five working days before the close of each period to ensure timely posting to Banner (e.g., the 25th of each month). The center will operate on the same fiscal year as UO: July 1 through June 30. Centers should handle year-end billings consistently each year, to ensure that twelve months of revenue are associated with twelve months of incurred costs.

Unit of recharge: Costs for services must be based on a measurable recharge unit. Unallowable units are those that are not based on a specific, measurable metric of usage (e.g. subscription-type services). Further guidance and examples of allowable and unallowable costs are provided below. The examples in the table are not an exhaustive list. Please contact vpri@uoregon.edu with specific questions.

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Guidance concerning allowable and unallowable costs:

- Costs should be reasonable and necessary for the proper and efficient operation of the service center.
- Costs should be consistent with federal, state, and UO policies and generally accepted accounting principles.
- Costs should be consistently applied (i.e., a cost may not be treated as direct in one instance and a similar cost in a similar circumstance treated as indirect in another instance).
- Costs should be properly allocable.
- Costs should be allowable under provisions of [Subpart E of the Uniform Guidance](#).
- Examples of costs typically included in billing rates are: salaries/wages, OPE, services & supplies, travel.
- Unallowable costs (see section below) may not be included in the billing rates.

Allowable billable units
Labor or machine hour
CPU or per rack unit
Daily Rate
Per test, slide, cup

Things that cannot be billed
Advertising
Alcohol
Bad debt
Entertainment/fund raising
Debt repayment for capital (on internal rates)

Rate setting and costing principles: All service centers must undergo a yearly costing/rate-setting process. User fees must be based on actual costs and actual usage. Rates charged to internal users must be consistent, and all users must be billed for services received. “Consistent” means that all similarly situated users are charged the same rate for the same level of services or products purchased in the same circumstances. Therefore, rates should not differentiate between UO users (which includes federal and non-federally sponsored projects). The federal government does not prohibit charging external users a higher rate than that charged to internal users, and state regulations typically require that a higher rate be charged to external users.

- Written documentation of how rates were determined must be reviewable at the request of the OVPRI.
- Rate setting should follow the **one service, one rate** principle for internal users. All internal users of a particular service must be charged the same rate. There should be one rate for internal users and one rate for external users. No one may receive discounted rates for the same service. Rates may not be waived for any users and costs may not be waived to use in order to meet cost sharing or matching requirements. The federal government will demand the cheapest available rate for any service and levy penalties if overcharged.
- External rates must:
 - Cover full cost of providing the service without institutional support (i.e. OVPRI subsidy and RCBS support cannot help offset external rate). UO may not subsidize private/commercial businesses.

- Capture at least full F&A (currently 47.5%). External rates apply based on the accounting org, not investigator affiliation.
- Cannot be lower than 'market rate' (creating unfair competition or undercut Oregon businesses).
- Treat all users who meet particular criteria equally. For example, special use of special rates, such as for high volume work, is allowed, but these rates must be equally available to all users who meet the criteria.
- Special rates, (e.g. internal rates) may only be charged to other Oregon universities if there is a MOU in place signed by the Vice President for Research and Innovation expressly authorizing the charging of these special rates.
- **Caveat:** Subsidy from a non-grant source can be used to pay for services (e.g., OVPRI internal ICC funds can pay complete or partial access for junior faculty as part of a start-up package).

Break-even (revenues equal expenses/costs): Centers should target break-even results through budgeting and rate setting, even though revenues and expenses do not typically exactly match. Appendix V section G2 of the Uniform Guidance states that working capital should not exceed 60 calendar days' cash expenses.

Options for corrective actions for a *deficit*:

- 1) Billing rates may be increased to a level that will recover the deficit amount over a defined time frame from a customer base, consistent with the activity that generated the deficit.
- 2) Operating costs (supplies, personnel, etc.) may be reduced to a level that will resolve the deficit over a defined time frame and/or reflect the current customer base demands for services.
- 3) Funds from other non-sponsored accounts within the department/college or centers and institutes may be used as a subsidy to resolve the deficit.
- 4) The activity can be ended and the fund can be closed. The department or college will identify an account(s) to fund the remaining deficit.

Options for corrective actions for projected deficit:

- 1) If the working capital deficit is equal to 5% or less, rates must be increased and/or a transfer made from other sources, or if the deficit is greater than 5%, a transfer must be made before year-end to bring the deficit within 5% of 60 days' expenses and the rates increased according to procedure.
- 2) If a transfer in is recorded, there needs to be a corresponding increase to contributed capital, account code D0050, and a decrease to fund balance, account code D0010 in the amount of the transfer.

Any exception to these actions requires a written workout plan approved by the service center's responsible Vice President/Dean, as well as the Vice President for Finance and Administration.

Options for corrective actions for a *surplus*: Billing rates may be decreased to a level that will return the surplus amount over a defined time frame to a customer base, consistent with the activity that generated the surplus. However, any institutional subsidy should not factor into the definition of a surplus.

Depreciation/equipment reserves: User fees cannot support equipment reserve accounts. When OVPRI subsidizes RCFs, subsidy funds may be used to save for equipment, if they are not needed to bring the service center out of deficit each year. There is otherwise currently no mechanism for depreciation in a RCF at the UO.

Multi-service cores: One service center cannot support another financially; however, related services may be bundled, and costs may be spread across subcomponents of a central core that provides related services.

Core processes: All service centers that accept federal dollars must follow OVPRI guidance and processes and seek yearly review of associated documents. OVPRI may provide a subsidy to facilities that are critical to the research mission and contribute significant F&A to the University.

Our interpretation of rules is informed by the following references:

<https://www.grants.gov/learn-grants/grant-policies/omb-uniform-guidance-2014.html>
https://grants.nih.gov/grants/policy/nihgps_2012/nihgps_ch3.htm#terms_conditions_overview
<https://grants.nih.gov/grants/guide/notice-files/not-od-13-053.html>

This information will be posted and updated here: <https://rcf.uoregon.edu/>

I look forward to continuing our work with our faculty and staff on sustaining and growing our excellent research facilities.

Sincerely,

A handwritten signature in black ink, appearing to read "David Conover". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Conover
Vice President for Research and Innovation