

# Research Service Centers

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**UNC SYMPOSIUM**

*for*

**RESEARCH ADMINISTRATORS**

# Objectives

- Understand the following:
  - Definitions and Types of Service Centers at UNC-CH
  - UNC-CH Operating Standards and Federal Guidelines
  - Establishing a New Research Service Center (RSC)
  - RSC Recharge Rate Development Overview
  - Approval and Application of RSC Rates
  - Work for External Customers
  - When Should RSC Rates be Reviewed?
  - Roles and Responsibilities

# *Definitions and Types of Service Centers at UNC-CH*



RESEARCH SERVICE CENTERS

## RESEARCH SERVICE CENTERS

# What is a Research 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.”

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# Types of Service Centers at UNC-CH

- **Specialized Service Center**

Fees reviewed and established by a Formal Oversight Body. Example: DCM Oversight Committee

- **Research Service Center (RSC)**

Oversight provided by Office of Sponsored Research (OSR)-Cost Analysis and Compliance for service centers established to support sponsored research

- **Interdepartmental Fees & Charges (IF&C)**

The IF&C Committee has oversight of non-RSCs that provide services to more than one department outside of home division

- **Departmental Service Center**

Division/department has oversight if service unit charges only customers within its home division

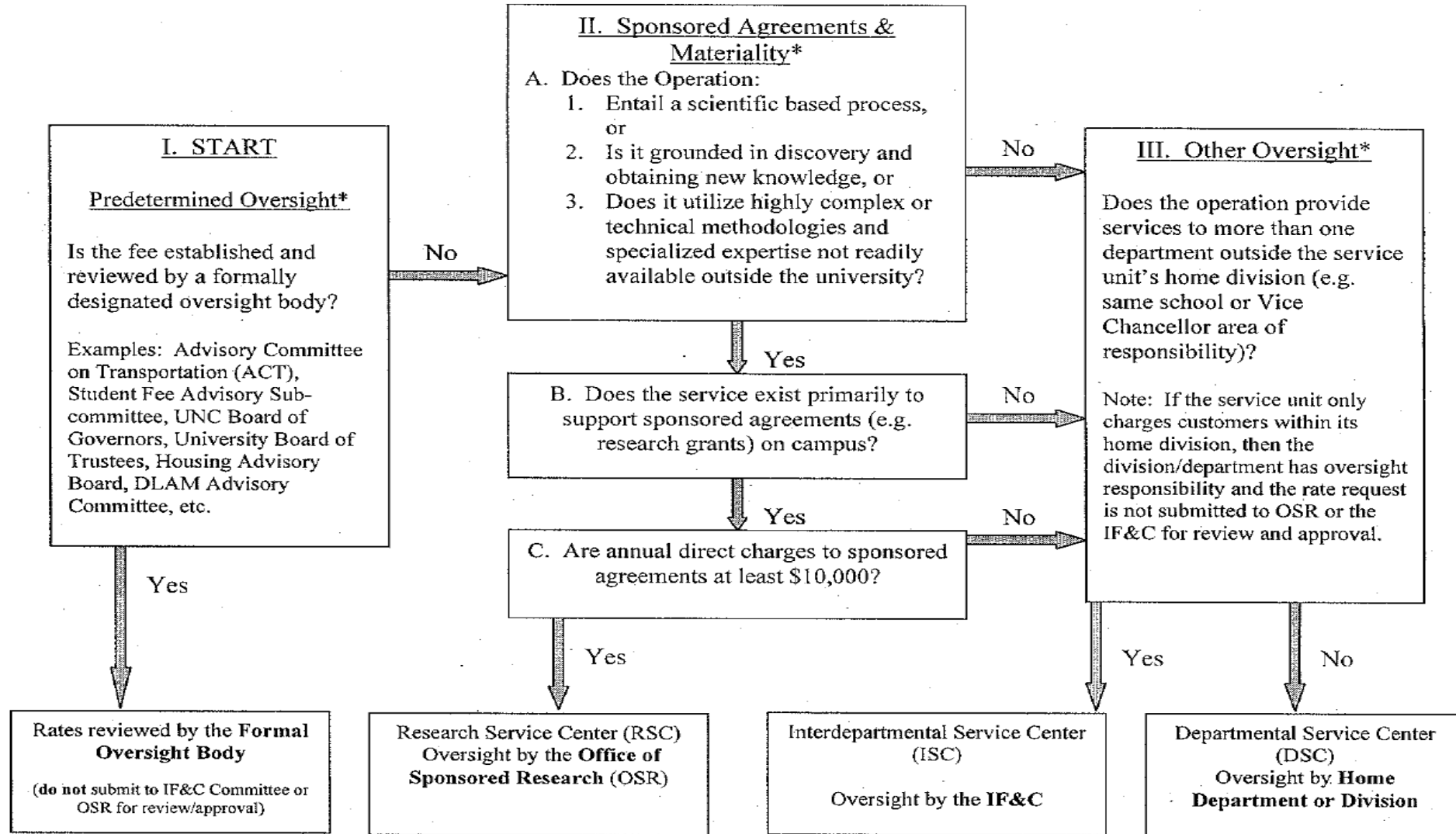
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# How is oversight determined?

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:

[http://finance.unc.edu/files/2012/11/interdept\\_fees\\_chgs.pdf](http://finance.unc.edu/files/2012/11/interdept_fees_chgs.pdf)

## Determination of Fee Oversight Authority\*



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



# *UNC Operating Standards and Federal Guidelines*



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## RESEARCH SERVICE CENTERS

# OSR Operating Standards

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

- Research Service Center Operating Standard 900.01
- Research Service Center 900.01, Procedure 1
- RSC Rate Development Worksheets

The website is located at:

<https://research.unc.edu/sponsored-research/resources/#rscRSC>

## RESEARCH SERVICE CENTERS

# 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](http://grants1.nih.gov/grants/policy/core_facilities_faqs.htm) or  
[https://grants.nih.gov/faqs#/core\\_facilities.htm](https://grants.nih.gov/faqs#/core_facilities.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

- 2 CFR Part 200 (Uniform Guidance) – Subpart E – Cost Principles
- 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)

# *Establishing a New Research Service Center (RSC)*



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# 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.
- To provide a mechanism for capturing the cost of providing services or goods and to distribute that cost to the University users.
- Bring in revenue to pay for the expense of providing the desired equipment or service.

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# Establishing a New RSC

- 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 approval from appropriate Management Center, if necessary (SOM: Office of Research Technologies).
- Obtain rate approvals from OSR-Cost Analysis and Compliance prior to using calculated recharge rate.

# *RSC Recharge Rate Development Overview*



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# RSC Recharge Rate Development Overview

- 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 guidelines and University operating standards.
- RSC rates charged should be designed to achieve a break-even over a long-term period (usually two years).

# Allowable Costs

- Salaries, wages, fringe benefits of personnel commensurate with effort expended
- Lab supplies and materials (not office supplies)
- Maintenance/service contracts
- Subcontracts
- Outside services
- RSC staff training

# Unallowable Costs

- 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

# Other Unallowable Items

- Using RSC operating Chartfield Strings as the **Cost Sharing** source for a sponsored project is not allowable.
- **The RSC cannot be the source to fund any expense other than the operations of the RSC.**

## Also:

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

# Capital Equipment and Depreciation

However, the RSC recharge rates can include depreciation on the capital equipment used in the RSC's operations.

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-CH's asset management policies
- 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 and Compliance to review and verify the equipment reserve amount is available and obtain approval for purchase.
- **Important: Depreciation on capital equipment purchased with Federal funds must be excluded from the RSC recharge rate calculation.**

## RSC Operating Fund Balance

- 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 Rate Calculation Worksheets

**Will assist in the calculation of the appropriate rate(s) for the RSC. The worksheets will document the following:**

- A RSC recharge rate calculation for each individual service line that is being recharged
- Estimated units (hours, samples, etc.) available for each service line that can be billable to customers
- Major expense categories to allow for the review of allowable and identification of unallowable costs
- Fund balance surplus/deficit amounts incorporated into rate calculations
- Subsidies provided in support of the RSC operations and impact on rate calculations



# RSC Rate Summary

- 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**

# *Approval and Application of RSC Rates*



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## RESEARCH SERVICE CENTERS

# 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 and Compliance for approval.
- **All RSC recharge rates must be approved by the Director, OSR-Cost Analysis and Compliance 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 RSC expenditures
- **Advanced billing for services or products is not allowable**
- **Rates based upon flat fees per year or a percentage of salary expense that do not relate directly to actual usage are not compliant with federal Cost Accounting Standards (CAS) and are not allowable**

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# 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-CH.
- This includes UNC Hospitals, UNC System, other institutions of higher education, state and local governments, non-profit and commercial organizations.

### 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 55.5%).
- May also be based on the market, provided market rates **exceed** the direct cost rate plus F&A minimum requirement.

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# 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
- community relations issues

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

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

# *When Should RSC Rates be Reviewed?*



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## RESEARCH SERVICE CENTERS

# 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 and Compliance (Federal guideline).**
- **Plan underway to assign each RSC to a specific quarter during a two-year cycle to facilitate compliance with the two-year Federal review 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 and Compliance is required whenever an RSC rate is added, revised, or deleted. In most cases requests for such changes should include an updated business plan and a new rate development worksheet.



# *Roles and Responsibilities*



RESEARCH SERVICE CENTERS

# RSC Operational Management

- Determine the proper rate development methodology incorporating historical data, projected data, or both.
- 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 Operational 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.
- Monitor operational Chartfield to ensure that unallowable costs are not charged to RSC.
- 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-CH's federal cognizant agency, the Department of Health and Human Services.
- During latest NSF audit a number of RSC charges on NSF awards were sampled by the NSF Office of Inspector General's audit representatives.

### Items reviewed included:

- Was current approved RSC rate used and applied properly for transaction
- Did documentation (ex: invoice to customer) support amount charged

# CONTACT US

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