

Recharge Centers and Specialized Service Facilities: Policy

Policy Sections

- **Policy Statement**
- **Reason for Policy**
- **Who Should Know This Policy**
- **Contacts**
- **Applicable WMC Policies**
- **Applicable Federal Regulations & Criteria**
- **Recharge Center Operations and Specialized Service Facilities at WMC**
- **Roles & Responsibilities**
- **Procedures**
- **Forms/Instructions**
- **Appendix**

Last Revised: July 2006

Responsible College Officer

Associate Dean, Research Administration

Responsible Office

Research and Sponsored Programs

Policy Statement

This policy covers the operation and conduct of recharge centers and specialized service facilities. The Weill Medical College of Cornell University's (WMC) recharge operations recover some or all of the costs of their products and services through user fees, subject to the requirements outlined in this policy. The costs of providing goods or services are recharged to users, including federally sponsored projects, based on established billing rates and actual usage of services.

Reason for Policy

This policy provides information and guidance on the allowability of interdepartmental charging for goods and services. Regulations issued by the Department of Health and Human Services (DHHS), and the Office of Management and Budget (OMB) Circular A-21 establish cost accounting standards that must be followed for consistency in accounting and costing practices. As a recipient of federal research funding, WMC is required to follow the cost principles outlined in these regulations.

Who Should Know This Policy

- Dean
- Senior Administration – Vice Provosts, Associate Deans
- Director, Department Chair, Division Head
- Faculty
- Departmental/Divisional Administrators
- Finance Personnel – Indirect Cost, Research Accounting, Accounting Services
- Grants & Contracts Personnel
- Research Compliance Personnel
- Research Integrity Personnel

- All Employees
- Information Technology Personnel
- Human Resources Personnel
- Students

Contacts

| Subject | Contact | Phone | Email |
|--|----------------------|----------------|--|
| Policy and Core Facility questions | Harry Lander | (212) 746-5979 | hmlander@med.cornell.edu |
| Finance procedure questions | Kevin McGrath | (212) 680-7125 | kjmcgra@med.cornell.edu |
| Indirect Cost procedure questions | Richard Weisenmuller | (212) 680-7126 | rjweisen@med.cornell.edu |
| Institutional research compliance issues | Barbara Pifel | (212) 821-0722 | blp2001@med.cornell.edu |

Applicable WMC Policies

- Charging of Direct Costs to Sponsored Projects: Policy
- Cost Transfers on Sponsored Projects: Policy

Applicable Federal Regulations & Criteria

The College must comply with the OMB Circular A-21, Cost Principles for Educational Institutions and Cost Accounting Standards, as it pertains to recharge centers and specialized service facilities. Compliance with A-21 is implicit in this policy.

The Cost Accounting Standards define service centers as either recharge centers or specialized service facilities. Further guidance on specialized service facilities is provided in section J.47 of OMB Circular A-21. It states:

- “a. The costs of services provided by highly complex or specialized facilities operated by the institution, such as computers, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either subsection 47.b. or 47.c.
- b. The cost of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:
 - (1) does not discriminate against federally supported activities of the institution, including usage by the institution for internal purposes, and
 - (2) is designed to recover only the aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of Facilities and Administrative (F&A) costs. Rates shall be adjusted at least biennially, and shall take into consideration over/under applied costs of the previous period(s).
- c. Where the costs incurred for a service are not material, they may be allocated as F&A costs.

- d. Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the institution to establish alternative costing arrangements, such arrangements may be worked out with the cognizant Federal agency.”

Recharge Center and Specialized Service Facility Operations at WMC

Introduction and Definition

Recharge centers and specialized service facilities are organizational units or activities that provide goods or services primarily to internal university operations and secondarily to external users, and charge the users for these services. Academic and administrative offices may engage in the direct sale of goods or services only when those goods or services are directly and substantially related to the mission of WMC. In some instances, centers are established to provide specialized services to a few users, such as animal care facilities. In other instances, recharge centers are used as a means to provide commonly used goods or services. These centers typically include telecommunications, computer centers, supply stores, and other services. When the terms recharge operation or recharge activity are used in this policy, they are referring to recharge centers, service centers, core facilities, or specialized service facilities, collectively. Refer to Appendix A for definitions of recharge centers and specialized service facilities.

When charging for goods or services provided to other departments, the rates charged shall be calculated consistently with the costing standards set forth in this policy. The following is a summary of WMC's key principles governing recharge center and specialized service facility operations:

1. When establishing a recharge center or specialized service facility, a proposal outlining the billing process and user fee rates must be reviewed and approved by the Indirect Cost Office and the Associate Dean of Research Administration. All subsequent changes must also be reviewed and approved by the Indirect Cost Office and the Associate Dean of Research Administration. All user fees for recharge centers and specialized service facilities must be approved annually.
2. Per Federal regulations, all user fees are to be calculated in such a manner to recover no more than the cost of the goods or services being provided.
3. User fees are to be calculated in such a manner to ensure that a proportionate share of allowable costs is allocated to all users, and they are applied consistently. No cost may be shifted from one user to another.
4. An operating surplus or deficit must be reflected in an adjustment to future user fees. Normally such an adjustment is made annually. Under no circumstances may you transfer an operating surplus out of the recharge center or specialized service facility account to subsidize other activities.
5. WMC includes general facilities and administrative (F&A) costs in the rate calculations for specialized service facilities but not for recharge centers.

In certain circumstances, WMC may want to charge non-Federal users more than the cost-based rate. In these circumstances, please contact the Indirect Cost Office for assistance.

WMC Facilities

WMC operates and supports numerous centralized Research Core Facilities, directed by MD and/or PhD scientists and staffed by experienced technical personnel, which provide the scientific and technical infrastructure in support of WMC translational and basic science programs. These Core Facilities are established as recharge centers. The facilities include: 1) Biostatistics and Research Methodology; 2) Cell Screening; 3) Citigroup Biomedical Imaging Center; 4) Computational Genomics; 5) DNA Sequencing; 6) Electron Microscopy; 7) Emergency Freezers; 8) Flow Cytometry; 9) Gene Therapy; 10) Genetically Engineered Mouse Phenotyping; 11) Iodination; 12) Mass Spectrometry; 13) Microarray; 14) Molecular Modeling; 15) Nuclear Magnetic Resonance; 16) Optical Microscopy; 17) Phosphorimaging;

18) Transgenic Mouse; 19) X-ray Crystallography; 20) X-ray Developing; and 21) Synthetic Chemistry Core Facility.

Specialized service facilities at WMC currently include the Research Animal Resource Center.

Other recharge centers that are not established as core facilities or specialized service facilities, yet supply goods or services within WMC, have developed recharge operations or centers and recover costs from its users. An example is the Office of Academic Computing.

Roles & Responsibilities

| Responsibilities | PI | Dept Chair | Vice Provost & Exec Vice Dean | Assoc Dean Research Admin | Finance | Exec Vice Dean for A&F | Core Facility Directors |
|---|----|------------|-------------------------------|---------------------------|---------|------------------------|-------------------------|
| Identify need for core facility, recharge center, or specialized service facility(s) | I | I | O | P | | | |
| Establish "business plan" including resource needs and funding sources | | | | P | S | | |
| Notify appropriate offices (VP, G&C, Finance, etc) that core facility has been established | | | | P | | | |
| Review and approve plan for core facility | | | O / P | S | | I | |
| If recharge activity is involved, develop recharge rates in accordance with A-21 and College policy | | | | O | S | | P |
| Review and approve recharge rates | | | | O | P | | I |
| Monitor recharge center or specialized service facility activity for financial compliance | | | | O | P | | S |
| Identify need to close recharge center or specialized service facility and close it | | | O | P | | | |

| KEY |
|------------------------------|
| P = PRIMARY RESPONSIBILITY |
| S = SECONDARY RESPONSIBILITY |
| O = INSTITUTIONAL OVERSIGHT |
| O - L = LOCAL OVERSIGHT |
| I = PROVIDE INPUT |

Procedures

Recharge Centers and Specialized Service Facilities: Procedures

- Establishing a Recharge Center or Specialized Service Facility
- Submitting Rate Proposals
- Accounts and Billing
- Billing Rate Development General Guidelines
- Billing Rate Development Procedures
- Expenditures/Costs
- Equipment
- Working Capital
- Cost Transfers
- Financial Reporting
- Closing a Recharge Center or Specialized Service Facility

Forms/Instructions

- Recharge Center Calculation Worksheet Example
-

Appendix

Appendix A - Definitions

| Term | Definition |
|--|--|
| Allowable Costs | Costs that are (a) reasonable; (b) allocable to sponsored projects under the principles and methods outlined in OMB Circular A-21; (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items. (OMB Circular A-21, Section C2). |
| Billable Unit | A specified quantity of product from a recharge operation or service facility, such as a copy, an hour of machine time, or an hour of labor, that acts as the basis for the calculation of a billing rate. |
| Billing Rate | The rate used to recover some or all of the cost associated with producing a good or providing a service. The billing rate shall be determined by dividing the federal allowable costs of a particular service or product by the billing units. |
| Capital Equipment | Equipment with a purchase price over \$2,000 and a useful life of at least two years. The purchase cost of a capital item may not be recovered through recharge center rates. However, the depreciation and external interest costs associated with the asset may be recovered in the recharge center rates. |
| Core Facility | An institutional research facility directed by MD and/or PhD scientists and staffed by experienced technical personnel, which provide the scientific and technical infrastructure in support of translational and basic science programs. |
| Cost Transfer | An after-the-fact reallocation of the cost associated with a transaction from one account to another account(s). |
| Deficit | The amount by which an account's expenses exceed its revenues net of any transfers. |
| Depreciation | The systematic allocation of the cost of a long-term tangible capital asset to those accounting periods in which the institution expects to benefit from the use of the asset. |
| DHHS | Department of Health and Human Services; federal cognizant agency. |
| Direct Costs | Costs that can be identified specifically with a particular sponsored project, primarily research, instruction, or service, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. (OMB Circular A-21, Section D1). |
| External User | Also called outside user. Any customer not using a WMC account number for payment. |
| Facilities and Administrative (F&A) Costs | Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (OMB Circular A-21, Section E1). |

| Term | Definition |
|---|---|
| Federal Unallowable Costs | Costs identified as unreimbursable by the federal government in Section J, OMB Circular A-21 or by the specific sponsored project terms and conditions. This term supersedes the term "nonrecoverable cost." |
| Indirect Costs | See <i>Facilities and Administrative (F&A) Costs</i> . |
| Internal User | Also called inside user. Any customer who pays with a WMC account number is considered an internal user. |
| Operating Cost | The total cost of providing goods or services (e.g., supplies, salaries, benefits, and depreciation). |
| Recharge Center (also known as Service Center) | An operating unit that provides goods or services primarily to the academic community for which it recovers some or all of the costs of those goods or services from users. Recharge operations have a separate operating account and must have their billing rates reviewed and approved by Finance annually. Examples of recharge operations may include charges for use of the fax and copy machines, machine shops, analytical services, instrument and computer facilities, and large volume copy operations. |
| Revenue | User fees recovered for providing goods or services. |
| Specialized Service Facility | An entity, as specifically defined in the federal government's OMB Circular A-21, that provides institutional services involving the use of complex or highly specialized services. Specialized Service Facilities are service centers with annual operating budgets exceeding \$1,000,000. Specialized Service Facilities have a separate operating account and must have their billing rates reviewed and approved by Finance annually. There is only one specialized service facility at the College: Research Animal Resource Center. |
| Sponsored Project | An externally funded activity that is separately budgeted and accounted for and governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may be in the forms of grants, contracts, or cooperative agreements for research, instruction, and public service activities. |
| Subsidy | Funding provided to a recharge center or service facility in order to lower the billing rate charged to all customers for a given product or service. The subsidy covers operating deficits that result from the charging of a reduced user fee. |
| Surcharge | Additional amount charged to non-WMC, non-federal users in excess of internal user billing rate. |
| Surplus | The amount by which an account's revenues exceed expenses net of any transfers. |
| User Fee | Also known as <i>Billing Rate</i> . |
| Working Capital | Operating funds available to cover current needs and to maintain reasonable stability in user charges when fluctuations in expenditures occur. Recharge centers may establish and maintain a fund balance for working capital needs not to exceed 60 days of annual operating expenditures. |