# **Research Recharge Service Center Establishment and Maintenance**

**Responsible Officer: Vice President for Research**

**Sponsoring Department: Research Financial Administration**

**For Assistance Contact:** **vprfinance@utsa.edu****, (210) 458-4342**

**Effective Date: March 01, 2016**

**CONTENTS**

* Objective
* Overview
* Responsibilities
* Procedures
	+ Section I. Establishing a Research Recharge Service Center
	+ Section II. Rate Development
	+ Section III. Billing Requirements
	+ Section IV. Fiscal Review
	+ Section IV. Record Retention Requirements
	+ Section VI. Compliance
	+ Section VII. Closing a Service Center
* Accounting Guidelines
	+ Chart of Accounts
	+ Expenditures
	+ Subsidies
* Definitions
* References
* Appendices

**OBJECTIVE**

This purpose of this procedure is to establish a framework for the establishment and maintenance of the University of Texas at San Antonio (UTSA) research service centers and specialized service facilities (collectively referred to Research Recharge Service Centers or RRSC) to ensure compliance with federal cost principles and consistency in accounting and costing practices. As a recipient of federal funds, UTSA must comply with Federal Code of Regulations Title 2 Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as well as the laws of the State of Texas. Failure to comply with these regulations, if applicable, could result in disallowances of potentially-recoverable costs, as well as additional penalties to UTSA by its sponsors.

This procedure applies to all UTSA employees. This guideline is not applicable to auxiliary enterprises (for information on auxiliary enterprises see [Handbook of Operating Procedures 9.42 - Auxiliary Enterprises](http://utsa.edu/hop/chapter9/9-42.html)), nor is it applicable to institutional service centers such as Telephone Services and Facilities (for additional information on institutional service centers see [Financial Management Operational Guidelines Section 6.2](http://www.utsa.edu/financialaffairs/opguidelines/2.7.2.html)).

**OVERVIEW**

The primary purpose for establishing a Research Recharge Service Center is to enable The University of Texas at San Antonio to charge and recover costs incurred for goods or services used and required in support of sponsored research programs or academic needs. A Research Recharge Service Center can provide services to internal and external users.

Research Recharge Service Centers are established to obtain operational efficiencies, eliminate duplication of effort, and provide access to specialized services and/or products. Departments are encouraged to utilize existing Research Recharge Service Centers before requesting to establish a new Research Recharge Service Center.

**RESPONSIBILITIES**

**Research Recharge Service Center Director**

* Ensures the RRSC is operated, monitored, and accounted for in accordance with all applicable university policies, procedures, state and federal guidelines, and with sound costing principles.
* Follows the rate setting, documentation, and billing requirements outlined in this procedure.
* Provides the services of the RRSC to the university community in a consistent and non-biased basis.

**Research Core Advisory Committee**

* Reviews requests for the establishment and closure of RRSC’s that adhere to the requirements set forth in this procedure and related policy.
* Assists in establishing rates in accordance with 2 CFR Part 200 and UTSA policy.
* Reviews the RRSC’s operations, considers institutional strategy and existing resources and coordinates with administration any issues that arise.

**Research Financial Administration**

* Ensures the RRSC is operated, monitored, and accounted for in accordance with all applicable university policies, procedures, state and federal guidelines, and with sound costing principles.
* Requests new cost centers be established for each RRSC. Additional cost centers may be required to track all activity of the RRSC, including outside revenue and subsidies.
* Provides rate setting guidance.
* Processes monthly billings based on documented billing events provided by RRSC’s.
* Collaborates with the Budget Office annually to perform budget reviews during the spring budget submission and fiscal year end (FYE) balance justifications.

**Office of Accounting Services**

* Establishes new cost centers with the necessary combo edits as requested by Research Financial Administration.
* Processes Interdepartmental Transfers for RRSC internal user billings as requested by Research Financial Administration.

**PROCEDURES**

 **Section I. Establishing a Research Recharge Service Center**

1. Requests to establish new RRSC’s should be submitted on the Research Recharge Service Center Information Sheet (Appendix A) to the Director, Research Financial Administration, who will verify all required information is included. The Director will then submit the request to the UTSA Research Core Advisory Committee for review.
2. For a RRSC to be approved, it should:

	1. Support the mission and research goals of the university by enhancing the research infrastructure necessary to promote areas of research excellence. Services provided are required and play a significant role in the fulfillment of the university's educational, research, public service, and support functions, without regard to profit.
	2. Be primarily for UTSA internal users.
	3. Provide goods and services in demand by multiple users. Activities of the RRSC do not interfere with normal department functions and are ongoing and not a one-time distribution of expenses.
	4. Obtain operational efficiencies, eliminate duplication of effort or redundant services, or result in an overall cost reduction or decline in excess capacity.
	5. Provide services at a reasonable cost to the university and cannot be provided conveniently, adequately, or economically by another RRSC or external entity.
	6. Be able to recover the majority of its costs through fees. The rates are structured to break-even annually and are based on actual or historical costs.
	7. Be cost effective to perform the services internally.
3. RRSC’s may sell goods or services to external users only when those goods or services are directly related to UTSA’s mission.
4. All users, both internal and external, must be accommodated on a first come, first serve basis unless otherwise stated in the approved business plan.
5. All RRSC rates must be approved and published on a university website.

**Section II. Rate Development**

1. All users, both internal and external, must be charged for the goods and services they receive based on their actual usage. RRSC rates charged to UTSA internal users shall recover no more than the federally-allowable cost of the services provided. Rates charged to other Texas Public University users may not exceed the internal user rate plus UTSA’s fully loaded F&A rate. Rates charged to other external users should consist of at least the internal user rate plus UTSA's fully loaded F&A rate. Rates above this are encouraged for other external users but may require further review related to unrelated business income.
2. Rates may be structured on a collaborative basis if such an agreement exists between UTSA and an external college, university, federal agency, or other entity. Collaborator rates must be fully documented and must be included as part of a proposal package or other collaborative or consortium agreement. The collaborative rate structure is negotiated on a case-by-case basis and allows users to receive the same rates applicable to internal users. To offer collaborative rates, a RRSC must provide a copy of the collaborative agreement showing the name of the sponsoring entity, sponsored project name, cost center and/or Project ID, and names of all Principal Investigators (PIs) and entities included in the collaborative sponsored project. In addition, the RRSC must provide the scope of work detailing the usage of the RRSC within the collaborative sponsored project.
3. RRSC rates must be calculated for distinctive types of goods/services and be based on a measurable unit of service, such as volume, hours, etc. Separate rates shall be established for each class of goods or services provided. Usage must be calculated for all users to ensure they recover only the actual cost of providing the good or service over the long-term. Rates must not discriminate against federally-funded activities, and costs may not be shifted from one user to another. Estimated rates may only be used in the first year of service.
4. Rates developed for Specialized Service Facilities have additional costing implications and must be coordinated with the Office of Accounting Services to ensure that their costs are appropriately captured in UTSA's F&A rate calculation. Specialized service center rates are expected to include the service center's allocable share of the facilities portion of F&A costs. Rates for UTSA's Laboratory Animal Care Facility, a unique type of specialized service facility, must be calculated in a manner consistent with the Cost Analysis and Rate Setting Manual for Animal Research Facilities, published by the National Center for Research Resources.
5. The RRSC Director, in conjunction with a representative from Research Financial Administration, will establish rates, in accordance with 2 CFR Part 200 and UTSA policy.
6. RRSC rates should consist of all identified allowable costs of operating the RRSC, including the costs specific to providing the service (direct costs), as well as the costs incurred by the center to support its overall operation (support costs). All costs must be reasonable, allowable, allocable and consistently treated. Allowable costs include but are not limited to:
	1. Salaries, wages, fringe benefits
	2. Materials and supplies
	3. Equipment lease or rental
	4. Equipment maintenance contracts/repairs
	5. Postage and telephone
	6. Non-capitalized equipment (unit cost less than $5,000)
	7. Travel expenses related to RRSC business
7. RRSC rates must NOT include unallowable costs or costs that are already recovered through UTSA’s Facilities & Administrative (F&A) cost rate.

	1. **Unallowable Costs** - Costs identified in 2 CFR Part 200 as unallowable. Typical unallowable costs include but are not limited to:
		1. Advertising and public relations costs
		2. Alcoholic beverages
		3. Bad debts or uncollected billings
		4. Contingency provisions
		5. Cost of equipment $5,000 or greater per item
		6. Entertainment costs
		7. Fines and penalties
		8. Goods/services for personal use
		9. Insurance and indemnification
		10. Memberships, subscriptions and professional activity costs of a social or individual nature
		11. Selling and marketing costs
	2. **Facilities and Administrative Costs** - Costs that are already recovered through UTSA's negotiated F&A rate agreement, such as building depreciation, utilities, data processing, and sponsored programs administration costs.
	3. **Equipment Depreciation** - The majority of UTSA’s equipment depreciation is recovered through its Facilities and Administrative cost rate and should not be recovered through RRSC rates. RRSC’s should continue to request capital equipment items through the institutional capital equipment process and exclude the cost of the equipment as well as the annual depreciation from the rates. Exceptions will be made for specialized service centers, whose facility costs cannot be recovered through the F&A rate.

**Section III. Billing Requirements**

1. Users must be billed once services are rendered and no more than three months after services are provided. Internal users shall not be billed in advance for goods not received or services that have not been provided.
2. All users must be charged the published rates. Multiple funding sources may be identified by a user in order to fund the charges. All internal users must be charged the same rate for a given service while rates charged to external users may be higher than the internal rates but may not be lower.
3. RRSC’s are expected to verify, approve, and provide billing event data to Research Financial Administration on a monthly basis. Research Financial Administration will process billings to all internal and external users for the goods or services received at the appropriate (internal or external) rate.
4. All invoices must be on UTSA letterhead and include the following information (Appendix C):
	1. Name and address of customer
	2. Dates goods and/or services were provided
	3. Description of goods and/or services provided
	4. Rate per good and/or service
	5. Remit to address
	6. Payment detail such as cost center or electronic funds transfer information
5. Invoices to external customers must include sales tax unless the external user provides an exemption certificate or otherwise proves that they are tax exempt. If goods or services are charged to external users at more than cost, the university may have a liability for unrelated business income tax (UBIT), which is paid by the service center. For information on UBIT contact the Office of Financial Services and University Bursar.
6. Payments from internal users are processed through Interdepartmental Transfers (IDTs) by Research Financial Administration based on approved billing event information provided by the RRSC. Invoices should be attached as supporting documentation.
7. Payments received from external users should be deposited within 24 hours of receipt.
8. RRSC’s are responsible for managing all outstanding accounts receivable.

**Section IV. Fiscal Review**

1. Revenues from services charged to users must be annually compared to the actual cost of providing each line of services to ensure that rates are reasonable and have not recovered more than the cost of providing the service.
2. Rates should be adjusted according to the following schedule:

	1. RRSC’s may maintain their rates if their cumulative surpluses or deficits for a given year are within the break-even range of 2 months of working capital.
	2. Surpluses or deficits exceeding 2 months of working capital must be carried forward and used to adjust the billing rates in the following period.
3. Surpluses may not be transferred out of the service center or be used to subsidize other service center goods or line of services.
4. If a service center has been subsidized, any surplus gained through the use of modified rates (higher rates charged to external users) may need to be returned to the subsidizer.

**Section V. Record Retention Requirements**

1. All RRSC’s will be responsible for maintaining the financial and customer data necessary to document and support the calculation of the rates for each good or service provided for review and auditing purposes.
2. The following information must be maintained at a minimum in order to properly validate rates:

	1. Documentation showing how each rate was calculated and how billable units are identified and tracked.
	2. The costs incurred by the RRSC to provide each type of service, the revenue associated with each type service, and number of billable units provided by service.
	3. Billing and customer usage information identifying the date the service was provided, the customer name and cost center number or external customer charged for the service, the type and number of units of good or service sold, the rate charged for each service, and the total amount charged per service.
	4. Detailed accounts receivable records showing amount invoiced and amount paid by each customer.
3. All RRSC’s will be required to provide an annual profit and loss statement detailing expense and revenue for the year for each line of services, including all documentation necessary to support rate maintenance or adjustment.

**Section VI. Compliance**

1. Research Financial Administration is responsible for ensuring fiscal compliance of the RRSC’s.
2. The RRSC Director is responsible for following the rate setting, documentation, and billing requirements outlined in this procedure, as well as the approved business plan. If the RRSC does not adhere to these requirements or plan, the status of the RRSC and RRSC Director may be reviewed by the Research Core Advisory Committee.
3. Internal users are required to complete a UTSA Research Recharge Service Center Internal User Project Agreement (Appendix D) unless the goods and/or services requested are processed electronically through UTSA’s iLab software system. Internal users who request goods and/or services from RRSC’s who have implemented iLab must use iLab to process their requests.
4. External users are required to execute UTSA’s Unilateral Agreement (Appendix E). The RRSC is responsible for completing the Scope of Work, Term, and Payment articles. The remaining basic terms of the agreement may not be revised in any way. The Unilateral Agreement must be signed and received by the external user prior to the RRSC beginning any work. External users who wish to request goods and/or services from RRSC’s who have implemented iLab must use UTSA’s iLab software system to process their requests.

**Section VII. Closing a Research Recharge Service Center**

1. A RRSC will be closed if there is no income generated due to lack of demand or need for the services or goods provided, the RRSC becomes too inefficient or costly to operate, or the RRSC department initiates a request to terminate services.

B. The RRSC can request it discontinue operations. The request shall be submitted to Research Financial Administration (email: vprfinance@utsa.edu) and include the planned termination date, reason for discontinuing services, the RRSC’s plan for the resolution of any cost center surplus or deficit, and the planned disposition of capital equipment or remaining inventory.

1. Research Financial Administration shall review and submit termination request to the Research Core Advisory Committee for disposition recommendation.

D. Before closing, the RRSC is responsible for ensuring:

 1. Salary appointments to the RRSC cost center(s) are removed.

 2. Outstanding purchase orders are disencumbered.

 3. Any remaining balances are transferred in accordance with Research Core Advisory Committee recommendation. Generally, surplus balances are retained by the department/college.

**ACCOUNTING GUIDELINES**

**Chart of Accounts**

1. RRSC’s may have multiple cost centers in which to record revenue and expenditures depending upon their customer base.
	1. If 80% or more of income is derived from internal users, a single cost center will be used to record all income and expenditures. The 20% or less derived from external users shall also be recorded in the same cost center.
	2. If income from external users exceeds 20% of total income, a separate cost center will be established to record all income and expenditures from external users only.
		1. A single cost center can be used for multiple external agreements that are less than $5,000 per agreement.
		2. Individual cost centers must be established for each external agreement totaling $5,000 or more.

**Expenditures**

1. RRSC Directors must exercise due prudence to ensure expenses are reasonable, consistently treated, and conform to any limitations or exclusions.
2. All allowable direct and support costs related to the RRSC operations must be recorded in specified cost centers. All shared expenditures shall be allocated on an equitable basis centers.

**Subsidies**

1. Subsidies are additional funds provided by sources other than the recovery of costs from users. They may be in the form of actual fund transfers into the operating cost center or the paying of expenses from non-RRSC cost centers. The most common forms of subsidy will usually include the payment of employees’ salaries, the payment of maintenance and operating expenses, or the purchase of capital equipment from other cost centers.
2. The university may elect to subsidize a RRSC either by charging reduced rates or by choosing not to make adjustments to future billing rates at year-end for deficits. RRSC deficits caused by intentional subsidies cannot be carried forward as adjustments to future billing rates.
3. The university may also elect to subsidize a class of users, such as students, and charge for goods and services at a reduced rate. The discount cannot be achieved through the reduction or elimination of the billing.
4. Subsidies have a significant financial impact on the departments providing the subsidy and on the university as a whole. Commitments need to be held to a minimum.

**DEFINITIONS**

**Allowable Costs**: Costs that are (a) reasonable; (b) allocable to sponsored projects under the principles and methods outlined in 2 CFR Part 200; (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 2 CFR Part 200 or in the sponsored agreement as to types or amounts of cost items.

**Billing Rate**: An amount established to charge for a specific service or good. The billing rate may vary by types of users and/or the service or good. Rates charged to other external users should consist of at least the internal user rate plus UTSA's F&A cost rate.

**Capital Equipment**: Equipment with a useful life of at least one year and an acquisition cost of $5,000 or more. UTSA's capital equipment is generally recovered through its Facilities and Administrative cost rate and should not be included in service center billing rates, except in the case of Specialized Service Centers.

**Depreciation**: The allocation of the cost of an asset over its useful life. Useful lives must be consistent with those identified for other UTSA assets of the same nature.

**Direct Costs**: Costs that can be identified specifically with a particular sponsored project, a research, instruction, or service activity, or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. If a particular type of cost is treated as direct costs on sponsored projects, all costs for the same purpose in like circumstances must be treated as direct.

**External User**: A customer who does not use a UTSA cost center/project ID for payment.

**Facilities and Administrative (F&A, or Indirect) Costs**: Costs that are incurred for common or joint objectives and cannot be specifically identified with a particular sponsored project, instructional activity, service activity, or other institutional activity.

**Fully Loaded Indirect Cost Rate**: UTSA's calculated facilities and administrative cost rate. This rate is available from the Office of Sponsored Projects Administration.

**Internal User**: A customer who pays with a UTSA cost center/project ID.

**Research Recharge Service Center**: An operating unit or cost center that provides research goods or research services to other internal UTSA users for a cost-based fee. Research Recharge Service Centers operate on a break even basis.

**Specialized Service Center**: Service centers that provide highly complex or specialized services. The services provided by specialized service centers are generally used by only a small number of research activities and are not easily available from external providers. The Laboratory Animal Resources Center is a unique type of specialized service center and rates should be calculated according to the Cost Analysis and Rate Setting Manual for Animal Research Facilities, published by the National Center for Research Resources, a component of the National Institutes of Health (NIH).

**Subsidy:** Funds from a source other than funds generated by the RRSC to cover the costs of providing a particular good or service.

**Support Costs**: Costs required to operate a research recharge service center but that are not specifically identifiable to an individual activity or service, such as the salaries and benefits of the RRSC Director, or general supplies or equipment maintenance contracts required to support the service center.

**Unallowable Costs**: Costs identified as non-reimbursable by the federal government in 2 CFR Part 200, or by the specific sponsored project terms and conditions.

**Working Capital**: Operating funds available to cover the current costs of the service center. Service centers are allowed to establish working capital reserves not to exceed 2 months of annual operating expenditures.

**REFERENCES**

[2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

**APPENDICES**

Appendix A – Research Recharge Service Center Information Sheet

Appendix B – Sample Rate Calculation

Appendix C – Sample UTSA Research Recharge Service Center Invoice

Appendix D – UTSA Internal User Project Agreement

Appendix E – UTSA External User Unilateral Agreement

**REVISION HISTORY**

03/01/16 – Published guideline.