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**UNIVERSITY OF MIAMI POLICY AND PROCEDURE MANUAL**

TITLE:	Service Centers Policy	REFERENCE:	New
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APPROVER:	Barbara A. Cole Associate Vice President Office of Research Administration	SUPERSEDES:	New
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**PURPOSE:**

The purpose of this policy is to provide a framework for the fiscal operations of University of Miami's service centers in a manner consistent with requirements set forth in 2 CFR 200, federal and state regulations, as well as agency specific guidelines. Failure to comply with UM's policies and procedures may result in audit findings, suspension of sponsored activities, closer monitoring by the sponsor, delays in final payments, and/or other enforcement actions imposed by the sponsor. This policy applies to all federal and non-federal sponsored activities, including all externally funded clinical trials.

**SCOPE:**

This policy applies to all Federal and non-Federal sponsored activities, including all externally funded clinical trials. This policy applies to all UM personnel, including:

All faculty, including voluntary faculty and courtesy appointments.

- Faculty emeriti engaged as active researchers on UM research activities.
- Researchers, including research staff, postdoctoral fellows, and research associates.
- Graduate students, undergraduate students, and interns involved in research programs.
- Staff in departments, centers, institutes, and administrative offices charged with responsibilities under this policy.
- Consultants, agents, and volunteers associated with research and scholarly activities, as well as in departments and offices charged with responsibilities under this policy.

**POLICY:**

**Establishing a Service Center**

A Service Center should only be established if the service is primarily to the university community. Requests for service centers are reviewed and approved by the UM Core Facility Committee and ORA. Per this policy, ORA is responsible for rate development approval, compliance and fiscal oversight.

To obtain service center designation:

- 1) Submit to ORA:
  - a) A billing rate worksheet ([Service Center Rate Development Template and Instructions](#)).
  - b) A business plan describing services, benefit, target customers, and projected budget.
  
- 2) Following ORA approval of the above, submit to Controller's Office:
  - a) A request to create a designated account with a copy of service center and rate(s) approval ([Controller's Forms](#))
  - b) A request for a new plant reserve if the estimated budget is \$100,000 or greater and depreciation is included in the billing rate(s).

Once created, payroll distributions and purchase orders must reflect account and billing rate.

### **Fiscal Oversight**

Service center activities should be separately accounted for and not commingled with other University activities. Specifically:

1. A separate, designated account must be established for accumulation of direct costs, reimbursements and revenue.
2. The service center administrator is responsible for managing to ensure all related activities are reflected.
3. Service centers should maintain detailed records of annual usage (i.e. number of units provided for each service, number of internal users versus external users) for use in billing rate development.
4. A dedicated plant account should be established for service centers that have at least \$100,000 or greater in annual billings and rates including depreciation.

**Caution:** Depreciation of service center equipment purchased or paid for by the federal government, whether or not the equipment title has reverted to the university, cannot be included in the rate calculation.

### **Billing**

Billing rates are based on actual or reasonable estimates of all allowable cost directly identifiable to providing the service(s) and should be designed to cover the aggregate fiscal year cost of the service center on a breakeven basis. All services provided must be billed to the user at the approved rate and recorded in the operating account.

Charges to all users must be based on actual usage and should be timely, accurate, and documented. Service center rates should be applied consistently to all users. Invoices must specify the name of the service, number of units, and the approved billing rate. Service center accounts must be reconciled by the service center administrator.

If the department subsidizes services to its members, the subsidized usage must be charged to the appropriate department and credited in the service center account. For example, if the rate is \$100 per unit, and a project is charged \$60 per unit, the subsidized difference of \$40 per unit must be charged to the appropriate department and a total credit of \$100 per unit recorded in the service center account. The rate charged, coupled with the corresponding subsidy, must equal the approved rate of \$100 per unit.

Billings of \$5,000 or more must be routed to ORA for approval.

## Review of Service Centers

ORA will conduct annual reviews of the service centers, focusing on the development and charging of billing rates, the handling of surpluses and deficits, and the adequacy of the service center's record keeping procedures. Service centers with annual billings greater than \$75,000, or annual federal billings greater than \$50,000, should submit proposed billing rates to ORA for review and approval no later than March 30th for the following fiscal year activity.

## Billing Rates

- Rates may be established to recover less than full cost when circumstances require it, typically when the deficit is funded by the University due to the high cost of the service.
- Service centers must maintain documentation on rate calculations in compliance with the University record retention policy for Sponsored Programs audit files (*see Related Policies section for link to retention policy*).
- Billing rates must be applied uniformly to all internal users so as not to discriminate against federally funded users. Rates charged to federal sponsored accounts cannot be higher than rates charged to other University accounts or to external users.
- Under no circumstances can external users be charged lower rates than internal users. External rates may include University's F&A (indirect) cost rate for research to recover the associated indirect costs. External industry entities may be charged higher rates that include additional premiums and/or fees, in addition to the University's F&A (indirect) cost rate for research.

A Specialized Service Facility is a type of service center that provides highly complex or specialized services and has annual revenue of at least \$500,000 from Internal Users paying with federally sponsored funds. Specialized Service Facilities can include the allocable share of F&A (indirect) costs in the rate calculation, including:

- Operations and maintenance of space occupied by service center
- Depreciation on space occupied by service center
- External interest in connection with construction or renovation of space occupied by the service center
- General and Administrative allocation of expenses applicable to service center

### Special notes for rate development:

- Except for Specialized Service Facilities, it is not appropriate to include the above indirect costs in rate calculations.
- Depreciation of service center equipment purchased or paid for by the federal government, whether or not the equipment title has reverted to the university, cannot be included in the rate calculation.

## Service Centers That Provide Multiple Services

Where a service center provides different types of services to users, separate billing rates should be established for each service that represents a significant activity of the service center. The costs related to each service must be separately identified through a cost allocation process. Cost allocations also will be needed where a cost partially relates to the operations of a service center and partially to other activities of a department or other organizational unit. Cost allocations are to be made on an equitable basis that reflects the

relative benefits each activity receives from the cost. The revenues, surpluses and deficits should also be separately identified for each service.

### **Operating Surplus**

A surplus is allowable in any given year, but must be included in the calculation of future billing rates. Service centers cannot accumulate a net surplus over a five-year operating cycle. In the event a service center generates a net surplus over a five-year operating cycle, it must pay the surplus back to its users through either a rate reduction or via a credit to the users' accounts. The surplus from one service may be used to offset the deficit from another service only if the mix of users and level of services provided to each group of users is approximately the same. Any amounts charged to external users in excess of the regular internal University billing rates should be excluded from the computation of a service center's surplus for purposes of making carry-forward adjustments to future billing rates, with the following exception: service centers with operating deficits should use any external surplus to offset the deficit.

Surplus funds from service centers cannot generally be used to fund other departmental activities unrelated to the operation of the service center. Resource transfers out of the service center should only occur to transfer revenue associated with premium included in the rates to external users (i.e. revenue charged to external users in excess of the regular internal University billing rates).

### **Operating Deficit and Subsidies**

Any prior year deficits can be carried forward as an adjustment to the billing rate. In some instances, the University or department may elect to subsidize the operations of a service center, either by charging billing rates that are intended to be lower than total costs, or by not making adjustments to future rates for a service center's deficits.

There are also sponsored awards where the purpose of those awards is to fund internal core facilities. Terms and conditions of the award will dictate which internal users receive benefit from this subsidy. Each service center receiving subsidies must develop rate schedules appropriate for each set of users. Users may not benefit from a subsidized rate if they are not in a group that qualifies for a rate subsidy.

### **DEFINITIONS:**

Please refer to UM's Office of Research Administration (ORA) website for a list of acronyms and terms commonly used in sponsored/ research administration grants, contracts, and cooperative agreements: (<http://ora.miami.edu/assets/pdf/ora-policies/glossary.pdf>)

### **PROCEDURE:**

UM personnel are to use [UM's ORA website](#) for guidance on matters pertaining to sponsored activities.

UM personnel are to follow the Standard Operating Procedures (SOP) outlined, as well as utilize the various required forms and templates that have been implemented for the activities related to this policy.

UM personnel should contact the Pre or Post Award staff for consultation if additional information is needed. Contact information can be found on [UM's ORA Contacts Webpage](#).