



Idaho State University

POLICIES AND PROCEDURES

Service Centers and Recharge Operations

ISUPP 7140

POLICY INFORMATION

Policy Section: *Research*

Policy Title: *Service Centers and Recharge Operations*

Responsible Executive (RE): *Vice President for Research and Economic Development*

Sponsoring Organization (SO): *Office of Sponsored Programs*

Effective Date(s): *TBD*

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I. INTRODUCTION

This policy establishes University requirements for the establishment, administration, oversight and discontinuation of Service Centers and Recharge Operations at Idaho State University, including Specialized Service Centers. This policy ensures that University Service Centers and Recharge Operations operate in accordance with all applicable laws and University policies, including training requirements over the life cycle of the Service Center.

II. DEFINITIONS

- A. Adequate Cause. One or more acts or omissions which, singly or in the aggregate, have directly and substantially affected or impaired an employee's performance of his or her professional or assigned duties or the interests of the University or the Idaho State Board of Education. In addition, any conduct seriously prejudicial to the University may constitute Adequate Cause for discipline up to and including dismissal or termination of an employee.
- B. Allowable Costs. Costs that the federal government allows Service Centers to include in internal billing rates and to fund from Service Center accounts.
- C. Auxiliary Service. A self-supporting entity that provides non-instructional support in the form of goods and services for a fee to students, alumni, faculty and staff. The general public may be served incidentally. Auxiliary services are not subject to Service Center policies and will not be reviewed by Grants and Contracts Accounting (GCA).

- D. Award Funds. Specific financial resources distributed by a U.S. government agency, or under sponsored agreements regardless of the sponsor, to the University to support proposed research, educational, or public service projects. These funds are legally restricted to covering the necessary costs outlined in the approved grant proposal.
- E. Billing Rate. The amount charged to Users for services, calculated using Allowable Costs.
- F. Depreciation. The process of allocating the acquisition cost of a capital asset, over its useful life. Depreciation is an artificial construct used to account for how a piece of equipment's use affects the market value of equipment, allowing for the cost of equipment to be spread out over the equipment's useful life.
- G. Designated Personnel. Specific individuals formally authorized by the University to perform sensitive or restricted operational, financial, and compliance duties, which includes Principal Investigators.
- H. Direct Costs. Costs that can be identified specifically with the Service Center's operations. This includes depreciation of Service Center capital equipment and actual expenditures incurred for salaries and wages, employee related expense, operations, and travel, regardless of funding source (i.e. Service Center account or subsidy).
- I. Established Service Center. An operational unit that has completed its startup phase, gained formal University approval by consistently operating in compliance with all laws, regulations, and policies while operating on a break-even basis.
- J. External Users. Any individual or entity not affiliated with the University or acting on behalf of the University that is using neither University funds nor Award funds to pay for services.
- K. Facility and Administrative Rate (F&A). The types of costs that are incurred for common or joint objectives that cannot be identified readily and specifically with a particular Award or an institutional activity as defined in the Uniform Guidance (see, e.g., 2 CFR § 200.56). The University's federally negotiated F&A rate is available on the Purchasing website.
- L. Indirect Costs. Expenses that cannot be easily assigned to a single specific research project but are necessary for the University to conduct research.
- M. Internal Users. Any employee, student, or unit of the University that is utilizing University (or Award) funds or has a University affiliation to pay for services from Service Centers.
- N. Rate Study. A documented methodology used to calculate User fees based on Allowable Costs and projected utilization.
- O. Repair. Work required to keep the equipment functioning as normal with no additional benefits to equipment improvement.

- P. Service Center or Recharge Operations. An organizational unit that primarily supports internal University Users and recovers costs obtained through usage-based charges through User fees.
- Q. Specialized Service Center. A Service Center with highly complex operations or significant capital investment that may recover allocable Facilities and Administrative (F&A) costs consistent with federal guidance. Billing rates for Specialized Service Centers should include Service Center costs, institutional overhead costs, and general administrative costs.
- R. Useful Life (Depreciable life). The time period or units of activity over which time the value of a capital asset is distributed (e.g., years, miles driven for vehicles, etc.) to determine annual depreciation.
- S. User. Any individual, research team, or department that utilizes Service Centers or Recharge Operations within the University community.

III. POLICY STATEMENT

Service Centers are critical University assets that provide access to specialized equipment, technical expertise, and research capabilities not otherwise available at the individual investigator or unit level. Service Centers and Recharge Operations must operate in compliance with federal regulations, including Uniform Guidance (2 CFR Part 200), and apply consistent, cost-based rate methodologies, maintain appropriate financial stewardship without generating profit, and support the University's mission. Service Centers and Recharge Operations are not a right. Use may be curtailed in cases of non-compliance.

IV. AUTHORITY AND RESPONSIBILITY

- A. Assistant Vice President of Sponsored Programs. In collaboration with the Director of Grants and Contracts Accounting, provides University oversight to ensure compliance with all applicable laws, regulations, and policies.
- B. Deans and Program Directors. Provide oversight at the college or unit level, ensure alignment with academic and research priorities, and review financial sustainability and operational effectiveness.
- C. Director Grants and Contracts Accounting (GCA), or designee. Onboards new Service Centers, assists with Service Center proposals, and directs the process of creating, modifying, or closing Service Centers. Provides guidance on federal cost principles and compliance; Maintains institutional records of approved Service Centers. The GCA is responsible for reviewing Service Center and Recharge Operation applications and recommending approval or disapproval.

- D. Division of Finance. Establish and monitor financial accounts, provide guidance on billing practices and internal controls, and assist with financial reporting and reconciliation.
- E. Office for Research. Ensure the Service Center follows all applicable regulation, law, policy, and established procedures.
- F. Service Center Manager. Manages daily operations of the Service Center, maintains compliance, and ensures proper documentation supporting rates and billing. The Service Center Manager ensures accurate and timely billing, monitors financial performance and initiates corrective actions, when necessary.
- G. Service Center Team. Ensures Service Center operates in compliance with all laws, regulations, and policies. The Service Center Team is also responsible for conducting Rate Studies and submitting the calculation and documentation to the GCA for approval.
- H. Unit Administrators. Unit Administrators (i.e. Directors of Research Institutes, Deans, etc.). It is the responsibility of the unit administrator to:
 - 1. Review and approve of all new Service Center requests prior to final submission to Service Center Team;
 - 2. Review and approve of annual rate renewal calculations;
 - 3. Ensure all financial activity associated with the Service Center is in compliance with all state and federal cost accounting regulations and ISU policies and procedures;
 - 4. Research and resolve all audit findings related to the Service Center; and,
 - 5. Monitor financial position with respect to break-even policies.
- I. Vice President for Finance (VPF). Ensures compliance with institutional financial policies and accounting standards; Oversees fiscal controls, account structures, and financial reporting.
- J. Vice President for Research (VPR). Approves establishment, modification, or closure of Service Centers; Ensures alignment with institutional research priorities; Provides oversight for compliance with sponsor requirements.

V. GENERAL

- A. Scope.
 - 1. All Users must comply with this policy, including completing all requirements established by the GCA and the Office for Research.
 - 2. This policy applies to all University units that:
 - a. Provide goods or services for a fee to Internal and External Users;

- b. Charge federally sponsored projects, institutional funds, or external entities for such services; and/or,
 - c. Charge federally sponsored projects, institutional funds, or external entities for such services on a recurring basis.
- B. This policy does not apply to auxiliary enterprises or general chargeback activities governed under separate University policies.
- C. Service Centers must:
 - 1. Operate in compliance with applicable federal regulations;
 - 2. Never charge federal awards more than non-federal Users for the same level of service unless the difference is supported by a documented, non-federal subsidy.
 - 3. Apply cost-based, non-profit rate methodologies and operate on a cost-recovery basis over a reasonable time period, usually 1-2 years, recovering no more than Allowable Costs.
 - 4. Charge Users based on actual usage and Allowable Costs. Service Centers shall operate on a break-even basis over a reasonable period of time.
 - 5. Ensure any surplus or deficit must be addressed through rate adjustments within a reasonable period
 - 6. Maintain financial sustainability while avoiding accumulation of inappropriate surpluses;
 - 7. Manage funds within designated University accounts and comply with University policies; and,
 - 8. Support the University's mission.
- D. Allowable Costs.
 - 1. User rates may include only costs that are:
 - a. Allowable under federal cost principles;
 - b. Allocable to the Service Center; and,
 - c. Reasonably and consistently applied.
 - 2. Examples of Allowable Costs include:
 - a. Repair: Routine repairs and maintenance that help an asset maintain the original useful life.
 - b. Allowable Depreciation.
 - c. Direct Costs.

E. Unallowable Costs.

1. Unallowable costs, including those expressly prohibited under federal guidance, must be excluded.
2. Unallowable costs may not be budgeted or expensed by Service Centers because Service Centers often charge a significant part of their business to federally sponsored grants/contracts. Items explicitly disallowed by OMB Uniform Guidance include, but are not limited to:
 - a. Entertainment costs;
 - b. Bad Debts;
 - c. Advertising;
 - d. Public relations;
 - e. Donations and contributions;
 - f. Alcoholic beverages;
 - g. Goods or services for personal use;
 - h. Capital outlays (depreciation expense is allowable); and,
 - i. Fines and penalties resulting from violations of federal, state, or local laws and regulations.
3. Unallowable Depreciation: When equipment used by the Service Center is purchased with grant funds, the depreciation becomes unallowable to the allocation of the internal Service Center rates but is allowable to the allocation of external Service Center rates.

VI. OPERATIONS

A. Establishing or Renewing a Service Center.

1. No Service Center may operate without formal written approval from the GCA and Associate Vice President for Sponsored Projects.
2. Proposal Requirement.
 - a. Units seeking to establish a Service Center must submit:
 - i. Service Center Application for Establishing or Renewal;
 - ii. Detailed financial information regarding the Service Center (either forecasted for new applications or a detailed analysis of past financial data);
 - iii. A business plan (services, Users, staffing, governance);

- iv. A detailed Rate Study that complies with federal regulations, OMB Uniform Guidance and University policies;
- v. Description of billing methodology and usage tracking;
- vi. Identification of subsidies (see Discounts and Waivers in section VII.E below);
- vii. Identification of compliance risks (e.g., federal funding exposure, export controls if applicable);
- viii. Any other information requested by the GCA.

B. Training.

- 1. All Service Center Managers and Designated Personnel must comply with all GCA training requirements for the lifespan of the Service Center.
- 2. Training requirements include initial, periodic, and remedial training.
- 3. The GCA has full authority to require additional training on a case-by-case basis, as needed.

C. Account Structure. Approved Service Centers must maintain:

- 1. A designated operating account;
- 2. Separate tracking for capital reserves or subsidies, where applicable;
- 3. Any other separate account tracking required by the GCA.

D. Specialized Service Centers.

- 1. To qualify as a Specialized Service Center, the Service Center must meet each of the following criteria:
 - a. The Service Center incurs substantial annual expenditures and chargeout volume, generally equaling approximately \$1 million or greater, significant federal usage, or operations whose treatment would materially affect the University's F&A rate;
 - b. Treatment of the Service Center's indirect cost within the Service Center rate, rather than as part of overhead pool, would materially affect the University-wide overhead rate; and,
 - c. The Service Center's services are not easily available from external vendors, such as Accelerator Center, computing facilities, Nuclear Reactor facility, and analytical testing.

E. Service Center Managers.

- 1. All Service Center Managers must receive training from the GCA prior to establishing a Service Center and are subject to additional training requirements as directed by the GCA on an as-needed basis.

2. The Service Center Manager is permitted to oversee the grant, provided the Service Center continues to follow all University policies and federal regulations.
 3. If the Service Center does not follow all University policy and federal regulations, Service Center Status may be withdrawn immediately.
 4. Service Center Managers must ensure that:
 - a. All billing rate proposals and studies with all supporting documentation are submitted to the GCA as required and made available upon request;
 - b. A periodic review of the Service Center financial position in respect to break-even status is performed to allow for adjustment of billing rates;
 - c. All equipment for which depreciation costs are built-in to the billing rates are identified as Service Center equipment and Asset Accounting is informed;
 - d. Service Center space are identified and changes are reported to the Facilities and Office of Sponsored Programs for the purpose of space survey and F&A rate proposal;
 - e. The approved billing rate schedule is applied uniformly to all customers;
 - f. Billings are charged out in a timely manner and adequately documented;
 - g. Receivables are controlled and reconciled; and,
 - h. Records and supporting documentation are maintained as long as the grants and/or contracts that they charge remain subject to audit, in accordance with the University record retention policies.
 5. The GCA and the Assistant Vice President for Sponsored Projects will review and reassess each Service Center as required.
 6. GCA requirements must be followed and are not appealable.
- F. Billing Standards.
1. Billing must be timely, accurate, and supported by usage documentation. All charges must be supported by documented, auditable usage metrics, including hours, samples, and transactions.
 2. Invoices to External Users must include at least the following information:
 - a. Date of Service(s);
 - b. Description of Services;
 - c. Quantity of units provided;
 - d. Rate charged per unit; and,

- e. Payment terms (e.g., net 30).
- 3. Internal charges must comply with University accounting procedures.
- 4. Subsidies. Institutional subsidies must be explicitly documented and may not distort federally compliant rate calculations.
- 5. Service Centers must demonstrate financial viability through:
 - a. Periodic rate reviews;
 - b. Monitoring of operating balances; and,
 - c. Corrective action plans when variances exceed established thresholds.
- G. Modification, Suspension, and Closure.
 - 1. Material operational or financial changes require prior approval from the GCA. This includes ceasing operations.
 - 2. Before closure:
 - a. All financial balances must be resolved;
 - b. Surpluses or deficits must be addressed in accordance with institutional guidance; and,
 - c. Accounts must be formally closed with approval from Financial Services and the Office for Research.
 - 3. All outstanding obligations must be settled before closure. Final financial reports must be submitted to the GCA.

VII. ACCEPTABLE BILLING RATES

- A. Determining Rates.
 - 1. Rates must be based upon Allowable Costs incurred by the Service Center and accounted for in related budgets.
 - 2. The rates must be stated in measurable units of goods or services, based on reasonable annual estimates.
 - 3. The rates must be non-discriminatory, and calculated on a break-even basis.
 - 4. Any fund balances under or over the break-even point will be included as a rate adjustment during the next fiscal year.
 - 5. Rates must be applied consistently. If different rates are applied to different Users, then federal grants must receive the lowest rate.

6. A carry forward balance of approximately 15% is allowable and considered to be break-even.

B. Rate Study.

1. Service Center Managers are primarily responsible for preparing the Service Center's Rate Reviews and Biennial Rate Studies and submitting those studies to the GCA for review.
 - a. Rate Reviews must be conducted under the following circumstances:
 - i. Established Service Centers must conduct comprehensive biennial Rate Studies;
 - ii. Non-Established Service Centers must conduct comprehensive Rate Studies annually;
 - iii. All Service Centers must submit revised rates whenever material changes or significant over- or under-recovers occur.
 - b. Rate Study calculations must include the prior periods' surplus or deficit in order for operations to break-even over a two-year period.
2. The Rate Study must include only Allowable Costs. Unallowable Costs are expressly prohibited from being included in the Rate Study.

C. Capital Outlays (Equipment Costs > \$10,000)

1. The full acquisition costs of capital equipment are not expensed in a single year, but the costs are recovered through annual depreciation over the useful life of the equipment.
2. Acquisition costs includes:
 - a. The initial price of the item or items (if constructed);
 - b. Shipping and handling;
 - c. Applicable taxes; and,
 - d. Installation and ancillary costs (cords, cables, pipes, etc.) necessary for the item to function for the purpose for which it was acquired.
3. Only depreciation expense is a Direct Expense.
4. Capital Repairs / Improvements:
 - a. Extend the estimated useful life;
 - b. Increased capacity;
 - c. Substantial improvements in the quality of output; or,

- d. Substantial reduction in operating cost. These repairs are purchased from the Service Center's equipment reserve fund.

D. Users.

1. All Users.

- a. All Service Center usage (for both Internal and External Users) must be billed at least monthly at the established base rate using the University's internal payment process.
- b. All Service Center billing transactions must utilize the appropriate expense account code for the service provided (debit to User) and revenue code 8991 for the income side (credit to Service Center).

2. External Users.

- a. Services to External Users must comply with:
 - i. University contracting and legal review processes;
 - ii. Export control regulations, where applicable; and,
 - iii. University policies governing indirect cost recovery.
- b. External Users may be charged higher rates, including applicable F&A or market-based adjustments, where permitted.
- c. Service Center activities providing Services to External Users must charge the current on-campus research F&A rate in addition to the total direct cost base rate.
- d. Private industry/commercial Users may include an additional surcharge sufficient to ensure the University does not provide impermissible subsidies or unfairly compete with private industry.
- e. External Users may be charged rates that include full cost recovery and applicable indirect costs.

3. Internal Users.

- a. Internal Users should be charged through ISU's internal billing system.
- b. A Service Center may not include F&A rates when determining the rate charged to Internal Users.
- c. The University's financial system generates an overhead component on grant expenses, based upon the specific F&A rate of each award.
- d. Since Internal Users of Service Centers are predominantly grant funded, incorporating indirect charges into a Service Center rate would create a double charging situation with indirect costs to federal funds.

- e. Costs already recovered through the University's F&A rate or otherwise unallowable under federal regulations must not be included.
- f. Rates must be applied consistently to all Internal Users regardless of funding source.

E. Surplus and Deficit Management.

- 1. Surplus must be returned to Users through reduced future rates.
- 2. Deficits must be addressed through future rate adjustments.
- 3. Persistent imbalances may require intervention by the VPR or VPFA.

F. Discounts and Waivers.

- 1. A single base rate must be set for all Users of a given service. However, with the approval of the University unit(s) providing subsidies, specific Users or groups/classes of Users may be charged at less than the listed base rate if sufficient University subsidy is available to compensate for the reduction.
- 2. The reduced/waived charges must be charged to the subsidy funding source via internal payment at the same time that usage is billed.
- 3. Discounts and Waivers are addressed during the application process and cannot be addressed after the Service Center or Recharge Operation has already been established.

VIII. COMPLIANCE

A. Maintenance and Audit.

- 1. Service Centers must comply with all federal cost principles and ISU financial policies.
- 2. Service Centers are subject to review by internal and external audit to ensure financial and operational compliance.

B. Recordkeeping.

- 1. Billing must be conducted on at least monthly and include sufficient detail to retain audit ready proof of compliance including, but not limited to:
 - a. Rate Studies and supporting calculations;
 - b. Usage and billing records;
 - c. Financial statements and reconciliations;
 - d. External User agreements;
 - e. All other documentation deemed necessary by the GCA.

2. Records must be retained in accordance with University policy and applicable federal requirements.
- C. Sanctions and Corrective Action.
1. Noncompliance with University policy or state or federal regulation may result in:
 - a. Remedial Training;
 - b. Disallowance of charges to sponsored projects;
 - c. Required financial corrections; and/or,
 - d. Suspension or termination of operations.
 2. Noncompliance with this policy may be considered Adequate Cause and grounds for disciplinary action up to, and including, termination of employment.
 3. Sanctions are imposed at the sole discretion of the Associate Vice President of Sponsored Projects and cannot be appealed.

IX. RELATED LAWS, RULES, AND POLICIES

- A. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)
- B. Cost Accounting Standards (48 CFR Part 9905)
- C. Idaho State University financial and research administration policies
- D. 2 CFR § 200.468, Specialized Service Facilities
- E. 48 CFR Part 9905, Cost Accounting Standards for Educational Institutions
- F. FAQs for Costing of NIH-Funded Core Facilities (Notice #: NOT-OD-13-053)
- G. 2 CFR Part 200 Subpart E § 200.468
- H. 2 CFR Part 200 (OMB Uniform Guidance);
- I. ISUPP 1030 *University Records, Archives, and Publications*
- J. ISUPP 7150 *Direct Charges to Extramural Awards*