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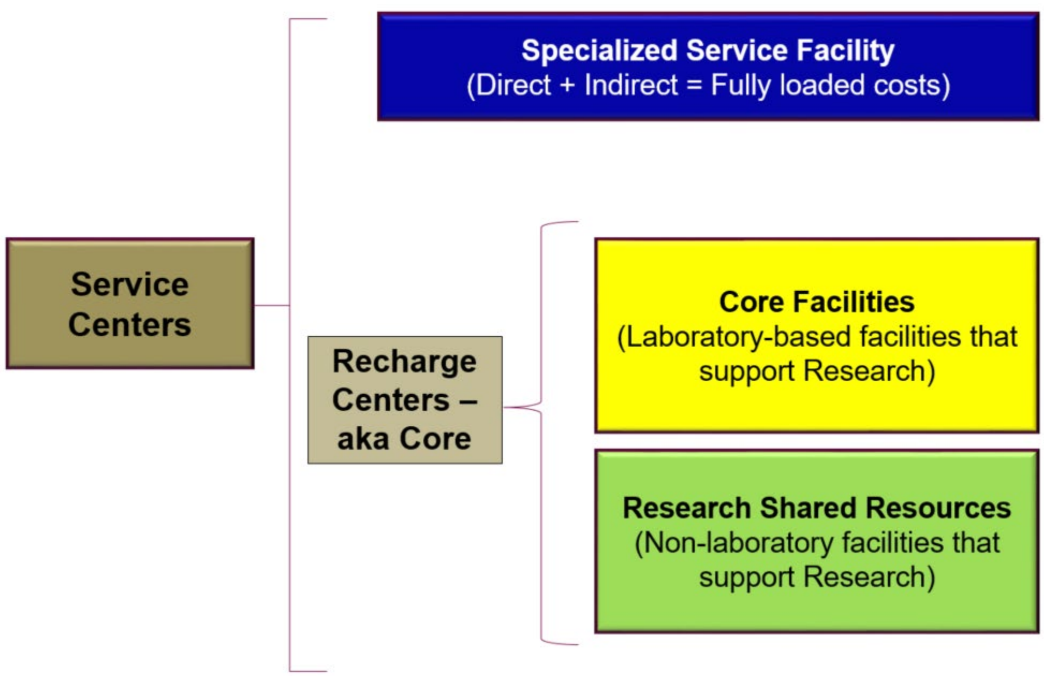
# Service Center Procedures

Service Centers are units within Vanderbilt University that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal or external users. Access to instruments, technologies, services, and expertise are offered to help prevent needless duplication of scientific resources across all departments. Typically, the services provided should not be dedicated to the work of a single research group or department but should maintain equitable access to all investigators and be open for new business.

Service Centers are primarily laboratory-based **Core Facilities**, but research shared resources involving non-laboratory centers also exist. Currently, both Core Facilities and other research shared resources are collectively referred to as a **Core** at Vanderbilt but can also be referred to as Recharge Centers. Service Centers may also encompass Specialized Service Facilities where highly complex or specialized services are provided to a select group of users.




These service center procedures support Vanderbilt's Service Center Policy.

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A service center must be established when a facility charges a fee for providing goods or services on an ongoing basis, where any portion of the customer base includes charges to a sponsored award. The facility should function as a stand-alone operation, with all activity being recorded in its specific project. When determining whether it is worthwhile to charge for providing goods or services, consideration should be given to the administrative burden of running a core facility vs. the anticipated cost recovery from the operation. The Dean of the respective school along with the Vice Provost for Research (VPR) should consider administrative burden vs. reward as part of their approval process for establishing a new Core. If deemed worthwhile, the following steps are required:

a) PI/Core Director prepares the following documentation:
    a. VU Cores Standard Business Plan
    b. Rate Workbook

   Standard templates for the items above can be found in the Related Policies/Documents section of these procedures
b) PI/Core Director obtains required approvals from the Department Chair/Head and School Dean/Vice Chancellor
c) Once approved, PI/Core Director forwards to Research Finance for review.
d) After review and resolution of any costing issues, Research Finance will route to VUMC to ensure that no overlap of services is provided by VUMC Core Facilities in accordance with Schedule 5 to the Reciprocal Master Services Agreement, VUMC and VU Cores Service Level Agreement (SLA).
e) Once receipt of approval from VUMC is obtained, Research Finance will forward to the Vice Provost for Research for final approval.
f) If approved, Research Finance establishes the new service center within Oracle and works with the Core Director and Agilent Technologies to build a Core site in iLab Solutions. Once the iLab build is complete, service can begin.
g) If NOT approved at any point during this process, the business plan and rate workbook is returned to the PI/Core Director.

A flowchart of the process above can be found in the Related Policies/Documents section of these procedures.

## ESTABLISHING A NEW SERVICE LINE

To establish a new service line within an existing core, an updated rate workbook will be required along with a description of the service line being added. Once internal departmental/division approvals (as appropriate) are received, the rate workbook should be sent to Research Finance for review/approval and setup within the required systems. The new service line should be within the scope of the existing Core. Otherwise, the establishment of a new Core facility should be considered. A new task will be established in Oracle for any new service line. No activity should occur until notification of approval and new task assignment have been received. Administrative burden vs reward should be considered prior to the establishment of a new service line.

## CORE RATE DEVELOPMENT

In general, Core rates are developed annually and are calculated for each service line as follows:

$$\frac{\text{Total Allowable Cost}}{\text{Total Billable Units}}$$

### ***Numerator: Total Allowable Cost***

In general, all costs charged to and recovered by the Core must be allowable, allocable, and reasonable as outlined in 2 C.F.R. Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (hereinafter referred to as "Uniform Guidance"). These are costs that are directly identifiable with the Core and charged directly to the Core Project/Task. Examples of costs that are included and excluded are listed in the table below, however, this list is not all inclusive. Contact Research Finance for further guidance on allowable and unallowable direct costs.

| Examples of Allowable Direct Costs | Examples of Unallowable/Excluded Direct Costs |
|---|---|
| Salaries, wages, and fringe benefits | Debt principal payments and internal interest |
| Supplies and materials | Costs identified in the Uniform Guidance as normally F&A costs unless an unlike circumstance exists (e.g., general administrative salaries, general office supplies, local telephone, etc.) |
| Travel | Advertising |
| Annual service contracts for Core capital equipment | Alcoholic beverages |
| Cost of goods/services sold (adjusted for ending inventory balance) | Bad debts |
| Capital Equipment Depreciation (see Section 5.c.iii. (Capital Equipment) for additional information) | Contributions and donations |
| | Entertainment |
| | Fund raising |
| | Public relations |
| ***See Sections 200.420 through 200.475 of the Uniform Guidance for additional examples*** | |

**Salaries, wages, and fringe benefits**

Total salaries, wages, and fringe benefit costs for all employees involved in producing the products or services are included in the operating costs and charged to the Core project, regardless if it is funded through the user fees, other revenue sources, or supported by core or consortium-type Federal grants such as P30, P50, and U24. Effort of administrative staff included in the core's billing rates should be certified as an unlike circumstance (i.e., uniquely different and distinct from any general administrative effort that is normally considered an indirect cost and included in Vanderbilt's Facilities and Administrative (F&A) rate) when preparing and submitting a new rate workbook. See "Certification of Administrative or General Costs in Core Rates" in the Related Policies/Documents section of these procedures under Forms.

The federal fringe benefit rate should apply to personnel charged to the Core operating center.

**Supplies and Materials**
Supplies and Materials include only the technical supplies (consumable reagents, small equipment, etc.) that are necessary for the operation of the service center. Any general office supplies included in the core's billing rates should be certified as an unlike circumstance (i.e., uniquely different and distinct from any general office supplies that are normally considered an indirect cost and included in Vanderbilt's Facilities and Administrative (F&A) rate) when preparing and submitting a new rate workbook. See "Certification of Administrative or General Costs in Core Rates" in the Related Policies/Documents section of these procedures under Forms.

**Capital Equipment**
Capital equipment is defined as an asset with an acquisition cost of $5,000 or more and a useful life of more than one year (Refer to Vanderbilt's Capitalization Policy for further guidance). Federal guidelines do not allow the acquisition cost of a capital item to be recovered through service center rates, but the depreciation associated with that capital item may be included in the user rates.

All equipment items used within the service center should be documented in the rate workbook regardless if the equipment is included in the service center rates or not. It is the Core's responsibility to ensure all capital assets are appropriately tagged and recorded in Vanderbilt's fixed assets subledger.

Based on the information provided in the rate workbook specific to capital assets, Research Finance will ensure that:

a) depreciation expense is appropriately recorded on the core based on amounts reflected in Vanderbilt's fixed assets subledger
b) these assets are properly treated within Vanderbilt's Facilities and Administrative Rate (F&A) rate proposal

Should the equipment change throughout the fiscal year, an updated rate workbook should be submitted to Research Finance reflecting all equipment utilized in the Core and updating rates as appropriate. Approval must be obtained from the appropriate Dean's office for any assets that are used within the Core, but the associated depreciation is not included in billing rates. See "Authorization for Exclusion of Depreciation from Cores Billing Rates" in the Related Policies/Documents section of these procedures under Forms.

Furthermore, service center rates cannot be structured to build "reserves" for anticipated equipment purchases or replacements. It is not appropriate to charge current users with costs associated with future periods.

Depreciation of equipment purchased by the federal government, regardless if title has reverted to the University, cannot be included in the service center rates. Where the University has specifically agreed to cost share a piece of equipment on a federal award, the depreciation of the University-funded portion is also unallowable in the rates.

**Other Costs**
Actual expenses for items such as travel, equipment service contracts, or long-distance telephone calls incurred specifically for the operation of the service center can be included in the user rates. Normally, costs associated with local telephone usage are considered indirect and should not be including in the service center billing rates, unless an unlike circumstance can be justified. Any

local telephone usage included in the core's billing rates should be certified as an unlike circumstance (i.e., uniquely different and distinct from any general local telephone usage that is normally considered an indirect cost and included in Vanderbilt's Facilities and Administrative (F&A) rate) when preparing and submitting a new rate workbook. See "Certification of Administrative or General Costs in Core Rates" in the Related Policies/Documents section of these procedures under Forms.

**Facilities and Administrative (F&A) Costs**

Facilities and Administrative costs are those costs that are not directly identified to the service center, but are part of the institution's cost of operating the service center, such as depreciation on buildings, operation and maintenance costs, and certain general and administrative expenses, etc.

a. <u>Recharge Centers</u>
   Except for equipment depreciation, F&A costs are generally not charged to cores. Exceptions require written approval from Research Finance due to Federal requirements for F&A cost. F&A costs for recharge centers are calculated and recovered through the University's F&A cost rates for research, instruction, and other sponsored projects.

b. <u>Specialized Service Facilities (SSF)</u>
   F&A costs incurred on behalf of SSFs will be included in the rates for the SSF unless an exception is obtained by the SSF from the appropriate School Dean or Vice Chancellor. If an exception is granted, the portion of costs applicable to the specialized service center operation will not be recoverable. If no exception is granted, the F&A costs specifically related to the SSF will be calculated on an annual basis by Research Finance and will be provided to the SSF for inclusion in the rates.

**Adjustments to Costs**

Once the total costs of the Core operation have been determined, adjustments may be needed for the following items that will impact all users:

a. Reduce costs if Core is supported from core or consortium-type Federal grants such as P30, P50, and U24
b. Reduce costs if Core is receiving other support from federal grants
c. Reduce costs if prior fiscal year balance was a surplus that is above the amount of the working capital allowance
d. Increase costs if prior fiscal year balance was a deficit

Rates will also be lowered if the Core receives departmental support. Typically, departmental support relates to users attached to the following pricing groups:

a. Internal
b. VUMC
c. Ext Colleague Fed (External colleagues (Fisk/Meharry/TSU) and Support of Core from a Federal Grant
d. VA

If a subsidy exists for internal users, the rates are not lowered, but rather the transaction will be split between the user and the subsidy funding source at the time of billing.

## ***<u>Denominator: Total Billable Units</u>***

Total billable units, or total units of output, are the quantity of product generated by the service center which is the basis for the calculation of the billing rate(s). Typical billable units are hours of machine time, hours of labor, number of users, pieces of glassware, or units of measure such as pounds or liters. It is important to recognize that billable units represent the anticipated number of units that will be billed in the coming year, not the highest potential output of the service center. An estimate of billable hours should take into consideration the estimated time away from work (vacation, sick and personal time), machine downtime and hours for which there are no customers.

To estimate usage, prior year(s) amounts will be used as a starting point and adjusted for anticipated changes. Facilities without enough usage history can use available units as a starting point and adjust for downtime and other intervening factors. For example, when charging an hourly basis, the total maximum hours available for a full-time employee is 2,080 per year. If non-billable hours were anticipated to be 476 (PTO hours of 120 (3 weeks), holiday hours of 96 (12 holidays), and downtime of 260 (1 hour per day based on work week for cleaning, servicing equipment, etc.), the usage base would be estimated at 1,604 (2,080 – 476). The calculation for determining the billable hours should be provided as documentation in the rate workbook along with an explanation for any change in usage from the prior year actuals greater than +/-20%.

## ***Determination of Billing Rates***

Once the allowable pool of anticipated costs and anticipated billable units has been determined, the rate(s) are calculated by dividing the adjusted costs by the anticipated billable units. Rates used should be the actual rate calculated and not rounded. Should there be a need to round, an explanation must be provided as part of the rate workbook and rates can only be rounded down to the nearest dollar. If rates are rounded down more than the nearest dollar, a subsidy must be provided for the difference.

Service center rates should be updated annually by the Core Facility. The Core Facility is responsible for obtaining all required approvals of the annual rates. When a service center is established mid-year, rates may be set for longer than twelve months (for the first year only) so that the end of the first break-even period coincides with the rate setting cycle. The Core Facility should evaluate their financial position and rates periodically throughout the fiscal year to assess their position with respect to break-even. Under special circumstances, rates may be adjusted through a mid-year reduction/increase in rates.

## ***Pricing of Multiple Services***

Sometimes operating units provide more than one service. Generally different rates based on actual costs and usage should be developed for each service type. An exception to multiple rates may be granted if there is general commonality between the services and the customer base but must be documented and reviewed periodically. Once separate rates have been established, they must be tracked via separate tasks within the core project. Service lines / tasks generally cannot be comingled (i.e., one service line within a Core unit cannot subsidize another service line). The surplus or deficit related to each service/task should be carried forward as an adjustment to the billing rate for that service/task in future years unless:

a) the deficit is funded by some other means
b) the surplus is within the 90-day working capital allowance

Balances in one task should not offset the balances in another task. Any exception would require approval by Research Finance.

For Cores with multiple service lines, task 01 (General) is established to assist the Core with purchases where the allocation of cost to the tasks is not known at the time of acquisition. The Core is responsible to ensure any balance in Task 01 (General) is allocated to the appropriate tasks within the project prior to each fiscal year end. Research Finance will allocate Task 01 throughout the fiscal year based on the allocation percentages provided in the most recent rate workbook. If the actual allocation should be based on a different methodology, the Core will provide the appropriate allocation to Research Finance in advance. The Core must be proactive in determining the appropriate allocations between tasks as changes to the methodology will only be allowed on a go forward basis. No retroactive allocation adjustments will be made, but future percentage allocations can be adjusted for a period of time that factors in any retroactive changes if needed to ensure appropriate costing over time.

If a service line is being discontinued, see the **Closing a Service Line** section on Page 14.

## EXTERNAL USERS

External users (excluding VUMC) must have a Research Core Agreement with an established Purchase Order in iLab to utilize a Core. Due to requirements in Oracle, Research Finance will establish a separate contract within Oracle per customer, per Core (or project if the Core contains multiple projects numbers) once the Purchase Order and Research Core Agreement is received. If a Core contains multiple project numbers, the purchase order must be split between the projects when it is established.

A ***Research Core Agreement*** is a streamlined form agreement used to establish basic terms and conditions when a Vanderbilt University Core provides ***research materials or services*** (***Products***) to an external non-VUMC ***Purchaser***. See "Research Core Agreement" in the Related Policies/Documents section of these procedures under Forms.

The Research Core Agreement and related addendum (if applicable) should only be used for routine low risk matters that do not involve any risks associated with intellectual property, export-controlled information, or environmentally hazardous materials. Otherwise, if a matter presents such risks or issues, the Core is responsible to use a more robust Sponsored Research Agreement. When a Core undertakes to provide an external non-VUMC Purchaser with research materials, rather than services, the Core Director/Manager should consider a series of questions to determine what type of agreement to use. See "Cores Materials Sale Flowchart" in the Related Policies/Documents section of these procedures for guidance on the type of agreement required when providing research materials. The Research Core Agreement is to be executed on behalf of Vanderbilt by an authorized official in Sponsored Programs Administration (SPA), and by an authorized official of the Purchaser.

The Research Core Agreement should be accompanied by a form ***Research Core Agreement - Addendum*** (if applicable) that generally provides a description of the Products, deliverables, test materials, and estimated fees for the engagement. The Addendum is to be signed by the Purchaser's Principal Investigator and the Core Director/Manager to confirm a mutual understanding as to the technical scope of work, related fees, and capacity of the Core to undertake the work. Additional Addenda can be used to document subsequent requests for work to be performed by the same Core Unit referenced by the applicable Core Agreement. See "Research Core Agreement - Addendum" in the Related Policies/Documents section of these procedures under Forms.

<u>External Non-profit Purchasers</u> are defined as investigators working for another university, foundation, or government entity. Non-profit users are generally charged 10% over the core base rate, which goes to the respective Dean's office. Any deviation of the 10% charge must obtain approval by the respective Dean and by the Vice Provost for Research (VPR).

External Commercial/For-profit Purchasers are defined as investigators working for commercial or for-profit companies. Commercial/for-profit parties are generally charged a minimum of 60% over that core base rate. 10% will go to the respective Dean/VPR's office and the remaining percentage goes to the Core. Any deviation for charging less than 60% must be approved by the respective Dean/VPR supporting the Core. If the Core is aware of market rates that are higher than the Core's proposed/actual rates, then those market rates should be considered when determining whether to charge more than 60% to external for-profit users. The respective Dean/VPR office should be notified by the Core Facility of any major deviation from the known average market rate when setting rates.

The markup that the Core retains from External For-Profit users will be processed to the task associated with the service utilized. If the Core wants to utilize these specific funds in a different manner, they must notify Research Finance in writing to allocate those funds from the task where the revenue was posted to task 999 within the Core project. Cores are responsible for tracking their requests to allocate funds to ensure costs are only moved once. Funding from External For-Profit markup that is moved to 999 is not considered when developing future year rates for the service line that originally generated the revenue.

External Vanderbilt University Medical Center (VUMC) users are defined as investigators who are employed by Vanderbilt University Medical Center (VUMC) and have a primary faculty appointment in a VU department. Agreements for these external users are already in place as part of the legal separation agreement between VU and VUMC and a Research Core Agreement is not needed.

The Core Agreement and Addendum are only to be used when Vanderbilt personnel are to perform the provision of research materials or services for an external non-VUMC party. If a non-VUMC external party desires to come on-site and use Vanderbilt's core facilities to self-perform its work, then a different type of agreement and process are to be utilized. Contact the Sponsored Projects Administration office for further assistance.

*The presence of EXTERNAL revenue indicates a potential need to comply with Unrelated Business Income Tax disclosure requirements. In addition, sales tax, when applicable, must be charged to all external users who do not provide their tax-exempt certificates. Please contact Finance for assistance in complying with Federal regulations governing unrelated business activities and sales tax requirements.*

## CORE ACCOUNTING CONCEPTS

### Break-Even Concept

A service center must develop rates so that revenues offset expenses over a reasonable period of time. It is recognized that a variance (under or over recovery) may result in any given fiscal year, which from a general ledger/financial statement perspective, must be absorbed during that fiscal year by the financial unit/Dean in which the Core resides. Rates are reviewed on an annual basis and adjusted as needed to ensure that the federal government is not charged more than actual cost over a period of time or to help recover a deficit that occurred in a prior fiscal year. A Core's respective Business Unit is ultimately responsible for any excessive or recurring deficits and should monitor the financial activity of the Core on a regular basis. It is not appropriate to "bank" funds for expenses that may be incurred in future periods. Rates charged for services cannot include any reserves.

Cores should complete and submit to Research Finance an updated rate workbook (approved by respective Dean's/VC office) for review and approval no later than October 1st each year. Target date for finalizing new rates is November 1st each year, however, updated rates will not be implemented until all approvals have been obtained. A service center's surplus or deficit balance as of the most recent fiscal year end should be considered when developing rates. Any surplus greater than the 90-day working capital allowance must be included in future rates to offset the over-collection in the prior year. Deficits can be funded in multiple ways, but if other funding is not available, the deficit should be included in future year rates to offset the under-collection in the prior year. Inclusion of a surplus will lower the newly developed rates; inclusion of a deficit will increase the newly developed rates. Any exception must be documented by the Core and approved by Research Finance during the annual rate calculation cycle.

**Working Capital**

In addition to full recovery of actual costs, service centers may retain an allowance for working capital needs. The working capital allowance should not exceed 90 days of annual operating expenses for the most recent full fiscal year and is calculated by task. Any cumulative surplus greater than the 90-day working capital must be included in the succeeding fiscal year's rate development. Any exception must be documented by the Core in the rate workbook and approved by Research Finance during the annual rate calculation cycle.

**Subsidies**

Service Center billing rates are calculated for all internal users based on total service center expenses and total units of output. Subsidies do not actually lower the overall billing rate. If the University chooses to provide a service to a particular internal group of users at no charge or at a lower rate than other users (i.e., at a subsidized rate), a funding source must be provided for the portion of the rate related to the subsidy. The service center will charge the full rate in a split fashion, with a portion charged to the user and a portion charged to the appropriate funding source for the subsidy. It is the responsibility of the core to ensure approval has been obtained from the financial unit manager responsible for the subsidy funding source.

Subsidies should be identified along with the source of funds within the rate workbook when rates are set for the fiscal year. Should changes occur throughout the fiscal year, a revised rate workbook should be submitted to Research Finance for review and setup within iLab. Subsidies will be tracked through the iLab billing system, which will be used to ensure these costs are excluded from Vanderbilt's F&A proposal.

Subsidies can only be applied to internal users within iLab.

**Departmental Support**

While the goal of all service centers is to be self-sufficient, there are situations where the service center may need additional support. Departments may provide support to the Core in a couple of different ways:

- Direct Charge Support – Financial support that is provided by direct charge of actual core expenses to the appropriate departmental funding source. Typically, this support reduces the rate charged to all Internal, VUMC, External Colleague Fed (External Colleagues and Federal Grant Support) and VA (Veterans Affairs) funded users. Any exception must be documented by the Core in the rate workbook and approved by Research Finance during the annual rate calculation cycle.
- Cash Transfer – Typically a cash transfer is used when a school chooses to fund a deficit on a Core rather than including the deficit in future rates. Research Finance will

process the cash transfer in the general ledger and will post the accounted MEB to the Core Project.

Any departmental support must have approval from the appropriate Dean's Office providing the support.

**Scholarships**

A scholarship is a credit allocated to an eligible investigator for redemption in a specific core related to and limited by a specific subsidy funding to that core. Scholarships are commonly used by VUMC P30 funded centers to account for Federal grant support to cores. Funding to the core is required before a scholarship can be allocated, which is handled via a subcontract with VUMC.

To account for scholarships within the rate workbook, expenses are reduced by the full amount of the subcontract with VUMC, thus lowering the rate. In addition, the anticipated usage would be reduced based on prior year's actual scholarship usage, thus increasing the rate back up for the scholarships actually used. Since not all support is given out as a scholarship and not everyone uses the amount given, this results in the rates being lowered for all users not receiving a scholarship.

**StarBRITE Vouchers**

Vouchers are awarded to individual investigators by the Vanderbilt Institute for Clinical and Translational Research (VICTR) for use of specific Cores and are non-transferrable. The StarBRITE system integrates with the iLab system for notification of the investigators that are given the awards. When the investigator utilizes the Core, a charge is processed to a specified VUMC center through the consolidated invoice process.

**Billing Procedures**

Billings must be based upon measured and documented utilization which is properly authorized for the billing number charged. All billings should be processed on a timely basis (generally no less frequently than monthly) and at established service center rates. Services may not be billed without approved service center rates. The support of the charges, including documentation of expenses and usage, should be retained by the service center to answer any user inquiries or in case of an audit. A service should not be billed for until the service has been rendered; that is, prepayments are not appropriate. Each service center must operate in accordance with the University's fiscal year. Service centers should handle each year-end billing consistently, to ensure that twelve months of cost recovery are associated with twelve months of incurred cost, and thereby provide a more accurate breakeven calculation at year end.

Research Finance will provide a quarterly usage report to the Core Director and respective Dean/Division Head for their review and follow-up as appropriate. Research Finance will typically not require variance explanations be provided to them based on the normal course of business but may request an explanation if unusual circumstances occur.

**Accounting Treatment for Service Centers**

In establishing service centers within the University's accounting system, the following requirements apply.

a. <u>Separate Operating Projects/Tasks</u>
   Separate operating projects/tasks for accumulation of actual costs and revenue are established. A separate task is created for each service line. Costs/revenues related to each service center rate should not be commingled between service lines.
b. <u>Equipment Acquisitions/Depreciation</u>

Capital acquisitions of core equipment can be purchased from the core project on task 999, which will be ignored for billing rate purposes. For any assets included in the Core rates, an accounted batch will be processed by Research Finance to charge depreciation onto the applicable core service lines and credit task 999.

If equipment used in the Core is purchased with funds outside the Core, then the equipment would be purchased directly from the funding source. If the Core wants to recover depreciation of capital assets through the Core rates, then the following must occur:

1. The specific items of capital equipment need to be reflected in the Core Rate Workbook.
2. There is an asset tag in the Fixed Asset System that should be set to CORESINCLUDE.
3. Recovered depreciation would remain with the Core for future replacement/repairs.

If the Core does not want to recover depreciation through the core rates (see Capital Equipment section on page 5 for required approvals), then the asset tag in the Fixed Asset System should be set to CORESEXCLUDE.

c. Retroactive Costing Adjustments

When a retroactive costing adjustment is needed for Core charges to VU users (regardless if a VU or VUMC Core is used), it must be handled as a cost transfer per Vanderbilt's Retroactive Reallocation of Costs policy. It should not be processed as a refund to one project and charged to another project within iLab.

Any disputed items can be handled as a refund through iLab to the project originally charged.

Responsibility to ensure that the appropriate mechanism is used when an internal customer provides the wrong billing number must be with the Core as they work directly with the customers to initiate charges/refunds through iLab. If the wrong billing number is used, the Core should direct the customer to handle as a retroactive cost adjustment rather than initiating anything in iLab. It is important to comply with Vanderbilt's Retroactive Reallocation of Costs policy.

Any costing adjustments required by VUMC users of VU Cores can be handled as a refund.

d. Task 01 (General)

For Cores with multiple service lines, task 01 (General) is established to assist the Core with expenses where the allocation of cost to the tasks is not known at the time of acquisition or if the cost needs to be distributed to a higher number of tasks than allowed within Oracle. The Core is responsible to ensure any balance in Task 01 (General) is allocated to the appropriate tasks within the project prior to each fiscal year end.
Research Finance will allocate Task 01 throughout the fiscal year based on the allocation percentages provided in the most recent rate workbook. If the actual allocation should be based on a different methodology, the Core will provide the appropriate allocation to Research Finance in advance. The Core must be proactive in determining the appropriate allocations between tasks as changes to the methodology will only be allowed on a go

forward basis. No retroactive allocation adjustments will be made, but future percentage allocations can be adjusted for a period of time that factors in any retroactive changes if needed to ensure appropriate costing over time.

e. Consistent Use of Credit Accounts/Expenditure Types
   Specific expenditure types are set aside for use by service centers in recording income received from internal and external users. The presence of EXTERNAL revenue indicates a potential need to comply with Unrelated Business Income Tax disclosure requirements.
f. Recording of Unallowable and Excluded Costs
   Since core charges are processed on federal awards, costs that are included in billing rates must follow applicable federal regulations, just like a federal contract or grant. Unallowable and excluded costs should not be included in billing rates or be used to determine annual surplus or deficit variances. Generally, these costs are not recorded on the Core's project (unless on task 999) to allow for exclusion from the rate setting process but are recorded on the CoA or project that is funding the cost.

**Collections/Write Off**

Research Finance will provide each Core (or designated representative) a monthly aging report that reflects outstanding invoices for which payment has not yet been received. The Core is responsible for following up with customers to collect payments for outstanding invoices greater than 30 days. See "Guidance for Core Facilities – Collection of Receivables and Write Off" in the Related Policies/Documents section of these procedures. Should it become necessary to write off an outstanding receivable, the Core would work with their respective Dean's office for determining the source of funds that will be used for the write off. Written notification with the appropriate approvals should be submitted to Research Finance. See "Accounts Receivable Write-Off Approval Form" in the Related Policies/Documents section of these procedures under Forms. The write-off amount is considered an unallowable cost and cannot be included for rate development purposes.

Any outstanding invoice greater than $10,000 that is deemed uncollectible must be brought to the Cores Committee for review. The Cores Committee will have discretion for determining whether to pursue legal action. Contact Research Finance for further instructions.

**Annual Reporting Requirements**

Each Core should work with Research Finance to complete all annual reporting requirements and annual rate calculations. Research Finance will distribute an updated rate workbook template to the Cores by March 1st each year. Cores should complete and submit to Research Finance an updated rate workbook (approved by respective Dean's/VC office) for review and approval no later than October 1st each year. Target date for implementing new rates is November 1st each year, however, updated rates will not be implemented until all approvals have been obtained.

## CLOSING A CORE FACILITY

Should it become necessary to close a Core Facility, an Authorization to Close a Core Facility (in the Related Policies/Documents section of these procedures under Forms) should be completed. Once appropriate approvals have been received, it should be forwarded to Research Finance for processing. Project ending balances should be calculated by task. Balances in one task should not offset the balances in another task, unless services are integrated, and a usage analysis is performed that reflects a commonality between federal and non-federal users. If the task ends with a deficit balance, the department is responsible for funding the deficit. If the task ends with a surplus balance, the balance would first be used to reimburse any subsidy or departmental support provided to the Core up to the amount of the surplus balance. If any surplus balance remains, contact Research Finance for further instructions to properly clear the remaining surplus balance. The Core project cannot be closed until the balance is zero.

The following criteria are indicators that a Core may need to be closed. The criteria are for assessment purposes only and each Dean will make the final decision as to whether a Core should continue or a Core should be closed, regardless if any of the criteria is met. The decision to close a Core may not necessarily be based solely on financial activity, but rather scientific impact and the respective Dean/VPR has the ultimate responsibility for determining the viability of any active Core in their area. General criteria include (but not limited to):

- If the same service is available in the market, the Dean should assess if the Core should remain open if rates are significantly higher than market rates.
- If the administrative burden of operating a Core Facility is higher than the scientific benefit, then the Dean should assess if the Core should remain open.
- Volume should be regular and ongoing, with activity at least quarterly. Otherwise, the Dean should assess if the Core should remain open.

## CLOSING A SERVICE LINE

A Core Facility may choose to close a service line for a couple of reasons:

1) The Core is being restructured and services that were previously treated separately are merged. All services/activities continue to be performed. This can occur if there is general commonality between the services and the customer base (see Pricing of Multiple Services on page 7). In this instance, the balance from the service line that is being closed can be moved to the service line in which it is being merged.
2) The Core determines that a service is no longer needed or viable. If the Core Facility has multiple services lines that provide integrated services (e.g., RNA-sequence sample preparation and next generation sequencing data generation) for a generally overlapping set of investigators, it is possible for the cost recovery of one service line within the Core Facility to support another integrated service within the same Core Facility. If balances are not moved between related services within the Core Facility:
    a. The department is then responsible for any deficit
    b. If the service line balance is a surplus:
        i. The surplus is first applied to reimburse any subsidy or departmental support provided to the service line/task
        ii. If any surplus balance remains, contact Research Finance for further instructions to properly clear the remaining surplus balance.
    c. The service line/task cannot be closed until the balance is zero.
    d. To close a service line, the Core should notify Research Finance and provide the following:
        - Updated Rate Workbook
        - Balance disposition of the service line being closed
        - If the request is to move the balance between service lines within the Core Facility, a summary of the relationship between the service lines should be provided. Research Finance will prepare an analysis of the user base to ensure consistency.

## RECORD RETENTION

It is the service center's responsibility to maintain detailed records of all charges and to answer inquiries concerning those charges. Documentation must be retained for a minimum of eight years from the date the billing is entered into the Vanderbilt accounting system for payment.

## CREDIT CARD ACCEPTANCE

Credit cards can be accepted from any external user (utilizing a Research Core Agreement and Purchase Order) of a Core if ***all*** the following are true:

A. The Core is utilizing iLab Solutions for billing
B. The Core has been established as a merchant through Research Finance
C. The Core adheres to Vanderbilt's policy on PCI DSS Compliance
D. Core employees must successfully complete PCI Compliance Training upon hire and at least annually
E. The Core is responsible for all costs associated with payment card processing
F. Credit card information is only entered by the user directly in the iLab system utilizing their own personal device, not a Vanderbilt owned device. Vanderbilt employees do not accept credit card information for entering into iLab.

## iLAB SYSTEM REQUIREMENTS

Login for VU iLab is https://vanderbilt.corefacilities.org.

Access to iLab requires an iLab account. iLab user guides can be found at https://www.vanderbilt.edu/cores/iLab_user_guides_and_forms.php.

All VU faculty, staff and students should generally use their (VU) Lab when utilizing a VU or VUMC Core. However, various other labs may be set up depending on the funding utilized, such as VA funding, scholarship funding, and voucher funding.

Flowcharts that reflect required steps for setting up VU and VUMC Users in iLab can be found in the Related Policies/Documents section of these procedures.

Access Requests – Typically, when a user requests access to use a specific Core, Research Finance will handle granting that access as it requires ensuring that the user is assigned the appropriate price group and subsidy group (if applicable). Cores that want to handle approving their own access requests can request approval and training from Research Finance.

All approved pricing will be updated in iLab by Research Finance based on the Core's rate workbook. The Core should update the rate workbook and send to Research Finance if changes occur.

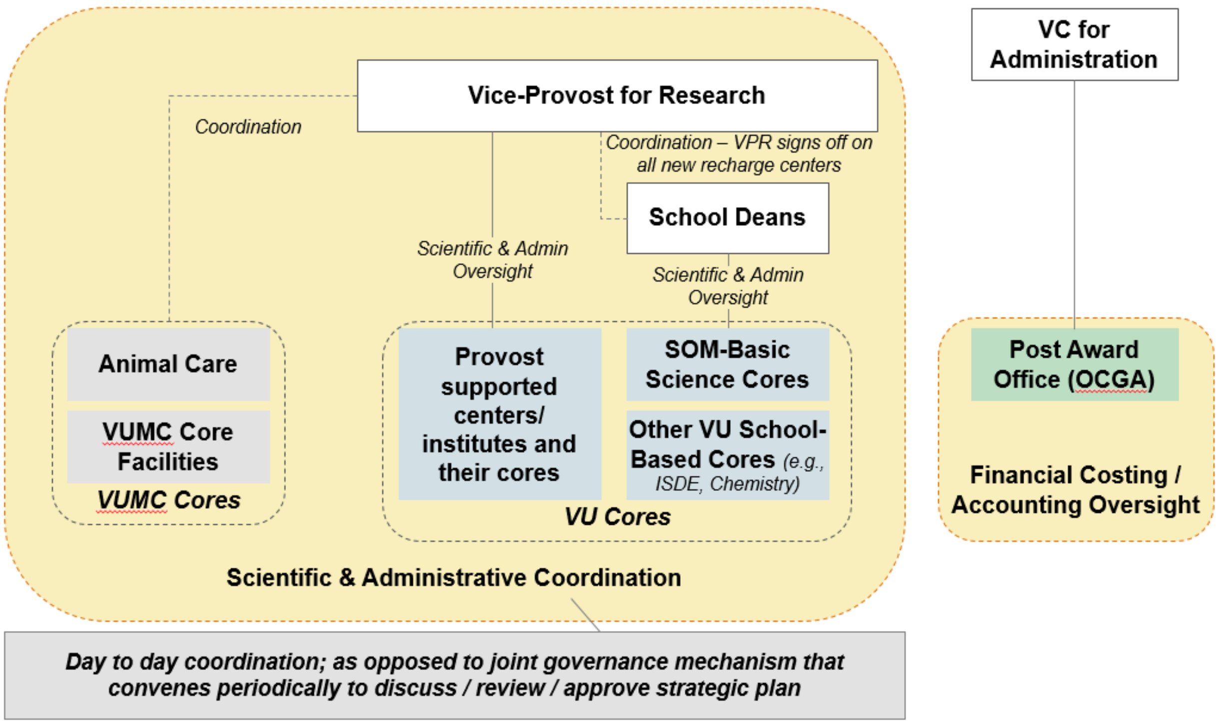
External Users –

1. A Research Core Agreement is required before work can begin for the external user. Once the agreement is executed through SPA, a PO is then set up within iLab. Access

to the Core cannot be granted and the correct pricing group cannot be assigned until the PO has been established in iLab.
2. External Users may pay by credit card if the Core has met all the PCI requirements. The customer must select their PO number when they request services but will have the option to pay by credit card once an invoice has been generated.

Core Facilities and Users should direct their questions concerning the iLab System to Research Finance. If Research Finance is unable to assist with the more technical questions, they will work with iLab for assistance to resolve the issue as quickly as possible.

## ROLES AND RESPONSIBILITIES




**Core Facility**

- Responsible for preparing and administering the Core Facility budget, annually preparing rate schedule(s), maintaining adequate records (e.g., daily logs), and accurately invoicing users on a timely basis
- Responsible for preparing and supporting a schedule of rates for services or products charged to users of the Core Facility. Cores should complete and submit to Research Finance an updated rate workbook (approved by respective Dean's/VC office) for review and approval by October 1st each year. Target date for finalizing new rates is November 1st each year, however, updated rates will not be implemented until all approvals have been obtained.

- Must ensure all capital assets used by the Core are appropriately tagged and recorded in Vanderbilt's fixed assets subledger.
- Must ensure that Federal and non-Federal users are charged the same rate and it is consistent with the rate schedule
- Ensure charges to customers are appropriate, timely and based on actual usage
- Ensure all costs charged to the core are appropriate
- Review quarterly usage report provided by Research Finance and follow-up on any concerns
- Follow up and collect payments from Core users for outstanding accounts receivable
- For cores with multiple service lines, ensure any balance in Task 01 (General) is allocated to the appropriate tasks within the project. Provide Research Finance allocation percentages if
- The Core Facility should evaluate their financial position and rates throughout the fiscal year for accuracy and to assess their position with respect to break-even. Under special circumstances, rates may be adjusted through a mid-year reduction/increase in rates. The Core should communicate with their respective Dean/VC on any variances.
- Must be able to support internal and external audit requests and show satisfactory accounting and management control. The Core Facility must maintain, at a minimum:
    - Documentation supporting the rate calculations
    - Documentation supporting use or level of activity (daily logs)
    - Invoicing records identifying services provided to each user

**Business Unit/Dean Oversight**

- Approves the formation of new Core Facilities and/or service lines within a respective Core Facility
- Supports day to day operations of Core Facilities within the School
- Monitors Core Facility activity to avoid the duplication of services offered by VU and VUMC
- Monitors Core financial activity throughout the fiscal year as fiscal year balances are absorbed within the School's budget from a general ledger perspective
- Monitors quarterly Core Usage report provided by Research Finance and follow-up on any concerns. Assess if the Core facility still fulfills a business need if the usage is consistently low.
- Annually review and approve Core Facility budgets and rates for Core Facilities within the School
- Responsible for funding any deficit when a Core Facility within the School closes
- Ensures all Core Facilities within the School operate in compliance with federal requirements
- Authorize subsidies and scholarships for PI use of core facilities, as appropriate
- Informs the Vice Provost of Research and Research Finance of any changes to active Core Facilities.

**Vice Provost of Research (VPR)**

- Approves formation of new Core Facilities
- Supports day to day operations of Provost supported centers/institutes (TIPs) and their Core Facilities.
- Monitors Core financial activity throughout the fiscal year for Provost supported Core Facilities

- Annually review and approve Core Facility budgets and rates for Provost supported Core Facilities
- Responsible for funding any deficit when a Provost supported Core Facility closes
- Ensures all Provost supported Core Facilities operate in compliance with federal requirements
- Authorize subsidies and scholarships for PI use of core facilities, as appropriate
- Facilitate coordination and collaboration among Deans

**Research Finance**

- Provides general financial oversight of Core Facilities
- Provide updated rate workbook template to the Core Facilities by March 1 of each year
- Review and approve proposed rates
- Notify the appropriate Dean's Office/VC regarding any concerning information discovered during the annual rate review process.
- Performs monthly business close
- Act as a point of contact for other central offices for financial matters (e.g., Provide annual report for UBIT, financial audit, etc.)
- Provide accounts receivable aging report to the Cores Facilities on a monthly basis
- Manage iLab billing system
- Provide end user support for/access to iLab as appropriate

## CONSEQUENCES OF NON-COMPLIANCE

Vanderbilt's service center policy establishes requirements for consistent financial and operational management of Vanderbilt's service centers to promote compliance with applicable Federal Regulations and Guidance. In accordance with Uniform Guidance, Subpart E (§200.468), all Service Centers charging federally sponsored projects may only recover the allocable, allowable, and reasonable direct costs of services provided. Noncompliance could result in government-imposed fines or disallowed costs. It could also harm the University's reputation and reflect negatively on future grant proposals. In addition, the government could investigate false claims, as they have done during an audit at another institution for failure to utilize the proper basis for setting and updating billing rate structure as required by law, resulting in a multi-million-dollar settlement.

Business Unit is responsible for any paybacks/fines/penalties assessed due to non-compliance.

Vice Provost for Research has the authority to shut down Service Center operation temporarily or permanently due to concerns of non-compliance.

## RELATED POLICIES/DOCUMENTS

**Federal Regulations and Guidance**

2 C.F.R. Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (hereinafter referred to the Uniform Guidance)
https://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

NIH Grants Policy Statement

https://grants.nih.gov/policy/nihgps/index.htm

FAQs for Costing of NIH-Funded Core Facilities
https://grants.nih.gov/grants/policy/core_facilities_faqs.htm

**Related VU Policies/Procedures**
VU Service Center Policy
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

VU Service Center FAQs
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Flowchart for Establishing a New Core Facility at Vanderbilt University
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Retroactive Costing Policy Clarification for Cores
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Cores Materials Sale Flowchart
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Capitalization Policy
https://finance.vanderbilt.edu/policies/Capitalization_Policy.pdf

VU PCI Compliance Resources
https://www4.vanderbilt.edu/pcicompliance/resources.php

iLab User Guides
https://www.vanderbilt.edu/cores/iLab_Information.php

Guidance for Core Facilities – Collection of Receivables and Write Off
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Flowchart – Setting Up a New VU User Account in iLab
https://www.vanderbilt.edu/cores/iLab_Information.php

Flowchart – Setting Up a New VUMC User Account in iLab (for use of VU Core)
https://www.vanderbilt.edu/cores/iLab_Information.php

**Forms**
VU Cores Standard Business Plan – required for establishing a new Core
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

VU Cores Rate Workbook – required for establishing a new Core and annual updates
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Certification of Administrative or General Costs in Core Rates
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Authorization for Exclusion of Depreciation from Cores Billing Rates
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Research Core Agreement
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Research Core Agreement – Addendum
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Accounts Receivable Write-Off Approval Form
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

Authorization to Close a Core Facility
https://www.vanderbilt.edu/cores/VU-Policies-Forms.php

## CONTACTS

**Vice Provost for Research**

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| *Padma Raghavan, VPR* | *padma.raghavan@vanderbilt.edu* | *615.322.6155* |
| *Jennifer Bischoff, Executive Director* | *jennifer.bischoff@vanderbilt.edu* | *615.343.4798* |

**Research Finance**

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|---|---|---|
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**Sponsored Projects Administration (SPA)**

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|---|---|---|
| *Christina Leath, Contracts Officer* | *christina.leath@vanderbilt.edu* | *615.343.1830* |