NURAP at Noon

Recharge Centers, Core Facilities, and Federal Update

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Agenda

• Why do we need recharge centers?
  – Definition & misconception of recharge centers
• Structure of Core Facilities & Recharge Centers
  – Is it a recharge center?
• “The Ground rules”: DS-2 and OMB Uniform Guidance
• Best Practice
• Federal concerns relating to Recharge Centers
  – Facilities and Administrative (F&A) review & negotiation
  – Review of sponsor project charges
Why do we need Recharge Centers?
Why do we need recharge centers?

• An operating unit that has the resources and expertise to provide services/goods to *Internal Customers (university users)* and needs to recover the “costs” of providing the good(s)/service(s)

• For certain recharge centers, most of the customers are federal sponsored projects
  – Hence, OMB Uniform Guidance apply!

• Consideration for a new recharge center
Types of Recharge Centers
(Service Centers)

• Specialized Service Facility
• Costs, including F&A, are fully burdened
  – Example: Center for Comparative Medicine (CCM)
• University-wide Recharge Centers
  – i.e. University Services
• School/Vice President for Research (VPR)/Department wide Recharge Centers
  – Most have less dollar volumes
  – i.e. Core facilities, Materials Research Recharge, Genomics
Why do we need a recharge center?

• Misconception – cannot build a “profit” by charging more than the actual costs to Internal Customers
• Best Scenario -> Break-even over time
• Hence,
  – We will not over-charge the Federal sponsored projects
  – Recharge Unit must be measurable as charge per unit is cost-based
  – Recharge rates should be approved by Office of Cost Studies on an annual basis
Core Facilities
Structure of Core Faculties

• Northwestern oversight by the Office for Research
  – Started in 2009
  – Executive Director of Research Facilities
  – Director of Center for Advanced Microscopy
  – Report to Associate Vice President for Research

• FSM oversight by Research Dean
  – Started in 2009
  – Director of Research Core Planning
Responsibilities of Office for Research (OR) Directors

- Faculty advocates for core facilities
- Advisors on marketing, compliance/regulations, efficiency/management of core facilities
- Facilitators of communication and cooperation between OR and other units at Northwestern involved in space planning, facilities management, human resources, financial accounting
- Facilitators of professional development of staff
- Facilitators of communication and cooperation with peer institutions
Processes Starting 2009

• OR Annual Reports – due April 1
• University-wide User Surveys – Feb/March
• OR Equipment Grants Program – May/October
• Northwestern Letters of Support for Instrumentation Grants
• Workshops and Research Facility Fairs
Processes in 2010

- Voucher Program for Principal Investigators (PIs) submitting instrumentation grants for core facilities - $10K per PI
- Outstanding Core Facilities Awards - $2K per facility
- Program Review of Core Facilities – 2 per year
- OR Faculty Advisory Committees – meet periodically
- Formation of Midwest Association of Core Facility (MWACD) and annual meeting - October
Processes Starting 2011

• Roll-out of financial management system: NUcore

• Policies and procedures for handling external customers and reporting of unrelated business income

• URL: http://www.research.northwestern.edu/facilities
  – Webpage template and training for core facilities
  – List of cores and links to individual site
Processes Starting 2012

- Web Portal Development – university-wide
- Space Consolidation on Evanston campus
- Development of business certificate program for directors and managers of core facilities
- Support of local core facility fairs
What compliance regulations govern Recharge Centers/Service Centers?

The Ground Rules
The Ground Rules

• Specialized Service Facility (i.e. Center for Comparative Medicine, [CCM])
  – OMB Uniform Guidance § 200.468
  – Described in DS-2 as “Service Centers”

• University-wide and department-wide Recharge

• F&A proposal review and negotiation by Division of Cost Allocation (DCA)
  – Space and expenses are allocated appropriately
BEST PRACTICE
What are acceptable Measurable Units used to allocate the costs and charge customers?
Examples of Measurable Units

- Labor Hour
- Machine Hour
- CPU Unit
- Per Rack Unit
- Daily Rate

- Test
- Slide
- Page
- Cup
Can membership be used as Measurable Unit to charge customers?
Can membership be used as Measurable Unit to charge customers?

Considerations:

• Not Cost-based

• So membership cannot be used as a measurable unit
How about giving discounted rates to “certain users”?
How about giving discounted rates to “certain users”? 

Considerations:

• Potential to discriminate other users, including Federal sponsored projects

• Again, Federal sponsored projects cannot be over charged

• Subsidy from another source should be provided to account for the difference
Can Effort funded by a recharge center be “cost shared” to another project?
Can Effort funded by a recharge center be “cost shared” to another project?

Considerations:

- Recharge rates are set based on actual costs, including labor
- Internal users may include fed sponsored projects
- Hence, Cost Share is generally not allowed
- Special circumstance may apply based on funding support and terms/conditions (contact Office of Cost Studies)
Can Surplus be used to pay for capital equipment?
Can Surplus be used to pay for capital equipment?

Considerations:

• Capital equipment (over $5K) **cannot** be paid using the surplus

• Equipment may be funded:
  – Equipment grants
  – Donations/gifts
  – Non-sponsored funds via Office for Research, etc.
  – A capital reserve account that receives annual depreciation for existing equipment
What is the treatment of surplus or deficit of a recharge center?
What is the treatment of surplus or deficit?

Considerations:

• If the surplus is less than 60 days working capital (Annual Expense divided by 6), the surplus does not need to be included in the rates calculations
• If the deficit was covered by a subsidy, do not include the subsidy in the rates calculations
• The surplus/deficit should be carried over to the next year for rates calculations
What is the treatment of surplus or deficit?

Considerations

- Goal: break-even over time
- Annually, a reconciliation should be performed: 
  Expenses + Revenues + Prior Year Carry-over + 
  Subsidy = Surplus or Deficit (carry-forward to 
  next year)
  - If Surplus -> Subtract 60 days working capital
- August Budget statement is used to facilitate the reconciliation:
  - GL005 (see next slide)
Summary Budget Status Report  
For Fiscal Year 2011  
As of Accounting Period 12 - August 2011 (Closed)  
Fund: 160- Recharge Operations  

<table>
<thead>
<tr>
<th>Account</th>
<th>Fiscal Year to Date</th>
<th>Current Budget</th>
<th>Unfavorable Balance</th>
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<tr>
<td></td>
<td>Actual</td>
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<td>40698 Misc. Sales &amp; Services</td>
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<td><strong>Benefits Total</strong></td>
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<td>77000 Equip Under $5000*</td>
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<td>78521 Depreciation</td>
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<td>79999 Budget Carry Forward*</td>
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<td><strong>Non-Personnel Total</strong></td>
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<td><strong>Expense Total</strong></td>
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<td><strong>Net Position: Revenue less Expense</strong></td>
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<td><strong>Net Position Excluding Benefits</strong></td>
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<td><strong>5000</strong></td>
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Questions or need a better version? Contact: Sophia Gabay (7-1142)
“We will determine whether specialized service facilities (called recharge centers) at colleges and universities have rate schedules that ensure that amounts charged are reasonable and consistent and comply with the standards for such facilities. We will also determine the necessity for and reasonableness of the recharge centers’ expenses. Recent Office of Inspector General (OIG) work identified problems in this area. Recharge centers at universities operate as in-house enterprises and are used to finance, account for, and report on the provision of goods and services to other university operating units. Standards for specialized service facilities are found in OMB Uniform Guidance § 200.468.”
Department of Justice (DOJ) – University of Connecticut

• $2.5 Million Whistleblower; False Claims Investigation Settlement

• Specialized Service Centers: Overstated anticipated expenses, overcharged the government and billed for items not covered by the grants.
  – Billing Rates: Failure to revise and appropriately set its rate structure resulted in submission of numerous false claims.
NIH – Univ. of Massachusetts Medical School

- Recharge & Laboratory Supply Center Charges
  - OIG could not determine who requested the recharge center services or laboratory supply charges and whether these costs were allocable to the NIH Grant. Records were not retained (Records should be retained for 3 years after the dated of the final financial status report).
Questions?