I. POLICY STATEMENT

This policy covers the operation and conduct of the Shared Resource Facilities (SRFs). The Icahn School of Medicine at Mount Sinai (ISM) SRFs recovers some or all of the costs of their products and services through user fees, subject to the requirements outlined in this policy. The costs of providing goods and services are charged to users, including federally sponsored projects, based on established billing rates and actual usage of services. Every Shared Resource Facility must have a formal list of its billing rates that is available to users upon request.

II. Scope of the Shared Resource Facilities Policy and Procedures Manual

This policy and procedures manual provides information and guidance on the allowability of interdepartmental charging for goods and services. Regulations issued by the Federal Departments/Agencies, i.e. the Department of Health and Human Services (DHHS) – NIH Notice Number NOT-OD-13-053 FAQs for Costing of NIH-Funded Core Facilities and 2CFR 220 (Office of Management and Budget Circular A-21) establish cost accounting standards that should be followed for consistency in accounting and costing practices. As a recipient of federal research funding, ISM is required to follow the cost principles in these regulations.

III. Purpose of the Shared Resource Facilities Policy and Procedures Manual

This policy and procedures manual covers the operation and rate setting of SRFs and provides information and guidance on the allowability of interdepartmental charging for SRFs goods and services. The regulations referenced in paragraph II above establish guidance that should be followed for consistency in accounting and costing practices. As a recipient of federal research and service funding, ISM is required to follow the cost principles outlined in these regulations. ISM may be audited by the cognizant federal agency for compliance with the aforementioned regulations. The ISM also has a fiduciary responsibility to ensure that federal awards are charged based upon actual costs and must be non-discriminatory with respect to federally funded projects.
IV. **Who Should know this Policy and Procedures Manual**

1. All persons governed by this policy
2. Principal Investigators who use shared resource facilities
3. Departmental Administrators and other departmental staff
4. Grants and Contracts Office staff
5. Sponsored Projects Accounting staff

V. **Definition and Treatment of Shared Resource Facilities at ISM**

Shared Resource Facilities are organizational units or activities that provide goods and services primarily to internal medical or other school operations and secondarily to external users, and charge users for these services. Academic and administrative departments may engage in the direct sale of goods and/or services only when those goods and services are directly and substantially related to the mission of ISM.

When charging for goods and/or services provided to other departments, the rates charged shall be calculated consistently with the guidance set forth in this policy. Rates may not discriminate against federally supported activities of the institution, including usage by the institution for internal purposes. The following is a summary of ISM's key principles governing SRFs operations:

1. When establishing SRFs, a proposal outlining the billing process and user fee rates should be reviewed and approved by the Center for Comparative Medicine and Surgery (CCMS) with concurrence from Sponsored Projects Accounting.
2. Per federal regulations, all internal user fees are to be calculated in such a manner to recover no more than the cost of goods and services being provided.
3. Shared Resource Facility billing rates should be reviewed annually and increased consistent with inflation.
4. User fees are to be calculated in such a manner to ensure that a proportionate share of allowable costs is allocated to all users, and they are applied consistently. No cost may be shifted from one user to another.
5. If the Shared Resource Facility is generating an annual surplus in excess of reserves designated for equipment replacement (depreciation), then the billing rates should be decreased so that, overall, the facility breaks even on an annual basis.

6. Under no circumstances may an operating surplus be transferred out of a SRFs account to subsidize other activities.

7. Every Shared Resource Facility must have a system for tracking and documenting all facility usage. All charges for facility usage must be supported by invoices that include a description of the service(s) rendered and the cost of the services which can be easily recalculated using the facilities billing rates.

In addition, SRFs must comply with the following Federal Cost Accounting Standards:

**CAS 501** – Costs budgeted in proposals must be reconcilable to actual charges in the financial system of record.

**CAS 502** – Costs must be charged consistently, and the rate development process must be consistently applied.

**CAS 505** – Rates charged must exclude unallowable costs and must relate to the actual cost of providing services to all users, regardless of their funding sources.

**CAS 506** – Rates should be established based upon the Schools fiscal year, unless there are reasons for using an alternative period

**VI. Procedures for Developing a Shared Resource Facilities Billing Rate**

Proper rate development requires an accurate composition of allowable costs. The allowable cost criteria for SRFs is the same as for direct costs and facilities and administrative costs as outlined in 2CFR 220 (Circular-A21). Billing rates are developed from anticipated and historical costs for a specific shared resource facility. Proper rate development requires accurate reflection of all users in the usage base of the rate calculation. See Appendix A for an example of a rate calculation.
Following are key requirements for developing billing rates:

A. **Allowable Direct Costs**
   
   Allowable direct costs are those costs that are directly identifiable with the shared resource facility and will normally include cost elements such as:
   
   1. Direct salaries and wages
   2. Fringe benefits
   3. Operating supplies and materials
   4. Service contracts for core equipment
   5. Travel
   6. Equipment depreciation on non-federally purchased equipment (not included in the F&A cost pool)
   7. Other (must be specific)

B. **Unallowable/Excluded Direct Costs**

The following costs are excluded from the calculation of billing rates:

1. Debt principal payments and internal interest
2. Costs identified in 2CFR 220 (Circular-A21) F.6.b as normally F&A unless they meet the criteria contained in Financial Memorandum No. 171 “Mount Sinai School of Medicine Charging Administrative and clerical salaries to Federal Grants and Contracts” allowing the direct charging of these costs under special circumstances.
3. Costs which are unallowable under federal regulations (see Section J, 2 CFR 220 (Circular A-21), such as:

   a. Advertising (exclusive of exemptions deemed allowable in applicable cost principles, e.g. personnel recruiting)
   b. Alcoholic beverages
   c. Bad debts
   d. Contributions and donations
   e. Entertainment expenses
   f. Fund raising
   g. Public relations

Since unallowable/excluded costs are not recovered through billing rates or chargeable to the service center budget, funding for such costs must be obtained from other school resources.

C. Equipment

Capital equipment is defined as an item with a purchase price of $500 or more and a useful life of more than one year. Federal regulations do not permit the purchase cost of a capital item to be recovered through SRFs rates. However, it allows for the recovery of depreciation associated with the asset. Equipment or supplies that are not capitalizable (purchase price under $500) may be treated as operating expense in calculating rates.

SRFs rates cannot be structured to build "reserves" for anticipated equipment purchases or replacements. It is not acceptable to charge current users with costs associated with future periods.

Depreciation of equipment purchased by the federal government whether or not title has reverted back to the school cannot be included in the user rates.
D. Facilities and Administrative (F&A) Costs
Facilities and administrative costs other than depreciation on non-federally funded equipment are not normally included in the SRFs billing rates.

E. Revenues
For purposes of rate development, revenues consist of all internal and external revenue generated by the SRFs. If some users are not billed for the services or not billed at the full rate or revenue was not collected, these amounts must be imputed in the calculation.

VII. Shared Resource Facilities (SRFs) Costing Model and Documentation Requirements

The SRFs costing model will be based upon criteria established in Sections V. and VI. of this policy statement and will consist of a yearly review of established billing rates, as noted in Section V. Rates will be based upon actual costs, but may be adjusted downward with the permission of CCMS in accordance with the 70% - 30% rule. This means that a concerted effort should be made to recover 70% of the cost of rendering the service with the difference being funded from institutional funds. One time significant rate increases to meet this requirement should be avoided, substituted with a gradual rate increase over a period of years, so that award budgets may be accommodated.

SRFs need to be prepared to fully document rates utilized if called upon by federal or other outside funding agencies or internal/external audit groups i.e. A-133 auditors or federal audit groups.
Appendix A: EXAMPLE OF A SHARED RESOURCE FACILITY RATE CALCULATION

A shared resource facility service rate is the cost per service used to recover the expenses of the service being provided. Service rates are normally calculated for a fiscal year; in certain cases the SRF’s manager, with the concurrence and approval from SRF Administrative leadership, may find it prudent to make adjustments during the year to accommodate changing conditions.

To compute this rate, the department should use the following algorithm:

\[
\text{Budgeted Expenses} - \text{Subsidy} \\
\text{Budgeted Level of Activity (Usage Base)}
\]

*Service rate subsidy is provided to cover a deficit created when users are charged a rate that recovers less than the total cost of the service. At ISM institutional funds are utilized to fund any deficits.

Example XYZ SRF:

\[
\begin{align*}
\text{\$200,000 - \$60,000} \\
1000 \text{ tests performed} \\
\text{Cost per test \$140}
\end{align*}
\]

Note that a detailed EXCEL based costing matrix is available from CCMS upon request.
Appendix B: Definitions

Algorithm - The methodology being utilized to develop a billing rate.

Allowable Costs - Costs that are (a) reasonable, (b) allocable to sponsored projects under the principles and methods outlined in 2 CFR 220 (OMB Circular A-21); (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items.

Billable Unit - A specified quantity of product from a recharge operation or service facility, such as a sample test, an hour of machine time, or x-ray, image etc., that acts as the basis for the calculation of a billing rate.

Billable Rate - The rate used to recover some or all of the cost associated with producing a good or providing a service. The billing rate shall be determined by dividing the allowable costs of a particular service or product by the billing units.

Capital Equipment - Equipment with a purchase price over $500 and useful life of one year or more. The purchase cost of a capital item may not be recovered through recharge center rates. However, the depreciation and external interest costs associated with the asset may be recovered in the recharge center rates.

Core Facility - An institutional research facility normally staffed by a Director and experienced technical personnel, which provide the scientific and technical infrastructure in support of translational and basic science programs.
Appendix B: Definitions (Continued)

Cost Transfer - An after-the-fact reallocation of the cost associated with a transaction from one account to another account(s).

Deficit - The amount by which an account’s expenses exceed its revenues net of any transfers.

Depreciation - The systematic allocation of the cost of a tangible capital asset to those accounting periods in which the institution expects to benefit from the use of the asset.

DHHS - Department of Health and Human Services; Federal cognizant agency.

Direct Costs - Costs that can be identified specifically with a particular sponsored project, primarily research, instruction, or service, or that can be directly assigned to to such activities relatively easily with a high degree of accuracy.

External User - Also called outside user. Any customer not part of Mount Sinai Medical Center.

Facilities and Administrative Costs (F&A) - Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project.

Federal Unallowable Costs - Costs identified as unreimbursable by Federal regulations contained in 2CFR 220 (Circular A-21) and other federal regulations or by the specific sponsored project terms and conditions.

Federal vs. Non-Federal - Federal billing rate must exclude the unallowable costs mentioned above, and be utilized for charging federal awards. Federal core grants and Federal subsidized rates will be handled on a case by case basis.
Appendix B: Definitions (Continued)

Indirect Costs - See Facilities and Administrative (F&A) costs.

Internal User - Any customer who is part of MSMC.

Operating Cost - The total cost of providing goods or services (direct salaries, benefits, supplies and depreciation).

Recharge Ctr. (also known as Service Ctr.) - At ISM known as Shared Resource Facilities (SRFs). An operating unit that provides goods or services primarily to the academic/scientific community for which it recovers some or all of the costs of those goods or services from users. SRFs operations have a separate operating account and should have documented billing rates.

Revenue - User fees recovered for providing goods or services.

Specialized Service Facility - An entity, as specifically defined in the Federal regulations 2 CFR 220 (Circular A-21) paragraph 1.47 Specialized service facilities, that provides Institutional services involving the use of complex or highly specialized services. Specialized service facilities are service centers with an annual operating budget exceeding $1,000,000. Specialized Service Facilities have a separate operating account and have fully documented billing rates. There is only one specialized service facility at the school, the Center for Comparative Medicine and Surgery (CCMS).

Sponsored Project - An externally funded activity that is separately budgeted and accounted for and governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may be in the form of grants, contracts, or cooperative agreements for research, instruction and public service activities.
### Appendix B: Definitions (Continued)

<table>
<thead>
<tr>
<th><strong>Subsidy</strong></th>
<th>Funding provided to a service center or specialized service facility in order to lower the billing rate charged to all or a group of customers for a given product or service. The subsidy covers operating deficits that result from the charging of a reduced user fee and at ISM are funded with institutional funds.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surcharge</strong></td>
<td>Additional amount charged to non- MSMC, non-federal users in excess of the internal user billing rate.</td>
</tr>
<tr>
<td><strong>Surplus</strong></td>
<td>The amount by which an account’s revenues exceed expenses net of any transfers.</td>
</tr>
<tr>
<td><strong>User Fee</strong></td>
<td>Also known as Billing Rate.</td>
</tr>
<tr>
<td><strong>Working Capital</strong></td>
<td>Operating funds available to cover current needs and to maintain reasonable stability in user charges when fluctuations in expenditures occur. Service centers may establish and maintain a fund balance for working capital needs not to exceed sixty days of annual operating expenditures.</td>
</tr>
</tbody>
</table>