Appendix

1.0 Nondiscriminatory Rates

A Center must charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. Rates should not differentiate among internal users; any deviation must be handled accordingly (see Subsidized Users, section 2.0). The use of special rates, such as high volume work or less demanding non-scientific application are allowed; however they must be equally available to all users who meet the criteria.

The federal government does not object to charging external users a higher rate; however, the excess revenues and cost associated with such need to be tracked separately to avoid the perception of overcharging.

2.0 Users

2.1 Internal Users

Internal users of service centers are those users whose ultimate source of funds is within the University or flows through the University (i.e. federal awards or patient care performed at affiliated hospitals). These include academic, research, patient care, administrative, and auxiliary areas which purchase services to support their work at the University.

2.2 External Users

External users are organizations or individuals whose ultimate source of funds is outside of the Institution. External users include students, any members of faculty or staff acting in a personal capacity, and affiliated hospitals.

2.3 Subsidized Users

All users must be billed for services received. If the University chooses to provide a service to a particular internal group of users at no charge or a lower rate, the billing rate must still be calculated for all internal users based on total center expenses and total units of output. The services for the subsidized users must be billed out at the calculated rate; however, the subsidy would be applied to a separate account representing the appropriate direct cost activity. The rate charged to this group must remain consistent with that charged to others; including accounts ultimately charged to federal awards.

3.0 Rate Components

3.1 Direct Personnel

The salaries and wages of all personnel directly related to service center activity (e.g., lab technicians or machine operators) should be included in the rate calculation, and charged to the service center’s operating account.

3.2 Administrative & Clerical Staff

The salary and wages of administrative staff in direct support or management of a service center outside that of their general obligations should be included in the rate calculation and charged to the service center’s operating account.

3.3 Fringe Benefits

Fringe benefits related to all personnel cost directly charged to the service center operating UDAK/account should be included in the rate calculation.

3.4 Materials and Supplies

The costs of materials and supplies needed to operate a service center should be included in the rate calculation. Keep in mind that general office supplies are included in the institutional F&A rate
calculations; and therefore should not be included in the center rate. If inventory is accumulated in a particular year, the service center should not include the costs of accumulated inventory in rates. Service centers that maintain significant inventory should establish a separate inventory account. A method to value inventory must be described, for example, FIFO. This is required in MUSC’s Disclosure Statement.

3.5 Other Expenses/Overhead Costs
Other operating expenses (including rental and service contracts, equipment operating leases, and professional services) and certain cost associated with the center development/improvement (i.e., center related travel, certain types of memberships) should be included in the center rate. Justification and documentation in support of such will be required.

3.6 Capital Equipment
Capital equipment is defined as an item with a purchase price over $5,000 (effective 3/25/99) and a useful life of more than one year. Federal guidelines do not allow the purchase cost of a capital item, or depreciation expense made by federal funds to be recovered through center rates. However, they allow for the recovery of depreciation associated with assets purchased by non-federal funds. Equipment which is not capitalized (under $5,000 effective 3/25/99) may be treated as an operating expense in calculating rates. The University’s accounting policy on Capitalization and Depreciation of Property, Plant, and Equipment should be referenced in order to define consistency between the costing practices within the Institution.

1. It is important that the government not be charged for the depreciation of a piece of equipment through a user charge, and again through the University’s F&A (indirect) cost rate. To avoid such, center capital equipment must be flagged in the University’s equipment inventory system. Centers should reconcile their equipment inventory to the system biennially as specified in the UG.
   a. The depreciation of all capital assets will be charged to the center operating account using the straight-line method over the useful life of the asset; as reflected in the Fixed Asset Management system. Such treatment ensures that users pay only for equipment cost associated with the usage in the given year.
   b. Federally-Funded Equipment
      Depreciation of equipment purchased by the federal government, whether or not title has reverted back to the University, is unallowable in the user rates. If the University has agreed to “cost-share” a piece of equipment in a federal award, the depreciation of the University-funded portion is also unallowable in the rates. Federal funding of equipment will be identified through the Fixed Asset Management System.
   c. Donated Equipment
      If a department has donated equipment to support a recharge center in exchange for an offset for a discounted rate, the depreciation of the donated equipment should be included in the annual depreciation costs. In this case, two rate calculations would need to be completed; one including the annual depreciation, and one excluding such. The donating department would then be charged the rate excluding depreciation expense; and the depreciation expense included in the recharge center’s operating expenses is reduced based on that department’s activity. For Example:
      - Rate with donated equipment = $5.00 per sample
      - Rate without donated equipment = $4.75 per sample
When the donating department is charged for services, the charge would be calculated and posted as follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Account Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-Institutional Revenues</td>
<td>5.00</td>
<td>406XX</td>
</tr>
<tr>
<td>Depreciated Expense – Donated Equipment</td>
<td>(.25)</td>
<td>506XX</td>
</tr>
<tr>
<td>Total Invoice</td>
<td></td>
<td>4.75</td>
</tr>
</tbody>
</table>

At year end, the Depreciation expense for the donated equipment will be used to adjust the depreciation in the recharge center’s operating expenses and that collected by the recharge center’s plant asset account. The donated equipment should be identified with the Center in the University’s Fixed Asset system.

3.7 Operation & Maintenance and Utility Costs

O&M and utility costs are assigned to all University departments, and are recovered through the Facilities and Administrative (Indirect cost rate); therefore they are not allowable in the center rate. Only specialized service centers are required to recover these cost through there center rate. Major/Central Service centers whom meet the operating expense requirement can potentially recover these costs in their rate with GCA approval.

3.8 Unallowable Costs

Unallowable cost must be excluded from the internal user rate calculation. These costs include: bad debt expense, interest, alcohol, and many advertising activities; along with cost recovered in the University’s F&A rate

(http://academicdepartments.musc.edu/vpfa/finance/gca/training/costtable.pdf)

A complete listing of allowable/unallowable costs can be found via the UG 2 CFR 200 Subpart E.

4.0 Break-Even & Adjustments

A center must develop rates so that the revenues offset expenses over a reasonable period of time. A surplus or deficit should not exceed 10% of annual operating expenses for a given fiscal year; therefore furthering the importance of the Center self-reviews to initiate action with GCA (given GCA’s biennial reviews). This would initiate the needed adjustments to the Center rates via a carryforward of the surplus or deficit into the following period. For Example, the rates submitted for approval by March 1, 2026 for the fiscal year beginning July 1, 2026 would be based on the FY27 projected volume and expenses; plus/minus under/over recoveries carried forward from the fiscal year ending June 30, 2025 (See example 1 & 2).

4.1 Example 1 (Surplus)

<table>
<thead>
<tr>
<th>FY 2025 Actual</th>
<th>FY 2027 Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$230,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>(220,000)</td>
</tr>
<tr>
<td>Surplus</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Since the surplus for FY2025 is within +/- 10% [(230-220)/220=4.5%], it will be subtracted from FY2027 budgeted expenses; thereby reducing the rate.

4.2 Example 2 (Deficit)

<table>
<thead>
<tr>
<th>FY 2025 Actual</th>
<th>FY 2027 Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$230,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$(250,000)</td>
</tr>
</tbody>
</table>

Since the deficit for FY2025 is within +/- 10% [(230-250)/250=-8%], it will be added to FY2027 budgeted expenses; thereby increasing the rate.
Since the deficit for FY2025 is within +/- 10% \([(230-250)/250=8\%]\), it will be added to the budgeted expense in FY2027; thereby increasing the rate.

4.3 **General University Subsidy**

If the University chooses to provide a general subsidy to offset the cost of the recharge center, this subsidy should be posted to a revenue object code designated “University Subsidy Transfer”. The subsidy should be deducted from the actual expenditures of the base year. If the subsidy is an estimate, then it should be deducted from the allowable cost of the projected year in which the rates will be used. Rates for external users would not include the deduction for the General University Subsidy.

   a. **Actual Subsidy**
      
      Expenses – Actual Subsidy = Total Expenditures

   b. **Estimated Subsidy**
      
      Budgeted Expenses – Planned Subsidy +/- Prior Year Under/Over Recoveries = Projected Expenses

4.4 **Internal Subsidy**

Departmental subsidies in exchange for a discounted rate are only allowable if the exchange of resources provides a definitive rational for providing the discount; and Letter Agreements are executed to clearly delineate the reason and methodology of the discount. This letter agreement must be signed by the Department Chair and copied to the Director of Grants and Contracts Accounting in order to be valid.

When the subsidized department is charged for services, the charge would be calculated and posted as follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>Services Provided</th>
<th>Depreciated Expense – Donated Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.00</td>
<td>(.25)</td>
</tr>
<tr>
<td>Total Invoice</td>
<td>4.75</td>
<td>40620</td>
</tr>
</tbody>
</table>

4.5 **Working Capital**

Centers may establish and maintain a 60 day working capital allowance through its charges. This is separate from the surplus funds; as it should be factored in through the projections for the upcoming period.

4.6 **Transfers**

Centers that have accumulated surplus funds through billing to internal users may not transfer these funds out of the center operating account. The balance must be carried forward and used to adjust subsequent billing rates. This is separate from the allocable excess billed to external users (see Billing Procedures, section 5.4); again, the excess over the Center rate should not be applied to the Center operating account.
4.7 **Multiple Service Rates**
A Center providing more than one service at different rates may sometimes make a surplus on some services and a deficit on others. Centers must ensure that there is not cross-subsidization between user groups. Combining the results of various services is not acceptable of the mix of users differ; therefore higher prices charged to one set of users would subsidize the losses from a different set of users.

5.0 **Internal Controls and Responsibilities**

5.1 **Responsibilities**
Rates are to be calculated (originally and biennially) by the Business/Center Manager; and submitted for review to Grants and Contracts Accounting (GCA) Cost Accounting. The Business/Center Manager will also complete periodic (semi-annual or annual) reviews to ensure that costs are recovered within the 10% break-even (described in Section 4.0).

GCA will be responsible for reviewing the rates and ensuring compliance with all applicable policies and procedures; as well as training and overall monitoring of Centers.

5.2 **Reviews**
The periodic reviews to be conducted by the Managers are important to assessing the Center’s position with respect to breaking-even; in addition to identify potential mid-year adjustments (substantial increases/decreases in expenditures). Under special circumstances, rates will be adjusted through a mid-year reduction/increase; provided that such are subject to not only the review of the Business/Center Manager, but the review and approval of GCA. Mid-year adjustments will be treated as exceptions.

5.3 **Center Accounts**
All Centers must maintain separate accounts/UDAK, and Business Managers are responsible for ensuring such. Likewise, the establishment of new Center UDAKs should be reviewed by the Business Managers for desirability, feasibility, and to ensure they will operate in accordance with the relevant policies and procedures.

5.4 **Billing Procedures and Record Retention**
Billings must be based upon measured and documented utilization, which is properly authorized for the account charged. All billings should be processed on a timely basis, and will not exceed the established center rates for applicable individuals. The support for the charges, including documentation of expense and usage, should be retained by the Center for seven years to answer any user inquiries; or in case of audit. Invoices must provide the following information:

- The nature of the services rendered (description)
- The number of output based on the established base characteristic (e.g., units, hours, etc.)
- The amount charged per output

A service should not be billed for until it has been rendered; prepayments are not appropriate. Each center must cooperate in accordance with the University’s fiscal year. Centers should handle each year-end billing consistently; therefore ensuring that twelve months of cost recovery are associated with twelve months of incurred cost, for a more accurate break-even calculation at year-end.

At a minimum, external users will be charged for the full direct cost of the center operation. An allocable share of the University’s F&A (indirect) cost to the Center operation may be charged to external users. At no time should an external customer be charged less than the federal government
and internal users for the same service. The federal government will always be treated as the most favored customer. Sales tax when applicable must also be charged to all external users who do not provide their tax exempt certificates.

Center revenues should not be recorded as credits to expenditure accounts. Transactions of this nature are normally used to record amounts received for returned goods and other expense-related adjustments. This treatment of revenue would misstate both revenues and expenses; as well as affect the calculation of center rates in following periods.