

WASHINGTON UNIVERSITY
SPECIALIZED SERVICE FACILITIES
Policy and Procedures
Revised January 2024

A. SCOPE

Specialized service facilities (SSFs) are a category of internal services providers (ISP) within the Workday environment. SSFs recover their costs through charges to benefiting users. The federal Office of Management and Budget’s Uniform Guidance (UG) 2 CFR 200 (200.468) defines SSFs as “institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors....” Because the language in UG (200.468) is not precise, the University has defined a SSF as one that meets both of the following criteria:

- Provides highly complex and specific services to the University community that are not readily available from an outside vendor;
- Generates over \$2,000,000 in annual billings.

B. REQUIREMENTS

1. SSF activities usually result in charges to federal and nonfederal grants and contracts. In connection with Washington University’s receipt of federal grants and contracts, we must comply with applicable government requirements (*i.e.*, UG 2 CFR 200). The government monitors, by routine audits, the University’s compliance with federal regulations regarding SSFs. This policy helps assure that Washington University consistently applies sound cost accounting practices and complies with the regulations.
2. SSF rates should recover the direct and indirect costs (see D.2. below) of providing the services or products.
3. Rates cannot discriminate between federal and nonfederal sponsored activities of the University. With limited exceptions (see D.3. below), all University users must be charged the same rate(s) for the same level of service or products under the same circumstances. Volume discounts or other special pricing mechanisms must be equally available to all users who meet the criteria. SSFs may provide services to users outside the University community at higher, market-based rates.
4. SSFs operate on the WU fiscal year basis, with rates based on budgeted projections of operating expenses and projected levels of activity or products to be provided. All SSFs are to calculate billing rates annually. Billing rates should be designed to recover no more than the cost of the goods or service being provided unless one of the exceptions in C.3. below apply. Equipment depreciation included in the rate calculation will be based on a list of assets (Asset Listing – Worksheet 3 below) maintained by the SSF, which is responsible for ensuring that the list is current and provided to the Cost Analysis department annually. The cost of capital equipment purchases cannot be included in billing rates. While it is not necessary that the costs be equal to the revenue in a given

year, they should be equalized over a period of no longer than five years. Billing rates must be reviewed and adjusted as needed for consistency with the long-term plan for the SSF. The accumulated surplus or deficit balance from previous years should be included in the development of rates unless a deficit reflects the University's long-term plan to subsidize the SSF. Deficits that are part of the long-term plan may be excluded from determination of future years' billing rates. Surpluses must always be considered in determining billing rates. A surplus generated during an annual period resulting from sales to WU accounts (including federally supported activities) is to be absorbed by adjusting rates charged to users of the SSF within a reasonable time period not to exceed three years or the final year of SSF operation, whichever occurs first. An adjustment to rates charged is not necessary with respect to a surplus resulting from sales to external users. It is the responsibility of the SSF administrator to maintain adequate accounting records to determine the amount of any deficit or surplus resulting from sales to external users.

5. New SSFs will establish separate operating accounts (unique cost center and business unit) to record revenues and expenses related to the services provided.
6. It is recommended that SSFs request, through ServiceNow, unique spend categories for their products or services. All internal billings should request the use of that spend category by the customer when the customer accepts the charges.
7. SSFs are to use Workday Ledger Code 49500 and one of the revenue categories included in that ledger when billing internal users of their products or services. SSFs needing a new revenue category will need to submit a request through ServiceNow. If approved, the new revenue category must be included in Ledger 49500.
8. The following worksheets for **NEW SSFs** should be submitted to the Cost Analysis department four weeks prior to the start of operations. The excel files can be found at [Recharge Centers & Specialized Service Facilities - Financial Services \(wustl.edu\)](https://www.wustl.edu/recharge-centers-specialized-service-facilities-financial-services) and include the following worksheets:
 - Worksheet 1: Summary of Revenues and Expenses (supports billing rates to users during the next fiscal year)
 - Worksheet 2: Service Center Questionnaire (assist Cost Analysis staff in the preparation of the F&A proposal and to assist with external audits)
 - Worksheet 3: Asset Listing (compiles equipment used in operation of the SSF)

NOTE: The above worksheets (or similar data) should be updated annually by the operating department and submitted to Cost Analysis for review.

9. Annually, within six months of fiscal year end, Cost Analysis will provide to the SSF administrator a multi-year (the lesser of since inception or five years) report of activity conducted by the SSF as recorded in the University's accounting system. In addition, Cost Analysis will provide a summary report of activity conducted by each school to the Vice Chancellor for Research and the Chief Financial Officer of the school for his/her

review and assessment of compliance with this policy. The reporting by Cost Analysis shall be the official record of surplus/deficit generated by operations of the SSF on a cumulative basis determined in accordance with OMB's Uniform Guidance. Cost Analysis will alert the SSF administrator when it has generated a surplus and provide a reminder to the administrator the SSF is required by university policy to absorb the surplus generated from sales to federally supported activities in the center's rate calculation within a reasonable time period not to exceed three years.

C. OPERATING THE SSF

1. The department administrator is responsible for preparing and administering the SSF budget, preparing a rate schedule (Worksheet 1 above or equivalent analysis), maintaining adequate records, segregating non-allocable costs and preparing accurate invoices.
2. It is assumed the department administrator will prepare a budget annually. The budget on Worksheet 1 should include year-to-date and annualized data for the current fiscal year and projected data for revenue and expense items for the next fiscal year.
3. The department administrator is responsible for preparing and supporting a schedule of rates for services or products charged to users of the SSF. The rate schedule should include **all** services or products normally offered by the SSF. This schedule of rates, according to UG, cannot discriminate between federal and nonfederal supported activities of the University and should be designed to only recover the actual costs of the products or services. SSFs must charge federal sponsored agreements a cost-based rate which may also be charged to non-federal sponsors. The SSF may charge users outside the University higher, market-based rates. SSFs may choose to recover non-allocable costs from rates charged to non-federally funded sources (see D.3. below). If so, they must submit separate rate calculations for federal funded and non-federally funded customers.
4. Billings for internal customers must be created by using The Create an Internal Services Delivery (ISD) invoice in Workday. A fully completed ISD will provide sufficient detail to support the activity billed. External customer invoices must be created using the Customer Collections module in Workday.

Advance billing for services or products is not allowed. SSFs can only bill for products delivered or services performed. Estimates cannot be used as the basis for billing. SSFs must consistently bill all users for service. SSF administrators must retain all documentation to support customer billings for internal or external audit review.

The recommended practice is to complete invoicing at the time service/product is provided. Services applicable to a period of time may be invoiced monthly, or at the very least quarterly, for services provided by the SSF.

D. ESTABLISHING AND REVISING SSF RATES

1. SSF rates are costs per unit of output (*i.e.*, dollars per hour, cents per unit) calculated to recover no more than the allocable costs of operation. SSFs should recover direct and indirect costs. According to the UG, rates developed for SSFs “. . . should be designed to recover not more than the aggregate cost of the service.” Equaling the cost of services or products in any single year is not necessary for SSF rates. However, department administrators must review and adjust rates at least annually to prevent recovering more than the costs of operations. Occasionally, SSFs may find it necessary to establish rates at less than full cost, but in no circumstance may rates charged to federally funded activities exceed cost over a long period (*e.g.*, five years).
2. SSF rates should include the **direct** and certain **indirect** costs of operating the center plus or minus any under or over recovery from preceding years. SSF Worksheet 1 is the summary format that should be used to support the billing rates. The Cost Analysis Department will calculate the allocable share of the University’s appropriate indirect costs (operations and maintenance, external interest and building and equipment depreciation).
3. The following are examples of allocable and non-allocable categories of SSF costs for development of billing rates to users. A cost that is not allocable does not mean such costs may not be incurred by a SSF. Such costs may be recovered from charges made to non-federal sponsored projects and other internal and external customers of the SSF. SSFs choosing to recover non-allocable costs in this manner must submit a separate calculation of charge rates including these costs (step C.3. above) along with the calculation of rates applicable to federally funded sponsored projects.
 - a. Allocable Direct Costs
 - i. Salaries, wages, and fringe benefits
 - ii. Travel related to the operation of the specialized service facility
 - iii. Materials and supplies
 - iv. Rental and service contracts
 - b. Allocable Indirect Costs
 - i. Equipment depreciation
 - ii. Building depreciation
 - iii. Operations and maintenance
 - iv. External interest expense
 - c. Non-allocable Costs
 - i. Equipment purchases of more than \$5000 (Ledger codes 49050, 80000, 80050, 80100)
 - ii. Costs not allocable to federal sponsored agreements:
 - Dependent Tuition
 - Professional Fees *
 - Other Consulting *

- Certain Supplies **
 - Certain Services **
 - Certain Travel **
- iii. Financial Allocations/Prorations
 - iv. Contingency and equipment replacement reserves

**(Specific professional and consulting costs not reimbursable as direct or indirect costs on Federal Grants & Contracts such as those defined at sections 200.435 and 200.455 in the Uniform Guidance. To determine allocable professional and consulting costs please reference 200.459 in the Uniform Guidance)*

*** Not all supplies, services and travel are non-allocable. Some examples of non-allocable costs include employee service awards, catering services for entertainment purposes, alcoholic beverages, external donations and contributions, and spousal travel expenses for other than University business purposes. Medical supplies used in providing services or products used in the conduct of sponsored research are allocable. Medical supplies ultimately used in the delivery of patient services that will be charged to insurance, government sources or the patient are non-allocable. This is not an exhaustive list. For greater detail, see RPT6163 which identifies non-allocable costs under the heading Indirect Cost Spend Level 2. Questions concerning allocable costs can be referred to the Cost Analysis office (rechargecenters@wustl.edu).*

d. Prior Year Adjustment

- i. Prior year operating deficit (increase to recoverable costs)
 - ii. Prior year operating surplus (decrease to recoverable costs)
4. Department administrators should calculate SSF rates for a fiscal year. There is flexibility in the method used to calculate SSF rates although billing rates must be based on cost.