Administrative Procedure Chapter 12, Research
Administrative Procedure AP 12.204, Special Fund Research Recharge Centers
(Note: Previously Revolving Fund Service Orders to the Research Corporation of the University of Hawai‘i AP 8.931)
Effective Date: February 2024
Dates Amended: April 2017, November 2012, November 2009
Responsible Office: Office of the Vice President for Research and Innovation
Governing Board and/or Executive Policy: Chapter 12, EP 12.102, Authority to Sign and Execute Extramural Research and Training Contracts/Grants, Agreements and Contract Assignments and Releases
Review Date: Three-Year Review Cycle

I. Purpose

To establish a framework for creating, operating and maintaining Special Fund Research Recharge Centers (SRRC) in accordance with Federal regulations, State statutes and University of Hawai‘i (UH) policies and procedures.

II. Definitions

A. Core facility (source: National Institutes of Health (NIH) NOT-OD-13-053): a core facility is a centralized shared research resource that provides access to instruments, technologies, services, as well as expert consultation and other services to scientific and clinical investigators. The typical core facility is a discrete unit within an institution and may have dedicated personnel, equipment, and space for operations. In general, core facilities recover their cost, or a portion of their cost, of providing services in the form of user fees that are charged to an investigator's funds, often to NIH or other federal grants. Core facilities may be fiscally supported by institutional funds, federal funds, external revenue, other funding, or any combination of these.

B. Fiscal Administrator (FA): the FA or their delegate of the SRRC account. The term "Fiscal Administrator" is a working title not descriptive of any one position, but rather refers to that group or class of persons who perform the business and fiscal administration functions for a particular University unit. These persons may occupy positions with such job titles as Vice Chancellor of Administration, Director of Administrative Services, Assistant Dean,

Assistant Director, and other positions within the APT Institutional Support Career Group. (definition from AP 8.025, Fiscal Responsibilities within the University).

C. Intramural funds: funds received by UH that are subsequently used at its discretion to fund activities consistent with the limitations and purposes for which the funds were received. The indirect overhead portion of extramural contracts or grants that are deposited into UH research and training revolving funds (RTRF), Tuition and Fee Special Funds (TFSF) and SRRCs as defined below are examples of intramural funds. In the context of this policy, intramural funds exclude state general funds appropriated to UH or tuition and fee revenue generated through UH educational programming.

D. Non-UH affiliated customers: customers who are external to UH colleges, schools, departments and units, also includes students and employees acting in a personal capacity.

E. Other sponsored agreements: external sponsorship of a research, training or other activity established through forms of agreements other than a contract, grant or cooperative agreement. Other forms of agreement include, but are not limited to, purchase orders (PO), master agreements, memorandums of agreement (MOA), memorandums of understanding (MOU), cooperative research and development agreements (CRADA), consortium agreements, etc.

F. Principal Investigator (PI) or Project Director (PD): the PI/PD named on a sponsored award. (definition from AP 8.025, Fiscal Responsibilities within the University).

G. Project Manager (PM): the Account Supervisor (or designee) on the Kuali Financial System (KFS) account with overall responsibility for operating and maintaining the SRRC.

H. Project personnel: personnel assigned to the project, which may include persons hired through UH or the Research Corporation of the University of Hawai‘i (RCUH).

I. Recharge center: an institutional unit providing goods or services on a fee for service basis which supports contracts, grants or other sponsored agreements and intramurally funded activities on an ongoing basis but which generate less than $1,000,000 of revenue per year.

J. Special Fund Research Recharge Center (SRRC): a special fund that includes core facilities, recharge centers and specialized service facilities (SSFs). These are self-sustaining, income-generating projects which provide goods or services to support contracts, grants or other sponsored agreements and intramurally funded activities on an ongoing basis primarily for UH affiliated customers. SRRC activity consists of internal "sales" but may include occasional sales to non-UH affiliated customers. Cost of providing goods or services are recovered through charges to users.

K. Specialized Service Facility (SSF): an institutional service involving the use of highly complex or specialized facilities which supports contracts, grants or other sponsored agreements and intramurally funded activities on an ongoing basis. SSFs that do not generate at least $1,000,000 of revenue per year will be considered a recharge center.

L. SRRC Proposal: the formal request to establish, amend, renew or terminate an SRRC project, which is routed to the Department Chair, the Dean/Director, the FA and the Vice President for Research and Innovation (VPRI) / Vice Provost for Research and Scholarship (VPRS) / Chancellor (or designee).

M. UH affiliated customers: UH colleges, schools, departments and units.

III. Administrative Procedure

A. Objectives

To establish guidelines and procedures for SRRCs.

B. Applicability

These guidelines and procedures apply to SRRCs. Auxiliary enterprises (e.g. facility operations, student housing and parking) which are used by students, employees, or other individuals are not SRRCs.

C. Responsibilities for Management of SRRCs

1. UH and RCUH employees shall comply with AP 8.025, Fiscal Responsibilities within the University, specifically:

a. Every employee who performs or has authority for fiscal and administrative functions is responsible to take reasonable action to ensure internal controls and proper segregation of duties are followed.

2. The PM with the assistance of project personnel will be responsible and accountable for the day-to-day management of the SRRC. Responsibilities include the following:

   a. Direct, coordinate and manage the SRRC to satisfy requests for goods and services.

   b. Appoint, supervise, and terminate SRRC personnel.

   c. Review all expenditures and transactions to ensure charges are made in accordance with the customer's authorized purchase order or contract and in compliance with the intent and purpose of the SRRC.

   d. Work closely with the FA to monitor the timely issuance of invoices and following up on outstanding invoices.

   e. Work closely with the FA to review, reconcile and monitor budgets to ensure the financial stability and solvency of the SRRC, the proper recordation of expenditures and receipts, and to initiate adjustments as required.

   f. Complete the SRRC Proposal.

3. The FA will:

   a. Be responsible for all financial commitments of the SRRC and ensure that all goods and services provided and requisitions for materials, equipment, travel and personnel requirements comply with federal regulations, State statutes and UH policies and procedures and are in conformance with the intent and purposes of the authorized SRRC.

   b. Work closely with the PM and Dean/Director to ensure the financial stability and self-sufficiency of the SRRC.

   c. Work closely with the PM to review, reconcile and monitor budgets, the proper recordation of expenditures and receipts, and to initiate adjustments as required.

d. Ensure that any rate computation process is consistent with the guidelines under Sections III.G.2.

e. Work closely with the PM and project personnel to monitor the timely issuance of invoices and following up on outstanding invoices.

f. Review SRRC proposal for adherence to SRRC guidelines.

g. For segregation of duties, the Account Supervisor shall not also be assigned as the FA/FO, Account Delegate or Account Manager (AM) on the same account. Also, when editing an account, the Account Supervisor cannot be the same person as the FA/FO or AM.

h. Work with central system offices regarding issues related to tax compliance for unrelated business income, general obligation and revenue bonds, withholding and reporting (see AP 8.025, Fiscal Responsibilities within the University).

4. The Dean or Director will:

a. Be responsible for the overall operation of the SRRC and ensure that all goods and services provided are in conformance with the intent and purpose of the approved SRRC proposal.

b. Work closely with the FA to ensure the financial stability and self-sufficiency of the SRRC and to take necessary corrective action, including securing the funds to eliminate deficits that cannot be amortized over five years.

5. The VPRI / VPRS / Chancellors (or designee) shall be responsible for establishing the review process for SRRCs, including monitoring of surplus and deficit balances, and shall take corrective action as necessary to ensure the financial stability of the units that operate SRRCs on their respective campuses.

D. Guidelines

1. SRRC activities can result in charges, directly or indirectly, to federal contracts or grants, therefore the University must comply with 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and should generally follow the guidance in NIH's NOT-OD-13-053, FAQs for Costing of NIH-Funded Core Facilities. Non-compliance with federal regulations could involve

reimbursement to the government and/or penalties.

2. Inappropriate uses: SRRCs should not be used for the following types of activities:

   a. Initiation of sponsored research or training activities funded via grant, contract, cooperative agreement or other sponsored agreements. Pursuant to Board of Regents Policy RP 12.207 III.D., these sponsored agreements should be processed through the University's office responsible for the administration of research and training grants and contracts.

   b. Rights to data, publishing or intellectual property belong to the service requestor and not the service provider. Thus, an SRRC is an inappropriate vehicle to secure such rights. Extramural or intramural sources should be used to fund research or scholarly activities to obtain such rights.

   c. Because SRRCs should relate to and promote the non-profit academic and research mission of the University, an SRRC is an inappropriate vehicle for generating profit.

3. The accounting year (annual review period) shall be the University's fiscal year (July 1 to June 30).

   Exception: The School of Ocean, Earth Science & Technology Ship Operations SSF shall follow the calendar year, as disclosed in the University's cost accounting disclosure statement (CASB DS-2), which has been reviewed and approved by the HHS Division of Cost Allocation.

4. Transfers into the SRRC account are allowed for internal subsidies and transfer of related expenses. Transfers out of the SRRC account are allowed upon termination of the account and are subject to refund to the federal government and UH affiliated customers.

5. No more than a maximum 60 days of working capital to cover cash expenses may be retained out of surplus balances that accumulate. Examples of cash expenses include salaries and fringe benefits of SRRC Project Personnel; consumable supplies; monthly rental costs; monthly utilities; and items that must be prepaid (e.g. maintenance agreement due in July).

A reserve sub-account may be established for:

a. equipment replacement only if the user fees/billing rates include depreciation on equipment purchased with G funds, RTRF or TFSF.

b. cost of debt service which may be included in the computation of user fees/billing rates only if the HHS Division of Cost Allocation has approved the inclusion in writing.

c. income from Non-UH affiliated customers above the actual costs / rates charged to UH affiliated customers and

d. other subsidies (i.e. shortfall paid for by funds from other internal sources such as the Dean's office).

6. All UH requests to establish an SRRC account must ensure that the proposed PM is not the PI of UH or RCUH direct projects which will use the services of the SRRC, and that a UH Department, College, or Institute is responsible for the operational and financial management of the SRRC.

7. The PM, FA and Dean/Director shall clearly identify subsidy requirements, one-time budget requests, recurring budget requests including the source of funds for each, as well as a source of funds for unplanned subsidy needs.

8. SRRCs will be monitored periodically for compliance with established guidelines (i.e. inappropriate uses, transfers, surpluses or deficits, review and adjustment of billing rates). The costs of operating a service center shall not be commingled with the cost of other operations. The total operational costs shall be recorded in the SRRC account. Recorded costs must be allowable, allocable, reasonable and consistently applied.

E. Criteria for Establishing or Renewing an SRRC

The criteria for the Dean/Director, Chancellor (or designee) for determining whether to establish or renew an SRRC are as follows:

1. An SRRC shall be established only if it can operate as an ongoing activity. Idle accounts or accounts carrying deficits from year-to-year will be terminated. If the account is to remain open, a financial plan to carry the account over the idle period or subsidize the deficit may require approval of the Chancellor (or designee).

2. An SRRC should not be established if it involves inappropriate activities as defined under Section III.D.2.

3. An SRRC should not be established if a commercial vendor provides these services at less cost to UH affiliated customers or if it duplicates an already existing capability on campus. Criteria such as whether the vendor or other recharge center can provide the quality and/or quantity of goods or services to the desired specifications should be considered in making this determination. If the SRRC cannot provide the service at a comparable cost, the benefit to the University for providing this service in this service center as opposed to procuring the service from the external vendor will be required. The reasonableness of any such duplicative service provision should be addressed in the SRRC Proposal (Attachment 1), including identifying where the proposed service or similar service is available and the pricing of the service.

F. Establishing an SRRC

The prospective PM (a faculty or staff member) must discuss the establishment of an SRRC with the responsible Dean. Upon approval by the Dean, the PM should submit the SRRC Proposal (Attachment 1) to the Department Chair, the Dean or Director, the FA and the VPRI / VPRS / Chancellor (or designee) for review and approval.

G. Operating an SRRC

Service centers shall follow the appropriate procedures for procurement, contracts, hiring, invoicing, accounts receivable, cash handling, recording revenue and inventory and record retention. Billing must be based on services provided (i.e. must be after the fact).

1. Budgeting

A budget is required to establish an SRRC and must be updated no less than annually. Allowable and allocable expenses along with depreciation for necessary equipment should be included. Subsidies required to operate the SRRC should be identified in the process of developing the budget.

Refer to Sample Budget at:
https://research.hawaii.edu/ors/resources/service-centers/.

2. Rates

   a. Billing rates should be based on the total operating costs divided by usage. Separate rates can be established for UH affiliated and non-UH affiliated customers.

      Refer to Rate Setting Template at:
      https://research.hawaii.edu/ors/resources/service-centers/

   b. User fees/billing rates shall be designed to recover no more than the total costs of providing the goods or services. Accumulated deficits or surpluses shall lead to the user fees/billings being adjusted so that the SSF, core facility or recharge center breaks even over a specific time period. The resulting user fees/billing rates shall not discriminate between extramurally funded (especially federally funded) and intramurally funded programs or activities. Generally, this means all UH affiliated users of the SRRC, including those using G funds, RTRF or TFSF must pay the same user fees/billing rates, including specialized service facility F&A costs, if applicable. This requirement does not apply to non-UH affiliated customers, provided that charges are not below rates charged to UH affiliated customers and are reasonable in relation to the total costs of providing the goods or services.

   c. The billing rates must be documented and readily available upon request.

   d. If multiple services are to be provided, the billing rate of each service must be documented. If the SRRC provides more than one service, the SRRC may sometimes make a surplus on some products or services and a loss on others. Combining the results of various services is acceptable as long as the mix of users of each service is the same for all services.

   e. At least annually, the PM must review SRRC balances and consider whether to increase or lower user fees/billing rates to eliminate a deficit or surplus, respectively. SRRC rates should be designed to self-adjust; accumulated deficits/surpluses should be incorporated into future rates such that the SRRC breaks even over a reasonable period

of time. The Chancellor (or designee) may require this analysis to be conducted more frequently to minimize large deficits or surpluses that might occur.

(1) Generally, a surplus balance after considering working capital requirements and equipment replacement set asides as described in section III.D.5 above should result in a lowering of the user fees/billing rates.

(2) The PM may elect to amortize deficits over three to five years to minimize the impact on rates. However, a deficit requiring more than five years to amortize should be written off against school/college/research unit funds.

3. Sales / Income

Customers shall be billed on a regular basis. Project personnel shall prepare invoices, generally on a monthly basis.

4. Receipts and Cash Handling.

Refer to AP 8.701, Receipting and Depositing Funds Received by the University and AP 8.702 Establishment of Electronic Funds Transfer and Receipt of Funds for procedures on receipting, depositing, recording, reconciling and safeguarding of funds received.

Refer to SRRC Procedural Guidelines at:
https://research.hawaii.edu/ors/resources/service-centers/

5. Reserve sub-accounts

A sub-account linked to the operating SRRC account may be created for the following:

a. Capital replacement reserves

b. Project billing to a Non-UH affiliated customer in excess of cost.

Refer to SRRC Procedural Guidelines at:
https://research.hawaii.edu/ors/resources/service-centers/

6. SRRC Property

   For property acquired on an SRRC account, refer to Property and Equipment policies and procedures in AP Chapter 8.

7. Record retention

   Records of rate calculations and charges in accordance with the University's record retention policies must be maintained.

8. Contracts

   When an agreement is required for goods or services being provided by an SRRC, the agreement shall be between the customer and UH. Terms and conditions must be approved by UH. The agreement shall be signed by the customer and an authorized official at UH.

9. Service Orders

   Service orders to RCUH for procurement and hiring shall follow the procedures provided in AP 12.203 Service Orders to the Research Corporation of the University of Hawai'i.

H. Amending an SRRC

For any significant changes to an SRRC such as a modification in the purpose of the center, the addition/deletion of services or goods to be provided or a change in PM, the PM should prepare an SRRC Proposal indicating the type of change. The PM submits the SRRC Proposal to the Department Chair, the Dean or Director, the FA and the VPRI/VPS/Chancellor (or designee) for review and approval.

I. Renewing an SRRC

1. Colleges, schools, and organized research units should review the performance of the SRRC on a periodic basis but no less than annually because they are financially responsible for covering financial deficits. Deficit balances must be cleared prior to the expiration date of an account. If renewal of an account with a deficit balance is desired, an exception may be granted at the discretion of the VPRI. A plan to clear the deficit must accompany the SRRC Proposal.

2. The PM shall submit the SRRC Proposal to the Department Chair, the Dean or Director, the FA and the VPRI / VPRS / Chancellor (or designee)

for review and approval.

J. Terminating an SRRC

1. The PM and Dean/Director should submit an SRRC Proposal to the VPRI / VPRS / Chancellor (or designee) in advance regarding the intent to terminate an SRRC when the purpose of the service center account has been completed or if the SRRC is no longer needed. A plan to achieve a zero balance on the termination date, including how deficit balances will be resolved and how surplus balances will be distributed should be included.

2. Surplus balances shall be refunded to federal sponsors and UH affiliated customers of the SRRC.

K. Payment of RCUH Administrative Fees

The RCUH shall recover the costs of its services via the RCUH administrative fee, which is computed as part of the University's F&A proposal submission to the HHS Division of Cost Allocation. Such fees will be assessed on the SRRC account.

IV. Delegation of Authority

There is no administrative procedure specific delegation of authority.

V. Contact Information

The Office of the Vice President for Research and Innovation may be contacted for information relating to this Administrative Procedure:
Phone: (808) 956-5006
Email: uhovpri@hawaii.edu

VI. References

Link to superseded procedures: https://www.hawaii.edu/policy/archives/apm/
NIH NOT-OD-13-053
2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
AP 8.025, Fiscal Responsibilities within the University
AP 8.651, Non-Student Accounts Receivable and Delinquent Financial Obligations

AP 8.701, Receipting and Depositing Funds Received by the University
AP 8.702, Establishment of Electronic Funds Transfer and Receipt of Funds

VII. Exhibits and Appendixes

Attachment 1: Special Fund Research Recharge Center (SRRC) Proposal

Approved:

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Vassilis L. Syrmos Date
Vice President for Research and Innovation