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Title:	RESEARCH CORE FACILITIES POLICY
Department:	Partners Research Management
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Applies to:	All Partners HealthCare Entities, Employees and Agents ("Partners HealthCare") who are involved with the oversight or administration of sponsored projects, and provide services, products or expertise to the research community on a fee-for-service basis.
Approved by:	Peter Markell, Executive Vice President of Administration and Finance, CFO and Treasurer, Partners Barbara Bierer, MD, Sr. Vice President, Research, BWH F. Richard Bringhurst, MD, Sr. Vice President, Research, MGH
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KEYWORDS:

CORE FACILITY, RECHARGE CENTER, SERVICE CENTER, SPECIALIZED SERVICE FACILITY

PURPOSE:

The purpose of this policy is to provide a framework for consistent costing and accounting practices and guidelines for the fiscal and administrative management of Partners research core facilities that

- Demonstrate compliance with generally accepted accounting principles, applicable federal laws and regulations and requirements of federal and non-federal sponsors
- Allow investigators, administrative staff and researchers to budget for and monitor core facility expenses and revenue on a regular basis; and

- Create operating guidelines that meet the needs of different operational practices

As a recipient of federal funding, Partners has a fiduciary responsibility to monitor the allocation of costs of services provided by research core facilities and must comply with the Code of Federal Regulations (CFR) 45, Part 74, Appendix E, Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts With Hospitals. In addition to CFR 45, Part 74, Appendix E, Partners must meet the requirements of other federal regulations including the U.S. Office of Management and Budget Circulars A-110 and A-133 as they relate to research core facilities as well as the financial and grant management standards included and described in the NIH Grants Policy Statement.

POLICY STATEMENT:

It is the policy of Partners HealthCare (Partners) that all research core facilities which directly charge users for goods and services must document that user fees charged are allowable, reasonable and allocable in relation to the cost of goods or services provided. Research core facilities, also known as “recharge centers” or “service centers,” are Partners discrete units that are organized to provide specific goods or services on a fee-for-service basis to users within the Partners research community and its collaborators. All research core facilities are required to have an approved business plan and user fee analysis in order to operate. User fees should include, at the minimum, the direct costs of providing the core service, and where applicable, an additional overhead component. Core facilities that process charges to federally sponsored awards for goods and/or services are subject to government regulations concerning service centers and are responsible for developing user fees in accordance with this policy and government regulations.

DEFINITIONS:

Billing Unit

A specified quantity of product or service provided by a research core facility that acts as the basis for the calculation of the user fee and for billing purposes. Examples of billing units are an hour of equipment time, an hour of labor, pieces of glassware, or units of measure such as milligrams or liters. Billing units represent the anticipated number of units that will be provided or billed in the coming year, not the maximum potential output of the research core facility. An estimate of billable hours should take into consideration the estimated time away from work (paid time off), equipment downtime and idle hours for which there are no customers.

Core Facility

A Partners discrete unit that is organized to provide specific goods and/or services on a fee-for-service basis to users within the Partners research community and their collaborators. Some services or products are unique to Partners, while others may be available from external resources but are offered via a Partners core facility predominately as a convenience to the institutional users. Generally, core facilities provide scientific services and resources, consultation, and access to state-of-the-art equipment and/or technology. A core facility is a hub of ongoing research-related activity. It is not a one-time distribution of expenses or a

	<p>clearing account. It should operate with at least \$50,000 in annual expenses and service at least five Principal Investigators (PIs.) Operating expenses are charged to the core facility fund. The fund is then “recharged” by collecting payments from users receiving core services.</p>
Direct Costs	<p>Costs that can be identified specifically to provide an identifiable benefit to the research work. The nature of the goods and services involved is a determining factor in distinguishing direct from indirect costs of research agreements. Examples of research project-specific expenses include expenses for equipment, personnel, travel, and other expenses necessary to carry out a research project. (45 CFR 74, Appendix E, Section IV)</p>
Deficit > 15% of Annual Operating Expenditures	<p>The amount by which the core facility produces a net loss in excess of the 15% break-even status requirement within a 12-month period.</p>
Direct Cost Methodology	<p>Direct cost methodology is commonly used to calculate core facility user fees; only allocable direct costs are included in the fees. When the “direct cost” method is used, charges to users’ awards are included in the MTDC (modified total direct cost) base, and overhead is assessed to the user’s award(s) at the pre-determined F&A rate.</p>
External User	<p>An external user is an institution or person whose ultimate source of funds is outside of Partners’ fiduciary responsibility. External users include, but are not limited to the following:</p> <ul style="list-style-type: none">• Partners and non-Partners investigators whose source of funds are external-to-Partners institutions such as Harvard Medical School, Harvard School of Public Health, MIT, Dana-Farber Cancer Institute, Boston Medical Center, etc.• Commercial entities such as drug companies, medical device companies and other for-profit companies that purchase the services/goods directly from the core facility or provide the funding for the PI to purchase the services/goods from the core without an institutional collaborative agreement with the PI.• Unaffiliated not-for-profit organizations such as non-Partners hospitals, universities or government agencies.
Full Cost Methodology	<p>The full cost methodology is used to calculate user fees for specialized service facilities and includes all allowable and allocable direct and indirect costs. When the “full cost” method is used, charges for services to the grants of internal and external users are excluded from the MTDC (modified total direct cost) base, and additional overhead is not assessed to the award(s). In the full cost methodology, allocable space costs are included in the user fees as well as institutional administrative costs.</p>
Guarantor Account	<p>In order to establish a core facility, a “guarantor account” must be identified in the initial business plan and core fund number application. This account “guarantees” the payment of un-</p>

recovered expenditures, uncollectible revenue, and any un-resolvable fund deficits if the core's cash balance exceeds a 15% loss at fiscal year-end. The guarantor account may be a research discretionary sundry account.

Internal User

An internal user is a Partners principal investigator (PI) who holds an academic appointment at a Partners affiliated hospital and Institute and pays for the core facility goods/services with a PeopleSoft research fund number administered by Partners (e.g., A BWH investigator is an internal user to the MGH if he/she pays with a BWH research fund to use the MGH core and vice versa). Refer to the Principal Investigator Eligibility Policy for a more detailed definition of principal investigator.

Research Core Facility

A research core facility provides technical and consultative services to internal and external users with priority given to internal users. This type of core will use the direct cost methodology in determining the user fees. A research core may be subsidized by sponsor(s) so that benefitting users are charged a subsidized user fee at less than the direct cost fee.

Research Support Core

Also referred to as an Administrative Core, Supply Core, or Lab Support Core. A research support core provides shared post-award administrative support and/or other common expenses (e.g., general or specialized consumable supplies, general or specialized shared equipment service contracts, gases and dry ice, etc.) to a group of defined users. A research support core may only include departmental post-award administrative staff who are not included in the entity's F&A pool and have no role in the preparation or submission of grant applications. Pre-award personnel costs are not allowable. This type of core will use the direct cost methodology to determine use fees.

Specialized Service Facility

A specialized service facility offers highly complex and specialized services that are not readily or widely available from external vendors (e.g., animal facilities. In order to be designated a specialized service facility, the core must have a material effect on the hospitals F&A rate; conduct its activities in an isolated and contained space; use the full cost methodology and incorporate its allocable share of indirect costs in the user fees computation; and not be dedicated to the work of a single research group or department.

Subsidized User

A subsidized user is an institution, department or group of individuals that receives a core service at a lower rate than other users because the core facility's operating budget has been subsidized by the core director, the department, the sponsoring agency and/or the hospital. On an annual basis the core's sponsor(s) must provide a list of users that will be benefiting from the subsidy.

Subsidized User Fee

The reduced fee charged to subsidized users. The subsidized fee is calculated to reflect a discount attributed to the subsidy as a relative proportion to the direct cost amount. The core's sponsor(s)

Subsidy	must provide the specific requirements applicable to beneficiaries. Funding provided to a core facility by the sponsor, the department or the institution in order to lower the user fee. The subsidy covers the operating deficit that results from charging a reduced user fee. Departmental and institutional subsidies cannot be used to lower fees to external users unless specified in the business plan and approved by the hospital Senior Vice President for Research.
Surplus > 15% of Annual Operating Expenditures	The amount by which the core facility produces a net gain in excess of the 15% break-even status requirement within a fiscal year.
User fee	The user fee is the billable rate calculated to recover some or all of the costs associated with producing a good or providing a service. The user fee may vary by type of customer (internal, external, industry) and/or services/goods. Under no circumstance may the internal federal user fee be higher than other established fees. External user fees should include an overhead component that, at the maximum, is equal to the current PHS entity-specific negotiated DHHS onsite F&A rate.
Unallowable Cost	An expense identified as non-reimbursable by the sponsor or federal government. Federal unallowable costs must be excluded from the user fee calculation and annual budget expense. Such expenses (i.e. advertising, alcohol, bad debt expense, meals outside of conference travel for core purposes, entertainment expenses, unallowable travel, water coolers, fund raising, public relations, etc) may be charged to unrestricted funds or general ledger operating budget funds.

PROCEDURES:

This section sets forth the procedures governing Partners research core facilities that are consistent with federal costing principles for hospitals mentioned above. In addition, all core facilities are required to follow the applicable Partners Research Core Facilities Operating Guide (Operating Guide).

1. Establishing core facilities

- 1.1. All requests to open new cores must be submitted to Partners Research Management's Research Core Facilities Office (RCFO). A research core facility will not be established until the business plan and its components have been reviewed and approved by the RCFO, the hospital's Senior Vice President for Research (or designee) and hospital's Senior Vice President for Finance (or designee). For business plan and budget templates, access the following link on Research Management internet website: https://resadmin.partners.org/RM_Home/Forms/Tools_Resources/Core/FTR-ToolsCore.aspx
- 1.2. The hospital's Senior Vice President for Research may designate a research core facility as a specialized service facility (SSF). Approval from the hospital's Senior Vice

President for Research and Senior Vice President for Finance must be obtained prior to starting the business planning process.

- 1.3. The core director must obtain the approval of the Chief of the department prior to submitting the business plan to the RCFO.
- 1.4. It is anticipated that new cores may generate deficits during the start-up period, typically the first three years of operation. The core director should identify start-up costs and funding source(s) that will enable the core to operate within breakeven requirement during these initial three years. Start-up funding may come from the core director or combination of the core director, the department, and/or the hospital. Capital investments in the core may include, but are not limited to, equipment purchase costs, and research and development costs. Sponsors may also subsidize operating costs for each of the initial three years. The core director should establish terms and conditions for repayment (if any) of start-up costs with the “start-up sponsor(s)” and incorporate the pro-forma into the business plan. See section **8.4** for further details on use of sponsor account to cover core start-up costs during start-up period.
- 1.5. After review and resolution of any costing issues, a completed business plan is forwarded to the RCFO for review and approval.
- 1.6. Once approved by the RCFO, the business plan is forwarded to the hospital Senior Vice President for Research (or designee) and Senior Vice President for Finance (or designee) for final approval.
- 1.7. If approved, the core director and department administrator complete the Application for New Core Facility/Recharge Center Fund Number and obtain the signatures of the department’s Chief, indicating the department’s acceptance of financial and operational responsibility for the core facility.
- 1.8. An appropriate departmental (or hospital) fund number/cost center or “guarantor account” must be identified on the [Application for New Core Facility/Recharge Center Fund Number](#). The guarantor account will be used to cover any un-resolvable deficits arising from the operations of the core facility beyond any projected shortfall identified in the business plan and after the initial start-up period. Written authorization to use the fund (i.e. signature on application form) must be obtained as well as proof that the “guarantor account” has sufficient funds to cover the potential deficits (identified as at least 15% of the core’s annual operating expenses). For new cores, the guarantor account may also be the “start-up sponsor” account. Existing cores are required to provide only the guarantor account upon request by the RCFO. See section **8.3** for further details on use of guarantor account to cover core deficits.
- 1.9. If NOT approved at any point during this process, the business plan and all forms are returned to the PI/Department.

2. Core facility cost components

- 2.1. Following are general guidelines for determining costs that should be included in the user fee calculation and charged to a core facility’s cost center to support its operations.
- 2.2. **Direct Personnel** – The salaries and appropriate fringe benefit charges of all employees directly related to the core’s operations (e.g. lab technicians, machine operators, etc) should be included. Management and administrative staff supporting core facility operations should also be included (e.g. core director, billing staff, etc). If an individual dedicates less than 100% of his/her effort to core activities, then the costs associated with that individual’s effort must be allocated on a proportional basis. The proportion may be determined by effort reporting, time study, or an equivalent

documented method. Efforts of investigators put on core funds including core director count towards their total institutional effort for federal effort reporting purposes.

- 2.3. **NIH Salary Cap** – Because core facilities provide services to research awards funded by NIH, the base salaries of scientific investigators and core directors used to calculate fees must not exceed the NIH salary cap when calculating fees for federally-sponsored internal users. For example, a core director devotes 5% effort on the core and has a base salary of \$300,000. The NIH salary cap is \$199,700. The base salary of the core director's salary should be adjusted down to \$199,700 and then apply the 5% effort on \$199,700. The NIH salary cap restriction does not extend to user fees calculated for non-federal users.
- 2.4. **Supplies and Materials** – The cost of technical supplies, reagents and office supplies necessary to operate a core facility should be included.
- 2.5. **Other operating expenses** – Other operating expenses, including rental and service contracts, equipment operating leases, professional services, etc., should be included.
- 2.6. **Equipment** – Equipment with a purchase price of less than \$5000 (defined as non-capital equipment) should be included as an operating expense. Capital equipment – defined as a movable item purchased for \$5000 or more and with useful life of at least two years – cannot be included as a single-year expense or period cost according to Federal guidelines. Instead, these costs must be depreciated as described in section 4.7 below. Furthermore, anticipated equipment replacements or purchases cannot be built into the user fee as a “reserve” factor. It is not appropriate to charge current users for costs associated with future fiscal periods.
 - 2.6.1. For capital equipment bought with federal funds, details on equipment replacement are included in the Operating Guide.
 - 2.6.2. Core directors (or designee) should contact the RCFO directly if they anticipate equipment replacement or upgrade.
- 2.7. **Depreciation** – Depreciation of capital equipment purchased with *federal funds* may not be included in the rate calculation and annual profit and loss statements. Depreciation of capital equipment purchased with *non-federal funds* should be included in the user fee calculation and must be specific to the service(s) which utilizes the equipment. The straight-line method of depreciation is used to depreciate the cost of assets over their estimated useful lives. Refer to the Partners Accounting Policies – CAPITAL for further guidance.
 - 2.7.1. A “*specialized purpose building component*” is the component of a building which is above and beyond the normal requirements for office or lab space and which is specifically built to meet the requirements of the core facility (e.g. a cyclotron, magnet shielding for MRI, etc). Such capital project costs must be recovered by either including the depreciation in the rate calculation and charged directly to the core facility users or in the indirect cost pool for the NIH F&A cost proposal. This type of expenditure is rare and must be dealt with on an individual basis. Core directors should contact the Associate Director of Research Core Facilities (or designee) directly if they anticipate this type of expenditure for the core facility operations. Capital project costs for normal office renovations or upgrades are the responsibility of the department and should not be charged to the core facility.

- 2.8. **Prior year operating deficit or surplus** – Any prior year operating deficit or surplus greater than the 15% break-even status requirement is considered a cost component that requires further planning in the core's annual budget. Refer to sections **8.3-8.5** for further guidance.

3. User fee calculation

- 3.1. Core facility user fees are calculated to recover no more than the actual costs (both direct and applicable indirect) of providing the services or products to its users. The allowable cost criteria for core facilities are the same as the direct costs and F&A costs as outlined in the Code of Federal Regulations (CFR) 45, Part 74, Appendix E. Core facilities with multiple services must develop a user fee for each type of service separately, and each of these must be based on actual costs. Each service will need a reasonable billing unit that is deemed to be a fair representation of the service. Cross-subsidization of services is not allowed (i.e. one service is charged above cost while another service is charged below cost). User fees must be documented in the business plan, updated and published on an annual basis.

- 3.2. The following user fee structure serves as a guideline (where applicable) when performing service cost analysis:

3.3. *Internal User Fee for Federal, Non-Profit and Internally-Funded Users*

- 3.3.1. Internal user fees for federal, non-profit and internally-funded users are calculated using allocable, allowable and reasonable direct cost components associated with providing the products or services of the core facility (NIH salary cap is applicable here for federally-funded users, see section **2.3** above). This method of fee calculation is often referred to as the direct cost methodology. When an internal user pays for core services with a research award, the indirect costs are charged at the F&A rate associated with that award. This mechanism is consistent with the normal accounting mechanism applicable to grants and contracts.

3.4. *Internal User Fee for Industry and For-Profit Sponsored Users*

- 3.4.1. Fees for industry and for-profit sponsored internal users may include a mark-up on top of the internal user fees for federal, non-profit and internally funded users (described in section **3.3**) or may be based on competitive market rates, provided those rates equal to at least those described in section **3.3.1**. The internal user paying for core services with an industry-sponsored award will also be charged the indirect costs at the preset F&A rate associated with that award. Any surplus resulting from charging industry-sponsored users with a mark-up must be used to a) reduce user fees b) repay core startup sponsor(s) under terms and conditions established between the core and sponsor(s), or c) reinvest in the core's infrastructure.

3.5. *External User Fee – Academic Medical Centers & Non-Profits*

- 3.5.1. The user fee charged to external users at academic medical centers and non-profit entities includes the direct fee charged to internal users described in **3.3.1** plus, at maximum, an overhead component equal to the current PHS entity-specific negotiated DHHS onsite F&A rate. Any exception to this policy must be documented and approved by the hospitals' Senior Vice Presidents for Research and Partners Executive Vice President of Administration and Finance, CFO and Treasurer.

3.6. External User Fee – Industry and For-Profits

3.6.1. The minimum user fee charged to external industry and for-profit users must include the direct fee charged to internal industry sponsored users described in section **3.4.1** plus an overhead component equal to the current PHS entity-specific negotiated DHHS onsite F&A rate, but not less than the overhead rate applied to external AMCs and non-profits. Any exception to this policy must be documented and approved by the hospitals' Senior Vice Presidents for Research and Partners Executive Vice President of Administration and Finance, CFO and Treasurer. A surplus resulting from charging external industry users a mark-up from the direct fee must be used to a) reduce user fees, b) repay core startup sponsors under terms and conditions established between the core and sponsor(s), or c) reinvest in the core's infrastructure.

3.7. Subsidized User Fees

3.7.1. The sponsor, hospital and/or department may wish to subsidize the operating expenses of the core facility, thus effectively reducing the user fees. The hospital and/or department may use an operating budget or unrestricted funds to subsidize the core facility's operations. The sponsor fund will be set up under guidelines applicable to grants and contracts. In these circumstances, user fees must be calculated on the total operating budget and be based on total unit of output (volume). A percentage discount can then be applied based on the proportion of the subsidy to the total operating expenditure. Subsidized fees must be charged consistently to all users identified as beneficiaries of the subsidy. External users will be charged the unsubsidized rate unless the sponsor, hospital and/or department wish to subsidize external users. Any plan to subsidize external users must be documented in the business plan, annual budget and user fees analysis. In addition, the core director is required to submit a request to subsidize external users to the Senior Vice President for Research for review and approval via the RCFO. The Core director is required to maintain and provide a list of subsidized users to the RCFO upon request and no less than annually for review of usage and subsidized user fees. See section **8.4** for further details on treatment of subsidies.

3.8. Market-based User Fees

3.8.1. A core facility may use market-based fees if the calculated user fees are substantially higher than the market rates, thus limiting core utilization by potential internal and external customers. The use of market-based fees must be justified with a direct-cost analysis of the core's offered services and a market analysis comparing the rates of at least five local institutions. Cores that use market-based fees at less than the calculated direct cost must also provide a business case that there is local demand within the Partners' research community for their good(s) or service(s). Since the market-based fees are lower than the calculated direct cost fees, the core facility will incur an operating budget shortfall and will need to be subsidized by the core director, the department and/or the hospital. The subsidy and source must be identified in the business plan and the budget. See section **8.4** for further details on treatment of subsidies.

4. Non-discriminatory user fees

4.1. In establishing its user fees, a core facility should not discriminate against any individual or internal group of core users. Charges should be based on actual usage and

approved user fees. A core facility must charge all federally supported internal users the same user fee for the same level of service. Application of special user fees may occur only when there are specific departmental, sponsor-specific or hospital subsidies on the condition that these user fees are made available to all users who meet the criteria. Criteria for users eligible for special user fees must be published and included in the business plan.

- 4.2. Charging external users a user fee higher than the fee charged to internal users (e.g. direct cost plus an overhead component) is permitted. Fees should be reasonable and competitive when compared with other institutions and commercial companies offering similar services.

5. Break-even requirement

- 5.1. Every core facility is expected to operate under a break-even or revenue neutral model. A break-even status is defined as having year-end cash balance within plus or minus (+/-) 15% of the total annual expenditures. The break-even period is a reasonable time-period, typically a fiscal year, during which cumulative revenue from providing a service or product equals cumulative expenses. A newly established core facility is expected to be self-sustaining by the end of the start-up period. New cores are expected to break even on an annual basis whether on their own or by the use of start-up funds or subsidy by the guarantor account.

6. Billing and payments for core services

- 6.1. The core director and business manager are responsible for invoicing and collecting revenue for their core facility. Cores cannot bill for services or goods without approved core facility user fees. **Charges for services may not be pre-billed or pre-paid.** The core facility should invoice users on a monthly basis only for services rendered prior to the date of the invoice. In cases where monthly volume is low (e.g. less than five invoices per month), quarterly billing is acceptable but must be approved in advance by the Associate Director of Research Core Facilities.
- 6.2. Cores that provide long-term project-level services may divide the work into "milestones" and establish a billable rate for each milestone. For example, if the core must purchase expensive specialized reagents or supplies to perform work for a specific project, the core may bill the user for the reagents/supplies once the purchase has been made and bill a separate charge (e.g. labor and equipment usage, etc) upon completion of the work.
- 6.3. Core facility services are provided primarily to support research activities. Core expenses may be charged to federal awards, including clinical trials; non-federal awards, including clinical trials; and research sundry funds. Core expenses are included in the hospital's research base as part of the process for determining the U.S. Department of Health and Human Services facilities and administrative (F&A) cost rates. Charging core expenses to research funds ensures the appropriate accounting for this type of research expense. Accordingly, operating cost centers (e.g. MG, BW, BWP, MGB, etc) and non-research sundry funds may not be used to pay for core services provided to facilitate individual investigator's research or to support investigators' research activities.

- 6.4. In rare circumstances, the hospital may use the research core facility for its internal purposes. The core director should contact the RCFO directly when anticipating providing services or performing other activities to the hospital for guidance on user fee analysis and accounting. In these rare situations, operating cost centers may be used to pay for the core services but must be approved in advance by the Associate Director of Research Core Facilities.
- 6.5. Operating cost centers and/or non-research sundry funds may be used by the department or the entity to subsidize core operating costs or to write off core deficits. The accounting for these types of expenses is separate and should not be included in the research base. Refer to the Operating Guide for accounting mechanisms related to core subsidies and deficit write-offs.

7. Monthly and quarterly financial status review

- 7.1. Core directors and business managers are expected to monitor their core facility's activity on a monthly basis. The RCFO will review each core's financials and operational issues at least quarterly or more frequently as necessary. Specific responsibilities include:
 - 7.2. Monthly Review
 - 7.2.1. Core Responsibility
 - 7.2.1.1. Determine accuracy of billings and expenses charged
 - 7.2.1.2. Remove any unallowable costs (e.g. meals, water coolers, etc) charged to the core facility fund number
 - 7.2.1.3. Compare actual revenues and expense to budget and assess projected year-end break-even status
 - 7.2.2. RCFO Responsibility
 - 7.2.2.1. Ensure journals are accurate and posted correctly
 - 7.2.2.2. Provide core with profit and loss statement
 - 7.3. Quarterly Review
 - 7.3.1. Core Responsibility
 - 7.3.1.1. Reconcile accounts receivables and unbilled accounts and provide details to RCFO
 - 7.3.1.2. Work with the RCFO to establish a monitoring and resolution plan if there is a deficit on the fund
 - 7.3.2. RCFO Responsibility
 - 7.3.2.1. Monitor cores' surpluses/deficits
 - 7.3.2.2. Work with cores in deficit to establish a monitoring and resolution plan
 - 7.3.2.3. Meet with the hospitals' Senior Vice Presidents for Research and the Senior Vice Presidents for Finance (or designee) to review core finances

8. Annual requirements

- 8.1. All cores are required to have an annual review of core finances, including an updated operating budget and user fees approved by the RCFO. For new cores, the RCFO will conduct a detailed, comprehensive 6-month review with the core director to identify any problems early on and to ensure that the core is on target as outlined in the business plan.

8.2. Annual review and approval of core budget and user fee analysis

- 8.2.1. When a core is established, user fees should be documented in the business plan and updated and approved annually thereafter by the RCFO during the annual review and approval of core budget and user fees.
- 8.2.2. Every core director is required to submit to the RCFO a proposed operating budget and user fee(s) for the next fiscal year during the Annual Review and Approval of Core Budget and User Fee Analysis in May or by the last business day in May. Even if the core facility is not changing the fee(s), the new operating budget supporting the fee(s) must be submitted for the upcoming fiscal year. Once approved by the RCFO, the new fees will commence on a fiscal year basis, i.e., "October 1, 2010 through September 30, 2011."
- 8.2.3. It is the goal of the RCFO to have all core facility proposed new budgets and user fees(s) reviewed and approved by mid-August. The new fees will be published on the Partners Core Facilities Website and the core director is responsible for sending notice to all current users (internal and external) by the end of September
- 8.2.4. New services in existing cores may be introduced at any time during the year. In these situations, fees for new services must be accompanied by a unit cost analysis and approved by the RCFO prior to commencing the services.

8.3. Treatment of deficit >15% break-even status requirement for core facilities established beyond start-up period

- 8.3.1. In the event that the core facility has a deficit greater than the 15% break-even requirement after a 12-month period, the deficit amount above 15% will be added to the next fiscal year's budget to increase user fees charged to all core users. If the entire deficit amount (direct costs only) cannot be added to increase user fees, then the guarantor account will be charged for any remaining direct cost amount up to the 15% requirement plus an indirect cost component equal to each hospital's current IDC rate on research sundry. In the subsequent year, if the deficit continues to increase above the 15% requirement, the RCFO will work with the core director to review the financial status at appropriate intervals (e.g. quarterly) and the guarantor account may be used to write off any deficit beyond 15% at time of the review. If and when the core generates a surplus greater than 15% of the annual operating expenses (e.g. >15% operating margin), then the core may pay back the guarantor account for covering the deficit from the prior year(s).

8.4. Treatment of subsidies including start-up funding

- 8.4.1. New cores with start-up funding
 - 8.4.1.1. It is required that start-up funding for new cores with anticipated revenue shortfall be funded upfront. **The source of such funds should be identified in advance and documented in the business plan.** The new core fund should be funded up to 50% of the identified shortfall on an annual basis per business plan. The RCFO will perform a financial review at the end of each 12-month period to determine if there is cost overrun or additional revenue shortfall beyond the projected business plan. Based on this review, within 60 days after each 12-month period during the start-up period, the sponsor and/or guarantor account will be charged for the remaining 50% of the identified revenue shortfall plus any additional cost overrun.
 - 8.4.1.2. If and when the core facility generates a surplus above the 15% breakeven requirement, the core may pay back the sponsor/guarantor for covering the start-up costs and/or deficit. The core director is responsible for establishing the repayment terms and conditions with the sponsor/guarantor, and should provide documentation to the RCFO for review and approval.

8.4.2. Established cores with ongoing subsidy

8.4.2.1. When the operation of a core facility is subsidized by the hospital and/or department on an ongoing basis, the subsidy must be transferred from the departmental/hospital account to the core fund to cover the identified shortfall. Throughout the year, all core expenses identified in the budget to calculate the user fees must be charged to the core fund. The sponsoring department or hospital must transfer 50% of the planned subsidy to the core at the beginning of each fiscal year and the remaining shortfall to bring the core within the breakeven requirement. The transfer must be made within 60 days after the end of each fiscal year.

8.4.3. When a core director subsidizes the core by providing equipment purchased by the core director's discretionary funding and uses the core for his/her own research, the core director is treated as any other subsidized user and must be charged at the subsidized user fee set for the service(s) used.

8.5. Treatment of surplus > 15% break-even status requirement

8.5.1. In the event the core facility generates a surplus above the 15% requirement at the end of a fiscal year after adjusting for equipment depreciation, the core facility should use the surplus to a) lower user fees in the next fiscal year, b) repay core startup funder(s) where applicable, and/or c) replace/upgrade equipment. Such plans must be reviewed and approved during the annual review process by the RCFO.

8.6. Monitoring reviews & A-133 Audit

8.6.1. The Research Core Facility Office may conduct monitoring review of core facilities to ensure compliance and to identify and mitigate risks where necessary. Reviews will be randomized and all cores are subject to the monitoring reviews.

8.6.2. In addition, core facilities are subject to the annual A-133 Audit. Each year, a sample of cores from each hospital is selected by an independent audit firm for review. Components of the financial audit include, but are not limited to the following:

8.6.2.1. Review of business plan

8.6.2.2. Analysis of charges to internal and external users during the fiscal year

8.6.2.3. Analysis of user fees charged to federal versus non-federal users

8.6.2.4. Examination of allowable expenses (all costs charged to the core will be examined)

8.6.2.5. Evaluation of a 5-year financial summary (or since commencement of the core facility if less than five years)

9. Records retention

9.1. The Research Core Facility Office and the core director will maintain records of key documents including the most current version of the business plan and all of its components (user fee calculation, volume analysis, and 3-year budget plan), original application for new core fund number, financial reports for the last five years, and most current user fee schedules.

9.2. Documentation to support all charges to research awards must be retained by the core director or his/her designee (include operations log, work orders and requests for services) as well as invoices sent to users. In addition, documentation of core facility

user charges should include the level of activity, the user fee used to calculate the charges and the month for which the charge is incurred. This record-keeping practice allows core facilities to show their users and auditors that the correct fees were used to calculate the amounts charged on the journal entries for internal users and checks for external users. Each core director should maintain copies of all invoice records and related backup for at least five years for audit and monitoring review purposes.

10. Escalation of compliance issues and consequences of non-compliance

13.1. In the event that the RCFO identifies compliance issue(s) related to a core, the Associate Director of Research Core Facilities will report the issue(s) to the Partners Director of Research Compliance. They will work jointly with the hospital's Senior Vice President for Research and Senior Vice President for Finance (or designee) to resolve the issue.

13.2. Research core service charges are recorded as an expense on federal grants and contracts and such transactions are subject to the annual A-133 and federal audits. An auditor may choose to remove a research core expense on a federal award if the basis for the cost charged to the award is not documented. In such cases, the core director or the core director's department is responsible for absorbing the removed expense if it is deemed that the core director chose not to comply with the Partners Research Core Facilities Policy to review and document user fees on an annual basis.

11. Closing an inactive core facility

11.1. Should it become necessary to close a core facility, the core director must submit a written notification to the appropriate Senior Vice President for Research and the Associate Director of Research Core Facilities at least three months prior to the anticipated closing date. The Associate Director of Research Core Facilities has the authority to initiate the closing process of the inactive core prior to the closing date. Once all core activity has ceased, the fund balance must be brought to zero as part of the close-out process. If the core fund ends in a deficit, the department (or the hospital if subsidized or funded by the hospital) is responsible for funding the deficit and the guarantor account may be used for this purpose. If the core ends with a surplus balance, the core business manager must perform an analysis of the core users within the last fiscal year to determine the extent to which Federal users were charged. A refund may be issued to Federal projects originally charged and the remainder will be credited to the department or the hospital where applicable.

ROLES AND RESPONSIBILITIES

1. **Core director** has the primary responsibility for the scientific, financial and operational management of the core. Additionally, the core director is responsible for developing the business plan and its components, including the 3-year break-even budget, the user fee development and volume projections. Specific ongoing core management/oversight responsibilities include:
 - 1.1. Monitoring core facility financial position to ensure break-even status at the end of the fiscal year
 - 1.2. Reviewing the core facility's income and expenses on a monthly basis to ensure charges are correct and costs are allocated appropriately

- 1.3. Submitting annual budget and user fees on time (due by the last business day of May each year), and as changes in circumstance require a change in budget and/or fee(s). All changes must be reflected in an addendum to the business plan
 - 1.4. Identifying a “guarantor account” to be used to cover any potential unresolved deficits in excess of the 15% break-even status requirement at fiscal year-end
 - 1.5. Notifying departmental Chief and the RCFO when deficit situations greater than 15% of the breakeven requirement are anticipated due to volume, cost overrun and/or uncollectable revenues that will require a write-off to the “guarantor account”
 - 1.6. Coordinating with core business manager and the RCFO on the formulation, approval and execution of plans to address the unresolved deficits mentioned above, including charging the “guarantor account” to cover the deficits
 - 1.7. Validating that the core facility and its staff understand and follow federal regulations, applicable sponsor and PHS policies
2. **Core business manager** (or department administrator) may act as the agent of the core director in her/his absence and has ongoing responsibilities for monitoring the administrative, financial and operations of the core facility that include:
- 2.1. Reviewing expenses charged to the core on a monthly basis to ensure they are correctly allocated as outlined in the business plan including core facility personnel (correct percent effort), supplies, and other expenses
 - 2.2. Verifying billings are accurate, complete, timely and adequately documented
 - 2.3. Validating current user fee schedule is used for all core facility charges and the correct F&A rate on external users is applied
 - 2.4. Informing the RCFO of any changes to the core facility's services (including new services), user fees, personnel, equipment purchases, etc
 - 2.5. Assisting the core director with the review of core expenses and fund cash balance on a monthly basis
 - 2.6. Collecting payments for invoices on a timely basis and informing the core director of all outstanding invoices greater than 90 days
 - 2.7. Coordinating with core director and the RCFO on the formulation, approval and execution of plans to address the unresolved deficits, including charging the “guarantor account” to cover the deficits
 - 2.8. Maintaining all core facility records for monitoring review and A-133 audit
3. **Chief** of the department where the core facility is based has responsibilities that include:
- 3.1. Approving the concept of a core prior to the initiation of the business planning process
 - 3.2. Reviewing the business plan and counter-signing requests for new core facilities before the requests are sent to the Associate Director of Research Core Facilities (or designee) for approval
 - 3.3. Reviewing and signing the Application for New Core Fund
 - 3.4. Reviewing and approving the deficit resolution plan proposed by the core director and the RCFO, especially if the plan involves using the departmental chief's fund as the “guarantor account” to write-off the unresolved deficits
4. **Senior Vice President for Research** (or designee) has oversight responsibilities that include:
- 4.1. Reviewing and approving requests for new core facilities
 - 4.2. Making final decision on deficit resolution and on the closure of a core facility
5. **The Research Core Facilities Office (RCFO) headed by Associate Director of Research Core Facilities** has primary responsibilities that include:

- 5.1. Assisting the core director in the business planning process for a new core facility including the development of appropriate user fees, 3-year break-even budget, and volume projections
- 5.2. Reviewing and approving business plans to establish new core facilities
- 5.3. Reviewing and approving annual budget and user fees submission
- 5.4. Reviewing and approving user fees for new services as they are commenced throughout the year and after the initial set-up
- 5.5. Ensuring the core director is monitoring fund balances on a monthly basis
- 5.6. Tracking equipment and space related to core facilities
- 5.7. Assisting the core director in financial compliance with federal regulations and applicable sponsor and PHS policies
- 5.8. Conducting randomized reviews of the core facilities to ensure compliance with federal regulations
- 5.9. Serving as liaison between auditors, federal regulators and core facilities
- 5.10. Identifying facilities serving the research community that may need to be established as a core facility
- 5.11. Assisting core directors on the formulation, approval and execution of plans to address unresolved deficits
- 5.12. Identifying the need to close core facilities
- 5.13. Working in conjunction with the hospital Senior Vice President for Research, suspending or terminating a core facility for misconduct or non-compliance to Partners Research Management Policy on Research Core Facilities and applicable procedures in the Operating Guide

OTHER APPLICABLE PARTNERS HEALTHCARE POLICIES:

Partners Sundry Fund Management Policy

Partners Accounting Policies

Partners Research Management Policies including:

Sponsored Project Costs Charging Policy

F&A Costs Policy

Cost Transfer Policy

Overdraft and Deficit Monitoring Policy

Principal Investigator Eligibility

REFERENCE:

Guidance for this policy comes from federal standards of cost principles, specifically the Hospital Cost Principles outlined below. These government regulations are updated from time to time and Partners will update its own Research Core Facilities Policy to be compliant with federal regulations.

45 CFR Part 74, Appendix E – Principles For Determining Costs Applicable To Research And Development Under Grants And Contracts With Hospitals

Sec. IV Direct Costs, B – Application to research Agreements

The cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations may be included as direct costs of research agreements provided such items are consistently treated by the institution as direct rather than indirect costs and are charged under a recognized method of costing or pricing designed to recover only the actual direct and indirect costs of such material or

service and conforming to generally accepted cost accounting practices consistently followed by the institution.

Sec. IX 38 - Specialized service facilities operated by a hospital

(a) The costs of institutional services involving the use of highly complex and specialized facilities such as electronic computers and reactors are allowable provided the charges therefore meet the conditions of (b) or (c) below, and otherwise take into account any items of income or federal financing that qualify as applicable credits under paragraph III-E.

(b) The costs of such hospital services normally will be charged directly to applicable research agreements based on actual usage or occupancy of the facilities at rates that (1) are designed to recover only actual costs of providing such services, and (2) are applied on a nondiscriminatory basis as between organized research and other work of the hospital including commercial or accommodation sales and usage by the hospital for internal purposes. This would include use of such facilities as radiology, laboratories, maintenance men used for a special purpose, medical art, photography, etc.

(c) In the absence of an acceptable arrangement for direct costing as provided in (b) above, the costs incurred for such institutional services may be assigned to research agreements as indirect costs, provided the methods used achieve substantially the same results. Such arrangements should be worked out in coordination with all government users of the facilities in order to assure equitable distribution of the indirect costs.

Access link below to see the Hospital Cost Principles in its entirety:

45 CFR: [HTTP://FRWEBGATE.ACCESS.GPO.GOV/CGI-BIN/GET-CFR.CGI?TITLE=45&PART=74&SECTION=91&YEAR=1999&TYPE=TEXT](http://frwebgate.access.gpo.gov/cgi-bin/get-cfr.cgi?TITLE=45&PART=74&SECTION=91&YEAR=1999&TYPE=TEXT)

ATTACHMENTS:

DEVELOPMENT AND CONSULTATION

(Mandatory) Enter key groups or leaders who were consulted and approved policy. This section helps to guide subsequent reviews of substantive policy revisions.

Reviewed by:	Original Review Date:	Revision Approval Dates:
Barbara E. Bierer, M.D. <i>Senior Vice President for Research, BWH</i>	May 2011	
F. Richard Bringhurst, M.D. <i>Senior Vice President for Research, MGH</i>	May 2011	
Andrew Chase <i>Corporate Director of RM and Finance</i>	May 2011	
Robin Cyr <i>Director of Training and Policy</i>	May 2011	
Peter Markell <i>Executive Vice President for Administration and</i>	May 2011	

<i>Finance, CFO and Treasurer, Partners</i>		
Mary Mitchell <i>Director of Research Compliance, Partners</i>	May 2011	