



**VIII-10.50(A) UNIVERSITY OF MARYLAND COLLEGE PARK POLICY  
GOVERNING SPECIALIZED SERVICE FACILITIES**  
(Approved by Vice President for Administrative Affairs, November 27,  
1996; Amended November 15, 2004)

I. Policy

This policy defines the University's position and establishes guidelines necessary to comply with the provisions of the Office of Management and Budget Circular A-21, "Cost Principles for Educational Institutions," regarding specialized service facilities. Under OMB A-21, the cost of each defined service facility consists of both its direct and its allocable share of indirect costs. Further, the total cost of each specialized service facility, regardless of fund source, must be recovered through a schedule of rates that applies to all users of the facility on an equitable and non-discriminatory basis, only to the extent of each user's use of the facility. The allowability of cost is defined in OMB, A-21, Section J.

A. Definition of Specialized Service Facilities:

A specialized service facility is broadly defined as any major recharge activity that provides specific measurable services to users with total annual revenues in excess of \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. Examples of specialized service facilities may include: computer centers, animal facilities, wind tunnels, major reproduction facilities, motor pools, and telecommunication systems.

B. Direct and Indirect Costs:

1. Definition of Total Costs – The total cost of each specialized service facility will consist of its identifiable direct costs and the allocable indirect costs. Indirect costs will be allocated to each service facility in accordance with OMB A-21, Section F.

Allocable indirect costs will include the following as cited in OMB A-21, Section E.2.e.(2):

- a. Depreciation or use allowance for buildings and equipment;
- b. Plant maintenance and operation expenses;
- c. General administrative and general expenses.

The total service facility costs will include all direct and indirect costs along with the State contributed fringe benefits identified to the facility.

2. Exceptions – Under this policy, indirect costs allocable to the service facility may be excluded from the total costs, if:

- a. The total amount of indirect costs is immaterial.
  - b. The campus can demonstrate, to the satisfaction of the cognizant agency, that the allocation of indirect costs to the services would not be in the best interests of the University or the federal government.
- C. Capital Expenditures:  
Any expenditures for property, plant, and equipment (including building improvements and renovations) consistent with USM Policy VIII-1.10-POLICY FOR CAPITALIZATION AND INVENTORY CONTROL whose value is over \$5,000 and which has a useful life of more than one year is a capital expenditure. Such expenditures may not be included directly into a center's rates as a single year expense or period cost. These costs may be recovered by depreciating the historical cost of the item over its useful life and including depreciation expense as a component of the user rates. Replacement cost accounting (using replacement cost value as a component of user rates) is not permitted by A-21, therefore centers cannot include the future cost of capital expenditures in user rates.
- D. Unallowable costs:  
Unallowable costs may not be included in federal charges. Expenses such as internally charged interest, alcoholic beverages, entertainment, unallowable travel, and other unallowable expenses listed in OMB Circular A-21, Section J must not be included in user rates or charged to federal awards or federal pass-through awards.
- E. Specialized service facility Costs and the Indirect Cost Distribution Bases:  
The University will include specialized service facility operating costs in the applicable indirect cost distribution in a separate allocation base developed for calculation of the indirect cost rates negotiated with the federal government. In doing so, the specialized service facilities will be allocated their fair share of indirect costs. The University considers inclusion of these charges in the allocation bases to be equitable to the federal government. The University will exclude specialized service facility charges from the research, instruction, and other sponsored bases used to apply indirect cost to individual accounts.
- F. Recovery of Costs/Schedule of Rates:  
The total costs of the specialized service facilities will be accounted for through a schedule of rates which will apply to all users of the facility on the basis of actual utilization, and which does not discriminate against any one segment of the user population. Volume discounts or other special pricing mechanisms must be equally available to all users who meet the criteria. Rate schedules should be published and be available to all potential users. External users of a center may not be charged at a rate less than that charged to internal UMCP and federal users. Also, external user rates must include University indirect cost.
- G. User Rates: Rate proposals are to be submitted to the Contract and Grant Accounting Office at least annually for a formal analysis of costs and recharge rates.

H. Accounting:

Specialized service facilities are separate and distinct entities. Funds and accounting activities will not be commingled with funds or accounting activities of other organizational units inside or outside of the departments where the centers reside. Each specialized service facility must operate from separate accounts, normally in the educational and general designated range. An operating surplus of a center must not be used for purposes unrelated to the operations of that particular center.

I. Breakeven:

All specialized service facilities must operate at breakeven over the long run (10 years). Centers that conclude a fiscal year with a surplus or deficit in excess of 5% must roll forward that amount into the following year's rates.

J. Records Retention:

Specialized service facilities are subject to audit as long as the grants and contracts which they charge remain subject to audit requirements. Charges to federal and pass-through grants and contracts are subject to challenge for three years after the project expires and is fully settled. Since some projects continue for more than ten years, there is no simple rule-of-thumb for record retention. Specialized service facilities are subject to periodic review and audit by USM Office of Internal Audit, external auditors, federal auditors, and legislative auditors to evaluate compliance with established policies and accounting practices. Therefore, activities must be adequately documented and records maintained to support user rates, expenditures and billings.

Specialized service facilities must retain documentation showing how user rates were calculated, the rate review letter from the Comptroller's or Cost Accounting Office, supporting documents relating to expenses incurred including payroll expenses, records supporting utilization (level of activity), records supporting the amount and basis for user billings, monthly ledgers and annual financial statements of the center.