

Guidance for External Lab Rate Establishment in Core Labs

Need for Guidance

A Core Lab is a facility whose activity supports research at Chapman and is measured based upon a specific quantitative basis. The costs associated with these activities are accounted for separately and charged to the users in proportion to the services rendered. The primary purpose is to provide specific research services to the University community or external users. External lab rates are to be requested for fixed rate laboratory testing only and are not to be established for general core lab facilities use charges.”

Guidance is being established to ensure compliance with federal regulations and Cost Accounting Standards. This includes federal regulatory costing principals established by Office of Management and Budget (OMB) [2 CFR 200](#), as well as the Chapman Fiscal Policy.

Establishment and Review of External Rates

Proposed external lab rates must be reviewed and approved by the Office of Research and Financial Services. This is required in advance of use of the external rates and on an annual basis as the activity of the Core Lab continues. Such approval memorandums should be submitted to the Office of Research prior to the beginning of the new fiscal year. It should be understood the fixed lab rates may require revision to avoid accumulating either a surplus or a deficit in the core lab account. The external rate should be based on the University’s fiscal year, unless another time period can be justified and the Office of Research has provided approval to deviate.

External User

An external user is an entity or person with whom the University has no direct affiliation and for which the University has no fiduciary responsibility. The person or entity is external to the University’s mission, but wishes to engage the services of the center because of its unique equipment and/or its faculty/staff expertise.

Rates charged to non-federal external users are not governed by federal cost recovery restrictions. A lab may charge a non-federal external user a premium rate. In fact, the operation should charge non-

federal external users a market rate to prevent potential claims of unfair competition. Rates charged to external users who identify themselves as federally funded and provide documentation should be set to recover direct costs plus institutional overhead. Appropriate documentation includes a copy of the federal award approval or similar documentation.

Allowable Direct Costs

All allowable direct costs of a core lab that will be used in establishing user rates should be expended through one individual fund. Allowable costs include:

1. Salaries and Wages
2. Fringe Benefits
3. Supplies and Materials (consumables)
4. Depreciation expense on capital equipment
5. Purchase costs for non-capital equipment
6. Equipment Service Contracts
7. Repairs and Maintenance
8. Communication Fees, Mailings, Other Support Costs

Salaries and wages include faculty and staff who provide services, direct the operation, supervise the staff and provide other administration and support functions. Effort Reports, where required, should agree with salary (including fringe) expenditures charged to a lab account.

Supplies and materials include the supplies that are necessary for the operation of the lab. Office supplies are generally considered indirect costs and treated as unallowable. However, to the extent office supplies/materials are consumed solely for the operation of the lab in deliverance of its services, they may be included as allowable costs of the lab.

If capital equipment is involved in producing the service, depreciation associated with that equipment may be included in the rates. Depreciation must be calculated based on the information in the University's asset system, including purchase date, purchase cost, any federal contribution (which must be subtracted from the purchase costs) and useful life. The straight-line depreciation method should be

used. The full purchase cost or the replacement cost of an asset cannot be the basis for the depreciation cost.

Actual expenses for items such as travel, equipment service contracts, equipment maintenance, or long distance telephone charges incurred specifically for the operation of the lab should be treated as a direct cost of the lab and included in the rate calculation.

Request for Core Lab Rates

The following should be following to establish core lab rates:

- A complete proposal should be developed to justify the need for core lab rates and appropriately justify the rates based on the allowable direct costs noted above
- Proposals should be submitted to the Vice President for Research
- Proposals will be reviewed by the Office of Research and Financial Services
- Once approved, rates must be utilized on a consistent basis as outlined in this Guidance document
- Review of rates should be provided to the Office of Research after the Fiscal Year has closed. Revised rates should be submitted by August 1.

Documentation

It is essential that the lab's costs and usage base be adequately documented to support the billings. Accordingly, each lab must observe the following practices:

1. Collect and retain supporting documentation related to actual and accrued costs incurred by the lab. Historical cost data is stored in the University's finance and procurement systems. Cost projection data must be maintained by the lab.
2. Maintain adequate records to support the number of hours or other measure of services and/or materials which form the basis for customer billings. Usage data compiled by the lab usage systems provides adequate documentation.
3. Retain working papers demonstrating rate development.
4. Prepare external invoicing documents on at least a monthly basis.

Receipt of any external payments, not submitted directly to the Financial Services, must be

directed to Office of Research upon receipt.

Business Process

The following process should be used to ensure proper charging and tracking of expenses to lab and sponsored project accounts:

- **Charge to Lab Account:** Any expenses associated with the core lab tests should be charged to the lab account.
- **Cost Transfer to Grant Account:** Based on lab tracking and confirmation from project PI, lab to complete a Sponsored Activity [Cost Transfer Request Form \(CTRF\)](#) detailing the project, type and number of tests/procedures completed (per approved fixed lab rate) that transfers the cost from Lab Account to an external account
 - Use expense account code **Reclass – Fixed Lab Rate**
 - Lab to submit completed CTRF to appropriate SPS Contracts & Grants Administrator for review and approval
 - If approved, SPS will provide the signed document to Financial Services to facilitate the cost transfer that will move the appropriate expense amount from the Core Lab Account to the appropriate sponsored project
 - This action increases the balance in the Core Lab budget by removing the expense and decreases the balance in the sponsored project budget by adding the expense
 - Once the cost transfer process has been completed, the expense(s) will be reflected on the sponsored project GL
- **Invoice to Sponsor:** On a monthly basis, unless outlined otherwise in sponsor agreement/award, Financial Services will generate an invoice based off of the expenses reflected on the project GL
 - Sponsored project invoices are provided to SPS for review and approval
 - If approved, invoices are submitted to sponsor for payment

All Core Lab accounts are zero balanced at the end of the Fiscal Year, so Units are encouraged to management expenses appropriately throughout the year.