Specialized Service Center Policy

PURPOSE: PAVIR's Specialized Service Centers (SSC) are set up to provide a flexible mechanism to allocate expenses associated with the provision of standard services necessary in the performance of research, and to prevent needless duplication of scientific resources within federally funded laboratories, research centers and projects. As a guiding principle, SSCs are created to benefit the researchers of the institution(s) whose resources are used to house and administer the SSC, but researchers from other institutions may also access and benefit from these SSCs. A different pricing structure for outside users may apply. This issuance sets policies and procedures for the establishment, costing and pricing, and administration of PAVIR SSCs and associated recharge activities.

I. DEFINITIONS

1. Recharge Activity - A recharge activity provides, at approved rates and on a regular and continuing basis, services to a specific group of researchers. Scientific services offered by SSCs to the research community typically include specialized products, expertise, state-of-the-art equipment and/or technology services. Each SSC is organized to provide user services that facilitate research activity; the SSC model offers an efficient mechanism for recovering direct costs associated with providing these services.
2. Administrative Core - An Administrative Core follows most of the principals as outlined in this policy, namely the underlying assumption that it is a shared resource intended to create efficiencies within the research environment by providing a mechanism to direct charge specialty services while being revenue neutral. Due to the fact that these services are not research services in nature, these will not have to be approved by the VAPAHCS R&D. Examples of Administrative Cores include Copying SSCs, IT SSCs, etc.
3. Capital Costs - Costs of fixed assets, such as equipment and certain building improvements, which benefit an extended period with a cost of $5k or more. Initiation of capital costs requires PAVIR CEO (or designee) approval. Capital assets are the property of the entity making the purchase.
4. Direct Costs - Costs that can be consistently and specifically identified with the provision of services by an activity. Examples of such costs are employee wages and benefits, and supplies, and equipment depreciation and maintenance.
5. Operating Costs - Expenditures, benefiting a single period, which are necessary to conduct normal business. Examples of operating costs include employee wages and benefits, supplies and equipment depreciation and maintenance.
6. PAVIR Account - The accounting mechanism used to record operating costs and income to projects.
7. Other Income Producing Activity - Activities or services provided by a SSC which, at approved rates, to an organization other than PAVIR or VAPAHCS, or to individuals regardless of their affiliation.
8. SSC Rate Review - The PAVIR CEO and VAPAHCS ACOS R&D serve as the SSC Rate Review Committee and review and recommend approval or disapproval of requests to establish new recharge and other income producing activities to the VAPAHCS R&D Committee. The committee also reviews and approves or disapproves rate change proposals and proposals to add rates for new services for existing SSCs. In general, SSC services must be consistent both with the mission of the VAPAHCS and PAVIR. Services provided must be unique and/or not widely available from outside or commercial sources. Training and education are considered an integral part of SSC services and must be charged back to an appropriate source. All recharge fees must be reasonable and competitive when compared with other institutions or commercial companies offering similar services. Equally important, user fees must be documented and published so that users can confidently compare costs when choosing to use core services. At a minimum, PAVIR will post availability of services and user fees on the PAVIR website.
9. Startup Costs - Non-recurring costs necessary to prepare a new activity for its normal business purpose.
10. UBIT - Unrelated Business Income Tax is potentially payable on SSC activity that is in competition with other publicly available products and/or services. Similarly, excess revenue generated by a research core may result in the payment of income tax.
11. Working Capital - Financing, or funding, required for current needs, such as inventories and capital needs such as equipment and certain area improvements.
12. SSC Director - The person responsible for the day to day operation of the SSC activity must be a VAPAHCS Eligible Principal Investigator.

II. POLICIES

1. General Policies

   Recharge and other billing transactions may be initiated only by those activities that adhere to the general policies enumerated below.

1. Establishment

1. The benefits, including relative prices and quality, of the proposed activity providing services must be weighed

against the benefits of obtaining similar services from commercial sources or other sources within the PAVIR, VAPAHCS, and STANFORD research community.
2. Services shall not be sold to the general public unless the services are unique or sales will not compete with commercial sources.
3. If services are to be provided by the SSC, they shall be unique or specialized, as opposed to general administration or other institutional support services. As an exception to this guidance, administrative cores intended for internal use only may offer general services.
4. PAVIR cannot administer SSCs using clinical resources in the provision of SSC activity.
5. All PAVIR activities must be directly related to VAPAHCS approved research or education.
6. Proposals to establish new activities must be reviewed and approved by the VAPAHCS R&D Committee.
7. New activities shall have a budget, including income projections.

2. Costing and pricing

1. SSCs shall be charged for all direct costs involved in producing their services and shall be recorded in the SSC PAVIR Account.
2. Rates of activities shall be sufficient to recover all direct costs.
3. In addition to being sufficient to recover all direct costs, rates for sales made by SSC to the general public shall recover PAVIR's full overhead costs.
4. Capital expenditures, including cost of equipment, shall be depreciated. In general, depreciation is part of the overall expenditures of the SSC project account. Consequently, depreciation will be considered in determining the appropriate fees for services.
5. Activities shall charge all users of services at established, approved rates.
6. Identical services provided to PAVIR/VAPAHCS users must have identical rates.
7. Rates charged shall not be subsidized in any manner.

3. Administration

1. SSC Directors shall submit any proposal to revise existing rates or rate methodology to the PAVIR CEO who will forward the proposal to the Rate Committee. The SSC billing procedures, including monthly statements to be provided to users, shall be subject to PAVIR Accounting Office approval and periodic review by the PAVIR Accounting Office. The importance of timely charging each month cannot be overstated; it allows for proper monitoring by core staff, users, administrators, and research management. It also facilitates proper accounting practices, timely error correction, allows for on-time filing of financial reports for projects benefiting from the provision of SSC services to sponsors, and reduces the need for retroactive cost transfers.
2. SSC Project Director (or designee) shall maintain records to substantiate recharge and other billing transactions, including requisitions, purchase orders, or similar written verification of individual user requests for services.
3. SSC Project Director (or designee) shall maintain records to substantiate that an individual user requesting services has the authority to do so.
4. SSC Director (or designee) shall provide users with a detailed monthly statement for each PAVIR Account recharged.

B. Specific Policies

In addition to the general policies described above, recharge and other billing transactions may be initiated only by those SSCs that adhere to the specific policies enumerated below.

1. Establishment
    1. There must be a regular and continuing demand for the services to be provided by the SSC. The demand must stem from multiple users and be significant, both in dollar amounts and in number of transactions.
    2. There must be an annual operating plan which includes at a minimum, the proposed annual budget, and funding sources for anticipated or unanticipated operating deficits.
2. Costing and Pricing
    1. Other than acquisitions funded by the Federal government, all inventoriable equipment assigned to recharge activities shall be depreciated.
    2. Depreciation shall be on a straight-line basis.
3. Administration
    1. Recharge activities are expected to be revenue neutral. A year-end surplus should not exceed an amount equivalent to an average three months of operating costs.
    2. A surplus or deficit occurring in any year shall be taken into consideration when adjusting rates of a subsequent year. Annually after fiscal closing, the PAVIR Accounting office will produce a listing of any recharge activities. Those with a surplus or deficit balance in excess of an amount equivalent to an average three months of operating costs with be noted and must provide the PAVIR CEO with an explanation which indicates the one-time nature of the surplus or deficit by November 15 of the following fiscal year.

III. PROCEDURES

1. Establishing New Activities

   Requests shall be reviewed and approved by the PAVIR CEO and forwarded to the VAPAHCS R&D Committee. It is the usual practice of the VA R&D to follow up with a written notice to the SSC Director with a decision. Alternatively, the SSC Director may follow up with the PAVIR CEO.

1. Revising Established Activities

   Requests from established activities to change rates, to change rate methodology and to add rates for new services shall follow the procedures outlined below.

   1. Requests shall be reviewed and approved by the Rate Committee. It is the usual practice of the Rate Committee to follow up with a written notice to the SSC Director with a decision. Alternatively, the SSC Director may follow up with the PAVIR CEO.

IV. RESPONSIBILITY

1. Office / Laboratory Originating Request
    1. Submits to the PAVIR CEO to establish new recharge or other income producing activities, request to change rates or rate methodology of established activities, or request to add rates for new services of established activities.
    2. Participates in resolution of comments, questions, and objections to request.
    3. Assures costing and pricing policies are followed.
    4. Maintains supporting documentation for sales transactions.
    5. Provides sales confirmations to users, including a detailed monthly statement for recharge users.
    6. Conforms to approved billing and recharge procedures, including sending PAVIR Accounting offices detailed monthly invoices.
2. PAVIR CEO
    1. Reviews and recommends approval/disapproval to the Rate Committee and VAPAHCS R&D Committee.
    2. Participates in resolution of comments, questions, and objections to request.
3. PAVIR Controller
    1. Reviews and approves billing procedures

Approved by PAVIR Board of Directors: June 11, 2014