



**University Service
Providers
for Core Directors
Workshop**

April 2023

USPs for Core Directors

Agenda

- University Service Provider (USP) overview
- USP Annual Renewal
- USP Rate Calculation Schedule
- External Sales by USPs
- External Sales Approval Process (ESAP)
- Fair Market Value Analysis

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Policy 1410 *University Service Providers*

- Policy 1410 and the related procedures apply to all Yale Units providing goods and/or services internal and/or external to Yale. Such Units are considered University Service Providers (USPs) and must comply with this policy and related procedures, as well as applicable federal laws and regulations.
- Yale Units providing goods and/or services internal and/or external to Yale must receive approval from their lead administrator and must register as a USP ***prior to*** providing goods and/or services for the first time.

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Annual USP Registration

- All USPs, once approved and registered, must submit an annual renewal for the next fiscal year prior to June 30th.
- The annual renewal includes updating the registration within the Salesforce (SF) database. An email from SF goes out to the Director, Lead Administrator and Billing Coordinator on file in SF with a link to update the USP's registration.
- Additional requirements of annual registration depends on the classification of the USP.

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Annual USP Registration

- USPs that are classified as a Specialized Service Facility (SSF) or Recharge Center (RC) **AND** charge sponsored awards must complete a Rate Calculation Schedule (Rate Calc), Fair Market Value (FMV) Analysis, and Lead Administrator Certification.
- USPs that are classified as an SSF or RC but **DO NOT** charge sponsored awards are exempt from this requirement. Instead, the Lead Administrator must certify as part of the USP registration that they will not charge sponsored awards during the current year of operations.
- Cost Allocation Unit, Auxiliary, and Other Service Providing Unit (OSPU) USPs do not have additional rate requirements.

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USP Rate Calculation Schedule

The Rate Calc projects the cost to provide each service line for the coming fiscal year.

- Customer Rate: The rate (price) a USP offers to customers for provision of a good or service.
- Internal Fully-Costed Rate: The total allowable costs divided by the estimated volume of providing a good or service that results in revenues equal to allowable costs.
- External Fully-Costed Rate: The total allowable costs + unallowable costs + indirect F&A costs, divided by the estimated volume of providing a good or service.

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USP Rate Calc Costs

Internal Fully-Costed Rate includes:

- Salary for the effort contributed to the respective USP services
- Depreciation of capital equipment over the useful life of the asset
- Service and maintenance costs for equipment
- Consumables
- Other allowable miscellaneous expenses

Unallowable expenses:

- Fringe differential
- Unallowable costs of internal services (i.e., Campus Moves)
- Capital equipment acquisition costs (more than \$5,000/asset)
- Entertainment & alcohol

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USP Rate Calc Internal Customer Rate

- USPs must offer all internal users the same Customer Rate for the same level of goods or services purchased in the same circumstances (excluding any discounts offered, at the discretion of the USP).
- Internal Customer Rates must be equal to or less than the USP's Fully-Costed Rate for that good or service.
- Cancellation fees are allowable to the extent certain criteria are met.

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USP Federal Fund Balance

The federal fund balance is a calculation to calculate the federal surplus or deficit

$$\text{Revenue} - \text{Expenses} + \text{Unallowable Expenses} = \text{Federal Fund Balance}$$

This calculation is important as it allows us to show that we are not overcharging the government for the services we are providing.

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USP Roles & Responsibilities

USP Core Directors:

- Responsible for direct oversight of the USP, including the completion of the USP registration and annual renewal processes, USP accounting and billing practices, and USP rate development and FMV analysis, as required by policy and in accordance with the accompanying procedures.

USP Lead Administrators:

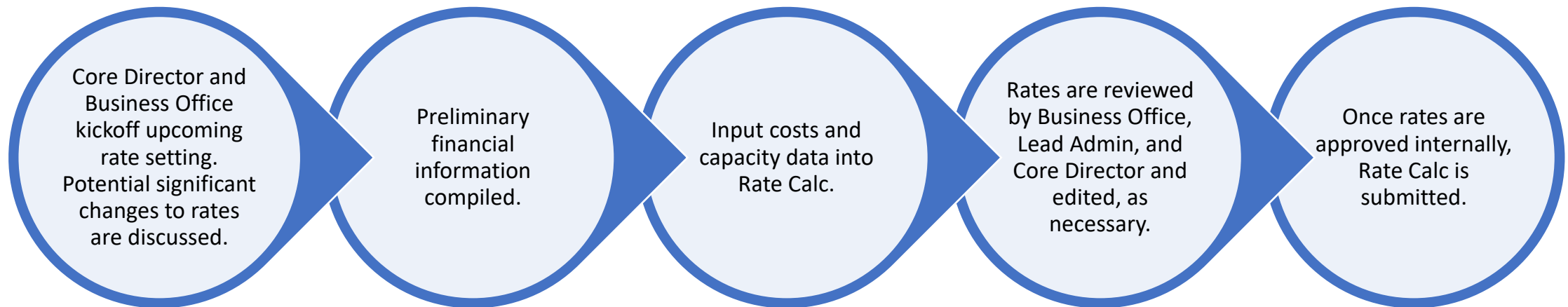
- Review and approve registration and annual renewal requests for the USP(s) under their authority.
- Review and approve anticipated Fully-Costed Rates and Customer Rates in the Rate Calcs and the supporting FMV analysis for the USP(s) under their authority for each fiscal year.

USP Billing Offices:

- Assistance with Rate Calc and FMV analysis, in conjunction with Core Director.
- Handle the responsibilities of USP accounting and billing in accordance with USP policies and procedures.

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USP Rate Calc Workflow



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Sales to External Users

- Yale Units wishing to provide goods and/or services to External Users must first register as a USP and must also provide such goods and/or services to internal users.
- USPs must obtain approval pursuant to [Procedure 2100 PR.02](#) *External Sales Approval Process* (ESAP) **prior to** providing goods and/or services to External Users.

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External Sales Approval Process (ESAP)

Per Procedure 2100 PR.02:

“Units that have had a steady volume of external sales over the years will not be required to stop selling externally while they are waiting to complete the ESAP. While such units may continue to sell to external customers using whatever process and documentation (invoices, contracts, etc.) they currently use, they remain responsible for complying with all federal, state, Yale and other rules.”

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External Sales Approval Process (ESAP)

ESAP was developed to assist Units in addressing the many federal regulatory and University compliance requirements to sell external to Yale.

ESAP consists of many reviews by many departments:

- Controller's Office review of proposed rates & FMV analysis
- Rate approval by the Provost's Office
- Tax Office review for sales tax and UBTI
- Environmental Health & Safety (EHS)
- Export Controls
- Tax-exempt bond compliance
- Use of federally funded equipment by OSP
- Possibly others depending on facts & circumstances

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Provost's Office Guidance Regarding Pricing for External Customers

The University has two expectations for rates charged to external customers (“external rates”):

1. External rates must at least include the full direct cost to provide the service plus 30% (the “calculated rate”); and
2. The external rate should fall within the range of fair market values (FMV) for similar services.

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What is Fair Market Value (FMV)?

Federal government regulations do not clearly define fair market value for external sales or establish specific requirements for how to conduct a fair market value analysis.

Yale follows general principles for FMV analysis. Our FMV analysis for a specific service will involve gathering comparable rates charged by for-profit companies and then determining whether the proposed rates for that service fall within that range.

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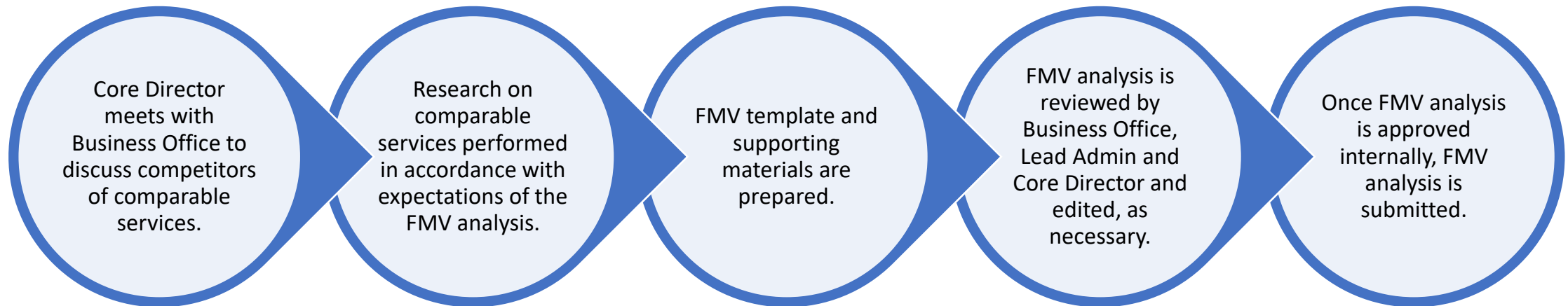
Why is a Fair Market Value analysis important?

There are two primary legal requirements for a FMV analysis when selling to external parties:

1. As a matter of general 501(c)(3) law, our tax exemption is conditioned on not giving away charitable resources to others. This is measured by FMV.
2. When we use federally funded equipment, because those equipment costs are not included in rate calculations, we must price at FMV to avoid the perception of using federal grants to undercut industry.

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USP FMV Analysis Workflow



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What if I can't find comparable services?

We acknowledge that data on comparable services for a FMV analysis is sometimes limited— because competitors do not publish rates, because no one else provides the services, or because there is not enough information to know whether the services listed by competitors are comparable to our services.

We understand these challenges. The requestor will gather **reasonable data using reasonable efforts** based upon the situation and what is available. The requestor must **document** the data and search efforts so others, including federal auditors, can confirm that the data and search efforts are reasonable.

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What does “reasonable data using reasonable efforts” mean?

- Do I need to call or email for quotes?
No; reasonable efforts involve searching online for data from competitor websites or other online sources (e.g., Science.com or Science Exchange).
- What if there aren't comparable rates for every Yale service we offer?
A FMV analysis for a group of similar services may be reasonable.
- What if there are few to no for-profit comparable rates?
When there are fewer than 2 comparable for-profit company rates for a service and if the proposed external customer rates for that service does not meet the pricing expectations outlined in the Provost's Office Guidance Regarding Pricing for External Customers , the rates of non-profits and other academic institutions should be provided as additional data points.

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What if the service only has few or no comparables of any kind?

- Provide evidence that the uniqueness of our service is why there are few or no competitors. Explanations may include Yale's novel technology or Yale's novel operational model for delivering service. Include information about the closest functional alternatives for comparison.
- At a minimum, establish that:
 - When there are only a small number of customers, there are no individual or institutional conflicts of interest between Yale and the external customers.
 - The prices are above marginal costs, defined as the cost of producing one additional unit.

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Best practices for documenting the FMV analysis:

- Use [Form 2100 FR.05](#) to document at least three comparable for-profit rates, if available.
- Dated screen shots of competitors' rates with the URL of the website used.
- Narrative to “tell the story” of the FMV analysis performed.

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USP Resources

[Policy 1410](#) *University Service Providers*

[Procedure 1410 PR.01](#) *University Service Providers: Registration and Annual Renewal*

[Procedure 1410 PR.02](#) *University Service Providers: Rate Calculations*

[Procedure 1410 PR.03](#) *University Service Providers: Accounting and Billing*

[Form 1410 FR.01](#) *University Service Providers: Registration Form (setting up new USP)*

[Form 1410 FR.02](#) *University Service Providers: Rate Calculation Worksheet*

[Form 1410 FR.03](#) *University Service Providers: Accounting and Journal Source Control Information Form (setting up new USP)*

[University Service Provider Resources](#) – USP related trainings, guidance and newsletters

Other questions on USPs? You can also reach out to isp@yale.edu

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External Sales & FMV Resources

[Procedure 2100 PR.02](#) – *External Sales Approval Process (ESAP)*

[2100 FR.02 EXTERNAL SALES APPROVAL REQUEST - STANDARD FORM](#) – *ESAP Request Form*

[Form 2100 FR.05](#) – *External Sales FMV Analysis Template*

[External Sales Resources](#) – trainings and guidance, including:

- FMV recorded workshop
- FAQs Regarding the Fair Market Value (FMV) Analysis for ESAP
- Provost's Office Guidance Regarding Pricing for External Customers

Questions?