SERVICE CENTER
FISCAL MANAGEMENT
JANUARY 2021 TRAINING

University of Colorado
Denver | Anschutz Medical Campus
Finance Office
Table of Contents

I. **Intro (Slides 1-2)**

II. **Service Center & Cost Study Basics (Slides 3-7)**
   a) **What is a Service Center (3)**
   b) **Should you establish a service center (4)**
   c) **Cost Studies & Steps to Establish a Service Center (5-7)**

III. **How To Do A Cost Study (Slides 8-12)**
   a) **Template Options (11)**

IV. **Important Service Center Issues (Slides 13-20)**

V. **Conclusion (Slides 21-24)**
   a) **Policies (21)**
   b) **Dates and Deadlines (22)**
   c) **Feedback (23)**
   d) **Questions and Contact Information (24)**
What is a Service Center?

- A unit providing services or goods to other University departments on a recurring basis
- Service or user fees are assessed to recover the center’s operating expenses
  - *It is possible to subsidize these fees to charge less than cost*
- Charges should not exceed break-even or “at cost” rates
  - *Grant or affiliate agreements*
  - *Non-Discriminatory rates for all internal users (including affiliates)*
- Not for a profit – charge at break-even rates
- May serve public too – but majority of customers should be internal
- Core Laboratories – centralized, fiscally self-sustained units established to provide unique laboratory or professional services in an economic or efficient manner to research purposes
  - *Sponsored core & Auxiliary core*
  - *Member and non-member rates*
Should you establish a Service Center?

- If it is related to the mission of the University
- A demonstrated need exists
  - *Economic or efficiency benefit*
  - *Strategic planning*
  - *New services*
- Services are required to charge at cost
- A solid business plan and fiscal responsibility
- There is no other service center offering a similar service/product that is already established
Why A Cost Study is Required

- Assessed rates must be in compliance with federal costing policies or any governing rules or agreements
  - Costs must be directly related to the operation (direct or indirect costs)
  - Only allowable costs are included in the rate assessment

- Minimize audit risk
  - Cost studies to substantiate the “at-cost” rates
  - Cost studies for service centers with annual revenues exceeding $50,000 are reviewed by the Finance Office

- Consequences if not in compliance
  - Return of funds
  - Penalty
  - Jeopardizing grant funding
Steps to Establish a New Service Center

1. Submit Cost Study Proposal to Finance Office at Finance.ServiceCenters@ucdenver.edu
2. Finance & budget office review/approval
3. Route to DFA/Dean’s Office for approval
4. Submit Chartfield Forms to finance.chartfields@ucdenver.edu
5. New Org set up
6. New speedtype set up
7. Ready to go!
What is in a Cost Study?

■ A descriptive overview of goods or services provided
■ A description of the customer base
■ List of subsidy and support sources
■ Prior year numbers for comparison
■ All allowable operating costs including…
  - Direct costs
  - Indirect costs
  - Labor
  - Consumables
  - Depreciation
  - Overhead charges (GIR and GAR)
■ Projected sales/service quantities, usage and revenue
■ Calculation or allocation of the assessed rates (break-even)
■ Approval from DFA/Administrator.
How to do a Cost Study
Three Step Process

1. Gather data
2. Organize data
3. Input data into cost model
COST STUDY
Step 1: Gather Data

■ Labor (direct v. indirect)
  - Direct Labor includes people working on the goods and services.
  - Indirect Labor includes those supervising them, who have no actual impact on service/product. But their labor is related to the service center, and allowable

■ Operating supplies & services

■ Overhead costs
  - GAR 7% at Anschutz; 4.96% without salary
  - GAR is 6% at Denver
  - GIR $20.00 per square foot for FY22

■ Equipment and Depreciation

■ Sales and service usage projection
COST STUDY
Step 2: Organize Data

■ Labor
  - Include benefits
  - Percent of effort in service center
  - Productive time, administrative time
  - Grant subsidy

■ Operating supplies and services
  - Identify costs to specific product or service

■ Capital equipment
  - PO # or Tag #
  - Include non-federal depreciation
Cost Study Templates

**Top Down Template**
- This approach goes from general to specific
- Identify the big picture first and all of its components
- Requires history and greater knowledge to come up with a reliable pricing plan

**Pros:**
- Can be time saving for well-established service centers

**Cons:**
- Often less accurate
- Less detailed
- Requires more history and knowledge

**Bottom Up Template**
- This approach begins at specific details and builds on those to see the big picture
- Typically recommended for new service centers

**Pros:**
- Generally more accurate
- Better for new service centers without a history to base the cost study on
- More accurate and better suited when history/knowledge is lacking

**Cons:**
- More time consuming
COST STUDY
Step 3: Enter Data in Model

- Select template model (top down or bottom up)
- Allocate costs appropriately
  - Top down or bottom up
  - Depends on number of services and ability to redeploy slack time to other projects.
  - By unit of sale (e.g. hour, piece, service)
  - Affects utilization check figure
- Calculate rate for various services
Important Service Center Issues

- Billing Rate Rules
- Billable Hours
- Rate Setting
- Depreciation
- Operating Reserve
- Timely Billing
- Deficit/Surplus
Billing Rate Rules

- Actual and reasonable costs – break even rates

- Unallowable costs:
  - *Bad debts, entertainment, fundraising, internal interest*
  - *Capital equipment (depreciation only allowed)*
  - *Full list see Federal Regulations*

- Rates must be:
  - *based on a cost study*
  - *published*
  - *stated in a measurable unit*
  - *reviewed and adjusted at least annually*
  - *non-discriminatory between federal & non federal*
Billable Hours

- **Time Shrinkage**
  - 40 hours/week x 52 weeks/year = 2,080 hrs.
    - Less holidays
    - Less vacation time
    - Less sick leave time
    - Less meeting time, break-time
    - Less administrative duties
Rate Setting

- Beware of excessive optimism estimating demand – make realistic forecasts
- Compare to market
  - Reality check
  - If no market, maybe survey.
- Compare to prior year rates
Depreciation

- Depreciation is included in the cost study to set aside funds to replace capital equipment
  - *Depreciation funds are transferred quarterly*
  - *Funds are set aside in a Fund 72*
- Equipment costing $5,000 or more is considered Capital Equipment and is depreciated
- Note: Equipment purchased from a Fund 30 or 31 does not accrue depreciation – as it is purchased with Federal Funding
Operating Reserve

- Operating capital
- Build into rates
- Prevent deficits & Smooth rates
- Maximum allowed reserve is 60 days of operating expenses
Timely Billing

- Require speedtype before rendering service.
- Journal internal billings at least monthly.
- Improves cash flow
- Timely grant billing
- May use MOU/IUCA for larger, ongoing deals.
- Timely invoicing and revenue accrual for external sales

If you have any additional accounting issues for your service center please contact the accounting help desk at finance.accountinghelp@ucdenver.edu or (303) 724-9610
Surplus vs. Deficit

- **Surplus** – occurs when actual revenues are more than actual costs.
- **Deficit** – occurs when actual revenues are less than actual costs.
- **Unexpected surplus or deficit?**
  - *Consult your financial statements*
- **Surplus and Deficits roll over to the next year’s cost study**
  - *Adjust operating reserve to smooth rates*
Policy & Template

Service Center Web Page
- [https://www.cuanschutz.edu/offices/finance-office/services-resources/services/service-centers](https://www.cuanschutz.edu/offices/finance-office/services-resources/services/service-centers)

Policy Web Page
Got to the UCD website: ucdenver.edu
- Resources For → Faculty/Staff
- [University Policies → Finance Policies](https://www.ucdenver.edu/office/services/resources/services/service-centers)
- Scroll down and select “Internal Service Centers & Core Lab Policy”
Dates & Deadlines

- January 13th, 2021 - Cost Study Overview

- January – February 2021 – Workshops
  - One-on-one workshops available to help you with your cost study. Please email Becca.Norman@cuanschutz.edu to schedule

- March 5th, 2021 – Deadline to Submit Cost Studies to Finance
Feedback

We value your feedback and are here to support you with our service centers.

We will send a survey where you can anonymously submit your feedback after this session.
Questions?

■ Service Center Mailbox
  – Finance.ServiceCenters@ucdenver.edu

■ Becca Norman, Financial Analyst
  – (303) 724-6395
  – Becca.norman@cuanschutz.edu

■ Accounting Help
  – 303-724-9610
  – Finance.accountinghelp@ucdenver.edu
  – Zac Gonzales, Velibor Puhalo, Deborah Johnsen, Patrice Lewis