



# **SERVICE CENTER FISCAL MANAGEMENT**

**JANUARY 2021 TRAINING**

University of Colorado  
Denver | Anschutz Medical Campus  
Finance Office

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# 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
  - *Federal or state rules and regulations (2 CFR 200 (Uniform Guidance))*
  - *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](mailto: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](mailto: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

<b>2. Time Shrinkage</b>				
Total Hours			2,080	Total Hours in Year
Vacation		22	176	Estimated Vacation Hours Taken
Sick		15	120	Estimated Sick Hours Taken
Holidays		10	80	
Daily		85%	6.8	Estimated % of Day doing Production
		<b>Total Hours</b>	<b>1,448</b>	70%
		<b>Minutes</b>	<b>60</b>	

# 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](mailto: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>

## Policy Web Page

Got to the UCD website: [ucdenver.edu](http://ucdenver.edu)

- *Resources For* → *Faculty/Staff*
- *University Policies* → *Finance Policies*
- *Scroll down and select* “*Internal Service Centers & Core Lab Policy*”

# Dates & Deadlines

- January 13<sup>th</sup>, 2021 - Cost Study Overview
- January – February 2021 – Workshops
  - *One-on-one workshops available to help you with your cost study. Please email [Becca.Norman@cuanschultz.edu](mailto:Becca.Norman@cuanschultz.edu) to schedule*
- March 5<sup>th</sup>, 2021 – Deadline to Submit Cost Studies to Finance

# Feedback

We value your feedback and are here to support you with you 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](mailto:Finance.ServiceCenters@ucdenver.edu)

- Becca Norman, Financial Analyst

- (303) 724-6395

- [Becca.norman@cuanschutz.edu](mailto:Becca.norman@cuanschutz.edu)

- Accounting Help

- 303-724-9610

- [Finance.accountinghelp@ucdenver.edu](mailto:Finance.accountinghelp@ucdenver.edu)

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