



University of Colorado

# SERVICE CENTER FISCAL MANAGEMENT

JANUARY 2022 TRAINING  
University of Colorado  
Denver | Anschutz Medical Campus  
Finance Office



University of Colorado  
Anschutz Medical Campus

PRESENTATION TITLE

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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** \$21.00 per square foot
- 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

<i>2. Time Shrinkage</i>			
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 12<sup>th</sup>, 2022 - Cost Study Overview
- January – February 2022 – Workshops
  - *One-on-one workshops available to help you with your cost study. Please email [karina.patino-guzman@cuanschutz.edu](mailto:karina.patino-guzman@cuanschutz.edu) to schedule*
- March 18<sup>th</sup>, 2022 – 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)
- Karina Patino-Guzman, Financial Analyst
  - (303) 724-6395
  - [karina.patino-guzman@cuanschutz.edu](mailto:karina.patino-guzman@cuanschutz.edu)
- Accounting Help
  - 303-724-9610
  - [Finance.accountinghelp@ucdenver.edu](mailto:Finance.accountinghelp@ucdenver.edu)
  - Zac Gonzales, Velibor Puhalo, Deborah Johnsen, Patrice Avalos

