



University of Colorado

SERVICE CENTER FISCAL MANAGEMENT

JANUARY 2024 TRAINING
University of Colorado
Denver | Anschutz Medical Campus
Finance Office



University of Colorado
Anschutz Medical Campus

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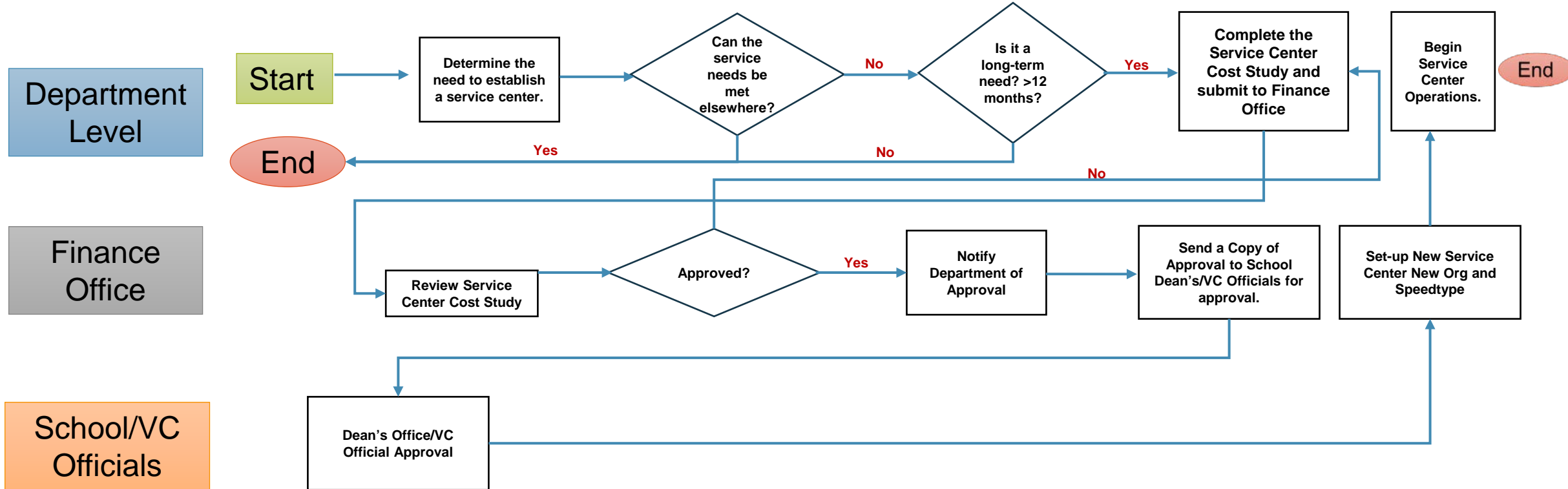
What is a Service Center?

- 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?

CU Anschutz/Denver Review & Approval Process for New Service Centers



Steps to Establish a New Service Center

1. Submit Cost Study Proposal to Finance Office at Finance.ServiceCenters@ucdenver.edu
2. Finance review/approval
3. Route to DFA/Dean's Office for approval
4. Submit Chartfield Forms to Finance.ServiceCenters@ucdenver.edu
5. New Org set up
6. New speedtype set up
7. Ready to go!



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*
 - *Newly established service centers, to maintain appropriate rates*
- Consequences if not in compliance
 - *Return of funds*
 - *Penalty*
 - *Jeopardizing grant funding*



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.



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



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 1: Gather Data – Suggested Reports

- Labor
 - m-Fin Compensation Summary
 - m-Fin Payroll Fiscal Year Detail
- Operating supplies & services
 - m-Fin Actuals by Fiscal Year
 - m-Trial Balance Summary
- Equipment and Depreciation
 - Quarterly Depreciation Schedule reports



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

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



Final Notes

- When submitting your cost study, please ensure that the Ending Net Position for FY25 is not in a deficit; any cost studies indicating a deficit will be returned.



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 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
	Total Hours	1,448	70%
	Minutes	60	

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



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



Timely Billing

- Require speedtype before rendering service.
- Journal internal billings at least monthly.
- Improves cash flow
- Timely grant billing
- 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. For any iLab billing issues, please contact Ryan Yu at ryan.yu@cuanschutz.edu.



iLab

- What is iLab?
 - iLab is a web-based enterprise software solution composed of a base software suite and add-on modules and integrations. The software facilitates service requests, customers, and project management, as well as billing and invoicing, among other functions.

FY23-24 iLab Core Software Rates

Core Size	Annual Revenue	Annual Fee
Small	<\$100K	\$ 4,241.25
Medium	\$100K - \$1M	\$ 6,825.43
Large	>\$1M	\$ 10,603.11



Policy & Template

Service Center Web Page

- <https://www.cuanschutz.edu/offices/finance-office/services-resources/services/service-centers>

Policy Web Page

Go to the UCD website: ucdenver.edu

- Resources For → Faculty/Staff
- [University Policies](#) → Finance Policies
- Scroll down and select “[Internal Service Centers & Core Lab Policy](#)”



Dates & Deadlines

- January 17th, 2024 - Cost Study Overview
- January – February 2024 – Workshops
 - *One-on-one workshops available to help you with your cost study. Please email Finance.ServiceCenters@ucdenver.edu to schedule.*
- March 15th, 2024 – Deadline to Submit Cost Studies to Finance



Feedback

We value your feedback and are here to support you with your 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
- Accounting Help
 - 303-724-9610
 - Finance.accountinghelp@ucdenver.edu
 - Zac Gonzales, Patrice Avalos, Elizabeth (Betty) Downes & Hart Jarrell

