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STATE OF COLORADO

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Standard No. 11

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HIGHER EDUCATION

Last Revised 10/16/01

ACCOUNTING STANDARDS

Revision Effective 07/01/01

Approved Arthur J. Bambant Date 10/16/01

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TITLE: Recording Internal Service Center Activity

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An Internal Service Center (ISC) provides a specific type of service to various institutional departments rather than to individuals and is supported by internal charges to the user department's operating budget. Costs associated with these services are accumulated and billed from the ISC to the user in proportion to specific usages. Examples are motor pool, computer center, animal care services, printing, physical plant work orders, etc.

Conversely, the cost of general service, which is not practical to allocate to a specific user or job, is not an ISC activity and should be included in institutional general and administrative cost. Examples are purchasing, personnel, payroll, custodial, utilities, etc.

#### FISCAL MANAGEMENT

The accounting should be on an accrual basis with charges billed when services are rendered and expenses recorded when incurred. All accounts should be included which are necessary to produce an accurate statement of the results of financial operations and a fair presentation of financial position.

All costs associated with the service operation, which are funded by the service operation, are recorded in the ISC's accounts.

The following items should not be included as a cost of operation:

- Amounts provided as a reserve for contingencies.
- Amounts for the repayment of advances.
- The cost of inventory on hand and equipment cost not depreciated through the current year is deferred to future jobs.

Billings to users should recover all costs incurred in connection with specific jobs. These costs include direct labor and materials as well as an allocation of direct and indirect costs incurred directly by the ISC as a whole, such as supervisory and clerical salaries related only indirectly to specific jobs. Billings should also include proportionate charges for depreciation of equipment funded by the service center and used in its operation. Rates charged to institutional users should be uniform.

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TITLE: Recording Internal Service Center Activity

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The objective of an ISC is to recover the complete cost of operations, including overhead, without producing any significant amount of profit in the long run. Over and under recovery of cost should be corrected by adjusting billing rates in the next year as required.

Records must be maintained which support the rate charged and the authorization of the service. The records should be kept at least long enough to satisfy audit and record retention requirements.

Sales to non-university users, other than State and Federal agencies, may include a profit. If this profit is material in amount, it may be transferred from the ISC instead of being used to reduce user rates.

ISC activity should be included in the Current Unrestricted Fund. Services and materials obtained by other institutional departments from an ISC should be recorded as expenditures by those departments just as if they had been obtained from sources outside the institution. Over and under recovery of cost in the ISC, whether credit or debit, should be reported under the institutional support expenditures classification.