

	Universidad Central del Caribe	Policy#	ADR 004
		Implementation Date	April 2006
		Contact	Dean of Administration
	Fee for Service Policy	Last Reviewed/Update	February 2020
		Approval by	President

I. INTRODUCTION

The University operates a number of units that provide services to other departments, individuals or to outside users.

The service activities are non-profit and function to provide quality services and goods at rates that are reasonable and equitable.

This policy is intended to provide the rate-setting and budget guidelines for these activities, so that they can simultaneously operate within the University environment successfully and provide needed goods and services to the campus consistently and fairly.

This policy covers budgets, rates, cost allowability, reviewing cycles, and full costing principles.

II. DEFINITIONS

The following terms are used in this policy:

A. Service Unit = provides a specific type of service to various institutional departments or individuals, and which have operating costs supported by charges to the department or individual receiving the services.

B. Direct Costs = Readily identifiable costs associated with the furnishing of goods and services by a unit.

C. Indirect Costs = Costs that cannot be readily identified with or related to a specific enterprise. These costs are related to the services generally provided without charge by central campus units. For the purpose of this bulletin, indirect costs include operation and maintenance of plant and general administrative services.

IV. REQUIREMENTS

All service units shall be charged for direct costs involved in producing their goods and services. These costs include salaries and benefits, supplies and expenses.

Also, all service units will be charged a 12% administrative fee from their earnings. The fee will cover costs associated with services such as janitorial, utility, and building maintenance; and administrative services such as material management, personnel, and accounting.

V. PROCEDURES

The following procedures shall be established to implement the above requirements:

A. Account/Fund Assignment-

Each service enterprise shall be assigned unique account and fund numbers in the appropriate series.

Accounts will be set up following the submission of an Account Setup Form, a list of services and fees and a service request form with the appropriate fields by the unit interested in providing services and their approval by the Dean of Administration.

B. Budget-

A budget shall be established for each service unit and submitted to the Dean of Administration.

C. Direct Costs-

All direct costs will be recorded in the accounts of the unit.

Units will be charge as part of their direct cost a 5% equipment depreciation fee. The funds from this fee will be hold in reverse and will be utilized for the replacement of equipment or purchasing of new equipment.

The 5% will be calculated as follows: $\text{Total income} - \text{Expenses} = \text{Net income} \times 5\% = \text{equipment depreciation fee.}$

D. Indirect Costs-

A 12% indirect costs charge will be recorded in the accounts of service unit. The 12% will be calculated as follows: $\text{Total income} - \text{Expenses} = \text{Net income} \times 12\% = \text{Indirect Cost to be charged.}$

E. Services and Fees-

Services can be provided to internal or external entities.

Fees are to be established at a level that will provide revenue to cover all expenses. Also, prices may be set at a level sufficient to accumulate funds (net worth) required to meet working capital and capital expansion needs. A 10% surcharge will be added to the cost of services provided to external entities.

All units shall publish a list of services and fees annually, which will be submitted to the Dean of Administration for review and approval.

F. Federal Settlement-

Inclusion of interest as a direct cost will result in the setting of prices above the level allowed by the Federal government. The Federal government will not accept any markup above cost, even if the purpose of that markup is to accumulate funds for equipment replacement or addition or for inventory expansion. Therefore, at the end of each fiscal year, those enterprises that provided services to Federally funded contract and grant activities shall prepare a statement of costs that excludes any interest expenses. The difference between such a statement of costs and the revenues actually generated is considered excess pricing by the Federal government. The portion of the differential which can be attributed to Federal contract and grant activities shall be refunded to individual active grants and contracts, or in lump sum to the U.S. Treasury.

An alternate way to comply with Federal costing regulations is to establish dual-pricing structures for Federal and non-Federal activities.

G. Working Capital-

Financing for current needs such as inventories and for capital needs such as equipment, structures, and renovations is to be provided by setting prices above costs in order to build reserves.

J. Billing-

A request for service form with the signature of the requestor being charged will be forwarded to the finance office that will produce an invoice. The invoice will be sent to the requestor who will certify that the services were provided and approve the charge to his account. The signed invoice will be returned to the finance office, at which time the funds will be transferred to the units account.

K. Earnings Management-

Earnings can be used to cover all operational expenses of the unit including but not limited to salaries, supplies, equipment purchases or repairs, service contracts or training.

Earnings will not be used to pay compensations to employees for duties performed during regular working hours. Earnings can be used to pay for overtime.

The use of the income will be authorized by the person identified in the Account Setup Form and the signature of the Dean under which the service unit is organized.

L. Purchasing Procedures

Current purchasing procedures will be followed.

VI. REPORTING REQUIREMENT

Units shall maintain a record of all charges made. A financial statement will be submitted annually to the Dean of Administration.

VII. RESPONSIBILITY

The Dean of Administration will be responsible for overseeing the Fee-For-Service System via the Finance Office.

Approved by:

Waleska Crespo

Waleska Crespo, DrPH
President

February 12, 2020

Date