

January 2002

**Financial Status of Internal Service Organizations (ISO) in the Evolving
Academic Health Center (AHC)
Research Infrastructure Funding Model**

The Academic Health Center Finance and Planning Committee (AHC F & P) began an investigation of the financial situation facing the various AHC ISOs late in the academic year 2000 – 2001. Concerns about lack of funding, increasing expenses, and the potential demise of some of the ISOs were brought to our attention in Spring 2001. The AHC F & P investigation into the situation centered on the apparent fiscal crises facing a couple of these organizations and the response from Senior Vice President for Health Sciences Office (VPHS) to the situation. What follows will be a brief summary of our assessment of the fiscal situation. The goals of the discussion were a) responsible resource allocation, b) optimal research service availability, c) ISO cutting edge development, and d) defensible financial management/oversight.

As needs arise, ISOs evolve. To date, there has not been any organized approach to their funding and operation at the central AHC level. Similarly, there has been no recent assessment of which ISOs remain relevant to broad scope research endeavors of the AHC. Many of these ISOs evolved in departments, but serve well beyond that limited arena. Some provide services to academic units outside the AHC as well as to private parties and businesses. The AHC F & P discussed the issue among its members and with Dr. Mark Paller from the AHC Office of Research. The following conclusions were derived:

All ISOs need not be totally self-supporting, provided their key function supports a broad need within the research endeavors of the AHC Units and that their operation and utilization can stand the scrutiny involved with a periodic financial review.

A needs assessment for the services provided by the various ISOs should be undertaken to determine which of these facilities should be continued; which should revert to niche services that must be supported like any other research lab, and which should be augmented (and under what circumstances depending on current broad AHC/Institutional needs).

ISOs must have or develop a multi-year business plan and method of operation that include: updated fees for services and an explanation of the process used to update fees, revenue collection methods (including collection of fees supported directly on research grants by invoicing), expenses (including addressing of efficiency in the operation for both personnel and supplies), current and projected budgets, published fee schedules, and options for non-fee user support (e.g. cash infusion, if needed).

The VPHS/AHC Office of Research should provide assistance (advisory, financial, and administrative) as needed to facilitate any necessary transition from current ISO status to an updated business plan and method of operation.

The VPHS/AHC Office of Research should provide assistance in determining the ISO's appropriate place in the AHC organizational structure. Some ISOs may be better situated within the college or collegiate department, while other ISOs may be better situated in the Academic Health Center through a shared service model.

A blanket statement should be issued from the VPHS/AHC Office of Research encouraging ISO users to include current fees with appropriate annual increases in grant proposals submitted in order to facilitate funding of the ISOs. In the current culture where services are needed to perform the research (e.g. biomedical imaging, electron microscopy training for graduate students, etc.), costs are not always included in proposals submitted. The current culture should be changed to maximize appropriate cost recovery through grant awards.

All ISOs should adopt a timeline and develop a business plan for a period of longer than one year (e.g. 3-5 years) to allow for proper ISO development.

All ISO programmatic and financial plans should include cost recovery for course and/or instructional associated expenses incurred by the ISO that would be appropriately paid under the Incentives for Managed Growth (IMG) model by departments, colleges, or centers.

ISO longer-term plans should include a needs assessment and a financial plan for technology update and

maintenance.

The AHC research and training infrastructure depends on the programmatic and financial vitality of the ISOs. Therefore, these should be operating with as close to “state-of-the-art” facilities as possible while maintaining an efficient and cost-effective operation. Toward that end, the AHC F & P compiled a series of questions that should be addressed. These include:

FINANCIAL QUESTIONS TO BE ADDRESSED ON AN ANNUAL BASIS:**

1. What is the annual budget? What is the level of financial support from the Sr. VP for Health Sciences Office (VPHS)?
2. What are the sources of revenues (e.g. user fees, direct grant support, department support, VPHS support, etc.)?
3. What are the major expenditures (e.g. salaries, maintenance contracts, supplies, etc.)?
4. Is the ISO suffering from budget deficits, cost overruns, etc. and what would it take to fix this problem?

PROGRAMMATIC QUESTIONS TO BE ADDRESSED ON A 3-5 YEAR BASIS:**

1. What is the mission of the research service group? (e.g. research data accumulation/acquisition/interpretation, training in research techniques, grant development /facilitation, etc.)
2. Describe the tangible and intangible value (e.g. scholarly, community relations, financial, clinical?) of the ISO to the AHC researchers?
3. With what groups are the primary interactions (e.g. user volume over time) within the AHC? What % of operating revenues is derived from these groups?
4. With what groups are the primary interactions outside the AHC? What % of operating revenues is derived from these groups?
5. How are the results of efforts evaluated to be sure they are meeting user expectations and contributing to the overall research mission?
6. What can be done to enhance the value of the ISO to the research units within the university?
7. What can be done to enhance the value of the ISO to research outside of the university?
8. What will it take to do that?
9. Is the research service group currently having operational problems (e.g. fiscal, organizational, staffing, etc.)? If so, please describe.

**The financial analysis should be shared with the CFO of the collegiate units and the research deans. The reports responding to the programmatic questions should be forwarded to the research deans.

The AHC F & P suggests that these questions be addressed uniformly across the AHC ISOs to assure equity, fiscal responsibility, and optimal service. This approach to ISO continuity/evolution, ISO funding and management, ISO development (e.g. new ISOs), and assessment of ISO relevance should be fostered for the benefit of both the ISO and AHC researchers-in lieu of an approach that poses immediate threat of closure to selected ISOs.

The AHC F& P Committee submits this report for consideration by the AHC administration.

The AHC F&P would like to extend its appreciation and gratitude for the assistance provided by Rob Super, administrator for research programs, and David Hagen, financial management, AHC.

Respectfully Submitted,

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Definition:

Internal Service Organizations (ISOs) - An activity that provides goods or services:

- at approved rates
- on a regular and continuing basis
- predominantly to University departments
- incidentally to the general public

Examples: Graphics Services, Fleet services, Telecommunication Services, Physics Shop and University Stores.

Most, if not all, income for an internal service organization will be revenue from other departments.

[Go to ISO List](#)

[Definition and Official University policy and procedures related to ISOs
\(Selling Goods and Services to University Departments - Financial Policy 3.2.1\)](#)

[Return to AHC FP Homepage](#)