

## STANDARD ADMINISTRATIVE PROCEDURE

### **21.01.05.M0.01 University Service Departments**

*Approved May 2, 2002*

*Revised December 17, 2007*

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*Revised November 10, 2021*

*Next Scheduled Review: November 10, 2026*

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#### **SAP Statement**

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University service departments or centers must be established according to Texas A&M University System Regulation 21.01.05, *Service Departments*, and must follow fiscal procedures approved by the Executive Vice President for Finance and Operations and Chief Financial Officer. All new service departments or centers must be reviewed and approved by the following: Dean/VP of the College/Division, Departmental Accounting Services (DAS), and the Executive Vice President for Finance and Operations and Chief Financial Officer.

Service Departments are defined as units within a member that provide goods or services at approved rates to departments within that member and to other members on a break-even basis. Services may be provided incidentally to external customers or individual users

All new requests for Texas A&M University, Texas A&M Health Science Center, and Texas A&M University at Galveston Sales/Service accounts set up are reviewed and approved by DAS prior to creation to determine if the new account meets the criteria of a member-wide service center.

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#### **Official Procedure/ Responsibilities/ Process**

##### **1. RATE APPROVALS**

- 1.1 Department Recharge Centers - Operate within an academic division, providing goods and services internally within their own department or to a single outside member unit on a pass-through basis. Recharge account rates must be reviewed annually by the service center manager. No approval by DAS is required.

- 1.2 Member-wide Service Centers – (less than \$750,000 total expenditures) Provide goods and services to multiple A&M System member colleges/divisions. A copy of the service center rates, and the basis for the rates, must be kept on file with DAS. Rates are analyzed, reviewed, and approved biennially by DAS. Minor adjustments to rates with justification between biennium analysis are noted as amendments by DAS to the last approved rate analysis. The service center manager or DAS may request a rate analysis at any time if a more significant rate adjustment is deemed necessary. DAS reserves the right to perform random audits of these rates.
- 1.3 Major Member-wide Service Centers - (\$750,000 or more total expenditures) Provide goods and services to multiple A&M System member colleges/divisions. Rates are analyzed and reviewed annually by DAS. The rate study, and the basis for the rates, must be kept on file with DAS. Major Service center rates shall be approved by the Dean/VP of the College/Division and the Vice President for Finance and Chief Financial Officer or designee.
- 1.4 Specialized Service Centers - As described in 2 CFR § 200.468 (refer to [System Regulation 21.01.05](#)), Specialized Service Centers are highly complex or specialized facilities providing specific unique services to specific users. These centers can incorporate an approved Facilities & Administrative (F&A) percentage (refer to paragraph 7 below) in the rate calculations. This additional charge must be tracked separately and used in accordance with the written decision of each Specialized Service Center’s stipulations. The rate study, and the basis for the rates, must be kept on file with DAS. These rates are analyzed and reviewed annually by DAS. Specialized Service Center rates shall be approved by the Dean/VP of the College/Division and the Vice President for Finance and Chief Financial Officer or designee.

## 2. COMPLIANCE

University service centers must comply with federal laws and regulations including Federal Uniform Guidance. Service centers must also comply with state law, TAMUS Policies and Regulations, University Standard Administrative Procedure, and DAS procedures.

## 3. REQUIREMENTS AND GUIDELINES FOR SERVICE CENTERS

- 3.1 The service must complement the mission of the University.
- 3.2 The service is not readily available outside the University and the service is best if the University provides the service.
- 3.3 Service center accounts are designed to be breakeven operations.
- 3.4 Service center managers must retain adequate documentation in accordance with 2 CFR § 200.334. In general, rate study worksheets and documentation must be kept

on file for at least seven years; other records must be kept in accordance with University guidelines (see the Records Retention Schedule at <http://policies.tamus.edu/61-99-01.pdf>).

- 3.5 All users of the service must be charged, however all TAMUS and Federal users must be charged the approved breakeven rate, in accordance with System Regulation 21.01.05. Non-University users/customers should be kept to a minimum. When selling to an external user, full cost recovery should be used. Unrelated business income tax (UBIT) and sales tax may apply.

#### 4. CAPITAL OUTLAY

- 4.1 All capital equipment and any required installation costs must be purchased from a renewal and replacement account. Each service center that purchases equipment will have a separate renewal and replacement account that will be funded by the operating account through depreciation. The renewal and replacement account is created automatically when creating a service account. Only allowable equipment, maintenance, and repair to existing equipment and/or buildings may be purchased from the renewal and replacement account, provided the purchase is specific to the service center. A service center may not use the renewal and replacement account for any other purpose.
- 4.2 Transfers out of a service center account may only go into the corresponding renewal and replacement account and/or related service entity.

#### 5. RESPONSIBILITY

##### 5.1 Dean or Vice President

- 5.1.1 Ultimate responsibility for service centers rests with the applicable Dean or Vice President. The Dean or Vice President has the responsibility to:
  - 5.1.1.1 Fully review and approve the establishment of each new service center prior to a new service center account being requested from DAS.
  - 5.1.1.2 Review and approve all service center rates within their unit. The Dean or Vice President should also approve the rate calculation survey for each major service center prior to its submission to DAS for review.
  - 5.1.1.3 The appropriate Dean or Vice President assumes the budget/financial obligation for disallowed costs resulting from recharges/rates made by their activity units.

## 5.2 Service Center Manager

5.2.1 The Dean or Vice President normally delegates day-to-day responsibility to the service center manager, who monitors the operation and takes corrective actions as needed. The service center manager has an obligation to:

5.2.1.1 Accurately prepare and properly submit the schedule of rates for review and approval on an annual basis to the Dean or Vice President.

5.2.1.2 Timely pay and allocate expenses by line of service via the assigned support account to show the performance of each line of business.

5.2.1.3 Routinely, at least annually, review the financial position with respect to expenditures and charges for services, and adjust for over-recoveries (surpluses) or under-recoveries (deficits) as appropriate.

5.2.1.4 Retain the records for the service center in accordance with 2 CFR § **200.334**. The rate study worksheets and accompanying forms must be kept on file for at least seven years; other records must be kept in accordance with University guidelines (see the Record Retention Schedule at <http://policies.tamus.edu/61-99-01.pdf>).

## 5.3 DAS

5.3.1 DAS is responsible for the following:

5.3.1.1 Reviewing new service center account requests to ensure proper placement into its respective category (i.e., Recharge Account, Service Center, Major Service Center, or Specialized Service Facilities).

5.3.1.2 Providing technical assistance and advice on the financial management of service centers. This assistance may be requested in connection with the development of billing rates, cost allocation procedures, equipment depreciation, record keeping, etc.

5.3.1.3 Reviewing the rate calculations provided by the major service center and specialized service facility managers annually.

5.3.1.4 Reviewing the rate calculations provided by other member-wide service centers (\$750,000 or less in expenditures) biannually.

5.3.1.5 Performing random audits on service centers rates.

5.3.1.6 Retaining copies of all rates for all services in each recharge account, service center, major service center, or specialized service facility.

5.4 Vice President for Finance and Chief Financial Officer

5.4.1 The Vice President for Finance and Chief Financial Officer, or designee, is responsible for:

5.4.1.1 Reviewing the reports of the University Services Department Review Committee and making appropriate recommendations to the President.

5.4.1.2 Reviewing and approving billing rates of all major service centers and specialized service facilities.

5.4.1.3 Approving transfers of funds out of service centers. To ensure all costs meet the guidelines of 2 CFR § **200 Subpart E Cost Principles** (costs must be allowable, allocable, and reasonable), transfers should not be made to other accounts. All revenues should be used to cover costs actually incurred at the service center. An annual transfer may be made to the renewal and replacement account for depreciation. (This action may be delegated)

6. UNALLOWABLE COSTS are as defined in 2 CFR § **200.31** and Federal OMB Uniform Guidance section Subchapter F: Subtitle VI 621.

7. PROFIT ABOVE BREAK-EVEN (FACILITIES & ADMINISTRATION and EXTERNAL PROFIT) can stay at the service center level. Each triennium the F&A percentage is approved by the Federal Cognizant Agency, DHHS. If a specialized facility decides to incorporate a Facilities & Administrative rate, up to the amount approved on the current TAMU F&A rate proposal, it must be included in the rate study by the specialized service facility. The usage or purpose of the F&A rate included in the proposal must be defined by the specialized service center in the rate study. A review by DAS will include an analysis to determine the use of the F&A rate and that it does not cause the specialized service facility to exceed allowable carry forward balances.

8. SERVICE CENTER PACKETS - may be obtained from DAS <http://costanalysis.tamu.edu/service-departments/forms-and-templates/>.

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**Related Statutes, Policies, or Requirements**

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*Supplements [System Regulation 21.01.05](#)*

*Service Departments and Uniform Guidance*

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**Contact Office**

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Departmental Accounting Services