STANDARD ADMINISTRATIVE PROCEDURE

21.01.05.M0.01 University Service Departments
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SAP Statement

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.

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 Vice President for Finance 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 Vice President for Finance and Chief Financial Officer.

All new requests for TAMU, Texas A&M Health Science Center, and TAMU 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.

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. The DAS certification form with DH/Division Head signature must be submitted annually to DAS. No approval by DAS is required.
1.2 Member-wide Service Centers – Provides 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. 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.

1.2.1 Minor Member-wide Service Centers – (up to $750,000 total expenditures) 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. Rates shall be approved by the Department Head, Dean/VP of the College/Division or designee prior to DAS approval.

1.2.2 Major Member-wide Service Centers – ($750,000 or more total expenditures) Rates are analyzed, reviewed, and approved annually by DAS. Rates shall be approved by the Dean/VP of the College/Division and the Vice President for Finance and Chief Financial Officer or designee prior to DAS approval.

1.3 Specialized Service Centers - As described in 2 CFR § 200.468 (refer to System Regulation 21.01.05), are highly complex facilities providing specific and unique services to specific users. These centers can include the allocable share of F&A (indirect) costs in their rate calculations under OMB Uniform Guidance 2 CRF 200 (200.468) (see Section 8). 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. Requests for the establishment of new Specialized Service Centers also requires Vice President for Research approval.

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
3.5 All users of the service must be charged. All TAMUS users must be charged the same break-even rate, in accordance with System Regulation 21.01.05.

3.5.1 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. The profit element does not have to be included in over/under recovery for future billing rates. This profit (difference between break-even and market rate) can be used to lower future rates or moved to the replenishment account to be used for equipment purchases or maintenance costs.

3.5.2 All rates charged to federal projects must be reasonable, necessary allocable, and allowable. Rates do not discriminate between activities under federal awards and other activities of the non-federal entity, including usage by the non-Federal entity for internal purposes.

3.5.3 An appropriate reserve of operating costs of 60-90 days is acceptable and will not be considered a surplus with the following stipulation:

If the service department charges federal grants/contracts, Federal Uniform Guidance requires a service department’s reserve not exceed a 60-day reserve.

4. CAPITAL OUTLAY

4.1 Capital expenses for equipment purchases should not normally be included in the costs used to establish service department billing rates. However, the rate can include depreciation of non-federally purchased equipment. By including equipment depreciation in the billing rates, the service department will build a reserve to purchase equipment in the future when the equipment needs to be replaced. The funds represented by depreciation should be set aside in the service department or used to establish an equipment replacement reserve account for future equipment purchases. If the reserved amount is not sufficient to cover the cost of the new equipment, non-service department funds may be used to purchase the equipment with appropriate approvals.

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. CREATION, CONSOLIDATION, SEPARATION OR CLOSURE OF SERVICE DEPARTMENTS: Refer to System Regulation 21.01.05.

6. RESPONSIBILITY
6.1 Dean or Vice President

6.1.1 Ultimate responsibility for service centers rests with the applicable Dean or Vice President. The Dean or Vice President has the responsibility to:

6.1.1.1 Fully review and approve the establishment of each new service center prior to a new service center account being requested from DAS.

6.1.1.2 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.

6.1.1.3 The appropriate Dean or Vice President assumes the budget/financial obligation for disallowed costs resulting from recharges/rates made by their activity units.

6.2 Service Center Manager

6.2.1 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:

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

6.2.1.2 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.

6.2.1.3 Retain the records for the service center in accordance with 2 CFR § 200.334. The rate study worksheets and accompanying forms must be kept permanently on file; other records must be kept in accordance with University guidelines (see the Records Retention Schedule).

6.2.1.4 Submit the DAS certification form with DH/Division Head signature must be submitted annually or biannually to DAS based on the service department designation (see Sections 1.1-1.3).

6.3 Departmental Accounting Services (DAS)

6.3.1 DAS is responsible for the following:

6.3.1.1 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).

6.3.1.2 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.

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

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

6.3.1.5 Performing random audits on service centers rates.

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

6.4 Vice President for Finance and Chief Financial Officer

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

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

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

6.4.1.3 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)

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

8. PROFIT ABOVE BREAK-EVEN (FACILITIES & ADMINISTRATION and EXTERNAL PROFIT) can stay at the service center level. The F&A rate is set by the
University and is reviewed for update triennially. The usage or purpose of this profit must be defined by the service center and listed in the rate study.

9. SERVICE CENTER PACKETS may be obtained from the DAS website: https://das.tamu.edu/service-centers/departments/index.html.

Related Statutes, Policies, or Requirements

Supplements System Regulation 21.01.05

Service Departments and Uniform Guidance

Contact Office

Departmental Accounting Services