



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Operating Policy and Procedure

**HSC OP:** 50.06, **Establishment and Operation of Service Departments**

**PURPOSE:** The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to document the rules and guidelines for the establishment and operation of service departments.

**REVIEW:** This HSC OP will be reviewed on May 1 of each even-numbered year (ENY) by the Director of Accounting Services, with recommendations for revisions forwarded to the Executive Vice President for Finance and Administration by June 1.

### **POLICY/PROCEDURE:**

1. **Definition.** Service departments are established for the purpose of providing goods or services to other Texas Tech operating departments. Examples of such activities include Copy and Mail Services and the Lab Animal Resources Center. Service departments are authorized to charge users for their goods or services. Rates must be established so that, over the long term period of operation, they recover the aggregate cost of providing the goods or services.
2. **Approval.** Establishment of a service department requires approval by the appropriate Dean or Vice President.
3. **Oversight.** The Director of Accounting Services is designated as the responsible officer who shall resolve matters concerning the internal application of this policy.
4. **Establishing a Service Department Fund.** A separate Banner fund must be established for service departments that expect to provide goods or services over multiple fiscal years and expect to recover a significant amount of cost from recipients. A SERVICE DEPARTMENT / SUPPORT ACTIVITY ACCOUNT REQUEST Form, available at [www.fiscal.ttuhscc.edu/accounting/forms](http://www.fiscal.ttuhscc.edu/accounting/forms), must be completed and sent to Accounting Services for all new service funds. The request should include a description of the goods or services to be provided, an indication of the expected users of the goods or services and the name of the individual responsible for the billing. A separate fund must be provided to cover cash flow deficits throughout the year or to cover a year-end fund balance deficit. Please refer to Section 7 of this HSC OP if services will be offered to non-campus organizations or private businesses.
5. **Exemption from Policy.** Funding, programmatic reasons, or small number of transactions may exempt organizations from this policy. If the service activity is expected to be temporary in nature and will recover an insignificant amount of funding from recipients, then the service may be exempt from this policy, and no separate fund will be established. Cost transfers or the institutional service department will be used for exempted activities.
6. **Determination of Rate.** The requesting department will develop the rate for charging users of the goods or services. The rate established must recover all costs of operating the service department or support activity, over the longer term, without creating a significant account surplus or deficit. The rate should cover costs for salaries of employees and supervisors, fringe benefits, supplies, equipment amortization charges, indirect costs, and any other costs properly associated with providing the goods or services. The rate determined should not include any surplus not associated with the estimated or actual cost of providing the goods or services except as may be for the purpose of replacing equipment or smoothing business fluctuations.

All costs associated with operating the service department or support activity must be charged to the

service department or support activity account. Transfers into or out of service departments are generally not allowed.

7. **Initiation of Services.** No goods or services will be provided for which a charge will be levied against any institutional fund, until a budget has been approved and entered into Banner.

8. **Billing Method.** Service Departments must use the Gateway system to charge other departments for goods or services. This system should be used only to recognize revenue in the Service Department FOP and record expenses for departments receiving goods or services. In order to begin using the Gateway system:

a. Requests for access to the Gateway system should be submitted to [fsm@ttuhsc.edu](mailto:fsm@ttuhsc.edu) with the following information:

- (1) The Service Department FOP that will receive revenue
- (2) Names and eRaider usernames for all individuals who will be using the Gateway system
- (3) Any system id that is already established for your department

b. Training documentation is located in the Gateway section of the Finance Reference Guide at [http://www.fiscal.ttuhsc.edu/captivate\\_training/Finance\\_Reference\\_Guide.pdf](http://www.fiscal.ttuhsc.edu/captivate_training/Finance_Reference_Guide.pdf)

c. When access is granted to the Gateway system, users will receive an email from Finance Systems Management with further instructions on accessing the system

See HSC OP 50.17 for additional information regarding charging departments for goods or services.

9. **Documentation.** Service Departments must maintain all supporting documentation and provide upon request by the charged department, Accounting Services or Audit Services.

10. **Sales of Goods or Services to Non-campus Organizations or Private Businesses.** If non-campus organizations or private businesses request goods or services, the following information must be provided either with the initial account request or when the outside request for goods or services is received:

a. Names of the non-campus organizations or private businesses requesting the goods or services (If the non-campus organization is a federal, state, or local government agency, indicate whether agreements, contracts, or other documentation will be required.)

b. Names and addresses of other private businesses within Texas that provide the equivalent goods or services

c. Explanation of benefit to the institution from offering these goods or services to non-campus organizations and private businesses

The offering of goods or services to non-campus organizations or private businesses must receive final approval from the Executive Vice President for Finance and Administration.