

UNIVERSITY *of* HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Procurement
AREA: On-Campus Purchases

Number: 04.03.01

SUBJECT: Service Center and Auxiliary Purchases
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I. PURPOSE AND SCOPE

The purpose of this policy is to prescribe the appropriate means for University departments to acquire goods or services from service centers and auxiliary enterprises within the University of Houston.

When goods or services are acquired internally from departments that are not service centers or auxiliary enterprises an expenditure reallocation is prepared (refer to [MAPP 05.02.03](#)).

II. POLICY STATEMENT

University of Houston administration provides for the internal acquisition of goods or services. The acquisition process should provide timely delivery of goods or services at a reasonable cost and a means for acquiring unique goods or services not readily available from external vendors.

When a University department obtains goods or services from a service center or an auxiliary enterprise of the University, the transaction must be recorded through the use of a Service Center Voucher (SC Voucher). When using local (not state-appropriated) funds, the SC Voucher will credit the service provider's cost center and will charge the procuring department's cost center. This is a non-cash process. When using state appropriated funds, the SC Voucher will charge the procuring department's cost center and generate a state warrant payable to the service center or auxiliary.

III. DEFINITIONS

- A. Service centers (recharge centers, service departments): Service centers are departments which provide goods or services that may or may not be purchased from commercial sources but are more economically and conveniently provided, and can better be controlled, by the institution. Service centers provide goods and services to University departments, rather than individuals, and are supported by recovering their expenses through charges to the University departments that purchase their goods and services. Examples of service centers are repair shops, glass-blowing shops, mailing services, printing shops, supply stores, and audiovisual services (for more examples go to http://www.uh.edu/finance/Doc_Ref/SC%20Business%20Processes.xls). A service center should serve a large segment of the University community. At the University of Houston, service centers are set up in fund 2XXX cost centers.

Rates charged by a service center should reflect all operating costs, including wages, benefits, cost of materials and supplies, cost of physical facilities, depreciation, and a share of general and administrative expense. While service centers may be subsidized in their operations by authorized University allocations, they may not make a profit or generate a surplus balance.

- B. Auxiliary enterprise: An entity which furnishes goods or services primarily to students, faculty, and/or staff; which charges a fee that is directly related (although not necessarily equal) to the cost of the goods or services delivered, and which is managed as a self-supporting entity. The general public may incidentally be served by some auxiliary enterprises. Examples include residence halls, food services, student stores, vending machines, and intercollegiate athletics (for more examples go to http://www.uh.edu/finance/Doc_Ref/SC%20Business%20Processes.xls). At the University of Houston, auxiliary enterprises are set up in fund 3XXX cost centers.

Auxiliary enterprises are related to the educational objectives of the University and contribute significantly to the achievement of those objectives. The specific functions performed by each auxiliary enterprise are determined by the University administration.

IV. TYPES OF TRANSACTIONS ALLOWED

Service Center Vouchers (SC Vouchers) may be used only when actual goods or services are procured from approved service or auxiliary units. SC Vouchers may not be used for procurement from any other University units, as an expenditure reallocation, or transfer mechanism. Those transactions must be processed using a journal entry or voucher (for state to local or local to state reallocations) (refer to MAPP [05.02.03](#)).

V. PROCEDURE

- A. It is the responsibility of all parties to the SC Voucher to ensure that the voucher complies with this policy and with any other pertinent University of Houston regulations. The requesting department must ensure the SC Voucher is complete, properly documented, and approved. The Service Center/Auxiliary must ensure the correct account and cost center information is recorded and appropriate documentation is uploaded to the financial system as an attachment to the SC Voucher. It is the responsibility of any other approving department to ensure the document is processed and approved in a timely and appropriate manner.
- B. While a SC Voucher always serves as a mechanism for payment for goods or services from service centers and auxiliaries, it may also serve as the request for goods or services and/or invoice depending on the service center or auxiliary's procedures. The SC Voucher is almost always initiated by the department requesting the goods and services. However, if the service center or auxiliary initiates the SC Voucher, they must document the department's approval to pay before submitting the SC Voucher to General Accounting for final approval. In general, the department preparing the SC Voucher should complete all fields in the financial system, including invoice information, cost center, debit and credit accounts, upload supporting documentation, and appropriate routing via workflow. Guidelines for processing SC Vouchers are available at: <http://www.uh.edu/finance/pages/References.htm>. While individual service centers may establish their own billing procedures, all such procedures must comply with this policy.

Note: State accounting regulations prevent auxiliary units from accepting SC Vouchers charged against state funded (1XXX) cost centers unless the auxiliary is treated in the same manner as any other vendor (i.e., purchase is made due to best price, quality, or other business reason).

- C. Documentation supporting SC Voucher charges (quotation, work request, stockroom receipt, etc.) must be uploaded to the SC Voucher in the financial system when the SC Voucher alone does not provide an adequate explanation of the transaction. If supporting documentation is provided, a summary description of goods or services, including the invoice, work order or stockroom receipt number is sufficient.

If supporting documentation is not provided with the SC Voucher because the service center does not routinely generate separate documentation, a complete explanation of the nature of the transaction must be included in the voucher comments. Abbreviated descriptions such as "monthly fee," "copy charges" or "supplies" are not acceptable unless supported by attached documentation.

All SC Vouchers must include a benefit and purpose statement which provides the purpose of the purchase and how the University will benefit from the purchase. SC Vouchers for charges relating to public events, entertainment or other activities subject to any University of Houston travel and entertainment policy must include the dates of the event or expense, the number of attendees, and the names of the attendees, if 10 or fewer. If the attendees total more than 10, the SC Voucher must include the names of the host(s), guest(s) of honor, and a description of the group.

- D. The SC Voucher must be routed to the authorized approver via workflow in the financial system. Additional signatures and approvals may be required, depending on the specific transaction, in accordance with MAPP [05.02.01](#) and MAPP [05.02.02](#).

VI. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice President for Finance

Review: Every three years, on or before March 1

VII. APPROVAL

Carl P. Carlucci

Executive Vice President for Administration and Finance

Renu Khator

President

Date of President's Approval: June 9, 2009

VIII. REFERENCES

- MAPP [05.02.03 - Expenditure Reallocation and Correction](#)
- MAPP [03.01.01 - Service Centers \(Recharge Centers\)](#)
- [Business Processes for UH Service Centers and Auxiliaries](#)
- Addendum A - University Service Activities Not Classified as Service Centers or Auxiliaries

Addendum A

UNIVERSITY SERVICE ACTIVITIES NOT CLASSIFIED AS SERVICE CENTERS OR AUXILIARIES

The following are descriptions of University operations that are not classified as service centers or auxiliaries, but that may sell goods or services to other University departments, faculty, staff, students, or the general public.

Organized Activities Related to Educational Departments

These organizations are entities which exist to provide an instructional or laboratory experience for students and which incidentally create goods or services that may be sold on campus or to the general public. Included in this category may be optometry clinics, nursery schools, speech laboratories, demonstration schools, and college theaters. At the University of Houston, the Optometry Clinic is an organized activity operation.

Organized activities may provide by-products or services which are available for a charge to students, faculty, and staff, or to the general public.

Sales and Services of Educational Departments

This category of operations includes revenues of educational departments from activities that are not conducted primarily for professional training of students. These activities may include special academic centers and programs, sales of publications, sale of class materials, and sale of reference materials, film rental, testing services, departmental copy machines, and similar activities.

Customers of these activities may be students, faculty, staff, other departments, or the general public.