



Internal Billing Transactions

Policy Statement

This policy establishes the proper accounting treatment for transactions where one Harvard unit bills another Harvard unit for goods or services, including internal billings from academic service centers and from central service units. These internal billings must not increase total University income or expenses nor misstate the operating results of any University unit.

Reason for Policy

To ensure adherence with Generally Accepted Accounting Principles (GAAP); to promote consistent accounting treatment across the University; to ensure income and expenses are not overstated as a result of transactions that are internal to the University; and to ensure the operating results of University units are not misstated as a result of internal billing transactions.

Who Must Comply

All **consolidated** (meaning included in the University's annual financial report and related financial statements) Harvard University schools, tubs, local units, Affiliate Institutions, Allied Institutions and University-wide Initiatives must comply with this policy. Non-consolidated tubs excluded from this policy are as follows:

130	Magazine
185	Agencies
190	Yenching Institute
295	American Repertory Theater
455	HBS Research Centers
595	HPRE 3rd Party
670	Master Trust

Procedures

- 1. Understand scope and purpose of internal billings.** Service units, which include academic service centers and central service units, may charge other Harvard departments for a variety of goods and services. For example, HUIT charges departments for the cost of providing telephone services.
 - A. For purposes of this policy, only consolidated Harvard units, meaning those units included in the University's financial report, are considered "internal." Internal transactions must be processed on a journal entry. Non-consolidated entities (listed above in the Who Must Comply section) are considered "external," like other organizations or individuals outside Harvard. External transactions must be processed via the Oracle accounts payable or accounts receivable systems.
 - B. Academic service centers, which are units within Harvard departments or centers that charge for goods or services that directly support the *research* or *academic* mission of the University, must also comply with the Office for Sponsored Programs' (OSP) [Service Center policy](#), which provides guidance on rate-setting, treatment of surpluses/deficits and other considerations.
 - C. Internal billings vs. internal transfers: if the transaction is a funding transfer between units, such as support for a particular activity or a transfer of expenses between units, see [the Internal Transfers Policy](#) for guidance.



2. **Record internal billings correctly.** All internal billing transactions must debit AND credit an expense object code. See Appendix B for detailed information.
 - A. Recording credits (revenue or sales)
 - a. Billing units use special internal billing object codes to record credits for internal sales; these codes have “INTERTUB” or “INTRATUB” in their names. For example, object code 8274 is named “Other Svcs, INTERTUB Sales^Other Svcs.”
 - b. INTERTUB and INTRATUB sales object codes are used for two different types of internal sales transactions within the University. INTERTUB sales object codes are used for internal transactions between different tubs or multi-tub schools; INTRATUB object codes are used for internal transactions within a tub or a multi-tub school. These object codes allow billing units to readily identify their “income” from internal transactions and to keep these recoveries distinct from actual operating expenses.
 - c. The INTERTUB/INTRATUB sales object codes must be used to record internal “income” only; they must never be used to record expenses.
 - B. Recording debits (expense or fees/charges)
 - a. Record the debit for the internal billing in the expense object code closest to the INTERTUB/INTRATUB sales object code used to record internal “income.” The debit MUST be recorded to the same mega-object code group¹ and ideally also in the same super-object code group, if possible. However, if the internal billing is for services or goods connected with a capital project, units must debit a construction-in-progress asset object code. The billing unit is responsible for using the correct object code.
 - b. Billed units must not reclassify internal billing transactions outside of the originally-charged mega object code range, to ensure both sides of an internal billing transaction net at the University level.
 - c. The billing unit should include in the journal line description sufficient identifying information so the billed unit can research the charge; ideally this information should include a description of the charge, and the first initial/last name and Harvard phone number of a contact person. See Appendix C for details.
3. **Process internal billings within required time limits.**
 - A. Internal billing transactions must be processed as soon as possible after the goods or services have been provided, ideally within the same month. At a minimum, internal billings must be processed within the proper quarterly and, most importantly, fiscal year periods.
 - B. Note that internal billing transactions recorded more than 90 days after the date that goods or services were provided should **NOT** be billed to sponsored funds; charges made after 90 days to closed grants must be removed. Billed units should partner with billing departments to ensure charges are made timely to sponsored funds and should contact the billing department directly to resolve any issues relating to late charges.
4. **Maintain appropriate documentation for internal billing transactions.**
 - A. Billing departments must maintain documentation detailing the nature of the goods or services provided, account coding to charge, the date the goods or services were provided, authorization from the department and individual ordering the goods or services, and contact information. Billing departments must retain the original documentation locally in accordance with the University's [General Records Schedule](#). The documentation may take the form of a purchase

¹ Exception: expense object codes for Space and Occupancy are in M711 and M722, but the associated recoveries are bundled together in M710, so the intra/intertub entries cannot eliminate at the mega object code level.



order, work order or record of an online request. Billing departments should be able to provide timely billing information to departments being charged.

- B. Internal billing charges to sponsored funds, like all other charges to sponsored funds, must always be allocable to the charged fund. Billed units should maintain documentation regarding the allocability of charges to sponsored awards.

Responsibilities and Contact Information

Financial deans or equivalent tub financial officers are responsible for ensuring that local units abide by this policy and the accompanying procedures.

Financial Accounting and Reporting (FAR), within the Office of the Controller, is responsible for maintaining this policy and for answering questions regarding the policy. **Contact: (617) 495-8032**

Service units are responsible for recording internal billing debits and credits and for providing guidance on appropriate coding to billed units.

Definitions

Academic service centers: units within Harvard departments or centers that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and external users.

Allocable: a concept within federal regulations for sponsored programs administration. An allocable cost is one that service relates specifically to the project being charged.

Central service units: separate operating units that are generally not part of academic tubs and that provide services to the entire University community. Examples of central service units include Harvard University Dining Services (HUDS) and Harvard University Information Technology (HUIT).

Multi-tub school: A Harvard school whose activities occur in more than one tub. An example of a multi-tub school is FAS, which consists of nine distinct tubs (e.g., FAS Core, SEAS, the College, FAS Continuing Education, Athletics, etc.). Other multi-tub schools include KSG, HBS and HMS. When using internal sales object codes, tubs that compose a multi-tub school (e.g., SEAS or the College) should use the INTRATUB sales object codes for billing transactions with other tubs within its multi-tub school, but the INTERTUB sales object codes with tubs outside of its multi-tub school.

Related Resources

Facilities and Equipment Accounting Policy: http://hwpi.harvard.edu/fad_policies/pages/facilities-and-equipment

Internal Transfers: http://hwpi.harvard.edu/fad_policies/pages/internal-transfers

Expense Recognition: http://hwpi.harvard.edu/fad_policies/pages/expense-recognition

OSP Service Center Policy: <http://osp.fad.harvard.edu/content/service-center-policy>

Harvard University's General Records Schedule: <http://grs.harvard.edu/icb/icb.do>

Revision History

6/30/2013: Updated format and clarified procedures; moved instructions on journal processing to Appendix C.

Appendices

Appendix A: Examples of Proper Internal Billing Coding

Appendix B: Harvard University Internal Billing Quick Reference

Appendix C: Detailed Instructions for Processing Internal Billings

Internal Billing Transactions, Appendix A Examples of Proper Internal Billing Coding

1. The Faculty Club charges the FAS Chemistry Department for a function held at the Club. The Chemistry Department serves food and both nonalcoholic and alcoholic beverages during the function.

FAS Chemistry Department	Faculty Club
Debit/charge object code 6570: Food+Nonalcoholic Beverages, GENERAL	Credit to object code 6572: INTERTUB Sales^Food+Nonalcoholic Beverages
Debit/Charge object code 8450: Expenses Ineligible for Fed Reimbursement, GENERAL	Credit object code 8456: Alcoholic Beverages, INTERTUB, Sales of^Expenses Ineligible for Fed Reimb

Both sets of entries are in the same super-object group and would appropriately net in the University's financial statements. Since alcoholic beverages represent an unallowable cost, the costs for these beverages must be separately booked as "ineligible" expenses. Alcoholic beverages are but one item in a class of items whose costs are ineligible for federal reimbursement. This portion of the function costs could also have been charged to object code 8455, "8455 – Events^Expenses Ineligible for Fed Reimbursement."

2. The Harvard University Library charges the Medical School for storing boxes at the Harvard Depository.

Medical School	Harvard University Library
Debit/charge object code 8160: Records Storage+Protection Svcs, GENERAL	Credit object code 8161: Record Store+Protect Svcs, INTERTUB^Records Storage+Protection Svcs

As in the first example, both sides of the entry are in the same super-object group and would appropriately net in the University's financial statements.

3. UHS charges GSD for providing Graduate Student Learning Support services from three learning specialists.

GSD	UHS
Debit/charge object code 8170: Other Student Related Svcs, GENERAL	Credit object code 8271: Health Care Services, INTERTUB^Other Svcs

While the two sides of the entry are not in the same super-object group, they are in the same mega-object code (M802 – Other Services) and therefore would appropriately net in the University's financial statements.

4. Radcliffe charges FAS Core for renting several rooms in the Cronkhite Center to house visiting lecturers.

FAS Core	Radcliffe
Debit/charge object code 7230: Rentals+Leases of Space, GENERAL	Credit object code 7240: Real Estate Rentals, INTERTUB^Real Estate Rental Recoveries, Internal

While the two sides of the entry are not in the same super-object group, they are in the same mega-object code (M722 – Space, Operations) and therefore would appropriately net in the University's financial statements.

Internal Billing Transactions - Appendix B Internal Billing Accounting Quick Reference Guide

This appendix discusses the accounting needed to prevent University-level income and expense reporting from being grossed-up due to internal billing or transfer activity.

The University must report total income and expense based upon activity with *outside* parties. Internal charges and transfers must not result in an increase in our reported income and expense. Therefore, there must be NO INTERNAL ENTRIES BETWEEN INCOME AND EXPENSE.

All internal billings must DEBIT & CREDIT expense This means that the billing tub and the tub being charged must agree on how a charge will be processed.

The same object code may be used for both the debit and the credit coding. In some cases, tubs have set up specific codes to capture their recoveries; these are labeled "INTERTUB" or "INTRATUB" codes. In **all** cases, the recovery object code should be in the same "giga" group as the original charge (e.g., supplies+equipment, space+occupancy, other).

Intertub Billing:

Example 1: HUIT bills FAS for phone services.

			FAS fund <u>337104</u>	HUIT fund <u>000001</u>	Total <u> </u>
Income:	4350	Gifts for current use	15,000		15,000
		<i>Total income</i>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Expenses:	6050	Exempt Staff salaries	7,000		7,000
	6270	Exempt Staff fringe assessment	1,750		1,750
	8490	Telephone usage, INTERTUB Sales		(1,200)	(1,200)
	8510	Telephone+Telecommunications	1,200		1,200
		<i>Total expenses</i>	<u>9,950</u>	<u>(1,200)</u>	<u>8,750</u>
		<i>Net income</i>	<u>5,050</u>	<u>1,200</u>	<u>6,250</u>
Non-operating activity:		<i>Total non-operating activity</i>	<u>0</u>	<u>0</u>	<u>0</u>
		<i>Total Change in Net Assets</i>	<u><u>5,050</u></u>	<u><u>1,200</u></u>	<u><u>6,250</u></u>

Intratub Billing:

Example 2: The Technology Products Center (TPC) bills HUIT for computer repair.

			TPC fund <u>000001</u>	HUIT fund <u>000001</u>	Total <u> </u>
Income:	5490	Other services	10,000		10,000
		<i>Total income</i>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Expenses:	6050	Exempt Staff salaries	8,000		8,000
	6270	Exempt Staff fringe assessment	2,000		2,000
	8090	Hardware, Software+Network Fees, Repairs, Maintenance		2,000	2,000
	8095	Tech Repair Svcs, INTRATUB	(2,000)		(2,000)
		<i>Total expenses</i>	<u>8,000</u>	<u>2,000</u>	<u>10,000</u>
		<i>Net income</i>	<u>2,000</u>	<u>(2,000)</u>	<u>0</u>
Non-operating activity:		<i>Total non-operating activity</i>	<u>0</u>	<u>0</u>	<u>0</u>
		<i>Total Change in Net Assets</i>	<u><u>2,000</u></u>	<u><u>(2,000)</u></u>	<u><u>0</u></u>

Internal Billing Transactions – Appendix C Detailed Instructions for Processing Internal Billings

- **Internal billings are processed as journals and can be one of the following types:**
 - Journal feed
 - ADI journal
 - Manual journal

Because of the large volume of line items their journals contain, the central service units generally use journal feeds to process their internal billings. To book manual or ADI journals, the preparer must have the appropriate inter-departmental billing responsibility. Each tub's finance office can provide guidance on an appropriate person to process such billings for their unit.

- **Internal billing batch and journal naming conventions:**

To aid units being billed in researching internal billing transactions, the following data must be included in an internal billing journal:

Batch/journal name requirements:

- Preparer's tub acronym (UPPERCASE)
- Preparer's initials (UPPERCASE)
- Brief description of the journal's purpose
- Date that the goods and/or services were provided

Example:

FCOR JAD charges for supplies 05-01-05

In an ADI journal, the batch name is limited to 50 characters, and the journal name is limited to 25 characters. In manual journals, both names are limited to 100 characters. However, it is best to be as concise as possible when naming both batches and journals.

- **Journal line description requirements:**

Journal line descriptions should provide the unit being billed with enough information to easily understand their charges. The following elements are required for all journal line descriptions:

Journal line description requirements:

- Billing unit – tub (and org if appropriate) acronym (UPPERCASE)
- Provider's reference number, if relevant (it may be an invoice or job number, depending on the service unit's practice)
- Billing unit contact person's name (first initial, last name – without any punctuation)
- Billing unit contact person's phone number
- Brief description of the transaction
- Date that the goods and/or services were provided

Example:

UOS 8468 J Doe 5-1234 Shelf Installation H877 3-25-05

The contact person must be an individual who is able to answer questions about the journal, which is not necessarily the individual who processed the journal entry.

The journal line description is limited to 240 characters in both ADI and manual journal entries. As noted above, it is best to be as concise as possible when crafting these descriptions.