



INTERNAL BILLING TRANSACTIONS

POLICY STATEMENT

Internal billing transactions must not result in an increase in total University income and expenses nor misstatement of the operating results of any University unit and must be processed in a timely manner.

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.

To ensure the operating results of University units are not misstated as a result of internal billing transactions.

WHO MUST COMPLY

All Harvard University schools, tubs, local units, Affiliate Institutions, Allied Institutions and University-wide Initiatives. Note that this policy applies only to transactions between consolidated tubs (tubs included in the University's annual financial report and related financial statements). 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)

While this policy is most applicable to the central service units, it also applies to any school or other tub that provides goods or services to or purchases them from other departments.

RESPONSIBILITIES

Tubs: Tub financial deans or equivalent tub financial officers are responsible for ensuring that local units abide by this policy and the accompanying procedures. Tub finance offices are responsible for implementing the policy and procedures, principally by ensuring that internal billings are transacted and coded properly. Individuals are asked to first contact their tub finance offices with questions on this policy, to ensure the tub finance offices are aware of such questions and to ensure consistent guidance is provided within each tub.

University Accounting Services (UAS): UAS, within the Office of the Controller, is responsible for maintaining this policy and for answering questions regarding the policy.

RELATED POLICIES

Internal Transfers: http://vpf-web.harvard.edu/documents/fa_intrans104.pdf
Expense Recognition: http://vpf-web.harvard.edu/ofs/home/content/Final_Expense_Policy_Feb_2007.pdf
OSP Treatment of Services Center Policy: http://vpf-web.harvard.edu/osr/support/sup_spe_serv.shtml
UHS Policy on Health Insurance Coverage for Pre-Matriculating Students:
<http://huhs.harvard.edu/HealthnDentalPlans/PreMatricInsuranceInfo.htm>



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Transactions
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RELATED DOCUMENTS

N/A

PROCEDURES

Tubs must charge other Harvard units for goods and services provided to them for a variety of reasons. Examples include charges to departments by central service units as well as charges by University departments or recharge units that provide goods or services to other Harvard departments.

There are several types of entities to which Harvard units provide goods or services:

1. External entities, including non-consolidated tubs
2. Internal entities, including other tubs or departments within their own tub

The following procedures relate to charges for goods or services provided to internal entities (other Harvard units) and not to transactions that are billed to external entities (parties outside of Harvard). External transactions are processed via the Oracle accounts payable or accounts receivable systems.

If the transaction is a funding transfer between units, such as support for a particular activity or a transfer of expenses between units, please refer to the Internal Transfers Policy for the appropriate accounting guidance: http://vpf-web.harvard.edu/documents/fa_intrans104.pdf. Internal billings are processed similarly to internal transfers, in that they are both transacted via journal entries (including journal entry feeds). Internal billings and transfers must not be transacted through the Oracle accounts payable and accounts receivable systems.

Appendix A to this policy, the Internal Billing Guide, provides further procedural guidance for entities that are billed by the University's service units: <http://vpf-web.harvard.edu/ofs/home/content/InternalBillingGuide.pdf>

- **Basic rule for internal billing transactions:**

Internal billing transactions *must not result in an increase in total University income and expenses*. To prevent this, internal billing transactions must not charge an expense object code to one unit while crediting an income object code to another unit. *All internal billing transactions must debit and credit expense object codes (6000-8889).*

Object Codes

- **Object codes used by central service units:**

In some cases, such as with University-wide charges from central service units, the appropriate object codes for tub charges are predefined to ensure consistent accounting treatment across the University. For example, UIS phone billings to Harvard units are charged to a certain set of telephone expense object codes. Please refer to the Internal Billing Guide in *Appendix A* for information about the specific expense object codes used by the central service units.

- **INTERTUB/INTRATUB “sales” object codes:**

While it is necessary not to overstate University revenues and expenses, this rule creates a problem for billing units who would like to be able to view their receipts from other University units as revenue or sales. To meet this need, “sales” object codes have been created in the expense object code range to record credits for internal sales of goods and/or services. These object codes are referred to as “INTERTUB” and “INTRATUB” sales object codes; these words appear directly in the object code name. For example, object code 8274 is named “Other Svcs, INTERTUB Sales^Other Svcs.”

INTERTUB and INTRATUB sales object codes are used for two different types of internal sales transactions within the



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University. *INTERTUB sales object codes are used for internal transactions between different tubs¹ or multi-tub schools, while the INTRATUB object codes are used for internal transactions within a tub. These two different sets of object codes allow billing units to differentiate between sales within their tub and sales to other tubs within the University.*

These object codes may be used by billing units to record their recoveries (i.e., credit their expenses), thereby allowing billing units to readily identify their “income” from internal transactions and to keep these recoveries distinct from actual operating expenses. In addition, *for internal reporting purposes only*, billing units can generate a “Service Unit Changes in Net Assets Budget Report” that allows both their internal and external sales to be displayed in the revenue section of their *internal* operating statement.

The INTERTUB/INTRATUB sales object codes must never be debited/charged for expenses. The service units must also never use the INTERTUB/INTRATUB sales object codes to charge a department for goods or services (i.e., they must never be used to charge a department for expenses).

- **Choosing object codes for internal billing transactions:**

When choosing the debit/charge and credit object codes for an internal billing transaction, the object codes should be in the same range of object codes – specifically, the same “super-object” code group. The INTERTUB or INTRATUB sales/recovery object code is credited and an expense object code in the same super-object code group is debited/charged. On occasion, it may not be feasible to use object codes in the same super-object code group, if there is no sufficiently specific available code in the selected super-object code range. If using object codes in the same super-object group is not feasible, the object codes must at a minimum be in the same “mega-object” code group. For expenses, these groups are:

- M651 Supplies+Materials
- M674 Equipment, Furniture+Fixtures
- M700 Collections
- M710 Space+Occupancy Recoveries²
- M711 Space, Improvements, Repairs+Maintenance²
- M722 Space, Operations
- M736 Interest on Space+Occupancy, External
- M743 Utilities
- M761 Interest Expense, Other
- M764 Travel+Entertainment
- M769 Insurance+Losses
- M776 Write-Offs
- M784 Professional Svcs
- M802 Other Svcs
- M832 Taxes, Fees+Licenses
- M838 Overhead Charges+Adjustments
- M845 Other Institutional Activity
- M846 Telephones+Telecommunications

Continued...

¹ For this purpose, tub is defined as a faculty/unit or a multi-tub school. An example of a multi-tub school is FAS, which consists of nine distinct tubs (e.g., FAS Core, DEAS, the College, FAS Continuing Education, Athletics, etc.). Other multi-tub schools include KSG, HBS and HMS. When using these “sales” object codes, tubs that comprise a multi-tub school (e.g., DEAS 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. When using these “sales” object codes, any tub that is not part of a multi-tub school should use the INTERTUB sales object codes for all of its billing transactions with other tubs (e.g., GSD would use the INTERTUB sales object codes when billing the College or HLS for goods or services).

² Mega object codes M710 and M711 are an exception to the guidance that object codes must at a minimum be in the same “mega-object” code range. INTERTUB and INTRATUB billing transactions may credit a sales object code in M710 and debit/charge an expense object code in M711.



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- M853 Reproduction Costs
- M858 Miscellaneous Expenses
- M887 Expense Credits

Because of the need to classify these transactions in the same super- or mega-object code group, it is important that units not reclassify charges received from other units.

An exception to this guidance on processing internal billing transactions occurs when service units perform services or provide goods connected with a capital project. In these instances, an INTERTUB or INTRATUB sales/recovery object code is credited and a construction-in-progress asset object code is debited/charged.

- **Internal billings associated with federal sponsored projects:**

In certain cases, specific expense object codes must be used for internal billings associated with federal sponsored awards (funds 100000-199999). Costs associated with information technology-related services provided by other University departments to federal sponsored projects must be charged to these object codes:

- 8071 Internal^Data Processing, Data Conversion, Word Processing Svcs – for data processing or conversion expenses
- 8096 Internal Service^Hardware,Software+Ntwk Fees, Repairs, Maint Svcs – for service fees associated with computer hardware, software or networks

Processing Internal Billings

- **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



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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. However, it is best to be as concise as possible when crafting these descriptions.

- **Documentation for internal billing transactions:**

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. It is recommended that billing departments provide a copy of this documentation to the department being charged, and they must locally retain the original documentation in accordance with the University’s document retention policies. Such documentation may take the form of a purchase order, work order or record of an online request.

- **Timeliness of transactions:**

Internal billing transactions must be processed as soon as possible after the goods or services have been provided. In particular, internal billings must be processed within the proper quarterly and, most importantly, fiscal year periods.

Internal billing transactions that are more than three months in arrears since the date that goods or services were provided may not be billed, and every effort must be made to bill departments within the same fiscal year that goods or services were provided.



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Other

- **Service centers:**

The service units include University “service centers” that provide goods or services to Harvard departments that receive federal sponsored research funding. The Office for Sponsored Programs (OSP) Treatment of Service Centers Policy contains further information, including guidelines for compliance with federal costing rules: http://vpf-web.harvard.edu/osr/support/sup_spe_serv.shtml. Questions regarding the OSP Treatment of Service Centers Policy should be directed to the Cost Analysis and Compliance Unit of the Office for Sponsored Programs.

- **Compensation-generating events:**

Certain situations where a department is paying for services for a student or employee may result in a compensation-generating event for that student or employee. For example, a school may pay for several days of health insurance coverage if a student is required to arrive on campus several days before the semester begins and the health coverage term commences. If services have been provided to a student, the value of the coverage is considered taxable scholarship/fellowship compensation to the student. The amount would be charged and credited as a scholarship/fellowship to the term bill. The credit would ensure the appropriate tax reporting to the student. A UHS policy discusses the issue of services provided to pre-matriculating students further: <http://huhs.harvard.edu/HealthnDentalPlans/PreMatricInsuranceInfo.htm>.

If services have been purchased on behalf of someone who is working at the University temporarily (e.g., a visiting professor with an unpaid appointment), the value of the coverage may be considered taxable compensation income. In such cases, UHS requires that the school process a third-party payment to the University via web voucher for the services purchased on the employee’s behalf, in order to ensure that the appropriate tax reporting is provided to the employee.

Questions regarding services provided to students or employees that might be considered compensation-generating events should be directed to the University Financial Policy and Compliance Office.



Accounting for Internal Billing Transactions
Examples of the Proper Coding of Certain Types of Transactions

- 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." Other ineligible costs may be charged to the 8450-8459 range of object codes. Ineligible expenses are discussed further in the University's Expense Recognition Policy: [http://vpf-web.harvard.edu/ofs/home/content/Final Expense Policy Feb 2007.pdf](http://vpf-web.harvard.edu/ofs/home/content/Final%20Expense%20Policy%20Feb%202007.pdf).

- 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.



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FORMS

N/A

CONTACTS AND SUBJECT MATTER EXPERTS

Local tub finance offices.

The University Accounting Services analyst or manager assigned to their tub or the Senior Manager of Accounting Policy.

Questions regarding the OSP Treatment of Service Centers Policy should be directed to the Cost Analysis and Compliance Unit of the Office for Sponsored Programs.

Questions regarding internally billed services that may result in compensation-generating events should be directed to the University Financial Policy and Compliance Office.

Key subject matter experts who provided input in the development of this policy were the University service units, the Financial Managers Forum and managers throughout Financial Administration.

DEFINITIONS

N/A

APPENDICES

Appendix A – Internal Billing Guide: <http://vpf-web.harvard.edu/ofs/home/content/InternalBillingGuide.pdf>

