Interdepartmental Billing Policy

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Policy Overview
For a variety of reasons, HUIT must charge other Harvard units for goods and services we provide. Examples include telephone, network, DLS, and ICEMail. Internal billing transactions must not result in an increase in total University income and expenses, nor misstate the operating results of any University unit. Therefore, internal billing for goods and services between units must be accounted for in accordance with the procedures set forth in this policy to ensure:

- Adherence with Generally Accepted Accounting Principles (GAAP)
- Consistent accounting treatment across the University
- Income and expenses are not overstated as a result of transactions that are internal to the University
- Operating results of University units are not misstated as a result of internal billing transactions

HUIT provides goods and services to two types of entities: internal entities (other Harvard units) and external entities (parties outside of Harvard). This policy focuses on internal transactions.

Creating Billing Transactions
The following procedures relate to charges for goods or services provided internally. 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 University’s Internal Transfers Policy for the appropriate accounting guidance. The procedures that follow will help employees who work with customers to establish an interdepartmental billing transaction:
Basic Guidelines
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 (6000-8889) to one unit while crediting an income object code (4000-5999) to another unit. All internal billing transactions must debit and credit expense object codes (6000-8889).

Customer Expense Codes
With University-wide charges from central service units (like HUIT), the appropriate object codes for Tub charges are predefined to ensure consistent accounting treatment across the University. For example, HUIT telephone billings to Harvard units are charged to a specified set of telephone object codes, which includes the range from 8510 to 8516. Please refer to the HUIT Customer Object Code Card for recommended expense object codes used by HUIT units.

Choosing Object Codes
When you choose a debit code for an internal billing transaction, make sure it is in the same range (specifically, the same “super-object” code group) as your credit code.

You should credit the INTERTUB sales/recovery object code and charge/debit and expense object code in the same super-object code. If it is not possible to use object codes in the same super-object group (for instance, when no specific code in the selected super-object code range is available), the object codes must, at a minimum, be in the same mega-object code range.

For example, when HUIT charges customers for ICEMail, it credits the sales/recovery object code of 8093. The preferred offsetting charge/debit is 8096, as both are in the same super-object code group of S809. However, expense object code 8250 would also be allowed, as it would still roll up to the mega-object code group of M802, but this is not preferred.

Note: because transactions need to be classified in the same super- or mega-object code group, it is important to instruct customer departments not to reclassify charges received from other units to a different object code.

An exception occurs when goods or services are connected to a capital project. In these instances, you should credit an INTERTUB sales/recovery object code or the appropriate expense recovery object code and charge/debit a construction-in-progress asset object.

What to Communicate to Customers
When taking an order, HUIT staff should ensure that the 33-digit billing code provided by the customer includes an object code that is allowed for those services. If the customer insists on using an object code that is not preferred or allowed, you should explain the University policy to the customer or contact your financial partner for assistance.

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

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

Recording the Revenue Transaction
The following procedures will assist financial employees in processing an interdepartmental billing transaction:

INTERTUB Sales Object Codes
Interdepartmental Billing Policy

While the University cannot overstate revenues and expenses, it is problematic for billing units who need to view receipts from other University units as revenue or sales. To resolve this issue, HUIT utilizes object codes in the expense object code range to record credits as internal sales. These object codes are referred to as INTERTUB sales object codes; these words appear directly in the object code name. For example, object code 8252 is named “Client Contract Svcs, INTERTUB Sales of Technical Services.”

Billing units may use these object codes to record recoveries or credits, so they can readily identify their “income” from internal transactions and keep recoveries distinct from operating expenses. In addition, for internal reporting purposes only, billing units can generate a “Service Unit Changes in Net Assets Budget Report,” which allows their internal operation statement to display both their internal and external sales.

Note: Service units should never debit or charge INTERTUB sales object codes for expenses. The service units should also not use the INTERTUB sales object codes to charge a department for goods or services (i.e., INTERTUB sales object codes should never be used to charge a department for expenses).

Processing Internal Billings
Internal billings are processed as journals and can be one of the following types:

- Journal feed
- ADI journal - NOTE: Category must = Internal Billings
- Manual journal

Because of the large volume of line items their journals contain, 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 department’s Financial Partner can provide guidance on such billings.

Internal Billing Batch & Journal Naming Conventions
To aid departments in researching internal billing transactions that were charged to them, the following data must be included in an internal billing journal name:

- 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:_
HUIT MJP RECUR HUIT FIELD SUPPORT FY16 JULY 2015 chgs

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 department being billed with enough information to easily understand the charges. 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.

The following elements are required for all journal line descriptions:

- Billing unit tub acronym (UPPERCASE) and org if appropriate.
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 first initial and last name without punctuation. (Individual should be someone able to answer questions about the journal, and not necessarily the person who processed the journal entry.)

Billing unit contact person’s phone number.

Brief description of the transaction.

Date goods and/or services were provided.

Example:
MJP-6-8573 HUIT FIELD SUPPORT FY16 JULY 2015

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

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

External Billing Procedures
Transactions that will be billed to external entities follow the same procedures as above with the following exceptions:

- The object code used to recognize the revenue will be in the 5000 object code range.
- Invoicing and customer communications may differ.
- Purchase order number is required.
- Payment is made via a check sent to Harvard’s lockbox.
- Collection activity is required (i.e., A/R is tracked and bad debt may result).

For More Information
Please see the University Internal Billing Transactions policy for additional information.