

Internal Service Providers:  
ISP Billing Standardization Project

Update

September 2007

## You might be an ISP if you,

- have internal revenue from products, services or rental income
- have employees designated to produce products or provide services for other units
- have designated specific space for products or services for other units
- advertise your products or services for other units

# ISP Billing Standardization Project

- Began in August 2006 as Part of 100 Day Plan
- Standardize ISP Billing Practices
  - Format, content and timing of JSA transactions
- Create an Oversight Body
  - The ISP Standards Committee
- Update Policy 1410, create Procedures, Forms and Instructions
- “Register” all ISPs
  - Document ISP activities and practices
  - Encourage compliance with standards
  - Communicate compliance pitfalls

# ISP Billing Standardization Project Process

- Engage ISPs, Business Administrators and Central Administrators.
  - Leadership Committee
  - Advisory Committee
  - Standards Committee
  - ISP Registration Clinics

# ISP Standards Committee

- Andrew Rudczynski, Co-owner of Process
- Cary Scapillato, Co-owner of Process
- Participants include:
  - Department Administrators
  - Shared Science Services Branch
  - School of Medicine FINOPs
  - Grant & Contract Financial Administration
  - Controller's Office (including Tax Dept & General Accounting)
  - Office of Business Transformation
  - Budget Office
  - Procurement

# Why is this Necessary?

- Internal customers need timely and consistent information
- ISPs need valid PTAEOs
- Products or Services may be charged to sponsored awards
  - ISPs need credible records
- External revenues could have unintended consequences for the University

# External Users

- Faculty, staff, students for personal use
- Agencies
- Yale New Haven Hospital
- Private Companies

# External Revenue Unintended Consequences

- ISPs who charge external customers must consider:
  - University's property tax exemption
  - Buildings financed with tax exempt bonds
  - Equipment purchased with Federal funds
  - Unrelated Business Taxable Income
  - Sales tax
  - “Unfair” competition with vendors

# New Responsibilities

- ISPs: Written standards for the Content, Format and Timing of JSA transactions.
- Customers: Correct PTAEOs
  - Valid and appropriate
- Both: Timely Problem Resolution

# PTAEOs

- Invalid PTAEO's – new functionality to bounce to a department suspense account
  - Only after the ISP musts make a good faith effort to determine the correct PTAEO
  - Suspense Accounts will be monitored
- ISPs – new requirement to bill Split Charging Instructions even if their automated systems can accommodate them (i.e., ISP must create a manual JSA for Split Charging Instructions, if necessary)

# Policy & Procedures

- Revised Policy 1410 Internal Service Providers
- Procedure 1410 PR.01
  - Registration and Annual Renewal of an ISP
- Procedure 1410 PR.02
  - Rate Calculations for ISPs
- Procedure 1410 PR.03
  - Accounting for ISPs

# Procedure 1410 PR.01: Registration and Annual Renewal of an ISP

- Initial registrations are almost complete.
- Registration information updated annually each October
- Description of operation
  - Order entry practices
  - Billing practices
  - JSA creation practices
  - General rate setting process
- Registered ISPs receive Source System Identifier (SSI)
  - Ultimately, only registered ISPs will be able to use Internal Revenue accounts and the InterDepartmental Revenue Journal Category
- General Accounting sends info by e-mail annually for update

# Procedure 1410 PR.02: Rate Calculations for ISPs

- ISPs need to calculate their cost based rates based on allowable costs and capacity utilization.
  - capacity utilization = actual usage (not full capacity)
- Rate charged to Sponsored Awards must be cost or less.
- Rate worksheets sent to GCFA annually for review; SSFs' rate reviews coordinated with budget process
- Higher Rates may be charged to Non Sponsored & External Users
  - Special accounting procedures if they are
- ISPs are expected to break even by product line or related services, unless deficit approved by appropriate Budget Authority

# Procedure 1410 PR.03: Accounting for ISP

- Specific transaction format with a unique Source System Identifier (Eventually validated against registration table)
- Bill prior to the fiscal month closing for the month that services/goods were provided, unless alternative is approved
- Accumulate ISP activity in a unique organization or project
- Segregate internal & external revenue using different expenditure types
- New ISP Expenditure Types
  - Record discounts and premiums in unique expenditure type
  - Internal Service Provider Income exempt from registration requirements.
  - Internal Service Provider Clinical Trial Income
  - Interdepartmental credits for insurance and equipment

# Forms and Related Documents

## Forms and Instructions

- New Form: ISP Registration Form
- New Instructions: Filling out ISP Registration Form
- New Form: Rate Template & Instructions

## Related Policies

- Policy 1308: Program Income Associated with Sponsored Programs
- Procedure 1305 PR.04: Unallowable Costs

## Internal Service Provider Definition

An Internal Service Provider (ISP) is a unit that provides goods and/or services to other University Organizational Units or Departments and charges for those goods or services.

### Internal Service Providers Categories

#### Specialized Service Facilities (SSF)

- \$1M+ annual costs (per DS2) or \$250k+ charged to federal grants (current Yale definition of significant Federal activity).
- SSFs directly increase the value of the product or service provided.
- Costs associated with the direct added value may be included in the rate(s) charged.
- The purchasers of the goods or services determine the quantity of the goods or services to be purchased.

Examples:

ITS  
YARC  
Keck  
RIS  
MR Center

#### Recharge Center (RC)

- Recharge Centers meet the criteria of a Special Service Facility except they do not meet the dollar threshold (as determined by Sponsored Programs).

Geology & Geophysics  
Gibbs Machine Shop  
Drosophila Kitchen (in MCDB)  
Medical School Shop

#### Cost Allocation Unit (CAU)

- Cost Allocation Units only recover costs paid to acquire products or services from outside their unit.
- CAUs do not recover costs for directly increasing the value of the product or service provided.
- Only costs invoiced from external vendors or other ISPs may be aggregated and/or allocated.
- The amount of goods and/or services allocated may be determined by the unit making the allocation and not the unit receiving the allocation.

Utilities  
Procurement (gasoline)  
Kline Stockroom

# Next Steps

- Read and Comment on New Policy and Procedures
  - <http://www.yale.edu/ppdev/drafts/index.html>
- Discuss concerns and issues
  - Nancy Scanlon, Ken Hoyt, Art Hunt, Pauline Fagan
- Provide feedback on-line on PPDev
  - Comments are due by 10/19/07

Standards Committee will incorporate feedback

*Q & A*