

## Procedure 1410 PR.03

### Internal Service Providers: Accounting and Billing

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## Overview

This procedure outlines the accounting procedures to be used by Internal Service Providers (ISPs) that bill for goods and/or services.

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## Procedure Sections

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### A. ISP Billing Procedures

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#### 1. Timing of Transaction Billing

Internal Service Providers (ISPs) must submit bills for their services at least monthly using a [standard format and content](#) based on actual usage. More frequent billing is desirable, if practical and consistent. Goods and/or services must be billed in the fiscal month in which they are provided, where practical. Flat annual fees are not allowable as they do not generally represent usage. ISP billing practices must be documented. Exceptions to billing procedures must be approved by the ISP Standards Committee. If the order or service is not complete, partial billing should be done for the portion of goods or services that were provided. The description should state that the billing is for a partial order.

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#### 2. Correcting a Billing Error

If the end user contacts the ISP about a billing correction which is the result of the ISPs error, the ISP is responsible for making the correction in a timely manner. If an ISP uses a sub-system for billing, the adjustment to the original invoice, whenever possible, should be generated through the sub-system. If the ISP is trying to credit a sponsored award who's PTAE0 does not validate, they must contact GCFA to assist with removing those charges from the award. Any other change to the original charge which is not the result of an ISP error should be done by the end user as a cost transfer. If the change will be permanent, end users should contact the ISP with updated charging instructions.

If the end user is not satisfied with the ISP resolution after attempting in good faith to resolve the problem, the end user may contact the Business Service Center (BSC), the Medical School Financial Operations (FIN OPS) Office, or the Controller to seek assistance with the resolution.

### 3. PTAE0 Validations

ISP customers are expected to provide a valid and appropriate PTAE0 at the time of the initial order and timely updates to PTAE0s for recurring monthly billings. PTAE0 validations should be performed at the time of sale or point of order to give the customer time to provide a valid and appropriate PTAE0, if necessary, in order to meet the monthly billing requirement.

If an ISP cannot bill due to an invalid PTAE0, the ISP should contact the business office of the customer to obtain a valid and appropriate PTAE0. If the ISP consistently cannot obtain a valid and appropriate PTAE0 in a timely manner, it should contact General Accounting directly for assistance.

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### 4. Batch Names and Source System Identifiers

All ISPs must be registered with the ISP Standards Committee. The registration process will result in the assignment of a six character source system identifier (SSI) which will be used in the batch naming convention for all batches submitted to the Journal Staging Area (JSA) application. General Accounting will assign the Source System Identifier and maintain ISP registration information in an ISP Oracle database. An example batch name for manual entries is "527016-ISP001-25-MAY-2006-0001". The Source System Identifier in this example is ISP001.

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### 5. ISP JSA category YInter DeptTrsf

Transactions using the ISP JSA category (YInter DeptTrsf) that charge sponsored agreements will not require completion of the cost transfer justification form as these transactions will be considered original and will not be subject to the cost transfer review process. Annually General Accounting will confirm revenue expenditures types that are valid for the ISP category (YInter DeptTrsf)

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### 6. Recording Premiums Charged or Discounts Given to Customers

Federal regulations allow for discounts to be given to customers as long as the discounts can be quantified. [Policy 1410: Internal Service Providers](#) requires that the discounts be recorded in a unique expenditure type. If giving a discount to a customer, the full amount of the revenue (the amount that would have been charged if no discount were given) must be recorded as a credit in the either the external income (477001) or internal service income account (510001). There will be two debits, one for the amount charged to the customer and one for the discount amount (the difference between the revenue and the amount charged). The discount will be recorded either in account 477051 or 510007, dependent on whether or not the customer is external or internal, respectively. Discounts to external customers should be rare.

Sample JSA to record income, when a discount is given:

PTAE0 of customer	Debit	\$90.00 (amount paid)
1013110.1.0061AM.477051 or 510007.731325	Debit	\$10.00 (discount)
1013110.1.0061AM.477001 or 510001.731325	Credit	\$100.00 (price list amount)

ISPs may consider charging a surcharge above the cost based calculated rate to internal non-sponsored customers to recover costs that are not recoverable under federal regulations. ISPs may also consider charging a premium to external customers to recover overhead costs that are automatically charged to internal sponsored agreement transactions when the Facilities & Administration rate is assessed, as well as federally defined non-recoverable costs (see [Procedure 1410 PR.02: Internal Service Providers: Rate Calculations for further information](#)). If a surcharge (for internal non-sponsored customers) or premium (for external customers) is added, it must also be recorded in a unique expenditure type. When charging a surcharge or premium, the full amount of the revenue (the amount that will be collected from the customer) must be recorded as a debit to the internal customers PTAE0 or to a cash or receivable account for an external customer. There will be two credits, one for the amount of the cost based charge and one for the surcharge or premium amount (the difference between the actual amount charged and the cost based charge). A surcharge will be recorded in account 510008; a premium in account 477050.

Sample JSA to record income, when a surcharge or premium is charged:

PTAE0 of non-sponsored internal customer

or Cash/Accounts Receivable account from external customer	Debit	\$100.00 (amount paid)
1013110.1.0061AM.477050 <u>or</u> 510008.731025	Credit	\$10.00 (premium or surcharge)
1013110.1.0061AM.477001 <u>or</u> 510001.731025	Credit	\$90.00 (price list)

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## 7. Expenditure Types for Recording Revenue

ISP revenue for goods and/or services must use the [ISP Revenue Expenditure Types](#). Only registered ISPs may use Revenue Expenditure Types 510001 - 510008.

Non Registered ISPs who must record internal revenue may use expenditure types, 510009 – 510011, These are not valid in the ISP JSA Category (YInterdeptTrsf). Any other appropriate JSA Category may be used.

Non-registered ISPs which move expenses to other organizations (i.e., Cost Allocation units) should credit an expense (an expenditure type beginning with 7, 8, or 9). Refer to [Policy 1410](#) for related definitions.

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## 8. Split Charging Instructions

ISPs must accept multiple charging instructions for a particular good and/or service that it provides. If the ISP's system is not currently able to accept multiple charging instructions, the ISP must bill the charges manually using the YInter DeptTrsf JSA category and their Source System Identifier so these transactions will be considered original and will not be subject to the cost transfer review process.

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## 9. External Billing

External users are non-University entities who are purchasers of ISP goods and/or services. External users include faculty, staff, or students who purchase goods and/or services in a personal capacity. Agencies and affiliated hospitals are also external users.

Billing to external users must be done at least monthly. The invoices to an external user may include an amount at least equal to the Facilities and Administrative (F&A) charges that would be paid by an internal customer, in addition to the usage charge. All external revenue must be recorded in an external income expenditure type (one beginning with a "4"). The internal sponsored rate, plus indirect costs must be charged to external entities known to be paying with federally sponsored funds.

If upon registration, the service provided to the external users of an ISP was determined to be a taxable service, unless the customer provides proof of tax-exempt status, sales tax must be added to the total invoice and reported on the Form 2805 FR.02. [Sales Tax Report Form](#)

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## B. Recording ISP Activity

### Revenue and Expenses

Rates of an ISP must be based on actual, allowable costs to provide the goods and/or service. See [Procedure 1410 PR.02: Internal Service Providers: Rate Calculations](#) for further information on rate calculations. ISPs are expected to break-even over time.

ISPs must accumulate all of their activity in a unique account. A unique account may either be a unique organization or a unique project. This account should include only expenses necessary to operate the ISP, including salaries, wages, fringe benefits, supplies, as well as the revenue generated from that good or service. If there are multiple goods and/or services whose rates are different, a unique account is required for each type of good or service. If it is not practical for an ISP to accumulate costs in separate accounts for each type of good or service, the ISP must meet with the ISP Standards Committee to determine an acceptable alternative.

Any surplus resulting from the inclusion of equipment depreciation expense in an ISP's rate where the ISP is not incurring related internal interest and amortization may be transferred to a capital reserve account in order to fund equipment purchases. Equipment purchases from such a capital reserve must still adhere to the University approval process. If this situation exists in your ISP, please contact GCFA at [isp@yale.edu](mailto:isp@yale.edu), for assistance with this transaction.

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## C. Record Retention

Records of ISP charges should adequately document the center's activities and support its revenue and expenditures. In general, supporting documentation should be maintained so that the rate setting and transaction process can be reviewed during an audit. Specifically for revenue, supporting documents should include at a minimum, the date of service, rate charged, service provided by unit of service, and proof of receipt by the customer of goods and/or service, where practical. These records should be retained in compliance with Policy [1105 Retention of University Financial Records](#). ISPs should note that sponsored awards may last 10 years or more, and therefore should contact GCFA before any records are discarded.

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## Related Information

[Policy 1410](#): Internal Service Providers

[Policy 1105](#): Retention of University Financial Records

[Procedure 1410 PR.01](#) Internal Service Providers: Registration and Annual Renewal

[Procedure 1410 PR.02](#) Internal Service Providers: Rate Calculations

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## Contacts

Contact	Contact Information
General Accounting and Grant and Contract Financial Administration	isp@yale.edu

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