Internal billing policy

Responsible Office: University Controllers Office **Date Revised:** June 5, 2026

Purpose

All University schools, colleges, campuses, units, and affiliate institutions that provide goods and/or services to other university departments must recharge/bill customers in a timely and compliant manner. This helps to ensure that university financial records are accurate, and that the university will be able to recover all reimbursable expenditures from sponsoring organizations where applicable.

Policy

- Internal billing transactions must be processed as soon as possible after the goods/services have been provided, ideally within the same month, but no later than 30 days after the goods/services were provided, unless Final Action Date of the award allows.
- If the billing/service unit does not bill within 30 days of the date the goods/services were provided (assuming a valid Worktag was provided by the customer), the billing/service unit may be responsible for the total amount due.
- At fiscal year end, all bills must be posted or accrued by June 30th at midnight PST. This does not give the same 30 day time window as other periods.*
- To ensure timely billing, the customer and billing unit will agree on the appropriate Worktags prior to start of service or sale of goods.
- Goods/services must be charged to an allowable source. Retaining unbilled goods/services on a recharge/service center is not allowed. Future billing rates cannot be adjusted to recuperate for unbilled services.*
- Billing discrepancies must be resolved within the allowable Action Date after delivery of goods or completion of service.
- If you post more than 100 Accounting Journals or Internal Service Deliveries (ISD) a month, SWIFT is the preferred method. For more information, click here

Unit Responsibilities

Billing Unit/Unit Providing Goods/Services:

- Ensures that staff processing internal billings receive training on the correct document to use for the goods/services they are providing.

- Establishes sufficient internal controls to ensure that charges are accurate and supported by appropriate documentation.
- Ensures that supporting documentation provides sufficient appropriate audit evidence to validate that internal charges are posted in the correct period, for the correct amount, and using the appropriate Worktags. Examples of evidence that supports transactions:
  - Published rate schedules in effect during time of service*
  - Third party invoices, if applicable
  - Logs/schedules identifying service provided and the date of service
- Complies with all applicable policies and procedures related to internal billings, including recording internal billing debits and credits in the appropriate Worktags.
- Ensures that processes are in place to support timely recharging/billing of the goods/services provided.
  - Ex. Personnel responsible for billing/approving ISP's are established, timelines are set and people are properly trained within each unit.
- Ensures that staff processing internal billing transactions 1) understand University guidelines on correct billing procedures and 2) understand the necessity to bill other departments/units in a timely manner. This is done by creating documentation for procedures and policies as they relate to the unit.
- Immediately requests a valid Worktag from the internal customer when a Worktag is rejected by the financial system.
- Ensures proper segregation of duties between preparation and review/approval of internal billing transactions.
- Ensures that those responsible for review/approval of internal billing transactions have first-hand knowledge of the transaction being approved, or by review of supporting documentation have adequate understanding of the transaction to verify the validity and appropriateness of the transactions.
- Ensures that source documents and/or supporting documentation show evidence of review and approval (which can be physical or electronic) and identify the date of service separately from the date the source document was prepared.

Customer:

- Provides a valid Worktag to charge for goods/services prior to any good/service commencing. Internal billing charges to sponsored awards must always be allocable to the charged award.
- Maintains documentation regarding the allocability and allowability of charges to sponsored awards as well as for any other Worktags provided to billing unit. Also maintains documentation on who requested and approved services.
- Immediately provides a valid Worktag to the Billing Unit when a Worktag is rejected by the financial system.

Financial Accounting:

- Provides guidance on appropriate Worktags.
- Conducts periodic, ongoing review of large and/or unusual transactions

Management Accounting & Analysis (MAA):

- Provides guidance on service and recharge center rate setting. Reviews service and recharge rates consistent with the Service Center and Recharge Center Guidelines

Chancellors, Deans, Vice Provosts and Vice Presidents

- Ensures that service units in their school, college or administrative unit are aware of and abide by this policy

Applicability

All University schools, colleges, campuses, units, and affiliate institutions must comply with this policy. Exceptions to this policy should be rare and unusual. Requests for exceptions to this policy should be directed at the University Controller's Office (UCO). It is important to note that if a grant/contract Worktag is involved and closing, late billing may be rejected even if an exception has been granted. In these cases, the unit being billed and the unit providing the billing will need to negotiate settlement. If an agreement cannot be reached, UCO will act as an arbitrator, and their decision will be final.

This process does not apply to Internal Cost Transfers.

Who to Contact

The following departments can be contacted about the policy:

- Grant and Contract Accounting: Sponsored award allocability and allowability
    - GCA Contacts

        - UW Connect form?

- MAA: Appropriate use of internal billing transactions by recharge or service centers
    - MAA Contacts
        - Internal Service Provider (ISP) Setup/Maintain - UW Connect Finance Portal
        - Service and Recharge Approval Form - UW Connect Finance Portal
- University Controller's Office:
    - Distinctions, limitations and uses of ISD
    - Worktags

Definitions

Allocable: A concept within federal regulations for sponsored programs administration. An allocable cost is one where the goods or services relate specifically to the project being charged.

Allowable: A concept within federal regulations for sponsored programs administration. An allowable cost is permitted within the context of general federal regulations, the terms of a specific Award, and/or the institution's indirect cost rate. Costs which are not allowed must be excluded from any billing to a sponsored project.

Appropriate evidence: Measure of the ***quality*** (reliability and relevance) of documentation supporting the assertion that internally billed charges are valid and accurate.

Billing service unit: The unit or entity on campus that bills UW departments for goods/services provided by a service unit. This may be the same as the service unit, or this unit may assist the service unit in billing for goods/services to other UW Worktag.

Customer (billed unit): The department receiving goods/services from a service unit.

Internal billing: Billing between two or more sets of Worktags for goods/services provided by one department for/to another department at the UW.

Internal Sales Document (ISD): The internal sales document (ISD) is used exclusively for recording sales of services or supplies by service centers and auxiliary enterprises to other UW entities. The only Worktag that can issue charges using an ISD are those within the auxiliary enterprise and service funds that have been authorized.

Service Unit*: An entity within a university department or center that charges for goods/services that directly support the research, academic or service mission of the University and recovers costs through charges to internal and external users.

Sufficient evidence: Measure of the ***quantity*** of documentation supporting the assertion that internally billed charges are valid and accurate. Quantity of supporting documentation does not compensate for poor quality support. Departments are responsible for ensuring documentation is of good quality and can suffice for audit purposes. Better quality documentation, such as invoices from third parties, published rates, and signed agreements, requires less quantity.

FAQ:

How do I know if I should set up an ISP? What if I only do internal billing once a year, do I still need to set up an ISP?
Yes, you must set up an ISP when doing any type of internal billing regardless of amount or frequency. If you are charging federal awards for mission related services, it is mandatory to work with MAA to confirm your rate is at cost for your service or goods.*

What about Cost Transfers?

Cost Transfers do not apply to the internal sale of goods or services. Any goods or services that are being internally charged must follow the Internal Billing Policy.

I am performing a cost transfer between service and recharge centers. What is the process I should follow?

Please use the guidance from this link: University of Washington

*If a recharge center, please refer to the Service and Recharge Center Guidelines.