



Policy Type: Administrative

Category: Fiscal and Budget **Sub-Category:** General Accounting and Reporting

Policy Name: Interdepartmental Billing and Billing Adjustments

Policy Owner: Controller-Treasurer Department

Policy Purpose

The purpose of this policy is to provide County Agencies and Departments with guidelines for interdepartmental billing and billing adjustments for services provided by County Agencies and Departments to other County Agencies and Departments.

Policy Summary

Interdepartmental billing must be recorded in the County's accounting system to ensure all interdepartmental billing and billing adjustments are recorded in a timely manner and are correctly reflected for financial reporting purposes.

It is the responsibility of the:

- County Agency or Department providing the services (to be referred to as the billing department, also known as "seller") to prepare and forward journal entries to the receiving department. The seller must obtain the approval of the buyer before initiating charges in excess of the budgeted amount.



- County Agency or Department receiving the services (to be referred to as the receiving department, also known as "buyer") to review, approve, and post the journal entries. The buyer must ensure it has enough budgeted funding elsewhere prior to requesting services not incorporated into the budgeted level.

Both the billing department and receiving department must mutually agree upon the level of services to be provided, and the payment to be made in exchange for the services. The nature of this agreement varies among the many selling and buying departments. However, in accordance with section 5.4.5.1(A) of [Board Policy 5.4](#) such an agreement between departments is not a formal legally enforceable contract because the County is a single legal entity. Such agreements serve as documentation of mutually understood expectations of the agreeing departments. The Controller-Treasurer Department does not determine the formality of the agreement, the service level, or the payment level; however, it does recommend that the terms be documented in writing and accessible to resolve any subsequent disputes. It also strongly recommends that a formal Memorandum of Understanding (MOU) be in place between the buyer and seller from which disputes can be resolved. While the agreement must be mutual, the selling department has the responsibility to initiate/revise the agreement at least annually.

Both the billing department and receiving department must review and scrutinize all interdepartmental billings and billing adjustments to ensure the charges are appropriate and authorized as reflected in the County's accounting system.

The Controller-Treasurer Department General Accounting Unit (Reporting Section) provides a deadline to post billings to County Agencies and Departments. This deadline is provided annually during the [Year-End](#)



[Training](#) and by year-end memorandum to County Agencies and Departments.

Operational Internal Service Funds are excluded from this policy and are governed by the [Operational Internal Service Fund Policy](#).

Procedures

- 1) The **billing department** must prepare a journal entry in the County's accounting system as soon as the billing information is available, but no later than the subsequent quarter. The **billing department** will then notify the **receiving department**
 - 1a) For billing adjustments, the **billing and receiving departments** must coordinate and the **billing department** must notify the receiving department prior to preparing the journal entry. Written communication for billing adjustments should be attached to the journal entry in the County's accounting system for future reference in the event of an audit.
- 2) The **billing department** must forward the journal entry document number to the receiving department for approval and posting of the journal entry.
- 3) The **receiving department** must review, approve (or reject if not within agreed upon terms of service), and post the journal entry.

Definitions

For the purposes of this policy, the following definitions apply:



- 1) **“Interdepartmental Billing”** means the process whereby the costs of providing a particular service or benefit are accumulated and charged to the receiving department, fund, or entity.
- 2) **“Billing Adjustments”** means corrections or adjustments on charges previously billed to departments.
- 3) **“County’s accounting system”** means the SAP System or other similar system currently used by the County as its primary accounting and finance system.
- 4) **“Operational Internal Service Fund”** means a fund that is used to report County activities that provide goods and services to other County funds, operating departments, or agencies of the County, or to other governments, on a cost reimbursement basis. Operational ISFs should be used only if the County is the predominant participant in the activity.

Frequently Asked Questions

None

Related Policies

- Operational Internal Service Fund Policy - <https://saecommon.sccgov.org/countypolicy/Operational-Internal-Service-Fund-Policy.pdf>

Related Forms and Information



County of Santa Clara

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- Fiscal Year End Training Materials (updated annually)
<https://sccconnect.sharepoint.com/sites/controller/SitePages/Fiscal-Year-End-Training-Information.pdf>

History

Date	Changes Made
10/22/19	Policy Published. (Kyle Larson)
10/22/19	Policy Adopted.