



# Services Billing Policy

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## **1. Introduction**

### **1.1. General**

Each Research Center and College has many labs that can provide specialized technical **Services** to internal and external customers. Internal customers include different departments in QU, faculty members and students. External customers include the industry inside and outside Qatar and other universities. The services may range from routine to highly specialized technical services.

Since providing service activities can result in charges, directly or indirectly, to internally or externally funded grants and contracts, the charging must comply with policies and guidelines of both Qatar University and the funding institutions and agencies.

The following policy details the guidelines regulating service billing by different departments and centers at Qatar University. The different billing departments can be part of a college and/or a research center. The guidelines are formulated based on internal and external factors related to providing services by different departments.

### **1.2. Objectives of the Policy:**

The objectives of this policy are to provide guidance and procedures covering the financial administration of services provided by different departments and/or centers in order to achieve the following goals:

1. **Establish consistent business practices** in the treatment of revenues, costs, pricing, and reporting
2. **Comply with requirements of QU, sponsored agreements and signed contracts/agreements**
3. **Comply with standards and regulations** of QU and general accounting standards
4. **Partially recover the operating costs of each department and/or center**

1.3. **Liability** of different QU departments and centers for services conducted will follow the general Liability conditions set for all activities and work performed by each department and/or center.

## **2. Administration:**

### **2.1 Post Establishment or Currently Existing Services:**

Each department will provide the Finance Representative in his area with the list of services that will be provided and resources required to conduct each service. The Finance Representative will prepare the billing rates based on costing and agreed overhead and margin rates, and submit the proposal for the subsequent year's billing rates to the VP office. The VP office will request the finance department to review the billing rates assumptions and costing method, after finance department review the proposal is forwarded to the CFO & VP for Administration. The billing rates should be reviewed and submitted annually.

The detailed process to approve billing rate is highlighted in the appendix.

## **2.2. Establishment of new Services**

To establish a new service structure, the following information must be provided by the technical team in each department or center:

1. A description of the services to be provided and a listing of the potential users/customers
2. A rationale for providing the services internally as opposed to utilizing an external source
3. A projection of annual costs and revenues
4. Billing rate calculation assumptions and their comparison with the rates of external providers (whenever applicable)

Services assumptions must be approved by the Center Director and/or the Department Head, the Finance Manager or Representative and the VP. The final approving authority for services billing rates will be the Finance Director and the CFO & VP for Administration. These approvals are necessary to ensure compliance with QU Standards' and Policies' requirements for consistency between the methods used and the recording of costs within the accounting system.

## **2.3 Sustainability**

At the end of each fiscal year, The Finance Representative will report revenues to centers directors and/or Heads of Departments and highlight deficits or surpluses that require a corrective action plan. Deficit/Surplus will be measured versus the strategic objectives set for each center or department.

Corrective action plans will include the anticipated time frame to resolve the deficit, or surplus, potential funding support (for deficits), and any revisions to the billing rates calculation. Time frames will include a plan to be executed and this plan must be incorporated in the strategic plans of each center and/or department.

Possible corrective actions include:

### **2.3.1 Regarding Deficits**

- Increasing the billing rate: Billing rates may be increased to a level that will recover the deficit over the period of the anticipated time frame from a customer base consistent with the activity that generated the deficit
- Reductions in operating cost: Operating costs (supplies, personnel, etc.) may be reduced to a level that will resolve the deficit of the period of the anticipated time frame and/or to reflect the current customer base demands for services
- Ending the activity and closing the account: The service may be ended if deficit continues versus strategic objectives and if the service is not strategically required

### **2.3.2. In case of Surplus**

- Decrease billing rate: Billing rates of some services may be decreased if surplus is expected to continue and with higher capacity utilization of resources
- Surplus use for equipment's upgrades: If the equipment used by the service unit requires upgrades, then surplus may be used to fund equipment's upgrades

## **2.4. Transfer of Funds Out of Service Sections**

Transfer funds out of a service revenue account for non-related expenses require the VP & the CFO and VP for Administration approval.

## **2.5. Record Keeping and Retention**

Separate records and accounts will be maintained to document the actual direct operating costs of providing the service, revenues, units of services provided, billings and collection.

**2.5.1. Service Section Revenues**

Revenues of each service section are recorded on Oracle. Backups & supporting documents for each revenue claim is kept by the revenues section in the Finance Department.

(note, supporting documents must be provided as per the agreed process with the revenues section).

**2.5.2. Usage Logs**

Activities that make specific charges for the use of equipment (hour's time's rate) will utilize usage logs to verify use for future audits

**2.5.3. Record Retention period**

Records will be retained as per Finance Department policies. Retaining records that support grants and sponsored projects for the length of the project plus the required audit period following the end of the sponsored agreement.

**2.6. Responsibilities:**

**The Director or Department Head responsibilities include:**

- The efficient operation of all services within their organizational structure
- Preparing Recommendation for establishing the services structure
- Setting the Center/Department strategic objectives and long-term plans for the services conducted
- Ensuring Compliance to policies and procedures
- Reviewing and challenging all direct costs related assumptions
- Providing the finance representatives for all requests for services received from internal and external users

**College/Center Finance Representative is responsible for:**

- Reviewing & finalizing billing rates with each center/department
- Ensuring compliance to billing rates
- Preparing accurate documents to claim the revenues for each request for service received from the centers and/or departments
- Administering the billing process for each center and/or department with the Revenues Section (billing & collection tracking, record keeping, follow-up)
- Ensuring that the billing rates are reviewed and adjusted annually (updating pricing templates)

**Finance Director is responsible for:**

- Approving service sections' proposals for billing rates
- Providing guidance to the departments concerning compliance with QU policies, and the used Accounting Practices
- Ensuring the accuracy of the billing process
- Maintaining and updating this policy and its procedures on a yearly basis
- Reporting failures of compliance to the CFO and VP for Administration & the concerned VP

The Vice President for Research and Office of Academic Research Director will negotiate the proposed billing rates with grants funding agencies if required, with the support of Finance Department.

### **3. The Application Process**

#### **3.1. Billing Rates**

Billing rates will be computed and documented annually. The Finance Department will review the services billing rates each year with each finance representative in centers and departments. The rates should logically represent the type of service provided and be reviewed on yearly basis. Adjustments will be made when necessary and documented.

#### **3.2. Multiple Services**

If a department or center provides different types of products and services to users, separate billing rates must be established for each service. Technical Managers must approximate cost assumptions, revenues, surpluses, and deficits for each service.

#### **3.3. Cost Allocations**

Direct Costs are allocated to each service as follows:

- Staffing & Depreciation costs are allocated to each service/test based on the average time the staff spends performing the service, the average time spent on the equipment, and the average time the staff spends doing the required analysis and report
- Materials Cost is allocated to each service/test based on the actual average consumption of materials used to perform the service or test
- The cost allocation is defined in the “price list package” developed for each center

Indirect costs are allocated as follows:

- The overhead cost rate is defined and updated by QU finance department
- The Center and/or department margin which is the center/department mark-up, is defined by the center director or department head based on the center/department strategic plans and the center/department pricing strategy. This rate will also depend on the market pricing for each service/test.

#### **3.4. Rate Equality**

##### **3.4.1. Documentation and record keeping**

Records must be retained for evidence of the application of uniform, consistent rate as set for each customer type served by each center or department. Records must be kept by the center/department and include all documents related to each service

##### **3.4.2. University Users**

QU users could be funded from University MOF accounts or from external grants funds. Users will be billed as per the approved billing rate procedure for each user and fund type

##### **3.4.3. External Users**

Centers & Colleges may provide services to non-university users. Specific billing rates are established for external users in the approved billing rate procedure

##### **3.4.4. Break Even Achievement**

The aggregate of the billing rates will be designed to partially recover the operating costs of each center or department plus related service activity overhead on an annual basis.

Breakeven will be reached long-term with higher capacity utilization of center or department resources.

### **3.5. Customers Billing**

#### **3.5.1. Bill only for services completed**

Services to be billed after the service has been rendered, unless otherwise is specifically agreed with the customer. Billing time to be agreed with the customer before the service is rendered.

#### **3.5.2. Timely Billings & Receivables**

Billing must be timely and adequately documented for billable services, it will be processed as per agreements and/or "requests for services forms" filled and completed. Billing procedure & receivables management will follow the revenue invoicing procedure agreed with the revenues section.

#### **3.5.3. Cash Receipts**

Cash receipts are not acceptable to be made to QU employees, all cash deposits and transfers must be made by the users/customers of services to specified QU bank account.

#### **3.5.4. Prepayments**

Prepayments are not allowed between Service Sections and other University departments and internal users but are allowable for external users who may need to prepay.

#### **3.5.5. Equipment Depreciation**

Depreciation cost is based on the acquisition cost of the equipment. Equipment will be depreciated over the number of years specified by QU Finance Department.

### **3.6 General Procedures**

Proposed procedures to administer and bill services rendered by each center and department is included in the appendix, procedures will be revised on annual basis and included in the financial procedures in each center and/or department.

#### **Procedures Maintenance and Updates**

- The procedures should be reviewed annually for updates.
- Revisions and updates to the procedures will include changes that may arise in response to the changing needs and requirements of the university.
- All revisions and updates must be approved by the Finance Director and the CFO & VP for administration, the changes must be amended to this policy to ensure all changes are properly documented and authorized.
- Upon updating the procedures, the following changes should take place:
  - The revision date and the version number should be updated
  - The file name should be updated in accordance to the latest date and version number
  - The non-editable soft copy is maintained and the signed hard copy document will be held by the Finance Director

**Appendix**



## **Definitions**

### **Billing Rate**

The amount charged to a company and users for a unit of service or product.

### **Billing Unit**

This is the unit of service provided by any center or department. Examples of billing units include number of samples tested, hours of service, animal care days or no. of animals, # tests performed, machine time used, etc.

### **Applicable Credits/Discounts**

Transactions that offset or reduce billing rates, such as quantity discounts, rebates, allowances, refunds, or other. For purposes of charging services costs to grants programs, applicable credits also include deducting any overheads and margins.

### **Deficit**

Where the costs of providing a service exceeds the revenue generated by the service during a fiscal year

### **Depreciation**

The systematic allocation of the cost of a capital asset over the period specified by the finance department

### **Direct Operating Costs**

These include all costs that can be specifically identified with a service provided by any department or center. These costs include the salaries, wages, and fringe benefits of university faculty and staff; materials and supplies; purchased services; equipment rental or depreciation that are directly related in providing the service

### **Surplus or Operating Surplus**

This is the amount where the revenue generated by a service exceeds the costs of providing the service during a fiscal year

### **Indirect Cost**

Facilities and Administrative Costs, are called "indirect costs", are the costs of administrative and supporting functions of the University. University indirect costs consist of administration and general expenses, such as executive management, finance and IT; operations and maintenance expenses, such as utilities, building maintenance and custodial services; building depreciation; libraries and administrative and supporting services provided by academic departments.

## **Services Billing General Procedures:**

### **Billing Rates Development**

The billing rates of each service will be defined as the price per billing unit and will use the standard costing of conducting the service as a base. In a simple form, the basic billing rate equation is as follows:

**Billing Rate = Direct Cost (staffing cost + materials cost + equipment depreciation) + Indirect cost (university overhead rate) + Section margin +/- Adjustment based on market pricing**

Direct Costs are allocated to each service as follows:

- Staffing & Depreciation costs are allocated to each service/test based on average actual time the staff spends performing the service, the time spent on the equipment, and the time the staff spends doing the required analysis and report
- Materials Cost is allocated to each service/test based on the actual average consumption of materials used to perform the service/test
- The cost allocation is defined in the "pricing template" developed for each center or department
- Depreciation cost is based on the acquisition cost of the equipment; not replacement cost. Equipment will be depreciated over the number of years specified by the Finance Department.

Indirect costs are allocated as follows:

- The Overhead Cost rates is defined by QU finance department
- The service margin which is the center/department mark-up, is allocated based on the center or department strategic plans and the center/department pricing strategy . This rate will also depend on the market pricing for each service/test.

There are two different overhead cost rates provided by QU finance: 1) indirect cost rate for services using QU equipment and facilities and 2) the rate for services using staffing only, e.g. researchers' consultation services.

Adjustments will be made to the billing rates, by reducing or increasing it based on market pricing, to ensure a competitive rate is established for each service.

A billing rate will be defined for each service based on the above equation and applicable credits (discounts) will be applied as per detailed procedures of each center/department. The billing rates are developed using the "pricing templates" and will be calculated based on the detailed formulas set in the templates.

Each VP will review the billing rates and costing method related in his area and forward the proposal to the CFO & VP for Administration and to the Finance Director. The billing rates should be submitted annually prior to the start of each fiscal year.

### **Waiving Billing Rates:**

Billing rates will be waived for students, academic courses and internal grants required testing and analysis, and tests performed for non-sponsored or unfunded projects (pre-award stage)

### **Applicable Discounts:**

- The above billing rate is the basic rate applied to the industry and external users

- QU external Grant users will be receiving discount equivalent to the overhead rate used + the section margin. In other words, the billing rate for QU Grants users will be equivalent to the direct operating cost only
- For internal QU users, service fees will be waived if the user does not have external funds
- Internal Users can also be a college or center, in this case the college or center will be billed same as above depending on the type of project the service is requested for. If the project is externally funded by industry or any other external non-grant funds, the college or center will be billed at the industrial rate. Applicable discounts will be applied as per the above guidelines
- Credits approved in signed agreements/memorandums and/or credits provided to consortium members will apply to the billing rates
- Other applicable credits (discounts) can be provided to the following users: other universities, government institutions and partners. In this case, the discount must be approved by the dean or center director and the VP.

### **Unallowable Costs**

- Costs that cannot be charged directly or indirectly to grants & sponsored programs.
- These costs are specified in grants policies and procedures. Common examples of unallowable costs include, but are not limited to, bad debts, charitable contributions, entertainment, fines and penalties, goods and services for personal use, interest (except interest related to the purchase or construction of buildings and equipment), and contingency reserves.

### **Billing Rates Approval**

Following is the process to **approve billing rates**:

- The Finance Representative in each center/department will prepare the billing rates proposal with the technical managers, reviews it with each dean/director and submit the final proposal by service to the concerned VP Office.
- The VP reviews the proposal and forwards it to the Finance Director to be reviewed by the Finance Department.
- The Finance Director will review the proposal for accuracy, completeness, and compliance with this policy and applicable regulations.
- The Finance Director will communicate their approval or rejection of the submitted proposal
- If the proposal is rejected, the Finance Director will provide a written explanation(s) as to why the proposal is being rejected and make recommendations to the VP as to what must be done to gain approval.
- The submitting department will incorporate the recommendations with the Finance Representative and resubmit the proposal for review.
- The Finance Department will be provided with copies of all approvals or rejections. No revisions to currently applicable billing rate will be authorized until all approvals have been received by the Finance Department.
- The Finance Department will notify General Accounting Office, Information Systems, and the other necessary parties for any changes necessary in the accounting system resulting from adoption of any new billing rates.
- The Finance Representatives and Deans/Directors will assume the lead responsibility for negotiating billing rates with the industry whenever required.

- The Finance Department and Office of Academic Research Office will assume the lead responsibility for negotiating billing rates with the funding agencies whenever required.
- The Finance Department will notify the VP of any department failure to comply with this policy.
- The relevant VP office will notify the non-complying department that it has to bring its operations into compliance and that failure to do so will result in that department losing its privilege to bill users for their products or services.
- This will not relieve that department from being required to continue providing the services to the benefiting cost centers. However, the department will have to “cover” all cost of the center from the department’s operating budget and these costs will not be billable to sponsored programs as either direct or indirect costs.

### **Billing Procedure**

- All conducted services should be based on a Purchase Order or a complete “Service Request Form” filled by the user requesting the service. The service billing administrator provides the user with an estimate of the billable amount. Upon amount approval by the user, the services requested are provided and the user must confirm service receipt upon completion of service.
- After service successful completion and user confirmation on the billable amount and receipt of service, documents are filed in the service log for all services with waived billing rates.
- For billable services, documents are sent to the service billing administrator to prepare a “**request to invoice**” for external and grants users. Forms are sent to the finance department to be processed.
- The **revenues invoicing and collection** cycle continues as per the revenues management process agreed with the revenues section.

