



County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
STANDARD PRACTICE MANUAL

		SUBJECT: INTERDEPARTMENTAL BILLING OR CHARGES
SECTION:	7	CATEGORY: GENERAL LEDGER POLICIES
POLICY NUMBER:	705	
REVISED DATE:	12/1/2024	APPROVED BY: <i>Ber J. Brait</i>

PURPOSE: To provide uniform instructions for interdepartmental billing or charges.

SCOPE: Applies to all County departments, agencies, special districts, and authorities that are governed by the Riverside County Board of Supervisors, and/or which maintain funds in the County Treasury.

POLICY: The Auditor-Controller's Office (ACO) requires the approval of the billing department only for interdepartmental charges. Billing entities must submit the supporting documentation to each billed entity per billing journal entry.

PROCEDURE: The billing department will follow the policy and procedures for journal entry processing.

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PURPOSE AND USE

Generally accepted accounting principles (GAAP) establishes two broad classes for interfund activity:

- 1. Reciprocal interfund
- 2. Nonreciprocal interfund

Reciprocal Interfund –

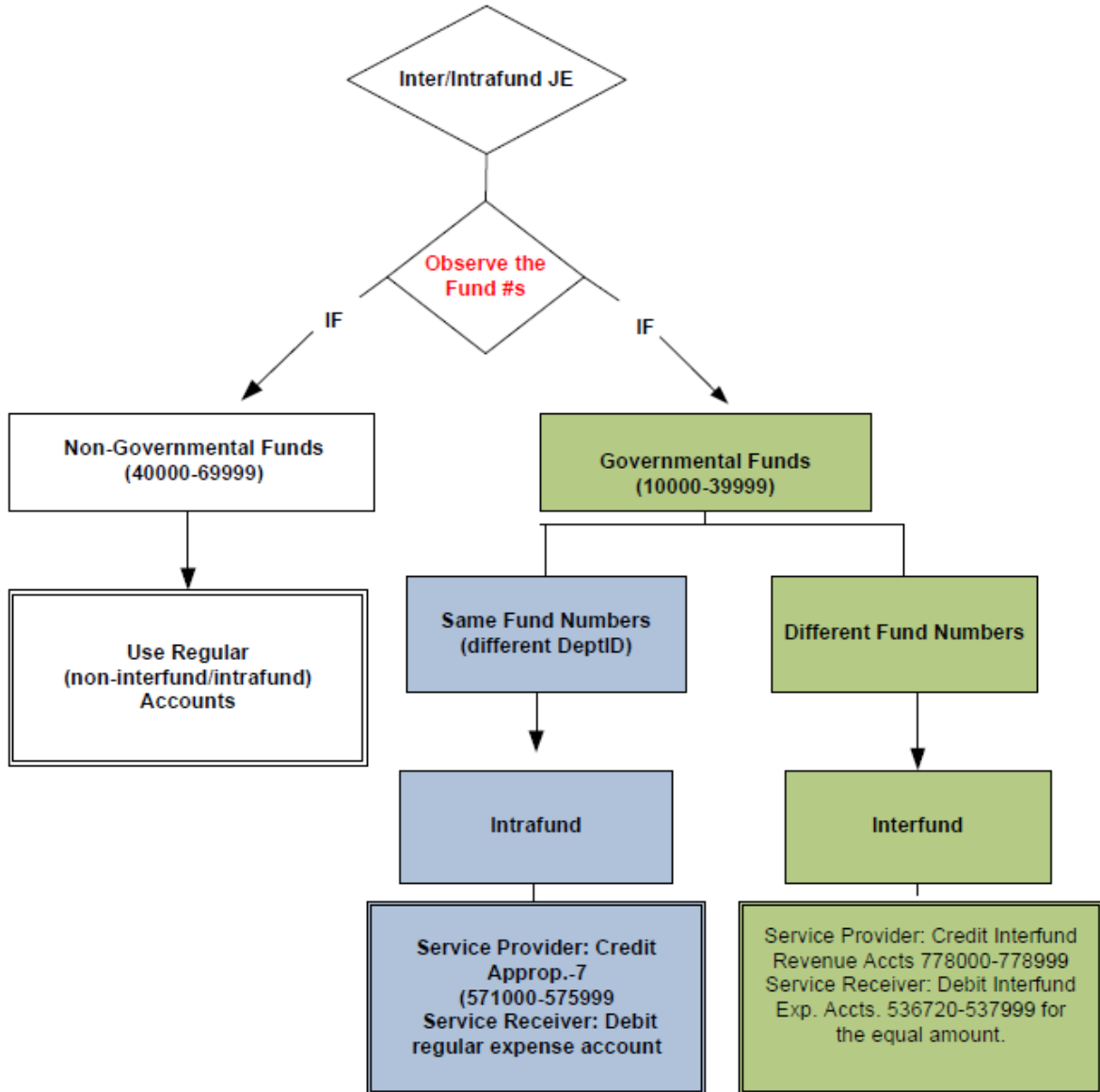
- 1. **Interfund Loans** - Loans between funds are properly reported as increases and decreases in assets and liabilities with no effect on activities in fund financial statements. The lender fund replaces Cash with Advance To Other Funds while the borrower fund reports an increase in Cash and Advance From Other Funds. It is common for governments to make interfund loans with little or no expectation of repayment. GAAP specifically requires that any portion of interfund loan that is not expected to be repaid within a reasonable time to be reclassified as a transfer in/out.
 - i. Use the asset account 132XXX series and liability account 2019XX series for recording interfund loans.
- 2. **Interfund services provided and used** – It is common for a fund to provide services to one or more funds, which are then charged for services received. Sometimes the amount charged is equal to the value of the services received. In other cases, the amount charged does not quite equal the value of the services received (similar to an exchange-like transaction).
 - i. The service provider for the goods or services should record an interfund revenue account 778000 – 778999
 - ii. The service receiver should record an interfund charges, expenditure account 536720 – 537999
- 3. **Intrafund transactions** – When services received and provided are within the same fund but different department IDs, they are called intrafund. Transactions are used to reimburse the service provider for the goods or services it has provided.
 - i. The service provider records a decrease (credit) in an intrafund expenditure account 571000 – 575999
 - ii. The service receiver records an increase (debit) in the appropriate regular expenditure account

Nonreciprocal interfund –

- 1. **Interfund Transfers** – GAAP defines interfund transfers as “flow of assets” (such as cash or goods) without equivalent flows of assets in return and without requirement for repayment.
 - i. The increase (credit) side of this transaction should be recorded as an operating transfer in account 790500 – 790605
 - ii. The decrease (debit) side of this transaction should be recorded as an operating transfer out account 551000 – 551205
- 2. **Interfund reimbursements** – This is when a fund pays for goods or services on behalf of another fund and then requires reimbursement. This does not include payment from one fund to another for normal services a fund provides to another fund (e.g. County Counsel providing legal services to Human Resources Department which is the Interfund services provided and used mentioned above in Reciprocal Interfund).
 - i. This should be treated as an adjustment to the normal expenses or expenditures; that is, an increase in expenditures in the reimbursing fund and a corresponding decrease in the expenditures in the reimbursement fund.

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Flow Chart for Recording Interfund/Intrafund Services Provided and Used



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DEPARTMENT’S RESPONSIBILITIES

1. Billing department will prepare the journal entry for interdepartmental charges in accordance with proper accounting for interfund or intrafund transactions between governmental fund types.
2. Billing department will prepare the journal entry for interdepartmental charges between governmental fund types. Proprietary or fiduciary fund types should use ordinary expenditure and revenue accounts.
3. The billing department will provide a copy of the journal entry with supportive documentation to each billed entity.
4. Billing department should send the journal entry with supportive documentation to ACO for final approval.

AUDITOR CONTROLLER’S OFFICE RESPONSIBILITIES

1. Review documentation for appropriateness.
2. Verify the fund type, ensure both interfund expenditure and revenue accounts are used in the same journal entry, and total debit amount must be equal to credit amount.
3. Electronically approve the journal entry for posting.

RECORD MANAGEMENT’S ROLE

All journal entries and attached supporting documentation must be maintained in accordance with the Auditor-Controller’s general records retention of 7 years.

SECURITY ROLES

Employee must be able to perform:

1. PeopleSoft and Simpler financial queries
2. Journal entries

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