



**WASHINGTON UNIVERSITY
INTERNAL SERVICE PROVIDERS
Policy and Procedures
Effective February 2026**

Responsible Office: Controller's Office

I. Scope

This policy applies to all Washington University (WashU) operating units providing goods and/or services on an ongoing basis for a fee, primarily to other WashU departments. Such units are considered Internal Service Providers ("ISPs") within the Workday environment and must comply with this policy. In some cases, products and services may also be offered to external (non-WashU) customers.

II. Purpose

As a provider of goods and services potentially funded by federal resources, WashU is responsible for ensuring that these goods and services are accurately billed based on usage and that ISPs recover only the actual costs incurred. This policy sets forth the principles guiding WashU's ISP activities, ensuring uniform and proper accounting practices, effective business operations across ISPs, consistent oversight of all ISPs, and adherence to relevant regulations, including applicable federal costing regulations.

III. DEFINITIONS

Cost Center Subtype: A classification in Workday that defines how an Internal Service Provider is governed, permitted to bill, and monitored, including its eligibility to charge sponsored awards and its applicable rate and compliance requirements.

External Customers: Non-WashU individuals and/or entities that purchase goods and/or services from ISPs. External Customers include faculty, staff, or students who purchase the goods and/or services in a personal capacity. For this purpose, internally funded projects and those funded by non-federal agencies, and services provided to clinical departments in support of patient care are not considered to be External Customers.

External Rate: The rate (price) an ISP offers to non-sponsored customers external to WashU for provision of a good or service. This rate may not be lower than the internal rate and can include a markup.

Fully-Costed Rate: The total allowable costs divided by the estimated volume of providing a good or service that results in revenues equal to allowable costs.



Internal Rate: The rate (price) an ISP offers to WashU internal customers or sponsored projects for provision of a good or service. When charging federal awards, ISPs must not charge a federal award a rate higher than the most favorable internal rate offered to any other WashU internal user for the same goods or services.

Internal Service Provider (“ISP”): Operating units that provide goods and/or services on an ongoing basis for a fee primarily to other WashU departments, in support of WashU’s academic and research mission. ISPs recover their costs through charging their users (internal and external).

ISP Steering Committee: Includes representatives from Cost Analysis Office, Customer Accounts, and Sponsored Projects Accounting (SPA).

Rate Schedule: The ISPs documentation of its annual Fully-Costed Rate for each good or service it provides.

Subsidy: Financial support provided by a department, school, or the university to offset the cost of goods or services charged by an ISP, resulting in a reduced Internal Rate to the user.

ISP Cost Centers must be assigned one of the following Cost Center Subtype designations in Workday, as determined by the ISP Steering Committee:

Auxiliary ISP (“Aux ISP”):

An ISP that charges users for goods and/or services as part of its routine business operations. Aux ISPs are managed as self-supporting units that exist to support students, faculty, staff, and the general public acting in a personal capacity. These operating units are often categorized under the default function FN00007: Auxiliary Enterprises in Workday. Examples include campus housing, food services, bookstores, parking, etc. Goods and/or services offered by Aux ISPs can be directly billed to sponsored awards, in accordance with the specific terms and conditions of the award.

Other/Generic ISP:

All remaining ISPs, primarily university-wide (i.e. central area) or department-managed that provide goods and/or services, on an ongoing basis, to internal customers; often facilities, space, or information technology related. These units are included in the university’s indirect cost rate for sponsored activity and, therefore, may not directly charge sponsored awards for the goods, services, and/or space provided.

Passthrough ISP (“PT ISP”):

An ISP that aggregates and distributes goods and/or services primarily sourced from external suppliers without charging internal users administrative or other overhead cost related to their provision. PT ISPs may also be operating units that provide clinical services charged at Current Procedural Terminology (CPT) rates, Medicare, or other Government approved rates. PT ISPs do not meet the standard necessary to become a Recharge Center



or SSF but may directly charge sponsored awards, in accordance with the terms and conditions of the agreement.

Program Income:

Program income ISPs are grantees earning gross income that was directly generated by the grant-supported activity or earned because of the award. Per [Uniform Guidance 2 CFR 200.80](#) and the NIH Grants Policy Statement, program income includes but is not limited to income resulting from the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Refer to the Program Income [Policy](#) for additional information.

Recharge Center (“RC”):

RCs are operating units that provide goods and services, often to organized research sponsored projects, and have total annual operating revenue (internal and external) of less than \$2 million. Goods and/or services provided by a RC may be directly charged to sponsored awards, in accordance with the terms and conditions of the award. RCs are categorized as such in that they do not meet the criteria of an SSF. For further information see: [Recharge Center Policy](#)

Specialized Service Facility (“SSF”):

SSFs are operating units that provide highly complex services primarily to other university departments and have total annual operating revenue (internal and external) of more than \$2 million. The federal Office of Management and Budget’s Uniform Guidance (UG) 2 CFR 200 (200.468) defines SSFs as “institutional services involving the use of highly complex or specialized facilities such as electronic computers, wind tunnels, and reactors....” Refer to the full SSF [Policy](#) for additional information.

IV. ISP STEERING COMMITTEE

The ISP Steering Committee, defined above, is responsible for the oversight of, and compliance with, this policy and associated regulations and documentation. The ISP Steering Committee meets quarterly, unless otherwise determined, and ad hoc, as needed. The ISP Steering Committee has final authority for ISP designation, approval, and ongoing oversight under this policy.

V. ESTABLISHING AN ISP

ISPs must be pre-approved by the ISP Steering Committee as a service provider and authorized to bill other WashU departments for goods and services prior to providing such goods and/or services for the first time. Refer to the [Establishing an ISP](#) process for additional information and to complete the required intake form.



The following requirements apply to approved ISPs:

1. ISPs are required to maintain separate and distinct accounts within Workday where revenue and expenses related to the activities of the ISP are recorded.
2. Program Income and Recharge Center ISPs are required to have a unique Cost Center and Business Unit in Workday. SSFs, due to their complexity, may have separate Cost Centers that are not associated directly with the ISP, but all Cost Centers must be assigned to the same Business Unit in Workday. All other ISPs do not require a unique Business Unit.
3. Every ISP must designate a default revenue category in Workday. Departments should consult their business office to determine the appropriate category.
4. ISPs may also designate project and/or non-carryforward worktags for use in Workday, however, this is not required.
5. Operational guidance related to Workday configuration for ISPs is available on Workday@WashU.

VI. RATES AND BILLING

1. All ISPs operate on the WashU fiscal year basis, with rates based on budgeted projections of operating expenses and projected levels of activity or products to be provided.
2. Internal Rates for SSFs and RCs cannot exceed the Fully-Costed Rate of providing the products or services. Rates cannot discriminate against federally supported activities of WashU or internal WashU customers and must be designed to only recover the actual costs of the products or services. The same rate must be applied to all internal users for the same goods or services under the same operating conditions, unless an approved subsidy is in place.
3. On an annual basis, SSFs and RCs must review their rates and adjust their Rate Schedule as needed. The development and submission of the Rate Schedule for monitoring by the Cost Analysis Office is detailed within the SSF and RC policies noted above.
4. ISPs may provide services to External Customers at higher, market-based rates. However, external rates must not be lower than internal rates for the same good/service
5. PT ISPs and Aux ISPs are not required to develop a Rate Schedule in accordance with this policy; however, PT ISPs must retain documentation of pass-through costs for audit purposes and respond timely to annual confirmations from the Cost Analysis Office.
6. Billings for internal customers must be created by using an Internal Services Delivery (ISD) invoice in Workday. A fully completed ISD will provide sufficient detail to support the activity billed. External customer invoices should be created using the Customer Invoice module in Workday.



7. Billings should be completed promptly after the goods/service is provided, monthly billing is recommended and, at a minimum, should occur no less than quarterly.
8. Advance billing for services or products is not allowed. ISPs can only bill for products delivered or services performed. Estimates cannot be used as the basis for billing.
9. Other/Generic ISPs may not directly charge sponsored awards, see Definitions above.

VII. ROLES AND RESPONSIBILITIES

ISP Managers/Department Administrators

Responsible for direct oversight of the ISP including its establishment, proper accounting and billing practices, administering the budget, rate development including annual Rate Schedule submission to the Cost Analysis Office (if required by this policy), and maintaining adequate records to support both internal and external audit requests.

Cost Analysis Office

Primarily responsible for review and approval of SSF, RC, Aux ISP, and PT ISP requests. All ISP requests will initially flow through the Cost Analysis Office before routing to SPA and/or Customer Accounts.

Responsible for the annual and ongoing compliance monitoring of SSF, RC, Aux ISPs and PT ISPs in accordance with this policy, the SSF Policy, the RC Policy, and in support of federal laws and regulations.

Sponsored Projects Accounting

Responsible for review and approval of Program Income ISP requests and ongoing monitoring of Program Income ISPs in accordance with this policy, the Program Income policy, and in support of federal laws and regulations.

Customer Accounts

Responsible for the creation and maintenance of ISPs in Workday.

VIII. COMPLIANCE AND RISK MANAGEMENT

To ensure consistent adherence to university policies and federal regulations, all ISPs must operate in compliance with the standards outlined in this document and related policies. The following principles govern ISP compliance:

1. **Monitoring and Audits:** ISPs are subject to periodic reviews by the Cost Analysis Office, SPA, Internal and External Auditors, and other university oversight bodies. Reviews may include evaluation of rate schedules, billing practices, documentation, and adherence to approved procedures.



2. **Documentation and Record Retention:** ISPs must maintain complete and accurate records of rate development (if applicable per policy), billing transactions, and other supporting documentation for a minimum of seven (7) years and/or in accordance with WashU's [Records Management Policy](#). Records must be readily accessible for audit or compliance review purposes.
3. **Non-Compliance Consequences:** Failure to comply with this policy may result in:
 - a. Temporary suspension of billing privileges.
 - b. Required refunds to internal customers or sponsored research awards.
 - c. Discontinuation of ISP operations.

Repeated or significant violations may be escalated to university leadership for further action.

4. **Corrective Action:** If non-compliance is identified, the ISP Manager must work with the Cost Analysis Office and/or SPA to develop and implement a corrective action plan. The ISP Steering Committee may require additional oversight or reporting until compliance is restored.
5. **Reporting and Escalation:** Concerns regarding ISP compliance may be reported to the Controller's Office or directly to the ISP Steering Committee. Anonymous reporting is available through the university's [hotline](#). Concerns should be reported promptly upon identification.

Note: This section should be read in conjunction with related policies, including the Recharge Center Policy, SSF Policy, Program Income Policy, and applicable federal guidelines such as Uniform Guidance (2 CFR 200).