

Guidelines for external billing by recharge units (various sponsor activity)

This document is meant as a guide for units with approved recharge rates or for units in the process of establishing recharge rates. If your unit does not already have a recharge established, contact Financial Analysis to determine if you need to establish a recharge.

Definitions:

1. What is a recharge unit?

A recharge unit is a unit that charges for goods or services provided to other internal university units, based on recharge rates that have been approved by Financial Analysis.

2. What is an external billing by a recharge unit?

A charge for goods or services provided to an entity outside of the university based on an internal rate approved by Financial Analysis plus the other sponsored activity indirect cost rate (currently at 29%). This requires contacting the Office of Research and Sponsored Projects (ORSP) for a various sponsor project grant.

3. What funds are used?

- Auxiliary Fund (52000)—Recharge activity related to internal customers
- Sponsored Fund (25000)—Various sponsor project grant issued through the ORSP when service is provided to an external sponsor
- Designated Fund (40000)—Surplus revenue related to external customers

The initiation of the process:

1. Recharge/service unit responsibilities

- Submit recharge rate requests to Financial Analysis (finance.umich.edu/analysis/recharge-rates/procedure)
- Contact Patrick Woods in ORSP via email at pajwoods@umich.edu when external services are requested to determine if a various sponsor project grant is required.
- Process a Proposal Approval Form (PAF) to ORSP through eResearch Proposal Management (eRPM) for the estimated annual revenue. PAFs must include a copy of the approved recharge rate.

2. Financial Analysis responsibilities

- Review and approve recharge rate request for compliance (finance.umich.edu/analysis/financial/recharge-rates/procedure)

3. Accounting Customer Services at the Shared Services Center (SSC) responsibilities

- Establish recharge and necessary chartfields
- Request supplier identification (i.e. supplier ID)
- Provide Service Unit Billing (SUB) training (ssc.umich.edu/)

4. ORSP responsibilities

- Prepare a Project Award Notice (PAN) or Project Award Change (PAC) as appropriate for the full amount of the PAF, fixed price budget equals revenue.
(Contact: Patrick Woods: <mailto:pajwoods@umich.edu>)

5. Sponsored Programs responsibilities

- Establish various sponsor project grant and short code (finance.umich.edu/programs/contact)

6. Tax Department Responsibilities

- Determine if external activity causes an unrelated business income tax (UBIT) liability (taxreporting@umich.edu)

Billing for External Services:

1. Recharge/service unit responsibilities

- Obtain written confirmation from external customer(s) requesting service and guaranteeing payment, prior to performing the service
 - Note: If external rates are published, published rates, at a minimum, must equal the amount on the rate approval letter from Financial Analysis plus indirect cost of 29 percent.
- Process service unit billings (SUB) at the recharge rate to charge expenses to the sponsored project grant. Indirect costs will automatically hit the sponsored project when the monthly allocation runs at month end.
- Submit customer information to SSC Accounts Receivable
 - *For customer upload information, visit: ssc.umich.edu/forms*
 - Click on the Various Sponsor Customer Upload Template.
 - Complete the form and email it to variousbilling@umich.edu.
 - Reference your various sponsor project grant number and the words **Various Sponsor Customer** in the subject line of your email.
- Bill customers monthly by submitting customer upload and billing information to Accounts Receivable at the SSC.
 - For billing upload templates, visit: ssc.umich.edu/forms
 - Click on the Various Sponsor Invoice Upload Template
 - Complete the form and send to variousbilling@umich.edu
 - Reference your various sponsor project grant number and the words **Various Sponsor Billing** in the subject line of your email
- a. If you receive or plan to receive cash or checks directly in your unit, you must work with the Treasurer's Office to establish a deposit location. Contact: treasury@umich.edu.

2. SSC Accounts Receivable responsibilities

- a. Receive invoice information from service units and send invoices to external customers
- b. Handle collections and book revenue to the various sponsor project grant
 - i. If you have any questions on collections please email: SpRes.coll@umich.edu. Please reference your various sponsor project grant number and specific customer number or invoice number, if available, in the subject line.
- c. ssc.umich.edu/services/financial
- d. ssc.umich.edu/forms

Accounting for external service (reconciling Various Sponsor P/G):

1. Recharge/service unit responsibilities

- Revenue greater than the recharge rate + 29% indirect cost is surplus
 - If this occurs, process journal entries to move the surplus in the sponsored project grant to the designated fund.
 - Note: It is recommended that this journal entry is processed at the time of invoice to clear the sponsored project grant each month.
- Review balances of various sponsor project grants annually and move balances to designated fund
- Work with the Tax Department to pay any unrelated business income tax annually

Maintaining the recharge:

1. Recharge/service unit responsibilities

- Review activity results at least annually (monthly recommended) and request rate revisions as required
- Submit rate renewals one week prior to expiration date on approval letter
- Accumulate all costs related to delivering the service on the auxiliary fund. This will include payroll and other costs as outlined on recharge documentation.
- Maintain records documenting the recharge activity, including revenue, expense, and unit volume.

2. Financial Analysis responsibilities

- Review recharge rates at a minimum of every two years
- Maintain and document rate procedures and guidelines
- Issue rate terminations when services have ended
- Initiate non-compliance procedures if necessary
(finance.umich.edu/analysis/financial/recharge-rates/procedure)

Frequently asked questions

My rate increased after I performed the service. Which rate do I charge my customer?

Charge the rate that was approved at the time of the service.

How do I know if I have to set up a various sponsor project grant?

Contact Patrick Woods of ORSP at pajwoods@umich.edu

How do I know if I have to pay taxes?

Contact the Tax Department at taxreporting@umich.edu

How much can I charge an external user before I have to pay taxes?

Contact the Tax Department at taxreporting@umich.edu

Do I have to charge the external customer indirect cost?

Yes, if you have been told by ORSP that you have to have a various sponsor project grant.

What is an external customer?

An entity outside the university, such as Ford or Pfizer. This does not include Sponsored Projects, other than various sponsor project grants.

Do I have to charge everyone the same?

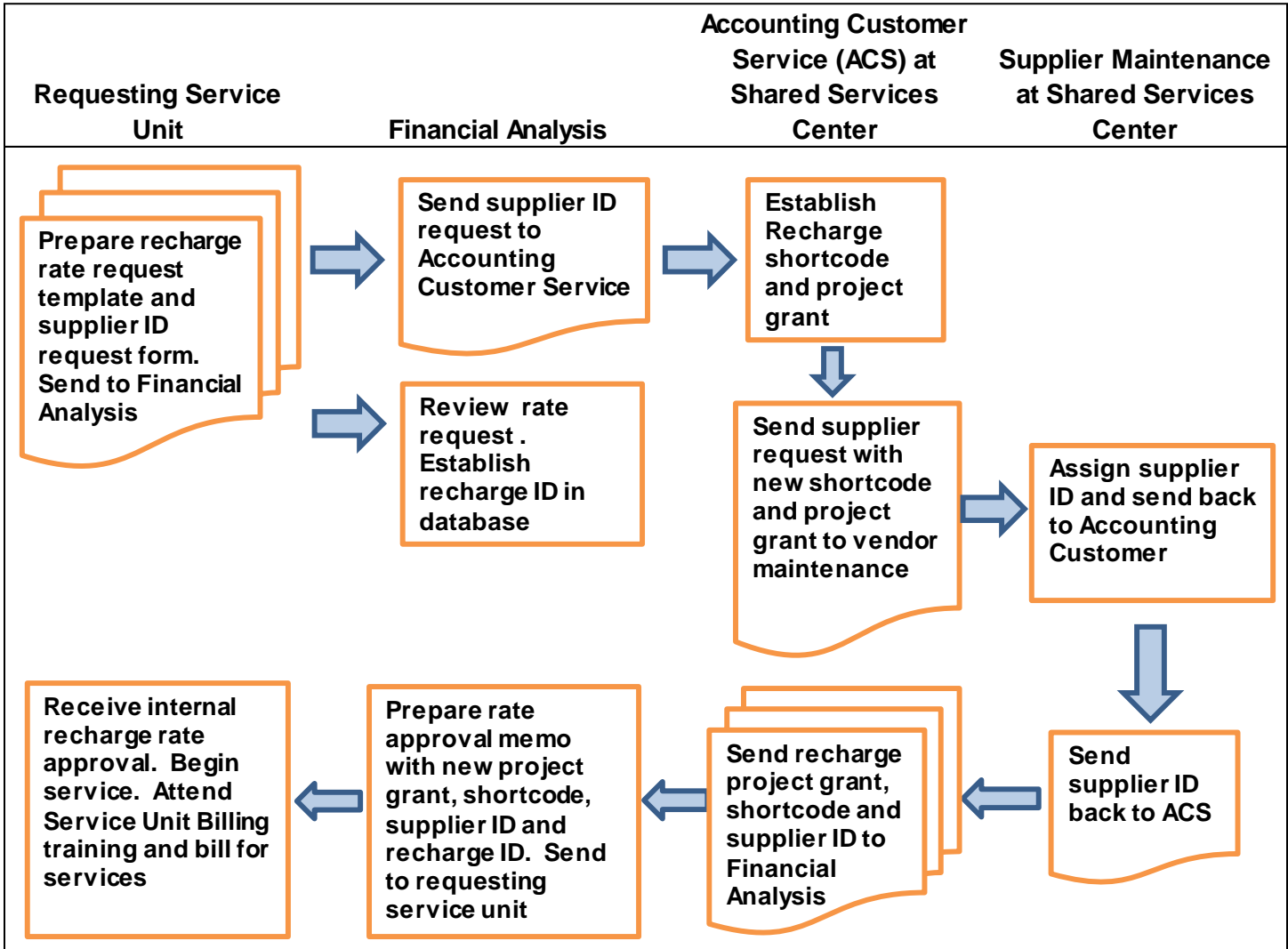
Internal customers must all be charged the same rates. External customers do not have to be charged the same rates.

How do I submit an invoice for an external customer?

Bill customers monthly by submitting customer upload and billing information to Accounts Receivable at the SSC. Visit the SSC website for the most updated information and forms: ssc.umich.edu/services/financial/accounts-receivable/billing/various-sponsor-billing

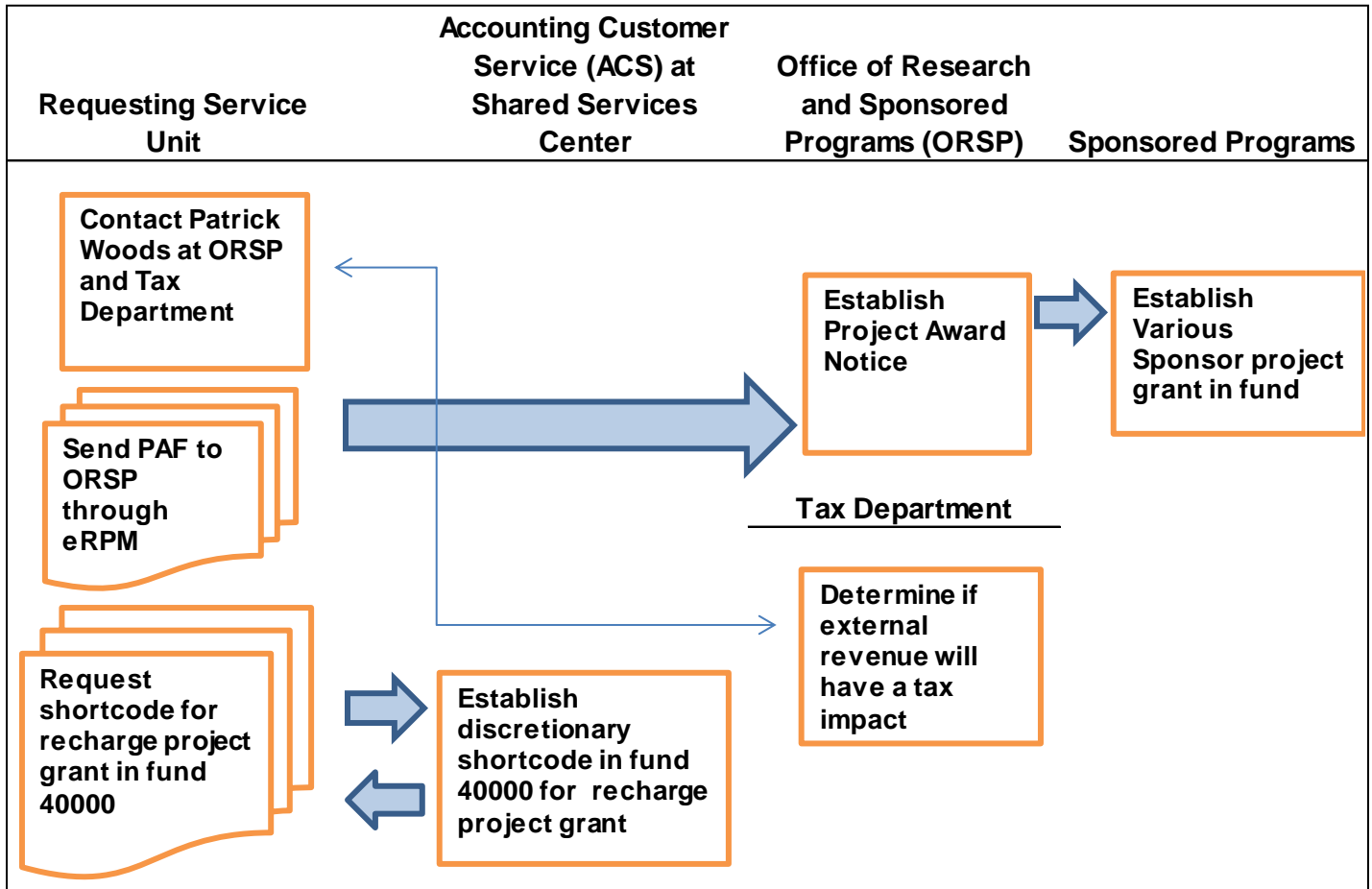
Flow Charts and Examples

Establishing an internal rate:



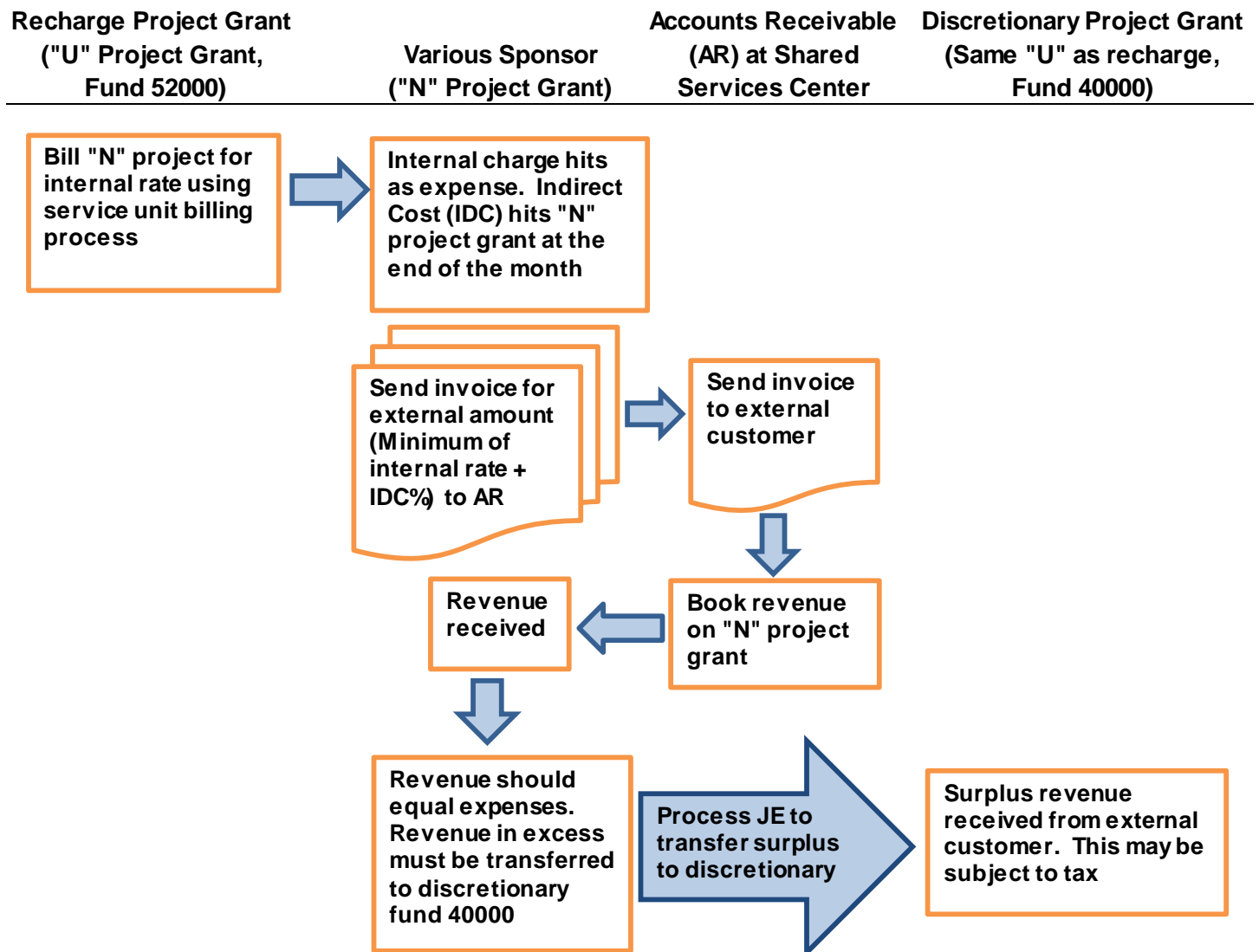
1. Contact Financial Analysis to establish internal recharge rate
 - a. Submit rate request template <http://www.finance.umich.edu/analysis/financial/recharge-rates/procedure>
 - b. New Supplier ID Request <http://www.finance.umich.edu/finops/accounting/forms/rechargerequest>
 - c. Establish recharge shortcode and/or project grant in fund 52000
 - d. Establish discretionary shortcode and/or project grant in fund 40000

Establishing an external rate:



2. Upon receipt of approved internal recharge rates contact Patrick Woods at ORSP
 - a. Submit PAF through eRPM
 - b. Submit copy of internal recharge rate approval memo
 - c. Establish various sponsor project grant in fund 25000
3. Contact Tax Department
 - a. Review service, cost, internal rate + indirect cost
 - b. Discuss rates charged in excess of internal rate + indirect cost
4. Set external rate
 - a. Must be at least internal rate + indirect cost
 - b. If external rate is higher than internal + indirect cost = surplus

Billing for an external service:



5. Process SUB to charge expense of internal rate to various sponsor project grant and to credit recharge revenue to recharge shortcode
6. Prepare invoice for various sponsor at external rate
7. Send invoice to SSC Accounts Receivable
8. Revenue will hit various sponsor project grant
9. Transfer any surplus from various sponsor to designated fund project grant
10. Prepare appropriate forms to pay unrelated business income tax to the Tax Department, if necessary – confirm with Tax Department.

**Example where external rate equals internal rate + indirect cost at 29%
(current Other Sponsored Activity Indirect Cost Rate)**

Recharge project grant: U023456, Fund 52000

Various Sponsor project grant: N032123, Fund 25000

Discretionary project grant: U023456, Fund 40000

Internal rate: \$100

External rate: \$129 (\$100 + 29%)

1. Process SUB to charge \$100 to N032123 (this credits U023456, fund 52000 \$100)
2. Prepare invoice for \$129 and send to Accounts Receivable

N032123 SOA - revenue: \$129, expense: \$100 and indirect cost: \$29, Balance = \$0 (No JE necessary)

Recharge 52000		Various Sponsor 25000	
Expense	Revenue	Expense	Revenue
	\$ 100.00	\$ 100.00	
		29.00	129.00

Example where external rate is greater than internal rate plus indirect cost at 29%

Recharge project grant: U023456, Fund 52000

Various Sponsor project grant: N032123, Fund 25000

Discretionary project grant: U023456, Fund 40000

Internal rate: \$100

External rate: \$150 (\$100 + 29% + \$21)

1. Process SUB to charge \$100 to N032123 (this credits U023456, fund 52000 \$100)
2. Prepare invoice for \$150 and send to Accounts Receivable

N032123 SOA - revenue: \$150, expense: \$100 and indirect cost: \$29, Balance = \$21

3. Process JE to transfer \$21 from N032123 to U023456, fund 40000
 - a. Debit N032123 \$21 and Credit U023456, fund 40000 (\$21)
4. Prepare tax forms and pay any necessary tax to tax department

Recharge 52000		Various Sponsor 25000		Discretionary 40000	
Expense	Revenue	Expense	Revenue	Expense	Revenue
	\$ 100.00	\$ 100.00			
		29.00	150.00		
			(21.00)		21.00