

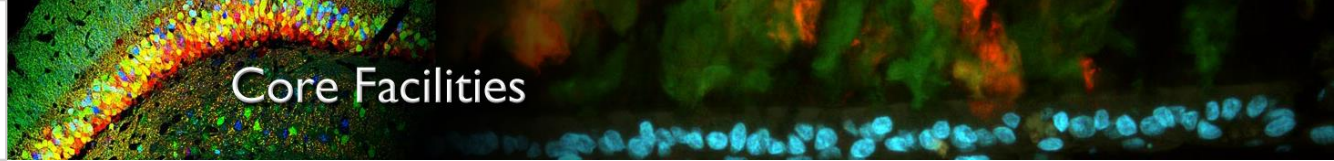
Introduction to Recharge

Working with External Clients

Prepared by:

Office of Research Technologies
School of Medicine

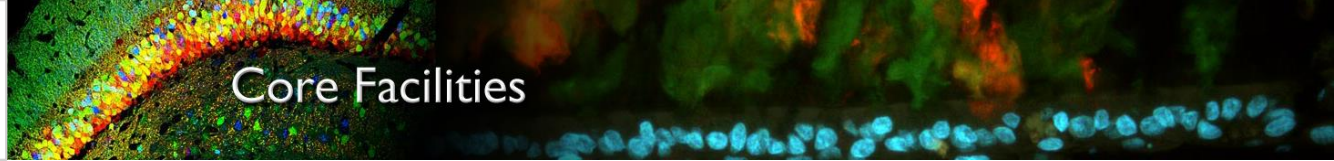
www.med.unc.edu/corefacilities



Working with External Clients

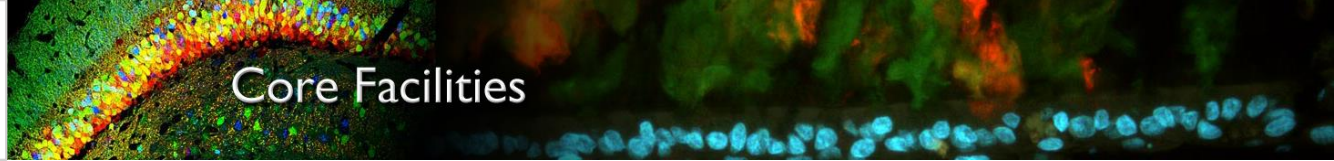
While Research Service Centers (RSC's) are established primarily to meet the needs of the University research community, there are circumstances when services may be provided to external entities who would benefit from services offered by the recharge center.

Assess the core's capacity to serve a new or expanded user base to ensure there is personnel time and instrumentation time available to handle the added business, and that it will not negatively impact usage by UNC users.



Working with External Clients

- ❖ *Definition*
- ❖ *Service Agreements*
- ❖ *Pricing for external users*
- ❖ *Billing*
- ❖ *External F&A funds*



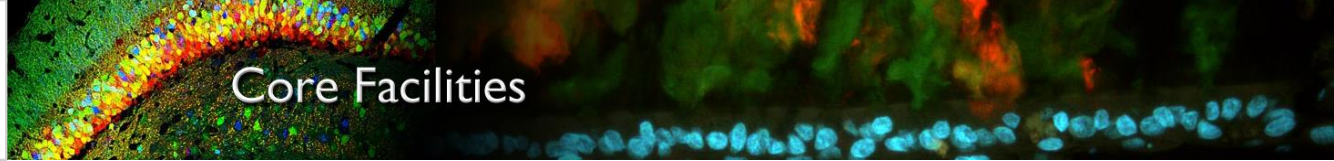
Working with External Clients

❖ *Definition*

Who is considered an external client?

External users are defined as any user that is governed or administered outside of UNC Chapel Hill. The external category includes UNC Hospitals, other constituent institutions (other UNC campuses), or non-profit or commercial enterprises.

As a general rule of thumb, if the client is paying with funds deposited at UNC, it can be considered an internal sale, since F&A would have been received when the funds came to UNC.



Working with External Clients

❖ *Service Agreements*

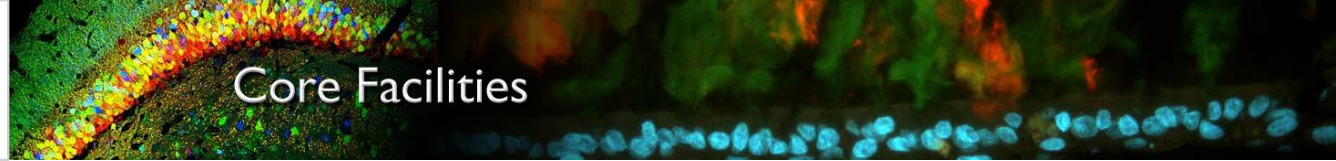
A service agreement should be in place before beginning any work with an external user.

Why Have a service agreement or contract? For your protection as a service provider, and clarification for both parties on the scope of work. The contract:

- Defines Who Will Be Doing What for Whom
- Sets Forth Exactly What Will Be Done
- Describes Deliverables to be Provided
- Documents Cost of Work Being Done
- Outlines How Payment Will Be Made

The Industry Contracting Group within OSR will work with you to create a fillable template service agreement for your core, which can then be used for any external entity, industry or academic/non-profit.

To set up a service agreement, please follow the instructions here:
<https://research.unc.edu/sponsored-programs/resources/research-core-development/request-an-agreement/>



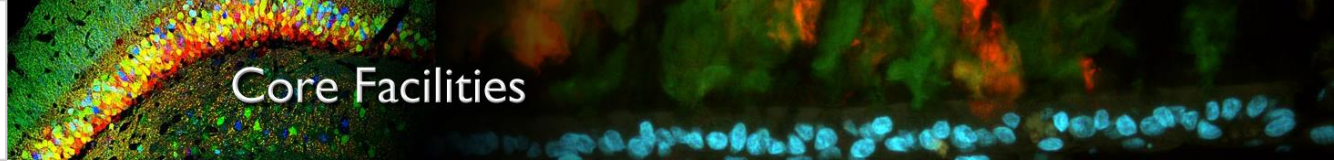
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❖ *Pricing for External Users*

The benefit of UNC subsidies does not extend to external users.

Many subsidies for UNC core facilities come from Center grants which are given to support UNC researchers.

Other sources of subsidies may be from department or institutional funds, also given to support UNC research.



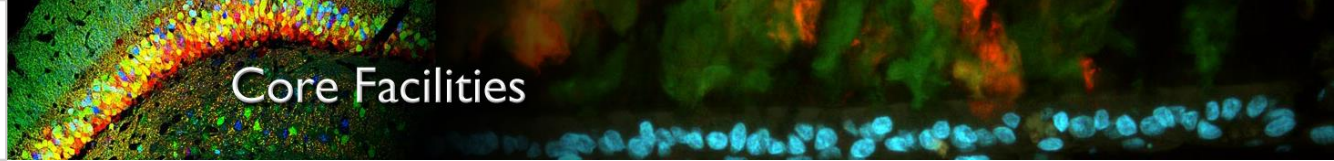
Working with External Clients

❖ *Pricing for External Users*

External users are charged the higher of the prevailing market rate or the internal break-even direct cost rate plus the applicable negotiated On-Campus Organized Research Indirect Cost rate (often referred to as the F&A or overhead rate).

It is not allowable to discriminate between users (all users charged the same rate).

When a UNC investigator pays for services from a recharge service center with federal grant funds, the F&A portion has already been collected by the University at the time of the grant award. To be compliant with the requirement that all users are charged the same rate, the F&A needs to be collected from external users on top of the UNC breakeven rate.



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❖ *Pricing for External Users*

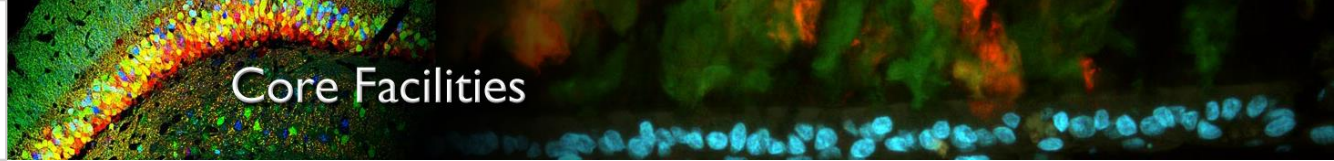
For charges to an external user, the price should be calculated starting from the internal UNC breakeven rate (the actual cost of the service rendered, without any subsidies applied). From there:

External Academic /Non-profit Organizations

- Add negotiated F&A rate, exclusive of internal subsidies

Industry and Commercial Entities

- Add negotiated F&A rate, exclusive of internal subsidies
- Add 'profit' to get to market rate



Working with External Clients

❖ *Billing*

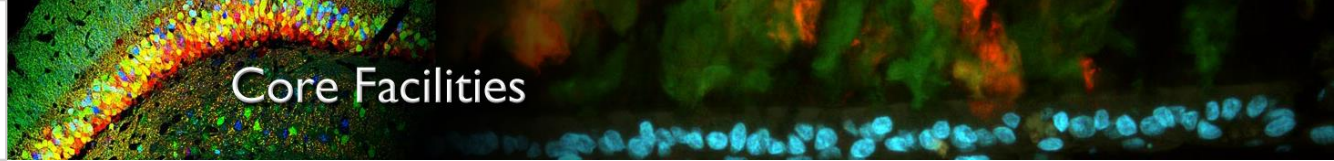
Billing Best Practices:

Send invoices monthly.

Include a due date of 30 days on invoice.

Credit external sales to account 441911 (Sales- Other Outside).

Request that incoming payments reference your chart field string – this will inform Accounting Services to credit the funds to your recharge account!



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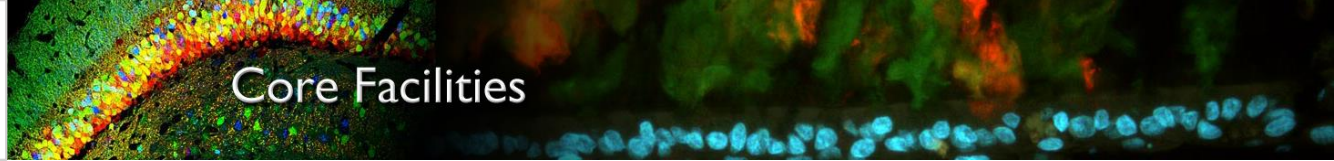
❖ *External F&A funds*

Recharge accounts are cost recovery systems designed to recover direct operating costs over a period of time.

Surplus or deficit is due to incorrect pricing. When the balance in the recharge account exceeds allowable limits (positive or negative), rates need to be adjusted to bring the account back to break-even operation.

The above-cost external revenue from F&A is exempt from this calculation since it is revenue above the breakeven rate.

However, you must have supporting documentation showing the amount of accumulated F&A so that it will carry over from year to year and not be considered surplus revenue from normal operations.



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❖ *External F&A funds*

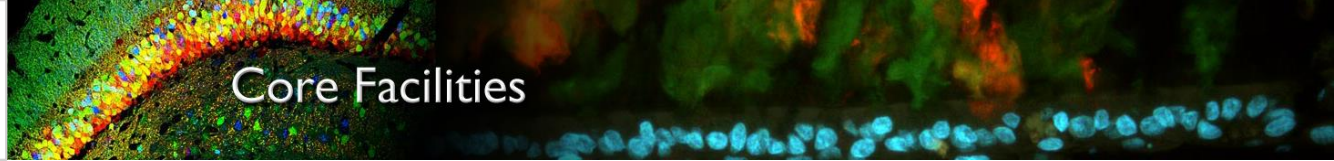
External revenue is comprised of two components: the break-even portion of external revenue and above-cost portion of external revenue.

Break-Even External Revenue

The break-even portion of external revenue is the internal break-even rate (no subsidies). If the core does not receive any subsidies, this is the rate you would charge UNC-CH users.

Above-Cost External Revenue

The above-cost portion of external revenue is the amount added to the internal break-even rate to get to market rate. This would include F&A and any additional amount.



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❖ *External F&A funds*

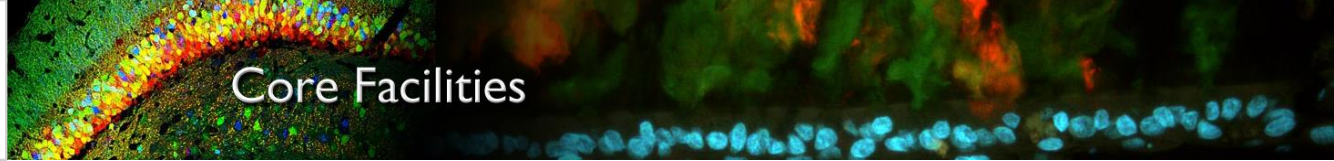
Break-Even Portion of External Revenue

The break-even portion of external revenue is defined by the internal rate multiplied by the quantity of service output supplied to the external user:

Break-even External Revenue = Approved Internal Rate * Quantity Supplied

Above-Cost Portion of External Revenue

The above-cost portion of external revenue is determined by multiplying the service output provided to the customer by the difference between the approved external rate and the internal break-even rate.



Working with External Clients

❖ *Tracking External F&A funds*

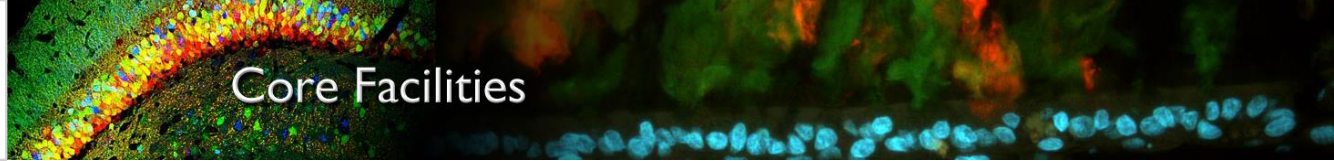
Since you have correctly coded all external sales to account 441911 (Sales-Other Outside) for the year, you can easily identify your total annual external sales. 😊

Here is an easy calculation for determining annual F&A, assuming that was the only amount added to the breakeven rate.

Divide the total sales by the F&A rate that was in effect at the time. This will give you the above-cost portion for the year.

	Total External Sales FY 2018	\$22,485.00	
	Divide by F&A Rate 55.50% (\$22,485. divided by 1.555)	\$14,459.81	
	Portion Above Breakeven	\$8,025.19	

The above-cost portion of sales can accumulate over years. Keep a spreadsheet to track the the accumulated F&A component of the fund balance. Reduce by any expenditures you make from those funds.



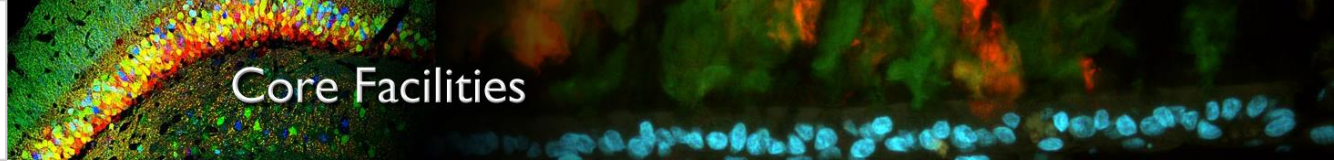
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❖ *Allowable Usage of the External F&A funds*

The above-cost external revenue from F&A can be used for any normal recharge operating expense, and for subsidizing internal user rates.

Unlike other recharge revenue, the above-cost F&A can also be applied to capital equipment purchases.

The use of external reserves to purchase capital equipment must be approved in writing by the OSR in advance of the purchase.



Working with External Clients

Office of Research Technologies (ORT)
provides assistance with this and other
calculations for recharge rate development.

www.med.unc.edu/corefacilities

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