

# Internal Invoicing

Nightmare or Challenge?

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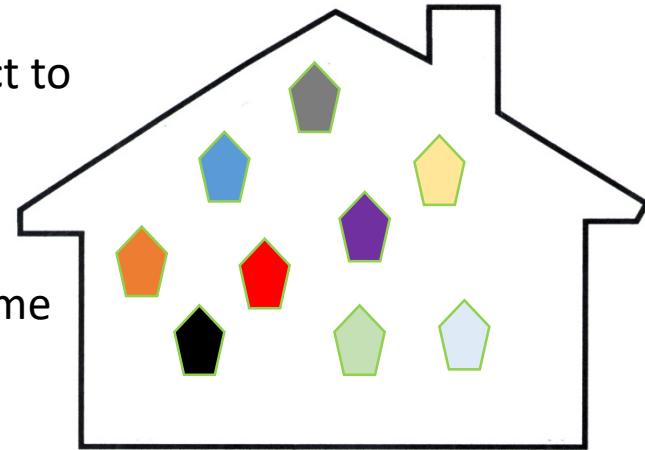
# Internally invoiced costs

– the problem in a H2020 project

Within organizations there are centralized core facilities that provide products and services to projects. All subject to internal invoiced costs.

The selling core facility usually calculate the costs using allocation keys, average costs and sometimes include some indirect costs.

The challenge is: How to make sure that there are no hidden indirect cost, allocation keys or average costs in internally invoiced unit costs charged in the H2020 project?



# The SUHF Model of Sweden

All University's in Sweden applies a model for calculating indirect costs introduced by the Association of Swedish Higher Education. The model divides the activities into main activities (research and education) and support activities.

Indirect costs: Costs that are common to several or all cost carriers, and consist of costs for university, faculty and department functions. Indirect costs are allocated to cost carriers.

The Support activities are divided into six functions:

- Management
- Education and research support
- Financial and HR service
- Library
- Other / level specific

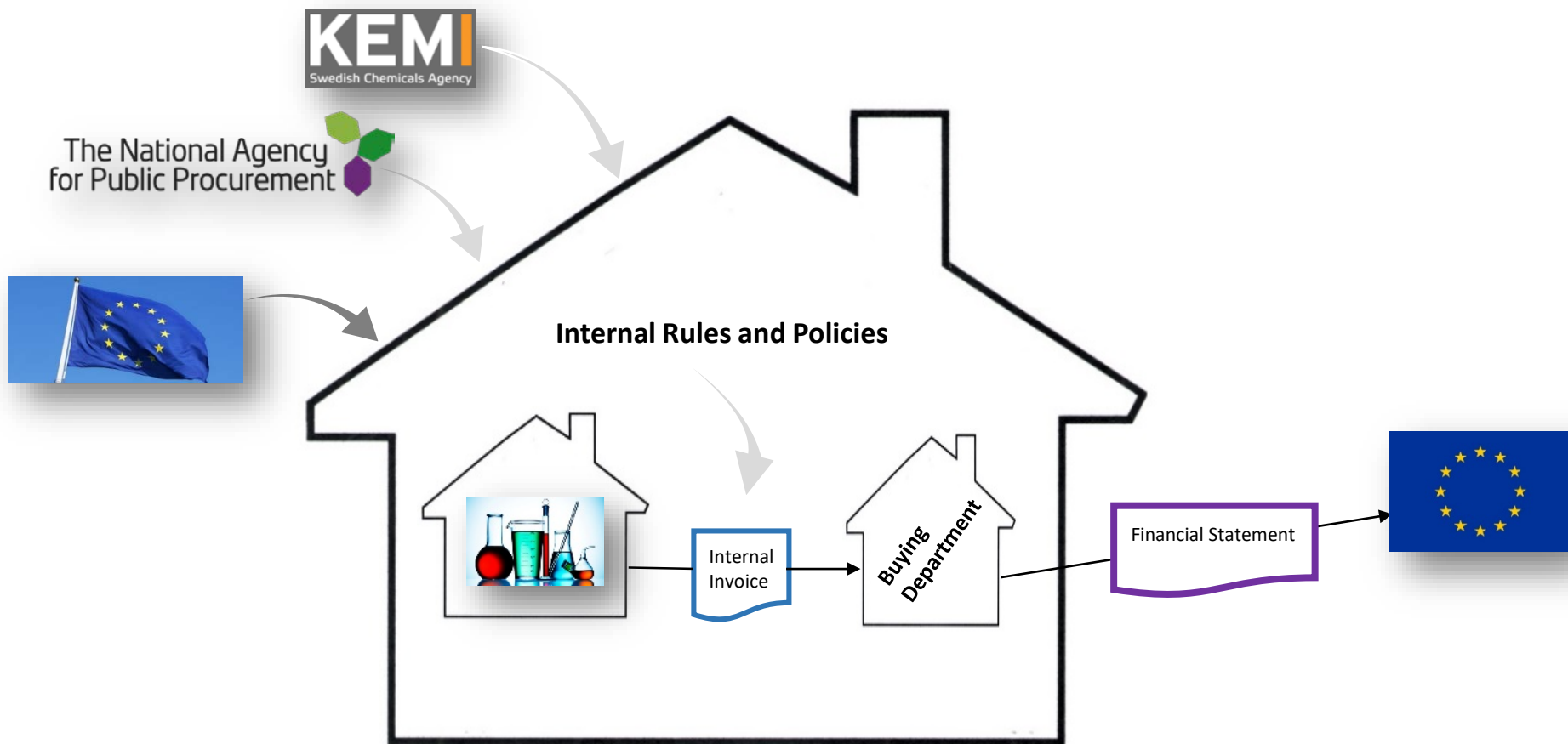
Core facilities are regarded as core business as agreed with other institutions in medical schools.

Cost for Premises are not charged to Horizon 2020 projects and costs normally considered as indirect cost are not reported as direct costs in Horizon 2020 projects.

Most often personnel that works with financial and HR normally are defined as indirect costs which also Office equipment and office materials, office space and postage are defined as.



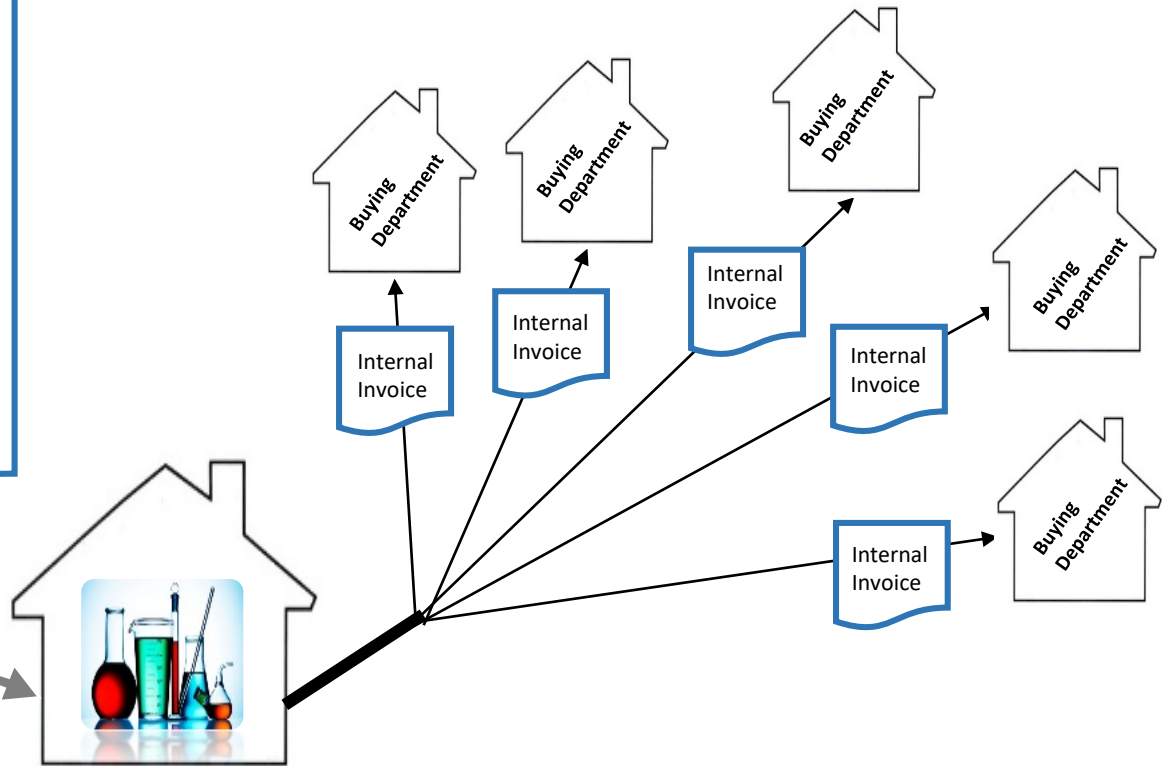
# Internal Invoicing an example



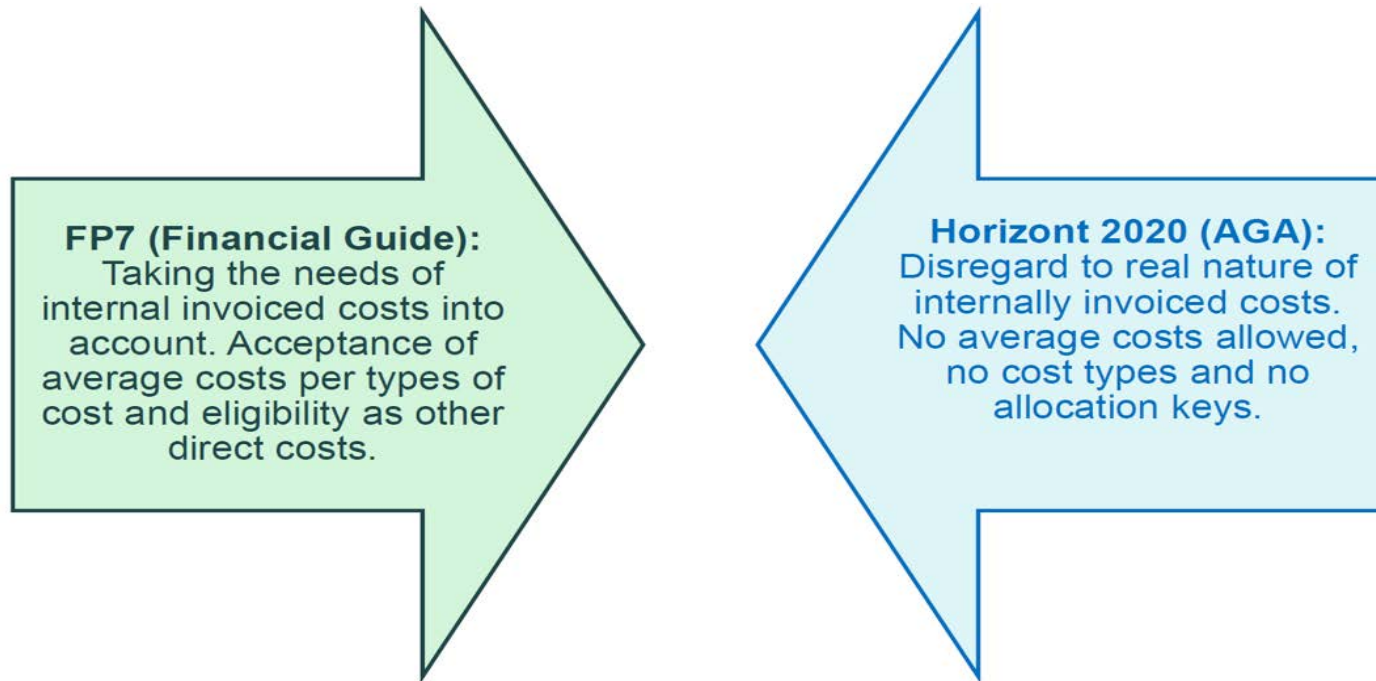
# Internal Invoicing an example

**External Invoice**

Item	Description	Unit	Quantity	Price	Total	Category
20057044	Vital M Laboratory, Ltd	SEC	14 days	92%	27 mg	\$ 8.00 AMBIL-CAT
20057044	Vital M Laboratory, Ltd	SEC	14 days	92%	27 mg	\$ 18.00 AMBIL-CAT
20057044	Vital M Laboratory, Ltd	SEC	14 days	92%	70 mg	\$ 31.00 AMBIL-CAT
20057044	Vital M Laboratory, Ltd	SEC	14 days	92%	9 mg	\$ 31.00 AMBIL-CAT
20057044	Vital M Laboratory, Ltd	SEC	14 days	92%	2 mg	\$ 32.00 AMBIL-CAT
20057044	Vital M Laboratory, Ltd	SEC	14 days	92%	1 mg	\$ 30.00 AMBIL-CAT
780	400 custom units		10 mg		754	AMBIL-CAT




# Rules concerning Internally Invoiced Costs - Overview





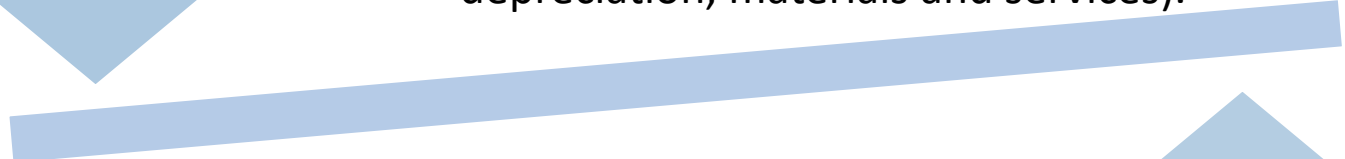


# Horizon 2020 Regulations – MGA (Version 1-3)



**Formal & administrative requirements**

- Splitting-up in H2020 cost categories.
- H2020 formal time records and hourly rate calculation for each service.
- No acceptance of average costs per type of cost or accountancy of cost types (bundles of equipment depreciation, materials and services).



+ Internal invoices normally include the accounting for certain cost types per usage or time (e.g. use of laboratory, MRT, mouse per week).

+ Internally invoiced costs naturally contain a mixture of costs for the usage of equipment, services and material.

+ Service included in the cost type is not measured by H2020 time records (via minute protocols). Instead the internal invoice offers an auditable trail how much time was spent by personnel on the action .



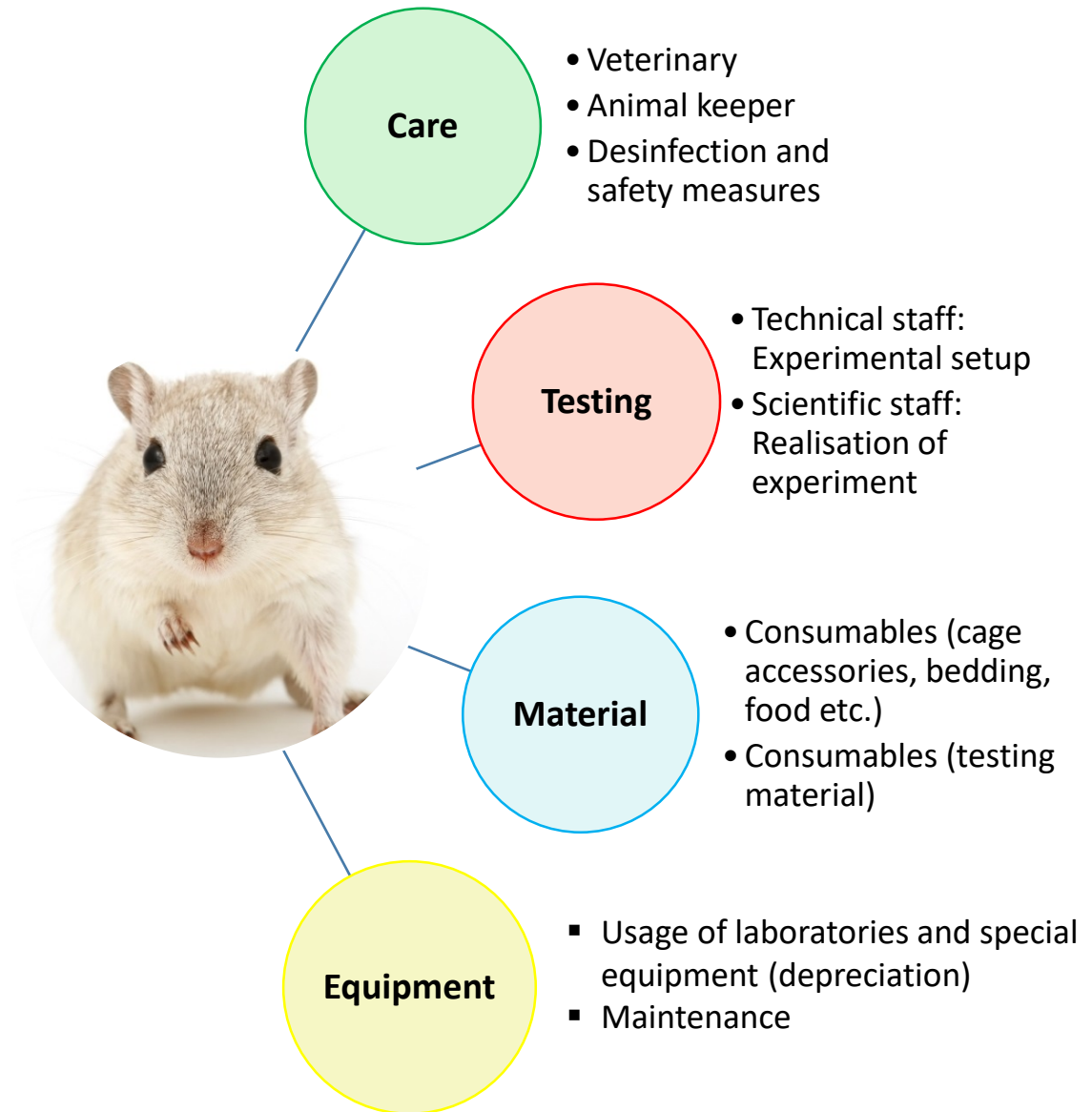
**Reality**

# H2020 Regulations – Reality check

Tests with  
lab animals  
e.g. cost-type  
„mouse week“ =

Other examples :

- DNA sequencing
- Usage of a cleanroom
- Climate chambers etc.





# The Helmholtz-Initiative for a better regulation

- **Together with other European partner organisations the Helmholtz Association addressed a joint position paper on internal invoicing to the European Commission in January 2016**
- The Helmholtz Associations was called on by the European Commission to choose experts of the undersigning organisations. These experts were able to put forward concrete examples for internal invoicing and submitted their cases and relevant data to the European Commission.
- **On the 17th of June 2016 these experts met the European Commission in Brussels to present their cases and discuss possible solutions.**

# The new Model Grant Agreement Art. 6.2.D.5

(February 2017, Version 4.0)

## **Costs of internally invoiced goods and services directly used for the action are eligible, if:**

- (a) they are declared on the basis of a **unit cost calculated in accordance with the beneficiary's usual cost accounting practices;**
- b) the cost accounting practices used are applied in a **consistent manner, based on objective criteria**, regardless of the source of funding
- c) the unit cost is **calculated using the actual costs for the good or service recorded in the beneficiary's accounts**, excluding any ineligible cost or costs included in other budget categories.

The actual costs may be adjusted by the beneficiary **on the basis of budgeted or estimated** elements. Those elements must be relevant for calculating the costs, reasonable and correspond to objective and verifiable information;

- (d) the unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.

# Positive changes



**Acceptance of beneficiaries usual accounting practices**

**Unit costs can include personnel costs, material and equipment – no splitting up any more!**

**Estimated cost elements allowed**

**No more time sheets necessary for personnel costs if auditable trace is provided**

# Example budget from reality

## Other costs

Courses, training		227 664
Service of equipment		304 798
Bedding		330 043
Forage		426 209
Consumables		190 000
Depreciation costs		2 474 278
Energy costs; electricity, heat, cold		2 413 000
Cleaning costs		442 320
Laundry costs		576 565
Rent for EBM		7 919 580
Fee for IT-network and service		353
<b>Amount</b>		<b>15 304 809</b>

Data below are totals that are split between facilities			Salary/year
Executive officer	Göran Larson10%, Mary-Jo Wick50%, Carina Mallard10%		1 132 302
Head of dep.	<b>Data below are totals that are split between facilities</b>		Salary/year
	<i>Executive officer</i>	Göran Larson10%, Mary-Jo Wick50%, Carina Mallard10%	1 132 302
	<i>Head of dep.</i>	Morgan Lidén 60%	618 567
Facility manager	<i>Facility manager</i>	Anders Eliasson	704 245
Veterinary	<i>Veterinary</i>	Lars Ewaldsson, Aina Moe Bäck, Abdulhussain Haamid	2 802 837
Research Administrator	<i>Research Administrator</i>	Ewa Crusner Gustafsson 80%	469 999
Research Coordinator	<i>Research Coordinator</i>	Maria Hansen 80%	433 033
Economist	<i>Economist</i>	Birgitta Kilenstam 50%	321 995
Technical staff	<i>Technical staff</i>	Kjell Karlsson, Benny Andersson, Leif Sundkvist	1 588 308
Service Staff	<i>Service Staff</i>	Carina Berlin, Rosita Oldenburg, Barbro Hasselberg	1 171 164
Washing dep	<i>Washing dep</i>	Jan Svensson, Tolga Aras, Jill Christiansen, Martin Wobuyu	1 542 636

- The unit cost is **calculated using the actual costs for the good or service recorded in the beneficiary's accounts**, excluding any ineligible cost or costs included in other budget categories
- Unit costs *could* be adjusted according to beneficiaries budgeted or estimated elements

# New budget Table

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MODEL ANNEX 4 FOR H2020 GENERAL MGA — MULTI

FINANCIAL STATEMENT FOR [BENEFICIARY [name]/ LINKED THIRD PARTY [name]] FOR REPORTING PERIOD

Eligible <sup>1</sup> costs (per budget category)															
A. Direct personnel costs				B. Direct costs of subcontracting		[C. Direct costs of fin. support]	D. Other direct costs			E. Indirect costs <sup>2</sup>		[F. Costs of ... ]		Total costs	
A.1 Employees (or equivalent)		A.4 SME owners without salary				[C.1 Financial support]	D.1 Travel	[D.4 Costs of large research infrastructure]	D.5 Costs of internally invoiced goods and services		[F.1 Costs of ... ]		[F.2 Costs of ... ]		
A.2 Natural persons under direct contract		A.5 Beneficiaries that are natural persons without salary				[C.2 Prizes]	D.2 Equipment								
A.3 Seconded persons							D.3 Other goods and services								
[A.6 Personnel for providing access to research infrastructure]															
Form of costs <sup>4</sup>		Actual	Unit	Unit		Actual	Actual	Actual	Actual	Unit	Flat-rate <sup>5</sup>	Unit		[Unit][Lump sum]	
											25%				
		a	Total b	No hours	Total c	d	[e]	f	[g]	Total h	i=0,25 x (a+b+c+f+[g] + h+[j] <sup>6</sup> +[j2] <sup>6</sup> -p)	No units	Total [j1]	Total [j2]	k = a+b+c+d+[e] +f+[g] +h+ i + [j1] +[j2]
[short name beneficiary/linked third party]															



# Indirect costs

”Indirect costs are costs that are not directly linked to the action implementation and therefore cannot be attributed directly”



# Indirect costs in most organisations

## Definitely indirect

General management

Registry

Human Resources

Legal Department

Libraries

Communications

Procurement

Postage

Administrative, clerical staff

General Water and Electricity

Desktop computer and telephones

Insurances

Maintenance of equipment

## Not always indirect

General IT

Office space

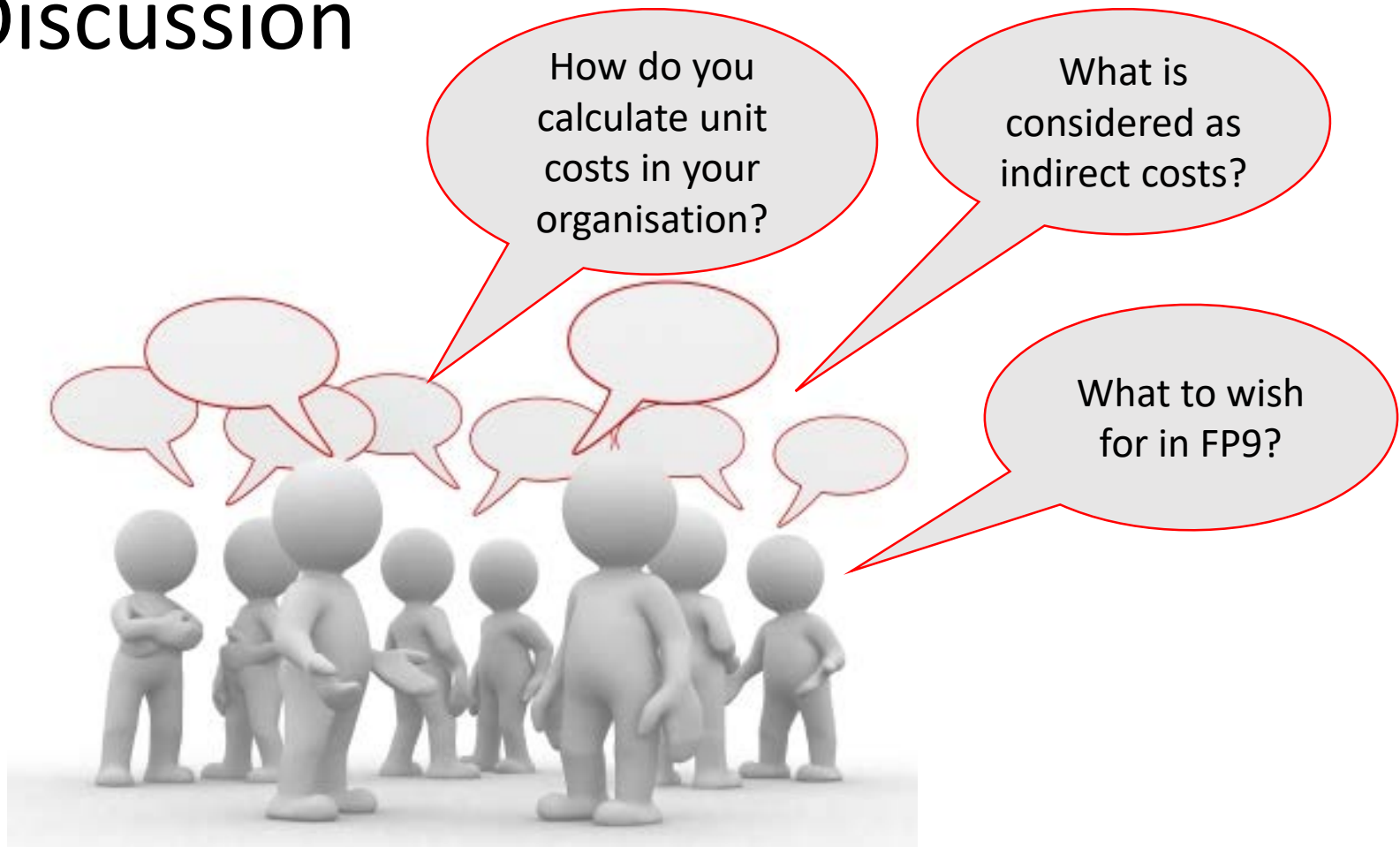
Basic Lab materials

Electricity for ex. clean rooms





# Discussion



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