Technical Testing Agreements (TTAs) and Facility Use Agreements (FUAs)

OVERVIEW
All Technical Testing Agreements (TTAs) and Facility Use Agreements (FUAs) will be considered fee-for-service agreements and will be accounted for as revenue-generating activities within self-supporting funds (not grant funds) in accordance with Section 22 of the Business and Financial Policies and Procedures. All contracts for new TTAs and FUAs will be managed by the Purchasing and Contract Management Office. The management of all accounting and billing activities will now be the responsibility of the unit/department providing the TTA and/or FUA services.

EFFECTIVE DATE
October 1, 2021

Active TTAs and FUAs executed prior to 10/1/2021 will be managed by Sponsored Programs Administration (SPA) through their scheduled agreement expiration date.

FREQUENTLY ASKED QUESTIONS

1. What are Technical Testing Agreements (TTAs) and how do I distinguish between Technical Testing and a Sponsored Project?

   Technical testing is a specific service by which the University uses unique University equipment or facilities to test provided materials/items and deliver results without interpretation or analysis.

   The University General Rules state technical testing is “justified when the desired facilities do not exist elsewhere or are not readily accessible and when the work to be performed involves only established, preexisting methods of a primarily technical nature which can be specified in advance. A technical testing contract should not be used if the work entails original, creative research.” In other words, technical testing should be a standard procedure, which is routine and/or repetitive in nature, poses no intellectual questions and should not involve research or analysis (including analysis of test results) which serve a public interest. Technical Testing should not result in the creation of new intellectual property.

   A Sponsored Project consists of externally funded projects including research, teaching, training, and services that carry out a public purpose or provide a direct benefit to the Sponsor. These projects are based on the technical expertise of the principal investigator and will have a scope of work, specified objectives, timeframe, financial accountability, anticipated deliverables and disposition of intellectual property and publication.

   • **Examples of Technical Testing:** Genomic DNA sequencing, biological sample testing, mass spectrometry
- **Examples of Sponsored Projects**: Research, seed field trials, studies involving animals or humans, software development, surveys, data analysis, outreach activities.

2. **What are Facility Use Agreements (FUAs)?**
   FUAs set forth the terms under which the University will provide permission for a third party to use specific University facilities, equipment and resources for research and development purposes.

   **Examples of Facility Use**: Use of research lab, use of specialized equipment or computers or rental of facility for event purposes.

3. **What is changing regarding the management of TTAs and FUAs?**
   New TTA & FUA revenue-generating activities will now be accounted for within self-supporting funds (as opposed to grant funds).

4. **Why is the management of TTAs and FUAs changing?**
   Historically, some TTAs and FUAs have been managed as sponsored projects in grant funds, subject to the same restrictions imposed upon the sponsored portfolio. However, going forward, these activities will be accounted for in self-supporting funds to ensure proper financial reporting and to provide consistency in handling these activities across all universities within the University of Illinois System.

5. **What do I need to do differently to properly manage these TTAs and FUAs?**
   There will be changes to the contract management, accounting, and billing processes for these TTA and FUA activities which are described in further detail throughout these FAQs.

6. **What will the new process flow be for these TTA and FUA activities?**
   a. Calculate a rate in accordance with University and Federal policies. Contact Government Costing for assistance if needed.
   b. Contact Tax Compliance and Analysis (TCA) to determine if there are any Unrelated Business Income Tax (UBIT) implications from these TTA and FUA activities.
   c. Work with the Purchasing and Contract Management Office to complete a proper TTA or FUA template contract.
   d. If applicable, request a new self-supporting fund from University Accounting and Financial Reporting (UAFR).
   e. Contact the Bursar’s Office to set up a billing process in Banner Accounts Receivable (Banner AR).
f. Perform the TTA and FUA services for your customers and bill them for the services provided.

g. Ensure that sales are credited to the proper revenue account code(s) and ensure all related costs are charged to the self-supporting fund.

7. If TTA and FUA services are sold to a mixed customer base (i.e., external and internal customers), does that have an effect on how we set the service rate?
   Yes. The makeup of your customer base needs to be factored in when setting rates for TTA and FUA activities, as we are not allowed to give preferential pricing to external customers. External customers are required to pay the same total rate that sponsored project customers (i.e., grants) pay. This ensures external customers pay the same overhead costs incurred by the university (such as university buildings, equipment, administrative support services, etc.) as sponsored projects (i.e., grant funds) pay. See the following FAQs for further details.

8. What is the difference between an “external” customer and an “internal” customer?
   **External customers** are individuals or organizations external to the university who pay for TTA and FUA services with funding that is external to the U of I System. In other words, payment is from an outside source (such as a check, wire, ACH, etc.) and not from a Banner C-FOAP. External customers include not only external businesses or corporations, but also students, faculty, or staff who are purchasing services in a personal capacity. External customers also include affiliated hospitals or other educational institutions unless the System has subcontracted with them as part of a grant or contract.

   **Internal customers** are customers within the U of I System (such as other units/departments who pay with a Banner C-FOAP), which also includes sponsored projects (i.e., grant funds in the 4nnnnn or 5nnnnn fund code range). Examples include academic departments, research centers, administrative units, auxiliary enterprises, and sponsored projects, all of which purchase services to support their work for the U of I System.

9. When calculating the rate to charge customers for TTA and FUA services, do I need to factor in overhead/indirect costs?
   Possibly. Depending on your customer base, you may or may not be required to include an overhead rate when calculating the overall service rate to charge your customers. See below for more details:

   a. If you are selling TTA and/or FUA services only to internal customers (i.e., where the customer pays with a Banner C-FOAP), you would not include an overhead rate in the calculated service rate. This is because: (a) overhead is not assessed to non-grant internal customers, and (b) grant funds are automatically assessed the F&A rate by Sponsored Programs Administration (SPA). Thus, overhead is not assessed to internal customers to ensure that grant funds are not double charged for these overhead costs.
b. **If you are selling TTA and/or FUA services only to external customers**, you are **not** required to include an overhead assessment in the calculated service rate. Since no sales to internal sponsored projects (i.e., grant funds) are being made in this example and you cannot include an overhead rate when charging internal customers, there is no risk of violating university and federal guidelines (more on this in step d below). However, including an overhead assessment in the calculated service rate that charged to external customers is allowed if you choose to do so.

c. **If you are selling TTA and/or FUA services to both: (a) external customers and (b) internal customers (but NOT to any grant funds)**, then you are **not** required to include an overhead assessment in the calculated service rate. Since no sales are being made to grant funds in this example and you cannot include an overhead rate when charging internal customers, there is no risk of violating university and federal guidelines (more on this in step d below). However, including an overhead assessment in the calculated service rate charged to external customers is allowed if you choose to do so.

d. **If you are selling TTA and/or FUA services to both: (a) external customers and (b) internal customers (including grant funds)**, then you **must** include the applicable overhead rate **when charging external customers**. However, you **cannot** include an overhead rate **when charging internal customers** (see step a above).

   i. Assessing an overhead rate to external customers ensures that we are **not** giving preferential pricing to these external customers. This also ensures that the external customers pay the **same** total rate that sponsored project customers (i.e., grants) pay.

   ii. **Note**: University and Federal policies do not allow discrimination against federally supported activities of the institution. Sponsored project funds (i.e., grant funds) are automatically assessed the F&A rate on service charges. Therefore, if we do not include an overhead rate component in the service rate charged to external customers, sponsored projects will be paying a higher total rate and therefore subsidizing customers external to the university, which is unallowable discrimination.
e. See the table below for a summary of the points made above:

<table>
<thead>
<tr>
<th>Customer Base</th>
<th>Include Overhead Assessment in Rates Charged to External Customers?</th>
<th>Max Overhead Assessment Allowed in the Rate Charged to External Customers?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only Internal Customers, Including Grant Funds</td>
<td>N/A – no sales to external customers</td>
<td>N/A – no sales to external customers</td>
</tr>
<tr>
<td>Only External Customers</td>
<td>Allowed, but not required</td>
<td>Any amount, not exceeding the applicable fiscal year’s Other Sponsored Activities (OSA) rate</td>
</tr>
<tr>
<td>Mixed Customer Base, Not Including Grant Funds</td>
<td>Allowed, but not required</td>
<td>Any amount, not exceeding the applicable fiscal year’s Other Sponsored Activities (OSA) rate</td>
</tr>
<tr>
<td>Mixed Customer Base, Including Grant Funds</td>
<td>Required, since external customers cannot be given preferential pricing when compared to grant funds</td>
<td>Overhead assessment charged to external customers must equal the applicable fiscal year’s Other Sponsored Activities (OSA) rate</td>
</tr>
</tbody>
</table>

10. If applicable, which overhead rate should we include in the calculated service rate when charging external customers for TTAs and FUAs?

The Other Sponsored Activities (OSA) F&A rate has historically been used when charging grants conducting public service type activities. It was also the rate assessed when TTAs and FUAs were previously accounted for in grant funds. We have negotiated this OSA F&A rate with the Federal government.

Thus, we require utilizing the applicable OSA F&A rate when assessing the overhead rate to external customers for these similar types of activities. This rate varies by fiscal year, so be careful to ensure you are using the correct rate. The rates for each fiscal year can be located on the UI System Government Costing website at https://www.obfs.uillinois.edu/government-costing/rate-schedules/urbana-champaign/.

11. If applicable, how would these overhead rates be assessed to external customers within Banner, and how would these overhead costs be charged to our self-supporting fund?

When assessing the OSA F&A rate to external customers, you need to charge: (a) the internal rate that would cover the cost of services provided, and (b) the incremental upcharge that would cover the additional overhead assessment.
The amount collected from external customers for the internal rate would be credited to revenue account code 307852 (Testing & Analysis Services Revenue – External Customers), while the incremental upcharge for the overhead costs would be credited to revenue account code 307921 (Services Revenue – Incremental Upcharge to External Customers).

**Note:** Any sales revenue collected from sales made to internal customers (including grant funds) should be credited to revenue account code 307851 (Testing and Analysis Services Revenue – Internal University Customers)

See below for an example of how this would work, assuming the tests were performed on-campus in FY22 (thus we would use a 31.7% OSA rate):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Rate</td>
<td>$10.00</td>
</tr>
<tr>
<td>+ the Overhead Rate</td>
<td>$3.17 ($10.00 x 31.7% OSA F&amp;A rate)</td>
</tr>
<tr>
<td>External Rate</td>
<td>$13.17</td>
</tr>
</tbody>
</table>

This revenue would be credited to Banner as follows:

- $10.00 would be credited to account code 307852
- $3.17 would be credited to account code 307921

Finally, to charge this self-supporting fund for the university overhead costs consumed by the external customers, an overhead expense would be debited to this self-supporting fund. This overhead expense would need be the same dollar amount as the incremental upcharges that were credited to revenue account code 307921.

To account for this overhead expense, you will need to work with UAFR to establish a new Allocations and Assessments (ALAS) assessment for this specific self-supporting fund. Once the ALAS assessment is established, the ALAS system will process an automated transaction which will:

1. Debit a 198590 expense account code in the self-supporting fund for the amount in revenue account code 308908 (Administrative Allowance Rev - Ext Customers)
2. Credit a revenue account code in an administrative allowance fund (fund type 2A) for that same amount.

At UIUC, this 2A revenue will be provided annually via a non-recurring budget transfer.

12. **Currently, my unit manages all contracts for TTAs and FUAs under the $10,000 per year threshold. Will this change as well?**

   No. **The delegated threshold for managing contracts will remain at $10,000 per year, allowing unit heads, deans and directors the authority to sign TTA and FUAs in accordance with the [Contract Templates](#) outlined in Business and Financial Policies and Procedures.**
13. Will the Purchasing and Contract Management Office assist with billing and revenue collection?

No. Purchasing and Contract Management will be responsible for managing the agreement templates and for negotiating any TTAs or FUAs in excess of $10,000, but they will not assist with revenue management. After the TTA or FUA is fully executed, the unit is responsible for properly recording the revenue and corresponding accounts receivable in Banner Finance General Accounts Receivable (GAR). Revenue generating activity is typically recorded in a self-supporting fund. Collection of revenue will be handled in accordance with Managing Receivables. Banner GAR offers several options for entering charges and credits. For departments with high-volume transactions, there is an online feeder process, Finance Front End. For more information on creating a feeder, visit the Finance Feeder Front End Resource Page.

14. If I have an existing TTA managed by Sponsored Programs Administration, can I simply continue to extend the existing agreement?

No. All active TTAs and FUAs as of September 30, 2021, will continue to be administered by SPA’s award management team and permitted to complete their agreed upon period of performance. SPA will then process for closeout and terminating in Banner. Prior to September 30, 2021, SPA will administer new TTA’s and FUA’s not to extend beyond September 30, 2022. Prior to and after September 30, 2021, SPA will (a) execute amendments to add supplemental funding on existing TTAs and FUAs not to extend beyond September 30, 2022, and (b) entertain a 3-month no cost extension on existing TTAs and FUAs not to extend beyond December 31, 2021. Request for an exception should be discussed with SPA for consideration. Any new or renewal agreement negotiation in excess of $10,000 will be managed by Purchasing and Contract Management.

15. Does accounting for these activities in a self-supporting fund allow me to charge market rates for the services provided? In other words, can we make a profit?

Typically, no. State regulations require that self-supporting funds only collect enough revenue to cover both the direct and indirect costs of providing the goods or services without generating a profit. In other words, these self-supporting funds typically need to break-even over time. If you have further questions or concerns on this matter, reach out to the applicable subject matter experts within University Accounting and Financial Reporting (UAFR) by visiting Self-Supporting Funds within the UAFR’s Who to Ask list.

16. Are there Unrelated Business Income Tax (UBIT) implications if technical testing services are provided to external customers as a part of a Technical Testing Agreement (TTA)?

Yes. There are potential Unrelated Business Income (UBI) implications for units that provide technical testing services to customers external to the University of Illinois System. The determination of UBI is based on the facts and circumstances of each situation. Therefore, an analysis is required for each agreement. Contact Tax, Compliance & Analysis (TCA) to determine if your activity is subject to UBIT that requires tracking.
17. Will Sponsored Programs Administration be involved in the management of new TTAs or FUAs after October 1, 2021?
   No. However, SPA will collaborate with Purchasing and Contract Management in reviewing proposed TTAs where the scope of work clearly does not involve established, preexisting methods of a primarily technical nature, but rather presents itself as being original and/or creative work or suggests the possible creation of intellectual property. If the SPA review results in the work being classified as a sponsored project rather than technical testing, the negotiation and ensuing agreement will be treated as a sponsored project subject to negotiated terms and conditions, and the “Organized Research” F&A rate and will be established as a restricted grant account.

18. Will Sponsored Programs Administration continue to use the TTA and FUA templates?
   No. Effective October 1, 2021, SPA will no longer be processing TTA’s and FUA’s and therefore will not continue to use the TTA and FUA templates.

19. How do I submit a new or renewal TTA or FUA in excess of $10,000 to the Purchasing and Contract Management Office after October 1, 2021?
   If your unit uses iCS, upload the contract or proposal as a contract in iCS, choose the Custom or Other Party Contract (Non-Purchasing), and assign Sequence 2, OBFS Reviewer, to 1_purchasing_reviewer via the iCS Checklist. https://www.obfs.uillinois.edu/bfpp/section-19-contracts

   If your unit does not use iCS, submit a Contract Approval/Routing Form (CARF) with sections 1-3 completed and the contract or proposal to urbanapurchasing@uillinois.edu. Note “TTA” or “FUA” in the subject line of your email.

   If your unit has access to Contracts+, create and submit a Contract Request Form, attaching your TTA or FUA.

20. Do the “fee-for-services” funds remain subject to audit?
   Yes. Revenue generating activities remain subject to audit to ensure consistency with University accounting practices and utilization of the facilities in accordance with the terms and conditions of their agreements.