

Section 22.nn – Management and Accounting for Facility Use Agreements (FUAs) and Technical Testing Agreements (TTAs)

Policy Statement

Units must ensure that facility use agreements (FUAs) and technical testing agreements (TTAs) are properly managed and accounted for.

Reason for the Policy

To ensure accurate reporting for the University of Illinois System's (system) audited financial statements as well as compliance with:

- Federal costing principles applicable to service centers, as outlined within the Code of Federal Regulations (i.e., Uniform Guidance) and the State of Illinois' Legislative Audit Commission (LAC) Guidelines;
- IRS guidelines related to Unrelated Business Income Tax (UBIT); and
- The system's policies and procedures related to the proper execution of revenue-generating contracts and timely billing and collection efforts.

Applicability of the Policy

All units who generate revenue from FUAs or TTAs.

- **FUAs** are fee-for-service agreements where the system provides access to facilities, equipment, and/or resources (such as research labs, specialized equipment, supercomputers, or event space within a system facility) to customers for their research and/or development purposes.
- **TTAs** are fee-for-service agreements where the system provides specific types of testing services (such as genomic DNA sequencing, testing of biological samples, or mass spectrometry services) using its unique facilities on a contractual basis for customers (such as individuals, other institutions, or commercial entities).

TTAs typically have **all** the following characteristics and are further explained within *Section 8* of the [The General Rules Concerning University Organization and Procedure](#):

- a. The facilities and/or equipment required to provide the testing services do not exist elsewhere (or are not readily accessible) and cannot be feasibly obtained from a commercial entity.
- b. Only established, pre-existing testing methods are used, and the testing methods are routine and/or repetitive in nature and can be specified in advance.
- c. The testing results provided to the customer do **not** include any interpretation or analysis of the test results and pose **no** intellectual questions to the customer.

- d. The testing methods do **not** entail original, creative research and do **not** result in the creation of new intellectual property.
- e. The testing is often provided through a service center which has a developed service rate.
 - At UIUC, the developed service rate would be documented within the [UIUC University Service Rate database](#) (see [Service Center Guidance](#) for further details).

This policy does **not** apply to the following:

1. **Sponsored service activities (SSAs)** which are accounted for within grant funds and typically have **all** the following characteristics:
 - a. SSAs are unique services which require a high level of expertise from a skilled specialist.
 - b. SSAs do **not** involve any type of routine or duplicative services.
 - c. SSAs frequently have compliance requirements and protocols associated with them, since they frequently involve highly regulated areas such as testing on human subjects or animals.
 - d. SSAs do not have established service rates, but rather an associated budget outlining all direct and indirect expenses.
2. FUAs **unrelated** to research and/or development purposes for which customers are provided access to the system's facilities, equipment, and/or resources (such as space within an auxiliary facility).
3. FUAs which provide the system's employees access to an **external party's** facilities, equipment, and/or resources.

Procedure

To ensure that FUAs and TTAs are properly managed and accounted for, refer to the procedures below:

1. Calculate a rate to charge customers for the services provided.
 - A separate rate may need to be calculated for internal and external customers. The rates charged to external customers may need to factor in the system's overhead costs. This is done to ensure that external customers are not given preferential pricing when compared to sponsored project customers who are accounted for within grant funds and who may be purchasing the same type of services. This ensures that external customers pay the same overhead costs as sponsored projects pay (such as building and equipment depreciation, costs of administrative support services, etc.).

- See the table below for guidance on when these overhead costs would need to be factored into the rates charged to external customers, and what the maximum allowed rate would be:

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

- If an overhead rate is to be assessed to external customers, then the maximum overhead rate assessed cannot exceed the ***Other Sponsored Activities (OSA)*** rate. In addition, if there is a mixed customer base which charges both external customers and grant funds, then the OSA rate **must** be charged to external customers, since external customers cannot be given preferential pricing when compared to grant funds.
 - The maximum OSA rate varies by fiscal year, and the current rate can be located at the [Rate Schedules](#) webpage. It is important to ensure that the proper OSA rate for the applicable fiscal year is utilized when calculating the rate to charge external customers.
 - For guidance on calculating accurate service rates, refer to System Government Costing's [Service Activities](#) resource page. If further guidance is needed, contact [System Government Costing](#).
2. Determine if there are Unrelated Business Income Tax (UBIT) implications from the TTAs or FUAs.
- Refer to [18.13 Unrelated Business Income Tax \(UBIT\)](#) for guidance on UBIT reporting requirements. If further UBIT guidance is needed, contact [Tax Compliance and Analysis \(TCA\)](#).

3. Ensure that a proper TTA or FUA contract template is obtained and completed.
 - To determine the allowability of using a standard contract template for FUAs or TTAs and access links to immediately available templates, refer to [19.2.1 Standard Contract Templates](#).
 - PCMs will process FUAs or TTAs which exceed the unit head's approval authority thresholds at a university, in accordance with [19.3 Contract Approval Authority](#). Contact the applicable [Purchasing and Contract Management Offices \(PCM\)](#) for templates that are not immediately available, applicable threshold amounts for each university, and/or additional guidance if needed.
4. Ensure that a proper self-supporting fund has been established to account for the applicable FUA and/or TTA activities.
 - If a new self-supporting fund is needed to account for the FUA or TTA activity, download a Banner Fund, Program, Index Code Request Form from UAFR's [Forms](#) webpage. Complete the form documenting the request for a new self-supporting fund and submit the completed form to uas@uillinois.edu. If assistance is needed when completing this form, contact [University Accounting and Financial Reporting \(UAFR\)](#) for guidance.
5. Ensure that all receivable and billing activity for TTA and/or FUA activities sold to external customers is managed through the system's [Banner Accounts Receivable](#) (Banner AR), unless an exemption from using Banner AR has been granted by the [University Bursar](#).
 - For further details on this requirement, refer to [5 Receivables](#). If additional guidance is needed, contact the [University Bursar](#).
6. Bill the customer for TTA and/or FUA services provided. In accordance with good business practices, these billings should occur monthly, but no less than quarterly.
7. Ensure that sales revenue from the sale of TTA and/or FUA services is properly credited to the applicable revenue account code within the related self-supporting fund.
 - Sales revenue from internal customers (including grant funds) should be credited to either one of the following revenue account codes:
 - **307850**, *Testing & Analysis Services Revenue*, or
 - **307851**, *Testing & Analysis Services Revenue – Internal University Customers*.
 - Sales revenue from external customers **up to the amount of the internal rate** should be credited to either one of the following revenue account codes:
 - **307850**, *Testing & Analysis Services Revenue*, or
 - **307852**, *Testing & Analysis Services Revenue – External University Customers*.

- Sales revenue from external customers **exceeding the internal rate** (i.e., the OSA rate upcharge to cover the system's overhead costs) should be credited to revenue account code:
 - **307921**, *Sales Revenue – Incremental Upcharges to External Customers for Overhead Expenses*.
8. Ensure that expenses posted to the related self-supporting fund are appropriate (i.e., related to the revenue-generating activity) and accounted for with proper expense account codes.
- a. For self-supporting funds which upcharge external customers for the system's overhead costs, an assessment must be made to charge that self-supporting fund for those overhead costs.
 - b. This overhead assessment will: **(1)** debit expense account code **198590**, *Assessment for Overhead Expenses Charged to External Customers* within the self-supporting fund and **(2)** credit revenue account code **308908**, *Administrative Allowance Revenue – Overhead Assessments to SSFs for External Customers* within an educational and administrative allowance CFOP managed by the applicable university's budget office.
 - c. The amount assessed to expense account code **198590** must equal the amount credited to revenue account code **307921**.
 - d. The Banner transaction to post this overhead assessment can be completed either: **(1)** manually via a unit-generated journal voucher or **(2)** automatically via UAFR's *Allocations and Assessments (ALAS)*. To request the use of *ALAS*, send an email to uas@uillinois.edu detailing the request.

Related Policies and Procedures

[The General Rules Concerning University Organization and Procedure](#)

[5 Receivables](#)

[18.13 Unrelated Business Income Tax \(UBIT\)](#)

[19 Contracts](#)

[19.2.1 Standard Contract Templates](#)

[22.1 Contracts for Revenue Generating Activities](#)

[IRS Publication 598, Tax on Unrelated Business Income of Exempt Organizations](#)

[Article VIII of the Illinois Constitution](#)

[Banner Account Codes](#)

[Technical Testing Services Agreements \(TTAs\) and Facility Use Agreements \(FUAs\)](#)