

Reorganizing Ship Operations as a Specialized Service Facility

The NSF, in collaboration with ONR and DHHS, approached UC San Diego to modify costing practices for SIO Ship Operations

Why? In order to preserve the MOSA funding mechanism

- An internal NSF audit found the assessment of F&A on MOSA is not allowable
- Therefore federal agencies should only fund maintenance after-the-fact
- Without MOSA, institutions would have to support the cost of shipyards and overhauls on the hope of potential future reimbursement, which is not possible at many institutions



The Federal Government proposed that UC San Diego reorganize our Ship Operations under OMB Federal Register 2 CFR §200.468 as a ***Specialized Service Facility (SSF)***

The SSF cost accounting structure accommodates our approach for capitalizing MOSA.

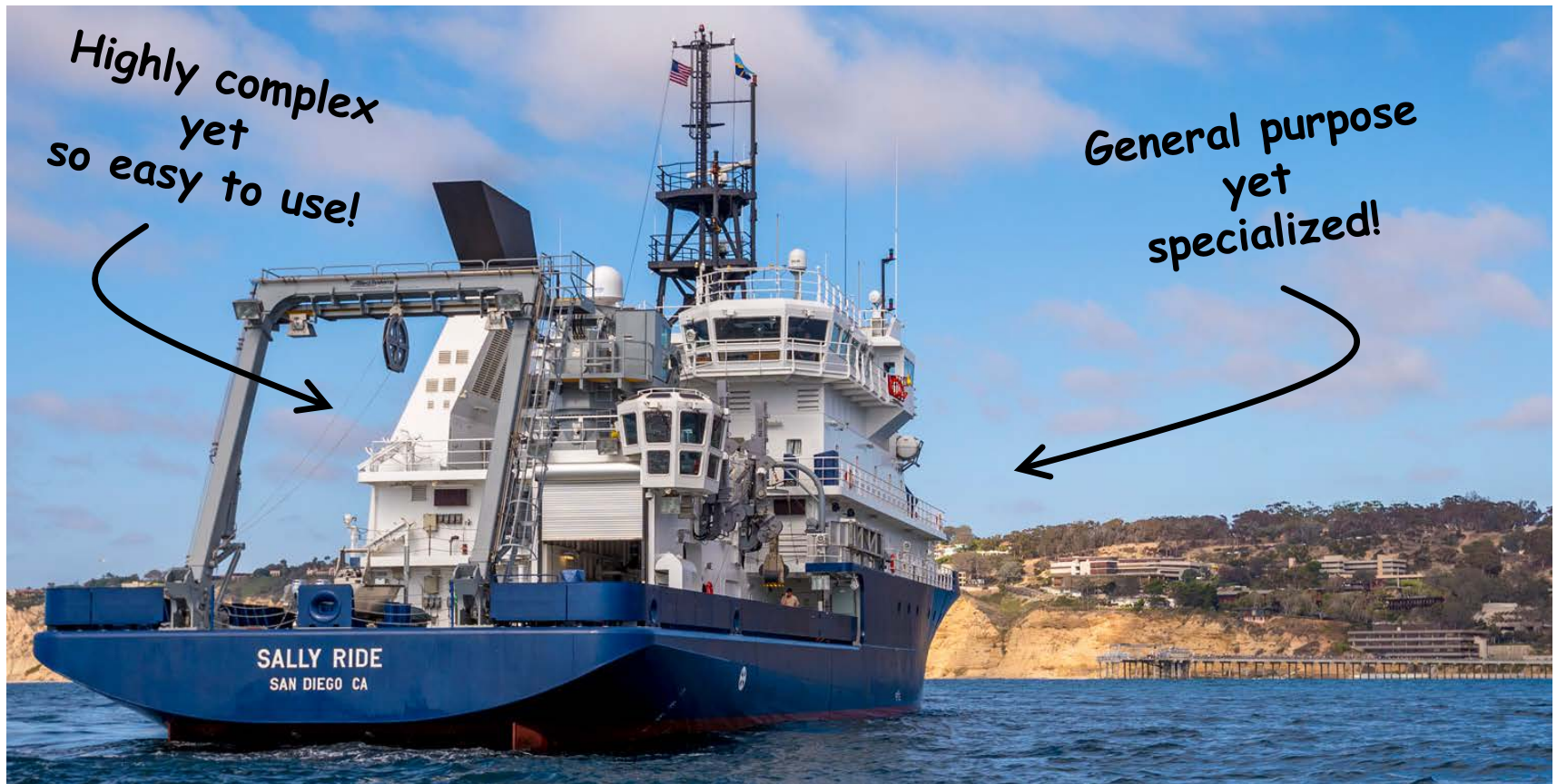
Thus,

- a) MOSA can be preserved, and
- b) life as we know it can continue.



Elements of an SSF:

1. The costs of services provided by highly complex or specialized facilities operated by a non-Federal entity, such as computing facilities, wind tunnels, and reactors are allowable



Elements of an SSF (continued):

2. The costs of services must be charged directly to users
 - a) based on actual use
 - b) based on a schedule of rates or established methodology that
 - i. doesn't discriminate between federal and non-federal users
 - ii. recovers the aggregate cost of the services, consisting of direct and indirect (F&A) costs



Elements of an SSF (continued):

3. Rates must be adjusted at least annually, and
4. Rates must take into account over- and under-applied costs of the previous periods

All of this sounds like what we already do.



Institutional challenge:

Understanding what an SSF is, and how to modify internal business practices to satisfy the rules. Some examples:

- Each vessel must maintain total income, expense, and transfer profit-and-loss accounting
- New provisions for transparency of revenue sources
- Changes to business systems required for profit/loss statements to monitor net surplus/deficit positions, and breakeven accounting annually.
- Establishment of working capital reserve for each ship
- New requirements for reconciling financial reports of each vessel to the general ledger



Work that remains:

The requirements of OMB's Uniform Guidance, §200.468 *Specialized Service Facilities* differ from the instructions in NSF's *Ship Operations, Detailed Proposal Format & Tables*.

These two guides have different objectives that can be contradictory to one another.

These contradictions need to be addressed in forthcoming NSF Cooperative Agreements.

END

