

ATTACHMENT J.12

APPENDIX L

**ADMINISTRATIVE SERVICES TO BE PROVIDED TO PPPL
BY PRINCETON UNIVERSITY**

Contract No. DE-AC02-09CH11466

ADMINISTRATIVE SERVICES TO BE PROVIDED TO PPPL BY PRINCETON UNIVERSITY

The University proposes to provide the Laboratory with a set of administrative services that covers six categories: (1) human resources; (2) accounting; (3) legal services; (4) business computing; (5) contract administration; and (6) PPPL library (Furth). The University seeks \$1,570,000 in reimbursement from DOE to cover the costs that the University will incur in providing these services to the Laboratory. As explained in Volume III of the proposal, the amount of the proposed reimbursement is derived from the cost allocation study that supported the University's negotiated management allowance for FY2007 and that provides a reasonable proxy for the many costs the University will incur in providing these services to the Laboratory.

Human Resources (\$116,000)

The staff of the Office of Human Resources on the main campus of Princeton University (HR) provides administrative services and maintains critical systems that are shared with and/or provided to the staff of the Laboratory. For example, the University purchased and maintains PeopleSoft, a human resources information system that includes modules for payroll, benefits administration and training. In addition, the University purchased PeopleAdmin, the staff module; Helpdesk, a case management system; and eBenefits, the PeopleSoft on-line benefits enrollment system. These systems are maintained, upgraded, modified and customized by members of the University's information technology professional staff within HR and the University's Office of Information Technology (OIT). These HR staff members provide documentation, reports, reporting tools and training to the members of the Human Resources staff at the Laboratory and work with OIT on the security and nightly back-up of these systems. On an ongoing basis, these HR information technology professionals also function as a liaison to the Laboratory and the OIT professionals on the main campus.

All interfaces (eligibility files, premium wires, participant files, and the like) to vendors are produced, maintained and executed by the HR and OIT professionals. Interfaces to the health insurance vendors are sent at least twice a month. Interfaces and the wiring of contributions to the retirement plan vendors are sent after each payroll. Error reports from the vendors are also reviewed and corrected by members of the benefits team, which is part of the HR staff on the main campus.

The Laboratory also receives the benefits services negotiated by members of the University's HR staff. Such services include health, prescription drug, dental and vision benefits, life insurance, short term and long term disability benefits, employee assistance programs, work/life resource and referral services including monthly seminars, and other work/life programs including the backup care options program. The University ensures that these programs meet all the necessary regulations and compliance rules. For example, HR staff members on the main campus produce Form

5500s for all required ERISA plans, prepare and distribute summary plan documents and summary annual reports to all University faculty and staff members, including those who work at the laboratory, and update all plan documents as required. HR also coordinates annual audits of various benefits plans.

The University has a total of 6,120 benefits eligible employees and 1760 retirees. 420 of these benefits eligible employees currently work at the Laboratory, while 400 of these retirees worked at the Laboratory. Therefore, the benefits eligible and retiree population for the Laboratory is approximately 10.5 percent of the University's total benefits eligible and retiree population. Within the total HR staff of approximately 48 full-time employees, 21 (including the Vice President for Human Resources) are directly involved in performing the variety tasks described above that support the Laboratory population of benefits eligible employees and retirees.

Based on the proportion of Laboratory to total University employees, we estimate that \$90,000 of the HR staff salaries and benefits are directly attributable to the support the Laboratory. We have also assigned a proportional share of basic office costs (\$12,000), along with and an appropriate amount for the cost of space occupied by HR (\$14,000), bringing the estimated cost of providing these HR services to the Laboratory to \$116,000. (Recognizing that the Laboratory pays directly for its own employee recruitment, relocation, advertising and similar costs, we did not include these comparable main campus costs in our estimate of the cost the University incurs in providing HR services to the Laboratory.)

Accounting (\$189,000)

The Treasurer's Office provides direct support to the Laboratory in the following areas: payroll processing, research accounting, labor accounting, banking, employee benefits financial management, employee benefits accounting, financial accounting, and financial systems support and maintenance.

The University processes all payroll-related transactions for approximately 420 active employees at the Laboratory, for whom the University generates approximately 8,100 payroll checks and direct deposits each year. Related transactions within payroll include payments of federal and state taxes, retirement plan contributions and other benefits-related deductions from paychecks, printing of checks as required, pay advances, customer service, preparation of forms W-2 and 1099, and testing of Peoplesoft upgrades and interfaces.

All of the Laboratory's payments to vendors are processed through the Treasurer's office and represent 5 percent of all University invoices.

The Controller's office processes many of the Laboratory's general ledger entries, including journal vouchers and interdepartmental invoices. The Laboratory's entries amount to approximately 1 percent of the University's general ledger line items. This understates the true proportion because it does not include any factor for the

Laboratory-related portions of the accounting transactions within the other offices that support the Laboratory.

The research accounting group monitors the Laboratory's letter of credit and bank account. This requires daily review and the preparation of 6-8 monthly wires relating to the Laboratory's payroll and benefits costs. There is a monthly reconciliation of balances and confirmation with the Laboratory and DOE (Chicago).

The Laboratory's employee benefits rate is calculated and administered through the Treasurer's office. This requires submittals to the Department of Health and Human Services, regular monitoring of Laboratory charges, and periodic support for both internal and external audits of benefits costs.

The financial management and oversight of the University's employee health/life insurance benefits plans and Long Term Disability coverage is lodged within the Treasurer's office. (The Laboratory has its own Workers Compensation policy that the Treasurer's Office does not administer.) This oversight includes claims analysis, monitoring of wires to vendors, negotiating vendor charges, setting employee contributions to the various plans, and providing financial analysis to the University Benefits Committee, which has policy oversight of all employee benefits. There is no duplication of effort with respect to the benefits management costs included in our cost estimate for Human Resources, which is more focused on plan design, customer service, and HR systems support.

There is an information technology group within the Treasurer's Office that provides direct support to the Laboratory for reports, trouble-shooting, batch voucher processing, labor accounting problems, and ad hoc special requests from PPPL. This group acts as the liaison with OIT programmers for all financial reporting issues, and also supports the PeopleSoft financial, datamail/data warehouse, and labor accounting systems.

Based on the foregoing, we estimate that \$156,000 of salaries and benefits are directly attributable to support of the PPPL. We have also included a proportional share of basic office costs within each section of the Treasurer's office that supports PPPL (\$10,000), along with an appropriate amount for the costs of space occupied by these units (\$23,000), bringing the estimated total cost of providing these services to \$189,000.

Legal Services (\$150,000)

The University's Office of General Counsel consists of seven full-time attorneys who work closely together to address a broad spectrum of legal issues, many of which directly concern the Laboratory.

One OGC attorney with particular expertise in labor and employment law and general litigation, among other areas, spends approximately 15 percent of his time working on Laboratory matters. This attorney provides legal support for the Human Resources

staff at the Laboratory on many employment issues ranging from employee relations, union matters, protected leaves, discrimination, reorganizations and workplace investigations. This attorney also manages all litigation involving the Laboratory. Currently there are four such lawsuits: two employment claims, one environmental clean-up claim, and one tort action. Managing these lawsuits is especially time-consuming because, in addition to communicating with Laboratory employees (and outside counsel), University counsel must communicate with DOE officials on a frequent basis pursuant to the Laboratory's litigation management plan.

Another OGC attorney with expertise in sponsored research, contracting and intellectual property spends approximately 15 percent of his time working on Laboratory matters. He provides legal support for the Laboratory's office of procurement, reviewing proposed modifications to standard contract forms and advising the Laboratory in resolving contract disputes with vendors. This attorney also supports the University's Office and Technology Licensing in its management and licensing of potentially patentable inventions arising from the Laboratory's research. For example, over the past three years, he worked closely with the Laboratory (and engaged outside counsel at no expense to the Laboratory) to assess the requirements of the Safety Act as they apply to the Laboratory's development and commercialization of the MINDS technology, an anti-terrorism device, and he met on numerous occasions with counsel and representatives of InSitech, the licensee of this technology. In addition, this attorney provides legal advice to the Laboratory regarding intellectual property issues, export controls and other compliance issues, and participates in the procurement ethics training sessions at the Laboratory.

The University estimates that the other OGC attorneys, including the General Counsel, and staff spend approximately 3 percent of their time advising and supporting the Laboratory on a variety of other matters, many of which require specialized expertise. For example, over the past 18 months, two OGC attorneys prepared and conducted sexual harassment and sex discrimination training sessions for all Laboratory employees. These two attorneys conducted approximately 25 training sessions for small groups of approximately 30 Laboratory employees; each session lasted approximately 2.5 hours, including time for questions and discussion. Such training will have to be repeated from time to time. Moreover, as a general matter, the OGC staff stands ready to respond to many unpredictable questions and issues that may arise at the Laboratory and require immediate, specialized handling and a broader knowledge of University policies and procedures.

The Office of Visa Services (OVS) is part of the OGC and has two employees who provide immigration advising services to approximately 20-25 international students and scholars at the Laboratory each year. This service includes preparation and provision of documents to use in applying for visas, instruction on application procedures and arrival in the United States and Princeton, and advising regarding extensions of stay, work permission, spousal issues, etc. Every year, the University files other applications with immigration on behalf of a small number of Laboratory employees and pays the

filing fees for these applications, which range from \$320-\$1010. In addition, the University's Graduate School reimburses newly arriving students at the Laboratory for the SEVIS (Student Exchange Visitor Information System) fee of \$100 per student. The University estimates that the OVS staff spends 3 percent of its time on Laboratory matters.

Based on the foregoing, we estimate that \$119,000 of the OGC and OVS staff salaries and benefits are directly attributable to the support the Laboratory. We have also assigned a proportional share of basic office (\$13,000), along with an appropriate amount for the cost of space occupied by OGC (18,000), bringing the total estimated cost of providing these services to the Laboratory to \$150,000.

Business Computing (\$619,000)

Administrative Information Services (AIS) is the unit within the University's Office of Information Technology that provides programming support for all Peoplesoft system modules and other University data and information processing systems. There are approximately 62 full-time employees in this office, 37 of whom work on the systems that provide direct support of the Laboratory, or that track Laboratory data within the University. These employees work within the following application support groups: Peoplesoft HR and Financials, Departmental Application Systems, Data Warehousing & Integration, Production Management, and Campus Community. In addition, there are three full-time employees, including the Director of AIS, whose efforts directly support all activities within the office.

Significant non-staff expenses are incurred as well. There is a \$1 million software licensing budget, \$600,000 of which supports the Laboratory-related systems noted above; and there is a \$450,000 equipment budget for servers and other hardware, of which \$272,000 supports the Laboratory related systems. Finally, the yearly amortization of the University's investment in the Peoplesoft system will average \$1.3 million per year over the period of FY2009-2013. We estimate that 7 percent of this cost (or \$89,000) is attributable to the Laboratory.

The University estimates that supporting the Laboratory's business information systems costs \$315,000 in salaries and benefits costs, \$139,000 of other operating costs, and \$89,000 in Peoplesoft amortization, which, along with an appropriate amount for the cost of space occupied by AIS (\$76,000), bring the University's total estimated cost for this proposed service category to \$619,000. (None of these business computing costs are duplicative of the estimated costs for other the other categories of services described in this response.)

Contract Administration (\$77,000)

This service category includes a variety of services that are provided by the University's Office of Research and Project Administration (ORPA) and Office of Technology Licensing (OTL).

Of the 16 full-time positions in ORPA, four directly support the Laboratory: (1) Director; (2) Assistant Director Grants and Contracts; (3) one Sponsored Research Specialist; and (4) Office Coordinator. Together, they perform the following services for the Laboratory: reviewing proposal documents for adherence to sponsor guidelines; submitting final proposals to sponsors; uploading proposals and budgets into Coeus proposal development database; reviewing and signing contract agreements (work for others, research agreements, non-disclosure agreements, etc.); entering initial award information into Coeus award management database (dates, award dollars, terms and conditions, sponsor information, etc.); maintaining award information (modifications, extensions, etc.); and working as a liaison with the University's Sponsored Research Accounting department to ensure appropriate and timely closeout of research accounts. The University estimates that the employees in the four ORPA positions devote approximately 5 percent of their time to carrying out and/or supervising these administrative services for PPPL, representing approximately \$25,000 in University-paid salary and benefits.

The Director of OTL and three members of his staff also support the Laboratory with respect to the management and licensing of potentially patentable inventions arising from the Laboratory's research. Most notably, the senior Technology Licensing Associate spends approximately 20-25 percent of his time each year handling Laboratory matters. Last year (Princeton Fiscal Year 2008), for example, he evaluated 13 invention disclosures from the Laboratory for possible patenting and commercialization. On provisional patent application was thereafter filed based on his evaluation. The Technology Licensing Associate also negotiates and administers all licenses for Laboratory patents; for example, he handled the negotiation and ongoing compliance of the license for the Laboratory's MINDS technology, which has required an unusually high degree of oversight given its special provisions for Safety Act compliance. The Administrative Assistant in OTL who supports this work for the Laboratory spends approximately 15 percent of her time on such matters. The Business Manager in OTL also spends approximately 3 percent of his time processing payments of attorneys fees for PPPL patent prosecution and other bills, while the Director spends approximately 3 percent of his time supervising OTL work for the Laboratory and reviewing and preparing reports and other audits for the Laboratory, such as the recent GAO Review of Technology Transfer at DOE Laboratories. The University estimates that it costs approximately \$46,000 in salary and benefits for the OTL staff to perform these services for the Laboratory.

Based on the foregoing, we estimate that \$71,000 of the combined ORPA and OTL staff salaries and benefits are directly attributable to the support the Laboratory. We have also assigned a proportional share of basic office costs (\$3,000), along with an appropriate amount for the cost of space occupied by ORPA and OTL (\$3,000), bringing the estimated cost of providing these services to the Laboratory to \$77,000.

Furth Library (\$329,000)

The University provides financial support for the operation of the Harold Furth Library, which is located at the Laboratory. Specifically, the University pays the salaries and benefits of the two librarians who work at the Library. The cost of the salaries and benefits of these two staff total approximately \$166,000. The University also provides the Furth Library with an annual budget of \$160,000 for the purpose of purchasing subscriptions to various publications and other literary and research materials. Lastly, the University provides the resources to procure such necessary equipment as personal computers, multimedia equipment, printers and scanners. We estimate that the total cost of procuring this equipment over the five year term of the proposed contract is approximately \$15,000, or approximately \$3,000 for each year of the contract term. Thus, the total annual financial support provided by the University for the operation of the Furth Library is approximately \$329,000.

Summary

The annual estimated costs set forth above total \$1,480,000 for FY 2008-2009. Allowing for an annual inflation rate of 3 percent, the annual estimated cost of these services during the five-year term of the contract would average \$1,572,000, therefore, the proposed annual reimbursement of \$1,570,000 during the five year term of the contract is fair and has a solid basis in fact.