

THE UNIVERSITY OF CHICAGO

CHICAGO 37 - ILLINOIS

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April 2, 1949

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Mr. Henry W. Fitzpatrick
Head, Cost Accounting Section
Office of Naval Research
Navy Department
Washington 25, D.C.

Dear Mr. Fitzpatrick:

The question has been raised by you as to the relationship of the Argonne National Laboratory and The University of Chicago, particularly as to how that relationship affects the overhead calculations applicable to the fiscal year ended June 30, 1948.

The Argonne National Laboratory is owned by the United States Atomic Energy Commission and is operated by the University of Chicago for the benefit of the Commission and thirty cooperating universities and research institutions in the middle west. (See list attached.) Under the provisions of the contract with the Atomic Energy Commission, the University of Chicago is required to establish within its organization "a separate, and as nearly as may be, self-contained administrative unit for the operation and maintenance of the laboratory."

Under this provision, the Laboratory has its own director and business manager, and its own purchasing, personnel, accounting, maintenance, security, and other departments, which are all independent of those operated by the University. The buildings to be occupied by the Laboratory are now in process of construction in DuPage County, Illinois, some thirty miles from the campus of the University. A substantial part of the activities of the Laboratory were moved from the campus of the University in 1946.

Because of the separate and distinct organization of the Laboratory itself, it would not be equitable to include the operations of the Laboratory in any prorata distribution of expenses. However, in carrying out the University's responsibility under the contract with the Commission, certain officers of the University exercise general oversight and supervision and the University provides certain facilities for the use of the Laboratory.

An independent firm of certified public accountants, Scovell, Wellington & Company, approved by the government in connection with the Atomic Energy Commission contract, has determined the proper share of the University

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Mr. Henry W. Fitzpatrick - 2.

April 2, 1949

general administrative, library and plant operating expenses applicable to the Laboratory. The sum of these items aggregating \$185,867.85 (later refined to \$186,787.31) has been deducted from the total of general administrative expenses claimed by the University in our submission to the representatives of Cost Inspection for our overhead study. These same amounts are the only amounts representing these overhead costs which will be included in the overhead charge to be made against the contracts of the Atomic Energy Commission.

It is our opinion and that of Scovell, Wellington & Company, that the foregoing constitutes an equitable treatment of the Argonne National Laboratory for the Navy overhead calculation, and that such treatment is permissible under the provisions of the "Principles for Determination of Costs in Government Research, and Development Contracts with Educational Institutions, Army - Navy Departments."

Yours very truly

W. B. Harrell
Business Manager

H. C. Daines
Comptroller

Enclosure

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** Chairman, council of Representatives of Participating Institutions.
(List as of 9/1/48)

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