GENERAL INSTRUCTIONS  

COVER SHEET AND CERTIFICATION  

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1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the Educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).

2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a Central or Group office and are allocated to one or more segments performing under federally sponsored agreements.

3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.

4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.

5. The Statement must be signed by an authorized signatory of the reporting unit.

6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.

7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.
8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference to the pertinent Disclosure Statement Part. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number _____" and "Effective Date _____" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.
0.1 Educational Institution

(a) Name University of California, Santa Barbara
(b) Street Address C/O 1111 Franklin Street, 10th Floor
(c) City, State and ZIP Code Oakland, CA 94607-5200
(d) Division or Campus of University of California

0.2 Reporting Unit is: (Mark one.)

A. _____ Independently Administered Public Institution
B. _____ Independently Administered Nonprofit Institution
C. **xx** Administered as Part of a Public System
D. _____ Administered as Part of a Nonprofit System
E. _____ Other (Specify) _______________________________

0.3 Official to Contact Concerning this Statement:

(a) Name and Title: Jorge Ohy, Manager, Costing Policy & Analysis
(b) Phone Number (include area code and extension): (510) 987-9842

0.4 Statement Type and Effective Date:

A. (Mark type of submission. If a revision, enter number)

Revised

(a) _____ Original Statement
(b) **xx** Amended Statement; Revision No. **2**

Revised B. Effective Date of this Statement: (Specify) **April 23, 2004**
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>Statement Submitted To (Provide office name, location and telephone number, include area code and extension):</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>Cognizant Federal Agency: Department of Health and Human Services Director, Division of Cost Allocation Cohen Building, Room 1067 330 Independence Ave., S.W. Washington, D.C., 20201 (202) 401-2808</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional copy furnished to Cognizant Federal F&amp;A Cost Negotiator:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Department of Health and Human Services Division of Cost Allocation Office of the Director, Room 347 50 United Nations Plaza San Francisco, CA 94102 (415) 437-7820</td>
<td></td>
</tr>
</tbody>
</table>
CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. Sec. 422.

Date Of Certification: 5/18/04

Anne C. Broome  
(Signature)  
Anne C. Broome  
(Print or Type Name)  
Vice President - Financial Management  
>Title

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN 18 U.S.C. Sec. 1001
<table>
<thead>
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Date Of Certification: ______________

__________________________________________  
(Signature)  

Anne C. Broome  
(Print or Type Name)  

Vice President - Financial Management  
(Title)  

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN 18 U.S.C. Sec. 1001
Part I

1.1.0 Description of Your Cost Accounting System for recording expenses charged to federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

A. _____ Accrual
B. xx____ Modified Accrual Basis *
C. _____ Cash Basis
Y. _____ Other *

1.2.0 Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)

A. _____ Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)
B. _____ Not integrated with financial accounting records (Cost data are accumulated on memorandum records.)
C. xx____ Combination of A and B

1.3.0 Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of federally sponsored agreements are: (Mark one)

A. _____ Specifically identified and recorded separately in the formal financial accounting records. *
B. _____ Identified in separately maintained accounting records or workpapers. *
C. _____ Identifiable through use of less formal accounting techniques that permit audit verification.*
D. xx____ Combination of A, B or C *
Item No. | Item Description | Revision Number 2, Effective Date 04/023/04
--- | --- | ---
E. | Determinable by other means. * | * Describe on a Continuation Sheet

1.3.1 **Treatment of Unallowable Costs.** (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)

1.4.0 **Cost Accounting Period:** 7/1 to 6/30
Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. (If the cost accounting period is other than the Institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)

1.5.0 **State Laws or Regulations.** Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.
<table>
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</thead>
</table>

* Describe on a Continuation Sheet
## Description of Your Cost Accounting System

Revised

The University of California’s cost accounting system incorporates data accumulated and recorded in the financial accounting system. The financial statements of the University of California are prepared on the accrual basis with the following modifications: Cash accounting is used for post retirement health benefits, post retirement dental benefits, and all leave costs except vacation leave and compensatory time (see Sections 2.6.0 and 2.6.1 below regarding post retirement benefits and leave costs).

The financial records of the University are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB) and the National Association of College and University Business Officers (NACUBO).

## Integration of Cost Accounting with Financial Accounting

Revised

The financial accounting system is primarily designed to meet fund accounting rather than cost accounting requirements as prescribed by the GASB and NACUBO. The financial accounting system accumulates expenditures according to funding source, program purpose and expense categories. The University receives funds from a variety of sources including State and Federal appropriations; government and private contracts and grants; student fees; gifts; and income from University enterprises such as student housing. The funds are used for a wide range of programs including instruction, research, public service, academic support, institutional support, operation and maintenance of plant, student services, student financial aid, and auxiliary enterprises. Salaries, fringe benefits, materials and supplies, and various other categories of expense may be incurred by each program.

The cost accounting system uses data accumulated and recorded by the financial accounting system, but regroups the data as necessary to meet OMB Circular A-21 and CAS requirements. For example, University Development fundraising expenses are recorded by the financial accounting system as institutional support (generally an indirect function), but must be reclassified as direct cost in the Other Institutional Activities base to meet A-21 purposes. A clear audit trail is provided for all reclassifications such that the institution’s cost accounting for a given fiscal year reconciles with its audited financial statements. With respect to directly charged costs of performing sponsored projects, the cost accounting system can be considered integrated with the financial accounting system. Beginning July 1, 2001, in accordance with the requirements of GASB Statement No. 34 and 35, depreciation costs of capital assets are recorded in the financial accounting system. Departmental Administration costs are recorded in the financial accounting system, but not separately identified from Instruction and Departmental Research costs. The University’s cost accounting system creates memorandum records separating Departmental Administration costs from Instruction and Departmental Research costs. Reclassification of costs and costs not identified in the
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financial accounting system as current funds expenditures are identified and treated as shown in the Facilities and Administrative Rate Proposal:

FY 98-99, Section II D, Reconciliation Schedule 4, Expenditures by Cost Pool Including Additions, Adjustments and Reclassifications.

1.3.0 Unallowable Costs

University policy requires the identification of unallowable costs for proper costing treatment. Except as described in the following paragraph, unallowable costs are accumulated in the financial accounting records using designated accounts, funds, object codes, or a combination thereof. Object codes used to identify unallowable costs are listed in the UC Accounting Manual, Chapter A-115-2, Accounting Codes: General Ledger (revised 09/30/99), page 25, and include codes in the series 7700 – 7799, http://www.ucop.edu/ucophome/policies/acctman/a-115-2.pdf.

The departments in conjunction with the Accounting Office are required to identify, track and report unallowable costs during the process of preparing a Facilities and Administrative Rate Proposal. This process includes the review of activities and events during the year and the analysis of expenditures to ensure that all unallowable costs have been identified and reported.

All unallowable costs are identified and accumulated as described and shown in the Facilities and Administrative Rate Proposal:

FY 98-99, Section I B, Overview, and Section II C, Reconciliation Schedule 3, Restatement of Costs into Cost Pool Groups.

Salaries and fringe benefits attributable to the administrative work of faculty and other professional personnel are identified in separate cost accounting system workpapers and excluded from the development of Departmental Administration cost pools as required by Subparagraph F.6.a.(2)(a) of OMB Circular A-21. The cost accounting system also identifies aggregated administrative costs in excess of the reimbursement limitation described in Paragraph G.8.a. of OMB Circular A-21.

Reviews of compliance with existing policy and procedures are conducted in the course of required OMB Circular A-133 audits, and as needed in the judgment of the campus. If additional unallowable costs are identified in the course of a compliance review, appropriate adjustments are made in the cost accounting system records.

1.3.1 Treatment of Unallowable Costs

Revised
Unallowable costs are either excluded or are reclassified as OIA costs. The F&A Rate Proposal, FY 98-99, Section C, Reconciliation Schedule 3, Restatement of Costs into Cost Pool Groups summarizes the costs reclassified as OIA costs. Section C, Reconciliation Schedule 4, Expenditures by Cost Pool, including Additions, Adjustments and Reclassifications shows the A-21 unallowable costs excluded from the calculations.

Unallowable central office costs are not allocated to any direct or indirect cost pools.

The limitation on administrative cost reimbursement described in A-21, G.8.a. does not affect the allocation of administrative costs in the University’s cost accounting system; however, it does affect the indirect cost reimbursement rates applied to Federal awards.

1.5.0 State Laws or Regulations

State regulations place restrictions on the use of State funds, and also establish financial reporting requirements for various other funds. However, the University is not aware of any State laws, regulations or special agreements limiting the allowance of costs or materially influencing its cost accounting practices.

End of Part I
Instructions for Part II

Institutions should disclose what costs are, or will be, charged directly to federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. (Also, list and explain if there are any deviations from the specified criteria).

2.2.0 Description of Direct Materials. All materials and supplies directly identified with federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)

2.3.0 Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

2.3.1 Direct Purchases for Projects are Charged to Projects at:
   A. _____ Actual Invoiced Costs
   B. xx Actual Invoiced Costs Net of Discounts Taken
   C. _____ Other(s) *
   Z. _____ Not Applicable

2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):
   A. _____ First In, First Out
   B. _____ Last In, First Out
   C. xx Average Costs *
   D. _____ Predetermined Costs *
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y. _____</td>
<td>Other(s) *</td>
<td></td>
</tr>
<tr>
<td>Z. _____</td>
<td>Not Applicable</td>
<td></td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
Item No. | Item Description | Revision Number 2, Effective Date 04/23/04
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2.4.0 | Description of Direct Personal Services. All personal services directly identified with federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.)

2.5.0 | Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

<table>
<thead>
<tr>
<th>Direct Personal Services Category</th>
<th>Faculty (1)</th>
<th>Staff (2)</th>
<th>Students (3)</th>
<th>Other (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised A. Payroll Distribution Method</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Individual time card/actual hours and rates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised B. Plan - Confirmation (Budgeted planned or assigned work activity, updated to reflect significant changes)</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>C. After-the-fact Activity Records (Percentage Distribution of employee activity)</td>
<td>xx</td>
<td>xx</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Revised D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Y. Other(s) *</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
</tbody>
</table>

2.5.1 | Salary and Wage Cost Distribution Systems. Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.)

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>_____</td>
<td>xx</td>
<td></td>
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<tr>
<td>Item No.</td>
<td>Item Description</td>
<td>Revision Number 2, Effective Date 04/23/04</td>
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<td>------------------------------------------</td>
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</tbody>
</table>

* Describe on a Continuation Sheet
2.5.2 Salary and Wage Cost Accumulation System. (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)

2.6.0 Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)

2.6.1 Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g. instruction, research); and, then to individual projects or direct cost objectives within each function.)

2.7.0 Description of Other Direct Costs. All other items of cost directly identified with federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)

* Describe on a Continuation Sheet
### Cost Transfers

When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
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<tbody>
<tr>
<td>xx</td>
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<td></td>
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</tbody>
</table>

### Interorganizational Transfers

This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

<table>
<thead>
<tr>
<th></th>
<th>Materials (1)</th>
<th>Supplies (2)</th>
<th>Services (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. At full cost excluding indirect costs attributable to group central office expenses.</td>
<td>xx</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>B. At full cost including indirect costs attributable to group or central office expenses.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>C. At established catalog or market price or prices based on adequate competition.</td>
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<td></td>
</tr>
<tr>
<td>Y. Other(s) *</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z. Interorganizational transfers are not applicable</td>
<td></td>
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</tbody>
</table>

* Describe on a Continuation Sheet
2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or
Similar Cost Objectives

For all categories of cost charged to Federally sponsored agreements, including materials
and supplies, salaries and wages, fringe benefits, travel, consultants, services, subgrants
and subcontracts, and miscellaneous expenses, the University’s policy is to comply with
Office of Management and Budget guidance in treating costs as either direct or indirect,
according to the purpose and circumstances under which the cost was incurred. The
University policy is contained in the UCOP Contract & Grant Manual, Chapter 6,
Financial–General, Section 6-520, Classification of Direct and Indirect Costs (Revised
April 23, 2004).

http://www.ucop.edu/raohome/cgmanual/chap06.html#6-500
and in Chapter 7, Budgets and Expenditures (Revised April 23, 2004),
http://ucop.edu/raohome/cgmanual/chap07.html

The overall policy of the University on direct costing procedures is contained in Business and
Finance Bulletin A-47, University Direct Costing Procedures (Revised August 1, 1994).
http://www.ucop.edu/ucophome/policies/bfb/a47.html

Direct costs are those costs that can be identified specifically with a particular sponsored
project, an instructional activity, or any other institutional direct activity; or that can be
directly assigned to such activities relatively easily with a high degree of confidence.
Identification with the major activity rather than the nature of the goods and services
involved is the determining factor in distinguishing direct from indirect costs. For
instance, salaries and wages may be treated as direct costs or indirect costs depending on
whether the employee is performing a direct institutional activity (such as research) or an
indirect institutional activity (such as general university administration).

Academic departments and organized research units regularly incur both direct costs
(research, instruction, other sponsored activities, and/or other institutional activities) and
indirect costs (departmental administration and/or departmental operations &
maintenance). In such departments, when administrative and clerical salaries or other
costs are charged directly to sponsored projects, care is exercised to assure that costs
incurred for the same purpose in like circumstances are consistently treated as direct
costs for all activities of the unit. This is accomplished through a direct charge
equivalent or other mechanism that assigns the costs directly to the appropriate activities,
as recommended by the Office of Management and Budget in its memorandum entitled
“Direct Charging of Administrative and Clerical Salaries” dated July 13, 1994, attached
as Exhibit A, and by the National Institutes of Health in a notice in the NIH Guide dated
September 23, 1994, attached as Exhibit B. A complete description of the departmental
administration pool composition, including the direct charge equivalent (DCE)
The major functions specific to the reporting unit are identified as direct cost bases in its indirect cost proposals. Separate rates, including on- and off-campus rates when appropriate, are negotiated with the University’s cognizant Federal agency for all major functions that include Federal awards.

Organized Research Units (ORUs) are not subject to special costing policy, and are required to follow the same policy and procedures as all academic departments, including costing practices that determine direct and indirect costs as referenced above.

Indirect costs are those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other direct institutional activity, subject to the limitations and exclusions mandated by OMB Circular A-21.

It is the policy of the University to treat committed cost sharing of salary and non-salary expenses as direct costs to comply with the guidance provided by the OMB by including in the appropriate F&A direct cost base the value of committed cost sharing expended during the year. Indirect cost allocable to identified salary and non-salary cost sharing expenses may also be counted as cost sharing, but is not treated as a direct cost. This policy is included in The UC Contract and Grant Manual, Chapter 5, Cost Sharing (Revised April 23, 2004), at:

http://ucop.edu/raohome/cgmanual/chap05.html

and in the UCSB Cost Sharing (8/21/97) and Departmental Costing Guidelines (8/21/97), at:

http://www.accounting.ucsb.edu/emf/cas/DeptGuidelines.pdf and
http://www.accounting.ucsb.edu/forms/csinfo.shtml

The campus Accounting Office annually gathers information on expenditures for the fulfillment of committed cost sharing. This information is incorporated into the F&A rate proposal by ensuring that these costs are included in the appropriate direct cost base.

2.2.0 Revised

Description of Direct Materials

Direct materials and supplies are those materials and supplies that can be identified...
specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Categories of such materials and supplies include, but are not limited to, general- and special-purpose non-capital items, computer software, lab instruments and supplies, lab glass/ceramics, chemicals and gases.

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when materials and supplies are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities of the unit. This is accomplished through a direct charge equivalent or other mechanism that assigns the costs directly to the appropriate activities, as recommended by the Office of Management and Budget in its memorandum entitled “Direct Charging of Administrative and Clerical Salaries” dated July 13, 1994, attached as Exhibit A, and by the National Institutes of Health in a notice in the NIH Guide dated September 23, 1994, attached as Exhibit B. A complete description of the departmental administration pool composition, including the direct charge equivalent (DCE) methodology and amounts calculated by department, is shown in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IX A, Department Administration Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation, and Section IX D, Direct Charge Equivalent / Departmental Administration Calculation Summary by Department.

### 2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory

Inventory requisitions from central inventory are charged to projects based on an average cost per unit, which is adjusted whenever new purchases are added to the inventory. The cost of the new goods (net of discounts taken) is added to the value of the existing inventory and a new average unit cost is determined. When goods are taken out of inventory, the value of the inventory is reduced based on the average unit cost in effect. Requisitions from central inventory are also assessed a surcharge for storage, service and handling in addition to the inventory valuation described above. The surcharges are designed to cover the anticipated operating costs of the storehouse. The surcharges are reviewed periodically, but no less than annually, to adjust for any surplus or deficit.

### 2.4.0 Description of Direct Personal Services

Direct personal services are those that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Direct personal services costs consist of individual employee salary and wages and associated fringe benefits in proportion to the employee’s effort on each direct activity.

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when personal services are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities of the unit. This is accomplished through a direct charge equivalent or other mechanism that assigns the costs directly to the appropriate activities, as recommended by the Office of Management and Budget in its memorandum entitled “Direct Charging of Administrative and Clerical Salaries” dated July 13, 1994, attached as Exhibit A, and by the National Institutes of Health in a notice in the NIH Guide dated September 23, 1994, attached as Exhibit B. A complete description of the departmental administration pool composition, including the direct charge equivalent (DCE) methodology and amounts calculated by department, is shown in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IX A, Department Administration Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation, and Section IX D, Direct Charge Equivalent / Departmental Administration Calculation Summary by Department.

2.5.0 Method of Charging Direct Salaries and Wages

Salaries and Wages are charged to federal or federal flow through funds based initially on information contained in time cards and/or according to the budgeted planned or assigned work activity. These charges are confirmed by the University’s effort reporting process.

Employees charged in part or in whole to federal or federal flow-through funds must complete after-the-fact activity records (Personnel Activity Report or PAR), and make adjustments if significant differences are indicated, as required by A-21, J.8.c.(2)(b). The system-wide requirement for PARS is established in the UC Accounting Manual, Chapter P196-13, Payroll: Attendance, time Reporting and Leave Accrual Records (6/30/97).


Local campus information and guidelines for PARs (8/21/97) are found at:
http://www.accounting.ucsb.edu/forms/parsinfo.shtml

The University applies the annual NIH guideline “Salary Limitation on Grants, Cooperative Agreements and Contracts” to ensure compliance. Non-federal funds are
used to pay the salary over the NIH limitation. The Accounting Office, in conjunction with the departments, identify and review all the charges on NIH award for employees who earn a rate of pay in excess of the NIH salary limit to ensure compliance with the limit. The analysis includes the comparison of charges with the maximum allowable charge as determined by the certified effort reports and the maximum salary allowed under the limit. Any charged identified exceeding the limit are reversed or refunded to the federal government. The salary increment in excess of the limitation are included in the appropriate direct cost base whenever F&A rate proposals are prepared.

2.5.1 Salary and Wage Cost Distribution Systems

Revised

Employees whose salaries and wages are not directly charged to any Federal funds are not required to complete after-the-fact activity records. As a rule, the salary and wages of an employee who is not working on sponsored agreements or similar cost objectives are assignable to indirect or direct cost objectives based on his or her budgeted salary distribution. The personal services expenses attributable to such an employee are included in the appropriate indirect cost accumulation pool or direct allocation base along with the other costs of the pool or base, identified through the financial accounting system by function, account, fund and object code. The main exception to the above rule occurs in academic departments and other organizational units when a direct charge equivalent or similar mechanism is used, whereby an equitable portion of the salaries and wages that would otherwise be classified as departmental administration is treated as a direct cost to assure consistent costing treatment for all activities of the unit. A complete description of the departmental administration pool composition, including the direct charge equivalent (DCE) methodology and amounts calculated by department, is shown in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IX A, Department Administration Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation, and Section IX D, Direct Charge Equivalent / Departmental Administration Calculation Summary by Department.

2.5.2 Salary and Wage Cost Accumulation System

Revised

Salary and wages paid by the University to its employees are processed through the University’s payroll system. A specific fund source(s), program purpose(s) (account) and amount(s) of pay must be identified for each individual payment of salaries and wages prior to processing. The information accumulated in the payroll system is posted to the general ledger of the University’s financial accounting system. Payroll costs posted to sponsored projects are recovered through the sponsors as direct costs. The amounts posted to individual federally sponsored projects may be adjusted at a later time based on the information provided in the after-the-fact Personnel Activity Report or
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Local campus information and guidelines for PARs (8/21/97) are found at:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>It is the policy of the University to treat committed cost sharing of salary and non-salary expenses as a direct cost to comply with the guidance provided by the OMB. Indirect cost allocable to identified salary and non-salary cost sharing expenses may also be counted as cost sharing, but is not treated as a direct cost.</td>
<td></td>
</tr>
</tbody>
</table>

2.6.0 Revised

**Description of Direct Fringe Benefits Costs**

Fringe benefits at the University of California include holidays, sick leave, vacation, other paid leaves permitted under University policy (e.g., jury duty), sabbatical leave, OASDI, Medicare, retirement plan, health insurance, dental insurance, optical insurance, worker’s compensation insurance, unemployment insurance, non-industrial disability insurance, life insurance, annuitant health and dental insurance, incentive award program, employee support program, severance pay and tuition/fee remission of certain student employees. The University does not classify fringe benefits as direct or indirect costs in all circumstances; rather, the costing treatment of a given employee’s fringe benefits is consistent with, and in proportion to, the costing treatment of that employee’s salary and wages. Direct fringe benefits costs are those that are attributable to an employee’s direct personal services costs (See 2.4.0. above for a description of direct personal services costs).

2.6.1 Revised

**Method of Charging Direct Fringe Benefits**

The method used by the University of California to budget and charge fringe benefit costs to sponsored projects is referenced in UCOP Contract and Grant Manual, Chapter 7, Budgets and Expenditures, Section 7-206, which can be found at: [http://www.ucop.edu/raohome/cgmanual/chap07.html#7-206](http://www.ucop.edu/raohome/cgmanual/chap07.html#7-206). The University does not negotiate or apply a uniform, average fringe benefit rate for charging sponsored agreements. Fringe benefit amounts are charged on an actual basis depending on the individual employee’s set of benefits. A composite rate used to budget fringe benefit costs on project proposals is developed by the Office of the President, as needed based on changes to the underlying components. For holidays, sick leave, vacation, other paid leaves permitted under University policy (e.g., jury duty), see section 5.1.0.

OASDI, Medicare, health insurance, dental insurance, optical insurance, worker’s compensation...
insurance, unemployment insurance, non-industrial disability insurance, life insurance, severance pay and tuition/fee remission are measured based on actual cost, assigned to the university fiscal year in which they are accrued, and allocated to direct and/or indirect objectives on a prorated basis consistent with the allocation of the benefitting employee’s salary and wages or reported effort. The costs are identified through the general ledger accounts established to record the cost of benefit programs, and are allocated to activities or projects per employee through the payroll system and posted to the ledger. The costs identified to projects in the ledger are classified to A-21 direct and indirect cost pools as determined the nature of activity supported by the account.

The retirement plan, incentive award program and employee support program, are measured based on average cost, assigned to salaries of eligible employees in the university fiscal year in which they are accrued, and allocated to direct and/or indirect objectives on a prorated basis consistent with the allocation of the employee’s salary and wages or reported effort. The costs are identified through the general ledger accounts established to record the cost of benefit programs, and are allocated to activities or projects per employee through the payroll system and posted to the ledger. The costs identified to projects in the ledger are classified to A-21 direct and indirect cost pools as determined the nature of activity supported by the account.

Annuitant health and dental benefits are measured based on average costs, assigned to salaries of current employees, and allocated to direct and/or indirect objectives on a prorated basis consistent with the allocation of the employee’s salary and wages or reported effort. The costs are identified through the general ledger accounts established to record the cost of benefit programs, and are allocated to activities or projects per employee through the payroll system and posted to the ledger. The costs identified to projects in the ledger are classified to A-21 direct and indirect cost pools as determined the nature of activity supported by the account.

2.7.0 Description of Other Direct Costs

Revised

Subagreements are identifiable specifically with a particular sponsored project or other activity and are for that reason treated as direct costs. Circular A-21 requires that medical liability insurance costs be treated as a direct cost. In order to comply with this requirement, it is the policy and practice of the University to classify the medical liability insurance costs as a direct cost; however, since procedures have not been developed to assign these costs to benefiting sponsored projects with human subjects, 100% of the medical liability insurance costs are currently classified as costs of Other Institutional Activities.

Travel, miscellaneous services, consumable supplies miscellaneous expenses, and equipment are treated as direct costs when they can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or can be directly assigned to such activities relatively easily with a high degree of accuracy. In addition, where regulatory
compliance or other administrative costs have been initiated after 1991, and where these costs can be identified specifically with a particular sponsored project or other institutional direct activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy, such costs will be directly charged to benefiting activities.

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when materials and supplies are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities of the unit. This is accomplished through a direct charge equivalent or other mechanism that assigns the costs directly to the appropriate activities, as recommended by the Office of Management and Budget in its memorandum entitled “Direct Charging of Administrative and Clerical Salaries” dated July 13, 1994, attached as Exhibit A, and by the National Institutes of Health in a notice in the NIH Guide dated September 23, 1994, attached as Exhibit B. A complete description of the departmental administration pool composition, including the direct charge equivalent (DCE) methodology and amounts calculated by department, is shown in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IX A, Department Administration Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation, and Section IX D, Direct Charge Equivalent / Departmental Administration Calculation summary by Department.

It is the policy of the University to treat committed cost sharing of salary and non-salary expenses as a direct cost to comply with the guidance provided by the OMB. Indirect cost allocable to identified salary and non-salary cost sharing expenses may also be counted as cost sharing, but is not treated as a direct cost.

2.8.0 Cost Transfers

When federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, the credit amount for direct charges is always based on the same amount(s) or rate(s) originally used to charge or allocate costs to the project. The credit amount for indirect costs is based on the indirect cost rate in effect at the time of the transfer, which in some instances may differ from the indirect cost rate at the time of the original charge. The differences, if any, do not result in a material impact on Federal awards.

2.9.0 Interorganizational Transfers

University of California Office of the President costs are allocated to segments as described in
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>the continuation sheet for item 7.2.0.</td>
</tr>
</tbody>
</table>

End of Part II
**Instructions for Part III**

Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.

A. Direct Charge or Allocation  
B. Total Expenditures  
C. Modified Total Cost Basis  
D. Modified Total Direct Cost Basis  
E. Salaries and Wages  
F. Salaries, Wages and Fringe Benefits  
G. Number of Employees (head count)  
H. Number of Employees (full-time equivalent basis)  
I. Number of Students (head count)  
J. Number of Students (full-time equivalent basis)  
K. Student Hours--classroom and work performed  
L. Square Footage  
M. Usage  
N. Unit of Product  
O. Total Production  
P. More than one base (Separate Cost Groupings) *  
Y. Other(s) *  
Z. Category or Pool not applicable

* Describe on a Continuation Sheet
3.1.0 **Indirect Cost Categories - Accumulation and Allocation.** This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

<table>
<thead>
<tr>
<th>Indirect Cost Category</th>
<th>Accumulation Method</th>
<th>Allocation Base Code</th>
<th>Allocation Sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Depreciation/Use Allowances/Interest</td>
<td>yes</td>
<td>L</td>
<td>1</td>
</tr>
<tr>
<td>Revised Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised Equipment</td>
<td>yes</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Revised Capital Improvements to Land</td>
<td>yes</td>
<td>H+J</td>
<td></td>
</tr>
<tr>
<td>Revised Interest *</td>
<td>in part*</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Revised b) Operation and Maintenance</td>
<td>yes</td>
<td>L</td>
<td>2</td>
</tr>
<tr>
<td>Revised c) General Administration and General Expense</td>
<td>yes</td>
<td>C &amp; D</td>
<td>3</td>
</tr>
<tr>
<td>Revised d) Departmental Administration</td>
<td>in part*</td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>Revised e) Sponsored Projects Administration</td>
<td>yes</td>
<td>Y1*</td>
<td></td>
</tr>
<tr>
<td>Revised f) Library</td>
<td>yes</td>
<td>Y2*</td>
<td></td>
</tr>
<tr>
<td>Revised g) Student Administration and Services</td>
<td>yes</td>
<td>K</td>
<td></td>
</tr>
<tr>
<td>Revised h) Other *</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
### Item No. | Item Description | Revision Number 2, Effective Date 04/23/04
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#### 3.2.0 Service Centers

Service Centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Scientific Computer Operations</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>b) Business Data Processing</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>c) Animal Care Facilities</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
</tr>
</tbody>
</table>

**d) Other Service Centers with Annual Operating Budgets exceeding $1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost.** (Specify below; use a Continuation Sheet, if necessary)

- **Communication Services**: Code "C" - billing rates are based on historical costs; Code "B" - rates are based on a combination of historical and projected costs; Code "Y" - other (explain on a Continuation Sheet).

- **Storehouse**: Code "C" - billing rates are based on historical costs; Code "B" - rates are based on a combination of historical and projected costs; Code "Y" - other (explain on a Continuation Sheet).

1) **Category Code**: Use code "A": - if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost pools; code "C" if billed to both direct and indirect cost objectives.

2) **Burden Code**: Code "A" - center receives an allocation of all applicable indirect costs; Code "B" - partial allocation of indirect costs; Code "C" - no allocation of indirect costs.

3) **Billing Rate Code**: Code "A" - billing rates are based on historical costs; Code "B" - rates are based on projected costs; Code "C" - rates are based on a combination of historical and projected costs; Code "D" - billings are based on the actual costs of the billing period; Code "Y" - other (explain on a Continuation Sheet).

4) **User Charges Code**: Code "A" - all users are charged at the same billing rates; Code "B" - some users are charged at different rates than other users (explain on a Continuation Sheet).

5) **Actual Costs vs. Revenues Code**: Code "A" - billings (revenues) are compared to actual
costs (expenditures) at least annually; Code "B" - billings are compared to actual costs less frequently than annually.

6) Variance Code: Code "A" - Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B" - variances are carried forward as adjustments to billing rate of future periods; Code "C" - annual variances are charged or credited to indirect costs; Code "Y" - other (explain on a Continuation Sheet).

3.3.0 Indirect Cost Pools and Allocation Bases

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to federally sponsored agreements or similar cost objectives.)

<table>
<thead>
<tr>
<th>Indirect Cost Pools</th>
<th>Allocation Base Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Instruction</td>
<td></td>
</tr>
<tr>
<td>facility &amp; admin pools except SPA</td>
<td>On-Campus D</td>
</tr>
<tr>
<td>admin pools except SPA</td>
<td>Off-Campus D</td>
</tr>
<tr>
<td>sponsored project admin (SPA)</td>
<td>Other * Y</td>
</tr>
<tr>
<td>B. Organized Research</td>
<td></td>
</tr>
<tr>
<td>facility &amp; admin pools except SPA</td>
<td>On-Campus D</td>
</tr>
<tr>
<td>admin pools except SPA</td>
<td>Off-Campus D</td>
</tr>
<tr>
<td>sponsored project admin (SPA)</td>
<td>Other * Y</td>
</tr>
<tr>
<td>C. Other Sponsored Activities</td>
<td></td>
</tr>
<tr>
<td>facility &amp; admin pools except SPA</td>
<td>On-Campus D</td>
</tr>
<tr>
<td>admin pools except SPA</td>
<td>Off-Campus D</td>
</tr>
<tr>
<td>sponsored project admin (SPA)</td>
<td>Other * Y</td>
</tr>
</tbody>
</table>

3.4.0 Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)

* Describe on a Continuation Sheet
### Item No. | Item Description | Revision Number 2, Effective Date 04/23/04
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3.5.0 **Composition of Allocation Bases.** (For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first $25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study.)

3.6.0 **Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.** Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?

A. **xx Yes**

B. ***No *

* Describe on a Continuation Sheet
Indirect Cost Categories - Accumulation and Allocation

UC C&G Manual Chapter 8, Indirect Costs (revised 11/09/98), Section 8-330 provides information on the accumulation of indirect cost categories. [http://ucop.edu/raohome/cgmanual/chap08.html#8-](http://ucop.edu/raohome/cgmanual/chap08.html#8-).

Note: except for (a) below, indirect cost expenses are recorded and accumulated in the University’s financial accounting system. But because the financial accounting system was not created for OMB Circular A-21 and Cost Accounting Standards purposes, some regrouping of the recorded costs is necessary. For example, University development fundraising activity is recorded by the financial accounting system as Institutional Support (the equivalent of general administrative and general expense), but must be reclassified as Other Institutional Activity to meet Circular A-21 purposes. Such reclassifications are generally based on attributes found in the financial accounting system data (e.g., financial accounts linked to the Development Office in the foregoing example are reclassified from Institutional Support to Other Institutional Activity). The reclassified costs are reconcilable to the University’s audited financial statements.

(a) Depreciation/Use Allowance/Interest:

Beginning July 1, 2001, in accordance with the requirements of GASB Statement No. 34 and 35, depreciation costs of capital assets are recorded in the formal accounting system. Interest: Interest expense on University debt, including State of California capital leases, is included in the University’s financial accounting system. The University’s prorated share of the State of California General Obligation interest cost is not recorded in the University’s financial accounting system, but is added to the cost accounting system in accordance with OMB Circular A-21, Section C.6. The interest costs are described and set forth in the Facilities and Administrative Rate Proposal:


(b) Operation and Maintenance: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

(c) General Administration and General Expense: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

(d) Departmental Administration:
The administrative allowance described in Paragraph F.6.a.(2)(a) of OMB Circular A-21 is not recorded in the financial accounting system, but is calculated in the cost accounting system.

Administrative expenses of deans’ offices are identified in the financial accounting system by department, account and fund.

Allowable administrative expenses within academic departments and research units are recorded, but not always separately identified, in the financial accounting system. When these costs are not separately identified, they are accumulated in the cost accounting system using data from the financial accounting system, through a calculation which separates allowable administrative expenses from direct instruction and departmental research expenses.

The departmental administration calculation, including the faculty administrative allowance (FAA), the direct charge equivalent (DCE), and the separation of administrative expenses from direct expenses, is set forth in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IX D, Direct Charge Equivalent / Departmental Administration Calculation summary by Department.

(e) Sponsored Project Administration: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

Y¹ - Sponsored Project Administration costs are allocated to benefiting direct cost functions based on the modified total direct cost of sponsored agreements in each direct cost function.

(e) Library: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

Y² - Library costs are allocated to the direct cost functions of instruction, research, other sponsored projects and other institutional activities based on the number of employees, students and outside users and on the salaries and wages of employees.

(g) Student Administration and Services: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

3.2.0 Service Centers

Explanation for User Charges Code “B” in Column (4): If the operating costs of a service center include costs that are potentially unallowable charges to Federally sponsored agreements, the service center may develop one set of rates for charging Federally supported
activities that excludes recovery of such costs, and a second set of rates for charging non-
Federally supported activities that includes recovery of such costs. Alternatively, a single rate
may be used, with unallowables refunded at the end of each year. In addition, service centers
may add an overhead burden to the billing rates for non-University customers. University of
California guidelines for costing and pricing procedures for auxiliary and service enterprises
and academic support units are set forth in Business and Finance Bulletins A-59, Costing and
Working Capital for Auxiliary and Service Enterprises (08/01/94), and A-56,
Academic Support Unit Costing and Billing Guidelines (07/01/82), respectively, found
on the Internet at:
http://www.ucop.edu/ucophome/policies/bfb/a56.html and

3.2.0 d) Other Service Centers
Revised

<table>
<thead>
<tr>
<th>Mailing and Receiving</th>
<th>C</th>
<th>A</th>
<th>C</th>
<th>B</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Plant Services (Physical Plant)</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Electrical and Computer Engineering Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Biological Sciences Storehouse and Technical Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Chemistry Storehouse and Technical Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Physics Storehouse, Electronics Shop, Machine Shop, and Technical Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
</tbody>
</table>

3.3.0 Indirect Cost Pools and Allocation Bases

For a description of Allocation Base Codes D and Y\(^1\), see item 3.5.0 below.

3.4.0. Composition of Indirect Cost Pools
Revised

The composition of each cost pool is set forth in detail in the Facilities and Administrative Rate Proposal:

FY 98-99, Section XIII A, Schedule of Accounts and Funds in Each Cost Pool.

Included are asset values, use allowance and depreciation calculations for buildings, general improvements and equipment, as well as interest cost identified by building. The University’s Equipment Useful Life Table is updated periodically to add new classifications of equipment and to update lives when appropriate. The UCSB FY 98-99 F&A Rate Proposal used the table in effect at June 30, 1998. The University, HHS, DCA, and the State of California came
to an agreement regarding the appropriate allocation of State General Obligation Bond interest to the University and to individual University assets. Copies of letters from DCA approving the mechanism for allocation of the State General Obligation Bond interest costs are available upon request. The calculation of departmental administration costs by department, including the faculty administrative allowance (FAA), the direct charge equivalent (DCE), and the separation of administrative expenses from direct expenses, is detailed in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IX D, Direct Charge Equivalent / Departmental Administration Calculation summary by Department.

The process and amounts whereby some indirect cost pools receive an allocable share of costs from other indirect pools is set forth in the Stepdown Allocation Report in the Facilities and Administrative Rate Proposal:

FY 98-99, Section II E, Stepdown Schedule of Costs.

### 3.5.0 Composition of Allocation Bases

The specific allocation base for each facilities and administrative cost pool is described in the Facilities and Administrative Rate Proposal:

FY 98-99, Section V A, Plant Assets and Interest Expense Cost Pool Definitions and Basis of Allocation,
Section V D, Allocation by Indirect Cost Pool to Group Report,
Section VI A, Equipment Depreciation Cost Pool Definitions, Description of Depreciation Methodology and Basis of Allocation,
Section VI F, Allocation by Indirect Cost Pool to Group Report,
Section VII A, Operation & Maintenance Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation,
Section VII C, Allocation by Indirect Cost Pool to Group Report,
Section VIII A, General Administration Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation,
Section VIII D, Allocation by Indirect Cost Pool to Group Report,
Section IX A, Department Administration Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation,
Section IX C, Allocation by Indirect Cost Pool to Group Report,
Section X A, Sponsored Project Administration Cost Pool Definition, Description of Methodology Used to Accumulate Costs and Basis of Allocation,
Section X D, Allocation by Indirect Cost Pool to Group Report,
Section XI A, Library Cost Pool Definition, Description of Methodology Used to Accumulate Costs and Basis of Allocation,
Section XI C, *Allocation by Indirect Cost Pool to Group Report*,
Section XII A, *Student Administrative Services Cost Pool Definitions, Description of Methodology Used to Accumulate Costs and Basis of Allocation*,
Section XII C, *Allocation by Indirect Cost Pool to Group Report*.

**Revised**

**C - Modified Total Cost Basis:** For direct cost pools, all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract are included. Equipment, capital expenditures, charges for tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 are excluded. Other items, such as cost of goods sold, are excluded where necessary to avoid a serious inequity in the distribution of indirect costs. Service centers are included. A complete list of exclusions and base adjustments is set forth in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IV A, *Summary Exclusion Report*, and
Section IV B, *Detail Exclusion Report by Cost Pool and Account*.

For indirect cost pools, all salaries and wages, fringe benefits, materials and supplies, services, travel and consultant contracts are included. Equipment and capital expenditures are excluded.

**D - Modified Total Direct Cost Basis:** All direct salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract are included. Direct equipment, capital expenditures, tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 are excluded. Other direct costs, such as cost of goods sold, are excluded where necessary to avoid a serious inequity in the distribution of indirect costs. Service centers are included. A complete list of exclusions and base adjustments is set forth in the Facilities and Administrative Rate Proposal:

FY 98-99, Section IV A, *Summary Exclusion Report*, and
Section IV B, *Detail Exclusion Report by Cost Pool and Account*.

**H+J - Employees plus Students:** Full-time equivalent basis. The amount allocated to the employee category is further allocated to the major functions of the University in proportion to the salaries and wages of all employees applicable to those functions. The amount allocated to the student category is assigned to the instruction function of the University.

**K - Student Hours:** Classroom and work performed. All student classroom hours are classified as instruction hours. Work hours are classified as instruction, research, other sponsored projects, or other institutional activities based on the work performed. The ratio of hours classified to each of the direct functions is used to allocate the student administration and services cost pool with costs analogous to employee fringe benefits. Other student
administration and services costs deemed to benefit only instruction, e.g. convocation costs, are pooled separately and allocated only to the instruction function.

L - Square Footage: All usable square footage of benefiting direct and indirect activities is included. Common areas such as hallways, stairwells and restrooms are excluded. The square footage of a given room is assigned to direct and indirect cost objectives based on a survey of the space usage of the room during the fiscal year or, in the absence of survey data, based on salaries and wages of the department occupying the space. A detailed description of the space utilization survey process is included in the Facilities and Administrative Rate Proposal:

FY 98-99, Section XVI A, Copy of Space Survey Form Used by the Campus, and Section XVI B, Definitions of the Functionalized Space, and Section XVI C, www (Internet) Version of the Space Survey Form and Definitions.

Effective July 1, 1998, utilities costs are not distributed on the basis of a utility usage survey or cost analysis since A-21 no longer allows the use of special cost studies. The campus will apply the utility cost adjustment (UCA) as allowed by A-21.

Y\(^1\) - Sponsored Project Administration costs are allocated to benefiting direct cost functions based on the modified total direct cost of sponsored agreements in each direct cost function.

Revised Y\(^2\) - Library costs are allocated to the direct cost functions of instruction, research, other sponsored projects and other institutional activities based on the number of employees, students and outside users and on the salaries and wages of employees.

End of Part III
### Part IV

#### 4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

(For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.)

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Method</th>
<th>Useful Life</th>
<th>Property Unit</th>
<th>Residual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised (a) Land Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (b) Buildings</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (c) Building Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (d) Leasehold Improvements</td>
<td>A</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (e) Equipment (Moveable)</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (f) Furniture and Fixtures</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (g) Automobiles and Trucks</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (h) Tools</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) Enter Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. Otherwise enter Code Z.

**Column (1) - Depreciation Method Code**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Straight Line</td>
</tr>
<tr>
<td>B</td>
<td>Expensed at Acquisition</td>
</tr>
<tr>
<td>C</td>
<td>Use Allowance</td>
</tr>
<tr>
<td>Y</td>
<td>Other or more than one method *</td>
</tr>
</tbody>
</table>

**Column (2) - Useful Life Code**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Replacement Experience</td>
</tr>
<tr>
<td>B</td>
<td>Term of Lease</td>
</tr>
<tr>
<td>C</td>
<td>Estimated service life</td>
</tr>
<tr>
<td>D</td>
<td>As prescribed for use allowance by Office of Management and Budget Circular No. A-21</td>
</tr>
<tr>
<td>Y</td>
<td>Other or more than one method *</td>
</tr>
</tbody>
</table>

**Column (3) - Property Unit Code**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Individual units are accounted for separately</td>
</tr>
<tr>
<td>B</td>
<td>Applied to groups of assets with similar service lives</td>
</tr>
</tbody>
</table>

**Column (4) - Residual Value Code**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Residual value is deducted</td>
</tr>
<tr>
<td>B</td>
<td>Residual value is not deducted</td>
</tr>
<tr>
<td>Item No.</td>
<td>Item Description</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------</td>
</tr>
<tr>
<td>C.</td>
<td>Applied to groups of assets with varying service lives</td>
</tr>
<tr>
<td>Y.</td>
<td>Other or more than one method *</td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
Item No. | Item Description | Revision Number 2, Effective Date 04/23/04
--- | --- | ---
4.1.1 | Asset Valuations and Useful Lives | Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)
A. Yes* | B. No

4.2.0 | Fully Depreciated Assets | Is a usage charge for fully depreciated assets charged to federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)
A. Yes | B. No

4.3.0 | Treatment of Gains and Losses on Disposition of Depreciable Property | Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

Revised
A. Excluded from determination of sponsored agreements costs | B. Credited or charged currently to the same pools to which the depreciation of the assets was originally charged
C. Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved
D. Not accounted for separately, but reflected in the depreciation reserve account | Y. Other(s) *
Z. Not applicable

4.4.0 | Criteria for Capitalization | (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)
A. Minimum Dollar Amount $1,500 for moveable equipment | Revised B. Minimum Life Years More than 1 year

4.5.0 | Group or Mass Purchase | Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>xx____Yes</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>xx____No</td>
<td></td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
COST ACCOUNTING STANDARDS BOARD
PART IV DEPRECIATION AND USE ALLOWANCE
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

NAME OF REPORTING UNIT
University of California, Santa Barbara Campus

Item No. Item Description Revision Number 2, Effective Date 04/23/04

Continuation Sheet

4.1.0 Revised Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Method</th>
<th>Useful Life</th>
<th>Property Unit</th>
<th>Residual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Software</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>B</td>
</tr>
</tbody>
</table>

4.1.1 Revised Asset Valuations and Useful Lives.

Asset valuations and useful lives are consistent with those used in the institution’s financial statements; the University began reporting depreciation on its financial statements in the fiscal year ended 06/30/02 as required by GASB Statement No. 35.

4.4.0 Revised Criteria for Capitalization.

Moveable equipment is capitalized if the per-item cost (or fair market value if donated) is $1,500 or more, and its useful life is greater than one year.

Significant additions, replacements, major repairs, and renovations to infrastructure and buildings are generally capitalized if the costs exceeds $35,000, and if they have a useful life of more than one year.

There is no minimum dollar threshold for capitalization of other assets; however, other assets must have a useful life of more than one year to be capitalized.


4.5.0 Revised Group or Mass Purchase.

Initial complement of mass purchases related to new buildings are capitalized as part of original construction costs. All other purchases are capitalized only if they meet the criteria for capitalization as defined in 4.4.0.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
</table>

End of Part IV
### Part V

#### 5.1.0 Method of Charging Leave Costs
Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))

| A. | x  | Cash * |
| B. | x  | Accrual * |

#### 5.2.0 Applicable Credits
This item is directed at the treatment of "applicable credits" as defined in Section C of Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)

| A. | _____ | The credits/receipts are offset against the specific direct or indirect costs to which they relate. |
| B. | _____ | The credits/receipts are handled as a general adjustment to the indirect pool. |
| C. | _____ | The credits/receipts are treated as income and are not offset against costs. |
| D. | xx | Combination of methods * |
| Y. | _____ | Other * |

* Describe on a Continuation Sheet
**Item No.** | **Item Description**                                | **Revision Number 2, Effective Date 04/23/04**
---|--------------------------------------------------|--------------------------------------------------

### Continuation Sheet

**5.1.0 Method of Charging Leave Costs**

Effective February 1, 1999, the Santa Barbara Campus converted the charging of vacation leave costs to the accrual basis of accounting. All other leave costs, including sick, holiday, sabbatical and other (e.g. jury duty) leave costs are charged on the cash basis of accounting. Leave costs other than sabbatical leave are measured based on actual costs, assigned to the University fiscal year in which leave is taken or accrued, and allocated to direct and/or indirect objectives on a prorated basis consistent with the allocation of the employee's salary and wages or reported effort. Sabbatical leave costs are not charged to sponsored agreements unless specific work on sponsored agreements are performed by individuals during the course of their sabbatical or are earned and taken during the course of long term projects at the Institute of Theoretical Physics. University policy on vacation leave accrual is set forth in Accounting Manual chapter P-196-13 (06/30/97), *Payroll: Attendance, Time Reporting, and Leave Accrual Records*, which can be found on the Internet at: [http://www.ucop.edu/ucophome/policies/acctman/p-196-13.pdf](http://www.ucop.edu/ucophome/policies/acctman/p-196-13.pdf).

The designations and eligibility criteria for other paid leaves vary by personnel program and labor contract. A list of Human Resources Administration policies can be found at: [http://atyourservice.ucop.edu/employees/policies/staff_policies/index.html](http://atyourservice.ucop.edu/employees/policies/staff_policies/index.html).

**5.2.0 Applicable Credits**

All discounts, rebates or allowances are offset against the specific direct or indirect costs to which they relate. In some circumstances certain types of revenue are appropriately treated as an applicable credit for indirect cost computations. In such circumstances a general adjustment is made to the appropriate cost pool. All cost pool adjustments are detailed in the Facilities and Administrative Rate Proposal:

*FY 98-99, Section I B, *Overview*, and
  Section II D, *Schedule 4, Expenditures by Cost Pool, Including Additions, Adjustments and Reclassifications.**

University policy on unclaimed and uncashed checks is described in Accounting Manual chapter C-173-78, *Cash: Unclaimed and Uncashed Checks (06//30/01)*, which can be found on the Internet at: [http://www.ucop.edu/ucophome/policies/acctman/c-173-78.pdf](http://www.ucop.edu/ucophome/policies/acctman/c-173-78.pdf).

End of Part V
Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirements benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to federally sponsored agreements are material, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined- Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>Number of Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. xx Institution employees participate in State/Local Government Retirement Plan(s)</td>
<td>1</td>
</tr>
<tr>
<td>Revised B. xx Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution</td>
<td>1</td>
</tr>
<tr>
<td>C. xx Institution has its own Defined-Contribution Plan(s) *</td>
<td>2</td>
</tr>
</tbody>
</table>

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>* Describe on a Continuation Sheet</td>
<td></td>
</tr>
</tbody>
</table>
Item No. | Item Description | Revision Number 2, Effective Date 04/23/04
--- | --- | ---
6.2.0 | Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs). (Identify on a continuation sheet all PRB plans whose costs are charged to federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.) |  
Z. [ ] Not applicable

6.2.1 | Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.) |  

6.3.0 | Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.) |  
A. ____ When accrued (book accrual only)  
B. ____ When contributions are made to a nonforfeitable fund  
C. ____ When contributions are made to a forfeitable fund  
D. ____ When the benefits are paid to employee  
E. xx When amounts are paid to an employee welfare plan  
Y. ____ Other or more than one method *  
Z. ____ Not Applicable

6.4.0 | Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.) |  

6.4.1 | Worker's Compensation and Liability. Costs of such self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.) |  
A. ____ When claims are paid or losses are incurred (no provision for reserves)  
B. ____ When provisions for reserves are recorded based on the present value of the liability  
C. ____ When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability  
D. xx When funds are set aside or contributions are made to a fund  
Y. ____ Other or more than one method *  
Z. ____ Not Applicable

* Describe on a Continuation Sheet
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 2, Effective Date 04/23/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.4.2</td>
<td>Casualty Insurance</td>
<td>Costs of such self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.)</td>
</tr>
<tr>
<td>A.</td>
<td>When losses are incurred (no provision for reserves)</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>When provisions for reserves are recorded based on replacement costs</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles</td>
<td></td>
</tr>
<tr>
<td>D.</td>
<td>Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)</td>
<td></td>
</tr>
<tr>
<td>Y.</td>
<td>Other or more than one method *</td>
<td></td>
</tr>
<tr>
<td>Z.</td>
<td>Not Applicable</td>
<td></td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
Continuation Sheet

6.1.1 Defined- Contribution Plan

Description for item C: The University offers eligible employees a tax-deferred retirement plan described under section 401(a) of the Internal Revenue Code. The 401(a) plan features separate accounts for nonelective pre-tax contributions and elective after-tax contributions. The University also offers eligible employees a tax-deferred retirement plan described under section 403(b) of the Internal Revenue Code. Contributions to the 403(b) program are made on a pre-tax basis and participation in the plan is voluntary.

6.1.2 Defined-Benefit Pension Plan

Actuarial cost method(s): Normal Cost and Actuarial Accrued Liability-Entry Age Normal.

Asset valuation method: Actuarial value of assets is determined using the adjusted market value method -- the expected market value plus investment gains/losses amortized over a five-year period. On July 1, 1994, the University set the actuarial value of assets equal to the market value of assets.

Criteria for changing actuarial assumptions and computations: Past experience trends and future expectations are considered and are periodically reviewed by The Regents and the trustees of the UC Retirement Plan. Currently the following assumptions are used:

Economic assumptions: investment return; annual rates of increase in salaries (inflation component plus merit and promotion component); consumer price index.

Demographic assumptions: mortality (1983 Group Mortality Table set back two years); termination rates, based on plan experience; disability rates, based on plan experience; disabled mortality, 1987 Group Long Term Disability Table; retirement; form of benefit payment; percentage married; spouse ages, wives 3 years younger than husbands; number of dependents of married members; refund probability; future service for part-time employees; entry age; administrative expenses.

Amortization periods for prior service costs: Currently there are no prior service costs to be amortized.

Amortization periods for actuarial gains and losses: Currently there is no amortization of actuarial gains and losses.

Funding Policy: The Regents' funding policy provides for actuarially determined periodic contributions at rates that provide for sufficient assets to be available when benefits are due, measured in line with the tax-deductible contribution limits set forth in IRC Sec. 412. The contribution rate is determined using the entry age normal actuarial funding method. The
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<td>significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation.</td>
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6.2.0 Post Retirement Benefits Other Than Pensions

Medical and dental insurance benefits are provided as post retirement benefits other than pension at the University of California. As of January 1997, these benefits were provided through 11 medical plans and two dental plans. Listed below are the names of each plan and their corresponding annuitant enrollment for all retirees.

Medical Programs:

- Core Major Medical (California) 72
- Core Major Medical (N. Mexico) 345
- Takecare 664
- Other 1
- Health Net 5,316
- Kaiser North 6,044
- Kaiser South 2,734
- Los Alamos Total Care 3,372
- PacifiCare 651
- Prudential High Option 9,454
- UC Care 4,652

Total Annuitant Medical 33,305

Dental Programs:

- Delta Dental 30,594
- PMI 1,663

Total Annuitant Dental 32,257

The plans and enrollment figures shown above are for the entire University of California system, and the cost of these benefits is allocated to all University segments including Santa Barbara.

6.2.1 The University’s PRB costs are determined on the basis of cash accounting.

End of Part VI
DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP
(INTERMEDIATE ADMINISTRATION) OFFICE, AS APPLICABLE.

Instructions for Part VII

This part should be completed only by the central system office or a group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one on the segments is required to file Parts I through VI of the Disclosure Statement.

The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.

7.1.0 Organizational Structure.

On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC's), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.

7.2.0 Cost Accumulation and Allocation.

On a continuation sheet, provide a description of:

A. The services provided to segments of the university or university system (including hospitals, FFRDC's, GOCO facilities, etc.), in brief.

B. How the costs of the services are identified and accumulated.

C. The basis used to allocate the accumulated costs to the benefiting segments.

D. Any costs that are transferred from a segment to the central system office or the intermediate administrative office, and which are reallocated to another segment(s). If none, so state.

E. Any fixed management fees that are charged to a segment(s) in lieu of a prorata or allocation basis and the basis of such charges. If none, so state.
Continuation Sheet

7.1.0 Organizational Structure

Revised

The University of California system is coordinated by an Office of the President, composed of the President, Vice Presidents, Regents’ Officers, and their staffs. The President reports to The Board of Regents of the University of California, a body of 18 appointed and 7 ex officio members. The primary function of the Office of the President is to represent the University of California system, shown as segments below, as a single institution to state and federal agencies, particularly in matters of budget and legislation, and to set systemwide policy and direction. In addition, some research and public service funds are held at the corporate office and allocated annually to campuses, as are library and affirmative action provisions. The Division of Agriculture and Natural Resources, a statewide system of campus-based academic and research programs, county cooperative extension offices and many special statewide projects, is coordinated by one of the Vice Presidents.

University Campus Segments:

University of California, Berkeley
University of California, Davis
University of California, Irvine
University of California, Los Angeles
University of California, Merced
University of California, Riverside
University of California, San Diego
University of California, San Francisco
University of California, Santa Barbara
University of California, Santa Cruz

Government-owned Contractor-operated (GOCO) Segments:

Ernest Orlando Lawrence Berkeley National Laboratory
Lawrence Livermore National Laboratory
Los Alamos National Scientific Laboratory

Teaching Hospital Segments:

University of California, Davis Medical Center
University of California, Irvine Medical Center
University of California, Los Angeles Medical Center
University of California, San Diego Medical Center
University of California, San Francisco Medical Center
Continuation Sheet

7.2.0 Cost Accumulation and Allocation

Revised

A. Services performed at the Office of the President on behalf of the entire University include the following: research funding allocations; academic planning; health science programs; faculty, staff and student policies; budget development, negotiation, and allocation; external and governmental relations; facilities administration; audit; corporate accounting; research policy; central administrative databases; treasurer functions; and legal affairs. There are also special services requested by and performed for specific campuses.

B. As described in sections 1.1.0 and 1.2.0 above, the financial accounting system records and accumulates expenditures according to funding source, program purpose and expense categories. The expenditures of the Office of the President as well as those at each of the ten campus locations are separately identifiable within the formal accounting system. The information accumulated in the accounting system is reclassified into cost pools in accordance with OMB Circular A-21.

C. Office of the President costs are reclassified into the cost pools of building use, equipment use, operation and maintenance, general administration, sponsored project administration, library, student administration and services, instruction, research, other sponsored activities and other institutional activities. Adjustments are made to these pools to reflect services provided to the three Government-owned, Contractor-operated facilities and five teaching hospitals. The building, equipment and operation and maintenance costs which support the departments and units within the Office of the President are allocated to the other cost pools within the Office of the President based on salary and wages. Operation and maintenance costs such as facility planning which benefit the entire University are allocated to campuses based on the ratio of total assigned square footage at the campuses. General administration costs are allocated to campuses based on the ratio of total current funds expenditures at the campuses. Sponsored projects administration costs are allocated to campuses based on the ratio of total sponsored project receipts at the campuses. Library costs are allocated to campuses based on the ratio of total library costs at the campuses. Student administration and services costs are allocated to campuses based on the ratio of total student activity costs at the campuses. Services performed for specific campuses are recharged to those campuses and do not appear as central office costs. Details of the cost pool adjustments made to reflect the cost of services provided by the Office of the President to the GOCO facilities and medical centers are contained in the cost plan for the UC Office of the President, submitted to the HHS Division of Cost Allocation as part of their review of the Facilities and Administrative Rate Proposal (FY 98-99).

D. Beginning July 1, 2000, the accounting office of the Los Angeles campus will provide general accounting support for the Office of the President. The cost of this service is transferred to the Office of the President’s general administration cost pool during the indirect cost rate...
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End of Part VII