

Cost Accounting Standards Board
Disclosure Statement (Form DS-2)

University of California, Irvine

Revision Number 2, Effective Date April 1, 2012

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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.

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0.1 Educational Institution

- (a) Name Campus Segment of University of California, Irvine, (UCI) excluding UCI Medical Center as defined in Part VII
- (b) Street Address Campus Drive
- (c) City, State and ZIP Code Irvine, California 92697
- (d) Division or Campus of (if applicable) University of California (University)

0.2 Reporting Unit is: (Mark one.)

- A. Independently Administered Public Institution
- B. Independently Administered Nonprofit Institution
- C. 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: Joao Pires, Director, Costing Policy & Analysis
- (b) Phone Number (include area code and extension): (510) 987-9844

0.4 Statement Type and Effective Date:

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

Revised

- (a) Original Statement
- (b) Amended Statement; Revision No.2

Revised

- B. Effective Date of this Statement: (Specify) April 01, 2012.

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0.5 Statement Submitted To (Provide office name, location and telephone number, include area code and extension):

A. Cognizant Federal Agency: Department of Health and Human Services
Director, Division of Cost Allocation
Revised 700 Wisconsin Ave.
Suite 2300.
Bethesda, MD 20857
(301) 492-4855

B. Cognizant Federal Auditor: Department of Health and Human Services
Office of the Inspector General
Revised Office of Audit, Suite 3-650
90 7th Street
San Francisco, CA 94103
(415) 437-8360

Additional copy furnished to Cognizant Federal F&A Cost Negotiator:

C. Department of Health and Human Services
Revised Division of Cost Allocation
Office of the Director, Suite 4-600
90 7th Street
San Francisco, CA 94103
(415) 437-7820

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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: 4/19/12

Peggy Arrivas
(Signature)

Peggy Arrivas
(Name)

Associate Vice President and Systemwide Controller
(Title)

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

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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. 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. 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. Combination of A, B or C *
- E. Determinable by other means. *

* Describe on a Continuation Sheet

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1.3.1	<u>Treatment of Unallowable Costs.</u> (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	<u>Cost Accounting Period:</u> <i>7/1 to 6/30</i> 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	<u>State Laws or Regulations.</u> 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.	

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FY 2008-09, Volume 1, Section B.4, *Reconciliation Schedule 4, Expenditures by Cost Pool Including Additions, Adjustments and Reclassifications.*

1.3.0 Unallowable Costs

Revised

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 06/30/2010), page 61, 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 2008-09, Volume 1, *Summary Schedules – Overview*;
Volume 1, Section B.2, *Costs by Financial Statement Function, Less Exclusions*; and
Volume 1, Section B.3, *Reconciliation Schedule 3, Restatement of Costs to A-21 Cost 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.

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1.3.1 Treatment of Unallowable Costs

Revised

Unallowable costs are either excluded or are reclassified as OIA costs. The F&A Rate Proposal, Section B.3, *Reconciliation Schedule 3, Restatement of Costs to A-21 Cost Groups* summarizes the costs reclassified as OIA costs. FY 2008-09, Volume 1, Section B.2, *Costs by Financial Statement Function, Less Exclusions*, 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.

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 Organizational Offices (e.g. Deans), 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 increments in excess of the limitation are included in the appropriate direct cost base whenever F&A rate proposals are prepared.

1.5.0 State Laws or Regulations

State of California regulations place restrictions on the use of State funds, and also establish financial reporting requirements for various funds. Other areas of state regulations which influence UCI's cost accounting practices are:

- The State mandates the fiscal year used by the University.
- The State has restrictions on the types of costs that are direct or indirect for State sponsored agreements.

End of Part I

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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.)

Direct Personal Services Category

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

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.)

_____ Yes
xx No

* Describe on a Continuation Sheet

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2.5.2	<u>Salary and Wage Cost Accumulation System.</u> (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	<u>Description of Direct Fringe Benefits Costs.</u> 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 <u>all</u> 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	<u>Method of Charging Direct Fringe Benefits.</u> (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	<u>Description of Other Direct Costs.</u> 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.)	

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2.8.0 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.)

_____ Yes
xx No

2.9.0 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.)

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

* Describe on a Continuation Sheet

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FY 2008-09, Volume 2, Section F.1, *Department Administration – Narrative Description of Cost Pool Composition and Allocation*, and Section F.5, *Detail Examples of DCE/DA Calculation*.

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 July 2011), at:

<http://ucop.edu/raohome/cgmanual/chap05.pdf>

and in the UCI guideline on Cost Sharing -

<http://snap.uci.edu/viewXmlFile.jsp?resourceID=613>

The campus Cost Sharing Tracking System and Cost Sharing Contribution report 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 Description of Direct Materials Revised

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

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are not limited to, general- and special-purpose non-capital items, computer software, lab instruments and supplies, lab glass/ceramics, chemicals, gases, publication costs/page charges, and reference books and periodicals.

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, and by the National Institutes of Health in a notice in the NIH Guide dated September 23, 1994. 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 2008-09, Volume 2, Section F.1, *Department Administration – Narrative Description of Cost Pool Composition and Allocation*, Section F.2, *Schedule of Included Costs*, and Section F.5, *Detail Examples of DCE/DA Calculation*.

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

UCI manages three major inventories that may have withdrawals charged to sponsored projects as follows:

<u>Inventory</u>	<u>Inventory Costing</u>	<u>Inventory Charge Out</u>
Storehouse	Average Cost	Average cost plus material handling fee
Physical Sciences Stores	Average Cost	Average cost plus material handling fee
Plan Operations	Average Cost	Average cost plus material handling fee

A material handling fee is added to cover actual cost of inventory operations and is reviewed annually.

The Bookstore inventory is on the "Cost of Goods to Retail" method. Under this method sponsored projects are charged at retail value.

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2.4.0 Description of Direct Personal Services

Revised

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. 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. Also included as direct personal services costs are other additional compensation as defined in applicable personnel policies such as overtime, shift differential, and remote location allowances.

UCI classifies employees as academic, management and senior professional staff (MSP), professional and support staff (PSS), students and other . For purposes of this disclosure statement UCI classifications relate to the CASB DS-2 personal services categories as follows:

	<u>FACULTY</u>	<u>STAFF</u>	<u>STUDENTS</u>
Academics	xx	xx	xx
MSP		xx	
PSS		xx	xx
Other Employees		xx	

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, and by the National Institutes of Health in a notice in the NIH Guide dated September 23, 1994. 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 2008-09, Volume 2, Section F.1, *Department Administration – Narrative Description of Cost Pool Composition and Allocation*, Section F.2, *Schedule of Included Costs*, and Section F.5, *Detail Examples of DCE/DA Calculation*.

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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 2008-09, Volume 2, Section F.1, *Department Administration – Narrative Description of Cost Pool Composition and Allocation*, Section F.2, *Schedule of Included Costs*, and Section F.5, *Detail Examples of DCE/DA Calculation*.

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) (function/activity) 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 through ledger reviews and/or after-the-fact Payroll Certification Reports.

UC Irvine uses the HHS approved Payroll Certification System to support salary and wage charges to federal projects.

Information and guidelines for Payroll Certifications are found at:

<http://snap.uci.edu/viewXmlFile.jsp?resourceID=4941>

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.

2.6.0 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

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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 Method of Charging Direct Fringe Benefits

Revised

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 (revised January 26, 2011), Section 7-206, which can be found at:

<http://www.ucop.edu/raohome/cgmanual/chap07.pdf>

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 campus Resource Planning & Budget Office, periodically 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. Leave usage activity is recorded one month in arrears (i.e. vacation taken in April is recorded in May ledgers). UCI records usage of vacation and sick leave from June in July and makes no special adjustment a fiscal year end. Only 12 months of usage are recorded in each fiscal year.

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 benefiting 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

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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 2008-09, Volume 2, Section F.1, *Department Administration – Narrative Description of Cost Pool Composition and Allocation*, Section F.2, *Schedule of Included Costs*, and Section F.5, *Detail Examples of DCE/DA Calculation*.

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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 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

Revised

A. At full cost excluding indirect costs:

The cost of materials and supplies transferred to the UCI campus from the UCI Medical Center or other interorganizational segments are based on actual costs excluding all indirect costs.

The cost of services transferred to the UCI campus from interorganizational segments, except the UCI Medical Center, are based on actual direct costs excluding all indirect costs.

University of California Office of the President costs are allocated to segments as described in the continuation sheet for item 7.2.0.

End of Part II

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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.")

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

* Describe on a Continuation Sheet

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		(1)	(2)	(3)	(4)	(5)	(6)
3.2.0	<u>Service Centers</u> . 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.)						
Revised	a) Scientific Computer Operations	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	b) Business Data Processing	<u>Z</u>	—	—	—	—	—
	c) Animal Care Facilities	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
Revised	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)						
	Academic Computing	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Electronic Communications	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Fleet Services	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Storehouse	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Temporary Services	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Mail Division	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Plant Operations	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>

- 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).

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- 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.)

		<u>Allocation Base Code</u>
	<u>Indirect Cost Pools</u>	
	A. Instruction	
	<u>facility & admin pools except SPA</u>	On-Campus <u> D </u>
	<u>admin pools except SPA</u>	Off-Campus <u> D </u>
Revised	<u>sponsored project admin (SPA)</u>	Other * <u> Y¹ </u>
	B. Organized Research	
	<u>facility & admin pools except SPA</u>	On-Campus <u> D </u>
	<u>admin pools except SPA</u>	Off-Campus <u> D </u>
Revised	<u>sponsored project admin (SPA)</u>	Other * <u> Y¹ </u>
	C. Other Sponsored Activities	
	<u>facility & admin pools except SPA</u>	On-Campus <u> D </u>
	<u>admin pools except SPA</u>	Off-Campus <u> D </u>
Revised	<u>sponsored project admin (SPA)</u>	Other * <u> Y¹ </u>

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

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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

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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:

FY 2008-09, Volume 2, Section B.1, *Building Interest, Narrative Description of Cost Pool Composition and Allocation*, and Section B.3, *Interest Expense by Building*.

- (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 2008-09, Volume 2, Section F.1, *Department Administration – Narrative Description of Cost Pool Composition and Allocation*, Section F.2, *Schedule of Included Costs*, and Section F.5, *Detail Examples of DCE/DA Calculation*.

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

¹
Y - Sponsored Project Administration costs are allocated to benefiting direct cost

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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

Revised

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* (10/13/2008), and A-56, *Academic Support Unit Costing and Billing Guidelines* (09/30/2008), respectively, found on the Internet at:

<http://www.ucop.edu/ucophome/policies/bfb/a56.html> and
<http://www.ucop.edu/ucophome/policies/bfb/a59.html>.

3.3.0 Indirect Cost Pools and Allocation Bases

For a description of Allocation Base Codes D and Y¹, 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 2008-09, Volume 2, Sections A.2, B.2, C.2, D.2, E.2, F.2, G.2, H.2 and I.2, *Schedules of Included Costs by Cost Pool*.

Included are asset values, use allowance and depreciation calculations for buildings, general

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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 UCI FY 2008-09 F&A Rate Proposal used the table in effect at June 30, 2009. The costs of State General Obligation Bond interest allocable to the University is included in the state's annual federal Statewide Cost Allocation Plan (SWCAP) and are included in the Building Interest cost pool. 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 2008-09, Volume 2, Section F.1, Department Administration – Narrative Description of Cost Pool Composition and Allocation, Section F.2, Schedule of Included Costs, and Section F.5, Detail Examples of DCE/DA Calculation.

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 2008-09, Volume 1, Section B.5, Summary Stepdown Schedule.

3.5.0 Composition of Allocation Bases

Revised

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

FY 2008-09, Volume 2, Sections A.1, B.1, C.1, D.1, E.1, F.1, G.1, H.1 and I.1; Narrative Description of Cost Pool Composition and Allocation; and Sections A.4, B.4, C.4, D.4, E.3, F.3, G.3, H.4 and I.3; Allocation Statistics by Cost Pool.

Revised

C - Modified Total Cost Basis: For direct costs 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 of off-campus space, 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 2008-09, Volume 1, Section E.1, Narrative on Excluded and Included Costs, and Section E.2, Summary Schedule of Exclusions by Exclusion Group.

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.

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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 of off-campus space, 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 2008-09, Volume 1, Section E.1, Narrative on Excluded and Included Costs; Section E.2, Summary Schedule of Exclusions by Exclusion Group; and Volume 2, Sections A.2, B.2, C.2, D.2, E.2, F.2, G.2, H.2 and I.2, *Schedules of Included Costs by Cost Pool*.

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 2008-09, Volume 2, Section K1, Space Use Survey.

¹
Y - 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 ²
Y - 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.

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End of Part III

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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.)

Asset Category	<u>Depreciation Method</u> (1)	<u>Useful Life</u> (2)	<u>Property Unit</u> (3)	<u>Residual Value</u> (4)
Revised (a) Land Improvements	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (b) Buildings	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (c) Building Improvements	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (d) Leasehold Improvements	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Revised (e) Equipment (Moveable)	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (f) Furniture and Fixtures	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (g) Automobiles and Trucks	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (h) Tools	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Revised (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.	<u>Y</u>	<u>Y</u>	<u>Y</u>	<u>Y</u>

Column (1)-Depreciation Method Code

- A. Straight Line
- B. Expensed at Acquisition
- C. Use Allowance
- Y. Other or more than one method *

Column (2)-Useful Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance by Office of Management and Budget Circular No. A-21
- Y. Other or more than one method *

Column (3)-Property Unit Code

- A. Individual units are accounted for separately
- B. Applied to groups of assets with similar service lives

Column (4)-Residual Value Code

- A. Residual value is deducted
- B. Residual value is not deducted

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A. Yes*

B. No

* Describe on a Continuation Sheet

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Continuation Sheet

4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

Revised

Asset Category	<u>Depreciation Method</u> (1)	<u>Useful Life</u> (2)	<u>Property Unit</u> (3)	<u>Residual Value</u> (4)
Infrastructure	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
Software	<u>A</u>	<u>C</u>	<u>B</u>	<u>B</u>
Intangible Assets	<u>A</u>	<u>C</u>	<u>B</u>	<u>B</u>
Library Books/Special Collections	<u>A</u>	<u>C</u>	<u>B</u>	<u>B</u>

4.1.1 Asset Valuations and Useful Lives.

Revised

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 Criteria for Capitalization.

Revised

Moveable equipment is capitalized if the per-item cost (or fair market value if donated) is \$5,000 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 exceed \$35,000, and increase the asset's useful life, improve its productivity or capacity, or enhance the quality of output of the asset. Significant is determined by materiality, future benefit, and consistency of accounting.

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.

University policy regarding equipment fabrications is set forth in Accounting Manual chapter P-415-32 (12/30/98), *Plant Accounting: Fabricated Property*, which can be found on the Internet at:

<http://www.ucop.edu/ucophome/policies/acctman/p-415-32.pdf>

End of Part IV

Item

No.

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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. Cash *

B. 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. Combination of methods *

Y. Other *

* Describe on a Continuation Sheet

Item

No.

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Continuation Sheet

5.1.0 Method of Charging Leave Costs

Revised

Vacation leave costs are charged on 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 charged to sponsored agreements for limited service on a research or teaching project in a foreign university or for work on a research project, provided such research or teaching project is administered by the University with funds from government or private grant or contract, and provided further that the terms of such grant or contract specifically authorize such usage. University policy on vacation leave accrual is set forth in Accounting Manual chapter P-196-13 (9/30/09), *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>.

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

5.2.0 Applicable Credits

Revised

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 2008-09, Volume 1, Section B.4, *Adjustments and Transfers*.

University policy on unclaimed and uncashed checks is described in Accounting Manual chapter C-173-78, *Cash: Unclaimed and Uncashed Checks* (12/31/03), which can be found on the Internet at:

<http://www.ucop.edu/ucophome/policies/acctman/c-173-78.pdf>.

End of Part V

Item

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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.)

	<u>Type of Plan</u>	<u>Number of Plans</u>
Revised	A. ___ Institution employees participate in State/Local Government Retirement Plan(s)	<u>0</u>
Revised	B. ___ Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	<u>0</u>
Revised	C. <u>xx</u> Institution has its own Defined-Contribution Plan(s)*	<u>4</u>

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.)

* Describe on a Continuation Sheet

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| 6.2.0 | <u>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs).</u> (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. <input type="checkbox"/> Not applicable | |
| 6.2.1 | <u>Determination of Annual PRB Costs.</u> (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 | <u>Self-Insurance Programs (Employee Group Insurance).</u> Costs of the self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.) | |
| | A. <input type="checkbox"/> When accrued (book accrual only) | |
| | B. <input type="checkbox"/> When contributions are made to a nonforfeitable fund | |
| | C. <input type="checkbox"/> When contributions are made to a forfeitable fund | |
| | D. <input type="checkbox"/> When the benefits are paid to employee | |
| | E. <input checked="" type="checkbox"/> When amounts are paid to an employee welfare plan | |
| | Y. <input type="checkbox"/> Other or more than one method * | |
| | Z. <input type="checkbox"/> Not Applicable | |
| 6.4.0 | <u>Self-Insurance Programs</u> (Worker's Compensation, Liability and Casualty Insurance.) | |
| 6.4.1 | <u>Worker's Compensation and Liability.</u> Costs of such self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.) | |
| | A. <input type="checkbox"/> When claims are paid or losses are incurred (no provision for reserves) | |
| | B. <input type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability | |
| | C. <input type="checkbox"/> When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability | |
| | D. <input checked="" type="checkbox"/> When funds are set aside or contributions are made to a fund | |
| | Y. <input type="checkbox"/> Other or more than one method * | |
| | Z. <input type="checkbox"/> Not Applicable | |

* Describe on a Continuation Sheet

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6.4.2	<u>Casualty Insurance.</u> Costs of such self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.)	
Revised		
A.	<input type="checkbox"/> When losses are incurred (no provision for reserves)	
B.	<input checked="" type="checkbox"/> When provisions for reserves are recorded based on replacement costs	
C.	<input type="checkbox"/> When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.	
D.	<input type="checkbox"/> Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)	
Y.	<input type="checkbox"/> Other or more than one method *	
Z.	<input type="checkbox"/> Not Applicable	

* Describe on a Continuation Sheet

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Continuation Sheet

6.1.1 Defined-Contribution Plan

Revised

Description for item C: The University offers eligible employees the following:

- a) Defined contribution pension plan, known as the University of California Defined Contribution 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.
- b) Supplemental defined contribution plan, known as the University of California Supplemental Defined Contribution Plan, whose primary purpose is to provide savings and retirement income to designated employees of the University and their beneficiaries. The plan constitutes a profit-sharing plan within the meaning of Section 401(a) of the Internal Revenue Code;
- c) Tax-deferred defined contribution plan, known as the University of California Tax-Deferred 403(b) Plan, described under section 403(b) of the Internal Revenue Code. Contributions to the 403(b) tax-deferred defined contribution pension plan are made on a pre-tax basis and participation in the plan is voluntary. The University also makes plan contributions on behalf of eligible senior managers.
- d) 457(b) deferred compensation plan, known as the University of California 457(b) Deferred Compensation Plan, which is intended to satisfy the requirements of Section 457(b) of the Internal Revenue Code of 1986, as amended. The plan is available to all University employees except students who normally work fewer than 20 hours per week. Taxes on contributions (deferred compensation) and earnings thereon are deferred until the accumulations are withdrawn. The University also makes plan contributions on behalf of eligible senior managers.

6.1.2 Defined-Benefit Pension Plan

Revised Actuarial cost method(s): Entry Age Normal Actuarial Cost Method.

Asset valuation method: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

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.

Amortization periods for prior service costs: 30 years.

Amortization periods for actuarial gains and losses: 30 years.

Funding Policy: The Regents' funding policy determines total funding policy contributions

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	<u>PMI</u>	<u>1,498</u>
	Total Annuitant Dental	36,438

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 Irvine.

6.2.1 Determination of Annual PRB Costs

Revised

The University provides retiree health benefits to eligible retired employees through the UCRHBT. All participating University locations are required to contribute at a rate assessed each year by the University. The “common” required assessment rate is established annually by UC management. The assessment rates are developed based upon estimates designed to provide sufficient contributions such that retiree health benefit costs are funded on projected pay-as-you go basis.

End of Part VI

Item

No.

Item Description

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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.

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No.

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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, Riverside
- University of California, Santa Cruz

Government-owned Contractor-operated (GOCO) Segments:

- Ernest Orlando Lawrence Berkeley National 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

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Continuation Sheet

7.2.0 Cost Accumulation and Allocation

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.

Revised

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 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 facility 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.

D. Beginning July 1, 2000, the accounting office of the Los Angeles campus provides 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 calculation process.

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E. None.

End of Part VII