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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.

Item

No. Item Description

Revision Number 2, Effective Date 07/01/04

0.1 Educational Institution

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

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: 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)  Amended Statement; Revision No. 2

Revised

- B. Effective Date of this Statement: (Specify) July 1, 2004

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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  
Cohen Building, Room 1067  
330 Independence Ave., S.W.  
Washington, D.C., 20201  
(202) 401-2808

B. Cognizant Federal Auditor: Department of Health and Human Services  
Office of the Inspector General  
Office of Audit, Room 171  
50 United Nations Plaza  
San Francisco, CA 94102  
(415) 437-8360

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

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

Item

No. Item Description

Revision Number 2, Effective Date 07/01/04

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: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

John Ellis  
(Print or Type Name)

Interim Assistant Vice Chancellor, Finance and Controller  
(Title)

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

Item

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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

Item No.                      Item Description    Revision Number 2, Effective Date 07/01/04

***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

Item No.	Item Description	Revision Number 2, Effective Date 07/01/04
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.	

\* Describe on a Continuation Sheet

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No.           Item Description

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***Continuation Sheet***

1.1.0    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).

1.2.0    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

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creates memorandum records separating Departmental Administration costs from Instruction and Departmental Research costs. Reclassification of costs and costs not identified in the financial accounting system as current funds expenditures are identified and treated as shown in the Facilities and Administrative Rate Proposal:

FYE 6/30/2000, *Reconciliation Schedules, Reconciliation Schedule 4*

### 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 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:

FYE 6/30/2000, *Reconciliation Schedules, Reconciliation Schedule 3*

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 Other Institutional Activities (OIA) costs. The F&A Rate Proposal, FYE 6/30/2000, *Reconciliation Schedule 3, Restatement of Costs into Cost Pool Groups* summarizes the costs reclassified as OIA costs. *Reconciliation Schedule 4, Expenditures by Cost Pool* 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

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***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.  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.  Average Costs \*
- D.  Predetermined Costs \*
- Y.  Other(s) \*
- Z.  Not Applicable

\* Describe on a Continuation Sheet

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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> (1)	<u>Staff</u> (2)	<u>Students</u> (3)	<u>Other</u> (4)
Revised	A. Payroll Distribution Method Individual time card/actual hours and rates)	_____	_____	_____	_____
Revised	B. Plan - Confirmation (Budgeted planned or assigned work activity, updated to reflect significant changes)	_____	_____	_____	_____
Revised	C. After-the-fact Activity Records (Percentage Distribution of employee activity)	<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.)	_____	_____	_____	_____
	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.)	

\* Describe on a Continuation Sheet

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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> (1)	<u>Supplies</u> (2)	<u>Services</u> (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) *	_____	_____	_____
Z. Interorganizational transfers are not applicable	_____	_____	_____

\* Describe on a Continuation Sheet





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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:

FYE 6/30/2000, *Departmental Administration*

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 may be 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

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.

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

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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:

FYE 6/30/2000, *Departmental Administration*

2.5.0                      Method of Charging Direct Salaries and Wages  
Revised

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). <http://www.ucop.edu/ucophome/policies/acctman/p-196-13.pdf>

Local campus information and guidelines for PARs (Revised May 13, 2004) are found at: <http://efa-fs.vcbf.berkeley.edu/PARS/PARS.pdf>

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 is included in the appropriate direct cost base whenever F&A rate proposals are prepared.

2.5.1                      Salary and Wage Cost Distribution Systems

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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:

FYE 6/30/2000, *Departmental Administration*

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) 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 PAR.

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).  
<http://www.ucop.edu/ucophome/policies/acctman/p-196-13.pdf>

Local campus information and guidelines for PARs (Revised May 13, 2004) are found at: <http://efa-fs.vcbf.berkeley.edu/PARS/PARS.pdf>.

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.



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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.

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



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***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



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3.2.0      Service Centers.  
 Revised

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.)

	(1)	(2)	(3)	(4)	(5)	(6)
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>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
c) Animal Care Facilities	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>

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)

- 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.

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- 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>Indirect Cost Pools</u>	<u>Allocation Base Code</u>
<b>A. Instruction</b>	
<u>facility &amp; admin pools except SPA</u>	On-Campus <u>  D  </u>
<u>admin pools except SPA</u>	Off-Campus <u>  D  </u>
<u>sponsored project admin (SPA)</u>	Other * <u>  Y<sup>1</sup>  </u>
<b>B. Organized Research</b> <i>(applies to both campus and special Space Sciences Laboratory rate)</i>	
<u>facility &amp; admin pools except SPA</u>	On-Campus <u>  D  </u>
<u>admin pools except SPA</u>	Off-Campus <u>  D  </u>
<u>sponsored project admin (SPA)</u>	Other * <u>  Y<sup>1</sup>  </u>
<b>C. Other Sponsored Activities</b>	
<u>facility &amp; admin pools except SPA</u>	On-Campus <u>  D  </u>
<u>admin pools except SPA</u>	Off-Campus <u>  D  </u>
<u>sponsored project admin (SPA)</u>	Other * <u>  Y<sup>1</sup>  </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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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:

FYE 6/30/2000, *Departmental Administration*

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

Y<sup>1</sup> - 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.

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

Y<sup>2</sup> - 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).





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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:

*FYE 6/30/2000, Plant Assets and Interest*  
*Equipment Depreciation*  
*Operation and Maintenance*  
*General Administration*  
*Departmental Administration*  
*Sponsored Projects Administration*  
*Library*  
*Student Administration and Services*  
*Direct Cost Bases*  
*Space Functionalization Survey*

C - Modified Total Cost Basis: 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:

*FYE 6/30/2000, Reconciliation Schedules, Reconciliation Schedule 2 and Excluded Costs*

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:

*FYE 6/30/2000, Reconciliation Schedules, Reconciliation Schedule 2 and Excluded Costs*

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

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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:

FYE 6/30/2000, *Space Functionalization Survey*

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<sup>1</sup> - 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<sup>2</sup> - 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

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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	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (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
- C. Applied to groups of assets with varying service lives
- Y. Other or more than one method \*

Column (4)-Residual Value Code

- A. Residual value is deducted
- B. Residual value is not deducted
- Y. Other or more than one method \*

\* Describe on a Continuation Sheet









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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>
A. <u>xx</u> Institution employees participate in State/Local Government Retirement Plan(s)	<u>1</u>
Revised B. <u>xx</u> Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	<u>1</u>
C. <u>xx</u> Institution has its own Defined-Contribution Plan(s) *	<u>2</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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6.4.2 Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A.  When losses are incurred (no provision for reserves)
- B.  When provisions for reserves are recorded based on replacement costs
- C.  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.  Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)
- Y.  Other or more than one method \*
- Z.  Not Applicable

\* Describe on a Continuation Sheet





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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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***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 (FYE 6/30/2000).
- 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

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No.	transferred to the Office of the President's general administration cost pool during the indirect cost rate calculation process.	
E. None.		

End of Part VII