

UNIVERSITY OF UTAH COST ACCOUNTING STANDARDS DISCLOSURE STATEMENT

COVERSHEET AND CERTIFICATION

0.1 Educational Institution

- (a) Name **UNIVERSITY OF UTAH**
- (b) Street Address **201 S PRESIDENTS CIRCLE RM 408**
- (c) City, State and ZIP Code **SALT LAKE CITY, UT 84112-9023**
- (d) Division or Campus of
(if applicable)

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
Ronald E. Tremea, Director of Governmental Accounting and Support Services
- (b) Phone Number (include area code and extension)
801-581-7520

0.4 Statement Type and Effective Date:

- A. (Mark type of submission. If a revision, enter number)
- (a) Original Statement
- (b) Amended Statement; Revision No.
- B. Effective Date of this Statement: (Specify) **12/31/97**

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

A. Cognizant Federal Agency:

Charles Seed
Division Cost Allocation
DHHS
Cohen Bldg., Room 1067
330 Independence Ave. S.W.
Washington, DC 20201

B. Cognizant Federal Auditor:

Barbara Bennett
Office of Inspector General
DHHS
Region 7
601 East 12th St.
Box 15687
Kansas City, MO 64106

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: December 31, 1997

(Signature)
Thomas G. Nycum
(Print or Type Name)
Vice President, Administrative Services
(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE

IS PRESCRIBED IN

18 U.S.C. Sec. 1001

GENERAL INFORMATION

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 work papers. *
- 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

1.3.1 Treatment of Unallowable Costs.

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

1.4.0 Cost Accounting Period: 7/1 to 6/30

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

1.5.0 State Laws or Regulations.

Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

* Describe on a Continuation Sheet

CONTINUATION SHEET

1.1.0

Description of Our Cost Accounting System for Recording Expenses Charged to Federally Sponsored Agreements is on a Modified Accrual Basis.

Throughout the fiscal year, expenses are charged on a cash basis. At year end, however, the University of Utah adjusts its expenses to an accrual basis for the purpose of presenting our consolidated annual financial report. Normally, financial reports and invoices submitted to the awarding agencies are on a cash basis; however, in order to meet particular timing requirements, charges to Federally sponsored agreements are occasionally made on an accrual basis.

1.2.0 **Integration of Cost Accounting with Financial Accounting.**

The cost accounting system is integrated with the financial accounting records except for depreciation and Departmental Administration.

Depreciation is not integrated with financial accounting records. See Section 3.1.0 continuation sheet for description.

Departmental Administration costs are not separately accumulated in the financial accounting records. Departmental Administration is calculated within the cost accounting system using data downloaded from the University financial system. See Section 3.1.0 continuation sheet for description.

1.3.0 **Unallowable Costs**

Unallowable costs are identified and accumulated in the formal accounting records of the University using the designated organization, fund, or account codes, or a combination thereof.

Cost sharing expenditures which are not reimbursable are charged to separate accounts established in the University's accounting records. See Attachment A - University of Utah Guidelines for Cost Sharing on Sponsored Agreements.

The formal accounting records are also reviewed during the preparation of the indirect cost proposal to ensure unallowable costs have been properly identified and accounted for.

1.3.1 **Treatment of Unallowable Costs**

Unallowable expenses as defined in OMB Circular A-21, Section J. are not allocated to federally funded projects as either a direct cost or as a facilities and administrative indirect cost.

The costs of unallowable activities (e.g. public relations, fund raising), are usually treated either as part of the Other Institutional Activities (OIA) base for determining facilities and administrative indirect cost rates, or are included in an administrative cost pool, neither of which is allocated to federally sponsored agreements.

1.5.0 **State Laws or Regulations**

State of Utah regulations place restrictions on the use of state funds, and also establish financial reporting requirements for various funds. State regulations also mandate the retirement contribution expense paid to the state retirement system for applicable University employees.

UNIVERSITY OF UTAH GUIDELINES FOR COST SHARING ON SPONSORED AGREEMENTS

PURPOSE:

The purpose of these guidelines is to provide direction in accumulating and reporting cost sharing on all grants and contracts.

DEFINITIONS:

Cost Sharing: Some sponsoring agencies require the University to participate in funding the allowable costs of a project/program. The University's participation in funding the costs of a project/program is referred to as cost sharing. **At the University of Utah the participation will be expressed as cost sharing if it is treated as one of the following:**

1. A percentage of the principal investigator's level of effort
2. A percentage of sponsor funded costs or
3. An absolute dollar amount

The term cost sharing is also known as cost matching, cost limitation, cost participation and other similar phrases.

Individual Cost Sharing:

Cost sharing required on a specific grant or contract by an individual. There is usually no contractual obligation.

Institutional Cost Sharing:

Cost sharing arising from statutory regulations based on the grantor and grantee entering into an agreement specifying the percentage or amount of cost sharing that the grantee must contribute. This agreement may be written or made a part of the agency's specific requirement as does the National Science Foundation.

Mandatory Cost Sharing: Cost sharing **that is required**

by a sponsor as a condition for making an award and usually refers to an overall percentage of total costs to be contributed. When mandatory cost sharing is included in the award, it will be listed in the Notice of Grant/Contract Award. Mandatory cost sharing requires the University to share in the costs of the project from non-federal/restricted sources.

Voluntary Cost Sharing: Cost sharing **that is not required** by the sponsor as a condition for making an award. The amount of cost sharing is made at the discretion of the principal investigator. When voluntary cost sharing is included as part of the proposal budget/narrative it will be listed in an account and information sheet prepared by the Office Sponsored Projects (OSP) and treated in the same manner as mandatory cost sharing. Voluntary cost sharing requires the University to share in the costs of the project from non-federal/restricted sources. **It is the policy of the University to not offer voluntary cost sharing unless there are extenuating circumstances.**

DOCUMENTATION GUIDELINES:

At the University of Utah the cost sharing commitment must be expressed as (1) a percentage of the principal investigator's level of effort, (2) a percentage of sponsor funded costs, or (3) an absolute dollar amount. Generally, the University meets its cost sharing requirement by contributing direct labor, associated fringe benefits and indirect costs if allowed by the agency. Other costs may also be used including supplies, equipment, travel , etc.

Unless waived by the terms of the project/program,

federal cost principles require that cost sharing contributions meet all of the following criteria:

1. Are verifiable from department/university records (PAR's, invoices, P.O.'s etc.)
2. Are not included as contributions for any other federally-assisted project/program
3. Are necessary and reasonable for proper and efficient accomplishment of project/program objectives
4. Are allowable under applicable cost principles
5. Are not paid by the federal government under another federal award
6. Are provided for in the approved budget
7. The total compensated effort for an individual using effort to meet cost sharing requirements cannot exceed

100%.

8. Cost incurred only during the same time period as the award

All cost sharing that is included in the proposal budget/narrative and listed in the Notice of Grant/Contract award or the account and information sheet prepared by OSP either as mandatory or voluntary cost sharing must meet the above criteria for reporting and audit verification.

PROCEDURES:

The COST SHARING/DATA SHEET (page 4) of the OFFICIAL DOCUMENT SUMMARY SHEET must be completed for all cost sharing (mandatory and voluntary) included in the proposal budget/narrative along with the source of funding for the cost sharing (normally these funds will be transferred to a matching ledger 5 account). **It is the University of Utah policy to not offer cost sharing unless it is required by the funding agency or if there are extenuating circumstances requiring its use.**

Cost sharing may be provided by utilization of a principal investigators time and effort above that effort he/she is being reimbursed from the grant or contract. This may also include fringe benefits. Any other individual who is contributing time and effort to the project may also be used as cost sharing,. Indirect costs associated with the time and effort may also be included if allowed by the sponsoring agency. All time and effort cost sharing must be included on the COST SHARING/DATA SHEET (page 4) of the OFFICIAL DOCUMENT SUMMARY SHEET. As time and effort related to the cost sharing is spent on the project it must be documented and certified by using the University's Personnel Activity Reporting (PAR) or Time and Attendance (T&A) reporting systems. **It is the principal investigator's responsibility to assure that all cost sharing commitments have been met and provide appropriate documentation for audit verification when necessary .**

Cost sharing may also be provided by utilization of non-personnel contributions. This includes such items as operational supplies and materials, travel, equipment, etc. All non-personnel cost sharing must be included on the COST SHARING/DATA SHEET (page 4) of the OFFICIAL DOCUMENT SUMMARY SHEET. Items purchased must follow normal University purchasing procedures and be used for the purpose of the grant or contract. **It is the principal investigator's responsibility to assure that all cost sharing commitments have been met and provide appropriate documentation for audit verification when necessary .**

APPROVALS:

The COST SHARING/DATA SHEET (page 4) of the OFFICIAL DOCUMENT SUMMARY SHEET with appropriate signatures must be completed.

It is the responsibility of the principal investigator and department head to provide the source of funding (account number(s)) for the cost sharing commitment.

In the event that the Dean and/or Vice President for Research are also contributing funds for the cost sharing, a specific letter authorizing this commitment must be attached (the dean's signature on the OFFICIAL DOCUMENT SUMMARY SHEET is sufficient under most circumstances). If the Vice President for Research is providing funding for the cost sharing, approval through the department chair and dean must first be obtained.

END OF PART

Instructions for Part II Direct Costs

Institutions should disclose what cost 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

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.)

	<u>Direct Personal Services Category</u>			
	<u>Faculty</u>	<u>Staff</u>	<u>Students</u>	<u>Other</u>
	(1)	(2)	(3)	(4)
A. Payroll Distribution Method (Individual time card/actual hours and rates)	xx	xx	xx	

A. Charges normally allowed in regular operations as a result of an established institutional employee travel cost policy that is applied consistently to all employees or groups of employees.

B. The rates and amounts established under Subchapter I of Chapter 57 of Title 5, United States Code, or by the Administrator of General Services or the President (or his designee)(Section 24 of 41 U.S.C. 420), as amended.

C. Combination of A and B*

D. Other Method*

* Describe on a Continuation Sheet

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
 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 excluding indirect costs attributable to group or central office expenses.

B. At full cost including indirect costs attributable to group or central office expenses.

xx	xx	xx
----	----	----

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

2.1.0

Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Costs Objectives

It is the policy of the University of Utah to adhere to the provisions of OMB Circulars A-21, A-110 and other pertinent government regulations when allocating charges to federally sponsored agreements and similar cost objectives. In unusual circumstances where costs occur that do not conform to the process described in this Disclosure Statement, University officials will determine the materiality in each case and make every effort to assure that an inequity does not occur to its federally sponsored agreements.

Costs that can be identified specifically with a particular sponsored agreement, an instructional activity, or any other institutional activity, with relative ease and a high degree of accuracy, are charged directly to the benefitting activity. Identification with a particular activity, rather than the nature of the cost, is the major criterion in distinguishing a direct from an indirect cost. For example, salaries and wages are considered direct or indirect costs depending on whether the employees are performing effort for a **direct** institutional activity (e.g. research, instruction) or an **indirect** institutional activity (e.g., general administration). Direct and indirect activities are defined by the University of Utah following the guidelines of OMB Circular A-21, Section F.

Typical costs charged as **direct** to sponsored agreements include the following:

- Compensation for effort performed
- Employee benefits related to the compensation
- Other non-compensation related expenses

Indirect

costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored agreement, instruction activity, or any other institutional activity.

Some costs may be charged as both direct and indirect depending upon the particular purpose or circumstance of the expense. An example is salaries and wages of administrative and clerical staff that are normally an administrative indirect cost but can be charged directly.

Direct charging of these costs may be appropriate where a sponsored agreement or activity explicitly budgets for administrative or clerical services, the cost is required to be incurred by the sponsored agreement and individuals involved can be specifically identified with the agreement or activity.

Some examples of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate are as follows:

- Large, complex programs, such as general clinical research centers, program projects, environmental research centers, engineering research centers and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical records studies.

CONTINUATION SHEET

2.1.0

Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Costs Objectives (continued)

- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects where the principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- Projects that are remote from the campus and are geographically inaccessible to normal departmental administrative services.
- Individual projects requiring significant amounts of project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.

These examples are not exhaustive nor are they intended to imply that charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples above. Where direct charges for administrative and clerical salaries are made (as with other administrative type costs, e.g., telephones, postage, books and journals), care will be exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities. This will be accomplished through a **Direct Charge Equivalent** that assigns the costs directly to the appropriate activities. (See DCE Summary, Exhibit A at the end of this section.)

2.2.0

The Principal Classes of Material and Supplies that are Charged as Direct Costs to Federally Sponsored agreements or similar costs objectives include:

- Lab and technical supplies
- Operational supplies
- Books and subscriptions
- Animal costs
- Fabricated equipment
- Computer services

2.3.2 Inventory Requisitions from Central Stores Inventory

The General Stores Department maintains an inventory of frequently used items in support of University operations. The carrying costs of this inventory are computed on an Average cost@ basis. That is, as material is received for stock, the cost is recomputed to include any variances for the item(s) received. This prevents the occasional pricing spikes from being passed on to our customers.

2.4 Description of Direct Personal Services

Direct personal services include compensation to faculty, staff and student employees. Their compensation includes salaries, wages and related fringe benefits costs when appropriate in proportion to their effort. Also included as direct personal service costs are additional compensation, overtime pay and shift differential.

2.5 Method of charging direct salaries and wages (continued)

A. Payroll Distribution

The payroll distribution method is used to direct charge sponsored agreements or similar cost activities for compensation of non-exempt employees and hourly employees. These employees are paid on a bi-weekly basis.

B. After-The-Fact-Activity

The after-the-fact activity reporting method is used to direct charge all

sponsored agreements for compensation to exempt employees. This method is also used to direct charge other major cost activities (e.g. instruction, other sponsored activities) for exempt employees in selected academic departments.

2.5.1 Salary and Wage Cost Accumulation System

After-the-fact activity reports are not required for exempt employees compensated from non-sponsored agreements in selected academic departments and from non-academic departments. The personal service costs attributable to appropriate major direct and indirect cost accumulation pools or allocation bases along with other costs is normally identified through an integrated financial accounting system by program, fund and account codes. In academic departments, the segregation of the department administration indirect cost pool from the instruction base is determined by using defined accounts, subcodes, job class categories and a direct charge equivalent methodology (DCE)(See Exhibit A). Use of the DCE assures that an equitable portion of

the salaries, wages and other costs that would normally be treated as departmental administration are treated as a direct cost to ensure consistent costing treatment for all activities of the unit.

2.5.2 Salary and Wage Cost Accumulation System

All salaries and wages are initiated through a Personnel Assignment Status Sheet (PASS). The PASS captures information concerning the employees including:

- Position number
- Job class number
- Reporting department
- Assignment begin/end dates
- Full time equivalency (FTE)
- Rate of pay
- Account number(s)
- Sub code(s)
- Distribution begin/end dates

The PASS is also used to change assignments, account and subcode distribution, increase or decrease pay and terminate employees.

Each employee is assigned a six-digit position number and a four-digit job class number. A six-digit account number designates the source of funding, project, activity or program. Multiple account numbers can be used for each employee. The four-digit subcode provides the type of pay budgeted for each employee, such as salaried, hourly, work-study, etc.

All non-exempt salaried and hourly employees are required to submit a Time and Attendance(T&A) sheet on a bi-weekly basis for the previous two weeks of work. This sheet records the hours worked for the two-week period, the account number(s) paid from and certification by supervisory personnel. In order for the employee to be paid, the T&A sheet must be submitted to the Payroll Office.

All exempt employees that accrue time leave benefits (vacation, sick leave, etc.) are required to submit an Exempt Employee Report verifying absence hours. The absence hours to be reported are vacation, sick leave, personal preference, funeral leave, jury duty, military duty and other. The approval signature of the account executive or department head is required.

Faculty do not normally accrue time leave benefits and are not required to submit an Exempt Employee Report.

All exempt employees including faculty paid from sponsored agreements must complete an after-the-fact quarterly Personnel Activity Report (PAR). The information obtained from the PARs is used to substantiate and document effort performed on sponsored agreements and grants. The effort must be certified to by either the employee performing the work or next supervisory level. Changes made on the PARs are reflected in the payroll system and included in the financial accounting system of the University.

At the end of each pay period, the payroll data for the current period is copied to the University's financial accounting system. On a monthly basis, the account executive receives an accounting statement summarizing the payroll data. Also, on a bi-weekly basis the account executive receives a Payroll Earnings and Benefits report which shows the current pay and benefits data for each account. The report separates each payroll and benefit subcode within an account and reflects all payroll and benefit transactions

to the account(s) since the last pay period. Specifically, the report shows current pay period charges to the account, changes to encumbrances, liquidations, fiscal year-to-date labor charges by employee and fiscal year-to-date benefit charges to the account. Any differences are resolved by the account executive through the Payroll Office.

2.6.0 Description of Direct Fringe Benefits Costs

Fringe benefits charged to federally sponsored agreements or similar cost objects must meet certain eligibility

requirements as prescribed in University Policies and Procedures. These include the following:

- **Compensated Personal Absences**
 - This includes vacation, sick leave, sabbatical leave, holidays, personal preference, jury duty, military duty and other paid leaves permitted under University of Utah policy.
- **Social Security (FICA)**
 - Costs incurred in accordance with the provisions of the Federal Insurance Contributions Act.
- **Worker's Compensation Insurance**
 - Covers employee medical expenses and loss of income resulting from work-related illness or injury.
- **Unemployment Insurance**
 - The plan provides for loss of wages while a terminated employee is seeking employment. The amount of benefits is a function of the level of the individual's prior earning history and length of employment.
- **Medical Insurance**
 - The University paid portion of medical insurance provided to employees (including early retirees), includes health and dental insurance.
- **Life Insurance**
 - The University paid portion of life insurance provided to employees up to the first \$50,000 coverage.
- **Retirement** - Annuity premiums and employer contributions paid to the State of Utah and to TIAA-CREF.
- **Long Term Disability**
 - The University paid portion of disability insurance that provides replacement income to the employee in the event they are unable to perform their duties.

2.6.1 Method of Charging Direct Fringe Benefits

Compensated personal absences as described in section 2.6.0. paid to employees during periods of authorized leave from the job are distributed to all University accounts (including federal) in proportion to the relative amount of time or effort actually devoted by the employees. Authorized leave is accumulated on a person by person basis in the payroll system according to University Policies and Procedures.

Applicable fringe benefits costs as specified in Section 2.6.0. are distributed to all University accounts (including federal) on the proportionate share of actual salaries and wages of eligible employees paid on the account. For example:

- **FICA Tax:**
Based on the salary and wage of each employee using rates established by the Federal Government. Each account from which the employee is paid is charged on a prorated basis.
- **Worker's Compensation:**
Based on the salary and wage of each employee using rates established by the Workers' Compensation Fund of Utah. Each account from which the employee is paid is charged on a prorated basis.
- **Unemployment Insurance:**
Based on the salary and wage of each employee using rates established by the University of Utah. Each account from which the employee is paid is charged on a prorated basis.
- **Medical Insurance:**
Based on the coverage needed by the employee, i.e. single, two-party, family coverage. The rates for each type of coverage are established by the University using actuarial estimates and charged to each account from which the employee is paid on a prorated basis.
- **Life Insurance:**
Based on an insurance premium for the first \$50,000 of life insurance coverage. The premium is allocated to each account from which the employee is paid on a prorated basis.
- **Long Term Disability:**
Based on premium rates established by a third party insurance carrier. The premium is allocated to each account from which the employee is paid on a prorated basis.
- **Retirement:**
Based on the salary and wage of each employee using rates established by the State of Utah Retirement System or Board of Regents.

2.7.0 Other Principle Classes of Direct Costs to Federally Sponsored Agreements

The principal classes of other costs which are charged as direct costs to federally sponsored agreements or similar costs objectives include:

- Advertising
- Business Meals
- Computer Services
- Consultants/Independent Contractors
- Equipment
- Fellowships/Scholarships
- Insurance
- Licensing Fees
- Moving Expenses
- Other Services
- Participant Support
- Patient Care
- Printing and Photocopying
- Professional Development
- Publishing/Page Charges
- Rental
- Repair and Maintenance
- Service Charges/Fees
- Shipping Freight
- Subcontracts
- Telephone Long Distance Charges
- Travel
- Tuition
- University Services
- Utilities
- Vehicle Expense

The following classes of other costs may be charged as direct costs to federally sponsored agreements or similar cost objectives if it can be determined that they meet the requirements of Section 2.1.0.

- Membership Dues
- Postage
- Office Supplies
- Telephone Equipment Charges

EXHIBIT A: SUMMARY OF DIRECT CHARGE EQUIVALENT METHODOLOGY

The Comprehensive Rate Information System (CRIS), developed by David M. Griffith and Associates, LTD (DMG), is used in the preparation of the University of Utah Facilities and Administrative (indirect) Cost Rate proposal. Included in the DMG proposal preparation model is an automated methodology to calculate Departmental Administration utilizing a Direct Charge Equivalent (DCE). The calculation is fully automated and formula driven.

A unique DA cost pool is established for each academic department. Within each of these cost pools, five separate components are calculated:

- 1) Administrative salaries and wages
- 2) General support salaries and wages
- 3) Faculty and professional salaries and wages

- 4) A prorated share of employee benefits
- 5) A prorated share of other expenditures

The methodology and calculations follow the guidelines set forth in OMB Circular A-21. The DCE methodology applies only to the General Support salaries and wages, to which A-21 makes no reference.

Administrative and General Support Salaries and Wages

The first two components, Administrative and General Support salaries and wages are determined through a review of the institution's payroll system. Job positions for each academic department which are defined as pure administrative (e.g. business managers, accountants, etc.) and have been charged to the general operating account of the department are categorized as 100 percent departmental administration. Those pure administrative positions which are charged directly to a sponsored agreement are treated as faculty and professional and are not included in the DA pool.

Job positions per each academic department which are defined as General Support (e.g. secretaries, laboratory aides, student help, etc.) or Faculty and Professional (e.g. professors, departmental chairs, laboratory directors, scientists, graduate and research assistants, etc.), and have been direct charged to sponsored research agreements, are used to calculate a direct charge equivalent (DCE).

The DCE ratio is defined as General Support salaries and wages charged to sponsored research agreements divided by Faculty and Professional salaries and wages charged to sponsored research agreements. The DCE ratio is computed on a department by department basis.

The DCE ratio is then compared against the actual General Support salaries and wages and the actual Faculty and Professional salaries and wages (less the 3.6 percent faculty administrative allowance) which have been charged to each department's general operating account.

When the DCE ratio is less than the ratio calculated for the general operating account for a given department, an excess or residual of General Support salaries and wages exists within the general operating account. This excess is treated as pure Departmental Administration and is transferred to the DA cost pool. When the DCE ratio is greater than the ratio calculated for the general operating account, no excess exists and no General Support salaries and wages transfer is made to the DA cost pool.

The important assumption underlying this methodology is that the General Support salaries which support the Faculty and Professional salaries within the general operating account be in the same proportion as the General Support salaries which support the Faculty and Professional salaries for sponsored research agreements.

Faculty and Professional Salaries and Wages

The next component, Faculty and Professional (F&P) salaries and wages is determined simply by taking the modified total direct costs (MTDC), less the administrative and general support salaries and wages identified as per departmental administration in the above step, and multiplying by the 3.6 percent Faculty Administrative Allowance (FAA). The salary and wage portion of F&P is then calculated by dividing the FAA by one plus the faculty and professional employee benefit rate. The resulting amount of Faculty and Professional salaries and wages is then transferred from the general operating account to the DA cost pool.

Employee Benefits and General Expenditures

The final two components, Employee Benefits and General Expenditures, are determined by multiplying their respective amounts which have been charged to the general operating account by the DA S&W: Instruction S&W ratio. This ratio is defined as the DA salaries and wages divided by the general operating account (before the DA transfer) salaries and wages. These amounts are then discounted by the 3.6 percent FAA before they are transferred to the DA cost pool.

END OF PART

Instructions for Part III Indirect Costs

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

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

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

* Describe on a Continuation Sheet

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

<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>
Building	<u>No</u>	<u>L</u>	
Equipment	<u>No</u>	<u>Y</u>	
Capital Improvements to Land*	<u>No</u>	<u>L</u>	
Interest *	<u>Yes</u>	<u>L</u>	
b) Operation and Maintenance	<u>Yes</u>	<u>P</u>	<u>2CA</u>
c) General Administration and General Expense	<u>Yes</u>	<u>D</u>	<u>3CA</u>
d) Departmental Administration	<u>No</u>	<u>D</u>	

- e) Sponsored Projects Administration
- f) Library
- g) Student Administration and Services
- h) Other *

Yes Y
Yes Y
Yes Y
N/A

* Describe on a Continuation Sheet

3.2.0 Service Centers.

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

	(1)	(2)	(3)	(4)	(5)	(6)
a) Scientific Computer Operations	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
b) Business Data Processing	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
c) Animal Care Facilities	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</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)						

Physical Plant Recharges	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
Motor Pool	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
Stores and Receiving	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
Mailing Operations	<u>C</u>	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
Telecommunications	<u>C</u>	<u>A</u>	<u>C</u>	<u>B</u> ¹	<u>A</u>	<u>B</u>

1. Emergency service lines such as elevator phones and emergency call centers are billed at lower rates due to the critical nature of the service they provide to all University users. Patient and Residence Hall phones are billed at a lower rate due to lower costs of providing service.

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).

* Describe 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

- A. Yes
B. No *

* Describe on a Continuation Sheet

3.1.0 Indirect Cost Categories - Accumulation and Allocation.

ACCUMULATION METHOD

- **Depreciation - Buildings and Equipment**

Only the capitalized costs of buildings and equipment are maintained in the University of Utah's financial records. The associated costs of depreciation are maintained in a separate set of memorandum records.

- **Use Allowance - Capital Improvements to Land**

Only the capitalized costs of improvements to land are included and maintained in the University of Utah's financial records. The associated use allowance is maintained in a separate set of memorandum records.

- **Departmental Administration**

Departmental administration costs are a combination of identified, recorded and accumulated formal accounting records adjusted for direct non-sponsored activity using direct charge equivalents. See 3.4.0 for a detailed description of the calculations used to identify the contents of this pool.

ALLOCATION BASES IDENTIFIED FOR P & Y CODES

Depreciation/Use Allowance - Equipment (Y)

Equipment depreciation contains the calculated depreciation charges for all equipment at the University of Utah with a unit cost greater than \$500(\$5,000 effective July 1, 1998) and a useful life of more than one year. Equipment, other than federally funded equipment, is depreciated on a straight line basis according to the useful life of the equipment. The loss on the sale of equipment is allocated to the cost pools. No charge is made for the use of fully depreciated equipment. The allocation to cost pools is based on the functional use of space for each department.

Operation and Maintenance (O&M) (P)

The O&M costs at the University of Utah are allocated to cost objectives through four subgroupings. Each subgroup and its base is identified below:

- **Electricity**

- Includes the cost for electrical utilities. Costs from this pool are allocated to other cost objectives based on a utility weighting statistic that includes meter usage, square footage and head count.

- **Other Utilities/General Fund O&M** - Includes costs for utilities, maintenance, custodial services and repairs that are attributable to general fund buildings and are exclusive of electrical costs included in the electricity pool previously identified. Costs are first identified to buildings based on assignable square footage and then allocated to cost pools based on the functional use of space within the buildings.

- **Campus Wide O&M**

- Includes those costs like campus security and police which cannot be specifically identified to buildings or groups of buildings. It also includes all administrative, planning and employee benefit costs for the O&M area. Costs in this pool are allocated to functions based on assignable square footage for all functions except O&M.

- **Auxiliary O&M**

- Includes costs directly attributable to auxiliary buildings and activities. These costs are allocated to other institutional activity cost pools in their entirety.

Sponsored Projects Administration (SPA)(Y)

SPA costs are allocated on the basis of total expenditures of the sponsored accounts by direct cost pool. All sponsored accounts have been identified to either training grants, organized research, or other sponsored activity cost pools.

Library (Y)

Library costs are assigned to indirect cost pools based on a two tier allocation methodology. Costs are first identified to faculty and students based on head count. Student library costs are allocated entirely to instruction. Faculty costs are allocated to instruction, organized research or other sponsored activities based on salaries and wages for each pool.

Student Administration and Services (Y)

All costs associated with this cost category are allocated in their entirety to the indirect cost pool for instruction.

3.2.0 Service Centers

Attachment A: University of Utah Service/Recharge Centers Regulations and Procedures.

3.4.0 Composition of Indirect Cost Pools

DEPRECIATION/USE ALLOWANCES

- **Improvements to land**
 - The use allowance for non-building improvements is equal to two percent of the cost of all campus wide improvements.
- **Buildings**
 - Building depreciation is calculated on a building by building basis. The depreciation charge is equal to two per cent (50 year useful life) of a building's carrying value.
- **Equipment**
 - The equipment and depreciation cost pool contains the calculated depreciation charge for all equipment at the University of Utah with a unit cost greater than \$500 and a useful life of more than one year. After July 1, 1998, a unit cost of greater than \$5,000 will be used. A depreciation charge was taken on all computer and scientific laboratory equipment. Part IV of this CASB DS-2, Depreciation and Use Allowances, provides detail on useful lives and depreciation methods used at the University of Utah.
- **Interest**
 - Interest on debt associated with buildings and capital improvements is allocated in the same manner as the depreciation of the building to which it relates.

OPERATION AND MAINTENANCE

As discussed in 3.1.0, O&M includes four categories. The contents of these pools are discussed below.

- **Electricity** - Cost pool is limited to only the cost of electricity purchased.
- **Other Utilities/General Fund O&M** - Represents the costs of utilities, maintenance, janitorial service and repairs to general fund buildings including the cost of janitorial service contracts, gas, crude oil, equipment use allocations, building depreciation and use allocations and non-capitalized equipment.
- **Campus Wide O&M**
 - Pool consists of costs which cannot be identified to specific buildings or groups of buildings and includes grounds maintenance, operation of buildings and other facilities, police and campus security, disaster preparedness, environmental safety, waste disposal, property and liability insurance, facility planning, salaries, wages and fringe benefits of O&M assigned personnel and central receiving.
- **Auxiliary O&M**
 - Costs contained in this pool are attributable to auxiliary buildings and activities including dormitories, dining halls and campus book stores. The pool includes costs for operations and maintenance, building and equipment usage, utilities, salaries and wages, and fringe benefits.

GENERAL ADMINISTRATION AND GENERAL EXPENSE (GA&GE)

The GA&GE pool includes salaries, wages and fringe benefits for the President, Vice President of Administrative

Services, the Assistant Vice President for Financial and Accounting Services, the Controller's Office, Budget Office, Human Resources, Physical Plant Department and the Equal Employment Opportunity Office. This pool also contains the cost of State Central Services computed using the federally approved State-wide Cost Allocation Plan (SWCAP) and the cost of an institution wide audit done under OMB Circular A-133 rules as required by its federal awards. The balance of GA & GE costs are for routine office supplies, personnel drug testing and help wanted advertising for technicians support for large federal projects.

DEPARTMENTAL ADMINISTRATION

This pool is comprised of five types of expenses outlined as follows:

- **Administrative salaries and wages**
 - Actual salary and wages for professional departmental business administrators not charged direct to projects.
- **General support salaries and wages**
 - These are the salaries and wages of the general support staff remaining after adjusting for direct sponsored and non-sponsored project activity. Direct sponsored activity is identified based on time reports while direct non-sponsored activity is calculated using a direct charge equivalent. The direct charge equivalent is defined as sponsored general support personnel salaries and wages divided by the salaries and wages of sponsored faculty and professional staff. This ratio is then applied to the actual non-sponsored faculty administrative allowance. The result is that portion of general support salaries and wages to be set aside as direct non-sponsored activity. Since this calculation is done on a department by department basis, an exception occurs when the formula identifies an amount of salaries and wages
- **General support salaries and wages**
 - for general support non-sponsored project activity that is in excess of the actual amount. In these cases, 100 per cent of the salaries and wages for general support staff are allocated to direct non-sponsored activity.
- **Faculty and professional salaries and wages**
 - Salaries and wages for faculty and professional staff performing administrative duties have been calculated at 3.6 percent of MTDC in accordance with OMB Circular A-21 Section F.6.a (2).(a).
- **Other expenses**
 - These represent the costs associated with honoraria and lecture fees, athletic officials, awards, conferences, food, laboratory supplies and other miscellaneous items. The costs assigned to the departmental administration pool have been adjusted to reflect the removal of directly assignable sponsored and non-sponsored expenses. The direct sponsored other costs are removed based on specific identification while those costs related to direct non-sponsored activities are eliminated from the pool using a direct charge equivalent similar to that used to calculate direct non-sponsored general support salaries and wages.

SPONSORED PROJECTS ADMINISTRATION

This pool contains the costs of operating the sponsored project office and includes expenses such as salaries and wages, fringe benefits, consultants' expenses, building and equipment usage, operations and maintenance, GA & GE allocations, postage, and miscellaneous supplies.

LIBRARY

Costs contained in this pool are for the operation of the University of Utah libraries and include salaries and wages, fringe benefits, books, magazine subscriptions, reference services, allocated building and equipment use allowances, operations and maintenance, GA & GE and sponsored projects costs.

STUDENT ADMINISTRATION AND SERVICES

The expenses under this heading are those incurred for the administration of student affairs including admissions, registrar, counseling and placement services, student advisors, health and infirmary services, catalogs, and commencements and convocations. Costs are primarily made up of salaries and wages, fringe benefits, allocations for building and equipment usage, GA & GE, library costs and other miscellaneous supplies.

3.5.0 Composition of Allocation Bases

INDIRECT COST CATEGORIES

Depreciation/Use Allowance

- Building (L) - Building costs are accumulated on a building by building basis. These costs are assigned to various direct and indirect cost objectives based on the functional use of each building. The functional use is established as the square footage (space) occupied by each function in relationship to the total assigned space within that building. In the unlikely event that space is unassigned its costs are allocated to other institution expenses.

Interest (L) - Interest is allocated based on the functional use of the space within the building to which the interest is applicable.

General Administration and General Expense; Departmental Administration; and Sponsored Projects

Administration (D)

- Costs from these pools are allocated to all subsequent indirect cost objectives based on the modified total direct cost (MTDC) base for each pool. MTDC includes salaries and wages, fringe benefits, materials and supplies, services, travel, and sub-grants and subcontracts up to the first \$25,000. Service center costs are excluded as are the cost of goods sold relative to the book store.

INDIRECT COSTS POOLS

Instruction On-Campus; Instruction Off-Campus; Organized Research On-Campus; and Organized Research Off-Campus

- (D)
 - Costs from these pools are allocated to all subsequent indirect cost objectives based on the modified total direct cost (MTDC) base for each pool. MTDC includes salaries and wages, fringe benefits, materials and supplies, services, travel, and sub-grants and subcontracts up to the first \$25,000. Service center costs are excluded as are cost of goods sold relative to the book store.
- (Y) - Equipment is allocated based on the functional use of space for each department.
- (Y)
 - Sponsored Projects Administration is allocated based on the total expenditures of each Asponsored@ account.
- (Y) - Library is allocated by two tiers; first faculty and then student head count. Student costs are allocated entirely to instruction. Faculty costs are allocated to instruction, organized research and other sponsored activities based on salaries and wages for each pool.

UNIVERSITY OF UTAH SERVICE/RECHARGE CENTERS REGULATIONS & PROCEDURES

I. PURPOSE

To establish University Procedures for the internal review and monitoring of Service/Recharge Centers charging University accounts.

II. REFERENCES

Office of Management and Budget, Circular A-21, Cost Principles for Educational Institutions.

Board of Regents Policy R555, AProviding Facilities, Goods and Services in Competition with Private Enterprise.

III. DEFINITIONS

A. Service/Recharge Centers (SRCs)

- operating centers established for the primary purpose of providing specialized services to the university community (although services may be provided on an incidental basis to external users).

B. List of current authorized Service/Recharge Centers. (A current authorized Service/Recharge Center list can be obtained from the Governmental Accounting Office.) **SRCs on this list are not required to complete Section IV.**

C. An SRC whose primary business deals with the reproduction of documents (copy facilities) and charges \$.05 or less per copy **is not required to complete Section IV.**

IV. REQUEST TO ESTABLISH A SERVICE/RECHARGE CENTER (SRC)

A request to establish an SRC must be submitted in writing to the Office of the Assistant Vice President for Financial and Accounting Services. The request should be signed by the person with administrative or managerial responsibility of the requested SRC and the cognizant department director/chairperson and cognizant Vice President. A departmental account must be provided at the time the SRC rates are established which will be used to fund unallowable costs or deficits not recoverable through rate adjustments. The request should include the following information:

A. Description of the services to be provided

B. Identification of anticipated customers

C. Projected number of transactions billed (annual basis)

D. Projected dollar volume of transactions (annual basis)

E. Documentation on how rates are to be determined. Rates charged to Federal Programs (Ledger 5 accounts) **must not exceed actual costs** and may not include unallowable costs.

F. Documentation demonstrating that the:

1. Services to be provided are consistent with the mission of the University.

2. Services to be provided will not inappropriately or unfairly compete with private enterprises. (See Board of Regents policy R555)

G. Identification of projected annual direct costs associated with the service. **Direct costs of an SRC** may include, but are not limited to:

1. Salaries, wages and related fringe benefits

2. Supplies and materials

3. Subcontracts and outside services

4. Interest on debt external to the University

5. Equipment maintenance

6. Training and travel

V. SERVICE/RECHARGE CENTER RESTRICTIONS

A. Certain costs recovered through the University indirect cost rates cannot be included in the SRC billing rates **unless specifically approved.** Such costs include:

1. Depreciation on building
2. Depreciation on equipment
3. Operation and maintenance of the buildings

B. Costs used to determine billing rates must be clearly identifiable and auditable on an ongoing basis.

C. Where an SRC is approved to recover costs for buildings or equipment depreciation, such recoveries must be based on University depreciation schedules. **Capital acquisitions** should be recorded in an account distinct from the SRC operating account and should be referenced in the depreciation schedule.

D. The following costs **must be excluded** from the billing rates:

1. Capital acquisitions
2. Lease to own purchases
3. Debt principal payments
4. Interest paid to the University
5. Transfers of funds to another account

E. Unallowable Costs - Certain types of costs are considered unallowable for recovery by the Federal Government under OMB Circular A-21 guidelines (see Attachment B). These costs must not be included in the determination of the billing rates. Unallowable costs include, but are not limited to, the following expense categories:

1. Entertainment
2. Bad debts
3. Advertising except for: Recruitment of Personnel
Procurement of Goods & Services
Disposal of Surplus Property
4. Public relations
5. Alcoholic beverages
6. Contributions and donations
7. Goods or services for personal use

Questions regarding the allowability of costs should be directed to the Governmental Accounting Office.

VI. APPROVALS

A. All requests to establish an SRC should be forwarded to the Office of the Assistant Vice President for Financial and Accounting Services. Each request will be reviewed to determine if:

1. The request submitted is complete and understandable.
2. The services are consistent with University policy and federal regulations.
3. The rate computations are complete and accurate.
4. The rate determined is reasonable.

B. The Office of the Assistant Vice President for Financial and Accounting Services, will:

1. Notify the requesting department, in writing, if their request was approved or denied. A copy will be sent to Governmental Accounting.
2. If approved, an account for the SRC will be established with General Accounting.

VII. RESPONSIBILITIES OF AN APPROVED SERVICE/RECHARGE CENTER

Initial and continued approval of an SRC is based upon each SRC's commitment to the following:

A. Maintain detailed records supporting billing rates:

1. Accounts billed,
2. Services performed,
3. Entities requesting the service,
4. All operational expenses. (Normally, a separate account or subcode will be established to record appropriate SRC costs. Costs related to an SRC should not be commingled with other expenses of unrelated entities.)
5. All supporting records must be maintained for seven years and are subject to audit by federal or state auditors or the University's Internal Audit Department.

B. Ensure that **billing rates** are based on **actual costs** and applied uniformly to all university users. An approved SRC should operate on essentially a break-even basis over a reasonable period of time (five years). Costs include direct and approved indirect expenses (see Section V.A) plus under/over recovery from prior year.

C. Assurance that **revenues** derived from sales to entities outside the University (off campus non-university) that exceed actual costs are recorded in a separate account or subcode. For example:

	University Including Federal	Off Campus Non-University (External)
Cost Recovery From Billing Rates	\$30.00	\$30.00
Amount over cost (credit to separate account/subcode)	<u>0.00</u>	<u>20.00</u>
Total amount billed	\$30.00	\$50.00

D. Assurance that **rate reviews**

are conducted at least annually, (at any time it becomes apparent revenues vary significantly from actual costs, it is essential to promptly adjust rates.)

Rate revisions should be considered when it is apparent that annual billings vary from actual costs by more than 10 percent.

E. **Submit**

the following information to the Office of the Assistant Vice President for Financial and Accounting Services by **October 1**, if during the fiscal year ended June 30 (a) the SRC had annual billings that **exceeded \$1,000,000** or (b) the SRC had annual billings to grants and contracts that **exceeded \$25,000**,

1. A signed assurance statement by the Account Executive of the applicable SRC that the requirements of Sections V and VII of these procedures have been met.
2. An operating statement for the applicable SRC showing the **revenue, costs of sales, expenses and profit or loss** for the fiscal year ended June 30. This statement should include any adjustments necessary to reconcile to the University accounting statement(s).
3. A written statement outlining the steps to be taken if the **profit or loss exceeds** the requirements established in Section VII. D.

SRCs meeting the annual billing minimums that do not provide the written analysis may be restricted from processing charges to other University accounts.

F. Assurance that **inappropriate transfers** for unrelated purposes are not made.

G. Ensure that **sufficient funds**

are available in the SRC account, when it is established, to cover necessary expenditures. Deficits that cannot be covered by rate adjustments must be funded by the responsible department. The funding of any cost determined to be unallowable is the responsibility of the department.

H. Notify the Office of the Assistant Vice President for Financial and Accounting Services when **changes** are anticipated in services or accounting procedures, or when cessation of the SRC is anticipated.

I. Notify the Office of the Assistant Vice President for Financial and Accounting Services to close the SRC account when the service is no longer being provided.

VIII.

RESPONSIBILITIES OF THE ASSISTANT VICE PRESIDENT FOR FINANCIAL AND ACCOUNTING SERVICES

These responsibilities include the following:

- A. Periodically monitor rates to determine if the net income or loss from SRC activities is reasonable (within 10% of actual costs).
- B. Monitor activity to identify deviations from approved procedures.
- C. Monitor fund balances for reasonableness.
- D. Recommend corrective action to be taken to ensure compliance with these procedures.
- E. Provide Research Accounting with a listing of all approved SRCs.

F. Direct Research Accounting to discontinue the processing of charges to federal grants and contracts if corrective action is not implemented by a SRC to comply with these procedures.

END OF PART

PART IV Depreciation and use allowance

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)
(a) Land Improvements	<u>C</u>	<u>D</u>	<u>A</u>	<u>B</u>
(b) Buildings	<u>A</u>	<u>C</u>	<u>A</u>	<u>A</u>
(c) Building Improvements	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(d) Leasehold Improvements	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
(e) Equipment	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(f) Furniture and Fixtures	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(g) Automobiles and Trucks	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(h) Tools	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(I) Enter Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. Otherwise enter Code Z.				

Column (1)-Depreciation Method Code

- 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 service lives*

* Describe on a Continuation Sheet

4.1.1 Asset Valuations and Useful Lives.

Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's

financial statements? (Mark one.)

A. Yes*

B. No

4.2.0 Fully Depreciated Assets.

Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)

A. Yes

B. No

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

A. Excluded from determination of sponsored agreements costs

B. Credited or charged currently to the same pools to which the depreciation of the assets was originally charged

C. Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved

D. Not accounted for separately, but reflected in the depreciation reserve account

Y. Other(s) *

Z. Not applicable

4.4.0 Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)

A. Minimum Dollar Amount

\$500 for Capital Equipment to 6/30/98; \$5,000 for Capital Equipment Effective Date is 7/1/98; \$8,000 for Improvements to Buildings.

B. Minimum Life Years **One (1)**

* Describe on a Continuation Sheet

4.5.0 Group or Mass Purchase.

Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)

A. Yes *

B. No

4.1.1 Asset Valuation and Useful Lives

Asset valuations are based on acquisition costs which is consistent with those used in the institution's financial statements. The University does not report depreciation on its financial statement nor is it currently required under GASB rules.

END OF PART

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

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. <input type="checkbox"/> Institution employees participate in State/Local Government Retirement Plan(s)	
B. <input checked="" type="checkbox"/> 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. <input type="checkbox"/> Institution has its own Defined-Contribution Plan(s) *	

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.)

The University of Utah's defined benefit plan is part of the State of Utah Pension Plan.

* Describe on a Continuation Sheet

6.2.0 Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs).

(Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)

Z. _____ [] Not applicable

6.2.1 Determination of Annual PRB Costs.

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

Cash Basis

6.3.0 Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A. _____ When accrued (book accrual only)
- B. _____ When contributions are made to a nonforfeitable fund
- C. _____ When contributions are made to a forfeitable fund
- D. _____ When the benefits are paid to employee
- E. When amounts are paid to an employee welfare plan (**Self Insurance Program**)
- Y. _____ Other or more than one method *
- Z. _____ Not Applicable

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

6.4.1 Worker's Compensation and Liability.

Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A. _____ When claims are paid or losses are incurred (no provision for reserves)
 - B. _____ When provisions for reserves are recorded based on the present value of the liability
 - C. _____
When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability
 - D. When funds are set aside or contributions are made to a fund
 - Y. _____ Other or more than one method *
 - Z. _____ Not Applicable
- * Describe on a Continuation Sheet

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

The University purchases casualty insurance from the State of Utah Self Insurance Fund. The premiums are determined by the State's Risk Management Office.

* Describe on a Continuation Sheet

6.2.0 Post Retirement Benefits Other Than Pensions

Medical and dental insurance benefits are provided as post retirement benefits other than pensions at the University of Utah. As of September 1, 1996, these benefits were provided through five medical and dental plans. Listed below are the names of each plan and their corresponding enrollment for all post retirees.

Blue Cross Blue Shield	36
ValueCare	64
Public Employees Health Plan	2
Health Wise	2
FHP	4
TOTAL	108

END OF PART

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.

* Describe on a Continuation Sheet

7.1.0 Organizational Structure

The University of Utah Organization Structure:

University of Utah, including all schools and colleges within Health Sciences

University of Utah Hospital

7.2.0 Cost Accumulation and Allocation

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

The services provided to segments of the University of Utah:

As the parent organization, the University of Utah provides to the Hospital:

- Administrative Support
- Accounting Services Including Statements
- Payroll Services
- Other Support Services

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

The costs of the services are identified and accumulated on an annual basis in the accounting system of the University.

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

The accumulated costs are allocated on the basis of the ratio of Hospital net expenses to University net expenses.

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.

NONE

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.

NONE

END OF PART

