

**FACILITIES AND ADMINISTRATIVE COST RATES
DEVELOPMENT PROCESS & TIMETABLE**

I. REFERENCES

- A. By-laws and Standing Orders, The Regents of the University of California, Section 100.4(M)
- B. Contract and Grant Manual, Chapter 8
- C. Office of Management and Budget (OMB) Circular A-21 (revised), "Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions"
- D. Current Negotiation Agreement(s) between The University of California, San Diego and the Department of Health and Human Services - Cognizant Negotiation Agency
- E. University Regulation No. 4 (revised)
- F. Cost Accounting Standards Board Disclosure Statement, (CASB DS-2), 6/30/1996

II. DEFINITIONS

- A. **Allocation** is the process of assigning a cost, or a group of costs, to one or more cost objective, in reasonable and realistic proportion to the benefit provided or other equitable relationship. A cost objective may be a major function, a particular service or project, a sponsored agreement, or a Facilities and Administrative cost activity. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.
- B. **Departmental Administration** expenses are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units. Departmental administration expenses include salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads), and other professional personnel conducting research and/or instruction, allowed at a rate of 3.6 percent of modified total direct costs.
- C. **Depreciation and Use Allowances** are the portion of the costs of campus buildings, capital improvements to land and buildings, and equipment which are computed in accordance with the Federal costing principles.
- D. **Direct Costs** are those costs 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.
Revised Paragraph Effective 8/1/2001
- E. **Facilities and Administrative (F&A)** costs are costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. **F&A** costs are synonymous with "indirect" costs, as previously captioned.
End Revised Paragraph
- F. **General Administration** expenses are those that have been incurred for the general executive and administrative offices of educational institutions and other expense of a general character which do not relate solely to any major function of the institution; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, or (4) other institutional activities. Examples of general administration and general expenses include: those expenses

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 2**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

incurred by administrative offices that serve the entire university system of which the institution is a part; central offices of the institution such as the President's or Chancellor's office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and, the operations of the central administrative management information systems.

- G. Instruction** includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. This major function also includes Sponsored Instruction and Training and Departmental Research.
1. Sponsored Instruction and Training are specific instructional or training activities established by grant, contract, or cooperative agreement.
 2. Departmental Research activities are research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental Research is not considered as a major function, but as a part of the instruction function.
- H. Interest** refers to interest on debt associated with certain buildings, equipment and capital improvements, as defined in the federal costing principles.
- I. Library** expenses are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library.
- J. Operation and Maintenance** expenses are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; central receiving; property, liability and all other insurance relating to property; space and capital leasing; and facility planning and management.
- K. Organized Research** activities are all research and development activities that are separately budgeted and accounted for. They include:
1. Sponsored Research, all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the Instruction function.
 2. University Research, all research and development activities that are separately budgeted and accounted for under an internal application of institutional funds. University Research, for rate calculation purposes, is combined with Sponsored Research under the function of Organized Research.
- L. Other Institutional Activities** are all activities except:
1. Instruction, Departmental Research, Organized Research, and Other Sponsored Activities, and
 2. **F&A** cost activities.

Other Institutional Activities include operation of residence halls, dining halls, student unions, hospitals and clinics, intercollegiate athletics, bookstores, faculty housing, student apartments, theaters, museums, and other similar auxiliary enterprises. This definition also includes any other categories of activities, costs of which are "unallowable" to sponsored agreements, unless otherwise indicated in the agreements.

- M. Other Sponsored Activities** are programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than Instruction and Organized Research. Examples of such programs and projects are health service projects, and community service programs. However, when any of these activities are undertaken without outside support, they are classified as Other Institutional Activities.
- N. Sponsored Projects Administration** are those expenses incurred by a separate organization(s) established primarily to administer sponsored projects, including such functions as grant and contract administration (Federal and non-Federal), special security, purchasing, personnel, administration, and editing and publishing of research and other reports. They include the salaries and expenses of the head of such organization, assistants, and immediate staff, together with the salaries and expenses of personnel engaged in supporting activities maintained by the organization, such as stock rooms, stenographic pools and the like.
- O. Student Administration and Services** expenses are those that have been incurred for the administration of student affairs and for services to students, including expenses of such activities as deans of students, admissions, registrar, counseling and placement services, student advisers, student health and infirmary services, catalogs, and commencements and convocations.

III. POLICY

University policy calls for the full costing of all extramurally funded projects. This means that ALL costs of a project funded by an outside source should be charged to that outside source. This policy is found in University Regulation No. 4, revised, which states that: AFor all tests and investigations made for agencies outside the University, a charge shall be made sufficient to cover all expenses, both direct and indirect.@

The calculation and negotiation of F&A cost rates, to be applied to contracts and grants under which the University conducts programs supported by extramural funds, shall be directed toward full recovery of F&A costs, while maintaining full compliance with the Federal Costing Principles (OMB Circular A-21).

Some costs, generally referred to as direct costs, are easy to identify specifically with a particular project, or can be assigned to projects relatively easily and with a high degree of accuracy. Examples of this type of costs include project salaries and benefits, materials purchased and consumed, services provided by recharge units or outside vendors, and contractual arrangements.

Other costs are incurred for common or joint activities or objectives. They cannot be identified specifically or assigned readily to a particular project. These types of costs are referred to as Facilities and Administrative (F&A) costs. Some examples include building and equipment depreciation, operations and maintenance, administrative support, library, and student services. Colleges and universities approximate the F&A costs to be recovered for each extramurally funded project by calculating and negotiating F&A cost rates with the federal government, based on past year actual F&A costs.

These rates are then applied to the applicable direct costs of each project. Some direct costs are eligible for generating F&A cost recovery and some are not, based on federal regulations and definitions. (See Table 1, below.)

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 4**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

TABLE 1

DIRECT COSTS	AMOUNT	ELIGIBLE FOR F&A COST RECOVERY	TIMES F&A COST RATE	F&A COST RECOVERY
SALARIES:				
Researcher	\$15,000	Yes	x .50	\$ 7,500
Support Staff	10,000	Yes	x .50	5,000
EMPLOYEE BENEFITS	5,250	Yes	x .50	2,625
TRAVEL	4,500	Yes	x .50	2,250
PATIENT CARE COST	5,500	No		
SUBCONTRACT COST:				
First \$25K	25,000	Yes	x .50	12,500
Above \$25K	28,000	No		
SUPPLIES	12,000	Yes	x .50	6,000
EQUIPMENT	9,000	No		
GRAPHICS SERVICES	500	Yes	x .50	250
TUITION REMISSION	1,000	No		
	\$114,750			\$36,125
	<u>36,125</u>			
TOTAL PROJECT:	\$150,875			

This PPM Section provides an overview description of the UCSD development of F&A cost rates, and the general timetable for their development. Many variations exist between UC campuses in their rate development process, due to differences in organizational makeup and structure, costing priorities, level of return, and direct costing decisions. However, there are many fundamental similarities between UC campuses in their rate development process, predicated by the use of the same rate development software, interaction with the same federal negotiator, and ongoing communication between campus representatives.

IV. PROCEDURES

OVERVIEW F&A cost rates for a given year (the rate year) are based on actual F&A and direct costs from a prior year (the data year). There is a two year lag for UCSD between the data year and the rate year. This summary of the rate development process is illustrated by using FY 1997-98 as the data year, in the development of F&A cost rates for FY 1999-2000. While this process is for different rates for Instruction and Training agreements, Organized Research, Other Sponsored Activities, and special rates, this summary focuses on the rate for Organized Research, the predominant sponsored activity.

A. Data Collection (July 1, 1997-September 30, 1998) The ideal timetable for this and all other steps is summarily described below in Table 2.

B. Proposal Development

This portion of the process is accomplished using the computerized Comprehensive Rate Information System (CRIS), using the collected data. Below is a step-by-step listing of the groupings and calculations by CRIS to develop proposed F&A cost rates.

1. Mapping of Financial Data: Table 3 below illustrates how financial expenditure data is mapped from the campus financial expenditure detail for the development of the F&A Cost Rate proposals. The Table uses summary categories found in the Financial Schedules, Schedule F - Current Funds Expenditures by Uniform Classification Category, and maps to A-21 cost categories.

**UCSD POLICY AND PROCEDURE MANUAL
 CONTRACTS AND GRANTS (RESEARCH)
 SECTION 150-14 PAGE 5**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

TABLE 2

DATE	DESCRIPTION OF RATE PROPOSAL DEVELOPMENT STEPS
<u>DATA YEAR</u> July	Planning and implementation of rate development strategies; decisions on which rate components to focus on, and which special studies to conduct. Review of pending or finalized changes in applicable regulations.
September	Meet with federal negotiator to present proposed special studies and cost identification and allocation methods.
January	Analysis of prior year cost data; identification of changes in functional bases and cost pools.
July	Collection of Library Acquisitions data.
August	Acquisition of cost data from the appropriate campus sources: Financial Expenditures (Transaction Detail), Capitalized Assets, Account Fund Profile, Equipment Inventory, Operations and Maintenance data by building (custodial FTE, perimeter linear feet, building maintenance costs), Payroll Extract (for DCE calculation), Student and Employee FTE, Student Work Hours by Function, Student Class Hours, and a listing of subaward amounts >\$25K.
September	Identification of: federally funded construction, fixed equipment, buildings/departments/general improvements to be excluded from certain calculations or allocations, and expended interest and plant costs. Acquisition of facilities inventory (Building and Room Files).
October-December	Reconciliation of data, verification of space use data, calculation of rates, development/revision of proposal narrative and exhibits, review by campus management, submittal to Office of the President (OP) for review, submittal to DHHS DCA.
January-May	Response to DCA inquiries/requests, discussion of rate calculation issues, negotiation of rates and terms of agreement.
May-June	Agreement issued by DHHS and countersigned by UC.

**UCSD POLICY AND PROCEDURE MANUAL
 CONTRACTS AND GRANTS (RESEARCH)
 SECTION 150-14 PAGE 6**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

TABLE 3

A-21 SUMMARY CATEGORY	FINANCIAL SCHEDULE CATEGORY
1. MAJOR FUNCTIONS: <u>INSTRUCTION AND DEPARTMENTAL RESEARCH</u>	Instruction, including University Extension, Summer Session, Course and Curriculum Development, General Fund/University Funded Research
<u>ORGANIZED RESEARCH</u>	Extramurally funded and separately budgeted Research, including formal cost sharing
<u>OTHER SPONSORED ACTIVITIES</u>	Extramurally Funded Activities (those which are not Research or Instruction/Training)
<u>OTHER INSTITUTIONAL ACTIVITIES</u>	Auxiliary Enterprises, Teaching Hospital, recharged Logistical Services, much of Ancillary Support (Museums and Galleries, Audio Visual Services, Computing and Ancillary Support), some of Student Services, Public Service, and Community Relations
2. F&A COST POOLS: <u>GENERAL ADMINISTRATION</u>	Most of Institutional Support: Executive Management, General Administrative, most of Fiscal Operations, non-recharged Logistical Services, part of Community Relations
<u>DEPARTMENTAL ADMINISTRATION</u>	Most of Academic Support - Administration
<u>SPONSORED PROJECT ADMINISTRATION</u>	Parts of Institutional Support - Fiscal Operations, Academic Support - Administration
<u>BUILDING/EQUIPMENT DEPRECIATION</u>	Not derived from Expenditures; derived from Capitalized Assets Listing/Equipment Inventory
<u>OPERATION AND MAINTENANCE</u>	Operation and Maintenance of Plant
<u>LIBRARY</u>	Library
<u>STUDENT ADMINISTRATION AND SERVICES</u>	Some of Student Services
3. UNALLOWABLE EXPENSE	Student Financial Aid

2. Exclusions and Overrides: Exclusions and overrides are made for a variety of reasons, including:
 - a. Equipment cost and depreciation charges are excluded from all cost pools; equipment value is identified from the Equipment Inventory.
 - b. Federally funded costs in F&A cost pools are classified as unallowable, because leaving them in would constitute double charging (direct and F&A).
 - c. Subaward expenditures greater than \$25,000, patient care costs, tuition remission, interest expenses, flow-through expenses, Library fines, Student Services credits, federally funded space rental costs, remaining Student Financial Aid costs, entertainment and other unallowable expenses are

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 7**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

reversed out or reclassified as unallowable expense. Total direct costs thus become Modified Total Direct Costs (MTDC).

- d. Hospital/Auxiliary Operations and Maintenance costs are transferred to separate cost pools.
 - e. All remaining space rental costs are reclassified as Operations and Maintenance.
 - f. Costs of Library Acquisitions and various utilities are reclassified into separate cost pools.
 - g. CRIS performs a series of calculations to identify the components of the Departmental Administration cost pool, including the Faculty Administrative Allowance and the departmental support Direct Charge Equivalent.
3. Stepdown Allocation Process: CRIS allocates each of the F&A cost pools to the direct and F&A cost pools in the following sequence:

COST POOL	COST POOL GROUP	DESCRIPTION
001-3, 008-9	01	Building/Improvement Depreciation Pools (BD)
005-006	02	Equipment Depreciation Pools (ED)
004	03	Asset Interest (I)
100-120	10	Operations and Maintenance Pools (O&M)
200-210	20	General Administration Pools (GA)
300-499	30-40	College and Departmental Administration Pools (DA)
601	60	Sponsored Project Administration Pool (SPA)
701-702	70	Student Administration and Services Pools (SAS)
800-801	80	Library Pools (LIB)

This section describes the composition of the pools, the allocation basis used for each, and the cost pools to which each is allocated. The Cost Pool Group Numbers correspond to the numbering used in the rate calculations and proposals.

- a. 01-Building/Improvement Depreciation Pools (BD)

Composition of Pools Building and General Improvement Depreciation is based on the acquisition cost (net of federal funding) and on the useful life of each building and general improvement component.

Allocation Basis General Improvements Depreciation is allocated to applicable buildings based on their relative size and location. Building and General Improvements Depreciation for each building are then distributed to its rooms, based on assignable square feet (ASF). Each room's share is allocated to function as identified in the Functional Space Use Survey. For rooms which are classified as "Joint Use" the Depreciation is distributed to their departments, and within each department to functions in the same proportions as salaries of the department's personnel.

The space related costs of recharge activities (including Building Depreciation, Asset Interest, and Operations and Maintenance) are not included in the recharge rate calculation. These costs are allocated to benefitting functions. Recharge centers are issued a unique expense account code which is used in processing their recharges to user departments/units. Annual volume on each recharge account code, sorted by benefitting function, is used as the statistical basis for allocating that recharge activity's space costs to each function.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 8**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

Allocation Building/Improvements/Fixed Equipment Use Allowance costs are allocated to the following cost pool groups:

10	-	Operations and Maintenance	20	-	General Administration
30-40	-	College/Departmental Administration	60	-	Sponsored Project Administration
70	-	Student Services Administration	80	-	Libraries
90	-	Other Sponsored Activities	91	-	Instruction and Departmental Research
92	-	Organized Research	95	-	Hospitals and Clinics
96	-	Auxiliaries and Recharges	97	-	Other Institutional Activities

b. 02-Equipment Depreciation Pools (ED)

Composition of Pools ED charges are determined by class of equipment, which is defined as the CalCode group. Eight classes of equipment are identified in the CalCoding structure, each with a distinct alpha designation.

An average useful life is identified for each CalCode subgroup (alpha plus two digits) and used in the depreciation calculation of this equipment. No salvage value is excluded in the depreciation calculation for UCSD equipment.

Allocation Basis ED charges are allocated to custodial departments, and then allocated to function based on the proportional allocation of space to function in that department.

Allocation ED charges are allocated to the following cost pool groups:

10	-	Operations and Maintenance	20	-	General Administration
30-40	-	College/Departmental Administration	60	-	Sponsored Project Administration
70	-	Student Services Administration	80	-	Libraries
90	-	Other Sponsored Activities	91	-	Instruction and Departmental Research
92	-	Organized Research	95	-	Hospitals and Clinics
96	-	Auxiliaries and Recharges	97	-	Other Institutional Activities

c. 03-Asset Interest (I)

Composition of Pools Annual Interest expense for each applicable building and equipment item is identified using plant accounting records or other accounting records at the campus and at OP, and using reports on annual State General Obligation Bond interest cost.

Allocation Basis Building Interest is allocated to the applicable building and then distributed to its rooms, based on ASF. Equipment Interest is allocated to the equipment-s custodial department, and then allocated to the department-s rooms, based on ASF. Each room's share of Asset Interest is then allocated to function as identified in the Functional Space Use Survey. The Asset Interest costs of recharge activities are allocated to benefiting functions; see Section IV.B.3.a.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 9**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

For rooms which are classified as "Joint Use" the Use Allowances are distributed to their departments, and within each department to functions in the same proportions as salaries of the department's personnel.

Allocation Asset Interest costs are allocated to the following cost pool groups:

10	- Operations and Maintenance	20	- General Administration
30-	- College/Departmental	60	- Sponsored Project
40	Administration		Administration
70	- Student Services	80	- Libraries
	Administration		
90	- Other Sponsored Activities	91	- Instruction and
			Departmental Research
92	- Organized Research	95	- Hospitals and Clinics
96	- Auxiliaries and Recharges	97	- Other Institutional
			Activities

d. 10-Operations and Maintenance (O&M)

Composition of Pools The O&M cost pool group includes the following cost pools, which are identified using organization, program, and account codes:

COST POOL NO.	DESCRIPTION
100	- Physical Plant Administration
101-104	- Utilities - Gas, Electrical, Water/Sewer, Other
110	- Building Maintenance
111	- Custodial Services
112	- Grounds Maintenance
113	- Campus Operations and Maintenance
114	- Environmental Health and Safety
115	- Security
116	- Deferred Maintenance
117	- Instrumentation
118	- Hospital Operations and Maintenance
119	- Departmental Operations and Maintenance
120	- Auxiliaries Operations and Maintenance

These cost pools receive an allocation of BD and ED. The Physical Plant Administration Pool includes an allocation of Office of the President O&M, allocated among the campuses based on salaries.

Allocation Basis Some activities, such as Hospital and Auxiliaries, have their own O&M cost pools. Allocation of other O&M costs is restricted to those departments and units.

O&M costs are allocated as follows:

- (1) Physical Plant Administration is allocated to the remaining O&M cost pools based on their total costs.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 10**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

- (2) Gas and electrical and other utilities costs are allocated to buildings based on metered consumption where available, and then to rooms based on ASF. Where metered consumption is unavailable, the utilities costs are allocated to buildings and rooms on ASF.
- (3) Building Maintenance costs are allocated to the buildings where the costs were incurred, and to rooms based on ASF.
- (4) Custodial Services costs are allocated to buildings based on assigned FTE, and to rooms based on ASF.
- (5) Grounds Maintenance costs are assigned to buildings based on perimeter linear feet, and to rooms based on ASF.
- (6) Campus O&M costs are administrative and support costs which benefit campus Physical Plant Services only; they do not benefit the Hospital or other off-campus sites. This is also true for campus Environmental Health and Safety and campus Security. These costs are allocated to campus buildings and rooms based on ASF.
- (7) Deferred Maintenance costs are allocated to buildings and rooms based on ASF.
- (8) Instrumentation costs are the costs of minor equipment items which are not capitalized because their acquisition cost falls under the University's equipment capitalization threshold. Instrumentation expenses are allocated in the same manner as Equipment Depreciation; they are allocated to departments, and then allocated to function based on the proportional allocation of space to function in that department.
- (9) Hospital O&M costs benefit the Hospital only; therefore, they are allocated only to the Hospital and Patient Care function. The same is true for Auxiliaries O&M costs.
- (10) Departmental O&M costs, defined by account code, are paid for by departmental accounts rather than by Physical Plant Services funds. As long as the costs do not meet the definition of a direct cost, they are classified as F&A costs which benefit the various activities and functions of the department. These costs are allocated to the department's rooms based on ASF. Costs are then allocated to function based on the function of the room identified on the space functionalization survey. For those rooms which were coded as "Joint Use", their costs are allocated to function using salaries of the occupying department.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 11**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

- (11) The O&M costs of recharge activities are allocated to benefiting functions; see Section IV.B.3.a.

Allocation O&M costs are allocated to the following cost pool groups:

20	- General Administration	30-40	- College/Departmental Administration
60	- Sponsored Project Administration	70	- Student Services Administration
80	- Libraries	90	- Other Sponsored Activities
91	- Instruction and Departmental Research	92	- Organized Research
95	- Hospitals and Clinics	96	- Auxiliaries and Recharges
97	- Other Institutional Activities		

e. 20-General Administration (GA)

Composition of Pools GA costs are the expenditures for the general executive and administrative offices of the campus, such as the Chancellor's and Vice Chancellors' offices, Accounting, Personnel, and Purchasing.

Also, GA costs include BD, ED, and O&M costs allocated to GA.

Allocation Basis Office of the President GA is allocated to the campuses based on their relative Modified Total Costs (MTC). GA is segmented into All UCSD, Academic Only, Hospital Only, and Campus Site Only; parameters are defined for allocation of these subgroupings. Within these parameters, GA is then allocated to department, and to function within department, based on MTC.

Allocation GA costs are allocated to the following cost pool groups:

30-40	- College/Departmental Administration	60	- Sponsored Project Administration
70	- Student Services Administration	80	- Libraries
90	- Other Sponsored Activities	91	- Instruction and Departmental Research
92	- Organized Research	93	- Nimitz Marine Facility
94	- General Clinical Research Center	95	- Hospitals and Clinics
96	- Auxiliaries and Recharges	97	- Other Institutional Activities

f. 30-40-College and Departmental Administration (DA)

Composition of Pools DA includes the following costs:

- (1) Deans' and Provosts' offices, mapped by organization and program into College Administration.
- (2) A portion of academic salaries and benefits, limited to 3.6% of each department's MTDC, calculated and entered in each department's DA cost pool.
- (3) Nonacademic department administrators and business officers, identified by title code.
- (4) Department general support salaries, identified within each department using the Direct Charge Equivalent calculation.

UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 12

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

- (5) Department non-salary expenses, prorated to DA based on the department's DA salaries.

In addition, DA costs include BD, ED, O&M and GA costs allocated to DA.

Allocation Basis College Administration is allocated to each department within that college or division based on MTC. DA costs within each department are allocated to its direct functions based on MTDC.

Allocation College and Departmental Administration costs are allocated to the following cost pool groups:

90 - Other Sponsored Activities	91 - Instruction and Departmental Research
92 - Organized Research	93 - Nimitz Marine Facility
94 - General Clinical Research Center	96 - Auxiliaries and Recharges
97 - Other Institutional Activities	

g. 60-Sponsored Project Administration

Composition of Pool Sponsored Project Administration costs include the Contract/Grant Administration Offices, Extramural Funds Accounting, Resource Management - Financial Analysis, Human Subjects Program, and various other committees related to sponsored projects. In addition, SPA includes BD, ED, O&M, and GA costs allocated to SPA activities.

Allocation Basis Office of the President SPA costs are allocated to the campuses based on relative sponsored project expenditures. Campus SPA costs are then allocated to each direct function, based on sponsored project MTDC.

Allocation SPA costs are allocated only to functions which include sponsored projects; usually these are Instruction, Organized Research, Other Sponsored Activities, Nimitz Marine Facility, and the General Clinical Research Center. However, sometimes sponsored projects will be found in the Hospital or Other Institutional Activity functions, in which case a proportionate share of SPA will be allocated.

h. 70-Student Administration and Services

Composition of Pools Expenses in this cost pool include those incurred for the administration of student affairs and for services to students, including admissions, registrar, counseling, placement, and health services. Also included are Building and Equipment Use, O&M, and GA costs allocated to SAS activities.

Allocation Basis SAS costs are segmented into two subpools, Student Administration and Student Benefits, based on a special cost study. Student Administration costs are only allocable to Instruction and Student Affairs (part of Other Institutional Activities). Student Benefits costs are allocated to all functions based on student class/work hours in each function. The student work hours by function are obtained from the Personnel Office or Payroll, while student class hours are calculated using data from the Campus Planning Office.

Allocation As described above, Student Benefits costs are allocable to any direct function which includes student work hours. Usually, the allocation is to Instruction, Organized Research, Other Sponsored Activities, and Other Institutional Activities.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 13**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

i. 80-Library

Composition of Pools Library costs include expenditures for the central and branch libraries, including their acquisitions and administrative costs and a portion of the Office of the President Library Administration cost. Also included are BD, ED, O&M, and GA costs allocated to Library activities.

Allocation Basis San Diego uses a special cost study to allocate Library costs. This cost study identifies a traceable cause and effect relationship between acquisition costs and the academic departments which directly or indirectly determine the acquisitions. The study then uses a formula for allocating Library acquisition costs:

- (1) Library Costs, except for acquisition costs, are subdivided between circulation/ reference and acquisitions/processing expenses based on Library salaries in those two areas. In 1987-88, \$3.2M of UCSD's Library salaries were for circulation/ reference, while \$3.5M were for acquisitions/processing.
- (2) Library costs for circulation/reference are allocated according to the A-21 default method.
- (3) Acquisitions costs, and Library expenses representing the acquisitions/processing portion as identified above, are allocated to departments based on acquisitions costs for each department. Acquisitions costs by department are identified by Library staff in a year-end report. These Library expenses are then allocated to function within each department based on salaries.

Allocation Library costs are allocated to the following cost pool groups:

90 - Other Sponsored Activities	91 - Instruction and Departmental Research
92 - Organized Research	96 - Auxiliaries and Recharges
97 - Other Institutional Activities	

4. Calculation of Rate Components

After all F&A costs have been allocated, the amount of each F&A cost pool group allocated to each campus function is totalled. These totals become the numerators for calculating the rate components.

The Modified Total Direct Cost Base for each campus function has been identified through the mapping, exclusion, cost override and direct charge equivalent steps of CRIS. These MTDC bases have been used in many cases for allocating F&A costs to direct cost functions; now they are to become the denominators in determining F&A cost rate components for sponsored activities. Table 4 illustrates the calculations of each rate component.

**UCSD POLICY AND PROCEDURE MANUAL
 CONTRACTS AND GRANTS (RESEARCH)
 SECTION 150-14 PAGE 14**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

TABLE 4

	ON- AND OFF-CAMPUS TOTAL MTDC	ONLY ON CAMPUS MTDC	ONLY SPONSORED MTDC
FUNCTION/BASE:			
Instruction	GA, PLI, DA, SAS	BU, EU, O&M, LIB	SPA
Organized Research	GA, PLI, DA, SAS	BU, EU, O&M, LIB	SPA
Other Sponsored Activities	GA, PLI, DA, SAS	BU, EU, O&M, LIB	SPA
Nimitz Marine Facility	GA, DA		SPA
General Clinical Research Center	GA, PLI, DA		SPA

5. Calculation of F&A Cost Rates

The on-campus rate for each function is the sum of all components for that function; the Off-campus rate for each function is the sum of that function's GA, DA, SPA, and SAS components only.

**UCSD POLICY AND PROCEDURE MANUAL
 CONTRACTS AND GRANTS (RESEARCH)
 SECTION 150-14 PAGE 15 Exhibit A**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

**IDEAL CHRONOLOGY OF F&A COST RATE
 DEVELOPMENT AND APPLICATION***

1997	July-August September-October November-December	DATA		
1998	January-February March-April May-June	YEAR		
	July-August September-October November-December	Data Collection, Rate Calculation, Proposal Development Submission to HHS		
1999	January-February March-April May-June	Review/Inquiries by HHS; Responses and Negotiation		
	July-August September-October November-December	NEGOTIATED	DATA	
2000	January-February March-April May-June	RATES	YEAR	
	July-August September-October November-December	IN	Data Collection, Rate Calculation, Proposal Development Submission to HHS	
2001	January-February March-April May-June	EFFECT		
	July-August September-October November-December	DURING	Review/Inquiries by HHS; Responses and Negotiation	
2002	January-February March-April May-June	THIS	NEGOTIATED	DATA
	July-August September-October November-December	PERIOD	RATES	YEAR
2003	January-February March-April May-June		IN	Data Collection, Rate Calculation, Proposal Development Submission to HHS
	July-August September-October November-December		EFFECT	Review/Inquiries by HHS; Responses and Negotiation
2004	January-February March-April May-June		DURING	NEGOTIATED
			THIS	RATES
			PERIOD	IN EFFECT

*Assumes two-year rate agreements in each cycle.

DIRECT CHARGE EQUIVALENT CALCULATIONS AT UCSD

I. Basic Theory

The Direct Charge Equivalent (DCE) formula-driven methodology allows an institution to calculate the Departmental Administration (DA) portion of the indirect cost rate without relying on time-consuming effort reports.

In its 1986 revisions, OMB Circular A-21 recognized that effort reports were not the most efficient means for calculating DA. As a result, the 3.6 percent faculty administrative allowance (FAA) was instituted. The 1986 revisions to A-21 stated that "Salaries and fringe benefits attributable to the administrative work of faculty (including department heads), and other personnel conducting research and/or instruction shall be allowed at a rate of 3.6 percent of modified total direct costs" (section F.6.a.(2)(a)).

This section of A-21 goes on to say that "This allowance does not include professional business or administrative officers". In effect, A-21 states that DA expenses associated with faculty and professional salaries and wages (F&P S&W) is allowed at 3.6 percent of MTDC, and that professional administrators (ADM S&W) is 100 percent allowable as DA. Subsequently, effort reports are not required to support these two components.

The next paragraph of this A-21 section is where the potential for confusion emerges: "Other administrative and supporting expenses incurred within academic departments are allowable provided they are treated consistently in like circumstances. This would include expenses such as the salaries of secretarial and clerical staffs, the salaries of administrative officers and assistants, travel, office supplies, stockrooms, and the like" (section F.6.a.(2)(b)).

The 1993 revisions to A-21 provided further guidance by stating "The salaries of administrative and clerical staff should normally be treated as indirect costs", but went on to say "Direct charging of these costs may be appropriate where a major activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity" (section F.6.b).

As long as it is possible to charge certain types of administrative support costs as a direct item, the federal government argues that it is inequitable to treat all university paid-for administrative costs as indirect. The DCE methodology is one method to adjust for the amount of administrative support costs that are treated as indirect.

The DCE ratio is defined as General Support salaries and wages (GNS S&W) charged to sponsored accounts divided by Faculty and Professional salaries and wages (F&P S&W) charged to sponsored accounts. Furthermore, a unique DCE ratio is applicable to each academic department.

The DCE ratio is then compared against the actual GNS S&W and the actual F&P S&W (less the salary and wage portion of the 3.6 percent faculty administrative allowance) that has been charged to each department's general operating (i.e. non-sponsored) accounts.

When the DCE ratio is less than the ratio calculated for the non-sponsored accounts, an excess or residual of GNS S&W exists within the non-sponsored accounts. More specifically, the residual GNS S&W from the non-sponsored accounts represents GNS S&W that is reclassified as DA and is allocable to research. When the DCE ratio is greater than the ratio calculated for the non-sponsored accounts, no residual exists and therefore no GNS S&W is reclassified as DA expense. An example is shown below:

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 17 Exhibit B**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

Chemistry Department:

	<u>S&W Charged to Sponsored Accounts</u>	<u>S&W Charged to Non-sponsored Accounts</u>	
GNS	\$50,000	\$300,000	
F&P	\$200,000	\$1,000,000	(after 3.6 FAA)

The DCE ratio is equal to \$50,000/\$200,000, or 25 percent. The actual ratio of GNS S&W compared to F&P S&W from the non-sponsored accounts is equal to \$300,000/\$1,000,000, or 30 percent.

If the DCE ratio is applied to the F&P S&W from non-sponsored accounts (\$1,000,000 * 25 percent), the product is equal to \$250,000. The premise behind the DCE methodology is that when the actual GNS S&W charged to the non-sponsored accounts (\$300,000) is greater than the amount calculated according to the DCE ratio (\$250,000), the residual GNS S&W (\$50,000) is reclassified as DA expense.

The important assumption underlying this methodology is that the GNS S&W which supports the F&P S&W from the non-sponsored accounts should be in the same proportion to the GNS S&W which supports the F&P S&W for sponsored accounts. If there is residual GNS S&W which supports the F&P S&W from the non-sponsored accounts, this residual is reclassified as DA expense.

If in the above example the DCE ratio was still equal to 25 percent, and the GNS S&W charged to the non-sponsored accounts was \$200,000, then the residual GNS S&W support for the F&P S&W would be equal to zero. Therefore, there would be no GNS S&W to be reclassified as DA expense.

Maybe the most intuitive example is when the GNS S&W charged to sponsored accounts is equal to zero. In this example, the DCE ratio would also be equal to zero. When a DCE ratio of zero is applied to the F&P S&W from the non-sponsored accounts (\$1,000,000 * 0 percent), the product is equal to 0. In other words, because sponsored accounts have not paid for any GNS S&W, the GNS S&W charged to the non-sponsored accounts is entirely residual support and is 100% reclassified as DA expense.

After the three salary and wage components (F&P S&W, ADM S&W, and GNS S&W) are calculated, A-21 does allow for a prorated share of benefits and other expenses to also be treated as DA expense: "Other fringe benefit costs applicable to the salaries and wages are allowable, as well as an appropriate share of general expenses" (section F.6.a.(3)).

The formula-driven DCE calculation allows the user to incorporate the treatments prescribed in A-21, and at the same time, develop a fair treatment (via the DCE) for General Support staff. The actual implementation in The Comprehensive Rate Information System (CRIS), the software used to calculate F&A cost rates, is described in the next section.

II. DCE in CRIS

In order for CRIS to use the DCE methodology, a variety of parameters are defined throughout the system. Below is a listing of the CRIS Table (and menu path) that are completed in order to use the DCE methodology:

A. Department Header Table, 1.1.5

The "Calculate DCE/DA?" is set to "Y" for all academic departments for which the DCE calculation is performed. In addition, for those departments where this field is set to "Y", the Cost Pool Number field is updated to correspond with the DA Cost Pool Number defined in the Cost Pool Master Table (see 1.1.7). If the Effective Benefit Rate box is not checked in the DA Calculation Set-up Table (see 1.4.3 below), then Benefit Rates must be entered for each department.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 18 Exhibit B**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

B. Cost Pool Master Table, 1.1.7

There is a DA Cost Pool established for each department for which a DCE calculation is performed. The DA Cost Pool Numbers correspond to the DA Cost Pool Numbers defined in the Department Header Table (see 1.1.5 above).

Four buttons in the Cost Pool Master Table should also be updated:

Use DA Allocation - This button is set to "Y" for all academic department DA Cost Pools (this does not include the Dean's office cost pools). This tells CRIS to use the automated stepdown allocation rule (see 1.8.1, Allocation Table, A002) when allocating DA expenses.

FAA/Receive DA - This button is set to "Y" for any direct cost pool where the 3.6 percent Faculty Administrative Allowance (FAA) is applicable. The 3.6 percent FAA is applied to the direct cost pools (e.g. Instruction, Research, and Other Sponsored Activities) that have academic activity associated with them. All academic department DA Cost Pools also have this button set to "Y". Cost pools that have this button set to "Y" automatically receive an allocation of DA.

DA Source - This button is set to "Y" so that the DA expenses are transferred from the cost pool into a corresponding DA cost pool. CRIS allows DA expenses to be transferred from non-sponsored accounts only (as defined in the Chart of Accounts, 1.2.2). In most situations, the DA expenses are transferred from non-sponsored accounts in the Instruction cost pool. Therefore, the Instruction cost pool has a "Y" checked. Any other cost pools from which DA expenses should be transferred also have a "Y" checked.

DCE Ratio - This button is set to "Y" for any direct cost pools which are used for creating the DCE ratio. When this button is set to "Y", any sponsored accounts (as defined in the Chart of Accounts, 1.2.2) from that cost pool will be used to create the DCE ratio. The Research cost pool has a "Y" checked. Any other cost pools (e.g. Instruction, Other Sponsored Activities) where sponsored accounts should be used to create the DCE ratio also have a "Y" checked.

(Note: Though the FAA, DA Source, and DCE Ratio buttons are analyzed on a cost pool by cost pool basis, the actual application takes place on a department by department basis).

C. Chart of Accounts, 1.2.2

One of the following Sponsor codes is identified to each account: 1 - University sponsored, 2 - Private sponsored, 3 - State sponsored, 4 - Federal sponsored, 5 - Other External, 6 - Other Internal, 7 - Non-sponsored.

Accounts coded as 6 or 7 are used as sources of DA expenses for the applicable department. However, in order for DA expenses to be transferred from these accounts, they are mapped to a direct cost pool where the DA Source button has been set to "Y" and are identified to a department where the Calculate DCE/DA? button is set to "Y".

Accounts coded as 1, 2, 3, or 4 are used to create the DCE Ratio for the applicable department. However, in order for these accounts to be used to create the DCE Ratio, they are mapped to a direct cost pool where the DCE Ratio button has been set to "Y" and identified to a department where the Calculate DCE/DA? button is set to "Y".

Accounts coded as 5 (Other External) are treated as sponsored accounts and used to create the DCE Ratio only if the Include Sponsor Code 5 box is checked in the DA Calculation Set-up Table (see 1.4.3 below). In no case will accounts coded as 5 ever be treated as non-sponsored accounts. Even if the Include Sponsor Code 5 box is not checked, these accounts are still included in determining the 3.6 percent FAA if mapped to a cost pool where the FAA/Receive DA button is set to "Y".

D. DA Calculation Set-up Table, 1.4.3

To use the DCE methodology, the Use DCE for GNS S&W button must be checked.

The three Other options available under this screen include: Effective Benefit Rate (where CRIS calculates unique benefit rates for each department), Include Sponsor Code 5 (where other externally funded accounts per the Chart of Accounts can be included in the DCE ratios), and Create DA Adjustment (where CRIS creates the 3.6% Faculty Administrative Allowance if the funds do not exist).

E. DCE Category Mapping Table, 1.4.4

All unique Title Codes are summarized in the Perform DCE calculation program (see 2.1.4 below), and each Title Code is coded as either Faculty and Professional (F&P), Administrative (ADM), General Support (GNS), or Technicians (TECH). After each Title Code is assigned a DCE code, results are identified back to the department and account level.

After Title Codes are identified back to the department and account level, CRIS is able to perform the DCE analysis. The DCE ratio for a specified department is equal to sponsored GNS S&W divided by sponsored F&P S&W. Only expenses from cost pools where the DCE Ratio button is set to "Y" are used.

(Note: Technicians (TECH) Title Codes are treated as if they were Faculty and Professional (F&P) Title Codes. The remainder of this Appendix refers to F&P positions only).

F. Perform DCE/DA Calculation, 2.1.4

This program extracts records from the Payroll file (DCE_PYEX.DBF) for all departments where the Calculate DCE/DA? field from the Department Header Table is set to "Y". These records are copied to the Payroll Subset file (DCE_PAY.DBF) where they are further summarized by Title Code for additional processing.

All of the parameters defined in the previous sections are then summarized, and the results are incorporated into two CRIS data files: the DA Calculation Detail File (DA_CALC.DBF) and the DA Calculation Summary File (DA_DEPT.DBF). Based on the results copied into these two files, the actual DCE/DA calculation is performed.

G. Summary of DCE/DA Calculation in CRIS

The DCE methodology in CRIS is accomplished by the following steps:

1. Payroll file is downloaded into the DCE_PYEX.DBF file.
2. Payroll Subset file (DCE_PAY.DBF) is created for those departments for which the Calculate DCE/DA? field from the Department Header Table is set to "Y".
3. CRIS summarizes Title Codes from DCE_PAY.DBF into DCE_TMAP.DBF file.
4. User assigns a DCE Category (F&P, ADM, GNS, or TECH) to each Title Code.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 20 Exhibit B**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

5. Based on DCE Categories, CRIS performs the calculation and copies results into the DA_CALC.DBF and DA_DEPT.DBF files.

After assigning a DCE Category to a Title Code, the final treatment in the DCE/DA calculation is determined by whether the salary amount is paid for by a sponsored account or a non-sponsored account. Each DCE Category is treated as follows to arrive at General Support DA salaries:

F&P (sponsored)	- Denominator in DCE ratio.
TECH (sponsored)	- Treated as F&P sponsored.
ADM (sponsored)	- Treated as F&P sponsored.
GNS (sponsored)	- Numerator in DCE ratio.
F&P (non-sponsored)	- Number to which DCE is applied to arrive at Calculated GNS.
TECH (non-sponsored)	- Treated as F&P non-sponsored.
ADM (non-sponsored)	- 100% reclassified to DA.
GNS (non-sponsored)	- Actual GNS that is compared with Calculated GNS. If Actual is greater than Calculated, the difference is reclassified to DA.

Through simultaneous equations, a 3.6 percent Faculty Administrative Allowance (FAA) is also calculated. The FAA is defined as modified total direct costs for the department multiplied by 3.6%.

The final two components of the DCE/DA calculation, Benefits and Other Supplies and Expense, are also calculated. Benefits are determined by applying the department benefit rate to the salaries that were reclassified to DA. Other Supplies and Expense are calculated by applying the ratio of DA salaries divided by total non-sponsored salaries to the total non-sponsored other expense for each department.

The methodologies described above represent the standard DCE calculation in CRIS. A Sample Calculation of the DCE is shown below.

III. Sample Calculation

The DA Calculation Detail File (DA_CALC.DBF) and the DA Calculation Summary File (DA_DEPT.DBF) are the source files for the DCE calculation. The department by department calculations are driven from the DA Calculation Summary File, whereas the final transfer of DA expenses from the direct cost pools to the DA cost pools is based on the DA Calculation Detail File.

The first part of this section focuses on the actual DCE calculation, therefore the DA Calculation Summary (DA_DEPT.DBF) file is the basis for the results. The following information is maintained on DA_DEPT.DBF, and is used for performing the DCE/DA calculation:

- Total Allowable Costs
- Non-sponsored Total Allowable Costs
- Non-sponsored ADM Salaries and Wages*
- Non-sponsored GNS Salaries and Wages*
- Non-sponsored F&P Salaries and Wages*
- Non-sponsored Other Supplies and Expense.
- Non-sponsored Benefits
- F&P Benefit Rate
- Sponsored GNS Salaries and Wages*
- Sponsored F&P Salaries and Wages*

(*Note: Salary and wage components are based on the campus source Payroll file (DCE_PYEX.DBF), and all other components are based on the campus source Account Detail file (ACCTDET.DBF). These two files are reconciled to ensure defensible results).

**UCSD POLICY AND PROCEDURE MANUAL
 CONTRACTS AND GRANTS (RESEARCH)
 SECTION 150-14 PAGE 21 Exhibit B**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

Using the information from DA_DEPT.DBF listed in (1) through (10) above, the following DA components are calculated and copied into DA_DEPT.DBF:

- F&P DA Salaries and Wages
- ADM DA Salaries and Wages
- GNS DA Salaries and Wages
- Total DA Salaries and Wages
- Total DA Benefits
- Total DA Other Supplies and Expense

Based on the data maintained in the DA_DEPT.DBF, CRIS uses simultaneous linear equations to complete the DCE calculation. The following four equations are used (this set of equations assumes that a separate DCE is used to calculate DA supplies and expense):

$$\begin{aligned}
 \text{FAA} &= \{\text{MTDC} - \text{FAA} - ([1+\text{fbe}] * \text{ADM_NS}) - ([1+\text{fbe}] * \text{GNS_DA}) - \text{OTH_DA}\} * .036 \\
 \text{GNS_DA} &= \text{GNS_NS} - \{(\text{F\&P_NS} - \text{FAA}/[1+\text{fbe}]) * \text{GNS_SP} / (\text{F\&P_SP} + \text{ADM_SP})\} \\
 \text{fbe} &= (\text{FB_NS} - \text{fbe} * \text{F\&P_NS}) / (\text{ADM_NS} + \text{GNS_NS})
 \end{aligned}$$

where,	FAA	=	Faculty Administrative Allowance.
	MTDC	=	Modified Total Direct Costs.
	fbe	=	effective benefit rate.
	ADM_NS	=	Non-sponsored (i.e. DA) Administrative salaries.
	GNS_DA	=	General Support DA salaries.
	GNS_NS	=	Non-sponsored General Support salaries.
	F&P_NS	=	Non-sponsored Faculty and Professional salaries.
	GNS_SP	=	Sponsored General Support salaries.
	F&P_SP	=	Sponsored Faculty and Professional salaries.
	ADM_SP	=	Sponsored Administrative salaries.
	OTH_NS	=	Non-sponsored Other Supplies and Expense
	OTH_SP	=	Sponsored Other Supplies and Expense

The following equation is used to calculate other supplies and expense:

$$\text{OTH_DA} = \text{OTH_NS} * \{\text{FAA}/[1+\text{fbe}] + \text{ADM_NS} + \text{GNS_DA}\} / (\text{F\&P_NS} + \text{ADM_NS} + \text{GNS_NS})$$

Using the first set of equations, the following four components of DA are calculated:

A. DCE - GENERAL SUPPORT SALARIES

Sponsored GNS Salaries	\$578,922
Sponsored F&P Salaries	\$1,510,817
DCE Ratio	38.32%
Non-sponsored F&P Salaries	\$1,363,235
Less: Calculated FAA Salaries (SEE BELOW)	\$159,063
Adjusted Salaries	\$1,204,172
Multiply: DCE Ratio	38.32%
Calculated Non-sponsored GNS Salaries	\$461,439
Actual Non-sponsored GNS Salaries	\$480,386
Residual Non-sponsored GNS Salaries to DA	<u>\$18,947</u>

UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 22 Exhibit B

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

B. 3.6% FAA CALCULATION

Total Costs, all functions		\$5,561,493
Less: DA ADM Salaries		\$0
Less: DA GNS Salaries (SEE ABOVE)		\$18,947
Less: FAA F&P Salaries		\$159,063
Less: DA ADM/GNS Benefits		\$3,757
Less: FAA F&P Benefits		\$31,542
Less: DA Other Expense (SEE BELOW)		\$53,600
Adjusted Total Costs		\$5,294,584
Multiply: 3.6%		3.6%
Calculated FAA		<u>\$190,605</u>
Multiply: Benefit Rate		19.83%
DA F&P Benefits		\$31,542
DA F&P Salaries		\$159,063

C. DCE - OTHER SUPPLIES AND EXPENSE

Ratio of DA/Non-sponsored Salaries:

DA Salaries:		
DA Admin Salaries		\$0
DA GNS Salaries		\$18,947
DA F&P Salaries		\$159,063
Total DA Salaries		\$178,010
Non-sponsored Salaries:		
Non-sponsored Admin Salaries		\$0
Non-sponsored GNS Salaries		\$480,386
Non-sponsored F&P Salaries		\$1,363,235
Total Non-sponsored Salaries		\$1,843,621
Ratio of DA/Non-sponsored Salaries		9.66%
Multiply: Non-sponsored Other Expenditures		\$554,868
DA Other Expenditures		<u>\$53,600</u>

**UCSD POLICY AND PROCEDURE MANUAL
 CONTRACTS AND GRANTS (RESEARCH)
 SECTION 150-14 PAGE 23 Exhibit B**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

D. FRINGE BENEFITS

DA Admin/GNS DA Salaries		\$18,947
Effective Benefit Rate Calculation:		
Non-sponsored Fringe Benefits		\$365,614
F&P Non-sponsored F&P Salaries	\$1,363,235	
Multiply: Benefit Rate	19.83%	
Less: Non-sponsored F&P Benefits		\$270,330
Non-sponsored Admin/GNS Benefits		\$95,284
Divide: Non-sponsored Admin/GNS Salaries		\$480,386
Multiply: Benefit Rate		19.83%
DA Admin/GNS Benefits		\$3,757
DA F&P Benefits		\$31,542
DA Fringe Benefits		<u>\$35,299</u>

E. SUMMARY OF DA CALCULATION

DA Admin Salaries	\$0	
DA GNS Salaries	\$18,947	
DA F&P Salaries	<u>\$159,063</u>	
Total DA Salaries		\$178,010
DA Admin/GNS DA Benefits	\$3,757	
DA F&P Benefits	<u>\$31,542</u>	
Total DA Benefits		\$35,299
Total DA Other Expense		<u>\$53,600</u>
Total DA Expenses		<u>\$266,909</u>

After Total DA expenses have been calculated, the final computation made by CRIS is to determine from where the DA expenses should be transferred. DA expenses can only be transferred from cost pools where the DA Source button (see 1.1.7, Cost Pool Master Table) has been set to "Y".

Below is a list of each DA component and the statistical basis used to transfer the expenses applicable to each component for a specified department. The statistical basis for the transfer is calculated based on information maintained in the DA Calculation Detail file (DA_CALC.DBF):

ADM DA S&W - transferred entirely from the cost pool to which the amount was originally identified. The ADM DA S&W is transferred from Non-sponsored ADM S&W for the specified department.

GNS DA S&W - a statistic is created for total Non-sponsored GNS S&W by cost pool. The GNS DA S&W is transferred from Non-sponsored GNS S&W according to this statistic for the specified department.

**UCSD POLICY AND PROCEDURE MANUAL
CONTRACTS AND GRANTS (RESEARCH)
SECTION 150-14 PAGE 24 Exhibit B**

Effective: 11/1/98

Supersedes:

Issuing Office: Resource Mgmt - Financial Analysis Office

F&P DA S&W - a statistic is created for total Non-sponsored TAC (total allowable costs) by cost pool. The F&P DA S&W is transferred from Non-sponsored F&P S&W according to this statistic for the specified department.*

ADM/GNS DA Benefits - a statistic is created for total Non-sponsored Benefits, after the F&P Non-sponsored Benefits have been backed out. This statistic is also summarized by cost pool. The ADM/GNS DA Benefits are transferred from Non-sponsored Benefits according to this statistic for the specified department.

F&P DA Benefits - same statistic as ADM/GNS DA Benefits. However, if there is not an adequate amount of Non-sponsored Benefits to make the F&P DA Benefits transfer, CRIS will create an adjusting entry for the shortfall of F&P DA Benefits.*

DA Other Supplies and Expense - a statistic is created for total Non-sponsored Other Supplies and Expense by cost pool. The DA Other Supplies and Expense are transferred from Non-sponsored Other Supplies and Expense according to this statistic for the specified department.

(*Note: In some situations, there will not be an adequate amount of Non-sponsored F&P S&W expenses to make the F&P DA S&W transfer. In these situations, CRIS can create an adjusting entry for the shortfall of F&P DA S&W. In addition, there may be situations where there is not an adequate amount of Non-sponsored F&P Benefits to make the F&P DA Benefits transfer. As with the F&P DA S&W, CRIS can create an adjusting entry for the shortfall of F&P DA Benefits).