

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. University of California Contract and Grant Manual, Chapter 8
- C. Office of Management and Budget (OMB) Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions" (A-21)
- 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; revised 2011.

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. Asset Interest (AI)** refers to interest on debt associated with capitalized assets, including buildings, equipment and capital improvements, as defined in the federal costing principles.
- C. Departmental Administration (DA)** 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.
- D. Depreciation and Use Allowances (BD, ED)** 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.

- E. 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.
- F. 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 instruction activity, or any other institutional activity and cannot be directly charged. A grouping of incurred costs that is identified with two or more cost objectives but not with any final cost objective is referred to as an F&A cost pool. F&A costs are also referred to as "indirect" costs.
- G. General Administration (GA)** 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 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.
- H. Instruction (I)** 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.
- I. Library (L)** 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. Operations and Maintenance (O&M)** 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 (OR) 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 (OIA) 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 (OSA) 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 (SPA) 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 (SAS) 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: "For 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.)

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 .55	\$8,250
SUPPORT STAFF	10,000	Yes	x .55	5,500
EMPLOYEE BENEFITS	5,250	Yes	x .55	2,887.50
TRAVEL	4,500	Yes	x .55	2,475
PATIENT CARE	5,500	No		

COST				
SUBCONTRACT				
COST:				
FIRST \$25K	25,000	Yes	x .55	13,750
ABOVE \$25K	28,000	No		
SUPPLIES	12,000	Yes	x .55	6,600
EQUIPMENT	9,000	No		
GRAPHICS SERVICES	500	Yes	x .55	275
TUITION REMISSION	<u>1,000</u>	No		
	\$115,750			\$39,737
	39,737			
TOTAL PROJECT	\$155,487			

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), and processing 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.

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 (perimeter linear feet, building maintenance costs), Payroll Extract (for DCE calculation), Student and Employee FTE, Student Work Hours by Function, and a listing of subaward amounts >\$25K, reconciliation of data.
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	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.

TABLE 3

A-21 SUMMARY CATEGORY	FINANCIAL SCHEDULE CATEGORY
<u>1. MAJOR FUNCTIONS: INSTRUCTION AND DEPARTMENTAL RESEARCH</u>	Instruction, including University Extension, Summer Session, Course and Curriculum Development, University Funded Research not separately accounted for
<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
<u>2. F&A COST POOLS: 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>ASSET INTEREST (AI)</u>	Annual Interest Expense recorded at the campus, at OP, and by the State
<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 expenditure account codes.
 - 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, and entertainment and other unallowable expenses are reversed out or reclassified as unallowable expense. Total direct costs thus become Modified Total Direct Costs (MTDC).
 - d. Unallowable activities that are included in administrative and institutional support categories in the financial statements are reclassified to OIA.
 - e. All multi-purpose space rental costs are reclassified as Operations and Maintenance.
 - f. Costs of 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.

University administrative and infrastructure costs incurred on behalf of all campuses at the State and the Office of the President are allocated to each campus. Those campus allocated costs are included in the appropriate F&A cost pools.
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
0010-0040	005	Building/Improvement Depreciation Pools (BD)
0040	010	Asset Interest (I)
0061-0065	015	Equipment Depreciation Pools (ED)
1000-1215	100	Operations and Maintenance Pools (O&M)
2000-2600	200	General Administration Pools (GA)
3000-4994	300-400	College and Departmental Administration Pools (DA)
6010	600	Sponsored Project Administration Pool (SPA)
7005-7020	700	Student Administration and Services Pools (SAS)
8010	800	Library Pools (LIB)

4. Detailed Pool Composition and Allocation: 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. 005-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 benefitting functions based on annualized employee and student FTE.

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 and rule class which is used in processing their recharges to user departments/units. Annual volume on each recharge account code and rule class, sorted by benefitting function, is used as the statistical basis for allocating that recharge activity's space costs to each function.

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

- | | |
|--|---------------------------------------|
| 100 - Operations and Maintenance | 200 -General Administration |
| 300-400 -College/Departmental Administration | 600 -Sponsored Project Administration |
| 700 -Student Services Administration | 800 -Libraries |

905 -Other Sponsored Activities
920 -Organized Research

910 -Instruction & Departmental Research
970 -Other Institutional Activities

b. 010-Asset Interest (AI)

Composition of Pools Annual Interest expense for each applicable building 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, allocated to all cost pools 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.

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:

100 - Operations and Maintenance
300-400 -College/Departmental Administration
700 -Student Services Administration
905 -Other Sponsored Activities
920 -Organized Research

200 -General Administration
600 -Sponsored Project Administration
800 -Libraries
910 -Instruction & Departmental Research
970 -Other Institutional Activities

c. 015-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 building and room, 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:

100 - Operations and Maintenance	200 -General Administration
300-400 -College/Departmental Administration	600 -Sponsored Project Administration
700 -Student Services Administration	800 -Libraries
900 -Other Sponsored Activities	910 -Instruction & Departmental Research
920 -Organized Research	970 -Other Institutional Activities

d. 100-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
1000 -	University Operations & Maintenance
1005	Work Orders
1010-1019-104 -	Utilities- Gas, Electrical, Water/Sewer, Other
1090	Contracted Operations & Maintenance
1110 -	Custodial
1115	Space Logistics
1120 -	Grounds Maintenance
1140 -	Environmental Health and Safety
1150 -	Security
1160-	Deferred Maintenance
1170 -	Instrumentation
1190 -	Departmental Operations and Maintenance
1193	Garamendi Operations and Maintenance
1194	University Rental
1200 -	Auxiliaries Operations and Maintenance
1210	Non Capital Plant Expense
1215	Environmental Health and Safety Allocation to Lab Space

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 Garamendi facilities and Auxiliaries, have their own O&M cost pools. Allocation of other O&M costs is not duplicated to those departments and units.

O&M costs are allocated as follows:

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

- 2) Gas and electrical and other utilities costs are allocated to buildings based on metered consumption where available, and then to building, allocated to all cost pools based on ASF. Where metered consumption is unavailable, the utilities costs are allocated to buildings and functions based on functional ASF.
- 3) Contracted Operation and Maintenance costs are allocated to the benefiting function of the buildings based on ASF.
- 4) Custodial Services costs are allocated to buildings based on assigned FTE, and to building cost pools based on ASF.
- 5) Grounds Maintenance costs are assigned to buildings based on perimeter linear feet, and to all cost pools based on ASF.
- 6) University 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 based on ASF.
- 7) Deferred Maintenance costs are allocated to buildings, allocated to all cost pools based on ASF.

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.

- 8) Auxiliaries Operations and Maintenance costs benefit the auxiliaries only; therefore, they are allocated only to the auxiliaries.
- 9) 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 based on ASF for the department. Costs are then allocated to function based on the function of the department identified on the space functionalization survey. For those rooms which were coded as "Joint Use", their costs are allocated to functions using salaries of the occupying department.
- 10) 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:

200 -General Administration	300-400 -College/Departmental Administration
600 -Sponsored Project Administration	700 -Student Services Administration
800 -Libraries	905 -Other Sponsored Activities
910 -Instruction & Departmental Research	920 -Organized Research
970 -Other Institutional Activities	

e. 200-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, and a portion of the Office of the President General Administration cost.

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, Auxiliaries Only, and Campus Administration Only; parameters are defined for allocation of these sub groupings. 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:

300-400-College/Departmental Administration	600 -Sponsored Project Administration
700 -Student Services Administration	800 -Libraries
905 -Other Sponsored Activities	910 -Instruction & Departmental Research
920 -Organized Research	970 -Other Institutional Activities

f. 300-400-College and Departmental Administration (DA)

Composition of Pools DA includes the following costs:

- 1) Deans' and Provosts' offices, mapped by organization and program into Academic 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) Department administrators and business officers, identified by title code.
- 4) Department general support salaries, identified within each department using the Direct Charge Equivalent calculation.
- 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 Academic 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:

300-College Administration	400-Departmental Administration
600-Sponsored Projects Administration	700- Student Services Administration
800-Library	905 -Other Sponsored Activities
910 -Instruction & Departmental Research	920 -Organized Research
930 -Nimitz Marine/MPL	940-JPA/IPA
970 -Other Institutional Activities	

g. 600-Sponsored Project Administration

Composition of Pool Sponsored Project Administration costs include the Contract/Grant Administration Offices, Office of Post Awards and Financial Services, Resource Management - Financial Analysis, Human Subjects Program, School of Medicine-Contracts and Grants, SIO-Contracts and Grants, Technology Transfer (portion that is allowable under federal costing principles), Vice Chancellor-Research, and various other committees/departments related to sponsored projects, including a portion of the Office of the President Sponsored Project Administration cost. 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 Joint Personnel Agreements/ Intergovernmental Personnel Agreements. However, sometimes sponsored projects will be found in the Other Institutional Activity functions, in which case a proportionate share of SPA will be allocated.

h. 700-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, dean's office, 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. 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 identified by 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.

i. 800-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 Office of the President Library Administration cost is allocated to the campuses based on their relative Library expenses. San Diego uses a statistically valid sample usage survey to allocate Library costs. The survey is carried out each month during the fiscal year to be used as the data year for rate development. The survey measures both in-person and electronic access to library materials.

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

900 -Other Sponsored Activities	910 -Instruction & Departmental Research
920 -Organized Research	970 -Other Institutional Activities

5. 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 totaled. 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.

TABLE 4

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

6. 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.

Exhibit A

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

1997	July-December	DATA		
1998	January-June	YEAR		
	July-December	Data Collection, Rate Calculation, Proposal Development Submission to HHS		
1999	January-June	Review/Inquiries by HHS; Responses and Negotiation		
	July-December	NEGOTIATED RATES	DATA	
2000	January-June	IN	YEAR	
	July-December	EFFECT DURING	Data Collection, Rate Calculation, Proposal	

			Development Submission to HHS	
2001	January-June	THIS PERIOD	Review/Inquiries by HHS; Responses and Negotiation	
	July- December		NEGOTIATED RATES	DATA
2002	January- June		IN	YEAR
	July- December		EFFECT DURING	Data Collection, Rate Calculation, Proposal Development Submission to HHS
2003	January- June		THIS PERIOD	Review/Inquiries by HHS; Responses and Negotiation
	July- December			NEGOTIATED RATES
2004	January-June			IN EFFECT

*Assumes two-year rate agreements in each cycle.

Exhibit B

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:

Chemistry Department: S&W Charged to Sponsored Accounts S&W Charged to Non-sponsored Accounts

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.

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 Cost Pool Master, 1.1.7). 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 Cost Pool Master, 1.1.7) 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 Radio 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 1.1.4 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 Radio 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, 1.1.4

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.
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).

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):

$$FAA = \{MTDC - FAA - ([1+fbe] * ADM_NS) - ([1+fbe] * GNS_DA) - OTH_DA\} * .036$$

$$GNS_DA = GNS_NS - \{(F\&P_NS - FAA/[1+fbe]) * GNS_SP / (F\&P_SP + ADM_SP)\}$$

$$OTH_DCE = OTH_NS - \{(F\&P_NS - FAA/[1+fbe]) * OTH_SP / (F\&P_SP + ADM_SP + GNS_SP)\}$$

$$fbe = (FB_NS - fbe * F\&P_NS) / (ADM_NS + GNS_NS)$$

FAA = Faculty Administrative Allowance.

MTDC = Modified Total Direct Costs.

fbe = effective benefit rate.

where, ADM_NS = Non-sponsored (i.e. DA) Administrative salaries.

GNS_DA = General Support DA salaries.

OTH_DCE = DA Other Expense per the Other DCE Methodology

GNS_NS = Non-sponsored General Support salaries.

F&P_NS = Non-sponsored Faculty and Professional

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

FB_NS = Non-sponsored fringe benefits

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

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

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

A. DCE - GENERAL SUPPORT SALARIES

Sponsored GNS Salaries	\$391,176
Sponsored F&P Salaries	\$1,406,429
DCE Ratio	27.81%
Non-sponsored F&P Salaries	\$2,157,106
Less: Calculated FAA Salaries (SEE BELOW)	\$221,037
Adjusted Salaries	\$1,936,069
Multiply: DCE Ratio	27.81%
Calculated Non-sponsored GNS Salaries	\$538,421
Actual Non-sponsored GNS Salaries	\$538,421
Residual Non-sponsored GNS Salaries to DA	<u>\$68,358</u>

B. 3.6% FAA CALCULATION

Total Costs, all functions	\$8,109,598
Less: DA ADM Salaries	\$0
Less: DA GNS Salaries (SEE ABOVE)	\$68,358
Less: FAA F&P Salaries	\$221,037
Less: DA ADM/GNS Benefits	\$10,643
Less: FAA F&P Benefits	\$34,437
Less: DA Other Expense (SEE BELOW)	\$678,617
Adjusted Total Costs	\$7,076,506
Multiply: 3.6%	3.6%
Calculated FAA	<u>\$255,474</u>
Multiply: Benefit Rate	15.58%
DA F&P Benefits	<u>\$34,437</u>
DA F&P Salaries	<u>\$221,037</u>

C. DCE - OTHER SUPPLIES AND EXPENSE

Sponsored Other Expense	\$683,566
Sponsored Salaries	\$1,797,605
DCE Ratio	38.03%

Non-sponsored F&P Salaries	\$2,157,106
Add: Non-sponsored GNS Salaries	\$606,779
Less: FAA Salaries	\$221,037
Less: DA GNS Salaries	\$68,358
Adjusted Non-sponsored Salaries	\$2,474,490
Multiply: DCE Ratio	38.03%
Calculated Non-sponsored Other Expense	\$941,049
Actual Non-sponsored Other Expense	\$1,619,666
Residual Non-sponsored Other Expense to DA	\$678,617

D. FRINGE BENEFITS

DA Admin/GNS DA Salaries	\$68,358
Effective Benefit Rate Calculation:	
Non-sponsored Fringe Benefits	\$430,580
F&P Non-sponsored F&P Salaries	\$2,157,106
Multiply: Benefit Rate	15.58%
Less: Non-sponsored F&P Benefits	\$336,077
Non-sponsored Admin/GNS Benefits	\$94,503
Divide: Non-sponsored Admin/GNS Salaries	\$606,779
Multiply: Benefit Rate	15.57%
DA Admin/GNS Benefits	\$10,643
DA F&P Benefits	\$34,437
DA Fringe Benefits	\$45,080

E. SUMMARY OF DA CALCULATION

DA Admin Salaries	\$0
DA GNS Salaries	\$68,358
DA F&P Salaries	\$221,037
Total DA Salaries	\$289,395

DA Admin/GNS DA Benefits	\$10,643
DA F&P Benefits	\$34,437
Total DA Benefits	\$45,080
Total DA Other Expense	\$678,617
Total DA Expenses	<u>\$1,013,092</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.

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).

Exhibit C

March 21, 2012

UCSD F&A Functional Space Use Survey

Agenda

Part I: Overview of F&A Proposal

Part II: Objectives of Functional Space Use Survey

Part III: Space Survey Instructions

Part IV: Room Function Code Definitions Part V: Reference Point for Functionalizing

Part VI: Contacts

Part I Overview of F&A Proposal

- Facilities and Administrative costs are allocated to direct activities to determine rates used to obtain sponsor's reimbursement for their fair share of costs.
- The Functional Space Use Survey is used to allocate costs in the space related cost pools, which comprise 57% of the total F&A costs.
- The current annual federal overhead recovery associated with space costs is approximately \$67million.

Part II Objective of Functional Space Use Survey

Specific Goals:

- Identify all activities performed in each room for reasonable cost allocations.
- Develop proposal statistics that are defensible during rate negotiations with the federal government.
- Use methodologies that comply with government requirements and that provide the best cost recoveries.
 - The functional space use survey is subject to review/audit by the federal cognizant agency (HHS).

Part III Space Survey Instructions

- Read carefully the “Instructions for Functional Coding of Space” and the Functional Use Definitions described in Space Functional Use Definitions of the Instructions.
- You should clearly understand these definitions before starting the space survey for your department.
- You as the departmental space coordinator should be knowledgeable about occupants and activities in each room.
- You should assign functional use codes and use percentages on a room-by-room basis

Functional Coding of Rooms

- Be aware of the principle of matching Space and Base
 - Requires the functional classification of space be consistent with the functional classification of the activities using the space and the expense accounts that pay for those activities.
 - Example: A lab used by a faculty member paid from a sponsored research account and a graduate student paid from a general institutional account would need to be distributed between Organized Research and Instruction in proportion to how much of the space is used by each.

Functional Coding of Rooms

- **Functional Classification (Coding) of Space Must take into account:**
 - Occupants of each room
 - Activities performed by the occupants
 - Expense accounts that paid for the activities – e.g. sponsored research accounts, general institutional accounts
- **Must also assign appropriate amount of space to any unpaid occupants – e.g., unpaid students, visiting scientists**

Functional Coding of Rooms

- **Usual Space Coding Process:**
 - Determine the *primary* use of a room
 - Identify all room occupants, paid and unpaid
 - Identify all accounts that paid the occupants' salaries
 - Assign functions to the room based on occupants' activities and accounts that paid the salaries of the occupants.
 - Assign appropriate amount of space to unpaid occupants
 - Quantify percentage of alternative usage of the room
 - Determine normal use percentage by deducting the non-normal use from 100%
 - Adjustments should be based on number of hours/annual hours of usage
 - **Be cautious of rooms coded 100% Organized Research**

Reporting of Room Usage

- Report room functional usage in specific percentages that reflect all activities performed in the room.
 - Caution: predominant use or arbitrary assignment of codes and percentages are not acceptable methods.
- Reflect the room usage for the entire fiscal year
 - Caution: a snapshot is not acceptable
- Room percentages must add up to 100%
 - Caution: except for vacancy periods.

Required Documentation

- **Required Documentation for all space with any Organized Research usage**
 - Room Occupants - All individuals, **paid and unpaid**, who used the room on a regular basis during FY 2007. Includes faculty, staff, graduate students, undergraduate students, post-doctoral fellows, visiting scientists, etc.
 - The funds that paid the salaries of the organized research occupants of the room.

Part IV Room Function Code Definitions

- **Room Types** describe the physical characteristics of the room
- **Room Function Definitions** refer to the functional use of the room, the activities that take place in the room.
- **Room Type** does not dictate room function

Organized Research (OR)

Organized Research (OR)

- All research and development activities of the University that are separately budgeted and accounted for on a specific project basis, including related cost sharing. It includes:
 - Sponsored research projects (funded externally by federal government and non-federal sponsors)
 - University research projects (separately budgeted and accounted for on a project-by-project basis)
 - Sponsored research training (training of individuals in research techniques)
 - Cost sharing associated with sponsored research (university financial support and faculty and staff effort)

Organized Research (OR) – Continued

Organized Research Space– examples

- Portions of research laboratories and lab service areas used for organized research projects
- Portions of offices used by research assistants, technicians, staff researchers, etc., for organized research projects
- Portions of offices used by faculty members working on organized research projects – including cost sharing effort
- Portion of offices of administrative support time **ONLY** if:
 - Administrator's time and effort is identified to sponsored research, and
 - Administrator's effort is included in the proposal and charged to the project.

Instruction/Departmental Research (IDR)

University research projects (internally funded).

Must

include:

- Segregated research scope
- A technical proposal – description of work
- A budget proposal
- A review process
- Awarding of the funds
- Submission of a technical report or an exit interview with the dean or department chair

Instruction/Departmental Research (IDR)

- Teaching and training – on a credit or non-credit basis
- Offered by academic departments or separate divisions
– e.g. Extension division
- Activities of student advisors and student support services that are not separately budgeted and reported as Student Services
- Includes:
 - Sponsored Training (except research training)
 - Departmental Research

Instruction/Departmental Research (IDR) - Continued

Departmental Research

- Not separately budgeted and accounted for on a project basis:
 - Not budgeted – part of instructional budget or a draw on a general departmental account
 - Not accounted for – e.g., part of a dean's discretionary account
- Normally supported by unrestricted funds or gifts

Instruction/Departmental Research (IDR) - Continued

Types of Space - Examples:

- Classrooms, class labs
- Office used by teaching assistants
- Portions of faculty offices used by faculty for classroom preparation or student counseling
- Portions of offices and labs used by faculty for scholarly (departmental) research

Other Sponsored Activities (OSA)

- Externally funded programs **OTHER** than:
 - Instruction
 - Sponsored Research
- Includes:
 - Sponsored funding for Aquarium/Museums,
 - Sponsored outreach and other public service projects

Other Institutional Activities (OIA)

- Activities that are not classified as:
 - Instruction/Departmental Research (IDR)
 - Organized Research (OR)
 - Other Sponsored Activities (OSA)
- Includes:
 - Auxiliaries – bookstore, residence halls, dining facilities, theaters, public museums, etc.
 - Fund raising, alumni affairs, public relations, etc.
 - Intercollegiate athletics
 - Patient care activities
 - Clinical drug trials - industry sponsored

Departmental Administration (DA)

- Administrative and support activities at the department level (DA) and college administration (CA)
- Benefits common or joint departmental activities in:
 - Academic dean's office
 - Academic departments and divisions
 - Research institutes and units
- Includes:
 - Departmental accounting, human resources, and other general support
 - Faculty time on non-instructional committees

Operation and Maintenance of Plant (OM)

- Activities associated with operation and maintenance of facilities:
 - Administration, supervision, operation, maintenance, preservation, and protection of facilities
 - Custodial, Landscaping services
 - Security
 - Environmental Health and Safety
 - LAN administration
 - Hazardous waste disposal
- Oversight and scheduling of facility management, renovation and maintenance at the departmental level
- Space formally assigned to Physical Plant

Operation and Maintenance (OM) - Continued

- Operation and Maintenance includes:
 - Office of facilities manager for a department
 - Office of departmental safety officer
 - Office of departmental LAN administrator
 - Server or equipment rooms for LAN

Student Administration and Services (SS)

- Administration of student affairs and services to students
 - Must be for units at the school or college level or central university units
 - Must be budgeted for and reported as Student Services – support services at departmental level should be classified as Instruction/Departmental Research
- Includes:
 - Admissions
 - Registration
 - Counseling
 - Placement services
 - Student advisors
 - Student organizations oversight

Library (LIB)

- Space that houses or supports the University Library Systems
 - Departmental libraries or reading rooms benefiting departmental activities should be classified as Joint Use.

Joint Use Space (JT)

- JT includes:
 - Conference Rooms
 - Copy rooms
 - Employee lounges
 - Departmental libraries
 - Auditoriums
- JT codes must be used consistently for all of these room types
- Will be prorated based on a measure of overall departmental salaries and wages.

Recharge Activity/Service Center (RCH)

- Space occupied by recharge activities selling or recharging goods or services to other campus departments
- Recharge space has been previously identified by recharge contacts, and excluded from the space file used for this survey. If you find any recharge space in this survey, please contact:
 - Darryl James at dljames@ucsd.edu
 - Bill Brophy at bbrophy@ucsd.edu

Vacant Space (VAC)

- Only space that is vacant for the entire year.

Part V Reference Point for Functionalizing

- Functional coding of rooms should be determined by staff who are knowledgeable about the occupants and activities performed in each room, and understand the space study classifications.
- Consider **all** activities performed in **each** room over the **12-month** period (July 1, 2006 through June 30, 2007).
- Assign functions to each room based on the relative time spent on each function. Classification based on predominant use is no longer acceptable.
- Total of room functions must total 100% for each room.

Reference Point for Functionalizing

- Research Laboratories
 - Treatment of students
 - Code the space used by students paid by OR accounts or related cost sharing accounts as OR
 - Code the space used by unpaid students and students paid from general (non-cost sharing) institutional accounts as Instruction. (This space must be coded Instruction even if the student's activity benefits OR projects.)
 - Treatment of visiting scientists
 - Code the space used by (a) visiting scientists not paid by the University and (b) space loaned or rented by outside entities such as Howard Hughes Medical Institute or Ludwig Institute for Cancer Research as Other Institutional Activities (OIA).

Reference Point for Functionalizing

- Research Laboratories Coded 100% OR
 - If you code a room 100% OR, perform the following test:
 - Is the room used by any unpaid student or students paid from general, non cost sharing, funds?
 - Is the room used by visiting scientists not paid by the University or other non-university individuals?
 - Are there any non-research activities performed in the room? (e.g., lab tests performed for a hospital or clinic?)
- If you answer “Yes” to any of the above questions, the room should not be coded 100% OR

Reference Point for Functionalizing

- Research Laboratory Service Rooms
 - Room types: cold rooms, dark rooms, equipment rooms, etc
 - Code the service rooms the same as the average functional use of the labs these rooms supported during the fiscal year.
 - Be prepared to identify all laboratories and other rooms that benefit from the service rooms.

Reference Point for Functionalizing

- Offices
 - Offices, particularly faculty offices, are normally used for a variety of functions:
 - Instruction, Organized Research, Departmental Administration, etc.
 - The persons occupying the offices are usually in the best position to estimate the percentage used for each function.
- Conference rooms and similar multi-purpose rooms
 - Multipurpose rooms are conference rooms, employee lounges, departmental libraries, copy rooms, etc.
 - Code these rooms as “Joint Use.”

Reference Point for Functionalizing

- Classrooms, Teaching Labs and Related Service rooms
 - Code these rooms as Instruction
 - Caution: coding any portion of these rooms as OR is very unusual and requires full documentation.

Part VI UCSD Contacts

- Room Function Code definitions or questions
 - Darryl James, Financial Analysis Office at 858-822-5077
 - Email: dljames@ucsd.edu
 - Bill Brophy, Financial Analysis Office at 858-534-6517
 - Email: bbrophy@ucsd.edu
- FacilitiesLink access, questions and problems
 - Kirk Belles, Analytical Studies and Space Planning at 858-534-1035
 - Email: kbelles@ucsd.edu

Reference Point for Functionalizing

- **Animal Care Facility**
 - Special rules issued By HHS apply to the coding of space in animal care facilities.
 - These rules are described in the “Instructions for the Functional Coding of Space.”
 - For functional details please refer to Instructions for Functional Coding of Space Animal Care section.

Instructions for Functional Coding of Space

General Instructions

- The Space Functional Use Definitions should be reviewed and be clearly understood before the space study is started. Questions about the definitions and other aspects of the space study should be directed to the Financial Analysis Office, Darryl James 858-822-5077 or email at dljames@ucsd.edu or Bill Brophy 858-534-6517 or email at bbrophy@ucsd.edu.
- The functional coding of rooms should be determined by department staff who are knowledgeable about the occupants and activities performed in each room.
- Functional coding should be determined on a room-by-room basis. The process normally includes:
 - Determining the normal use of the room. E.g., normal use of a research lab is Organized Research.
 - Identifying the individual(s) to whom the room is assigned. E.g. one faculty member may be responsible for a suite of labs and offices.
 - Identifying all the occupants of the room (paid and unpaid).
 - For paid occupants, identifying the accounts they are paid from.
 - Determining the activities (functions) performed in the space based on knowledge of the individuals' activities, and determining the accounts that pay for those activities.
 - For research labs, determining whether there are activities performed in the lab beyond the paid work of the occupants. E.g. use of the lab by unpaid students or visiting scientists; a graduate student working on, and paid from, an organized research project may also come in after his/her normal working hours to work on his or her thesis; an undergraduate group may tour the lab as an introduction to the research the university, department, or individual faculty member performs.
 - Quantifying the non-normal activity and reflecting it in the space survey. The normal activity would be quantified by subtracting the non-normal activity from 100%.
- Functional coding must identify a room's usage in specific percentage terms that reflect all activities performed in the room. A "predominant use" methodology is **not** acceptable. Arbitrary percentages are also not acceptable and will be challenged by Federal negotiators.
- The space study should reflect how each room was used during the entire fiscal year 2007 (July 1, 2006 – June 30, 2007). The study is **not** a snapshot of how the space was used at the end of the year.
- The functional coding of a room should take into account all occupants of the room. The coding should be based on the activities the occupants perform in the room and the expense accounts that pay for those activities. For example, if technicians or students in a research lab are working on Organized Research projects and their compensation for all of their work in the lab is paid by those projects (or is reported as cost sharing on the projects in their effort reports), then the space they use in the lab should be coded as

Organized Research. On the other hand, if an individual's salary for work in the lab is wholly or partially paid from general institutional funds (and is not reported as cost sharing on an Organized Research project), the space used for the work paid with institutional funds should be coded as Instruction. Research lab space used by unpaid students should also be coded as Instruction. This concept is commonly referred to as "matching space and base" and is critical to determining the proper functional use of space.

- Space used for activities reported in the effort reports as cost sharing on Organized Research projects should be coded as Organized Research. Space used for activities of faculty and senior researchers as voluntary uncommitted cost sharing on Organized Research projects should also be coded as Organized Research (regardless of how the cost sharing is reported in their effort reports).
- Functional coding of a room should take into account the **extent** of use by each occupant. For example, a student working in a lab 15 hours a week for four months should be counted much less than a technician who works in the lab 40 hours a week the entire year.
- **Departmental staff should maintain notes on how they determined the functional percentages of each room and be prepared to defend them in the Federal review of the F&A rate proposal.** A sample of a worksheet used to determine the functional use of rooms is attached.

Required Documentation

- The space study documentation must identify the occupants of all research laboratories and offices coded with any percentage as Organized Research or Other Sponsored Activities. Occupants include all individuals, **paid and unpaid**, who used the room on a regular basis during the fiscal year – faculty, staff, graduate students, undergraduate students, post-doctoral fellows, visiting scientists, etc.
- For rooms coded with any percentage as Organized Research or Other Sponsored Activities, the documentation must also identify the accounts (sponsored and non-sponsored) that paid the salaries of the occupants of the room.
- Occupants and accounts are not required for research laboratory service rooms, animal care facilities, recharge/service centers, or rooms coded as "Joint Use" (e.g., conference rooms, copy rooms, etc.). See instructions for these types of rooms in the next section.

Handling of Specific Types of Rooms and Situations

Research Laboratories

- The principal activity performed in research labs is usually Organized Research. However, as discussed earlier, if some of the occupants in a research lab are paid from general institutional accounts (and are not reported as cost sharing on Organized Research projects), the space used for the work paid for by these accounts should be coded as Instruction.
- The handling of students in research labs is particularly important:
 - Space used by students should be coded Organized Research if they are: (a) paid by research grants/contracts, (b) supported by research training grants/fellowships, or (c) reported as cost sharing on research grants or contracts.
 - Space used by unpaid students and students paid from general institutional funds (and not reported as cost sharing on research grants or contracts) should be coded Instruction. The space used by these students should be coded Instruction even if the student's activity benefited organized research projects.
- Space used by visiting scientists not paid by the University and faculty/staff whose salaries are paid directly by the Howard Hughes Medical Institute should be coded Other Institutional Activities.
- Federal negotiators pay particular attention to rooms coded 100% Organized Research. A "yes" response to any of the following usually indicates that a room should not be coded 100% Organized Research:
 - Is the room used by any unpaid students or students paid from general institutional funds?
 - Is the room used by visiting scientists not paid by the University or other non-university individuals?
 - Are there any non-research activities performed in the room (e.g., lab tests performed for a hospital or clinic)?

Research Laboratory Service Rooms

- Research lab service rooms (e.g., cold rooms, dark rooms, equipment rooms) should be coded the same as the average functional use of the labs they supported during FY 2007. Be prepared to identify the labs used to calculate the average to Federal negotiators.

Offices

- Offices, particularly faculty offices, are normally used for a variety of functions, e.g., Instruction, Organized Research, Departmental Administration, etc. The person(s) occupying the office is usually in the best position to estimate the percentage used for each function. Office space used by visiting scientists not paid by the institution and faculty and staff funded directly by the Howard Hughes Medical Institute should be coded Other Institutional Activities.

Conference Rooms and Similar Multi-purpose Rooms

- Conference rooms and similar multi-purpose rooms in academic departments, such as copy rooms, employee lounges and departmental libraries, should be coded “Joint Use.”

Classrooms, Class Labs and Related Service rooms

- Classrooms, class labs, and related service rooms should normally be coded as Instruction. Coding any space in these types of rooms as Organized Research would need to be clearly documented.

Recharge Centers/Service Centers

- Recharge space has previously been identified via a survey of recharge contacts, and all identified space has been excluded from this survey. If your space on this survey includes recharge space, call Darryl James (858) 822-5077, or Bill Brophy (858)534-6517.

Animal Care Facility

- If you have departmental space used as animal care space, please contact call Darryl James (858) 822-5077, or Bill Brophy (858)534-6517.

Specialized Service Facilities

- Specialized service facilities are fully self-supporting activities, which pay for their own facilities, custodial, utilities, and other maintenance costs. If you have a specialized service facility, please contact Darryl James (858) 822-5077, or Bill Brophy (858) 534-6517.

Vacant Space

- Space should be considered vacant only if it is vacant or under renovation for the full 12 months of FY 2007. If it was occupied for part of FY 2007, it should be coded to functions according to how it was used when occupied.

SPACE FUNCTIONAL USE DEFINITIONS

IDR – Instruction
OR - Organized Research
OSA - Other Sponsored Activities
OIA - Other Institutional Activities
PC - Patient Care
OM - Operations and Maintenance
DA - Departmental Administration

CA - College Administration
SS- Student Administration and Services
SPA - Sponsored Projects Administration
LIB – Libraries
RCH – Recharge Activity/Service Center
JT - Joint Use

INSTRUCTION (IDR) includes all teaching and training activities (**except research training**).

1. **Teaching and Training:** All regular University teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis. Includes classroom teaching, preparing instructional materials, preparing and grading examinations, etc.
2. **Departmental Research:** Research, development and scholarly activities that are not separately budgeted and accounted for on an individual project basis.
3. **Sponsored Training:** Instructional or training activities sponsored by Federal agencies and non-Federal organizations through grants, contracts, and cooperative agreements. **However, sponsored training of individuals in research techniques (commonly called research training) should be classified as Organized Research.**

ORGANIZED RESEARCH (OR) includes all research and development activities of the University that are separately budgeted and accounted for on a specific project basis, and research cost sharing. Organized research activities include:

1. **Sponsored Research Projects:** Research projects sponsored by Federal agencies and non-Federal organizations (e.g. states, cities, foundations, corporations, etc.) through grants, contracts, and cooperative agreements.
2. **University Research Projects:** Research projects funded with University funds that are separately budgeted and accounted for on a specific project basis.
3. **Sponsored Research Training:** Training of individuals in research techniques sponsored by Federal agencies and non-Federal organizations through grants, contracts and cooperative agreements. Common examples include Career Development (“K”) awards, institutional training grants (T-32), individual fellowships (F-32), etc.

4. **Research cost sharing:** Cost sharing related to organized research projects.

Organized research projects typically require a proposal or other application to obtain funding, have a defined scope of work associated with the project, anticipate a “deliverable” result, and require that periodic financial and progress reports be submitted to the sponsor.

Whenever a room is coded as organized research, regardless of the percentage assigned, an organized research budget number must also be assigned to the room.

OTHER SPONSORED ACTIVITIES (OSA) Other sponsored activities are programs and projects financed by Federal and non-Federal agencies and organizations that involve the performance of work other than instruction and organized research. Examples are health service projects, public service projects, clinical trials, and public service conferences.

OTHER INSTITUTIONAL ACTIVITIES (OIA) includes auxiliary enterprises, such as the operations of residence halls, dining halls, student unions, intercollegiate and intramural athletics, bookstores, faculty housing, student apartments, guest houses, theaters, public museums, community relations and development, and other similar auxiliary enterprises.

PATIENT CARE (PC) includes those activities directly involved with the delivery of patient care (e.g., University Medical Center and clinics).

The space associated with residents should be coded as PC.

OPERATIONS AND MAINTENANCE (OM) includes services related to the administration, supervision, operation, maintenance, preservation, and protection of campus facilities. Services include: janitorial and custodial services; repairs and ordinary or normal alterations to buildings, equipment, and furniture; design services; security; earthquake and disaster preparedness; environmental health and safety; property and equipment insurance; space and capital leasing; facility planning and management; care of grounds; maintenance and operation of buildings and other physical facilities. Facilities planning and management activities at the departmental level are also included. For example, the department may have a facilities manager, LAN administrator, or equipment repair personnel.

DEPARTMENTAL ADMINISTRATION (DA) includes the administrative activities performed by academic departments to support the primary programs of instruction, research, and public service. This support includes the departmental chair and department-level administrative, secretarial, personnel, payroll, purchasing, and accounting activities.

COLLEGE ADMINISTRATION (CA) includes the administrative activities provided by academic colleges and schools that support the primary programs of instruction, research and public service. This support includes the school or college dean, associate/assistant deans, and college-level or school-level administrative, secretarial, personnel, payroll, purchasing, and accounting activities.

STUDENT ADMINISTRATION and SERVICES (SS) includes student-related activities such as counseling and career guidance, student advising, student publications, financial aid, admissions, registrar, student health services, and commencement.

SPONSORED PROJECTS ADMINISTRATION (SPA) is limited to separate organizational units primarily established to administer sponsored projects. This category includes Grant and Contract Accounting, Grant and Contract Services, School of Medicine Contract and Grant Office, Scripps Institution of Oceanography Contract and Grant Office, and the Office of Post Award Financial Services. Space may not be coded as SPA unless a unique budget number is established for the unit administering sponsored projects. Accounting, proposal preparation and other sponsored projects support performed at the departments is considered departmental administration.

LIBRARIES (LIB) includes activities that directly support the operation of the central library system. Departmentally funded libraries, which do not report to the central library system and do not have a “check out” system and librarian, should be treated as joint use space.

RECHARGE ACTIVITY/SERVICE CENTER (RCH) includes space used by units recharging goods or services to other campus units.

JOINT USE (JT) includes space used for conference rooms and other multi-function rooms, such as copy rooms, employee lounges, and departmental libraries