

| Item No. | Item Description | | |
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| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"> COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS </td> <td style="width: 50%; text-align: center;"> COVER SHEET AND CERTIFICATION University of Hawaii </td> </tr> </table> | | COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS | COVER SHEET AND CERTIFICATION University of Hawaii |
| COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS | COVER SHEET AND CERTIFICATION University of Hawaii | | |
| 0.1 | Educational Institution (a) Name University of Hawaii (b) Street Address 2444 Dole Street, Bachman Hall (c) City, State, and ZIP Code Honolulu, Hawaii 96822 (d) Division or Campus of N/A (if applicable) | | |
| 0.2 | Reporting unit is: (Mark one) A. <input checked="" type="checkbox"/> Independently Administered Public Institution B. <input type="checkbox"/> Independently Administered Nonprofit Institution C. <input type="checkbox"/> Administered as Part of a Public System D. <input type="checkbox"/> Administered as Part of a Nonprofit System E. <input type="checkbox"/> Other (Specify) _____ | | |
| 0.3 | Official to Contact Concerning this Statement: (a) Name Kevin Hanaoka Title Interim Director, Office of Research Services (b) Phone Number (808) 956-7800 | | |
| 0.4 | Statement Type and Effective Date: A. (Mark type of submission. If a revision, enter number) (a) <input checked="" type="checkbox"/> Original Statement (b) <input type="checkbox"/> Amended Statement; Revision No. _____ B. Effective Date of this Statement: (Specify) <u>December 20, 2003</u> | | |
| 0.5 | Statement Submitted To (Provide office name, location and telephone number, include area code and extension): A. Cognizant Federal Agency: Department of Health & Human Services B. Cognizant Federal Auditor: Department of Health & Human Services Office of the Inspector General Office of Audit Services 50 United Nations Plaza, Room 171 San Francisco, CA 94102 (415) 437-8360 | | |


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| COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS | COVER SHEET AND CERTIFICATION |
| | University of Hawaii |

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CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. §422.

Date of Certification: December 20, 2003



 (Signature)

James R.W. Sloane
Vice President for Administration

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

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| COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS | CONTINUATION SHEET University of Hawaii |
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2.6.0 Description of Fringe Benefits (Continued)

UH charges the following fringe benefits that are associated with employees directly charged to a project:

Employers' Federal & State Payroll Taxes

UH charges the employers' portion of the Federal Insurance Contributions Act (FICA) and Medicare contributions to sponsored agreements and institutional activities funded with revolving or special funds. Students are excluded from the taxable salaries and wages base.

Taxes are computed as follows:

FICA = Taxable salaries and wages x applicable FICA rates

Medicare = Taxable salaries and wages x applicable Medicare rates

UH's payroll tax contributions for employees in its general funded activities are included in the nonimposed fringe data submitted by the State to UH. Included are fringe benefits for the federal college work study program (F-223 accounts) and extension programs under the Hatch and Smith-Lever Acts (F-25x and F-27x accounts) that do not have imposed fringe benefits.

Unemployment Insurance (UI)

Effective July 1, 2001, UH established a single pool to pay unemployment benefits, which are funded through fringe benefit assessments. Unemployment insurance contributions are computed as follows:

UI contribution = Total salaries and wages x applicable UI contribution rate.

RCUH

RCUH has its own fund that is funded through fringe benefit assessments.

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| COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS | CONTINUATION SHEET University of Hawaii |
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2.6.0 Description of Fringe Benefits (Continued)

Workers' Compensation (HRS Chapter 386)

Effective February 1, 2001, UH has established a single pool to cover employee's medical expenses and wage replacement benefits when they are unable to work due to compensable work-related injuries or illnesses. The pool also covers other costs of the program including vocational rehabilitation, case management and investigation, and legal expenses.

The pool is funded through fringe benefit assessments. Workers' compensation (WC) contributions are computed as follows:

WC contribution = Total salaries and wages x applicable WC contribution rate.

Under HRS Section 78-25(b), an employee may use his or her accumulated sick leave and vacation credits to supplement workers' compensation wage replacement benefits. Sick and vacation leave to supplement the wage replacement benefit is charged to the account of record at the time of injury as regular payroll. This practice was not separately disclosed because it followed the same treatment as wage replacement benefits disclosed in the prior version of the Disclosure Statement dated November 1998.

Volunteers, non-compensated personnel, post-doctoral fellows, and school to work program participants

Volunteers, non-compensated personnel, post-doctoral fellows, and school to work program participants are covered for medical expenses only, including related vocational rehabilitation costs. Medical providers are paid fees according to the Hawaii Medical Fee Schedule.

Effective December 1, 2003, the University's Risk Management Fund will be used to pay for these costs. The Risk Management Fund is discussed under Part 6.4.1.

Sponsored agreements will not be directly charged for these workers' compensation costs. The costs will be treated as an indirect cost and allocated among all University activities.

RCUH

RCUH has its own coverage funded through fringe benefit assessments.

The Corporation is self-insured for workers' compensation losses incurred prior to

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July 1, 1997 and unpaid as of June 30, 1997, and is liable for all workers' compensation claims filed by its employees for that period. The Corporation has established a reserve to cover these claims. For workers' compensation losses incurred after June 30, 1997, including employer's liability losses, the Corporation has guaranteed-cost insurance.

2.6.0 Description of Fringe Benefits (Continued)

Temporary Disability Benefits (HRS Chapter 392)

UH is self-insured for temporary disability benefits. The plan provides benefits to employees who become disabled due to non-work related injuries or illnesses. Under the plan, an employee's sick leave must be exhausted before receiving benefits.

Weekly benefits are computed at 58% of salary not to exceed the weekly maximum determined by the State for a maximum of 26 weeks. The benefits are paid by the last payroll account of record for the employee. Because it is a pay as you go plan, there is no fringe benefit assessment.

RCUH

RCUH is self-insured for temporary disability benefits (TDI). The plan provides for up to 3 weeks (15 working days) of full pay benefits in conjunction with sick leave benefits. TDI benefits are provided only after the employee's sick leave has been exhausted for the 3-week period.

TDI benefits are charged to projects when paid. There is no reserve or fringe benefit assessment.

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3.1.0 Indirect Cost Categories – Accumulation and Allocation. (Continued)

Alternative Method for Administrative Costs

UH will elect to claim a fixed allowance for the administration portion of F&A costs as permitted under OMB Circular A-21 Section G.9.a. whenever it is in the best interests of the University. UH will continue to elect this option unless: 1) there has been a change in accounting or cost allocation methods with the effects described under OMB Circular A-21 Section G.8.d. or 2) when it would be more advantageous for UH to compute the administration components of the F&A cost rate.

3.2.0 Service Centers

c. Lab Animal Services

(6) Credit variances will be used to cover costs for maintaining animal care facilities in compliance with Federal regulations.

d. Other Service Centers

| Service Center | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------------------------|-----|-----|-----|-----|-----|-----|
| University of Hawaii Bookstores | C | C | Y | A | A | Y |
| Duplicating Services | C | C | D | A | A | Y |
| Mail Services | C | C | D | A | A | Y |
| IFA Administrative Recharge System | A | C | C | A | A | B |
| IFA Computer Services Recharge System | A | C | C | A | A | B |
| IFA Job Order Services | A | A | C | A | A | B |
| IFA Mauna Kea Midlevel Facility | A | A | C | A | A | B |
| SOEST Computing Support Facility | C | A | C | A | A | B |
| SOEST Engineering Support Facility | A | A | C | A | A | B |
| SOEST Ship Operations Facility | A | A | C | B | A | Y |

UH Bookstore

(3) Amounts charged for goods and services are at established catalog or market prices.

(6) Bookstore is an enterprise fund and must be self-supporting through the revenues collected.

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3.2.0 Service Centers (Continued)

Telecommunications Services

Effective July 1, 2001, telephone line and equipment charges for the Manoa Campus (956-xxxx numbers) will not be allowed as a direct charge to federal awards and must be paid from a non-federal source of funding (ex. general funds).

Transportation Services

Effective November 1, 2001, charges for Manoa Transportation Services will not be allowed as direct charge to federal awards and must be paid from a non-federal source of funding (ex. general funds).

SOEST Ship Operations

(4) Outside users, not affiliated with UH or its sponsors, are charged higher rates for use of Ship Operations. They are charged at the standard billing rate plus 5%.

(6) Per SOEST's annual ship agreement with the National Science Foundation, SOEST must accumulate reserves for major overhaul of its three ships.

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| COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS | PART IV - DEPRECIATION AND USE ALLOWANCES |
| | University of Hawaii |

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| 4.1.1 | <p>Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)</p> <p>A. _____ Yes B. <u> X </u> No ¹</p> |
| 4.2.0 | <p><u>Fully Depreciated Assets.</u> Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)</p> <p>A. _____ Yes B. <u> X </u> No</p> |
| 4.3.0 | <p><u>Treatment of Gains and Losses on Disposition of Depreciable Property.</u> Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>A. _____ Excluded from determination of sponsored agreement costs B. _____ Credited or charged currently to the same pools to which the depreciation of the assets was originally charged C. <u> X </u> Taken into consideration in the depreciation cost basis of the new items, where the trade-in is involved D. _____ Not accounted for separately, but reflected in the depreciation reserve account Y. _____ Other(s) ¹ Z. _____ Not Applicable</p> |
| 4.4.0 | <p><u>Criteria for Capitalization.</u> (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)</p> <p>A. Minimum Dollar Amount <u> 5,000 </u> B. Minimum Life Years <u> More than one </u></p> |
| 4.5.0 | <p><u>Group or Mass Purchase.</u> Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one)</p> <p>A. <u> X </u> Yes ¹ B. _____ No</p> <p>¹ Describe on a Continuation Sheet.</p> |

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4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

| <u>Asset Category</u> | <u>Depreciation Method</u> (1) | <u>Useful Life</u> (2) | <u>Property Unit</u> (3) | <u>Residual Value</u> (4) |
|-----------------------|-----------------------------------|---------------------------|-----------------------------|------------------------------|
| Computer equipment | A | C | A | B |

4.1.1 Asset Valuation and Useful Lives

UH records depreciation for financial statement purposes. However, for the purpose of computing F&A cost rates, UH claims use allowance in lieu of depreciation. The exception is computer equipment, which UH depreciates on the straight-line basis over a six-year life for F&A cost purposes.

RCUH

For financial statement and F&A cost study purposes, RCUH depreciates office equipment on the straight-line basis over six years.

4.4.0 Criteria for Capitalization

Physical Plant

UH has a policy to capitalize initial construction or acquisition costs of buildings and improvements other than building if the total project costs are \$5,000 or more. UH defines improvements other than building as all improvements not related specifically to individual buildings such as utility lines, streets, sidewalks, parking areas, etc.

UH capitalizes costs incurred subsequent to the initial acquisition or lease of a building, land improvement, or infrastructure asset accountability unit (AAU) exceeding \$100,000 and results in extending the life or increasing the value of that building (e.g., major renovations and additions), land improvement or infrastructure AAU.

Improvement or Replacement of a Component of Existing Equipment

UH capitalizes costs incurred subsequent to the acquisition, fabrication or lease of equipment that extends the life or increases the production capacity and that has a unit acquisition cost of \$1,000 or more.

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4.5.0 Group or Mass Purchase

UH groups assets that individually cost less than \$5,000 and are not within the definition of inventoried assets. Such items are physically and functionally identical and have sufficient durability (over one year) and the total value of the items as a group justifies listing it as inventory control. Each item is removed from inventory as it becomes unusable, dilapidated or unaccounted for. These rules apply to UH Student Housing which is accounted for as an other institutional activity for F&A cost study purposes.

RCUH

RCUH does not capitalize group or mass purchases of similar items, which individually are less than the capitalization amount indicated in Part 4.4.0.

- End of Part -

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6.4.1 Workers Compensation and Liability

Workers' Compensation

UH maintains a workers' compensation pool to pay for medical expenses, wage replacement benefits and other program costs for institutionally funded, federally funded and non-federally funded employees. The program is described in more detail under Part 2.6.0.

Prior to February 2001, UH maintained separate pools for institutionally funded, federally funded and non-federally funded employees. These pools paid for medical and related expenses. Wage replacement benefits were paid from the account of record at the time of injury, which included sponsored agreements. This practice was disclosed in the prior version of the Disclosure Statement dated November 1998.

Under HRS Section 78-25(b), an employee may use his or her accumulated sick leave and vacation credits to supplement workers' compensation wage replacement benefits. Sick and vacation leave to supplement the wage replacement benefit is charged to the account of record at the time of injury as regular payroll. This practice was not separately disclosed because it followed the same treatment as wage replacement benefits disclosed in the prior version of the Disclosure Statement dated November 1998.

RCUH

The Corporation has a reserve to cover losses incurred prior to July 1, 1997. For workers' compensation losses incurred after June 30, 1997, including employer's liability losses, the Corporation has guaranteed-cost insurance.

Temporary Disability Benefits

As discussed in Part 2.6.0, an employee's sick leave balance must be exhausted before he or she is eligible for TDI benefits.

Temporary disability benefits are computed at 58% of the employee's salary, not to exceed the weekly maximum determined by the State, for a maximum of 26 weeks. Benefits are charged to the last payroll account of record for the employee.

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6.4.1 Workers Compensation and Liability (Continued)

Temporary Disability Benefits – Continued

RCUH

RCUH is self-insured for temporary disability benefits (TDI). The plan provides for up to 3 weeks (15 working days) of full pay benefits in conjunction with sick leave benefits. TDI benefits are provided only after the employee's sick leave has been exhausted for the 3-week period.

TDI benefits are charged to projects when paid. There is no reserve or fringe benefit assessment.

Risk Management Fund

Effective July 1, 2003, the University is no longer covered under the State Risk Management Fund with respect to suits (HRS Chapter 304-6) and indemnification of collaborators (HRS Chapter 304-6.5) and may purchase insurance to cover liabilities that may arise.

In lieu of purchasing insurance, the University established a Risk Management Fund, which is funded entirely with institutional funds. Payments into the self-insurance fund will be treated as indirect costs and allocated among all University activities.

Effective December 1, 2003, a portion of the fund will be used to pay the workers' compensation claims associated with volunteers, non-compensated personnel, post-doctoral fellows, and school to work program participants. The workers' compensation benefit is discussed under Part 2.6.0.