

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

Item No.	Item Description
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 (if applicable) N/A
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 Yaa-Yin Fong Title 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 type="checkbox"/> Original Statement (b) <input checked="" type="checkbox"/> Amended Statement; Revision No. <u>4</u> B. Effective Date of this Statement: (Specify) <u>July 1, 2015</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 Education Post Audit Group 550 12 th Street, S.W. Washington, D.C. 20202 Phone: (202) 401-0085

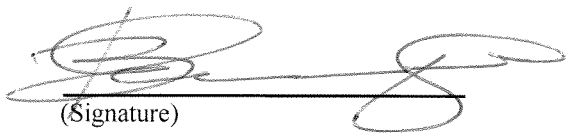
COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	COVER SHEET AND CERTIFICATION
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Item No.	Item Description
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CERTIFICATION

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: JUL - 8 2015


 (Signature)

Vassilis L. Syrmos
 Vice President for Research & Innovation

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

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET University of Hawaii
Item No.	Item Description	

1.2.0 Integration of Cost Accounting with Financial Accounting (Continued)

Cost Sharing

Effective July 1, 2012, in conjunction with the implementation of the Kualii Financial System (KFS), UH now records memo entries in a cost sharing subaccount that shares the account number prefix with the sponsored agreement. Because the information is in KFS, the information can be retrieved online for billing and reporting purposes.

The policies and procedures for cost sharing are explained under UH Administrative Procedures (AP) 8.947 – Accounting for Cost Sharing.

F&A Cost Proposal

UH reclassifies expenditures for F&A cost proposal purposes because assignment of costs for financial reporting purpose do not always match the assignment of costs prescribed in 2 CFR 200 or OMB Circular A-21. Expenditure reclassifications are listed and described on the Cost Reclassification and Cost Adjustment Reports include in the University's F&A cost proposal.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	CONTINUATION SHEET University of Hawaii
Item No.	Item Description

2.4.0 Description of Direct Personal Services (Continued)

Non-Regular Employees

Non-regular employees are student help or casual hires that are hired on an hourly basis. Federal and State wage and hour laws determine the minimum hourly wages. In some cases, casual hires are hired on 90-day temporary assignments and paid salaries.

ARL

Professional employees and graduate research assistants will be paid salaries. Undergraduate students and technicians will be hired on the hourly basis.

2.5.0 Method of Charging Direct Salaries and Wages

Direct Personal Services Category

UH classifies casual hires as “Other” for the purposes of Item 2.5.0. As discussed in Part 2.4.0, casual hires are paid hourly wages. Casual hires hired on 90-day temporary appointments are paid salaries.

IFA ARS

As discussed in Part 2.1.0, IFA uses the ARS system to record administrative support costs, including salaries and wages of administrative and clerical staff. These costs are charged to sponsored agreements on the basis of MTDC.

RCUH

RCUH uses timesheets to charge salaries and fringe benefits to sponsored agreements for work performed by its employees that are directly related to the project.

2.5.2 Salary and Wage Accumulation System

UH’s basic payroll document is the personnel notification form (PNF), which supports the institution’s plan confirmation system. The PNF established the full-time equivalent (FTE) allocation of an employee’s salary and wages to his direct and indirect activities.

Payroll is charged to sponsored agreements on the basis of the PNF. The principal investigator (PI) and fiscal administrator (FA) are responsible for ensuring that the

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET University of Hawaii
Item No.	Item Description	

2.5.2 Salary and Wage Accumulation System (Continued)

allocation of the employee's payroll to his direct and indirect activities are true and correct based on the employee's effort. The PI and FA are also responsible for correcting the PNF and payroll allocation, if necessary.

The policies and procedures for documenting personnel costs are explained under UH Administrative Procedures (AP) 8.948 - Effort Reporting.

Time cards and/or scan sheet certified on a semi-monthly basis are used to allocate costs to sponsored agreements for student employees and casual hires.

ARL

All ARL employees, as a condition of their full-time employment by the ARL, account for 100% of their ARL and non-ARL effort regardless of whether they are hired through UH or RCUH in the ARL timekeeping system. Actual semi-monthly payroll, including fringe benefits, is allocated to benefiting task orders, other ARL activities and non-ARL activities in proportion to the percentage of recorded direct labor hours for an individual employee.

Accrued vacation for employees hired through UH will be handled in accordance with the UH policies described under Section 5.1.0 of this disclosure statement.

Accrued vacation for employees hired through RCUH will be handled in accordance with the RCUH policies described under Section 5.1.0 of this disclosure statement.

MHPCC

All MHPCC employees account for 100% of their effort based on actual direct labor hours performed and leave hours taken in the MHPCC timekeeping system. Actual semi-monthly payroll, including fringe benefits, is allocated to benefiting task orders in proportion to the percentage of recorded direct labor hours for an individual employee.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET University of Hawaii
Item No.	Item Description	

2.5.2 Salary and Wage Accumulation System (Continued)

MHPCC (Continued)

Effective July 1, 2013, leave, such as vacation and sick leave, for MHPCC employees will be handled in accordance with the policies described under Part 5.1.0, RCUH.

Cost Sharing

As discussed in part 1.2.0, UH records cost sharing information in a financial system subaccount that shares the same account number prefix as the sponsored agreement. When the salaries and wages of a UH employee are cost shared, the employee's name, unique UH ID number, source of funds, salary contribution, and associated fringe benefits are recorded in the cost sharing subaccount.

Effort associated with cost shared employees that are paid via timesheet and/or scan sheet are maintained in separate workpapers. The workpapers are used to support the effort attributed to these sources in the cost sharing database.

IFA ARS

As discussed in Part 2.1.0 and 2.5.0, administrative and clerical salaries and fringe benefits are grouped into four cost centers and allocated to sponsored agreements on the basis of MTDC.

RCUH

At the end of each pay period, all employees submit timesheets, which are keypunched in the RCUH payroll accounting system. Salary and wage cost distribution detail is captured in the Payroll & Fringe Report and summarized in the Payroll & Fringe Benefit Summary. Totals from the Summary are entered into the financial accounting system and simultaneously posted to the General Ledger.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET UNIVERSITY OF HAWAII	
Item No.	Item Description		

2.6.0 Description of Fringe Benefits

University of Hawaii (UH)

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

1. FICA/Medicare taxes
2. Pension Accumulation
3. Pension Administration
4. Retiree Health
5. Health Insurance
6. Group Life Insurance
7. Unemployment
8. Workers' Compensation

Other fringe benefits:

1. Temporary Disability Benefits (HRS Chapter 392) – UH is self-insured for temporary disability benefit, which provides benefit 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 benefit. The benefit 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.
2. Deferred Compensation Plan – The plan is entirely funded through employee contributions. The State does not make contributions to the plan. Thus, sponsored agreements are not charged.
3. Other Retirement Plan Options – UH employees may participate in the Teachers Insurance and Annuity Association (TIAA)/College Retirement Equities Fund (CREF) and other independent retirement planning organizations which are funded by employee contributions. The State does not contribute to these plans. Thus, costs of these plans are not charged to sponsor agreements.
4. Other Benefits – UH employees are entitled to other benefit that are not covered in the fringe benefits assessed to projects:
 - a. Training and continuing education – Employees have the opportunity to attend in-service training, professional conferences, or seminars related to their work. These costs cannot be specifically identified with a particular project or activity and are recorded as indirect costs. UH will charge conferences and seminars that directly benefit a project as direct costs.
 - b. Tuition waivers – Faculty and staff, except for employees with less than 50% FTE and temporary/emergency hires, are eligible to receive

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET UNIVERSITY OF HAWAII	
Item No.	Item Description		

tuition waivers. Additional teaching costs, if any, are absorbed by the institutionally funded instruction programs. Thus, sponsored agreements are not charged directly for this fringe benefit.

For financial statement purposes, UH records the value of the fringe benefit as required by college and university GAAP. For F&A cost study purposes, UH includes the amounts in the benefitting F&A cost pools and allocation bases.

Research Corporation of the University of Hawaii (RCUH)

RCUH charges the following employer portion of fringe benefits that are associated with employees directly to a project:

1. FICA/Medicare taxes
2. Health Insurance (Medical/Dental)
3. Flexible Spending Account (FSA)
4. Retirement
5. Group Life Insurance
6. Long Term Disability
7. Long Term Care
8. Workers' Compensation
9. Unemployment
10. Unused Sick Leave
11. Vacation Reserve

Other fringe benefits:

1. Sick Leave or Temporary Disability Benefits - RCUH is self-insured for temporary disability benefits. RCUH has a State qualified sick leave plan that meets the requirements for the State TDI law. 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 for TDI benefits.
2. Post-Retirement Health Insurance Benefits – All RCUH employees who retire in good standing with 10 years or more of continuous service, 10 years of participation in the Company's retirement and life insurance program, and attain age 55 are entitled to certain health care and life insurance benefits. The cost of post-retirement health insurance benefits is calculated based on the annual required contribution (ARC), an amount

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET UNIVERSITY OF HAWAII	
Item No.	Item Description		

- that is actuarially determined in accordance with generally accepted accounting principles. Sponsored agreements are not charged for this benefit because the ARC is charged to RCUH administrative expense
3. Other Benefits – RCUH reimburses tuition expense for eligible employees who seek educational training directly applicable to his/her job. Reimbursement is made upon successful completion of a course with a grade “C” or better and is limited to the cost of three credits per academic semester or nine credits per calendar year.

2.6.1 Method of Charging Direct Fringe Benefits

UH

As discussed in the continuation sheet for Item 2.5.2, the PNF is the basis for distributing an employee’s payroll to his or her direct and indirect activities. If the level of effort changes, as identified through the University’s FTE certification system, the principal investigator makes the necessary adjustments to the financial records, including a reallocation of fringe benefits.

The following fringe benefits are directly charged via fringe benefit rates applied to eligible salaries and wages through use of an annually determined, fixed fringe benefit rate negotiated each fiscal year between the State and US DHHS.

1. FICA/Medicare taxes
 - FICA/Medicare contributions are charged to sponsored agreements and institutional activities funded with revolving or special funds.
 - Students are excluded from the taxable salaries and wage base.
 - 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 and extension programs under the Hatch and Smith-Lever accounts that do not have imposed fringe benefits.
2. Pension Accumulation
 - Refer to State Employees’ Retirement System (ERS) for noncontributory and contributory options, both of which provides death and disability benefits in addition to the retirement benefits established by State statute.
 - UH excludes supplementary salaries to faculty from the salaries and wage base.
 - Assessments are credited to the State ERS.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET UNIVERSITY OF HAWAII	
Item No.	Item Description		

- UH's contributions to ERS for institutionally funded employees are included in the nonimposed fringe data.
3. Pension Administration
 - Refer to ERS.
 4. Retiree Health Insurance
 - Assessments are credited to the State employees' health fund.
 - UH's contribution for institutionally funded employees are included in the nonimposed fringe data.

The following fringe benefits are specifically identified to each employee and are charged individually as direct cost via State of Hawaii Employers Union Trust Fund premiums. Contributions for institutionally funded employees are included in the nonimposed fringe data.

1. Health Insurance
2. Group Life Insurance

The following fringe benefits are directly charged via fringe benefit rates applied to eligible salaries and wages through use of a negotiated fringe rate (effective July 1, 2015) between UH and US DHHS.

1. Unemployment
 - Effective July 1, 2001, UH established a single pool to pay unemployment benefits.
2. Workers' Compensation
 - Effective February 1, 2001, UH 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.
 - Under HRS Section 78-25(b), an employee may use his or her accumulate 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 are covered for medical expenses only. Sponsored

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET UNIVERSITY OF HAWAII	
Item No.	Item Description		

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

Effective July 1, 2015, the terminal vacation leave is not included in the UH fringe benefit rate charged to sponsored projects. Terminal vacation compensation is charged to institutional funds.

RCUH

The following fringe benefits, which are specifically identified to each employee, are charged individually as direct costs if their efforts are directly related to the project. Sponsored agreements are charged for such fringe benefits of eligible employees if their efforts are directly related to the project.

1. FICA/Medicare
 - Based on rates established by Federal government.
2. Health Insurance (Medical and Dental)
 - Sponsored agreements are charged for the employer's share of the health plan insurance premiums.
3. Flexible Spending Account (FSA)
 - Sponsored agreements are charged the flexible spending administrative fee.
4. Retirement
 - Eligible RCUH employees participate in noncontributory retirement plan through TIAA/CREF.
 - RCUH contributes 10% of compensation beginning the first day of the pay period following the date on which the employee becomes a participant in the plan.
5. Group Life Insurance
 - Sponsored agreements are charged group life insurance premiums for eligible employees if their efforts are directly related to the project. The amounts charged are based on the current premium cost.
6. Long Term Disability
 - Sponsored agreements are charged group long term disability insurance premiums for eligible employees if their efforts are directly related to the project. The amounts charged are based on the current premium cost.
7. Long Term Care

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET UNIVERSITY OF HAWAII
Item No.	Item Description	

- Sponsored agreements are charged group long term care insurance premiums for eligible employees if their efforts are directly related to the project. The amounts charged are based on the current premium cost.
8. Workers Compensation
- For workers' compensation losses incurred after June 30, 1997, including employer's liability losses, the Corporation has guaranteed-cost insurance.
 - RCUH is self-insured for workers' compensation losses incurred prior to July 1, 1997 and unpaid as of June 30, 1997.

The following fringe benefits are directly charged via fringe benefit rates applied to eligible salaries and wages through use of a negotiated fringe rate (effective July 1, 2015) between UH/RCUH and US DHHS.

1. Vacation Payout Reserve
 - Effective July 1, 2015, RCUH has established a single pool to pay terminal vacation payouts. Refer to Section 5.1.0.
2. Unused Sick Leave partial Payout Reserve
 - Effective July 1, 2015, RCUH has established a single pool to pay terminal unused sick leave partial payouts. Refer to Section 5.1.0.
3. Unemployment
 - RCUH established a single pool to pay unemployment benefits.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET University of Hawaii
Item No.	Item Description	

5.1.0 Method of Charging Leave Costs

UH

UH has three categories of employees that accrue vacation and sick leave credits under collective bargaining agreements: civil service, faculty on 11-month appointments (Researchers, Specialists and Agents) and administrative, professional and technical (APT). Upon 1) transfer to a position that does not accrue vacation leave; 2) termination; 3) resignation; or 4) transfer of an employee to another State or County of Hawaii agency, UH is responsible for paying the employee's unused accrued vacation credits. UH does not pay for any unused accrued sick leave credits.

UH uses the cash basis of accounting for leave taken. When an employee takes vacation or sick leave while employed on a sponsored agreement, the sponsored project continues to be charged for the employee's salary on the cash basis and the employee's leave credits are reduced.

Terminal vacation leave

Effective July 1, 2015, UH charges an employee's unused accrued terminal vacation payout to institutional funds. Sponsored agreements are not assessed for any of these amounts.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	CONTINUATION SHEET University of Hawaii
Item No.	Item Description

5.1.0 Method of Charging Leave Costs (Continued)

RCUH

Old Methodology

Prior to July 1, 2015, the RCUH required all sponsored agreements to pay employees for any unused vacation when they transfer from one project to another with no break in service. Thus, there was no accrued vacation liability when an employee terminates or resigns. RCUH does not pay for unused sick leave credits, unless they meet the eligibility requirements specified in RCUH Policy 3.640 RCUH Sick Leave – Accumulated Sick Leave at Termination. Terminating employees may be eligible for a partial payout or contribution to their Supplemental Retirement Annuity or Tax Deferred Annuity.

New Methodology

From July 1, 2015 and pursuant to the RCUH Policy No. 3.620 Vacation Leave (last revised 07/07/2015), Policy 3.640 RCUH Sick Leave (last revised 12/10/2014) the RCUH administers and maintains a Vacation Payout Reserve and Sick Leave Payout Reserve.

Employees working on sponsored projects will have accrued vacation and sick leave taken charged to the applicable sponsored agreement. The sponsored projects are charged for the employee's salary while the employee is on vacation or sick leave on the cash basis and the employee's vacation or sick leave credits are correspondingly reduced. Vacation Payout Reserve -- Projects are charged a fringe benefit rate, which is applied to the employee's salary. The amounts charged accumulate in a Vacation Payout Reserve. Upon termination of employment, all unused vacation will be paid to the employee and charged against the RCUH Vacation Payout Reserve. The rate used is developed by dividing total annual termination payouts by the total gross salaries of the employees eligible for vacation. Unused Sick Leave Payout Reserve -- RCUH does not pay for unused sick leave credits, unless they meet the eligibility requirements specified in RCUH Policy 3.640 RCUH Sick Leave – Accumulated Sick Leave at Termination. Terminating employees may be eligible for a partial payout or contribution to their Supplemental Retirement Annuity. The rate used is developed by dividing the total annual unused sick leave payouts by the total gross salaries of the employees eligible for the benefit.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET University of Hawaii	
Item No.	Item Description		

5.1.0 Method of Charging Leave Costs (Continued)

ARL

Accrued vacation for ARL employees hired through UH will be handled in accordance with the UH policies described under Part 5.1.0.

Accrued vacation for ARL employees hired through RCUH will be handled in accordance with the RCUH policies described under Part 5.1.0.

MHPCC

Effective July 1, 2013, leave, such as vacation and sick leave, for MHPCC employees will be handled in accordance with the policies described under Part 5.1.0, RCUH.