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	Revision No. 5, Effective July 1, 2016

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. _X_ Independently Administered Public Institution
B. ____ Independently Administered Nonprofit Institution
C. ____ Administered as Part of a Public System
D. ____ Administered as Part of a Nonprofit System
E. ____ Other (Specify) _____

0.3 Official to Contact Concerning this Statement:

(a)	Name	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) ____ Original Statement
(b) _X_ Amended Statement; Revision No. __5__

B. Effective Date of this Statement: (Specify) __July 1, 2016_____

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 12th Street, S.W.
Washington, D.C. 20202
Phone: (202) 401-0085

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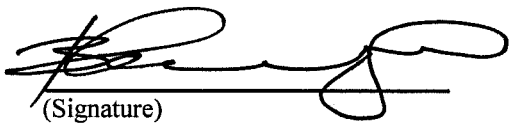
CERTIFICATION

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: JUN 09 2016



(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	PART I - GENERAL INFORMATION
	University of Hawaii

Item No.	Item Description
	Part I
1.1.0	Description of Your Cost Accounting System for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.) A. X Accrual B. _____ Modified Accrual Basis [1] C. X Cash Basis Y. _____ Other [1]
1.2.0	Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.) A. _____ Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.) B. _____ Not integrated with financial accounting records (Cost data are accumulated on memorandum records.) C. X Combination of A and B
1.3.0	Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one) A. _____ Specifically identified and recorded separately in the formal financial accounting records. [1] B. _____ Identified in separately maintained accounting records or workpapers. [1] C. _____ Identifiable through use of less formal accounting techniques that permit audit verification. [1] D. X Combination of A, B or C [1] E. _____ Determinable by other means. [1]

[1] Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART I - GENERAL INFORMATION
	University of Hawaii

Item No.	Item Description
1.3.1	Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)
1.4.0	Cost Accounting Period: July 1- June 30 (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)
1.5.0	State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

[1] Describe on a Continuation Sheet.

1.1.0 Description of Your Cost Accounting System

The University of Hawaii (UH) maintains its books and records on the cash basis and adjusts its trial balance at fiscal year end to present its financial statements on the accrual basis for financial reporting purposes.

UH uses the cash basis of accounting to report direct costs of sponsored agreements for grant and contract billing and reporting purposes. Related F&A costs are also computed on the cash basis.

However, sponsored agreements are assessed a fringe benefit rate to cover vacation earned but not taken for employees that are eligible to accumulate vacation credits while working on a sponsored agreement. This practice is described under Part 5.1.0.

UH uses the accrual basis of accounting for F&A cost study purposes.

Research Corporation of the University of Hawaii

The Research Corporation of the University of Hawaii (RCUH) was established as a separate legal entity in 1965 to support the University's research efforts. RCUH conducts its own sponsored agreements called "direct projects," but the bulk of its business is with the University. RCUH has its own accounting system to account for University projects and its own direct projects. RCUH uses the accrual basis for financial statement reporting purposes and the cash basis for grant and contract billing purposes.

For F&A cost study purposes, RCUH submits to UH a schedule of its administrative expenses on the accrual basis for inclusion in the general administration pool. These expenses are allocable to University projects serviced by RCUH, University revolving funds and specialized service facilities administered by RCUH and RCUH direct projects. In addition, RCUH submits a schedule of modified total direct costs (MTDC) for UH revolving funds and specialized service facilities and RCUH direct projects for use in the F&A cost study.

UH computes the RCUH direct projects F&A cost rate as part of its F&A cost study. The rate includes the allocable portion of UH facilities and equipment used by RCUH as well as the allocable portion of RCUH administrative expenses.

1.2.0 Integration of Cost Accounting with Financial Accounting

UH maintains its books and records in accordance with the rules adopted by the Board of Regents of the University of Hawaii (BOR) for financial reporting purposes. These rules conform to the generally accepted accounting principles (GAAP) applicable to colleges and universities as well as State of Hawaii (State) accounting and reporting requirements.

FMIS

UH records transactions in its automated Financial Management Information System (FMIS). A module called the Contracts and Grants Subsystem (CGS) maintains attributes and performs functions specific to contracts and grants.

Accounts within the following designated ranges require CGS processing (*x denotes fiscal year; ex. FY 1997, x=7*):

Account Range	Account Type
4-33200 to 4-39999	Non-Federal Sponsored Projects
5-4000x to 5-4099x	Federal College Work Study
5-2000x to 5-2499x	Federal Vocational Education
6-51000 to 6-59999	Federal Sponsored Projects

Most of the transactions related to contracts and grants are posted through FMIS. CGS processing adds the following functions:

1. Posting of Budgets

   Budgets can be entered at the detail level specified by the sponsor and restrictions ("edits") can be placed at either the line item or total budget levels or both.

2. Monitoring of Account Status

   Edits are used to validate transactions in FMIS to ensure that costs do not exceed restrictions placed by sponsors. Invalid transactions are rejected or placed in suspense and error messages are generated to alert the user to take the necessary corrective action.

   To avoid billing sponsors for expenditures recorded after award termination CGS inactivates accounts that have passed their award end date.

1.2.0 Integration of Cost Accounting with Financial Accounting (Continued)

Cost Sharing

Effective July 1, 2012, in conjunction with the implementation of the Kuali 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.

1.3.0 Unallowable Costs

Object of Expense Codes

UH uses the following object of expense codes to record unallowable costs:

3501 Dues, Civic/Commercial/Social
4001 Advertising, Public Relations
6202 Interest, Fines & Penalties
6800 Judgements & Claims
7174 Services, Non-State Employee, Lobbying
7201 Bad Debt

Separate Accounts (x denotes fiscal year; ex. FY 1997, x=7)

UH uses the following accounts to record unallowable activities:

Account	Title	Activity
13458x	Alumni Office	Alumni Activities
32237x	Alumni Revolving Fund	Alumni Activities
11560x	Phonathon for Annual Giving	Fundraising
38938x	Project Development – Cassidy & Associates	Lobbying
13457x	Media Relations	Public Relations
13415x	University Relations	Public Relations

UH uses the following accounts to record unallowable costs:

Account	Title	Type of Cost
13488x	President's Discretionary	UH voluntarily excludes entire account.
13501x	BOR Discretionary	
14723x	Chancellor's Discretionary	
Various	College Hill	President's living expenses

Separate Workpapers

UH prepares the following workpapers to record unallowable costs:

1. An analysis of personal use of State motor vehicles.

2. A voluntary scrub of the President and Board of Regents office's operating accounts except for salaries and related fringe benefits.

1.3.0 Unallowable Costs (Continued)

Disallowances

UH departments are responsible for eliminating cost disallowances resulting from audits by charging them to institutional funds appropriated to the department for its general instruction, research support or other institutional activities. The account used is identified to the Office of Research Services for F&A cost study purposes.

RCUH

RCUH accumulates unallowable costs in general ledger account 9000 Unrecovered Project Costs.

1.3.1 Treatment of Unallowable Costs

For F&A cost study purposes, UH treats unallowable costs in the following manner:

1. Costs identified through the use of object of expense codes and the personal use of State vehicles workpaper are excluded from F&A cost pools and allocation bases.

2. Unallowable activities recorded under separate accounts and cost disallowances are included in the Other Institutional Activities function.

3. Discretionary funds, College Hill expenses and costs scrubbed from the President and BOR office accounts are excluded from F&A cost pools.

Exception

UH has received permission from its cognizant agency to claim interest expense on debt used to acquire, repair or renovate research buildings. For F&A cost study purposes, UH creates an interest expense account pool and allocates the costs to benefiting functions on the basis of square footage.

RCUH

RCUH excludes unallowable costs from its schedules of administrative expenses and MTDC described under part 1.2.0.

1.4.0 Cost Accounting Period

The cost accounting period is fiscal year July 1 to June 30. However, the UH School of Ocean & Earth Science & Technology (SOEST) uses a calendar year to compute recharge rates for its Ship Operations Facilities. UH was granted an exception because the National Science Foundation (NSF), the primary user and supporter of research vessels and technical support services, develops a multi-institutional, multi-funding agency, nationally recognized schedule of ship usage, with a ship year which corresponds to a calendar year. NSF bases its funding instruments on the ship year; thus, the fiscal year for Ship Operations is the calendar year.

1.5.0 State Laws or Regulations

UH is affected by the following Hawaii Revised Statutes (HRS) that directly impact its cost accounting principles:

Accounting System (HRS Section 40-2)

UH is required to install an accounting system that is in conformity with generally accepted accounting principles as applied to colleges and universities. However, the State comptroller can make changes and modifications to the accounting system if it appears to be in the best interests of the State. As discussed in Part 1.2.0, UH has adopted an accounting that meets these requirements and has included separate accounts and object of expense codes for grant and contract cost accounting purposes.

Compensation (HRS Sections 89-1, 89C-4(b))

UH must recognize collective bargaining unit contracts negotiated with the employees' organized labor unions. Compensation plans for employees not covered under collective bargaining, such as UH's chief executive officers, must be approved by the Board of Regents and the Governor. These agreements determine the wages, hours and other conditions of employment for UH employees and directly impact the salaries and fringe benefits that are charged to UH's sponsored and nonsponsored activities.

1.5.0 State Laws or Regulations (Continued)

Purchasing (HRS Chapters 102, 103, 103D and related Hawaii Administrative Rules)

UH has incorporated the State's procurement code and related statutory requirements into its administrative policies and procedures. The requirements include Administrative Rules adopted by the procurement policy board consistent with Chapter 103D, Hawaii Revised Statutes. These rules govern the procurement, management, control, and disposal of any and all goods and services, and construction for the jurisdictions of the State and counties, including the preparation, maintenance, and content of specifications for goods, services, and construction required by the State. These administrative rules have the force and effect of law. In addition to these requirements, UH's procedures make reference to federal flowdown provisions and other applicable requirements that must be considered with regard to procurement actions involving federal funds. UH complies with these administrative rules and regulations in its procurement activities for its sponsored and nonsponsored activities.

Asset Management (HRS Chapters 103D and HAR Section 3-130)

UH has incorporated the State's regulations regarding the inventory, accounting and disposal of State property in its administrative policies and procedures. The minimum State asset accountability level is set at $250, but UH has a waiver increasing its threshold to $500. UH has also incorporated the regulations under OMB Circular A-110 regarding the inventory, accounting and disposal of Federal property in its administrative policies and procedures. UH follows the applicable rules in managing assets for its sponsored and nonsponsored activities.

Employees' Retirement System, Deferred Compensation (HRS Chapters 88, 88E)

UH employees are covered under the State employee retirement system (ERS). ERS consists of a contributory and noncontributory plan. Every fiscal year, the State appropriates funds to make contributions to ERS for noncontributory participants and matching contributions for contributory participants.

UH employees are also eligible to participate in the State deferred compensation plan. Under the plan, the State does not make matching contributions.

1.5.0 State Laws or Regulations (Continued)

Employees' Retirement System, Deferred Compensation (Continued)

Eligibility requirements and other information regarding ERS and the deferred compensation plan are further explained in Part 2.6.0.

Post Retirement Benefits (HRS Sections 87-6(c), 87-4.5)

UH retirees are eligible for medical, dental, drug, vision, and life insurance plans administered through the State Retiree Health Fund. Retirees with at least 10 years of credited service receive these benefits at no cost. Retirees with less than 10 years of credited service make copayments for participation in the plan.

Eligibility requirements and other information regarding the retiree health fund are further explained in Parts 2.6.0 and 6.2.1.

Insurance (HRS Chapter 41D, Sections 3-4-8.8, 662-11)

UH is covered under the State's risk management program (Program). The Program purchases commercial insurance to insure the State against casualty, liability and fidelity losses. In addition, the Program operates a risk management revolving fund (Fund) to purchase insurance policies and to pay claims, including tort claims of $10,000 or less. Tort claims of more than $10,000 are handled by the State attorney general and require the approval of the legislature for appropriation. Moneys received from insurers to settle claims are credited to the Fund. There is no assessment to State agencies for participation in the Program.

The State comptroller, through the risk manager, has the discretion to determine what risks to insure or self-insure. Although exempted from the provisions on insuring casualty losses, UH is able to obtain casualty insurance through the Program. The Program does not insure State automobiles against comprehensive and collision losses. However, State agencies may acquire coverage from the Program. UH acquires comprehensive and collision coverage from the Program for automobiles within the UH system. Research vessels are explicitly excluded from liability coverage under the Program. Thus, insurance requirements for the Ship Operations Facilities are handled in the manner described under Part 6.4.1.

1.5.0 State Laws or Regulations (Continued)

Insurance (Continued)

The Program provides public entity errors and omissions liability coverage. State agencies may purchase malpractice insurance not covered by the Program. UH operates a malpractice special fund that is used to cover costs arising from the defense and settlement of claims against the University, its students, or its faculty for professional malpractice in programs that provide professional services, including but not limited to clinical medicine, nursing, and law. The fund is not used to pay settlement claims paid through professional liability insurance or legislative appropriations. UH may establish and charge fees to individuals who are provided professional liability coverage under the malpractice special fund.

University Projects Funded Through State Revenue Bonds (HRS Sections 306-9, 306-10)

UH is required to set rates, rents, fees, and charges for the use or enjoyment of its facilities and to establish reserves that are sufficient to cover: operations, maintenance, repairs, debt service on general obligation and revenue bonds issued to finance projects in the University's bond system, betterments and improvements, renewal and replacements, or other bond covenants and provisions.

RCUH

RCUH is granted flexibility in hiring its personnel and handling and disbursing monies by an exemption from the following State laws:

1. Sections 36-27 and 36-30, relating to special fund reimbursements to the State general fund;

2. Sections 103-22 and 103-42, relating to advertising for bids and purchases to be made in Hawaii whenever public monies are expended;

3. Chapter 76, relating to civil service;

4. Chapter 77, related to compensation; and

5. Section 78-1, relating to public employment.

- End of Part -

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART II - DIRECT COSTS University of Hawaii

Item No.	Item Description
	Instructions for Part II Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.
2.1.0	Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)
2.2.0	Description of Direct Materials. All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)
2.3.0	Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
2.3.1	Direct Purchases for Projects are Charged to Projects at: A. _____ Actual Invoiced Costs B. __X__ Actual Invoiced Costs Net of Discounts Taken Y. _____ Other (s) [1] Z. _____ Not Applicable
2.3.2	Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects): A. _____ First In, First Out B. _____ Last In, First Out C. _____ Average Costs [1] D. _____ Predetermined Costs [1] Y. _____ Other (s)[1] Z. __X__ Not Applicable
	[1] Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART II - DIRECT COSTS
	University of Hawaii

Item No.	Item Description
2.4.0	Description of Direct Personal Services. All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.)
2.5.0	Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

	Direct Personal Services Category			
	Faculty (1)	Staff (2)	Students (3)	Other [1] (4)
A. Payroll Distribution Method (Individuals time card/actual hours and rates)	X	X	X	X
B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	X	X		X
C. After-the-fact Activity Records (Percentage Distribution of employee activity)				
D. Multiple Confirmation Records (Employee reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)				
Y. Other(s) [1]		X	X	X

NOTE: Line A, 'Faculty' and 'Staff' refer to employees who work for the Applied Research Laboratory (ARL) and Maui High Performance Computing Center (MHPCC).

[1] Describe on a Continuation Sheet.

Item No.	Item Description
2.5.1	Salary and Wage Cost Distribution Systems. Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.) __X__ Yes _____ No
2.5.2	Salary and Wage Cost Accumulation System. (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)
2.6.0	Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)
2.6.1	Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0 is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)
2.7.0	Description of Other Direct Costs. All other items of cost directly identified with Federally sponsored agreements or similar costs objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)

Item No.	Item Description

2.8.0 Costs Transfers. When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

__X__ Yes
_____ No

2.9.0 Interorganizational Transfers. This items is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers of materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

	Materials (1)	Supplies (2)	Services (3)
A. At full cost excluding indirect costs attributable to group or central office expenses.			
B. At full cost including indirect costs attributable to group or central office expenses.			
C. At established catalog or market price or prices based on adequate competition .			
Y. Other(s) [1]			
Z. Interorganizational transfers are not applicable.	X	X	X

[1] Describe on a Continuation Sheet

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

Direct Costs

UH treats the salaries and wages of principal investigators and technical staff, related fringe benefits, materials and supplies, travel, subcontracts, equipment, and other costs as direct costs when:

1. They are incurred to advance the work under the sponsored agreement and

2. They can be specifically identified to the agreement or can be assigned directly to it using methods that can readily estimate the proportional benefit.

When costs that directly benefit the agreement are incurred but were not anticipated in the budget, UH treats these costs as direct costs provided that they do not exceed the overall budget or any restrictions placed by the sponsor.

When a sponsor does not pay for a direct cost item such as fringe benefits due to its policies, UH charges these costs to an institutionally funded account within the fiscal authority of the recipient department.

Indirect Costs

UH treats salaries and wages, related fringe benefits, materials and supplies, travel, subcontracts, equipment, and other costs as indirect costs when they are incurred for common or joint objectives and thus, cannot be specifically identified to a sponsored agreement, instructional activity or other institutional activity.

The following costs are normally treated as indirect costs:

Facilities

1. Depreciation and use allowances on buildings, capital improvements and equipment,
2. Interest expense (See Part 1.3.1),
3. Operations and maintenance, and
4. Library services.

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

Indirect Costs - Continued

Administration

1. General administration,
2. Departmental administration,
3. Sponsored projects administration, and
4. Student services.

Costs which may be Treated as Direct Costs and Indirect Costs

UH will treat costs that are normally treated as indirect costs as direct costs when:

1. They are required under the project scope,

2. They can be specifically identified to the sponsored agreement or can be assigned directly to it using methods that can readily estimate the proportional benefit, and

3. They are budgeted for in the award.

The specific circumstances in which UH will treat normally indirect costs as directs costs follows.

Exception #1 – Facilities Costs

UH will charge facilities costs as direct costs under these circumstances:

1. Subscriptions – For projects where timely access to information from scholarly journals, monographs and books are considered critical to the fulfillment of program objectives.

2. Security – For projects where dedicated security personnel, devices or facilities are required to ensure strict access to or protection of sensitive materials.

3. Utilities – For projects where dedicated utility lines, easements or services are required.

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

Costs which may be Treated as Direct Costs and Indirect Costs – Continued

Exception #1 – Facilities Costs (Continued)

4. Hazardous Materials Disposal – For projects that require special hazardous waste protocols or that generate waste that exceeds the level of service covered by UH's contracts with its outside vendors.

5. Insurance – For projects where liability, casualty or fidelity insurance is required and UH is not covered under the State risk management program for these exposures. In the event of a loss, UH will charge the deductible portion of insurance to the benefiting project.

Exception #2 – Administrative Costs

UH will charge the salaries and related fringe benefits of administrative and clerical staff as direct costs for projects that involve:

1. Excessive data accumulation, analysis and tabulation, or

2. Preparation and production of manuals and large reports, or

3. Coordination of multiple investigators from various disciplines and institutions, or

4. Management of projects in locations that are remote from campus, or

5. Extensive travel and meeting arrangements for conferences and seminars, or

6. Other activities that require a significant level of administrative support that can be specifically identified to the project.

UH will charge other administrative costs as direct costs under the following circumstances:

1. Office supplies – For supplies that can be specifically identified to the project and that have been budgeted in the award.

2. Postage – For large survey mailouts or for overnight delivery services.

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

Costs which may be Treated as Direct Costs and Indirect Costs – Continued

Exception #2 – Administrative Costs (Continued)

3. Basic telephone charges – For projects requiring dedicated telephone and FAX lines or remote projects.

4. Memberships – For projects requiring individual memberships in business, technical or professional organizations or associations.

Refer to Part 2.1.0, Direct Charge Equivalent for a discussion of how UH compensates for the difference in treatment of administrative support costs.

Exception #3 – Federally Negotiated, Unique F&A Cost Rate

The UH Institute For Astronomy (IFA) charges administrative support costs as direct costs due to the complex nature of its research programs and telescope operations which require a unique and highly sophisticated financial management system.

IFA uses the Administrative Recharge System (ARS) to allocate administrative support costs to sponsored agreements. Costs are pooled into four activity centers and are allocated to sponsored agreements on the basis of modified total direct costs (MTDC). The four activity centers are:

1. Systemwide – Costs that benefit all IFA programs except the Mauna Kea Midlevel Facility.

2. Manoa – Costs that benefit IFA's programs at the UH Manoa campus.

3. Hawaii – Costs that benefit IFA's programs at the Mauna Kea Observatory.

4. Maui - Costs that benefit IFA's programs at the Haleakala Observatory.

Because IFA allocates costs in this manner, UH negotiated with its cognizant agency a special research F&A cost rate to compensate for the direct charging of administrative support costs.

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

Exception #3 – Federally Negotiated, Unique F&A Cost Rate (Continued)

Applied Research Laboratory (ARL)

The Navy has committed to approving a unique cost structure for the ARL with respect to costs that are incurred for common or joint objectives and that cannot be specifically identified to benefiting projects or activities. This will result in the application of two rates to ARL projects for certain task orders issued under the University Affiliated Research Center contract.

ARL Institutional F&A Rate

ARL has a separate F&A rate for costs incurred by the University on behalf of the ARL. This F&A rate applies to grant and contract research performed at the ARL and is substantially lower than the University's on-campus research rate due in part to the Prorated Direct Costs (PDC) rate.

ARL PDC Rate

PDC represents a specific set of ARL direct costs that are incurred by the ARL and are allocated to ARL's grants and contracts as a percentage of modified total direct costs before PDC costs. PDCs include such costs as the director's office, business and administration, training, and other central ARL services. The PDC rate and budget is submitted, reviewed and approved by the Office of Naval Research Representative annually. The policies and procedures for PDC are explained under UH APM Section A10.130, Prorated Direct Costs.

Maui High Performance Computing Center (MHPCC)

The Air Force has approved a cost structure to enable the University to recover the increased costs of providing facilities and administrative support above the base MHPCC contract, which resulted from the addition of Air Force Research Laboratory (AFRL) Directed Technical, Level of Effort and UH internal task orders. The methodology is called the Cost Estimating Relationship (CER) and resulted in two rates that are applied to the Direct Technical, Level of Effort and UH internal task orders. The policies and procedures for the CER rates are explained under the MHPCC CER Methodology for CLIN 001 and CLIN 002 Infrastructure Support Services dated June 2, 2006.

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

Exception #4 – Non-Federal Sponsors

Where non-Federal sponsors treat costs that are normally treated as indirect costs as direct costs of their sponsored agreements, UH will treat those costs as direct costs.

Direct Charge Equivalent

To compensate for the differences in the treatment of administrative support costs, UH uses a modified Direct Charge Equivalent (DCE) methodology to develop the departmental administration component of its F&A cost rates.

UH's method differs from the preferred methodology because UH does not create separate accounts in its accounting system for departmental administrative support. Instead, these costs are included in the instruction accounts. Thus, UH must reclassify costs out of instruction to create its academic department cost pools.

The methodology is summarized as follows:

1. Salaries and wages and other direct costs are grouped into two categories:

    a. Restricted activities – Representing organized research, sponsored training, other sponsored activities, and other institutional activities.

    b. Instruction – Representing institutionally funded instruction.

2. The categories are broken down into four subpools:

    a. Faculty & professional salaries and wages

    b. Administrative & clerical salaries and wages

    c. Other non-faculty salaries and wages (Technical staff)

    d. Other direct costs

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

Direct Charge Equivalent – Continued

3. The 3.6% of MTDC administrative allowance is computed for faculty and professionals that conduct research or instruction. For the purposes of this computation, MTDC consists of organized research, sponsored training and instruction.

4. DCE is computed based on the preferred methodology's assumption that within a department, the ratio of support costs to salaries and wages for instruction should be the same as the ratio of support costs to salaries and wages charged to its sponsored activities. The DCE computation is as follows:

   a. Administrative & clerical salaries and wages – The ratio of administrative & clerical salaries and wages in restricted activities to faculty & professional salaries and wages in restricted activities is used to compute administrative & clerical salaries and wages that can be reclassified to departmental administration out of instruction.

   b. Other non-faculty salaries and wages – Because the salaries and wages of technical staff (lab technicians, equipment operators, instrument operators, project programmers) are treated as direct costs, no ratio is computed. Thus, there will be no reclassification to departmental administration out of instruction.

   c. Other direct costs – The ratio of other direct costs to salaries and wages in restricted activities is used to compute other direct costs that can be reclassified to departmental administration out of instruction.

RCUH

RCUH charges salaries and wages of principal investigators and technical staff, related fringe benefits, materials and supplies, subcontracts, equipment, and other costs as direct costs when: they are incurred to advance the work under the sponsored agreement and they can be specifically identified to the agreement or can be assigned directly to it using methods that can readily estimate the proportional benefit.

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

RCUH – Continued

RCUH treats costs incurred by its general administrative offices as indirect costs. Included in these costs is the depreciation on RCUH's office equipment.

2.2.0 Description of Direct Materials

UH charges the following categories of materials and supplies as direct costs to sponsored agreements:

Animals, including purchase, shipping and per diem
Lab supplies
Scientific supplies
Office supplies*
Instructional materials
Safety supplies
Oils & lubricants, non-motor vehicle
Agricultural supplies
Medical & hospital supplies
Pharmaceuticals

Costs of materials and supplies include all necessary freight, handling and shipping insurance charges as well as applicable general excise, use or other taxes.

* Refer to Part 2.1.0, Direct Charge Equivalent for a discussion of how UH compensates for the difference in treatment of administrative support costs.

2.3.1 Direct Purchases for Projects

UH purchases materials and supplies from State approved bid lists that already incorporate any quantity or price discounts, rebates or allowances offered by suppliers to UH. Bid lists are schedules of items, such as office supplies, that have been negotiated with vendors for the best combination of price and service. In exchange, vendors receive exclusive rights to sell such items to State agencies for a stated period of time. Items not on the list are sent out for bid and vendors are requested to include any and all discounts, rebates or allowances into their proposals. The vendor is also selected on the best combination of price and service.

2.4.0 Description of Direct Personal Services

UH charges salaries and wages to the function the employee is working on. If the function relates directly to a project, the overtime is charged directly to that project. If the function relates to an indirect type activity, the overtime is charged to that indirect function and allocated accordingly.

In the personnel system, UH recognizes three classes of employees: Regular employees, lecturers and non-regular employees. Each class differs in the types of compensation and fringe benefits that are available to them.

Regular Employees

Regular employees include faculty, researchers, graduate assistants, librarians, specialists, extension agents, and staff. Within the staff category, UH recognizes three subcategories: executive and administrative/managerial; civil service; and administrative, professional and technical (APT).

Overtime

Civil service and APT's can earn authorized overtime. Overtime is charged to the function the employee is working on.

Overload

Overload is additional compensation for authorized services that are performed in addition to an employee's recognized full-time duties (100% FTE).

Non-instructional faculty can earn overload pay, which will be directly charged to a project provided that it meets the following criteria:

1. Consultation is across departmental lines or involves a separate or remote operation,

2. Consultation work performed is in addition to the employee's regular departmental workload, and

3. The consulting arrangements are specifically provided for in the sponsored agreement or approved in writing by the sponsoring agency.

2.4.0 Description of Personal Services (Continued)

Work that is performed for an employee's own research project does not qualify as consultation. In addition, overload work can only be performed when the employee is on authorized vacation leave.

Instructional faculty and graduate teaching or research assistants can also earn overload pay that will be charged directly to projects. However, overload charges are allowable only during the employee's off-duty period. This period cannot occur during the academic year (September through May for 9-month faculty and the 11-month on-duty period for 11-month faculty).

The definitions of on-duty and off-duty periods are governed by the collective bargaining agreements and memorandums of understanding between the faculty unions and the University. They also contain the formulas for computing the overload pay.

Other compensation

Regular employees can also earn other types of compensation that will be charged to the function that the employee is working on. Additional compensation include:

Differential pay
Premium pay (e.g. hazardous duty pay)
Wages in kind
Stipends

Salary levels and formulas to compute overtime and additional compensation such as differential and premium pay are determined by the collective bargaining unit contracts recognized by UH or by UH administrative procedure.

2.4.0 Description of Personal Services (Continued)

Leave costs

Regular employees are entitled to various types of leave. Leaves are charged to the function the employee is working on. Typical leave costs include:

Vacation leave
Sick leave
Holiday leave
Jury duty/witness leave
Military leave
Bereavement leave
Compensatory time-off in lieu of overtime (except faculty)

Refer to Part 5.1.0 for a discussion of the leave credit system.

RCUH

RCUH classifies its regular employees as follows: professional, technical, administrative, clerical, and unskilled. An "unskilled employee" means a position that does not fit any of RCUH's normal classifications. RCUH employees can earn the following additional types of compensation that will be charged as direct costs when the effort of employees are directly related to the project:

Sea pay
High altitude pay
Accumulated time off
Stipends

Salary levels and formulas to compute additional compensation are determined by RCUH policy.

Lecturers

Lecturers are personnel hired for one semester teaching assignments and paid at a fixed rate per credit hour taught.

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

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.

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.

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. Other Post-Employment Benefits
6. Health Insurance
7. Group Life Insurance
8. Unemployment
9. Workers' Compensation
10. Vacation Reserve

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 benefits 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 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. Heath 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 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.
• 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.
5. Other Post-Employment Benefits
   • Added as DHHS/State approved fringe rate in FY 16.

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 for Unemployment and Workers' Compensation and July 1, 2016 for Vacation Reserve) 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 agreements will not be directly charged for these costs. The costs will be treated as an indirect cost and allocated among all University activities.

3. Vacation Payout Reserve
   - Effective July 1, 2016, UH administers and maintains a single vacation reserve pool funded by an approved fringe rate to pay terminal vacation payouts for all eligible employees of UH. Refer to Section 5.1.0.

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
   - 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.

2.6.0 Description of Fringe Benefits (Continued)

Post Retirement Benefits - Continued

UH charges sponsored agreements for retiree health insurance contributions through the use of an annually determined, fixed fringe benefit rate negotiated each fiscal year between the State and US DHHS. Assessments are credited to the State employees' health fund.

Retiree Health Insurance Contributions are computed as follows:

Retiree Health Insurance Contribution = Eligible salaries and wages x US DHHS approved rate

UH's contributions for institutionally funded employees are included in the nonimposed fringe data.

RCUH Post Retirement Benefits

All RCUH employees who retire in good standing with 10 years or more of continuous service, 10 years of participation in the Corporation's retirement and life insurance program, and attain age 55 are entitled to certain health care and life insurance benefits. Contributions for health benefits are fixed at $50.00 per month. The cost of retiree insurance benefits are recognized when the premiums are paid.

Sponsored agreements are not charged for post retirement benefits contributions because premium payments are charged to RCUH administrative expense.

Faculty Vacation Accumulation Fund Assessment

As discussed in Part 5.1.0, sponsored agreements are assessed a fringe benefit rate to fund an accrued vacation fund. The fund was established to pay for accrued vacation liabilities that must be paid during the year upon the termination, resignation or transfer of employees that earned unused vacation credits while working on sponsored agreements.

Accrued Vacation Fund Contributions are computed as follows:

Accrued Vacation Fund Contribution = Eligible salaries and wages x accrued vacation fund fringe benefit rate

See Part 5.1.0 for RCUH treatment of unused vacation credits.

2.6.0 Description of Fringe Benefits (Continued)

Other Benefits

UH employees are entitled to other benefits that are not covered in the fringe benefit rate assessed to projects.

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.

Tuition Waivers

Faculty and staff, except for employees with less than 50% FTE and temporary/emergency hires, are eligible to receive 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 benefiting F&A cost pools and allocation bases.

RCUH – 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 of "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 Fringe Benefits

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.

2.6.1 Method of Charging Fringe Benefits (Continued)

Cost Sharing

As discussed in Part 2.5.2, UH records cost sharing information in a separate database. The database computes related fringe benefit costs through the use of a composite fringe benefit rate negotiated each year between the State and the US Department of Health and Human Services.

Cost Sharing Fringe Benefits are computed as follows:

Cost Sharing Fringe Benefits = Salaries and wages x committed FTE x US DHHS approved rate

Fringe benefits 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.

As discussed in Part 1.2.0, the Cost Sharing Account Summary is used to match the cost shared fringe benefits to the sponsored agreement.

IFA ARS

Fringe benefits are allocated along with salaries to benefiting projects as discussed in Part 2.5.2.

RCUH

Fringe benefits are allocated along with salaries to benefiting functions as discussed in Part 2.5.2.

F&A Cost Study

As discussed in Part 2.6.0, UH receives a schedule of nonimposed fringe data for institutionally funded employees at fiscal year end. These records, provided by the State, do not provide sufficient detail to match fringe benefit costs to individual employees. Thus, for F&A cost study purposes, UH prorates the fringe costs to institutionally funded activities, the federal college work study accounts, and Hatch and Smith-Lever accounts on the basis of salaries and wages. This enables UH to associate the fringe benefits with the direct or indirect activities with which they relate.

2.7.0 Other Direct Costs

UH charges the following costs to sponsored agreements as direct costs when they are directly related to the project:

Honoraria for services rendered (e.g. guest speaker at a conference)
Consultants
Travel
Subcontracts
Computer usage costs
Long distance charges
FAX charges
Publication costs
Photographic and graphic services
Copying and printing costs
Equipment
Equipment maintenance, repair and service contracts
Human subject fees
Space and equipment rental
Advertising for purchase bid or recruiting purposes
Motor vehicle gas and oil

Purchases include applicable general excise, use, and other taxes. Purchases of equipment include all necessary freight, handling, shipping insurance charges, and expenses required to install equipment or otherwise render it useable.

- End of Part -

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS
	University of Hawaii

Item No.	Item Description
	Instructions for Part III

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

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

A. Direct Charge or Allocation
B. Total Expenditures
C. Modified Total Cost Basis
D. Modified Total Direct Cost Basis
E. Salaries and Wages
F. Salaries, Wages and Fringe Benefits
G. Number of Employees (head count)
H. Number of Employees (full-time equivalent basis)
I. Number of Students (head count)
J. Number of Students (full-time equivalent basis)
K. Student Hours--classroom and work performed
L. Square Footage
M. Usage
N. Unit of Product
O. Total Production
P. More than one base (Separate Cost Groupings) [1]
Y. Other(s)[1]
Z. Category or Pool not applicable

[1] List on a continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III – INDIRECT COSTS
	University of Hawaii

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

Indirect Cost Category	Accumulation Method	Allocation Base Code	Allocation Sequence
(a) Depreciation/Use Allowances/Interest			1
Building	Yes	P	
Equipment	Yes	P	
Capital Improvements to Land [1]	Yes	P	
Interest [1]	No	P	
(b) Operations and Maintenance	Yes	P	2
(c) General Administration and General Expense	Yes	D	3
(d) Departmental Administration	No	D	
(e) Sponsored Projects Administration	Yes	D	
(f) Library	Yes	P	
(g) Student Administration and Services	Yes	J	
(h) Other [1]	No	NA	

[1] Describe on a Continuation Sheet.

Item No.	Item Description

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

	(1)	(2)	(3)	(4)	(5)	(6)
(a) Scientific Computer Operations	Z					
(b) Business Data Processing	Z					
(c) Animal Care Facilities	A	C	A	A	A	Y
(d) Other Service Centers with Annual Operating Budgets exceeding $1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)						
(See continuation sheet)						

(1) Category Code: Use Code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost pools; code "C" if billed to both direct and indirect cost objectives.

(2) Burden Code: Code "A"--center receives an allocation of all applicable indirect costs; Code "B"--partial allocation of indirect costs; Code "C"--no allocation of indirect costs.

(3) Billing Rate Code: Code "A"--billing rates are based on historical costs; Code "B"--rates are based on projected costs; Code "C"--rates are based on a combination of historical and projected costs; Code "D" --billings are based on the actual costs of the billing period; Code "Y"--other (explain on a Continuation Sheet).

(4) User Charges Code: Code "A"--all users are charged at the same billing rates; Code "B"--some users are charged at different rates than other users (explain on a Continuation Sheet).

(5) Actual Costs vs. Revenues Code: Code "A"--billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B"--billings are compared to actual costs less frequently than annually.

(6) Variance Code: Code "A"--Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B"--variances are carried forward as adjustments to billing rate of future periods; Code "C"--annual variances are charged or credited to indirect costs; Code "Y"-- other (explain on a Continuation Sheet).

Item No.	Item Description
3.3.0	Indirect Cost Pools and Allocation Bases (Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distributed accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)

Indirect Cost Pools		Allocation Base Code
A. Instruction		
X	On-Campus	D
X	Off-Campus	D
	Other [1]	
B. Organized Research		
X	On-Campus	D
X	Off-Campus	D
X	Other [1]	D
C. Other Sponsored Activities		
X	On-Campus	D
X	Off-Campus	D
	Other [1]	
D. Other Institutional Activities [1]		

3.4.0	Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)

[1] Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS
	University of Hawaii

Item No.	Item Description
3.5.0	Composition of Allocation Bases. (For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first $25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study.
3.6.0	Allocation of Indirect Cost to Programs That Pay Less Than Full Indirect Costs. Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations? A. __X__ Yes B. _____ No [1]

[1] Describe on a Continuation Sheet.

3.1.0 Indirect Cost Categories – Accumulation & Allocation.

Indirect Cost Category

Capital Improvements to Land

This category represents all improvements not related specifically to an individual building such as utility lines, streets, sidewalks, parking areas, etc.

Interest

This category represents amortized interest paid on State of Hawaii bonds issued to acquire, construct or renovate buildings that UH is permitted by its cognizant agency to recover in its F&A cost rates.

Accumulation Method

Depreciation/Use Allowances/Interest

UH documents its computation of depreciation for F&A purposes on separately maintained workpapers. Equipment or facilities paid with Federal funds are eliminated from the computation bases for depreciation. Equipment that is considered fully depreciated is eliminated from the computation base for depreciation.

UH capitalizes library books for financial statement purposes. For F&A cost study purposes, UH expenses non-rare library books and periodicals.

UH documents amortized interest paid for buildings on separately maintained workpapers.

RCUH computes depreciation on separately maintained workpapers and includes it in its schedule of administrative expenses.

Departmental Administration

As discussed in Part 2.1.0, UH uses the DCE methodology to compensate for differences in the treatment of administrative support costs for its sponsored and nonsponsored activities. Thus, UH uses a separate workpaper analysis to derive academic department DA for accumulation into the DA cost pool for F&A cost study purposes.

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

Allocation Bases

Depreciation

UH uses an allocation base of square footage to allocate depreciation for buildings and equipment. However, for buildings where no square footage data is available, UH uses an alternate allocation base of salaries and wages of the employees within the departments or colleges that occupy the space. Where UH can attribute usage of equipment or building space to a single function, a direct allocation is made to that function. Where the performance of activities occur simultaneously in the same space, UH distributes square footage to functions based on the salaries and wages of the employees within the departments or colleges that jointly occupy the space.

UH uses an allocation base of employee FTE and student FTE to allocate depreciation for general improvements. However, where UH can attribute general improvements to a single function, a direct allocation is made to that function.

Depreciation is included with RCUH administrative expenses, which are allocated to benefiting projects on the basis of MTDC.

Operations and Maintenance; Interest Expense

UH uses an allocation base of square footage to allocate operations and maintenance costs and interest expenses. However, for buildings where no square footage data is available, UH uses an alternate allocation base of salaries and wages of the employees within the departments or colleges that occupy the space. Where UH can attribute usage of equipment or building space to a single function, a direct allocation is made to that function. Where the performance of activities occur simultaneously in the same space, UH distributes square footage to functions based on the salaries and wages of the employees within the departments or colleges that jointly occupy the space.

Library

UH uses allocation base of employee FTE and student FTE for libraries on the Manoa campus. Because UH Hilo, UH West Oahu and the UH Community Colleges are primarily instructional, the costs of their libraries are directly allocated to instruction. However, if significant research is conducted on these campuses in the future, the allocations bases will be changed to reflect all benefiting activities.

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.

3.2.0 Service Centers (continued)

Duplicaing/Mail Services

(6) No variances are expected because Duplicating/Mail Services is funded through State appropriations and may not spend more than its budget. Services are rendered on a cost reimbursement basis.

Telecommunication 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.

Specialized Services Facilities

IFA Job Order Services

IFA Job Order Services (JOS) was established to provide a unique payroll distribution system in support of IFA's instrumentation, development, operation, maintenance, and repair of scientific instruments and research facilities.

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

IFA Job Order Services (Continued)

IFA uses three major cost groupings to record costs associated with providing engineering and technical services:

Manoa - JOS service centers supporting IFA research programs at the Manoa campus.

Maui - JOS service centers supporting IFA research programs on the island of Maui including telescope operations on Haleakala.

Hawaii - JOS service centers supporting research programs on the island of Hawaii including telescope operations on Mauna Kea.

JOS service centers include mechanical and electronic engineers, software engineers and programmers, mechanical and electronic technicians, and telescope operators. Services are charged directly to benefiting projects based on timesheets that reflect actual services rendered. Hourly labor rates used to compute charges are negotiated with ONR. Variances are carried forward as adjustments to billing rates of future periods with the intent of achieving break-even over time.

IFA Mauna Kea Midlevel Facility

The Mauna Kea Midlevel Facility (MKSS) operates under a user agreement among the University of Hawaii (UH), Joint Astronomy Center (JAC), Canada-France-Hawaii Telescope Corporation (CFHT), and the California Institute of Technology (CalTech). The facility, located on the summit of Mauna Kea volcano, provides food and lodging and other services related to the operation of the users' observatories.

IFA uses ten cost centers to account for MKSS operations:

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

IFA Mauna Kea Midlevel Facility (Continued)

Cost Center	Description	Charging Method
Food & Lodging	Costs of providing food and lodging to visiting scientists	Charged to users based on projected number of room nights subject to adjustment based on actual usage; Extra meals are charged separately on invoice.
Utilities	Costs of providing gas, diesel, water, electricity and emergency services	Gas, diesel, water, & electricity charged on actual use; Emergency services shared equally by UH, JAC, CFHT, CalTech & Keck Observatories
Weekend Guide Service	Costs of providing guides for the Visitor Center. Services are provided to public free of charge.	75% borne by State of Hawaii; Remaining 25% shared equally by UH, JAC, CFHT & CalTech
Auxiliary Service	Accumulates annual depreciation for vehicles in motor pool to fund vehicle replacements. Depreciation is computed over three year life.	Shared equally by UH, JAC, CFHT, & CalTech
Library	Costs of providing research materials for visiting scientists	Shared equally by UH, JAC, CFHT, & CalTech
General Administration	Costs of administrative support for the facility	Allocated to other cost centers by MTDC
Road Maintenance	Costs of clearing the roads to the summit of debris and grading unpaved roads	Shared equally by UH, JAC, CFHT, CalTech & Keck Observatories
Snow Removal	Costs of providing snow removal services on the summit during the winter	Shared equally by UH, JAC, CFHT, CalTech & Keck Observatories

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

IFA Mauna Kea Midlevel Facility (Continued)

Cost Center	Description	Charging Method
Support Services	Costs of offices and laboratories built at the facility for specific users	Charged to specific users based on square footage used
Special Services	Administrative costs related to the Keck Corporation	Charged directly to Keck Corporation

The users share in the cost of the services based on annual budgeted amounts for each cost center according to the charging methods summarized above. Other costs are billed to users based on actual usage as summarized above. Some costs are directly charged as summarized above. Variances are carried forward as adjustments to billing rates of future periods with the intent of achieving break-even over time.

SOEST Ship Operations Facility

SOEST operates three research vessels and their attendant shore support facilities. In addition, SOEST operates a technical support group for scientists using the research vessel Moana Wave. Finally, SOEST operates a technical support group that specializes in seafloor mapping systems and the acquisition and processing of data acquired at sea. Together these operations form the SOEST Ship Operations Facility.

SOEST uses nine cost centers to account for the ship operations:

Cost Center	Description	Charging Method
Ship Operations - Kila	All direct expenses related to the vessel Kila such as salaries and wages, fuel and oil, repairs and maintenance, major overhaul, food, and insurance.	Charged to project based on projected number of ship days to be used at daily ship rate and adjusted for actual usage.

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

SOEST Ship Operations Facility (Continued)

Cost Center	Description	Charging Method
Ship Operations - Moana Wave	All direct expenses related to the vessel Moana Wave such as salaries and wages, fuel and oil, repairs and maintenance, major overhaul, food, and insurance.	Charged to project based on projected number of ship days to be used at daily ship rate and adjusted for actual usage.
Ship Operations - Kaimikai O Kanaloa	All direct expenses related to the vessel Kaimikai-O-Kanaloa such as salaries and wages, fuel and oil, repairs and maintenance, major overhaul, food, and insurance.	Charged to project based on projected number of ship days to be used at daily ship rate and adjusted for actual usage.
Ship Operations - Ship Usage	Represents revenue generated by each ship.	N/A
Ship Operations - Shore Support	All direct expenses related to the vessel machine shop and engineering facility as well as the administrative building. Includes the salaries of the Marine Superintendent, port operations manager, port engineer, purchasing agent, office manager, and machine shop personnel.	Costs of work performed on vessels is factored into the daily ship rate computation; Costs of work performed for outside users or other UH/RCUH customers is transferred to the Marine Expeditionary Center revolving fund
Ship Operations - Scheduling & Logistics	Salary of secretary and her travel costs incurred to plan and arrange ship schedules.	Costs are factored into the daily ship rate computation

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

SOEST Ship Operations Facility (Continued)

Cost Center	Description	Charging Method
Ship Operations - Communication Center	Salary of technician that maintains communication with ships when they are underway, plans and performs necessary electronics maintenance and upgrade work, and prepares equipment lists and other information for scientific proposals.	Costs are factored into the daily ship rate computation
Ship Operations - Snug Harbor	Expenses of the harbor facility such as salaries, electricity, security, repair and maintenance, and equipment.	Costs are factored into the daily ship rate computation
Ship Operations Reserve	Accrual account for: 1) Major maintenance and shipyard overhaul costs and 2) for vacation and accumulated time off.	Payments into the accrual account are factored into the daily ship rate computation

SOEST uses four cost centers to account for the marine technicians:

Cost Center	Description	Charging Method
Shipboard Technical Assistance Group (STAG)	Costs of personnel engaged in direct support of scientific data acquisition at sea, including operations and maintenance of instrumentation. processing of data, and management and maintenance of a substantial inventory of scientific equipment for readiness at sea.	Costs are factored into computation of technician hourly rate.
Data Archive	Costs of archivists whose job is to digitize, microfilm, and format data acquired at sea for cataloging purposes. Also, provides technical support to STAG and support to ESE below.	Costs are factored into computation of technician hourly rate.

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

SOEST Ship Operations Facility (Continued)

Cost Center	Description	Charging Method
Expendable Supplies and Equipment (ESE)	Costs directly related to the operation, maintenance and repair of instrumentation and equipment used in data acquisition, processing and transmission.	Costs are factored into computation of technician hourly rate; Certain items of equipment are charged using a day rate
Shipboard Development	Costs directly related to the operation of the Core Lab and the provision of technical support to Core Lab users.	Costs are factored into computation of technician hourly rate.

SOEST uses four cost centers to account for the Hawaii Mapping Research Group:

Cost Center	Description	Charging Method
Operations	Costs of operating the specialized sea mapping equipment including salaries of technicians, researchers, software engineers, repairs and maintenance, equipment depreciation, and supplies.	Equipment is charged at actual usage using a day rate; Personnel are charged based on hourly effort an hourly rate.
IRIS Plotter	Costs of operating the IRIS color plotter to produce publication quality images of data and revenue received therefrom.	Charged based on actual usage using recharge rates
Administration	Costs of planning and arranging schedules for mapper use including salaries of administrative specialist and logistics coordinator.	Charged based on hourly effort on an hourly rate.
HMRG Income	Records all income received for use of the mapper and for recharge of labor.	N/A

Variances are carried forward as adjustments to billing rates of future periods with the intent of achieving break-even over time.

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

SOEST Engineering Support Facility

The Engineering Support Facility (ESF) provides highly specialized engineering services to UH, RCUH, and outside customers.

SOEST uses eight cost centers to account for ESF operations:

Cost Center	Description	Charging Method
Mechanical and Electrical Engineering	Costs associated with engineering design services and consulting	Charged using direct labor hours and negotiated labor rates
Software Engineering	Costs associated with software development specific to the operation and control of equipment	Charged using direct labor hours and negotiated labor rates
Machine Shop	Costs associated with precision machining for instrumentation development and repair	Charged using direct labor hours and negotiated labor rates
Technical Support	Costs associated with providing services of electronic and mechanical technicians	Charged using direct labor hours and negotiated labor rates
Student Technicians	Costs associated with providing services of student technicians	Charged using direct labor hours and negotiated labor rates
Administration and Operations	General facility support; Includes salaries of ESF manager, administrative assistant, buyer, administrative student assistants, office supplies, communications, and other costs	Pro rata distribution to other costs centers for computation of labor rates

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

SOEST Engineering Support Facility (Continued)

Cost Center	Description	Charging Method
Mechanical and Electrical Engineering	Costs associated with engineering design services and consulting	Charged using direct labor hours and negotiated labor rates
Software Engineering	Costs associated with software development specific to the operation and control of equipment	Charged using direct labor hours and negotiated labor rates

Procured equipment, materials, and supplies are charged to users at actual cost. Variances are carried forward as adjustments to billing rates of future periods with the intent of achieving break-even over time.

SOEST Research Computer Facility

The Research Computer Facility (RCF) provides computing and information processing services to SOEST faculty and other users in the academic community. RCF's primary function is to provide and maintain an extensive electronic network. It also provides systems design and analysis and software development services, technical support, and access to SOEST peripherals.

SOEST uses four cost centers to account for RCF operations:

Cost Center	Description	Charging Method
Network Services	Costs and revenue associated with managing installing, and maintaining computer networks and providing technical support to users	Charged to users via access fees; technical support is charged using direct labor rates; Materials used are charged at actual cost

3.2.0 Service Centers. (Continued)

Specialized Service Facilities (Continued)

SOEST Research Computer Facility (Continued)

Cost Center	Description	Charging Method
Software Development	Costs and revenue associated with providing scientific applications programming	Charged to users on direct labor hours using negotiated labor rates
Peripheral Equipment	Costs and revenue associated with operating and providing access to an array of printers, plotters, copiers, and other computer driven equipment on the network	Charged to users based on actual usage using negotiated rates for the type of equipment used
PGD Computer Network	Costs and revenue associated with managing, installing, and maintaining computer networks and providing technical support to users of the Planetary Geosciences Division of the Hawaii Institute of Geophysics and Planetology.	Charged to users via access fees; technical support is charged using direct labor rates; Materials used are charged at actual cost

Administrative costs for entire facility are recorded in Network Services cost center because this cost center is the primary beneficiary of administrative services and the effect on the other cost centers is immaterial. Variances are carried forward as adjustments to billing rates of future periods with the intent of achieving break-even over time.

3.2.0 Service Centers (Continued)

UH Revolving Funds Administered by RCUH

Following is a listing of the UH revolving funds administered by RCUH that have less than $250,000 of revenues during a fiscal year or are predominantly used by Federal awards. The list is dated September 29, 1995 and may not include all current revolving funds.

Service Center	(1)	(2)	(3)	(4)	(5)	(6)
PACCOM	A	A	C	A	A	B
HIG Publication Services	A	A	C	A	A	B
Electron Microprobe Services	A	A	C	A	A	B
Data Resources Revolving Account	A	A	C	A	A	B
Hawaii Research Irradiator	A	A	C	A	A	B
HIG Isotopic Analysis Facility	A	A	C	A	A	B
Monoclonal Antibody Service Facility	A	A	C	A	A	B
Anatomy Electron Microscope	A	A	C	A	A	B
Biological Electron Microscope	A	A	C	A	A	B
Mariculture Research Training Center	A	A	C	A	A	B
Chemistry Dept. Research Services	A	A	C	A	A	B
Geoanalytical Facilities	A	A	C	A	A	B
Look Laboratory Operations	A	A	C	A	A	B
Biotechnology-Molecular Biology	A	A	C	A	A	B
Pesticide Analysis	A	A	C	A	A	B
Wildlife Analytical Services	A	A	C	A	A	B
SOEST Radioanalytical Facility	A	A	C	A	A	B
Spectroscopic Services	A	A	C	A	A	B
SOEST Electron Microscope	A	A	C	A	A	B
SOEST Stable Isotope Analysis	A	A	C	A	A	B
SOEST Atomic Force Microscope	A	A	C	A	A	B
Carbon-Hydrogen-Nitrogen Analyzer	A	A	C	A	A	B
Pacific Research Services	A	A	C	A	A	B
Pacific Telecommunication Services	A	A	C	A	A	B
Analytical Service Laboratory	A	A	C	A	A	B
NIFTAL Outreach Services	A	A	C	A	A	B

3.2.0 Service Centers (Continued)

UH Revolving Funds Administered by RCUH (Continued)

Service Center	(1)	(2)	(3)	(4)	(5)	(6)
Marine Science & Technology	A	A	C	A	A	B
Hawaii International Program	A	A	C	A	A	B
Rehab. Training & Technical Assistance	A	A	C	A	A	B
Rehab. Data Analysis	A	A	C	A	A	B
HIMB Boat Operations	A	A	C	A	A	B
Faculty Development Int'l Business	A	A	C	A	A	B
HOT-JGOFS Projects	A	A	C	A	A	B
Planetary Systems (TOPS) Conference	A	A	C	A	A	B
Geology & Geophysics	A	A	C	A	A	B
Ultraviolet Radiation	A	A	C	A	A	B
UH Cryogenic Support Facility	A	A	C	A	A	B
Manufacturing of Diamond	A	A	C	A	A	B
ICP-MS (Induc. Coupled Pla	A	A	C	A	A	B
HI Ed. & Res. Network	A	A	C	A	A	B
Cray EL-92	A	A	C	A	A	B
Nutritional Support Shared	A	A	C	A	A	B
Annual HI Conservation Conference	A	A	C	A	A	B
Marine Micromolluscan Fauna	A	A	C	A	A	B
Medex Group Training Courses	A	A	C	A	A	B
Cara Construction Camp Rental	A	A	C	A	A	B
BNF Business Account	A	A	C	A	A	B
Analytical Lav Research Service	A	A	C	A	A	B
Western Curr Coord Ctr	A	A	C	A	A	B
Scientific Computer Systems Support	A	A	C	A	A	B

Recharge rates are analyzed and adjusted in accordance with UH APM A8.930 and in accordance with clarification guidance issued by UH and RCUH dated July 10, 2004.

3.3.0 Indirect Cost Pools and Allocation Bases

B. Organized Research

As discussed in Part 2.1.0, UH computes a separate organized research F&A cost rate for the Institute For Astronomy and the Applied Research Laboratory. As discussed in Part 1.1.0, UH computes RCUH's direct projects F&A cost rate.

A separate organized research rate is also computed for the Kakaako Biomedical Research Campus. The allocation base is modified total direct costs of research activities conducted at the Kakaako facility.

3.4.0 Composition of Indirect Cost Pools

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
Building Use Allowance	UH Manoa and Manoa based facilities[1]	By building	2% Use allowance on capitalized construction costs and major repairs & renovations net of federal funds and unallowable costs
Equipment Use Allowance *Non-computer equipment*	UH Manoa and Manoa based facilities	By building	$6^{2}/_{3}$% Use allowance on non-computer equipment purchased with state general funds or research & training revolving funds
Computer Equipment	UH Manoa and Manoa based facilities	By building	$16^{2}/_{3}$% Depreciation on computer equipment purchased with state general funds or research & training revolving funds, net of fully depreciated assets
Fixed Equipment Use Allowance	UH Manoa and Manoa based facilities	By building	$6^{2}/_{3}$% Use allowance on fixed equipment net of federal funds and unallowable costs
Capital Improvements to Land	UH Manoa and Manoa based facilities	By location	2% Use allowance on capitalized construction costs and major repairs & renovations net of federal funds and unallowable costs
Interest	UH Manoa and Manoa based facilities	By building	Amortized interest on bonds used to acquire Sherman Laboratory

[1] Manoa and Manoa based facilities include buildings located on the UH Manoa Campus and various research and training facilities located throughout the islands of Oahu, Maui, Kauai, and Hawaii that are organized under UH Manoa schools, departments or research units.

3.4.0 Composition of Indirect Cost Pools (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
Operations and Maintenance	Community Colleges (including Community College Administration & Employment Training Office)	By campus	Allowable utilities, custodial & grounds maintenance, general repairs & maintenance expenditures
	UH Hilo UH West Oahu	By campus	Allowable utilities, custodial & grounds maintenance, general repairs & maintenance expenditures
	UH Manoa and Manoa based facilities	By benefiting functions or activities	Allowable utilities, custodial & grounds maintenance, general repairs & maintenance, security, environmental health & safety expenditures
	Non-capitalized repairs & renovations	By building	Allowable repairs and maintenance expenditures for UH Manoa and Manoa based facilities which are expensed because they do not meet UH's major repairs & renovation capitalization threshold

3.4.0 Composition of Indirect Cost Pools (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
General Administration	Systemwide by benefiting functions or activities	Systemwide	Allowable costs of UH's President, Board of Regents, financial management, business services, budget and planning, & management information system offices
		Manoa - All Activities	Allowable costs of UH's centralized mail, telecommunications, & auxiliary services for the Manoa campus
		Manoa - General Fund	Allowable costs of UH's centralized duplicating services primarily used by general fund users on the Manoa campus
		UH Disbursing Office, Office Of Human Resources (f.k.a . Personnel) and Office of Procurement, Property & Risk Management (f.k.a. PPMO)	Allowable costs for UH's centralized disbursing, personnel, and procurement, property, & risk management offices allocable to UH activities but not RCUH
		Computing Center	Allowable costs of UH's Computing Center allocable to general fund users
		Systemwide Computer Consortium	Allowable costs of UH's Systemwide Computer Consortium allocable to its users
		State of Hawaii Services	UH's portion of the State of Hawaii's allowable central system office costs allocable to Federal grants and contracts
		RCUH Administrative Expenditures	Allowable salaries, fringe benefits, office supplies, office rent, telephone, and use allowance including post retirement benefits charges & insurance allocable to RCUH service ordered projects, UH specialized service facilities/revolving funds administered by RCUH, & RCUH direct projects

3.4.0 Composition of Indirect Cost Pools (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
Departmental Administration	Systemwide by campus group	Systemwide	Salaries, fringe benefits, office supplies, telephone costs, postage, etc. of vocational education administration
		UH Manoa[2]	Salaries, fringe benefits, office supplies, telephone costs, postage, etc. of Manoa academic dean's offices; Manoa academic department DA derived from DCE
		UH Hilo/West Oahu	Salaries, fringe benefits, office supplies, telephone costs, postage, etc. of UH Hilo/West Oahu academic dean's offices
		Community Colleges	Salaries, fringe benefits, office supplies, telephone costs, postage, etc. of Community College academic dean's offices

[2] UH uses a modified Direct Charge Equivalent (DCE) based on the DHHS preferred methodology. Refer to Part 2.1.0 for a discussion on UH's DCE methodology.

3.4.0 Composition of Indirect Cost Pools (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
Sponsored Projects Administration	Systemwide by function	Office of Research Services	Salaries, fringe benefits, office supplies, telephone costs, postage, etc. of the management of extramural agreements
		External Auditor Fees	Allowable costs of the A-133 compliance audit related to federal grants and contracts compliance; Allowable costs for grants and contracts management consulting

3.4.0 Composition of Indirect Cost Pools (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
Library	UH Manoa Campus	Undergraduate students	Salaries, fringe benefits, books, periodicals, office supplies, telephone costs, postage, etc. net of federal funds allocable to undergraduate students
		Graduate students	Salaries, fringe benefits, books, periodicals, office supplies, telephone costs, postage, etc. net of federal funds allocable to graduate students
		Professionals	Salaries, fringe benefits, books, periodicals, office supplies, telephone costs, postage, etc. net of federal funds allocable to faculty and staff
		Other users	Salaries, fringe benefits, books, periodicals, office supplies, telephone costs, postage, etc. net of federal funds allocable to the general public
	Non-UH Manoa libraries	Hilo, West Oahu, & Community Colleges	Salaries, fringe benefits, books, periodicals, office supplies, telephone costs, postage, etc. net of federal funds

3.4.0 Composition of Indirect Cost Pools (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Elements of Cost
Student Services	Systemwide by benefiting functions or activities	Systemwide	Salaries, fringe benefits, office supplies, telephone, postage, etc. associated with student financial aid administration
		Manoa	Salaries, fringe benefits, office supplies, telephone, postage, etc. of the admission & records, career placement, counseling & testing offices for UH Manoa
		Hilo & West Oahu	Salaries, fringe benefits, office supplies, telephone, postage, etc. of the admission & records, career placement, counseling & testing offices for UH Hilo/West Oahu
		Community Colleges	Salaries, fringe benefits, office supplies, telephone, postage, etc. of the admission & records, career placement, counseling & testing offices for the Community Colleges
		Manoa Student Health Services	Salaries, fringe benefits, medical supplies, office supplies, telephone, postage, etc. of the Manoa student health services office allocable to Manoa students
		Manoa Student Employment Office	Salaries, fringe benefits, office supplies, telephone, postage, etc. of the Manoa student employment office allocable to Manoa students
		Manoa Graduate Division	Salaries, fringe benefits, office supplies, telephone, postage, etc. of the graduate division office allocable to Manoa graduate students

3.5.0 Composition of Allocation Bases

Allocation Base	Allocation Base Components
Direct Charge	The particular function or activity to which a cost has a direct relationship
Modified Total Direct Cost[3]	Salaries and wages Fringe benefits Materials and supplies Services Travel First $25,000 of each subgrant or subcontract Other direct costs
Salaries and Wages	Salaries and wages of regular employees, lecturers, and nonregular employees of the departments or colleges that benefit from the indirect cost activity
Number of Employees (full-time equivalent basis)	Full-time equivalents[4] of faculty, researchers, specialists, librarians, extension agents, administrative, professional & technical personnel (APT), executives/managers, graduate assistants, and civil servants
Number of Students (full-time equivalent basis)	Full-time equivalents based on total undergraduate student semester hours divided by 15 (full-time status) and total graduate student semester hours divided by 12 (full-time status)
Square Footage	(1) Surveyed buildings. Thirty-two buildings which comprise approximately 80% of UH's organized research are surveyed. This biennial field study involves the certification of space assignments to major functions by authorized departmental representatives. (2) Non-surveyed buildings with square footage allocated by the salaries & wages of employees within the departments occupying the buildings. (3) Rooms or buildings that can be directly assigned to a single function. (4) Buildings where performance of activities occur simultaneously in the same space -- square footage allocated by salaries & wages of employees within the departments jointly occupying the building space.

[3] UH excludes from modified total direct costs specialized service facilities (SSF) charges because a separate F&A cost rate is developed for each SSF. The SSF's are SOEST Computing Facility, SOEST Engineering Facility, SOEST Ship Operations, and IFA Mauna Kea Midlevel Facility.

[4] UH computes employee FTE by adding each individual's percentage of time employed on a regular appointment from all sources of funds. The maximum FTE for an individual should not exceed 1.0 FTE. For F&A cost study purposes, UH uses employee FTE for the Manoa campus and assigns the FTE to benefiting functions using the salaries and wages of employees on the Manoa campus.

3.5.0 Composition of Allocation Bases (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Allocation Base
Building Use Allowance	UH Manoa and Manoa based facilities	By building	Bldg used for single function - direct alloc. to that function Bldg used for multiple functions - rooms where performance of activit(ies) can be identified w/ specific areas of space are allocated by sq. ft. Bldg with rooms that have joint use - rooms where performance of activities occur simultaneously in the same space are allocated by Salaries & Wages
Equipment Use Allowance *Non-computer equipment*	UH Manoa and Manoa based facilities	By building	Same as above.
Computer Equipment	UH Manoa and Manoa based facilities	By building	Same as above.
Fixed Equipment Use Allowance	UH Manoa and Manoa based facilities	By building	Same as above.
Capital Improvements to Land	UH Manoa and Manoa based facilities	By location	Allocated by FTE, except for off-campus bldgs, which are allocated by Salaries & Wages
Interest	UH Manoa and Manoa based facilities	By building	based on the functionalized sq. ft. data of Sherman Lab

3.5.0 Composition of Allocation Bases (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Allocation Base
Operations and Maintenance	Community Colleges (including Community College Administration & Employment Training Office)	By campus	by Salaries & Wages
	UH Hilo UH West Oahu	By campus	by Salaries & Wages
	UH Manoa and Manoa based facilities	Utilities provided by FPMO for Manoa based bldgs	by sq. ft. or by Salaries & Wages when no space statistics are available
		Mauka Campus-Custodial & Grounds Maint. serviced by FPMO	Same as above.
		Makai Campus-Custodial & Grounds Maint. serviced by FPMO	Same as above.
		Other Rep & Maint serviced by FPMO	Same as above.
		Security/Env Hlth & Safety	Same as above.
	Non-capitalized repairs & renovations	By building	by Space; bldgs w/o space stats and those w/ joint use are spread by Salaries & Wages

3.5.0 Composition of Allocation Bases (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Allocation Base
General Administration	Systemwide by benefiting functions or activities	Systemwide	by MTDC
		Manoa - All Activities	by MTDC
		Manoa - General Fund	by MTDC
		UH Disbursing Office, Office of Human Resources (f.k.a. Personnel) and Office of Procurement, Property & Risk Management (f.k.a. PPMO)	by MTDC less RCUH service ordered projects
		Computing Center	by MTDC of general fund users
		Systemwide Computer Consortium	by MTDC of its users
		State of Hawaii Services	by MTDC
		RCUH Administrative Expenditures	by MTDC of RCUH service ordered projects, UH specialized service facilities/revolving funds administered by RCUH, & RCUH direct projects
Departmental Administration	Systemwide by campus group	Systemwide	by MTDC
		UH Manoa	by MTDC
		UH Hilo/West Oahu	by MTDC
		Community Colleges	by MTDC
Sponsored Projects Administration	Systemwide by function	Governmental Accounting & Cost Studies Office (f.k.a. CGMO)	by MTDC of sponsored projects
		Other SPA Expenditures (Office of Research Administration)	by MTDC of sponsored projects
		External Auditor Fees	by MTDC of sponsored projects

3.5.0 Composition of Allocation Bases (Continued)

Indirect Cost Pool	Major Organizational Components	Subgrouping of Expenses	Allocation Base
Library	UH Manoa Campus	Undergraduate students	100% to Instruction
		Graduate students	100% to Instruction
		Graduate assistants	by FTE based on Graduate Assistant Salaries & Wages
		Professionals	by FTE (less APT, Managerial/Executive & other prof. who don't use the library)
		Other users	by FTE based on calculation of circulation survey; 100% to Other Institutional Activities
	Non-UH Manoa libraries	Hilo, West Oahu, & Community Colleges	100% to Instruction
Student Services	Systemwide by benefiting functions or activities	Systemwide	100% to Instruction
		Manoa	100% to Instruction
		Hilo & West Oahu	100% to Instruction
		Community Colleges	100% to Instruction
		Manoa Student Health Services	by FTE, Grad. & Undergrad. (Manoa only)
		Manoa Student Employment Office	by FTE based on Student Salaries & Wages (Manoa only)
		Manoa Graduate Division	by FTE, Grad. only (Manoa only)

- End of Part -

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

Item No.	Item Description
4.1.0	Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining the useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.)

Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)
(a) Land Improvements	A	C	A	B
(b) Buildings	A	C	A	B
(c) Building Improvements	A	C	A	B
(d) Leasehold Improvements	Z			
(e) Equipment	A	C	A	B
(f) Furniture and Fixtures	Z			
(g) Automobiles and Trucks	Z			
(h) Tools	Z			
(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. (Otherwise enter Code Z.)	Y			

Column (1) - Depreciation Method Code
A. Straight Line
B. Expensed at Acquisition
C. Use Allowance
Y. Other or more than one method [1]
Office

Column (2) - Useful Life Code
A. Replacement Experience
B. Term of Lease
C. Estimated Service Life
D. As prescribed for use allowance by

of Management and Budget Circular No. A-21
Y. Other or more than one method [1]

Column (3) - Property Unit Code
A. Individual units are accounted for separately
B. Applied to groups of assets with similar service lives
C. Applied to groups of assets with varying service lives
Y. Other or more than one method [1]

Column (4) - Residual Value Code
A. Residual value is deducted
B. Residual value is not deducted
Y. Other or more than one method [1]

[1] Describe on a Continuation Sheet.

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

Item No.	Item Description
4.1.1	Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.) A. _____ Yes B. __X__ No [1]
4.2.0	Fully Depreciated Assets. Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.) A. _____ Yes B. __X__ No
4.3.0	Treatment of Gains and Losses on Disposition of Depreciable Property. Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.) A. _____ Excluded from determination of sponsored agreement costs B. _____ Credited or charged currently to the same pools to which the depreciation of the assets was originally charged C. __X__ 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
4.4.0	Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.) A. Minimum Dollar Amount 5,000 B. Minimum Life Years More than one
4.5.0	Group or Mass Purchase. Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one) A. __X__ Yes [1] B. _____ No [1] Describe on a Continuation Sheet.

4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)
Computer equipment	A	C	A	B

4.1.1 Asset Valuation and Useful Lives

UH records depreciation for financial statement purposes. Asset useful lives are contained in UH Administrative Procedure A8.554. A separate workpaper is prepared to exclude federally-funded assets and fully depreciated assets for F&A cost study purposes.

As disclosed under Part 3.1.0, UH capitalizes library books for financial statement purposes. For F&A cost study purposes, UH has elected to expense non-rare library books and periodicals.

RCUH

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

ARL

Leasehold improvements are amortized over the shorter of the useful of the improvement or the remaining lease term. If there is a lease renewal and the prospect of renewal cannot be predicted with certainty, the amortization period is the original lease term rather than the longer possible term.

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.

4.4.0 Criteria for Capitalization (Continued)

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.

Building Componentization

UH componentizes new research buildings beginning with the Kaka'ako Campus. UH also records the costs of improving or replacing a building component and writes down the original value of the improved or replaced building component. The process is described under APM A8.553.

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.

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 that the capitalization amount indicated in Part 4.4.0.

- End of Part -

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART V - OTHER COSTS AND CREDITS
	University of Hawaii

Item No.	Item Description
	Part V
5.1.0	Method of Charging Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s)) A. X Cash B. X Accrual [1]
5.2.0	Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in Section C of OMB Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.) (Indicate how the principle types of credits and incidental receipts the institution receives are usually handled.) A. _____ The credits/receipts are offset against the specific direct or indirect costs to which they relate B. _____ The credits/receipts are handled as a general adjustment to the indirect pool. C. _____ The credits/receipts are treated as income and are not offset against costs. D. X Combination of methods [1] Y. _____ Other [1]

[1] Describe on a Continuation Sheet.

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, 2016 and pursuant to UH Administrative Procedure AP 8.686, Terminal Vacation Payout, UH administers and maintains a vacation payout reserve for terminal vacation leave for all employees eligible for vacation. The vacation reserve is funded through a fringe benefit rate approved by its cognizant agency and applied to eligible salaries and wages of all eligible faculty and staff employees of the UH.

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 vacation or sick leave at the prevailing salary and fringe charge on the cash basis and the employee's vacation or sick leave credits are correspondingly reduced. Projects are charged fringe benefit rate where the employee's salary and fringe charges are incurred (e.g., applicable sponsored projects). The vacation payout reserve are funded by fringe benefit charges on wages for all eligible faculty and staff.

Prior to July 1, 2015, UH had maintained a terminal vacation reserve only for employees working on sponsored agreements. This vacation reserve was terminated as of June 30, 2015 and for fiscal year June 30, 2016, the employee's accrued terminal vacation payout was paid via institutional funds. Sponsored agreements were not assessed for any of these amounts.

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.

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.

5.2.0 Applicable Credits

UH applies receipts such as purchase discounts and refunds of overpayments for goods and services against the specific direct costs of F&A costs to which they relate.

For F&A cost study purposes, UH prepares an analysis of revenue such as library fees and fines, vending machine commissions, etc. and costs of goods sold to be applied against specific direct costs or F&A costs to which they relate.

RCUH

Revolving fund user fees are treated as income.

Item No.	Item Description

Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the government unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark the applicable line(s) and enter number of plans.)

		Type of Plan	Number of Plans
A.	X	Institution employees participate in State/Local Government Retirement Plan(s)	3
B.	X	Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	2
C.		Institution has its own Defined-Contribution Plan(s)[1]	

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

[1] Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VI - DEFERRED COMPENSATION AND INSURANCE COSTS
	University of Hawaii

Item No.	Item Description
6.2.0	Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs). (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.) Z. [ ] Not Applicable
6.2.1	Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)
6.3.0	Self-Insurance Programs (Employee Group Insurance.) Cost of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. ____ When accrued (book accrued only) B. ____ When contributions are made to a nonforfeitable fund C. ____ When contributions are made to a forfeitable fund D. ____ When the benefits are paid to an employee E. ____ When amounts are paid to an employee welfare plan Y. ____ Other or more than one method [1] Z. _X_ Not Applicable
6.4.0	Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)
6.4.1	Worker's Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. ____ When claims are paid or losses are incurred (no provisions for reserves) B. ____ When provisions for reserves are recorded based on the present value of the liability C. ____ When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with the present value, of the liability D. ____ When funds are set aside or contributions are made to a fund Y. _X_ Other or more than one method [1] Z. ____ Not Applicable

[1] Describe on a Continuation Sheet.

Item No.	Item Description
6.4.2	Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. ____ When losses are incurred (no provision for reserves) B. ____ When provisions for reserves are recorded based on replacement costs C. ____ When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructible. D. ____ Losses are charged to fund balance with no charge to contracts and grants (no provisions for reserves) Y. _X_ Other or more than one method [1] Z. ____ Not Applicable

[1] Describe on a Continuation Sheet.

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

Plan Name	Number of Employees Covered	Type of Employees Covered
Retiree Health Fund	28,643[5]	Employees (except students; graduate assistants; supplemental salaries to faculty; and hourly employees with less than .50 full time equivalent and their dependents.

[5] Number of Statewide participants in the fund as of December 31, 1995. Data for the number of participants by agency are not kept by the State Employees Health Fund system. Thus, the total number of UH retirees and dependents in the plan is unavailable.

RCUH

Plan Name	Number of Employees Covered	Type of Employees Covered
Retiree Medical & Life Insurance	7	All regular employees of RCUH.

6.2.1 Determination of Annual PRB Costs

Post retirement benefit costs are charged to sponsored agreements on the cash basis. As discussed in Part 2.6.0, sponsored agreements are charged for retiree health fund contributions through the use of a rate negotiated between the State and DHHS. The rate is computed by dividing the total projected Statewide retiree health fund contributions for the fiscal year by the total projected Statewide salaries and wages.

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.

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.

6.4.1 Workers' Compensation and Liability (Continued)

Liability - Continued

Malpractice claims paid with insurance proceeds or through legislative appropriations are also paid by the State risk management revolving fund. However, UH operates a malpractice special fund to pay for costs arising from the defense and settlement of claims that are not funded through professional liability insurance or legislative appropriation. Costs are charged directly to the major function Affiliated Hospital for F&A cost study purposes.

Ship Operations

As discussed in Part 1.5.0, research vessels are specifically excluded from coverage under the State risk management program. As a result, SOEST purchases its own insurance and allocates it to projects in the following manner:

1. Research vessel insurance is included in the recharge rate for ship operations and has a $10,000 deductible.

2. The portion of vessel insurance that covers a federally owned submarine is directly charged to projects.

In the event of loss, the deductible will be charged to the benefiting project accounts.

RCUH

RCUH is covered under the State risk management program. In addition, RCUH purchases coverage for the deductible portion ($2,000,000) of the State program. RCUH is self-insured for the deductible portion ($10,000) of purchased coverage. Premiums are not charged to final cost objectives, but are recorded as part of RCUH administrative expense.

6.4.2 Casualty Insurance

UH is self-insured for the deductible portion of casualty losses under the State risk management program. Claims up to $10,000 are paid by the State risk management revolving fund. Claims over $10,000 are paid by legislative appropriation. Claims paid with insurance proceeds are also paid by the State risk management revolving fund. These claims are not recorded on UH's books. Thus, these costs are not allocated to projects.

6.4.2 Casualty Insurance (Continued)

SOEST

As discussed in Part 1.5.0, research vessels are specifically excluded from coverage under the State risk management program. As a result, SOEST purchases its own insurance and allocates it to final cost objectives in the following manner:

1. Insurance premiums for marine equipment that is used in the water is charged directly to projects. The policy contains a deductible of $1,000 per equipment item.

2. Insurance premiums associated with the SOEST scientific computing network is included in the recharge rate for computing services. The policy contains a deductible of $250, except for hurricanes where the deductible increases to $10,000.

In the event of loss, the deductible will be charged to the benefiting project accounts.

- End of Part -

Item No.	Item Description

DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP (INTERMEDIATE ADMINISTRATION) OFFICE, AS APPLICABLE

Instructions for Part VII

This part should be completed only by the central system office or a group office of an educational system when that office is responsible for administrating two or more segments, where it allocates its costs to such segments and where at least one of the segments is required to file Parts I through VI of the Disclosure Statement.

The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover all of the subordinate organizations administered by that group office.

7.1.0 Organizational Structure

On a continuation sheet list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC's), Government owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.

7.2.0 Cost Accumulation and Allocation

On a continuation sheet, please provide a brief description of:

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

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

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

D. Any costs that are transferred from a segment to the central system office or the intermediate administrative office, and which are reallocated to another segment(s). If none, so state.

E. Any fixed management fees that are charged to a segment(s) in lieu of a pro rata or allocation basis and the basis of such charges. If none, so state.

7.1.0 Organizational Structure.

Not applicable.

7.2.0 Cost Accumulation and Allocation.

Not applicable.

- End of Part -