

**COST ACCOUNTING
STANDARDS BOARD**

**DISCLOSURE STATEMENT
FOR EDUCATIONAL INSTITUTIONS**

CASB DS-2

**University of Georgia/
University of Georgia Research Foundation, Inc.
July 1, 2005**

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTES

University of Georgia/UGARF
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COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT REQUIRED BY
PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

GENERAL INSTRUCTIONS

1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a central or group office and are allocated to one or more segments performing under Federally sponsored agreements.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Part I through VI.
4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

GENERAL INSTRUCTIONS

8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number " ____ and "Effective Date " ____ in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

COVER SHEET AND CERTIFICATION

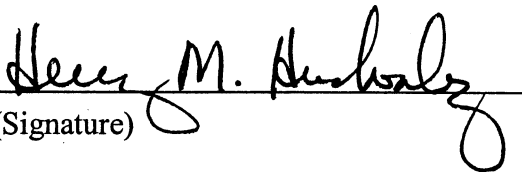
University of Georgia/UGARF

Item	
0.1	<p>EDUCATIONAL INSTITUTION</p> <p>(a) Name University of Georgia/Univ of Georgia Research Foundation, Inc. (UGARF)</p> <p>(b) Street Address 424 East Broad Street</p> <p>(c) City, State, and Zip Code Athens, GA 30602-4222</p> <p>(d) Division or Campus of Educational Institution (including all business units (if applicable))</p>
0.2	<p>REPORTING UNIT IS : (Mark one.)</p> <p>A. <input type="checkbox"/> Independently Administered Public Institution</p> <p>B. <input type="checkbox"/> Independently Administered Nonprofit Institution</p> <p>C. <input checked="" type="checkbox"/> Administered as Part of a Public System</p> <p>D. <input type="checkbox"/> Administered as Part of a Nonprofit System</p> <p>E. <input type="checkbox"/> Other (Specify)</p>
0.3	<p>OFFICIAL TO CONTACT CONCERNING THIS STATEMENT:</p> <p>(b) Name and Title Holley Schramski, Associate Vice President and Controller</p> <p>(b) Phone Number (706) 542-6860</p>
0.4	<p>STATEMENT TYPE AND EFFECTIVE DATE:</p> <p>A. (Mark type of submission. If a revision, enter number)</p> <p>(a) <input checked="" type="checkbox"/> Original Statement</p> <p>(b) <input type="checkbox"/> Amended Statement; Revision No. _____</p> <p>B. Effective Date of this Statement: (Specify) <u>07/01/2005</u></p>
0.5	<p>STATEMENT SUBMITTED TO (Provide office name, location and telephone number, include area code and extension):</p> <p>A. Cognizant Federal Agency: Department of Health and Human Services Division of Cost Allocation Cohen Building Room 1067 330 Independence Avenue, S.W. Washington, DC 20201 (202) 401-2808</p> <p>B. Cognizant Federal Auditor DHHS Office of Inspector General for Audit</p>

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 July 1, 2005:


(Signature)

Henry M. Huckaby
(Print or Type Name)

Senior Vice President, Finance and Administration
(Title)

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

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART I - GENERAL INFORMATION

NAME OF REPORTING UNIT
University of Georgia/UGARF

Item No	Item Description
<u>Part I</u>	
1.1.0	<p><u>Description of Your Cost Accounting System</u> 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.)</p> <p>A. <input type="checkbox"/> Accrual</p> <p>B. <input checked="" type="checkbox"/> Modified Accrual Basis ^{1/}</p> <p>C. <input checked="" type="checkbox"/> Cash Basis</p> <p>Y. <input type="checkbox"/> Other ^{1/}</p>
1.2.0	<p><u>Integration of Cost Accounting with Financial Accounting.</u> 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.)</p> <p>A. <input type="checkbox"/> Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)</p> <p>B. <input type="checkbox"/> Not integrated with financial accounting records (Cost data are accumulated on memorandum records.)</p> <p>C. <input checked="" type="checkbox"/> Combination of A and B</p>
1.3.0	<p><u>Unallowable Costs.</u> Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)</p> <p>A. <input checked="" type="checkbox"/> Specifically identified and recorded separately in the formal financial accounting records. ^{1/}</p> <p>B. <input type="checkbox"/> Identified in separately maintained accounting records or workpapers. ^{1/}</p> <p>C. <input type="checkbox"/> Identifiable through use of less formal accounting techniques that permit audit verification. ^{1/}</p> <p>D. <input type="checkbox"/> Combination of A, B or C ^{1/}</p> <p>E. <input type="checkbox"/> Determinable by other means. ^{1/}</p>

¹ Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART I - GENERAL INFORMATION NAME OF REPORTING UNIT University of Georgia/UGARF
Item No	Item Description
1.3.1	<u>Treatment of Unallowable Costs.</u> (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	<u>Cost Accounting Period: July 1 to June 30</u> (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	<u>State Laws or Regulations.</u> 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

Item No	Item Description
<p>1.1.0</p>	<p>Description of Your Cost Accounting System – Modified Accrual Basis The modified accrual basis accounting is defined as the method of accounting in which expenditures, other than accrued interest on general obligation long-term debt, are recorded at the time liabilities are incurred and revenues are recorded when available and measurable to finance expenditures of the fiscal period.</p> <p>Fringe Benefits are accounted for on a cash basis</p> <p>Contractual obligations of Unrestricted Current Funds for services which are not been performed and for goods which have not been delivered at the end of the fiscal year are recognized as expenditures and liabilities in the University’s accounting records. The recognition of encumbrances of this nature are expenditures and liabilities is in conformity with accounting practices prescribed or permitted by statutes and regulations of the State of Georgia, but is not consistent with generally accepted accounting principles, which provide for the recording of encumbrances as a reservation of fund balance. Final expenditure reports for Restricted Federally sponsored projects reflect actual cash expenditures. Further, revenue recognition for restricted grants and contracts is based on expenditures determined in accordance with generally accepted accounting principles.</p>
<p>1.2.0</p>	<p>Integration of Cost Accounting with Financial Accounting-Combinations of A & B</p> <p>Financial records and reports of the University of Georgia are maintained according to the requirements of the Board of Regents of the University System of Georgia as developed to conform to the generally accepted accounting principles for Colleges and Universities and State of Georgia accounting and reporting requirements. Within the accounting system, separate accounts and object codes have been established to permit the identification of significant expenditure categories as required for federal costing purposes.</p> <p>The information used to prepare the indirect cost rate proposal and other Federal cost reports is prepared to conform to the provisions of OMB Circular A-21 (A-21), Cost Principles for Educational Institutions. The A-21 definitions of direct and indirect cost pools do not always match the activity definitions that must be used for College and University accounting and reporting. For this reason, a special analysis of financial activity is developed to permit the determination of expenses according to the definitions of direct and indirect cost pools as required by A-21. This analysis traces the expenditures from the accounting records used by the University in detail to the accounting records prepared to support the indirect cost rate proposal based on the provision of A-21.</p>

Item No	Item Description
<p>1.3.0</p>	<p>Unallowable Costs - A</p> <p>Unallowable Costs, as defined by A-21, are specifically identified and usually recorded separately in the formal accounting records. These unallowables fall into two categories. First, activities necessary for the operation of an educational institution, such as the University's Alumni and Development Offices which must be supported by the general budget, are recognized in the accounting records by 1) a separate function, department and/or project within department 2) use of a separate object code or 3) a specific identification within an accounting record (such as vendor file or payroll entry). Secondly, State and University regulations are in other instances tailored to comply with federal guidelines. Consequently, certain expenditures, such as entertainment costs at the academic department level, are considered as unallowable charges to the general operating budget and must either be excluded altogether or disbursed from separately identified restricted accounts or object codes. These expenditures are closely monitored by several administrative departments to ensure their exclusion or that disbursements are made from the appropriate accounts or object codes.</p> <p>Unallowable expenses in both categories mentioned above are specifically identified in the accounting records as described. Expenses of this nature are identified as part of the indirect cost rate determination study and appropriate accounting records and supporting documents are maintained for audit and review purposes.</p>
<p>1.3.1</p>	<p>Treatment of Unallowable Costs</p> <p>Unallowable costs identified as described above may be recorded as either direct (part of a base) or indirect (part of a pool). When unallowables are recorded as part of a direct base, the cost is left in the base to draw its share of indirect costs. When unallowables are recorded as part of an indirect cost pool, the cost is removed from the pool. These rules are uniformly applied to each direct base, including recharge center costs, and every indirect cost pool described in Part III of this disclosure. Appropriate indirect costs are excluded from bases and pools consistent with A-21 and normal DHHS interpretations.</p>

Item
No

Item Description

1.5.0 State Laws or Regulations

The following State laws and regulations influence the University's cost accounting practices.

a. State University System Accounting Instructions

Financial records and reports of the University of Georgia are maintained according to the requirements of the Board of Regents of the University System of Georgia as developed to conform to the generally accepted accounting principles for Colleges and Universities and State of Georgia accounting and reporting requirements. To comply with this regulation, the University must maintain books and records that do not match the requirements of A-21. In addition, changes in accounting requirements of the Board of Regents may create the need to revise cost accounting procedures to obtain information needed for the indirect cost rate determination.

b. State Cost Allocation Plan

Cost incurred by State and Board of Regents offices are identified in a Cost Allocation Plan that is submitted to and approved by the cognizant Federal audit agency of the Board of Regents. Costs allocated to the University of Georgia by this Plan are recognized in the indirect cost rate proposal in pools appropriate to the expenditures.

c. State Purchasing Regulations

As a member of the University System of Georgia, The University follows State of Georgia purchasing regulations. These regulations have been incorporated into the operating procedures of the University.

d. Travel Regulations

As a member of the University System of Georgia, The University follows State of Georgia travel regulations. These regulations have been incorporated into the operating procedures of the University for all travel expenses including the cost of airfare, mileage, lodging, and other subsistence expenses.

Item No	Item Description
1.5.0	<p>State Laws or Regulations (Continued)</p> <p>The following State laws and regulations influence the University's cost accounting practices.</p> <p>e. Vacation accruals</p> <p>In accordance with State and Board of Regents policies, vacation expense is recognized on a cash basis on the financial statements of the University with no provision or accrual for the liability and related expense of earned but not taken leave. Under Government Accounting Standards Board (GASB) requirements, accrued leave is reported as compensated absences on the University's financial statements.</p> <p>f. Pension Plans</p> <p>University of Georgia participates in the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS), both are defined benefit pension plan established by the Georgia General Assembly The University also offers optional retirement plans to certain employee groups. The optional retirement plans are defined contribution retirement plans (see description in Part VI).</p> <p>h. Property and Casualty Insurance</p> <p>University of Georgia participates in a self-insured trust fund for casualty insurance maintained by the State of Georgia. The University is billed for services provided through the State of Georgia Department of Administrative Services. Casualty insurance premiums are based on replacement costs and the University is billed for the coverage on an annual basis.</p> <p style="text-align: center;">-End of Part-</p>

Item No	Item Description
	<u>Instructions for Part II</u>
	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	<u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u> (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	<u>Description of Direct Materials.</u> All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes or materials which are charged as direct materials and supplies.)
2.3.0	<u>Method of Charging Direct Materials and Supplies.</u> (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
2.3.1	<u>Direct Purchases for Projects are Charged to Projects at:</u> A. _____ Actual Invoiced Costs B. <u> X </u> Actual Invoiced Costs Net of Discounts Taken Y. _____ Other(s)1/ Z. _____ Not Applicable
2.3.2	<u>Inventory Requisitions from Central or Common, Institution-owned Inventory.</u> (Identify the inventory valuation method used to charge projects): A. _____ First In, First Out B. _____ Last In, First Out C. <u> X </u> Average Costs 1/ D. _____ Predetermined Costs 1/ Y. _____ Other(s) 1/ Z. _____ 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

NAME OF REPORTING UNIT
University of Georgia/UGARF

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

<u>Faculty</u>	<u>Staff</u>	<u>Students</u>	<u>Other 1/</u>
(1)	(2)	(3)	(4)

A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	<u>X</u>	<u>X</u>	_____
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B. * Plan-Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	_____	_____	_____	_____
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C. After-the-Fact Activity Records (Percentage Distribution of employee activity)	<u>X</u>	<u>X</u>	<u>X</u>	_____
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D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	_____	_____	_____	_____
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Y. Other(s) ¹ /	_____	_____	_____	_____
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* Commonly referred to as the Monitored Workload payroll distribution plan.

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

¹ Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART II- DIRECT COSTS

NAME OF REPORTING UNIT
University of Georgia/UGARF

Item No	Item Description
2.5.2	<p><u>Salary and Wage Cost Accumulation System</u></p> <p>(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.)</p>
2.6.0	<p><u>Description of Direct Fringe Benefits Costs.</u> 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 <u>all</u> 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.)</p>
2.6.1	<p><u>Method of Charging Direct Fringe Benefits.</u> (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.)</p>
2.7.0	<p><u>Description of Other Direct Costs.</u> All other items of cost directly identified with Federally sponsored agreements or similar cost 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.)</p>

¹ Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART II- DIRECT COSTS
NAME OF REPORTING UNIT
University of Georgia/UGARF

Item No	Item Description																								
2.8.0	<p><u>Cost Transfers.</u> 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.)</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>																								
2.9.0	<p><u>Interorganizational Transfers.</u> This item 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 or 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.)</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Materials</u> (1)</th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Supplies</u> (2)</th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Services</u> (2)</th> </tr> </thead> <tbody> <tr> <td>A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.</td> <td style="text-align: center;"><u> X </u></td> <td style="text-align: center;"><u> X </u></td> <td style="text-align: center;"><u> X </u></td> </tr> <tr> <td>B. At full cost including indirect costs attributable to group or central office expenses.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>C. At established catalog or market price based on adequate competition.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Y. Other(s) 1/</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Z. Interorganizational transfers are not applicable.</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table>		<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (2)	A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	<u> X </u>	<u> X </u>	<u> X </u>	B. At full cost including indirect costs attributable to group or central office expenses.	_____	_____	_____	C. At established catalog or market price based on adequate competition.	_____	_____	_____	Y. Other(s) 1/				Z. Interorganizational transfers are not applicable.	_____	_____	_____
	<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (2)																						
A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	<u> X </u>	<u> X </u>	<u> X </u>																						
B. At full cost including indirect costs attributable to group or central office expenses.	_____	_____	_____																						
C. At established catalog or market price based on adequate competition.	_____	_____	_____																						
Y. Other(s) 1/																									
Z. Interorganizational transfers are not applicable.	_____	_____	_____																						

¹ Describe on a Continuation Sheet

Item
No

Item Description

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

The primary direct cost functions of the University of Georgia are Instruction, Research, Public Services, and Other Institutional Activities. Costs incurred to support these activities, such as salaries and wages, fringe benefits, materials and supplies, travel, subawards, computer service facility and recharge center's charges, equipment, and other operating expenses are treated as direct costs when identified through specific identification of the individual costs to the benefiting projects and/or other appropriate procedures as required under the circumstances. (UGA Direct Cost Policy on External Sponsored Projects – effective date January 1, 2006, pages II-11 through II-13)

The procedures used for identification of direct costs by function to benefiting projects and activities apply to sponsored, cost sharing, and institutionally supported projects and activities. Committed cost sharing expenses are separately budgeted and accounted for in the accounting records and included in the appropriate direct cost bases by function. (UGA Cost Share Policy and Cost Share Procedures – effective date January 1, 2006, pages II-14 through II-20)

University accounting procedures are designed to assure that all costs incurred would be considered reasonable, necessary, allowable, and in accordance with the terms and conditions of the sponsored agreements. Costs are recognized as direct charges to a sponsored project using one or more of the following procedures:

1. Specific identification: Costs incurred solely to advance the work under the sponsored agreement.
2. Service/Recharge Center: Costs identified to a particular sponsored project based on actual utilization of services and cost based-charge rates.
3. Proportional Allocations: Costs that benefit two or more projects or activities in proportions that can be determined without undue effort or cost.
4. Mechanical/Accounting System Changes: Costs of minor supplies and services that are identified to the cost objectives by billing systems that are supported by approved requisitions or orders that identify the benefiting sponsored projects or other activities.

Costs incurred for administrative and support services that benefit departmental instructional and general activities and costs incurred by separate departments and organizations established primarily to administer sponsored projects are identified separately in the accounting records and recognized as indirect expenses. These accounts, required to recognize the expenses incurred for general departmental and institutional business, include charges for administrative and clerical salaries, related fringe benefits, travel, supplies, postage, telecommunications, equipment, and general costs. Specific account numbers are used to identify these activities within each department and organization. (UGA Direct Cost Procedures on Externally Sponsored Projects – effective date January 1, 2006, pages II-21 through II-28)

Item
No

Item Description

2.1.0

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

In instances where sponsored projects require the services of administrative and clerical staff, travel, supplies, postage and telecommunications costs (expenses similar to, but not the same as, the charges identified in the indirect administrative and support accounts), such costs may be charged to sponsored agreements as direct costs when:

1. The specific type and nature of the services are not provided by the indirect expenses accounts,
2. The services are required by the project scope,
3. The cost can be accurately identified to the project, and
4. The approved project budget clearly describes the need for the services.

The need to charge administrative and clerical support costs as a direct charge to a sponsored project may occur for projects that involve:

1. Extensive data accumulation, analysis and tabulation,
2. The preparation and production of manuals, large reports or books,
3. Extensive travel and meeting arrangements for conferences and seminars,
4. Management of a project in locations that are remote from campus and similar situations.

Other special circumstances for direct charging of costs occur when sponsored projects require specific support services that are not provided by the indirect administrative and support accounts. Examples of instances where sponsored projects will be charged directly for support services are described below:

-Secure facilities required by a specific program- If a program requires the creation of new secure facilities, including the acquisition of alarm equipment, special construction, or other project-specific facilities costs, these are charged to the program. (These special-purpose facilities may or may not be usable by future programs.)

-Special Research Security Services – Campus Safety expenses (general campus and perimeter security that benefits all activities) and building or site specific security that benefits multiple projects are provided by the University as indirect expenses. Some programs, however, due to the level of classification/special access, require project specific additional security services. These services, where managed and/or contracted for separately from the existing security services, are charged directly to sponsored projects.

-Telecom charges – Telecommunications required for general institutional business are normally indirect costs. Exceptions are made for equipment and toll charges for phones needed in field work, cellular phones needed for field site coordination, phone call charges while on travel, and in large projects requiring dedicated lines.

-Motor vehicle expenses – Maintenance expenses of project-dedicated vehicles and vehicles used in the field may be directly charged to projects, as well as motor vehicle expenses incurred on travel.

-Vehicle Liability Insurance – The cost of Liability Insurance for operating vehicles is normally charged as indirect. When special circumstances exist, this cost may be a direct charge to the sponsored project.

Item No	Item Description
2.1.0	<p>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (Continued)</p> <p><u>-Real estate rent-</u> Occasionally, in lieu of hotel (travel) costs for long term field-site work, apartments are leased to provide lower-costs housing, and charged directly to the project. Rent may also be an approved direct expense when University owned space is not available, in which case the off-campus indirect rate applies.</p> <p><u>-Utilities and custodial services</u> – May be contracted when space is rented and the off-campus rate is applied.</p> <p><u>-Postage</u> – Postage charges for general institutional business are normally indirect costs. If a sponsored project requires substantial mailing expenses in the performance of contract activities, postage may be charged as a direct cost.</p> <p><u>-Office Supplies</u> – Office Supply charges, such as pencils, pens, paper, binders, etc., are normally indirect costs. If a sponsored project requires substantial office supplies in the performance of the contract activities, they may be charged as a direct cost.</p>
2.2.0	<p>Description of Direct Materials</p> <p>The principal classes of materials and supplies that are charged to Federally sponsored agreements or similar cost objectives are as follows:</p> <p><u>Description</u> Motor vehicle expenses incurred for project activities Supplies and materials including consumable items (not capital) Repairs and Maintenance of computers and other equipment Rental of equipment, including chartered bus service or State owned aircraft, meeting room or exhibition hall by the hour, day or week. Other operating expenses not covered elsewhere such as conference and workshop fees, dues, memberships, tests and analysis and other on campus services charged at cost at an hourly or daily rate, etc. Publications, printing, copying, and reference material directly related to the project scope Non-capital equipment purchases (costing less than \$5,000) Real estate rent (explained in 2.1.0) Non employee compensation for services and reimbursement for related expenses Other contractual services including subaward Computer and other telecommunication charges Student tuition and fee, scholarships, fellowships, and stipends College work study expenses</p>

Item No	Item Description
2.3.2	<p>Inventory Requisitions from Central or Common, Institution-owned Inventory (C. Average Costs) The University manages nine inventories on the “moving average costs” basis (when additional inventory items are added, a new average is calculated) that may have withdrawals charged to projects as follows: <u>Inventory</u> 1. Central Office Supply 2. Physical Plant Warehouse 3. Central Research Stores 4. Electronic Shop 5. Glass Blowing Shop 6. Instrument Shop 7. Campus Scientific Stores 8. Printing 9. Food Service</p>
2.4.0	<p>Description of Direct Personal Services Direct personal services costs consist of salaries and wages plus fringe benefits of regular full-time faculty, principal investigators, professional and administrative staff, temporary academic or research professionals, bi-weekly employees, part-time employees and student employees. Salaries and wages are charged directly to benefiting sponsored projects based on the payroll distribution system as supported by information derived from the personnel activity reporting system. Direct technical effort identified in sponsored agreements is charged by specific identification to sponsored projects unless the services are provided through a Service/Recharge Center. (Charges for certain personal services such as testing and analysis performed by recharge centers within the University may appear in the Other Operating Expense category rather than Personal Services as mentioned in 2.2.0 above.)</p>
2.5.0	<p>Method of Charging Direct Salaries and Wages A. Payroll Distribution Method-(Individual time cards/actual hours and rates)- Direct charges for students, other part-time and full-time hourly employees are based on individual after-the-fact bi-weekly time cards/sheets. The number of hours from the individual’s time card/sheet is transferred to the appropriate computer generated bi-weekly departmental payroll voucher by University account number indicating all employees to be paid for the pay period. The payroll voucher is created from data included on the individual personnel appointment and budget documents originating in the departments. Any necessary adjustments are processed as manual journal vouchers.</p>

Item No	Item Description
2.5.0	<p>Method of Charging Direct Salaries and Wages (Continued)</p> <p>B. After-The-Fact System – Direct charges for monthly staff and academic employees are based on individual personnel appointment and budget documents for each employee indicating the duration of the appointment for each University account number. Monthly departmental payroll vouchers are computer generated by University account number from the appointment forms and sent to the departments for adjustment and certification. This determines the initial charge by employee to individual accounts. Under a set of predetermined circumstances consistent with Circular A-21, certain individuals receive monthly after-the-fact personnel activity reports (PAR) indicating the paid by account. Recipients are directed to make appropriate adjustments to the PAR based on their actual work activity for significant variations from the budgeted charges, sign and return the form to the Accounting Department for computer update. Changes noted on the personnel activity reports are processed to the salaries and wages and related fringe benefits accounts by individual employee. Effective January 1, 2006 PAR forms will be certified on-line and submitted electronically. Permanent changes to distributions will be handled through budget amendment. (UGA Personnel Activity Reports and Effort Reporting Policy – effective date January 1, 2006, pages II-29 through II-32)</p>
2.5.2	<p>Salary and Wage Cost Accumulation System</p> <p>The two processes described in 2.5.0 above are used in each major function or activity within the University. The resulting payroll charges are accumulated by payroll type, i.e. academic monthly, regular staff monthly, hourly biweekly, student assistants, etc., and are recorded biweekly or monthly, as appropriate, to the individual account numbers. At the end of each month the detail payroll data by payroll type is forwarded by the Payroll Department to each department for review and reconciliation to department records. The payroll detail supports the summary payroll entry by payroll type reflected on the account status reports which are also forwarded monthly to the departments by the Accounting Department. Departments are asked to make any adjustments to the payroll records in a timely manner using journal vouchers or personnel activity reports, where appropriate. The detail payroll distribution is reconciled to the total payroll expense as part of a continuous payroll audit process performed by the Accounting Department in concert with the Payroll Department.</p>
2.6.0	<p>Description of Direct Fringe Benefits Costs</p> <p>The following four (4) Payroll related fringe benefits may be charged directly to Federally sponsored projects and are the only benefits included in the University’s Rate Agreement.</p> <ol style="list-style-type: none"> 1. Social Security – Fringe benefit expense represents payments made on behalf of employees in accordance with the provisions of the Federal Insurance Contributions Act. Employees receiving Full Benefits are covered under the OASDI and Medicare portions. Certain employees, receiving Partial Benefits, are covered by the Medicare portion. 2. Health Insurance – Fringe benefit expense represents payments made to provide health insurance coverage for eligible employees and their dependents under a traditional group health plan provided by the Georgia Board of Regents. Employees are required to pay a portion of the cost of these health insurance plans.

Item No	Item Description
2.6.0	<p>Description of Direct Fringe Benefits Costs (Continued)</p> <p>3. Life Insurance – Fringe benefit expense represents payments made for basic life insurance coverage for eligible employees. All regular employees working one-half or more, are covered by basic life insurance with accident death and dismemberment provisions. The amount of basic life insurance is determined by the Board of Regents. Basic coverage for employees and retirees is paid by the State. Additional coverage is offered with any additional costs covered by the employees or retirees.</p> <p>a. Retirement – Fringe benefit expense represents payments made to retirement programs on behalf of employees. Payments to the Teachers Retirement System of Georgia, Employees Retirement System and the Regents Retirement Plan (Optional Retirement Plan) are included in the calculation of the fringe benefit rates. The Georgia Defined Contribution Plan, a retirement system for temporary, seasonal, and part-time employees, requires no employer contributions and is not recognized in the fringe benefits rate calculations.</p> <p>Special Note: Vacation, sick, holiday, and other paid absences are included in salaries and wages and are claimed on grants, contracts, agreements, and other direct and indirect activities on a cash basis as part of the normal salaries and wages. Separate claims for the cost of these paid absences are not made.</p>
2.6.1	<p>Method of Charging Direct Fringe Benefits</p> <p>All direct fringe benefits listed above are specifically identified by individual employee and charged to sponsored projects on a cash basis of accounting in such a manner that each paying account pays its prorated share of actual fringe benefits based on the payroll distribution.</p>
2.7.0	<p>Description of Other Direct Costs</p> <p>The principal classes of other direct costs include: travel; general services (e.g. consulting); animals; animal care and other specialized and technical services; publication costs; subawards; equipment; alterations and renovations meeting specific project requirements; long distance telephone, special repairs and maintenance requests; rent and other facility costs of off-campus locations.</p> <p style="text-align: center;">End of Part-</p>

The University of Georgia Sponsored Projects Policy and Procedures

Direct Cost Policy on Externally Sponsored Projects

Purpose

The purpose of this policy is to ensure the University of Georgia (UGA) and the University of Georgia Research Foundation (UGARF) comply with the Federal Office of Management and Budget (OMB) standards regarding direct costs on sponsored projects. Direct costs on sponsored projects must be allowable, allocable, and reasonable. OMB provides the standards to which UGA and UGARF must conform in Circular A-21, *Cost Principles for Educational Institutions* (<http://www.whitehouse.gov/omb/circulars/a021/a021.html>) and A-110, *Uniform Administrative Requirement for Grants and Agreements with Institutions of Higher Education...* (<http://www.whitehouse.gov/omb/circulars/a110/a110.html>).

Definition

Direct costs are costs associated with a specific sponsored project that can be directly assigned to essential activities with relative ease and a high degree of accuracy. They include such costs as personnel (salaries and fringe benefits), supplies, equipment, travel, and other expenses necessary to the conduct of sponsored activities (OMB A-21: Section D1). Sponsored activities are those externally funded activities that must be separately budgeted and accounted for according to terms of the sponsoring organization, State regulatory precepts, and UGA policy. Sponsored projects may include grants, contracts, and cooperative agreements with any Federal Agency, State Agency, or non-Governmental Organization that supports research, training and public service activities.

Determination Factors

To make payments for activities sponsored by grants, contracts, and cooperative agreements, the unit administering the project must determine whether the costs are allowable, allocable, and reasonable.

Allowable Costs

This factor determines whether a cost being considered would be authorized for payment under the terms of the award made by the sponsor (OMB A-21: Section C2). The question to ask is, "Will the sponsor pay for this expense?" The tests as to whether a cost is allowable are:

- a. the cost must be reasonable;
- b. it must be possible to allocate the cost to a sponsored project using the principles and methods provided by the project;
- c. the cost must be given consistent treatment by application of generally accepted accounting principles appropriate to the circumstances and in compliance with the University's Disclosure Statement; and,

- d. the cost must conform to any limitations or exclusions set forth in OMB Circular A-21, the award document, the sponsoring agency's guidelines in terms of types or amounts of cost items, States regulations, or UGA policy.

Allocable Costs

A cost is allocable if a specific good or service is chargeable or assignable to a particular cost objective (i.e., a specific function, project, sponsored project, department or the like) in accordance with the relative benefits received or other equitable relationship (OMB A-21: Section C4). The question to ask is, "Is the expense related to the project?" The tests as to whether a cost is allocable are:

- a. is the cost incurred solely to advance the work of the sponsored project;
- b. does the cost benefit both the sponsored project and other work of the institution in proportions that can be approximated through use of reasonable methods; or,
- c. is the cost necessary to the overall operation of the institution based on the principles in OMB A-21 or as deemed assignable by the sponsored project.

Note: In the case of equipment or other capital items purchased with specific authority of a sponsored project, the amount authorized for such purchases is assignable to the sponsored project regardless of the use that may subsequently be made of the items. Any cost allocable to a particular sponsored project according to the standards of the project may not be shifted to other sponsored projects to compensate for overruns, other reasons of convenience, or to avoid restrictions in law or the sponsored project. Neither may costs allocable to activities sponsored by industry, foreign governments, or other sponsors be shifted to federally-sponsored projects.

Reasonable Costs

A cost is considered reasonable if the nature and amount of the goods or services acquired for or applied to a specific sponsored project reflect the actions of a prudent person under the circumstances prevailing when the decision to incur the cost was made (OMB A-21: Section C3). The question to ask is, "Is the expense reasonable?" Major considerations in determining the reasonableness of a cost are:

- a. whether or not the cost is generally recognized as necessary for the performance of the sponsored project or the operation of the institution;
- b. the restraints or requirements imposed by factors such as arm's-length bargaining, Federal and State regulations, terms and conditions of a sponsored agreement, or agency guidelines;
- c. whether or not the individuals acted with prudence in considering their responsibilities to the institution, its employees, its students, State or Federal Government, and the public at large; and,
- d. whether the actions taken to incur the cost are consistent with established institutional policies and practices applicable to the work of the institution generally and inclusive of sponsored projects.

Determination Strategy

The first question to ask in making a determination as to whether a particular cost on a sponsored project is allowable, allocable, and reasonable is: Does the cost benefit the project? While a prudent person might have proposed a certain cost that is no longer necessary at the point a project is funded, rebudgeting must ensure continued benefit to the project in question rather than benefit a different project or purpose. Several documents can be reviewed to help determine whether a particular cost is allowable, allocable, and reasonable. While the following list is not exhaustive, it does provide a reasonable course of action that for many circumstances will provide a measure of confidence as to the allowable, allocable, and reasonable nature of individual costs.

Approved Project Budget

The first document to review is the agency-approved budget for the project. Does the proposed expense appear as a line item in the budget? If the item does not appear in the budget, the item may be allowable under rebudgeting authority or with prior approval in writing from the funding agency.

Award Document or Contract

The allowability of certain costs may be addressed in the award document or the contract issued by the sponsoring agency. In some instances, grant awards may identify certain costs based on recommendations from the peer review system that are specifically not allowed by the sponsoring agency.

Agency Guidelines

Most agencies have guidelines for administering awards that give direction on allowing certain costs. Travel costs may appear in the budget, for example, yet the specific cost of airfare to attend a meeting in Europe may require prior approval according to the guidelines of the sponsoring agency.

OMB Circulars A-21 and A-110

The primary regulations governing the determination of whether costs are allowable, allocable, and reasonable on federal grants, contracts, and cooperative agreements are OMB Circulars A-21 and A-110. They also serve as the guidelines followed by UGA and UGARF in making similar determinations on all externally sponsored projects. Section J of Circular A-21 identifies allowable costs and gives guidance on such costs are to be charged directly to a sponsored project or allocated as facilities and administrative (F & A) costs. The institution is expected to be consistent in its treatment of expenses, but OMB A-21 also provides guidelines for determining when an exception can be made. While “like” circumstances must be treated the same, there is a degree of latitude with “unlike” circumstances.

Cross References

There are additional UGA policies relevant to direct costs to externally sponsored projects as well as procedures and supporting documents for implementing this policy.

The University of Georgia

Sponsored Projects Policy and Procedures

Cost Share Policy

The terms "cost sharing," "matching," and "in-kind" refer to that portion of the total project costs not borne by the sponsor. The terms "cost sharing," "matching," and "in-kind" are often used interchangeably. Attention should be given to sponsor definitions of those terms. The University's use of these terms is outlined below.

Definitions

Cost Sharing/Matching is any expenditure necessary to complete a project that is borne, not by the sponsoring agency but by the University. These costs may include the portion of salary (personnel) or non-personnel expenditures paid by the University from State funded or privately funded sources that are accounted for within a University account number.

In-Kind costs are borne by an external organization. Funds do not flow through the University's financial system. In-Kind matching is funding received from another source in conjunction with, or often on the condition of, additional primary funding.

Committed Cost Share can be either mandatory (required by agency) or voluntary cost sharing, matching, or in-kind funds quantified in the proposal budget, budget justification, or stated in the awarding documents.

Uncommitted Cost Share is voluntary cost sharing, matching, or in-kind funds not pledged in the proposal and subsequently not stated on award documents. This type of cost sharing is more than what is agreed to as part of the award. This is commonly referred to as voluntary uncommitted cost sharing and does not have to be documented or reported.

Policy Statement

The policy of the University of Georgia is to limit its cost sharing on externally funded projects to the amount specifically mandated in the application guidelines of the sponsor. The University encourages and supports the efforts of the faculty to obtain external funding. However, Principal Investigators (PI's) are strongly encouraged to request the total anticipated costs of a project in their proposal budgets. This policy applies to all externally funded project types (i.e., research, public service and outreach, instruction, and cooperative extension). Proposals that voluntarily commit cost share, matching, or in-kind contributions are strongly discouraged. In instances where voluntary cost share is written into the proposal, resulting in a committed cost-share

arrangement, a written rationale should accompany all proposals submitted for OVPR approval and signature.

The University of Georgia will support committed cost share that is either voluntary or mandatory by the sponsor when :

- ▶ All cost shared amounts are specified on the Office of Sponsored Programs Transmittal Form, and

- ▶ Each cost shared amount is approved on the OSP Transmittal Form by the relevant dean, director, or department head. Approval signatures are binding and indicate a willingness to provide cost share resources in support of the proposed project.

The University places no conditions on third-party matches. Such cost sharing must, however, be guaranteed by the offering sponsor in writing at the time of proposal submission.

Expenditures NOT Eligible for Cost Sharing

The following expenses cannot be offered as cost sharing commitments in sponsored project proposals:

1. Unallowable costs as defined in OMB Circular A-21, section J.
2. Salary dollars above a regulatory cap, e.g., NIH.
3. University facilities such as laboratory space. PI's should be mindful when preparing proposals for sponsored agreements not to commit use of facilities as cost sharing, but rather to characterize the facilities as "available for the performance of the sponsored agreement at no direct cost to the project".
4. Depreciation on federally funded equipment.
5. Overdrafts may not be considered cost sharing for purposes of fulfilling a cost sharing commitment because overdrafts are unallowable under Circular OMB A-21.

Equipment as Cost Sharing

Equipment should not be offered as cost sharing unless the receipt of the award is contingent upon such cost sharing.

PI's should exercise caution in preparing proposals for sponsored agreements not to commit the use of University-owned equipment as cost sharing, but rather to characterize the equipment as "available for the performance of the sponsored agreement at no direct cost to the project".

Proposals that include the acquisition of special-purpose equipment as a direct cost may include an offer of University funds to pay all or part of the cost of such equipment. These proposals may be equipment or instrumentation grants, where

- ▶ The purpose of the grant is to buy equipment and the University is required to share the cost with the sponsor, or
- ▶ Research-oriented grants or contracts where the purchase of equipment required for the research is an allowable expense and included in the proposal and award. Purchase and acquisition must occur during the period of performance. The portion of the purchase price paid by the University must be charged directly to a cost sharing account in support of the award.

Cautionary Notes

- 1) Cost share commitments can be stated in several places within a proposal. They may be part of the budget, part of the budget explanation or justification, or they may be stated in the text of the narrative. They may also be in all three places. No matter where they are to be found within the proposal, statements of cost sharing commitment are binding on the institution should the proposal be funded. In all instances where cost sharing is described, the institution is committed to account for and track these commitments along with funds awarded by the sponsor.
- 2) When faculty time is contributed as cost share in support of a project, it is expected that budgeted research time be utilized for cost share before instructional time is considered. Whenever cost share involves instructional time, the faculty member's department head and/or dean must be notified so that approval can be obtained.
- 3) In all instances where cost sharing is described, the institution is committed to account for these expenditures. The budgetary unit of record is responsible for documenting and tracking all commitments made on a project, whether made by that department or not, unless subaccounts are established so that the responsibility can flow down to other units.

Suggested Language for Describing Support

A number of research universities have crafted suggested language to use in proposals to describe institutional support for a project that does not commit the institution or the Principal Investigator to a specific amount of cost share. These statements are purposefully vague and do not constitute cost share commitments; they stay well away from citing percents of time or salaries and make no overt promises of specific levels of support. The University of Georgia fully supports the use of such statements whenever its Principal Investigators wish to address the issue of academic or programmatic contributions or support, but do not wish to formally volunteer cost share.

DO SAY:

"UGA fully supports the academic year salaries of Professors, Associate Professors, and Assistant Professors, but makes no specific commitment of time or salary to this particular project. Key personnel will be available to oversee and direct the project, as proposed." *Adapted from Massachusetts Institute of Technology*

"Dr. Jones will be providing expert advice and consultation to the project, as needed." *Adapted from University of Alabama-Birmingham*

"The University demonstrates support to the project through the availability and expertise of the Project Director (or Principal Investigator)." *Adapted from University of Alabama-Birmingham*

"Dr. Smith is Principal Investigator and requests 25% salary support for this project. She will provide additional support to the project, as needed." *Adapted from University of Alabama-Birmingham*

"An annual stipend of \$15,000 is requested for one full-time Graduate Doctoral Assistantship. It is UGA practice that Graduate Assistantships are supported, in addition to their monthly stipend, through waived tuition costs for each semester enrolled."

DON'T SAY:

"As a state supported institution of higher education, Dr. Martin's salary is paid by the State of Georgia; she will devote 25% effort toward this project."

"The University of Georgia is highly supportive of this project and agrees to be responsible for the salary of the PI for its duration."

"Effort equivalent to \$15,000 in salary and benefits will be provided by the PI."

"An annual stipend of \$15,000 is requested for one full-time Graduate Doctoral Assistantship. In addition, the University of Georgia will cost-share the Graduate student's out-of-state tuition at an amount approximately totaling \$21,088 per year."

The University of Georgia Sponsored Projects Policy and Procedures

Cost Share Procedures

Cost-sharing policy can be found in the Contracts and Grants Policy section of this document.

Background

Cost sharing has been required by Federal sponsoring agencies since 1966. It is mandated by legislation or regulation in many programs; in others, it reflects programmatic decisions of the various agencies. Additionally, it is a common requirement of State or private sponsors, and it frequently becomes a contractual obligation introduced voluntarily by recipients of contracts and grants.

Since inception of the concept, cost sharing has been a primary target of auditors. Nationally, it is the second leading area of cost disallowance. The primary basis for disallowance is that the shared costs *are not properly documented and readily identifiable*.

Purpose

The purpose of these procedures is to provide University faculty and staff with guidance to assure compliance with federal requirements.

Implementation

Cost share procedures effective January 1, 2006

- 1. A companion (cost sharing) account will be established for each sponsored project incorporating cost sharing/matching provisions. This includes all projects where cost share is being provided by institutional state funds.
- 2. Companion accounts will be numbered uniquely to tie each to its related sponsored project. For example:

Sponsored Project	Cost Sharing/Matching	Institutional State Funds
10-21-RR163-006	10-21-CR163-006	10-25-GR163-000
10-11-RH163-007	10-11-CH163-007	10-11-GH163-000
10-31-RE163-008	10-31-CE163-008	10-31-GE163-000
25-21-RC279-128	25-21-CC279-128	25-26-GC279-000

- 3. All costs *that have been committed as cost share* must be budgeted and recorded in the companion cost share account and readily *identifiable* as directly benefiting the project. Companion accounts will be budgeted and administered identically to all other operating accounts. *For example, if the cost-sharing contribution is in the form of salary commitment, the project effort should be documented through personnel and payroll voucher. If the cost share contribution is in the form of travel or supplies, the cost should be documented in the same way that travel and supplies are charged directly to a sponsored project (i.e., a travel expense statement, check request, purchase request, p-card, etc.).*

The only exceptions to this statement are:

- (a) Staff benefits will be automatically budgeted based on actual salary calculations, and
 - (b) Indirect cost allocable to the companion account will not be budgeted or recorded. Both costs, however, will be recognized by Contracts and Grants in financial reporting.
- 4. The source of funds that may be budgeted in a companion account can be any education & general (E&G) fund account of the University (*i.e., operational codes G, A, K, or L*), except Hatch-funded accounts. In many cases, it will be the departmental research account. Identifying and providing resources for cost sharing of direct costs (including equipment) is always the responsibility of the PI. The PI may NOT utilize funds from federal awards as the source of cost sharing, except as authorized by statute.
 - 5. On receipt of an award document, Contracts and Grants will establish a sponsored account and assign an account number; budget the sponsored account as awarded; establish a companion account and assign an account number; determine the required cost sharing/matching from the award and the proposal; and provide this information to the department responsible for administering the account.
 - 6. **It is the responsibility of the awarded department to insure that ALL cost share transactions are initiated and completed in a timely manner. Cost transfers for Cost Share accounts must be completed prior to the fiscal year-end.**
 - 7. In some cases, either a University foundation account or a sponsored account, from other than Federal sources can operate in lieu of the companion account. In-kind costs of this type must be approved by the sponsor. *If you have another restricted account (i.e., from a private or state sponsor) for a related study, this may satisfy the cost-sharing requirement.* In this case the Department Head should approve documentation citing the related contract or grant and briefly explain the relationship between the two projects at the time of proposal submission.

- 8. The Department Head and PI are responsible for ensuring the accuracy of cost sharing/matching.
- 9. The PI should carefully consider the amount of cost sharing that is required, as well as the difficulty involved in documenting cost sharing, before including cost sharing in the proposal.
- 10. Documentation of cost share is required whenever a PI declares in writing a percent effort anywhere within the proposal without requesting compensatory reimbursement from the sponsor.

The University of Georgia Sponsored Projects Policy and Procedures

Direct Cost Procedures on Externally Sponsored Projects

Treatment of Direct and Facilities and Administrative Costs

The following general instructions regarding direct and facilities and administrative (F&A) costs apply to all externally sponsored (i.e., restricted) projects.

Research proposals submitted in the name of the University of Georgia Research Foundation (UGARF) are subject to review and approval in the same manner as proposals submitted in the name of the University. If funded by the prospective sponsor, research proposals will result in a contract or grant awarded to UGARF. UGARF will sub-contract the research project to the University. Signature by an officer authorized to commit UGARF is affixed when the research proposal is reviewed in the Office for Sponsored Programs (OSP).

Direct Costs

All costs must be charged in a timely manner and must be:

- **Allocable:** The cost must have a direct benefit and be directly attributable to the project or activity being performed.

"If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the costs should be allocated to the projects based on proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, ...the costs may be located or transferred to benefited projects on any reasonable basis..."
(OMB Circular A-21, Section C.4.d(3)).

- **Allowable:** Costs must be allowed by University policy, sponsor policies, the project's Notice of Contract/Grant Award, and federal policy (OMB Circular A-21).
- **Reasonable** and necessary for the performance of the project.

Any expense that does not meet **all** of these criteria cannot be charged to the externally sponsored project, in accordance with accounting practices of the University of Georgia.

Treatment of Allowable Costs

University of Georgia policy, in accordance with OMB A-21, defines costs as allowable or unallowable. Allowable costs must be treated as direct or F&A costs. There may be exceptions when OMB guidelines permit the direct charging of costs normally treated as F&A. If there is a conflict between agency and University policy, the more restrictive of the two applies. The following is an alphabetical list of allowable costs.

Advertising

The recruitment of personnel required for the performance of a sponsored project, and the procurement of goods and services for the performance of a sponsored project may be treated as a direct cost.

Communication Costs

- **Local Charges** - Local telephone, internet service, and data line charges are normally allowable as F&A costs.
- **Long Distance Charges** - Long distance calls, telegrams, long distance fax charges, and various other communication expenses *specific* to a project may be directly charged. (Note: Installation charges, line charges, pagers, etc. are considered F&A costs and should not be charged directly to sponsored projects.)
- **Cell Phones** – Only in specific circumstances may cell phone costs be charged directly to a sponsored project. These costs must be approved prior to proposal submission by OSP. http://www.busfin.uga.edu/forms/cell_fone.pdf
- **Postage** - Routine use is treated as F&A costs. Expenses specific to a project may be directly charged, but these do not include mailing technical reports and other project correspondence. The difference between postage (F&A) and freight (direct) is driven by the item(s) being sent, not the means by which it is sent.

Equipment

Capital Equipment are items used on a specified project or contract with an acquisition cost greater than \$5,000. See subsection under Materials, Supplies, Services, and Special Tooling for information regarding equipment fabrication.

Materials, Supplies, Services, and Special Tooling

Costs incurred for materials, supplies, and fabricated parts necessary to carry out a sponsored agreement are allowable.

- **Note: Books** - normally found in the University Library are generally treated as a F&A cost. As such, a request to purchase books must be justified in order to charge the cost as a direct cost).

- **Note: Office Supplies and General Purpose Equipment** – These items of cost are allowed as facilities and administrative costs. Costs include those incurred in support of routine administrative activities associated with instruction, public service, research and other institutional activities. *This category includes, for example, computers (under \$5,000), printers, monitors, digital cameras, fax machines, printer paper, toner cartridges, pens, pencils, legal pads, clips, rubber bands, post-it notes, notebooks, binders, folders, diskettes, CD-ROMs, and departmental stationery. The only exceptions are those wherein the purchase of the supplies is extensive in nature, can be specifically identified to the project and meets the definition of a direct charge adequately justified in the budget and approved prior to proposal submission.*
- **Computers and Peripherals** - can either be charged as scientific (direct) or general purpose (F&A) depending upon the **actual** usage of the item. *For example, computers are necessary to the overall administration of a sponsored project; purchasing computers for this purpose would generally be considered an F&A cost. However, purchasing a computer to control and monitor scientific equipment represents a different circumstance or use of that equipment and would typically be allowed as a direct charge. This would be a line item in the budget and would need to be adequately justified.*
<http://www.busfin.uga.edu/procurement/>
- **Non-Capital Equipment** - apparatus and other articles used on a specified project or contract with an acquisition cost of less than \$5,000.
- **Equipment fabrication** - occurs when multiple items, which could be classified as supplies (some having acquisition costs of \$5,000 or less), are purchased to create/fabricate an integrated unit of equipment having a total value of \$5,000 or more. In these instances, the individual purchases should be accounted for as equipment.
<http://www.busfin.uga.edu/procurement/>

Maintenance and Repair Costs

Costs incurred for necessary maintenance, repair, or upkeep of equipment, which do not add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable.

Meetings and Conferences

Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. These include costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.

Memberships, Subscriptions and Professional Activity Costs

Institutional memberships (professional organizations), subscriptions (technical periodicals), and professional activities are normally treated as an F&A cost.

Costs of membership in any civic organization, country club, social, or dining club are unallowable. An individual membership or subscription to a professional group or periodical may be allowed as a direct charge if the following can be demonstrated:

1. The membership creates a cost-savings to attend a conference at which research results specific to a project will be presented, or membership is mandatory in order to present a paper specific to the project **or**
2. The sole purpose of the membership is to purchase a periodical at a reduced rate, and the periodical is not available through the institution's library services and the periodical is necessary for the sponsored project.

Personal Services

The salaries and wages of university employees and related staff benefits required to complete a sponsored project (including but not limited to Principal Investigator's academic and summer salary, postdoctoral research associates, technicians and graduate students) should be budgeted, charged and reported as a direct cost under this category of expenditure. Salaries and wages include holiday, vacation, and sick pay as appropriate. Expenses used in computing fringe benefits are: (a) Social Security; (b) Teacher's Retirement; and (c) Group Life and Medical Insurance.

As a rule, administrative and clerical salaries are treated as indirect costs, except as outlined in the following guidelines. These are considered Office of Management and Budget (OMB) exceptions. A non-exhaustive list of administrative and clerical positions includes fiscal officers, accountants, secretaries, directors, vice presidents, president, office personnel, executive assistants, and administrators.

When Administrative and Clerical Salaries and Staff Benefits Can Be Charged as Direct Costs:

Salaries and fringe benefits of administrative and clerical staff may be charged as direct costs in instances where sponsored projects require the services of administrative and clerical staff beyond the normal level provided by departmental administrators paid from a "GJ" account. The total cost of these services may be budgeted, charged, and reported as a direct cost to a sponsored project when **all** of the following conditions apply:

1. The specific type and nature of the services are not provided by the departmental administration account; and
2. The services are required by the project's scope; and
3. The cost can be accurately identified to the project, and
4. The approved project budget narrative clearly describes the need for the service.

For example, charging administrative and clerical salaries and fringe benefits as a direct charge to a sponsored project may be permissible for projects that:

Involve extensive data accumulation, statistical analysis and entry, database management, surveying, tabulation, cataloging, and researching literature.

Involve the preparation and production of manuals and large reports or books. This does not include routine progress and technical reports.

Require making extensive travel and meeting arrangements for large number of participants, such as conferences and seminars.

Involve the management of a project at locations that are geographically inaccessible to normal departmental administrative services, such as research field sites remote from campus.

Require special research security services at a level not normally provided by campus security.

Are large, complex programs (such as general clinical research centers, primate centers, environmental research centers, engineering research centers, and other federally sponsored projects) that entail assembling and managing teams of investigators from a number of institutions or units. National Institutes of Health R01 grants do not qualify as complex programs.

These examples are not an exhaustive list, nor do they imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples. Individual projects cannot be grouped together to meet any of the criteria listed above.

It is the responsibility of the Principal Investigator (PI) or Project Director to support and justify in the proposal all direct costs to be charged to a sponsored award. The Office for Sponsored Programs will approve direct costs that meet Cost Accounting Standards exceptions guidelines.

Professional Service Costs

Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the institution are allowable. Refer to the specific agency's policy and/or to UGA policy and procedures at http://www.ssw.uga.edu/File_library/consultant.doc.

Proposal Costs

Proposal costs for both successful and unsuccessful bids are treated as F&A costs.

Publication and Printing Costs

- **Printing, Binding, Publication** - These costs are normally direct charges to a contract and grant account. The charge must be able to be specifically identified to a particular project with relative ease and high degree of accuracy, and that cost must provide a direct benefit to that project during the award period.
- **Copying Costs** – Invoices from outside copy services should be retained as documentation to support the charge. Charges from the use of a departmental copier must be based on a per-copy charge and must be based on a cost study (refer to recharge center definition in Service Center policy). The associated expenses of the copy machine such as toner cartridge, paper, etc. can not be charged directly to a contract or grant because it is impossible to allocate these costs among the many users of the machine. The per-copy cost must be based on total utilization of all activities (research, instruction, public service and other), not just research usage. Use documentation must be maintained

through a utilization log. Costs of copying proposals or general correspondence not related to a specific project are not considered a direct charge.

Rearrangement and Alteration Costs

Rearrangement and restoration of the University's property or rented property, to the extent approved by the awarding Contracting Officer and sponsoring agency, is allowable.

Rental Costs of Buildings and Equipment

The rental costs of facilities (buildings, office space and laboratory space) and equipment not owned by UGA are allowable. They are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

Scholarships and Student Aid Costs

Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency.

Specialized Service Facilities

The costs of services provided by highly complex or specialized facilities operated by the institution are allowable as direct costs (refer to the the UGA Service Center Policy 4.16).

Training Costs

The cost of training provided for employee development is allowable provided it is project specific, approved by the agency, and falls within audit requirements.

Transportation Costs

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. <http://www.busfin.uga.edu/app/AdminAuxDiv/admin/crpro.htm>

Travel Costs

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. For UGA's policy on domestic and foreign travel, consult: http://www.busfin.uga.edu/expend_control/travel_regs.html

Additional Criteria for Determining Direct Costs (for Non-Federal or Non-Federal Flow-Through Projects)

A cost must be included in the awarded budget. If a cost requires institutional and/or sponsor prior-approval after the award is made, the approval(s) must be secured **before** the cost is incurred.

Treatment of Unallowable Costs

The following list covers unallowable costs specified in Section J of OMB Circular A-21 and costs that are normally treated as Facilities and Administrative Costs. This is a quick reference. The specific wording in A-21 should be referenced when greater detail is needed.

http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

Advertising and Public Relations - Expenditures to promote the University are not allowable.

Alcoholic Beverages

Alumni Activities

Bad Debts

Books – Books normally found in the University Library are treated as F&A costs.

Commencement or Convocation costs

Contingency Provisions

Charitable Contributions, Donations, Remembrances

Development/Fundraising Costs

Entertainment Costs - Costs of entertainment, including amusement diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are not allowable.

Fines and Penalties

Goods or Services for Personal Use of Employees (including gifts)

Housing and Personal Living Expenses

Investment Management Costs

Lobbying

Losses on Other Sponsored Agreements or Contracts - (cost overruns) - Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the institution's contributed portion of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect costs.

Memberships - Costs of membership in any country club or social or dining club or organization are **unallowable**. Institutional memberships in professional organizations and subscriptions to technical periodicals are normally treated as an F&A cost.

Office Supplies and General Purpose Equipment - Costs include those incurred in support of routine administrative activities associated with instruction, public service, research and other institutional activities. *This category includes, for example, computers (under \$5,000), printers, monitors, digital cameras, fax machines, printer paper, toner cartridges, pens, pencils, legal pads, clips, rubber bands, post-it notes, notebooks, binders, folders, diskettes, CDROMs, and departmental stationery.* These items are considered readily expendable and are treated as F&A costs covered by the negotiated F&A cost rate. *The only exceptions are those wherein the purchase of the supplies is extensive in nature, can be specifically identified to the project, and meets the definition of a direct charge adequately justified in the budget and approved in the terms and conditions of the award by the agency).* The Office for Sponsored Programs will approve office supply costs when the need for the expenses meets the cost accounting standards exception guidelines.

Preagreement Costs - unless approved by the sponsoring agency or permitted under expanded authorities.

Recruiting Costs - Normally treated as F&A cost. This will include visa application fees/expenses.

Selling and Marketing Costs - of any products or services of the institution.

Student Activity Costs - incurred for intramural activities, student publications, student clubs, etc. are unallowable.

Telephone - Installation charges, monthly use charges, local access calls, pagers, etc. are considered F&A costs and should not be charged directly to sponsored accounts, *except in the **rarest** circumstances.* The basic telephone line charge and local calls may be charged directly to a sponsored project when a separate, dedicated telephone line is necessary solely for the performance of a sponsored project). The Office for Sponsored Programs will approve office supply costs when the need for the expenses meets the cost accounting standards exception guidelines.

Travel - Commercial air travel costs in excess of the lowest available commercial discount airfare, Federal government contract airfare (where authorized and available), or customary standard (coach or equivalent) airfare costs are unallowable.

The University of Georgia

Sponsored Projects Policies and Procedures

Personnel Activity Reports and Effort Reporting Policy

Requirements for Personnel Activity Reports

OMB Circular A-21 (A-21) contains requirements for procedures and documentation in support of the distribution of salaries and wages (direct and indirect) under a system of Personnel Activity Reports (PAR).

Personnel Activity Reports will reflect the distribution of activity expended by each employee covered by the PAR system on an after-the-fact basis. The distribution of salary is obtained from the Payroll Voucher System.

Each PAR will account for 100 percent of the activity for which the employee is compensated and which is required in fulfillment of the employee's obligation to the institution. The PAR will reasonably reflect the percentage of activity applicable to each account/project.

To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, **each PAR must be reviewed for accuracy and approved** by the employee or by a responsible official having first-hand knowledge of the work performed. If someone other than the employee is certifying effort worked, documentation must be retained in accordance with A-21, University, and Board of Regents policies and procedures.

A-21 requires that cost sharing of salaries and wages be supported by Personnel Activity Reports (PAR).

Personnel services included in departmental administration must be supported by Personnel Activity Reports (PAR).

Note: Effective December 31, 2005, the University will implement an electronic PAR system.

Definition of Terms

Instruction means the teaching and training activities of an institution. This term includes all teaching and training activities, whether they are offered for credit toward a degree or certificate, or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Departmental research, for purposes of this document, is not considered as a major function but as a part of Instruction.

Educational service agreements are the sponsored operations supporting the teaching and training activities of the institution. These agreements are synonymous with the University's restricted instruction funds (RH accounts, excluding salary supplements where no EFT is assigned).

Organized research means all research and development activities of an institution that are separately budgeted and accounted for by the institution. This term includes research and development activities that are sponsored by Federal and non-Federal agencies and organizations, as well as those that are separately budgeted by the institution under an internal allocation of institutional funds. It also includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities, and where such research and development activities include all cost incurred by the institution in performing the activities. Cost sharing applicable to externally sponsored research grants and contracts is a part of organized research.

Organized research - agriculture means all research and development activities performed through the agricultural experiment stations that are separately budgeted and accounted for by the institution.

Other Sponsored Agreements (Public Service) are the sponsored operations established to provide non-instructional services to individuals and groups external to the institution. These agreements are synonymous with the University's restricted public service accounts.

Departmental administration means those activities performed for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units. Organized research units include institutes, study centers, and research centers.

University Employees Subject To Personnel Activity Reporting

Employees of the University of Georgia will be included in the PAR system according to the criteria indicated below.

- 1) Any employee who has any portion of his/her salary charged directly to any activity for which an overhead rate is to be determined. This category includes employees who have any portion of their salaries charged directly to a contract, grant, or cost sharing account.
- 2) Any employee who has a portion of his/her salary charged to a major activity of the University (i.e., Instruction, Research, Public Service) and departmental administration.
- 3) Any employee who has any portion of his/her time charged to more than one F&A activity.
- 4) Any employee who has 100% of his/her salary charged to departmental administration.

Specific guidance has been provided by the U.S. Department of Agriculture through the Department of Health and Human Services as to the effort reporting requirements applicable to individual employees who expend effort on Cooperative Extension Service and Agricultural Experiment Station programs. Individual employees are not subject to the effort reporting requirements outlined in this policy if:

- 1) An Experiment Station employee's salary is charged 100 percent to one or more Experiment Station programs. Experiment Station programs are Hatch Regional Research, Hatch Formula, McIntire-Stennis, Title V of the Rural Development Act, Section 1445 of PL 95-113-1890 Institutions, Section 1433 of PL 95-113-Animal Health and State funds for Experiment Station research.
- 2) An Extension service employee's salary is charged 100 percent to one or more Extension Service programs. Extension Service programs are Smith Lever [Sections 3(b), 3(c) and (d)] and State funds for extension. Smith Lever Section (d) programs are Pesticide Impact Assessment, Food and Nutrition Education, Pest Management, Farm Safety, Urban Gardening and Energy.

The effort reporting requirements outlined in this policy do apply to University employees paid from combination of Cooperative Extension Service and Agricultural Experiment Station funds. For the individual employees with 100% of their effort charged as noted in 1 & 2 above, it is necessary that their workload be reviewed periodically and any necessary adjustments made to payroll charges. For those Cooperative Extension Service and Agricultural Experiment Station employees not subject to the effort reporting requirements of this publication, contact should be made with the Dean's Office, College of Agriculture to assure appropriate review procedures are followed.

The Finance and Administration Office will automatically generate a PAR after each pay period for professional or professorial employees (personnel paid monthly) who should complete a PAR based on the payroll distribution of their salary. A PAR should be requested from the Finance and Administration Office if the effort was expended on an activity that makes the employee

subject to the provisions of A-21. Completion and return of the form will initiate a journal entry reflecting the actual distribution of effort for that pay period.

Departmental Administration

Personal services for departmental administration will be recorded on the books and records of the University by a separate account series and will be supported by the Personnel Activity Report system. Departmental administration will be identified by the use of the activity code "J" in the account number. (Agricultural Experiment Stations will use 090 as a project number, to identify departmental administration.)

Under A-21 Department Administration only applies to faculty with administrative appointments and other personnel with administrative appointments such as office managers, secretaries, and clerks.

The duties of non-administrative appointment personnel assigned to Instruction, Organized Research and Public Service such as laboratories, study groups and other activities that require account/project administrative duties are not considered Department Administration.

Administrative effort will include, but not be limited to, the following:

1. Supervisory or managerial activities
2. Review and/or certify PARs
3. Faculty workload assignments (preparation or review)
4. Preparation or review of departmental budget documents
5. General departmental purchase and check request preparation and/or review
6. Preparation and/or review of personnel reports, payroll, and related documents
8. Space management
9. Property Control
10. Administering departmental budgets

Item No	Item Description
	<p style="text-align: center;">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p> <p style="text-align: center;">PART III- INDIRECT COSTS</p> <p style="text-align: center;">NAME OF REPORTING UNIT University of Georgia/UGARF</p> <p style="text-align: center;"><u>Instructions for Part III</u></p> <p>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 sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.</p> <p>The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.</p> <ul style="list-style-type: none"> 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
NAME OF REPORTING UNIT
University of Georgia/UGARF

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 applicable indirect 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.")

<u>Indirect Cost Category</u>	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>
(a) Depreciation/Use Allowances/Interest			<u>1</u>
Building	<u>Y</u>	<u>P</u>	
Equipment	<u>Y</u>	<u>P</u>	
Capital Improvements to Land 1/ Interest 1/	<u>Y</u>	<u>P</u>	
	<u>NA</u>	<u>Z</u>	
(b) Operation and Maintenance	<u>Y</u>	<u>P</u>	<u>2</u>
(c) General Admin and General Exp	<u>Y</u>	<u>D</u>	<u>3</u>
(d) Departmental Administration	<u>Y</u>	<u>D</u>	
(e) Sponsored Projects Admin	<u>Y</u>	<u>D</u>	
(f) Library	<u>Y</u>	<u>P</u>	
(g) Student Admin and Services	<u>Y</u>	<u>D</u>	
(h) Other 1/	<u>NA</u>	<u>Z</u>	

¹ Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART III- INDIRECT COSTS
NAME OF REPORTING UNIT
University of Georgia/UGARF

Item No	Item Description																																										
3.2.0	<p>Service Centers. Service centers are departments 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 the services. Enter "Z" in Column 1, if not applicable.)</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 5%; text-align: center;">(1)</th> <th style="width: 5%; text-align: center;">(2)</th> <th style="width: 5%; text-align: center;">(3)</th> <th style="width: 5%; text-align: center;">(4)</th> <th style="width: 5%; text-align: center;">(5)</th> <th style="width: 5%; text-align: center;">(6)</th> </tr> </thead> <tbody> <tr> <td>(a) Computer Center</td> <td style="text-align: center;">C</td> <td style="text-align: center;">A</td> <td style="text-align: center;">C</td> <td style="text-align: center;">B</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> </tr> <tr> <td>(b) Business Data Processing</td> <td style="text-align: center;">Z</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(c) Animal Care Facilities</td> <td style="text-align: center;">A</td> <td style="text-align: center;">A</td> <td style="text-align: center;">C</td> <td style="text-align: center;">B</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> </tr> <tr> <td>(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)</td> <td style="text-align: center;">Z</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Office of Research Services</td> <td style="text-align: center;">C</td> <td style="text-align: center;">A</td> <td style="text-align: center;">C</td> <td style="text-align: center;">B</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> </tr> </tbody> </table> <p>(1) <u>Category Code</u>: 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.</p> <p>(2) <u>Burden Code</u>: 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.</p> <p>(3) <u>Billing Rate Code</u>: 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).</p> <p>(4) <u>User Charges Code</u>: 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).</p> <p>(5) <u>Actual Costs vs. Revenues Code</u>: 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.</p> <p>(6) <u>Variance Code</u>: 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).</p>		(1)	(2)	(3)	(4)	(5)	(6)	(a) Computer Center	C	A	C	B	A	B	(b) Business Data Processing	Z						(c) Animal Care Facilities	A	A	C	B	A	B	(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)	Z						Office of Research Services	C	A	C	B	A	B
	(1)	(2)	(3)	(4)	(5)	(6)																																					
(a) Computer Center	C	A	C	B	A	B																																					
(b) Business Data Processing	Z																																										
(c) Animal Care Facilities	A	A	C	B	A	B																																					
(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)	Z																																										
Office of Research Services	C	A	C	B	A	B																																					

¹ Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART III- INDIRECT COSTS
NAME OF REPORTING UNIT
University of Georgia/UGARF

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 distribute 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 applicable 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

<u> X </u> On-Campus	<u> D </u>
<u> </u> Off-Campus	<u> </u>
<u> </u> Other 1/	<u> </u>

B. Organized Research

<u> X </u> On-Campus	<u> D </u>
<u> X </u> Off-Campus	<u> D </u>
<u> X </u> Other – Agricultural Experiment Stations	<u> D </u>
<u> X </u> Other – Savannah River Activities	<u> D </u>
<u> X </u> Other – Marine Institute Activities	<u> D </u>

C. Other Sponsored Activities
(Public Service)

<u> X </u> On-Campus	<u> D </u>
<u> X </u> Off-Campus	<u> D </u>
<u> X </u> Other – Cooperative Extension Service	<u> D </u>
<u> X </u> Other – Marine Extension Activities	<u> D </u>
<u> X </u> Other – Marine Extension Activities	<u> D </u>

D. Other Institutional Activities 1/

<u> </u> Other	<u> </u>
<u> </u> Other	<u> </u>

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, sub groupings 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
 NAME OF REPORTING UNIT
 University of Georgia/UGARF

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 Costs 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

Item
 No

Item Description

3.1.0

Indirect Cost Categories Accumulation

(a) Depreciation/Use Allowance/Interest

-Building Cost Accumulation Method

The cost of buildings and all built-in equipment are accumulated in the University's formal accounting system. The cost of some University buildings is paid directly by the Georgia State Financing Investment Commission and recorded annually in the University's accounting system.

-Equipment Cost Accumulation Method

The cost of movable equipment is accumulated in the University's formal accounting system and the inventory is maintained by Property Control by building and room.

-Capital Improvements to Land

The cost of capital improvements to land are accumulated in the financial records of the University. The cost of some capital improvements may be paid directly by the Georgia State Financing Investment Commission and recorded annually in the University's accounting system.

(b) Operation and Maintenance

Operations and Maintenance costs, as defined by generally accepted accounting principles for educational institutions, are accumulated in the financial records of the University net of direct charges for services provided to other units and departments.

(c) General Administration and General Expenses

General Administration and General expenses, as defined by generally accepted accounting principles for educational institutions, are recorded in the financial records of the University. Portion of State of Georgia Cost Allocation Plan is included in the University's allocation of System costs from the Board of Regents.

(d) Department Administration

The University identified, records, and accumulates departmental administrative costs which are not approved direct sponsored costs in the formal accounting system.

Costs associated with the administrative activities of department heads, faculty and other professional academic staff are covered by a standard allowance of 3.6% of the modified total direct cost base as specified in paragraph F.6.a.(2) Circular A-21.

Item No	Item Description
3.1.0	<p><u>Indirect Cost Categories Accumulation (Continued)</u></p> <p>(e) Sponsored Projects Administration</p> <p>Expenses recognized as Sponsored Projects Administration represent separate offices and organizations established primarily to administer sponsored projects. These offices and organizations are reported in both Academic and Institutional Support within the financial records of the University which are prepared according to generally accepted accounting principles for educational institutions.</p> <p>(g) Library</p> <p>Library expenses are reported in separate accounts in the Library group of accounts in the financial records of the University which are prepared according to generally accepted accounting principles for educational institutions</p> <p>(g) Student Administration and Services</p> <p>Student Administration and Services expenses are reported in separate accounts in the Student Services group of accounts in the financial records of the University which are prepared according to generally accepted accounting principles for educational institutions</p>
3.2.0	<p><u>Service Centers</u> – User Charge Code "B"-some users are charged at different rates than other users (explain on a Continuation Sheet).</p> <p>The University’s Service Center policy (effective January 1, 2006, pages III-13 through III-29) requires all service centers to use consistent methodology for determination of billing rate. The service centers are required to include all users of their services in the calculation of user rates. The centers are allowed to charge different rates to outside and high volume users but all University of Georgia users pay the same user rate including federally sponsored projects.</p>
3.4.0	<p><u>Composition of Indirect Cost Pools</u> – Describe the major organizational components, sub groupings of expenses, and elements of cost included in each cost pool.</p> <p>(a) Depreciation/Use Allowance/Interest</p> <p>1. Building Depreciation</p> <p>The building depreciation is calculated on the basis of the cost of buildings and built-in equipment reported in the University’s financial records excluding any federal funding. Major research buildings have been componentized and useful lives established for components. Non-research buildings are lived as a single component.</p>

Item No	Item Description
3.4.0	<p><u>Composition of Indirect Cost Pools – Describe the major organizational components, sub groupings of expenses, and elements of cost included in each cost pool. (Continued)</u></p> <p>2. Equipment Depreciation The equipment depreciation is calculated on the basis of the cost of movable equipment excluding any federal funding reported in the University’s financial records. Classes of assets are assigned useful lives based on the University System of Georgia’s Capital Asset Guide.</p> <p>3. Capital Improvement to Land The Capital Improvements depreciation is calculated on the basis of the cost of Capital Improvements excluding any federal funding reported in the University’s financial records. Classes of assets are assigned useful lives based on the University System of Georgia’s Capital Asset Guide.</p> <p>(b) Operation and Maintenance The major organizational units and offices included in the Operation and Maintenance indirect cost pool are:</p> <ul style="list-style-type: none"> ▪ Plant operations administration ▪ Custodial service ▪ Maintenance <ul style="list-style-type: none"> Ground Buildings and Equipment Utilities ▪ Facilities Planning ▪ Property Control ▪ Central Receiving ▪ Environment Safety Division <p>(c) General Administration and General Expense The major organizational units and offices included in this indirect cost pool are:</p> <ul style="list-style-type: none"> ▪ President’s Office ▪ Legal Affairs – general ▪ Fiscal Operations (i.e. Payroll, Accounting, Budget) ▪ Human Resources ▪ Worker’s and Unemployment Compensation, General Liability and Tort Insurance, and Insurance and Bonding ▪ Administrative Services ▪ Institutional Research ▪ Administrative Information Systems ▪ Telephone Service ▪ An allocation of System and State costs from the Board of Regents.

Item
No

Item Description

3.4.0

Composition of Indirect Cost Pools – Describe the major organizational components, sub groupings of expenses, and elements of cost included in each cost pool. (Continued)

(d) Department Administration

The University records department administrative, clerical and general technical support costs which are not approved direct costs of a sponsored project in separate accounts for each academic department.

(e) Sponsored Projects Administration

The major offices and expenses included in this indirect cost pool are:

- Vice President for Research
- Contracts and Grants Accounting
- UGARF Grant Support

(f) Library

Library costs include:

- Library Personal Services and related Fringe Benefits
- Library Operating Supplies and Expense
- Library Book Purchases

(g) Student Administration and Services

The major organizational units and offices included in this indirect cost pool are:

- Admissions
- Registrar
- Student Financial Aid
- Vice President for Student Affairs
- Placement
- Administrative Information Systems (academic portion)
- University testing
- Career Center
- Graduate Admissions

Composition of Indirect Cost Pools – Service Centers - Describe the major organizational components, sub groupings of expenses, and elements of cost included in each cost pool.

(a) Computer Center –The billing rates include categories of cost – salaries, fringe benefits, operating expense, travel, equipment depreciation, and the facility’s share of indirect cost.

(b)Animal Care Facilities – These are University animal care labs located across campus. The billing rates include only direct categories of cost – salaries, fringe benefits, operating expense, and travel

(c) Office of Research Services – The mission of ORS is to provide mission-critical services and infrastructural elements to the UGA research community. The billing rates include only direct categories of cost – salaries, fringe benefits, operating expense, and travel.

Item
No

Item Description

3.5.0

Composition of Allocation Based used in 3.1.0

(a) Depreciation/Use Allowance/Interest

- Building Cost Allocation Base Code – P More Than One Base

Depreciation expenses are allocated on a building by building basis among the functions performed in each building (e.g., organized research, instruction, etc.) based on the amount of net assignable square feet of space utilized. Net assignable square feet information for all facilities utilized on a building-by-building basis is provided by the Office of Institutional Research. A special study of space utilization is conducted by the Accounting Department to determine actual space utilization on a room-by-room basis for facilities. Depreciation for jointly used space is determined on the basis of the salary/wage distribution by activity performed.

Equipment Cost Allocation Base Code – P More Than One Base

Equipment depreciation is allocated based on the functional use information from the same space study for buildings described in the preceding paragraph.

Capital Improvements to Land

Allocation Base Code – P More Than One Base

Use charges determined for the cost of Capital Improvements are allocated to the benefiting functional activities of employees and students based on campus population (FTE). Personal services costs are used to allocate the employees' portion of the use charges to direct cost activities and other activities performed by the employees. The amount allocated to the student category is assigned to the Instruction function.

(b) Operation and Maintenance

Allocation Base Code – P More Than One Base

Net assignable square feet is used to allocate costs to benefiting activities. See the following for a description of the cost groupings and allocations bases used to allocated costs.

Plant Maintenance Allocation Groupings

1. Plant Operations Administration

Allocated to:

- a. All on campus space

2. Custodial Service

Allocated to:

- a. All on campus space, excluding Auxiliary Services

3. Maintenance (including Grounds, Buildings and Equip., and Util.)

Allocated to:

- a. All on campus space, excluding Auxiliary Services

Item No	Item Description
3.5.0	<p><u>Composition of Allocation Based used – (Continued)</u> <u>Plant Maintenance Allocation Groupings (Continued)</u></p> <p>4. Facilities Planning <u>Allocated to:</u> a. All on campus space</p> <p>5. Property Control <u>Allocated to:</u> a. All space, including off campus sites</p> <p>6. Central Receiving <u>Allocated to:</u> a. All on campus space</p> <p>7. Environmental Safety Division <u>Allocated to:</u> a. All on campus space</p> <p>(c) General Administration and General Expenses Allocation Base Code – D Modified Total Direct Cost General Administration and General expenses are allocated to all direct and indirect activities benefiting from the services provided on the basis of the modified total direct costs. Modified total direct costs consists of salaries and wages, fringe benefits, materials and supplies (including services), travel, and subawards up to the first \$25,000 each. Modified Total Direct Costs exclude equipment, capital expenditures, charges for patient care and tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subaward in excess of \$25,000.</p> <p>(d) Department Administration Allocation Base Code – D Modified Total Direct Cost Department Administration costs are allocated based on Modified Total Direct Costs (MTDC) which includes the same cost elements as the MTDC used to distribute General Administration and General Expenses. As stated in F.6. of A-21, the administrative expenses of the dean’s office of each college and school are allocated to the academic departments and other organizational units within that college or school. The administrative expenses of each department, plus the department’s share of the dean’s office costs, are allocated to the direct functions of that department.</p> <p>(e) Sponsored Projects Administration Allocation Base Code – P More Than One Base Sponsored Projects Administration is allocated to sponsored activities (Sponsored Instruction, Sponsored Research and Other Sponsored Activities) based MTDC. Modified total direct costs consists of salaries and wages, fringe benefits, materials and supplies (including services), travel, and subawards up to the first \$25,000 each. Modified Total Direct Costs exclude equipment, capital expenditures, charges for patient care and tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subaward in excess of \$25,000.</p>

Item
 No

Item Description

3.5.0

Composition of Allocation Based used – (Continued)

(f) Library-Allocation Base Code – P More Than One Base

Library expenses are allocated to activities benefiting from the services provided using two bases as identified below:

Library-Excluding Agriculture Experiment Stations – Library costs are allocated based on full-equivalent students and professional employees in accordance with the standard methodology contained in A-21 Section F.8.

Library-Agriculture Experiment Stations

All costs are assigned to Indirect Expense Related to Agricultural Experiment Stations Research.

Student Administration and Services

Allocation Base Code- Y Direct Charge or Allocations

Student Administration and Services Expenses are allocated to Instruction in compliance with Section F.9.b of A-21.

Composition of Allocation Bases –

Final Distribution Base – used in 3.3.0

The final distribution base (e.g. the base used to allocate indirect costs of each major function to individual sponsored agreements within that function) is Modified Total Direct Costs. The MTDC consists of the same costs as described under General Administration and General Expense's allocation basis.

-End of Part-

The University of Georgia

Service Center Policy

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1. Introduction.

A service center is an operating unit providing specialized services and/or products to one or more University departments. (See definition below. 4.15) The services may range from routine to highly specialized functions. Such a service might be available from commercial sources but, for reasons of convenience, cost, regulatory compliance, quality, or fiscal control, are often provided more effectively through an on-campus unit. Some examples are scientific apparatus repair shops, glassblowing shops, instrument-making shops, mailing services, chemical stores, duplicating services, office-machine repair shops, data processing, central stores, and animal care facilities.

Since service center activities can result in charges, directly or indirectly, to federal grants and contracts, the University must comply with Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, and Cost Accounting Standards (<http://www.whitehouse.gov/omb/circulars/a021/print/a021.html>). The government monitors the University's compliance with these regulations through the Department of Health and Human Services' (DHHS) Office of Inspector General (OIG) auditors and its negotiators from the Division of Cost Allocation (DCA). Non-compliance with Federal regulations could involve reimbursement to the government and/or penalties.

This policy generally will use the term "service" to refer to both goods and services.

2. Scope.

Departmental Sales and Services activities are classified into two categories: *service centers* and *sales and services of educational activities*. This policy applies only to the first category (service centers) and includes three types of service centers (see definitions below):

2.1. Recharge Activities

Activities that range from \$10,000 to \$100,000 (does not require a business plan to be submitted).

2.2. Service Centers

Activities that is greater than \$100,000.

2.3. Specialized Service Centers

Note: Department activities that generate less than \$10,000 do not require that a separate account to be established.

3. Intent.

The intent of this policy is to provide guidelines for establishing, costing, pricing, and administering service centers that regularly sell goods and services. These policies and procedures have been established to achieve three goals:

3.1. Establish consistent business practices

Federal cost accounting standards such as OMB Circular A-21 require that all service units at the University operate using consistent business practices in the treatment of revenues, costs, pricing, and reporting.

3.2. Comply with federal government regulations

University activities that charge sponsored programs under federal government contracts and grants are required to adhere to certain government regulations. This policy translates those regulations into business practices which can be more easily understood by departments and monitored by the Administration.

3.3. Comply with other standards and regulations

3.3.1.1. Generally Accepted Accounting Principles,

3.3.1.2. State of Georgia Policies,

3.3.1.3. Best practices

4. Definitions.

4.1. Accounting Department

The Accounting Department within Finance and Administration has been designated oversight responsibility for service centers. The Accounting Department is referred to throughout this policy. The Accounting Department will review and monitor service center accounts for compliance with OMB Circular A-21 and Cost Accounting Standards, and assist departments with development of service center rates.

4.2. Applicable Credits

Transactions that offset or reduce costs, such as purchase discounts, rebates, allowances, refunds, etc. For purposes of charging service center costs to federally-sponsored programs, applicable credits also include any direct federal financing of service center assets or operations (e.g., the direct funding of service center equipment by a federal program).

4.3. Billing Rate

The amount charged to a user for a unit of product or service. Billing rates are usually computed by dividing the total annual cost of a service by the total number of billing units expected to be provided to users of the service for the year.

4.4. Billing Unit

This is the unit of service provided by a service center. Examples of billing units include hours of service, animal care days, tests performed, machine time used, etc.

4.5. Deficit

Where the costs of providing a service exceeds the revenue generated by the service during a fiscal year.

4.6. Departmental Sales and Services (DSS Accounts)

Business activities that may be categorized as one of two distinct classifications: 1) *Service Centers* and 2) *Sales and Service of Educational Activities*. The classification of the DSS activity depends on the basis of the activity, its relation to the education process, and its relationship to the consumer. **Refer to the Sales and Services policy under the Accounting Division Policies and Procedures, which is not covered by this policy.**

4.7. Depreciation

The systematic allocation of the cost of a capital asset over the period the asset is expected to be used.

4.8. Direct Operating Costs

These include all costs that can be specifically identified with a service provided by a service center. These costs include the salaries, wages, and fringe benefits of university faculty and staff directly involved in providing the service; materials and supplies; purchased services; related travel expenses; equipment rental or depreciation; interest associated with equipment acquisitions; etc.

4.9. Equipment

See UGA Policy: Property Control: Equipment Criteria

[www.busfin.uga.edu/app/control/account/proppol.htm#policy 3](http://www.busfin.uga.edu/app/control/account/proppol.htm#policy%203)

Equipment is a movable tangible asset to be used for operations, the benefits of which extend beyond one year from date of acquisition and rendered into service.

4.10. Generally Accepted Accounting Practices

These are standards for continuously tracking and reporting the values of a company's, individual's, or government's assets and liabilities. To a very large extent, they are the standards that have been developed by the accounting profession in the United States.

4.11. Internal Service Center Overhead

All costs that can be specifically identified with a service center, but not with a particular service provided by the center, such as the salary and fringe benefits of the administrative service center director or related administrative support personnel.

4.12. Recharge Activities

These are activities that are established to provide services to customers within a college or department versus a Service Center which has a university-wide mission. A Recharge Activity has annual activities greater than \$10,000 but less than \$100,000.

4.13. Sales and services of educational activities

Refer to the Sales and Services policy under the Accounting Department Policies and Procedures, which is not covered by this policy.

4.14. Scientific Equipment

Capital equipment used in scientific instruction, scientific research, or used to fabricate instruments, chemicals, or other materials used in scientific instruction or research.

4.15. Service Center

A departmental sales business unit established for the purpose of providing goods and services to university departments, and only incidentally to customers outside the university. Service centers offer goods and services that are unique, benefit the effectiveness of the University when conveniently available, require special control, are subject to federal and/or state regulations, or are not readily available from external sources. As defined in this policy, there are three types of service centers: Recharge Activities, Service Centers, and Specialized Service Centers.

4.16. Specialized Service Center.

This is a service center with highly complex or specialized facilities and which are required by a very limited number of research activities. Any service center which meets all four of the following criteria must be classified as a Specialized Service Center:

4.16.1. Revenues and expenses

The facility incurs substantial annual expenditures and charge-out volume of \$1 million or greater.

4.16.2. Substantial Indirect Costs

If the indirect costs were included as part of the University's overhead pool, those costs would "materially" affect the University-wide overhead rate.

4.16.3. Specialized Services

Its services are not easily available from external vendors.

4.16.4. Services provided to very limited set of users

Its services are required in support of a very limited number of research activities.

4.17. Surplus or Operating Surplus

This is the amount where the revenue generated by a service exceeds the costs of providing the service during a fiscal year.

4.18. Unallowable Costs

Costs that cannot be charged directly or indirectly to federally sponsored programs. These costs are specified in OMB Circular A-21. Common examples of unallowable costs include, but are not limited to, alcoholic beverages, bad debts, charitable contributions, entertainment, fines and penalties, goods and services for personal use, interest (except interest related to the purchase or construction of buildings and equipment), and contingency reserves.

4.19. Unearned Income

Revenues received but not yet earned, such as payments in advance of service or product delivery. (Example: registration fees.)

4.20. University Facility and Administrative Costs

(See UGA Policy: Contracts and Grants: Facilities and Administrative Costs <http://www.busfin.uga.edu/app/control/candg/cgrpol.htm#policy%204>.) Facilities and Administrative Costs, also called “indirect costs”, are the costs of selected administrative and supporting functions of the University. University indirect costs consist of administration and general expenses, such as executive management, payroll, accounting and personnel administration; operations and maintenance expenses, such as utilities, building maintenance and custodial services; building depreciation; administrative and supporting services provided by academic departments; libraries; and special administrative services provided to sponsored projects.

4.21. Working Capital Reserve

An account administered by Accounting on behalf of Service Centers for the purpose of funding the purchase, maintenance, and repair of scientific equipment used by the service center.

5. The Application Process

5.1. Purpose

To define the required process for obtaining authorization to operate a service center, including Recharge Activities, Service Centers, and Specialized Service Centers.

5.2. Service Center Funding

Funding for start-up costs for any service center must be agreed to and provided prior to commencing the activity. This includes funds for required equipment and inventory, plus funds to finance receivables and losses during the early stages of operation. Ideally, start-up funds would be agreed to and provided by the department, college, or vice president. This support indicates that the activity is important to the university's mission. Service center start-up funds may also be provided via a loan from central university sources.

5.3. Departmental Approval

Requests for new accounts, including business plans, and the “Request for Account Addition/Change” form (http://www.busfin.uga.edu/forms/accounting_request.pdf) will first be reviewed and approved by the responsible department. If approved and adequate funding for start-up costs has been identified, the request will be forwarded to the Accounting Department of the Controller’s Office for review by the Service Center Advisory Committee (SCAC) and other departments, as appropriate. Based upon the findings of the SCAC, the request will be approved or denied.

5.4. Assessing the Viability of the Activity

There must be reasonable assurance that service centers will be successful and generate the necessary revenues required to cover operating costs. For that reason these new activities need complete support from the responsible department head and college dean/director and/or appropriate vice president. Departments and colleges will be expected to cover net losses or failed operations.

5.5. Service Center Advisory Committee (SCAC)

The Service Center Advisory Committee is established to review requests for new service center accounts, review annual service center business plans, review service center corrective action plans, and provide advice to service centers and Accounting on matters of policy.

5.5.1. Composition of Committee Membership

The SCAC is composed of one representative from each of the following organizations: Accounting, Contracts and Grants, Office for Sponsored Programs, a representative from the College of Arts and Sciences, one (1) departmental representatives appointed by the Provost.

5.6. Approval Process

Service centers will use departmental sales accounts (operation code D) to account for their activity. Requests for new accounts required for the establishment and operation of a service center will be considered by the SCAC and require the preparation and submission of the following information for SCAC approval:

5.6.1. Departmental Approval

All forms, plans, and documentation submitted to the SCAC must have the approval of the sponsoring Department Head.

5.6.2. Account Request Form

(The account request form may be downloaded from http://www.busfin.uga.edu/forms/accounting_request.pdf The Account Request Form must be completed, with all required reviews and signatures.

5.6.3. Business Plan

Including funding, income, other revenue support sources, expenses, equipment depreciation, budget, working capital reserve (see definition) purposes and funding, and billing rate calculations for each customer type.

5.6.4. Other issues to be addressed in documentation

5.6.4.1. Unfair Competition

Describe the benefits to the University of establishing the proposed service center rather than acquiring the services directly from commercial sources. Explain the business practices that will be employed to avoid unfair competition with commercial enterprises which offer the same services.

5.6.4.2. Unrelated Business Income Tax (UBIT)

Explain the relationship of the service unit to the pursuit of the University's missions. The University discourages any activities which are unrelated to the University's mission, as such activities might require the University to pay taxes on related earnings.

5.6.4.3. Environmental Health and Safety considerations

Identify the nature of any hazardous materials, controlled substances, or other products that may pose a handling, storage, or disposal hazard which are covered by any regulatory requirements. Identify any procedures, structures, or devices that may pose hazards to property or personnel.

5.6.4.4. Compliance with practices and standards

All applicable compliance issues, such as animal care, ethics, human subjects, must be identified and the methods for compliance with those standards must be described. The costs of meeting compliance standards must be included in the business plan.

5.6.4.5. Availability of similar services from other University service centers

Identify where similar services and products are available from other service centers. Explain the benefit and necessity of establishing a new service center, rather than using the services of existing service centers.

5.6.4.6. Long term need and viability

Estimate the length of time that the proposed service center will need to be in operation. Consider what factors or events could obviate the need or viability of the service center. (The planned business life of all service centers must exceed a contiguous 12 months)

5.6.5. Additional Reviews

The following reviews may be required for new accounts. The SCAC will forward the application for the necessary reviews, comments and approvals.

5.6.5.1. Environmental Safety

For all new departmental service center accounts dealing with hazardous or radioactive materials, special review and written approval is required by the Environmental Safety Division to ensure proper procurement, delivery, inventory management, staff training, handling, and disposal.

5.6.5.2. Unrelated Business Income Tax (UBIT)

The University discourages any activity not related to its mission. All new service center account applications will be reviewed for potential Unrelated Business Income Tax liability by the Controller's Office. Both the State of Georgia and the federal government require that tax-exempt organizations, including the University System of Georgia, pay tax on income derived from "unrelated business activities." For an activity to be considered an "unrelated business activity," it must be (1) a trade or business, (2) conducted regularly, and (3) not substantially related to the University's tax-exempt purpose.

5.6.5.3. Unfair Competition

Service center account applications will also be reviewed by the Accounting Department to ensure that proposed activities do not violate the University System of Georgia Board of Regents policy 711.01

5.6.5.4. Compliance Officers

Whenever activities of a proposed service center are subject to compliance standards, the application will be forwarded to the appropriate University Compliance Officer for review.

6. General Policies & Procedures

The University's financial policies and procedures for service centers are described in the following pages. These are not intended to answer all questions regarding the operation of these activities. The Accounting Department is available to address the more detailed aspects of operating a service center.

6.1. Departmental Responsibilities

6.1.1. Pre-Submission Review

Departments and colleges must thoroughly review and analyze proposed service center activities prior to submitting requests to the central administration

6.1.2. Compliance with University policies and procedures.

Managers of service centers are expected to comply with the University's policies and procedures.

6.1.3. Responsibility for violations.

Individual departments are responsible for any disallowance, fine, or penalty for failure to comply with these policies and procedures

6.1.4. Financial responsibility.

Departments and colleges are required to assume financial responsibility for failed activities.

6.2. University Mission

All service center activities must either support or relate to the University's instruction, research, or public service and outreach missions.

6.3. Multiple Customers

Unless otherwise approved, service center activities, including Recharge Activities, must provide goods or services to multiple customers. If only one customer is served, costs will be charged directly to the benefiting activity.

6.4. Budgets and Business Plans

6.4.1. Annual Budget

Each account manager is required to submit an annual budget. Budgets should be based on a sound estimate of projected revenues and expenditures. Estimates should be based on historical data and expected changes having an impact on the account activity (e.g., increased customer base). Each account holder is responsible for input into the University's budget system.

6.4.2. Annual Business plan

The business plan will address key financial issues to demonstrate that the activity can be operated at break-even status, and will include customer definitions and a pricing (billing rate) strategy by customer type.

The plan will be based on careful analysis of the activity's potential to generate revenues and to manage expenditures within those revenues and include an assessment of continued marketability of the activity beyond twelve months. In addition to identifying expenses required to deliver the goods and services, the business plan will include anticipated equipment and inventory purchases, Working Capital purposes and funding plans, and depreciation of capital equipment. (The Accounting Department will assist in formulating depreciation schedules for capital equipment, which must be included in the business plan.)

Activities unable to operate at a break-even status must identify sources of subsidized funding.

6.4.3. New Service Centers

For new activities, a business plan will be included with the application for approval of a new service center.

6.4.4. Existing Service Centers

For existing activities, a business plan will be submitted at least annually and updated during a fiscal year, if operational results vary significantly from the annual business plan.

6.5. Billing Rates

Billing rates will be computed and documented annually as a part of the service center's business plan. They will be submitted to the Accounting Department with the annual budget. The rates should be based on a reasonable estimate of the direct operating costs of providing the services for the year and the projected number of sales units for the year. They should logically represent the type of service provided and be reviewed at least every six months.

Adjustments will be made when necessary and documented in a revised business plan.

6.5.1. Multiple Services

If a service center provides different types of products and services to users, separate billing rates must be established for each service that represents a significant activity. Managers must approximate costs, revenues, surpluses, and deficits for each service. The surplus or deficit related to each service should be carried forward as an adjustment to the billing rate for that service in the following year or the next succeeding year. The surplus from one service may be used to offset the deficit from another service only if the mix of users and level of services provided to each group of users is approximately the same.

6.5.2. Cost Allocations

When cost allocations are necessary, they should be made on an equitable basis that reflects the relative benefits each activity receives from the cost. For example, if an individual provides multiple services, an equitable distribution of his or her salary among the services can usually be accomplished by using the proportional amount of time the individual spends on each service. Other cost allocation techniques may be used for service center overhead, such as the proportional amount of direct costs associated with each service (including equipment depreciation), and in the case of Specialized Service Centers, the space utilized. (See definitions of service center categories above.)

6.5.2.1. Recharge Activities

Depending on the specific circumstances involved, there may be three categories of costs that need to be allocated: (a) costs of goods sold, (b) costs that are directly related to providing the services, such as the salaries of staff performing multiple services, and (c) overhead, if applicable.

Note: By definition, recharge activities are small and should not require significant departmental administrative support. If a recharge activity requires significant administrative support, it should be classified as a Service Center under section.

6.5.2.2. Service Centers

When separate billing rates are used for different services provided by a service center, the costs related to each service must be separately identified through a cost allocation process. Cost allocations will also be needed if a cost partially relates to the operation of a service center and partially to other accounts of a department operating the service center. Depending on the specific circumstances involved, there may be three categories of costs that need to be allocated: (a) costs of goods sold, (b) costs that are directly related to providing the services, such as the salaries of staff performing multiple services, and (c) service center overhead.

6.5.2.3. Specialized Service Centers

Cost allocations must include those required for service centers and indirect costs associated with the operation of the specialized service center, including University Facility and Administrative Costs.

6.5.3. Rate Equality

6.5.3.1. Documentation and record keeping

Records must be retained for evidence of the application of uniform, consistent rate equity as described below for each customer type served by a service center.

6.5.3.2. University Users

All University of Georgia users paying from University accounts will be charged for the services they receive and be charged at the same rates for the same services.

6.5.3.2.1. Special rates for special services

This requirement for “same rates for same services” does not apply to alternative pricing structures related to the timeliness of service, quality of service, or special convenience of access to services. Pricing structures based on high volume work, volume discounts, special orders for non-stocked products, expedited or special delivery, special vendor discounts, and surplus inventory reductions, etc., are acceptable, provided that they have a sound management basis, do not result in recovering more than the actual costs of providing the services, and are equally available to all users who meet the criteria.

6.5.3.3. External Users

Service centers, not including Recharge Activities, may provide services to non-university users.

6.5.3.3.1.1. External Rate

An external rate will be established for external users to include, in addition to the direct costs, indirect costs such as building/room depreciation (space used), equipment depreciation, utility services, and departmental administration.

6.5.3.3.1.2. Georgia Sales and Use tax liability

Service centers should also be aware that sales of goods for ultimate consumption to individuals or profit-oriented businesses must collect Georgia sales and use tax, which will be remitted to the Georgia

Department of Revenue. Questions about sales and use tax should be directed to the Accounting department at 706-542-1197.

6.6. Break Even Requirement

The aggregate of the billing rates will be designed to recover the direct operating costs of service centers plus related service center activity overhead on an annual basis. No costs other than the costs incurred in providing the services will be included in the billing rates. The costs will exclude unallowable costs and be net of applicable credits.

6.7. Performance Monitoring

Actual costs and revenues will be reviewed by service center managers at the end of each month and at the end of the fiscal year. Deficits or surpluses will be carried forward as an adjustment to the billing rates of the following year or the next succeeding year.

6.8. Customer Billing

6.8.1. Bill only for services delivered

Services must be billed after the service has been rendered.

6.8.2. Timely cost accounting

The costs allocated to the delivery of the services must be accounted for in a timely manner, as they are incurred, and during the fiscal year in which they are incurred.

6.8.3. Timely revenue accounting

The revenue associated to the delivery of the services must not be accounted for until the services are delivered, even when they are delivered in a fiscal year following the encumbrment of the customer's funds.

6.8.4. Timely billings

Billings must be timely and adequately documented. Under normal conditions, billings will be processed monthly.

6.8.5. Receivables

Receivables must be controlled and reconciled. Specifically, staff who update the account receivable records, should not process or have access to the corresponding cash receipts.

The University of Georgia currently accepts four major credit cards (MasterCard, Visa, Discover and American Express) for payment of services rendered and goods sold. Any authorized University unit wishing to accept credit cards as a form of payment should contact the Bursar's Office.

6.8.6. Cash receipts

Cash receipts will be deposited on a timely basis, in accordance with University procedures and timelines established by Finance and Administration.

6.8.7. Prepayments

Prepayments are not allowed between Service Centers and other University departments but are allowable for external users who may need to prepay.

6.8.8. Direct Charges (Tickets)

University customer billings should be processed with an intra-university direct charge and payment processes.

6.9. Fiscal year accounting

The centers will operate in accordance with the University's fiscal year. Service centers should handle year-end billings consistently each year to assure that twelve months of revenue are associated with twelve months of incurred costs.

6.9.1. Year-end revenue from external users

Some year-end billings may need to involve accounts receivable or unearned revenue (deferred income), which can be recorded at the end of a fiscal year if the related transactions are appropriate and can be justified. A letter requesting unearned revenue or accounts receivable to be posted will be submitted to the Accounting Department the week before fiscal year cutoff.

6.10. Accurate Assignment of Costs

Costs charged to service centers must be reasonable and necessary to the operation of the activity. Costs must be accurately assigned to benefiting activities.

6.11. Equipment Depreciation

Depreciation cost is based on the acquisition cost of the equipment; not replacement cost. Equipment will be depreciated over its useful life. Depreciation schedules for specific items of equipment may be provided by the Accounting Department.

6.11.1. Equipment Depreciation in Billing Rates

If a service center's scientific equipment is eligible for utilization of a Working Capital Fund, annual depreciation costs should be used to establish service center billing rates. Including equipment depreciation in the billing rates will generate funds to recover the cost of the equipment and charge customers their proportional share of the cost of the equipment.

6.11.2. Using Equipment Depreciation

The costs of depreciation may be used to purchase replacement equipment within the same fiscal year of depreciation or may be used to fund a service center's Working Capital Fund.

6.12. Inventory Management

If a service center sells products and has a significant amount of stock on hand, inventory records must be maintained in accordance with UGA Policy for Inventories-Stores and Merchandise for Resale.

(<http://www.busfin.uga.edu/app/control/account/acctpol.htm#policy%2013>).

6.12.1. Accounting for significantly valued inventory

If the value of the inventory is expected to exceed \$50,000 at any point in the year, a formal accounting of the inventory must be maintained.

6.12.2. Annual inventory

A physical inventory must be taken at least annually and reconciled to the inventory records. Inventory valuations may be based on any generally recognized inventory method (e.g., first-in first-out, last-in first out, average cost, etc.). It is recommended that the average cost method be used.

6.12.3. Inventory management practices

Activities with consumable inventories must utilize appropriate inventory management practices. At a minimum this will include the use of appropriate valuation methods and safeguarding practices.

6.13. Corrective Action Plans

At the end of a fiscal year or activity cycle, Finance and Administration will notify managers of activities with fund balance deficits or surpluses that require a corrective action plan. Departments and colleges are responsible for resolving deficit balances within their area.

Corrective action plans will include the anticipated time frame to resolve the deficit, or surplus, potential investment in the Working Capital Reserve (for surpluses), potential funding support (for deficits), and any revisions to the billing rate calculation. Time frames will include a plan to be executed beginning no later than March of the current fiscal year through the next fiscal year.

6.13.1. Possible corrective actions include:

6.13.1.1. Deficits

6.13.1.1.1. Increasing the billing rate

Billing rates may be increased to a level that will recover the deficit over the period of the anticipated time frame from a customer base consistent with the activity that generated the deficit.

6.13.1.1.2. Reductions in operating cost

Operating costs (supplies, personnel, etc.) may be reduced to a level that will resolve the deficit of the period of the anticipated time frame and/or to reflect the current customer base demands for services

6.13.1.1.3. Funding or loan

Funds from other accounts within the department or college may be used as a subsidy or loan to resolve the deficit.

6.13.1.1.4. Ending the activity and closing the account

The department or college will need to identify an account(s) to fund the remaining deficit

6.13.1.2. Surplus

6.13.1.2.1. Decrease billing rate

Billing rates may be decreased to a level that will return the surplus over the period of the anticipated time frame from a customer base consistent with the activity that generated the surplus.

6.13.1.2.2. Deposit in Working Capital Reserve

If the equipment used by the service unit qualifies, then surplus may be deposited in the Working Capital Reserve, in accordance with the policy for funding those reserves.

6.14. Working Capital Reserve.

6.14.1. Purpose

The Working Capital Reserve Account is limited to the funding of scientific capital equipment acquisitions and physical plant improvements related to the installation and use of equipment in service centers, including equipment maintenance and repair.

6.14.2. Creating Working Capital Reserve Account

A service center may apply for creation of an Equipment Reserve Account during the annual budgeting process and during the fiscal year. The annual business plan must include the purposes of working capital reserves and estimates of the amounts to be reserved for each purpose.

6.14.3. Limits of Funding a Service Center Working Capital Reserve

6.14.3.1. Maximum allowed for a service center

The maximum amount allowed to be placed in the reserve for a single fiscal year will be 20% of the annual revenues of the service center. In no circumstance may the amount placed in reserve for a fiscal year plus the service center's expenses that year exceed revenues for that year.

6.14.3.2. Maximum allowed for the University

The total amount that the University may have in this reserve is \$5,000,000.

6.15. Transfer of Funds Out of Service Centers

It is not appropriate to transfer funds out of a service center account to other University funds or accounts.

6.16. Record Keeping and Retention

Separate records and accounts will be maintained to document the actual direct operating costs of providing the service, revenues, units of serviced provided, billings, collections, and the annual surplus or deficit.

6.16.1. Usage Logs

Activities that make specific charges for the use of equipment (hours times rate) will utilize usage logs to verify use for future audits.

6.16.2. Record retention period

Care should be taken to retain records that support federally sponsored projects for the length of the project plus the required audit period following the end of the sponsored agreement (Seven years after project Completion).

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART IV - DEPRECIATION AND USE
ALLOWANCES
NAME OF REPORTING UNIT
University of Georgia/UGARF

Item
No

Item Description

Part IV

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 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	Y	B	A
(b) Buildings	A	Y	B	A
(c) Building Improvements	A	Y	B	A
(d) Leasehold Improvements	Z			
(e) Equipment	A	Y	B	B
(f) Furniture and Fixtures	A	Y	B	B
(g) Automobiles and Trucks	A	Y	B	B
(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.)

Column (1)--Depreciation Method Code

- A. Straight Line
- B. Expensed at Acquisition
- C. Use Allowance
- 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 (2)--Useful Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance by Office of Management and Budget Circular No. A-21
- 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 ALLOWANCE
NAME OF REPORTING UNIT
University of Georgia/UGARF

Item No	Item Description
4.1.1	<p>Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)</p> <p>A. <input type="checkbox"/> Yes B. <input checked="" type="checkbox"/> No 1/</p>
4.2.0	<p><u>Fully Depreciated Assets.</u> Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the change on a continuation sheet.)</p> <p>A. <input type="checkbox"/> Yes 1/ B. <input checked="" type="checkbox"/> No</p>
4.3.0	<p><u>Treatment of Gains and Losses on Disposition of Depreciable Property.</u> Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>A. <input checked="" type="checkbox"/> Excluded from determination of sponsored agreements costs B. <input type="checkbox"/> Credited or charged currently to the same pools to which the depreciation of the assets was originally charged C. <input type="checkbox"/> Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved D. <input type="checkbox"/> Not accounted for separately, but reflected in the depreciation reserve account Y. <input type="checkbox"/> Other(s) 1/ Z. <input type="checkbox"/> Not applicable</p>
4.4.0	<p><u>Criteria for Capitalization.</u> (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)</p> <p>A. Minimum Dollar Amount <u> \$5000 </u> B. Minimum Life Years <u> 1 </u></p>
4.5.0	<p><u>Group or Mass Purchase.</u> Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)</p> <p>A. <input type="checkbox"/> Yes 1/ B. <input checked="" type="checkbox"/> No</p>

¹ Describe on a Continuation Sheet

Item
No

Item Description

4.1.1 Asset Valuation and Useful Lives

Land Improvements – Classes of assets are assigned useful lives based on the University System of Georgia’s Capital Asset Guide.

Useful Lives of Buildings – Major research buildings have been componentized and useful lives established for components. Non-research buildings are lived as a single component. The University for its FY2001 Facilities and Administrative (F&A) Cost Rate proposal employed the services of American Appraisal to componentized forty research active buildings. This activity created individual components for the buildings with appropriate useful lives by component. All other buildings were componentized as a single component per building. The University maintains the componentization information for changes to existing componentized buildings and new construction.

Building Improvements – Classes of assets are assigned useful lives based on the University System of Georgia’s Capital Asset Guide.

4.4.0 Criteria for Capitalization

	Buildings/Improvements
Minimum Dollar Amount	\$100,000
Minimum Life Years	1

-End of Part-

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. Cash
- B. Accrual 1/

5.2.0

Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in Section C of Circular OMB A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal 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. Combination of methods 1/
- Y. Other 1/

-End of Part-

¹ Describe on a Continuation Sheet

Item No	Item Description								
	<p style="text-align: center;">Instructions for Part VI</p> <p>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 governmental 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.</p> <p>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, 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)</p> <p>6.1.0 <u>Pension Plans.</u></p> <p>6.1.1 Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 40%; text-align: center;">Number of Plans</th> </tr> </thead> <tbody> <tr> <td>A. <input checked="" type="checkbox"/> Institution employees participate in State/Local Government Retirement Plan(s)</td> <td style="text-align: center;">1</td> </tr> <tr> <td>B. <input checked="" type="checkbox"/> Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution</td> <td style="text-align: center;">2</td> </tr> <tr> <td>C. <input type="checkbox"/> Institution has its own Defined-Contribution Plan(s) ^{1/}</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table> <p>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.)</p> <p>6.2.0 <u>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs).</u> (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.)</p> <p>Z. <input checked="" type="checkbox"/> Not Applicable – Post retirement benefits are not charged to federally sponsored accounts.</p>		Number of Plans	A. <input checked="" type="checkbox"/> Institution employees participate in State/Local Government Retirement Plan(s)	1	B. <input checked="" type="checkbox"/> Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	2	C. <input type="checkbox"/> Institution has its own Defined-Contribution Plan(s) ^{1/}	_____
	Number of Plans								
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C. <input type="checkbox"/> Institution has its own Defined-Contribution Plan(s) ^{1/}	_____								

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 NAME OF REPORTING UNIT University of Georgia/UGARF
Item No	Item Description
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	<u>Self-Insurance Programs (Employee Group Insurance).</u> Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. _____. When accrued (book accrual 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. <u>X</u> _____. Not Applicable
6.4.0	<u>Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</u>
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 provision 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 present value, of the liability D. _____. When funds are set aside or contributions are made to a fund Y. <u>X</u> _____. Other or more than one method 1/ Z. _____. Not Applicable
6.4.2	<u>Casualty Insurance.</u> 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 indestructibles. D. _____. Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves) Y. <u>X</u> _____. Other or more than one method 1/ Z. _____. Not Applicable

¹ Describe on a Continuation Sheet

Item No	Item Description
6.1.2	<p>Defined-Benefit Pension Plan</p> <p>Defined-Benefit Pension Plan</p> <p>4. A description of the three defined-benefit programs provided to University employees by organizations (e.g. part of Federal, State or Local government pension plans) other than the University:</p> <ul style="list-style-type: none"> a. Teachers Retirement System - This is a costs sharing, multiple employer, public employee retirement system that is part of the State of Georgia government pension plan. The plan is a defined benefit plan that requires contributions by employees and employer at rates established on an annual basis. b. Employee's Retirement System - This is a costs sharing, multiple employer, public employee retirement system that is part of the State of Georgia government pension plan. The plan is a defined benefit plan that requires contributions by employees and employer at rates established on an annual basis. c. Federal Retirement System- Certain employees with Federal appointments are paid from any fund group and are eligible for either State Teachers Retirement or Optional Retirement and Federal Retirement benefits. In these cases, the University's contribution for both retirement plans is charged to the appropriate account including sponsored projects.
6.4.1	<p>Workers' Compensation and Liability Response: Y-Other</p> <p>Workers' Compensation, Unemployment Compensation, General Liability and Tort, Honesty and Faithful Performance Bond, and Vehicle Liability Insurance are paid from an account classified as Administrative and General Expense and therefore charged to sponsored projects as indirect costs. When special circumstances exist Vehicle Liability Insurance may be a direct charge to a sponsored account.</p>
6.4.2	<p>Casualty Insurance Response: Y-Other</p> <p>Casualty Insurance is paid from an account classified as Operation and Maintenance therefore charged to sponsored projects as indirect costs.</p> <p style="text-align: center;">-End of Part-</p>

¹ Describe on a Continuation Sheet

Item No	Item Description
	<p style="text-align: center;">Instructions for Part VII</p> <p>This part should be completed <u>only</u> by the central system office or a group office of an educational system when that office is responsible for administering 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.</p> <p>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 the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.</p> <p>7.1.0 <u>Organizational Structure.</u></p> <p>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.</p> <p>7.2.0 <u>Cost Accumulation and Allocation.</u></p> <p>On a continuation sheet, provide a description of:</p> <p>A. The services provided to segments of the university or university system (including hospitals, FFRDC's, GOCO facilities, etc.), in brief.</p> <p>B. How the costs of the services are identified and accumulated.</p> <p>C. The basis used to allocate the accumulated costs to the benefiting segments.</p> <p>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.</p> <p>E. Any fixed management fees that are charged to a segment(s) in lieu of a prorata or allocation basis and the basis of such charges. If none, so state.</p>

¹ Describe on a Continuation Sheet

Item
No

Item Description

7.1.0

Organizational Structure

The University System of Georgia (USG) consists of the Board of Regents (the governing body of the system) and a System office staff. The University System of Georgia includes the following thirty-four higher education institutions:

- Research Universities
 - Georgia Institute of Technology
 - Georgia State University
 - Medical College of Georgia
 - The University of Georgia
- Regional Universities
 - Georgia Southern University
 - Valdosta State University
- State Universities
 - Albany State University
 - Armstrong Atlantic State University
 - Augusta State University
 - Clayton College & State University
 - Columbus State University
 - Fort Valley State University
 - Georgia College & State University
 - Georgia Southwestern State University
 - Kennesaw State University
 - North Georgia College & State University
 - Savannah State University
 - Southern Polytechnic State University
 - State University of West Georgia
- State Colleges
 - Dalton State College
 - Macon State University

Item
No

Item Description

7.2.0

Organizational Structure - cont'd

- Two-year Colleges
 - Abraham Baldwin Agricultural College
 - Atlanta Metropolitan College
 - Bainbridge College
 - Coastal Georgia Community College
 - Darton College
 - East Georgia College
 - Floyd College
 - Gainesville College
 - Georgia Perimeter College
 - Gordon College
 - Middle Georgia College
 - South Georgia College
 - Waycross College

Item
No

Item Description

7.2.0

Cost Accumulation and Allocation

On a continuation sheet, provide a description of:

A. The University System of Georgia provides general oversight of the thirty-four higher education institutions. In addition, it provides additional services to the component institutions, through the offices of:

- Senior Vice Chancellor – Support Services
- Associate Vice Chancellor – Human Resources
- Senior Vice Chancellor – Academic and Fiscal Affairs
- Vice Chancellor – Information and Instructional Technology
- Senior Vice Chancellor – External Activities and Facilities
- Vice Chancellor - Facilities

B. The costs of services provided by the University of Georgia System are identified and accumulated in discrete accounts on the USG accounting system.

C. USG costs for services are allocated proportionally to the component institutions based on federally approved cost allocation model.

D. None

E. None

-End of Part-

