DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Service
Division of Cost Allocation

Cohen Building-Room 1067
330 Independence Avenue, S.W.
Washington, DC 20201
PHONE: (202)-401-2808
FAX: (202)-619-3379

December 16, 2005

Ms. Sharon Bell
Controller
University of Rhode Island
110 Carlotti Administration Building
Kingston, RI 02881-0806

Dear Ms. Bell:

This is in response to your letter dated November 9, 2005 which transmitted an amendment to the University of Rhode Island's approved Disclosure Statement (CASB Form DS-2). We have reviewed the changes and compared them to the approved DS-2. Based on our review, we have determined that the University's Disclosure Statement continues to adequately disclose the cost accounting practices required to be disclosed by CASB's rules, regulations, and standards, and that those practices are compliant with applicable Federal cost accounting principles.

Should you have any questions, please contact Jay Mervis of my staff on (202) 260-2381.

Sincerely,

Paul Nacon

Paul Nacon

National Director
Division of Cost Allocation

UNIVERSITY OF
Rhode Island

OFFICE OF THE CONTROLLER
110 Carlotti Administration Bldg., 75 Lower College Road, Suite 5, Kingston, Rhode Island 02881-0806
Phone: 401-874-2378 • Fax: 401-874-2589

COPY

November 9, 2005

Mr. Paul Nacon, Director
Division of Cost Allocation
Department of Health and Human Services
Cohen Building – Room 1067
330 Independence Avenue, S.W.
Washington, DC 20201

Dear Mr. Nacon:

Attached is an amendment to certain sections of Cost Accounting Standards Board Disclosure Statement for the University of Rhode Island. The following sections have been modified:

- Section 2.5.2.C, Salary and Wage Accumulation System, has been amended because the University has combined payrolls for certain type of employees and students. The effort certification has been changed from time card and other means to semiannual certification.
- Section 2.6.1, Method of Charging Direct Fringe Benefits, has been amended to allocate health insurance costs for graduate teaching and research assistants mandated by union contact.
- Section 4.1.1, Asset Valuations and Useful Lives, has been amended to depreciate research buildings by using up to 16 components and non research buildings using two components.
- Section 4.4.0, Criteria for Capitalization, has been amended to increase the capitalization criteria for building renovations and other capital projects to $50,000.

Should you or your staff have any questions, please contact me at (401)874-2378 or Tom Pitassi at (401)874-2353.

Sincerely,

Sharon Bell

Sharon Bell
University Controller

Enc.

cc. R. Aaronson, HHS DCA NewYork
T. Pitassi

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	FORM APPROVED OMB NUMBER 0348-0055

UNIVERSITY OF RHODE ISLAND

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT FOR EDUCATIONAL INSTITUTIONS

(FORM CASB DS-2)

REQUIRED BY PUBLIC LAW 100-679

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	INDEX UNIVERSITY OF RHODE ISLAND

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

COVER SHEET AND CERTIFICATION

UNIVERSITY OF RHODE ISLAND

0.1 Educational Institution

(a) University of Rhode Island
(b) 110 Carlotti Administration Building
(c) Kingston, Rhode Island 02881
(d) Division or Campus of (if applicable): Not Applicable

0.2 Reporting Unit is: (Mark one.)

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

0.3 Official to Contact Concerning this Statement:

(a) Tommaso Pitassi, Associate Controller/Grant and Contract Accounting
(b) 401-874-2353

0.4 Statement Type and Effective Date:

A. (Mark type of submission. If a revision, enter number.)

(a) _ Original Statement –x Resubmission 10/30/2005
(b) _X__ Amended Statement; Revision No. _1___

B. Effective Date of this Statement: (Specify): July 1, 2001

0.5 Statement Submitted to (Provide office name, location and telephone number, include area code and extension):

A. Cognizant Federal Agency: U.S. Department of Health and Human Services
Division of Cost Allocation
Cohen Building, RM 1067
330 Independence Ave., S.W.
Washington, DC 20201
(202) 401-2808

B. Cognizant Federal Auditor: Regional Inspector General for Audit Services
U.S. Department of Health and Human Services
Office of Audit - Region #1
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	COVER SHEET AND CERTIFICATION UNIVERSITY OF RHODE ISLAND

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: October 30,2005

(Signature)

Robert A Weygand
(Print or Type Name)

Vice President Administration
(Title)

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

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART I - GENERAL INFORMATION NAME OF REPORTING UNIT: **University of Rhode Island**

Item No.	Item Description

Part I

1.1.0 Description of Your Cost Accounting System for recording expenses charged to federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

A. ___ Accrual

B. X Modified Accrual Basis*

C. X Cash Basis

Y. ___ Other*

1.2.0 Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)

A. ___ Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)

B. ___ Not integrated with financial accounting records (Cost data are accumulated on memorandum records.)

C. X Combination of A and B

1.3.0 Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of federally sponsored agreements are: (Mark one)

A. ___ Specifically identified and recorded separately in the formal financial accounting records.*

B. ___ Identified in separately maintained accounting records or workpapers.*

C. ___ Identifiable through use of less formal accounting techniques that permit audit verification.*

D. X Combination of A, B or C*

E. ___ Determinable by other means.*

* Describe on Continuation Sheet.

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

PART I GENERAL INFORMATION

1.1.0 Description of Your Cost Accounting System

Direct costs are charged to sponsored agreements on a cash basis, except for purchases processed through the accounts payable system, which are on an accrual basis, and year-end accruals of salaries and fringe benefits.

Indirect cost rates are based on the University's annual financial statements and database files, as described in Part III. The financial statements include normal accruals for salaries, accounts payable and other expenses.

(Note: As used in this document, the term "salaries" includes both salaries and wages.)

1.2.0 Integration of Cost Accounting with Financial Accounting

Direct costs charged to sponsored agreements are fully integrated with the University's financial accounting system.

The amounts included in the University's indirect cost pools are based on cost information generated by the financial accounting system. However, adjustments and reclassifications are needed to recast the information in the University's financial statements into the cost pools required by OMB Circular A-21. The specific adjustments and reclassifications are listed and explained in the schedules that are included in the University's indirect cost proposals. Also, as discussed in 3.1.0, the depreciation and interest indirect cost pools, and some of the costs in the general administration and departmental administration pools, are not accumulated by the formal accounting system and must therefore be accumulated through cost finding techniques or other calculations. The allocation of indirect costs and the development of indirect cost rates are also accomplished through cost finding procedures that are not part of the formal accounting system.

Item No.	Item Description

1.3.0 Unallowable Costs

Unallowable costs are charged to a specific account accounting system. The costs recorded in this account are excluded from the direct and indirect costs charged to sponsored agreements. Additionally, costs incurred by organizational units whose overall activities are unallowable (e.g., Development Office, Alumni Relations, etc.) are identified by the accounting system at the department or account level and removed from the indirect cost pools allocated to sponsored agreements. Reviews to assure compliance with these policies are made by the University Controller's staff. Additionally, a review (scrub) is made during the development of the University's indirect cost proposals to ensure that unallowable costs are not included in the indirect cost pools allocated to sponsored agreements.

1.3.1 Treatment of Unallowable Costs

Unallowable costs are excluded from charges to federally sponsored agreements. Unallowable directly associated costs as defined in CAS 505 are excluded from charges to federally sponsored agreements.

As required by CAS 505, where unallowable costs would normally be part of a regular indirect cost allocation base, they remain in that base. This is accomplished by classifying unallowable costs as "Other Institutional Activities" and allocating indirect costs to these activities as part of the normal indirect cost allocation process. The classification of unallowable activities as Other Institutional Activities is required by section B.1.d. of OMB Circular A-21. In the interest of consistency, the University has elected to treat all unallowable costs in this manner. An exception to this treatment is made for cost overruns and other unallowable direct costs of federal and non-federal sponsored projects. These costs remain in the direct cost base of the federal and non-federal sponsored projects.

Item No.	Item Description

1.5.0 State Laws or Regulations

The University of Rhode Island is a state higher education institution. State laws and regulations affect State central service costs allocated to the University, capitalization criteria and pension costs. These areas are addressed in Parts III, IV and VI.

State regulations also require that certain accounts be used in the University's accounting system. The University supplements the state accounts as necessary for its operations.

—End of Part I—

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART II - DIRECT COSTS NAME OF REPORTING UNIT: **University of Rhode Island**

Item No.	Item Description

Instructions for Part II

Institutions should disclose what costs are, or will be, charged directly to federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

2.1.0 Criteria for Determining How Costs Are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity, such as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)

2.2.0 Description of Direct Materials. All materials and supplies directly identified with federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes or materials which are charged as direct materials and supplies.)

2.3.0 Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

2.3.1 Direct Purchases for Projects are Charged to Projects at:

A. ___ Actual Invoiced Costs
B. X Actual Invoiced Costs Net of Discounts Taken
Y. ___ Other(s) *
Z. ___ Not Applicable

2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):

A. X First In, First Out
B. ___ Last In, First Out
C. ___ Average Costs*
D. ___ Predetermined Costs*
Y. ___ Other(s)*
Z. ___ Not Applicable

* Describe on 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 Rhode Island**

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 costs within each major institutional function or activity that are charged as direct personal services.)

2.5.0 Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

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

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*

* Describe on a Continuation Sheet

Item No.	Item Description
2.5.2	Salary and Wage Cost Accumulation System. (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)
2.6.0	Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)
2.6.1	Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)
2.7.0	Description of Other Direct Costs. All other items of cost directly identified with federally sponsored agreements or similar 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.)
2.8.0	Cost Transfers. When federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project? (Consider transactions where the original charge and the credit occur in different cost accounting periods. Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.) X Yes ___ No

Item No.	Item Description

2.9.0 Interorganizational Transfers. 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.)

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

* Describe on a Continuation Sheet

PART II DIRECT COSTS

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

The University follows the general guidelines in sections D. and E. of OMB Circular A-21 in determining the treatment of costs as direct or indirect. Accordingly, costs that can be identified specifically with a particular sponsored project, instructional activity, or other institutional activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy, are treated as direct costs. Conversely, costs incurred for common or joint objectives which cannot be identified readily and specifically with a particular sponsored project, instructional activity or other institutional activity, are treated as indirect costs. The University's indirect costs are consistent with the definitions of specific indirect cost categories in section F. of Circular A-21.

The University also follows the guidelines in section F.6.b. of Circular A-21 which specify the normal treatment of certain costs commonly incurred by academic departments and organized research units.

Every effort is made to classify costs incurred for the same purpose, in like circumstances, consistently as either direct or indirect costs. As cited later in this section, a specific policy has been established by the University to help accomplish this objective.

Within academic departments and organized research units, major cost categories are treated as follows:

- Salaries and fringe benefits of faculty, professional staff (e.g., research associates, post doctoral fellows, graduate research/teaching assistants), technicians, and students associated with the effort on research projects, instructional activities and other direct cost objectives, are treated as direct costs. Tuition remission provided to graduate students for work on research projects and teaching activities is also treated as a direct cost. Salaries and fringe benefits of faculty and professional staff associated with administrative activities are treated as indirect costs.

Item No.	Item Description

2.1.0 (cont.) Criteria for Determining How Costs Are Charged to Federally Sponsored Agreements or Similar Cost Objectives

- Salaries and fringe benefits of administrative and clerical staff are normally treated as indirect costs, as required by section F.6.b. of Circular A-21. However, in accordance with supplementary guidance on this subject issued by OMB, these costs are treated as direct costs when the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support and the costs meet the general criteria for direct charging in Circular A-21 (i.e., can be identified specifically with the project). These situations are considered "unlike circumstances" under CAS 502. The University has established specific policies on this subject (Policy Statement No. 97-02) which parallel the supplementary OMB guidance. Policy Statement No. 97-02 was issued on December 1, 1998, and is effective on July 1, 1999.

- The costs of laboratory supplies (e.g., chemicals, glassware, etc.), instructional supplies, animals, service center charges, travel, consulting services, long distance telephone toll charges and the other items enumerated in 2.2.0 and 2.7.0 identifiable to research, instruction, or other direct cost objectives are treated as direct costs.

- Rent and other facility costs of off-campus facilities used to conduct research or other direct cost objectives are treated as direct costs.

- The costs of office supplies, postage, local (basic) telephone costs, and memberships in business, technical and professional organizations are treated as indirect costs, except under the conditions specified in University Policy Statement No. 97-02 cited above, which the University considers "unlike circumstances" under CAS 502.

As indicated above, the University's policies permit direct charges for administrative and clerical salaries, office supplies, postage, local telephone expenses, and memberships only under exceptional circumstances consistent with section F.6.b. of Circular A-21 and supplemental guidance issued by OMB. For example, although postage is normally treated as an indirect cost, a particular project may have a special need for postage because of the mailing of hundreds of survey questionnaires. In this case, it would be appropriate to charge the project directly for the postage to mail the questionnaires, since this

Item No.	Item Description

2.1.0 (cont.) Criteria for Determining How Costs Are Charged to Federally Sponsored Agreements or Similar Cost Objectives

would constitute exceptional circumstances compared to routine postage requirements. In implementing these policies, the University relies on the judgment of principal investigators and other responsible officials to determine whether these circumstances exist for a particular project, and requires that proposed direct charges for these costs be fully justified to sponsoring agencies in grant applications and contract proposals. For programs that do not require submission of a budget to the sponsoring agency (such as NIH modular grants), the costs must be justified and approved by a designated University official. If a need for these costs arises after a project's budget has been approved, a rebudgeting action to permit direct charging of the costs to the project requires a justification and approval by a designated University official, and, where required, the sponsoring agency.

Costs normally treated as indirect, such as administrative and clerical salaries, are charged directly to non-federal sponsored agreements if permitted by the sponsor. Since these costs would have otherwise been included in the indirect costs allocable to federally sponsored agreements, this practice reduces the costs of federal programs.

To assure consistent treatment of costs between sponsored agreements and non-sponsored activities (instruction), "Direct Charge Equivalents" (DCEs) are used to assign the appropriate amount of departmental general fund expense (e.g., general support salaries, travel, etc.) directly to instruction. DCEs are mathematical formulas which estimate the portion of general fund expenses that should be assigned directly to instruction, and the portion that should be included in the Departmental Administration indirect cost pool. (See description of the accumulation of Departmental Administration expenses in 3.1.0.) The use of DCEs is a long established accounting convention at academic institutions that is designed to help achieve consistent treatment of costs as required by Circular A-21 and CAS 502, and at the same time recognize the generally accepted accounting practices of the institutions.

Item No.	Item Description

2.2.0 Description of Direct Materials

The principal types of materials and supplies charged directly to sponsored agreements and other direct cost objectives include research supplies (e.g., chemicals, glassware, drugs), books and periodicals, minor equipment items (i.e., those below the University's capitalization threshold), and program-related computer software.

2.4.0 Description of Direct Personal Services

The principal classes of direct personal service costs are faculty; research assistants, associates, specialists and scientists; post doctoral fellows; graduate research and teaching assistants; technicians; and students. The direct charges include salaries, fringe benefits, and, in the case of graduate students, tuition remission. Salaries and fringe benefits of administrative and clerical staff are charged directly under the conditions described in 2.1.0. Purchased services are included in section 2.7.0.

2.5.0 Method of Charging Direct Salaries and Wages

The University has three effort reporting systems which are collectively referred to as the "After-The-Fact Activity Record" (ATFAR). The first system covers all faculty and professional employees working in sponsored agreements. These employees are designated as non-classified in the payroll system. The second system covers all employees designated as classified (e.g., technicians, clerical, etc.) in the payroll system who work on sponsored agreements. The third covers paid temporary (contract)/part-time employees, summer faculty, and all students including graduate research/teaching assistants who work on sponsored agreements. All three systems use after-the-fact activity reports.

2.5.2 Salary and Wage Cost Accumulation System

All University employees who are charged or contribute effort to sponsored projects are covered by the After-The-Fact Activity Records (ATFAR) cited in 2.5.0. The operation of the system for each group of employees is summarized below:

A. Non-Classified Employees
A report is produced for each employee. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports are signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed. The reports are prepared twice a year covering each semester of the academic year. Some faculty members may receive additional compensation during the summer term. This effort is certified on a separate After the Fact Records system.

B. Classified Employees
A report is produced for each department. To confirm that distribution of activity represents a reasonable estimate of the work performed by the employees during the period, the reports are signed by the employees, principal investigator, or responsible official(s) using suitable means of verification that work was performed. For classified employees, each report covers two biweekly pay periods.

C. Students, Graduate teaching and research assistants, Temporary (contract) Part-time employees, and Summer faculty recontracting payments.
A report is produced for each employee listing the chart field string (account) and the amount charged to it. To confirm that the charges represent the effort performed by the employee during the appointment, the reports are certified by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed. Currently the reports are prepared on a semiannual basis.

Responsible officials determine and record the planned (budgeted) distribution of each employee's salary on a payroll distribution form based on an estimate of the employee's effort distribution. The completed payroll distribution forms are used to determine the initial distribution of salary costs to University accounts,

Item No.	Item Description

including sponsored agreements. After-the-fact activity reports or time cards/ time sheets, as described above are used to determine the actual distribution of employee salaries. Where the actual distribution differs from the budgeted distribution, the amounts charged to sponsored agreements and other accounts are appropriately adjusted in the accounting system.

2.5.2 (cont.) Salary and Wage Cost Accumulation System

The salary distribution system identifies the salaries directly charged to sponsored agreements as well as the salaries the University contributes to sponsored agreements as cost sharing. The University's policies on cost sharing are in Policy Statement No. 97-01, which was issued on December 1, 1998, and effective on July 1, 1999.

2.6.0 Description of Direct Fringe Benefit Costs

The following fringe benefits attributable to organized research, instruction and other direct cost objectives are treated as direct costs: Pension Plans, FICA, Health Insurance, Workers Compensation, Disability Insurance, Termination costs, Employee Assistance programs, Employee Tuition Waivers, and Retirement benefits.

Leave costs (e.g., vacation, holiday, and sick leave) are included in the normal charges for salaries.

2.6.1 Method of Charging Direct Fringe Benefits

Pension Plans, FICA, and Health Insurance are directly charged to cost objectives based on specific identification of the benefits to the individual employees at the time of occurrence. Workers Compensation, Disability Insurance, Termination costs, Employee Assistance programs, Employee Tuition Waivers, and Retirement benefits are directly allocated using a staff benefit code.
A separate allocation is done to allocate health insurance costs for graduate teaching and research assistants as mandated by the union contract.
The fringe benefit amount allocated to each employee is distributed to sponsored agreements and other costs objectives based on the distribution of the employee's salary.

2.7.0 Description of Other Direct Costs

Principal categories of other direct costs include: travel, consulting services, service center charges, purchased services, publication costs, sub-awards, equipment, equipment repairs and maintenance, long distance telephone expenses, rent and other off-campus facility costs.

—End of Part II—

Item No.	Item Description

Instructions for Part III

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

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

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

* List on a continuation sheet, the category and sub-grouping(s) of expense involved and the allocation base(s) used.

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.")

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

* Describe on a Continuation Sheet

Item No.	Item Description

3.2.0 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.)

		(1)	(2)	(3)	(4)	(5)	(6)
(a)	Scientific Computer Operations	Z	n/a	n/a	n/a	n/a	n/a
(b)	Business Data Processing	Z	n/a	n/a	n/a	n/a	n/a
(c)	Animal Care Facilities	Z	n/a	n/a	n/a	n/a	n/a
(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)						
	Telecommunications	C	A	B	A	A	B
	Research Vessel (R/V) *Endeavor*	A	A	B	A	A	Y

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

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

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

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

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

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

Item No.	Item Description

3.3.0 Indirect Cost Pools and Allocation Bases

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to 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 (Sponsored Training)		
X	On-Campus	D
X	Off-Campus	D
___	Other*	
B. Organized Research		
X	On-Campus	D
X	Off-Campus	D
X	Other* : Agriculture Exp. Station	D
C. Other Sponsored Activities		
X	On-Campus	D
X	Off-Campus	D
X	Other*: Cooperative Ext. Service	D
D. Other Institutional Activities*		

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.)

* Describe on a Continuation Sheet

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*

* Describe on a Continuation Sheet

PART III INDIRECT COSTS

3.1.0 Indirect Cost Categories - Accumulation and Allocation

I. Accumulation Method

(a) Depreciation on Buildings and Equipment

The acquisition costs of buildings, equipment and capital improvements to buildings are entered into the database files of an automated system that develops indirect cost proposals called the "Comprehensive Rate Information System" (CRIS). The CRIS system calculates straight-line depreciation amounts that are used in the indirect cost calculation.

Interest

The interest expense in this indirect cost pool is interest on debt associated with buildings, equipment and capital improvements as defined in paragraph J.22.e. and f. of Circular A-21.

Interest amounts for each externally financed construction project are taken from records kept by the State of Rhode Island Department of Administration. The interest expense for each project is paid by the University's appropriation.

(c) General Administration and General Expenses

General Administration and General expenses incurred by URI are recorded in the University's accounting system. This cost pool also includes a small amount of state central service costs allocated to the University by the State of Rhode Island. The amount allocated to the University is included in a statewide cost allocation plan approved by the DHHS Division of Cost Allocation. The General Administration and General Expenses cost pool also includes the University's allocable share of the costs of the RI Board of Governors for Higher Education and the Office of Higher Education.

(d) Departmental Administration

Departmental administration expenses are only partially identified by the accounting system. This cost pool consists of college administrative costs; costs associated with the administrative work of department heads, faculty and other professional research and academic staff; and other departmental support services. The college administration costs are identified by the accounting system.

Item No.	Item Description

3.1.0 Indirect Cost Categories - Accumulation and Allocation (cont.)

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

The remaining departmental support costs include the salaries and fringe benefits of general support staff, professional administrative staff, office supplies, postage, travel associated with administrative activities, etc. This portion of departmental administration expenses is accumulated by an analysis of departmental general fund accounts, and the application of "Direct Charge Equivalents" (DCEs). DCEs are mathematical formulas which estimate the portion of departmental general fund expenses that should be assigned directly to instruction, and the portion that should be included in the departmental administration indirect cost pool. See 3.4.0 for further details on the composition and accumulation of departmental administration expenses.

All Other Indirect Cost Categories
The remaining indirect cost categories are identified by the University's accounting system. As noted in 1.2.0, adjustments and reclassifications are needed to recast the information in the University's financial statements into the cost pools required by Circular A-21. These adjustments and reclassifications are listed and explained in schedules included in the University's indirect cost proposals.

II. <u>Allocations Base Code</u>

(b) Operation and Maintenance (O&M) Expenses
The Athletic Facility O&M and Auxiliary Enterprise O&M sub-pools described in 3.4.0 benefit only the Other Institutional Activities function; therefore, expenses from these cost pools are allocated directly to Other Institutional Activities. All other O&M expenses are allocated based on square footage.

(f) Library
Library costs are allocated based on the standard method in section F.8. of Circular A-21, which uses a combination of full-time-equivalent student and employee data and salary data in a multi-step allocation process.

Item No.	Item Description

3.2.0 Service Centers

(d) Research Vessel (R/V) *Endeavor*

The R/V *Endeavor* is owned by the National Science Foundation (NSF), which also funds its operations. Rates are established based on the vessel's days of usage by programs other than the NSF program that funds the vessel. Any excess of revenues over costs related to usage by these other programs is used as an offset against the base NSF grant in the following year.

3.3.0 Indirect Cost Pools and Allocation Bases

B. Organized Research/Other

The Agriculture Experiment Station consists of USDA formula funds (Hatch, Regional Research, McIntyre-Stennis and Animal Health) that are used for research in the agricultural sciences. An on-campus rate is calculated but no indirect costs are charged.

C. Other Sponsored Activities/Other

The Cooperative Extension Service consists of USDA formula funds (Smith-Lever) that are used to educate and transmit information produced by the research centers to the public. An on-campus rate is calculated but no indirect costs are charged.

3.4.0 Composition of Indirect Cost Pools/
3.5.0 Composition of Allocation Bases

The following are descriptions of the University's indirect cost pools and allocation bases. The University uses the Comprehensive Rate Information System (CRIS) to develop its indirect cost proposal. Because of the numerous sub-pools used for O&M expenses, the University believes that it is clearer to describe the allocations of the pools immediately following the composition of the pools. Sections 3.4.0 and 3.5.0 have therefore been combined.

(a)1. Building Depreciation

The Building Depreciation cost pool contains the calculated depreciation for URI buildings (including capitalized improvements). Building depreciation is based on acquisition cost of the buildings, less federal funds. In the development of the University's future indirect cost proposals, a review of Federal construction awards will

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

be made to assure proper treatment of depreciation on the University funded match in accordance with section J.12.a.(3) of Circular A-21.

Building Depreciation is 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 occupied by each function. Functional usage is determined on a room-by-room basis through a periodic space inventory and functional use survey, which assigns a specific percentage of use to each function performed in each room.

For space used jointly by more than one function, the room occupant or other knowledgeable person responsible for that room determines the percentage applicable to each function based on a review of the activities performed in the room, the account(s) that supports those activities, and the occupants of the room. When evaluating the functional use of a room, care is taken to insure that the space classification is consistent with the functional classification of the expenditure accounts which funded the activities in that room.

Buildings constructed with non-federal funds used as match for the federal construction award for the University's Coastal Institute are excluded from the Buildings Depreciation cost pool.

(a)2. Equipment Depreciation

The Equipment cost pool contains the calculated depreciation for equipment at URI with a unit cost of $5,000 or more and a useful life of more than one year. Depreciation is calculated on a straight-line basis according to the useful life of the equipment, less federally funded equipment. The University's future indirect cost will also exclude depreciation on equipment charged to non-federal sponsored agreements in accordance with guidance issued by OMB. If the University has title to this equipment, depreciation on the remaining undepreciated cost of the equipment will be included in the University's equipment depreciation pool after the non-federal agreements expire.

Item No.	Item Description

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

The Equipment cost pool group includes the following sub-pools:

- Equipment identified to rooms
- Equipment identified to buildings

Depreciation on equipment identified to specific rooms is allocated based on the functional use of each room.

Depreciation on equipment identified to a building is allocated based on the functional use of each building.

(a)3. Interest

The interest cost pool consists of interest on debt associated with certain buildings, improvements and equipment computed in accordance with sections J.22.e and f. of Circular A-21. Interest costs are allocated on the same basis as the depreciation on the buildings and equipment to which the interest relates.

(b) Operations and Maintenance

Operations and Maintenance (O&M) includes all utilities, custodial, safety, and other campus O&M expenses. The O&M cost pool group includes the following sub-pools:

* Electricity
* Main/NBC O&M
* Building Rentals
* Main Campus O&M
* Athletic Facility O&M
* Auxiliary O&M
* Enterprise O&M
* Alan Shawn Feinstein College of Continuing Education (CCE) Operations
* Narragansett Bay Campus (NBC) O&M

Each O&M sub-pool includes its allocable share of depreciation and interest.

Item No.	Item Description

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

The Electricity sub-pool includes expenditures for electricity which serve URI buildings on the Kingston Campus (including the East and Peckham Farms) and the Narragansett Bay Campus. Expenditures from this sub-pool are first identified to appropriate buildings based on the net assignable square footage for each building. Next, the costs by building are allocated to benefiting functions based on the functional use of space for each building. The functional use of space for the allocation of this O&M sub-pool and the other O&M sub-pools in this section is determined as described under the Building Depreciation cost pool.

The Main/NBC sub-pool includes those expenditures which serve URI buildings on the Kingston Campus (including the East and Peckham Farms) and the Narragansett Bay Campus: heat & fuel, water & sewer charges, asset protection, capital projects administration, safety & risk management, hazardous waste removal, building insurance. These expenditures are identified to the appropriate buildings based on net assignable square footage for each building; costs by building are allocated based on functional use of space for each building.

Building Rental expenditures include all expenditures associated with rental payments made for the use of space in specific buildings. The expenditures in this cost pool are first identified to individual buildings based on the rent paid for the space in each building, and then allocated based on the functional use of space within the building.

Main Campus O&M sub-pool includes those expenditures which serve URI buildings on the Kingston Campus (including the East and Peckham Farms): facilities and operations administration, police/security, custodial, maintenance & repairs, central receiving, landscaping, and other campus-wide O&M activities. These expenditures are identified to the appropriate buildings based on net assignable square footage for each building; costs by building are allocated based on functional use of space for each building.

Athletic Facility O&M expenditures include those expenditures that benefit the athletic department only: electricity, custodial, and maintenance and repairs. The athletic department is classified as Other Institutional Activities (OIA), and consequently, the expenditures from this cost pool are allocated entirely to OIA.

Item No.	Item Description

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

Auxiliary O&M include those O&M expenditures that benefit the auxiliary enterprises: facilities and operations administration, electricity, heat & other utilities, custodial, maintenance and repairs, security and building insurance. Auxiliary enterprises (Residence Halls, Memorial Union, Dining, Bookstore, and Health Services) are charged directly for electricity use, heat & other utilities, custodial services, maintenance and repair and building insurance. This cost pool is allocated entirely to auxiliary enterprises. All auxiliary space is excluded from the allocation base for Electricity cost pool, the Main/NBC cost pool, and the Main Campus cost pool.

Enterprise O&M includes those O&M expenditures that benefit the W. Alton Jones Campus: facilities and operations administration, electricity, heat & other utilities, custodial, maintenance and repairs, security and building insurance The W. Alton Jones Campus is charged directly for electricity use, heat & other utilities, custodial services, and maintenance and repair, and building insurance. This cost pool is allocated entirely to the enterprise fund. All enterprise space is excluded from the allocation base for Electricity cost pool, the Main/NBC cost pool, and the Main Campus cost pool.

Alan Shawn Feinstein College of Continuing Education (CCE) Operations expenditures include those O&M expenditures which benefit the CCE campus: facilities and operations administration, electricity, heat and fuel, heat management, other utilities, custodial, maintenance and repairs, and security. The expenditures from this cost pool are allocated based on the functional use of space for the CCE campus.

Narragansett Bay Campus (NBC) operation and maintenance expenditures include those O&M expenditures which benefit the NBC Campus: facilities and operations administration, custodial, maintenance and repairs, security and landscaping. The expenditures from this cost pool are allocated based on the functional use of space for the NBC Campus.

Item No.	Item Description

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

(c) General Administration and General Expenses

General Administration and General Expenses (G&A) include all costs associated with general and academic administration of URI. This cost pool includes the following sub-pools:

- General Administration
- Academic Administration

The General Administration sub-pool includes expenses incurred for general administrative offices of the University and other expenses of a general character which do not relate solely to any major function of the University, including expenses of the President's Office, Legal Counsel, Vice President for Business and Finance, Controller's Office, Budget Office, Personnel Office, Purchasing, Payroll, Accounting, Central Mail, Training, Property/Inventory, Affirmative Action, and Information Services. Also included in this cost pool is an appropriate share of depreciation, O&M, interest costs, and the University's allocation of state central service costs, R.I. Board of Governors for Higher Education, and the Office of Higher Education.

General Administration costs are allocated to all major university functions and indirect cost pools (except O&M, depreciation, and interest) based on Modified Total Costs. Modified Total Costs consist of salaries and wages, fringe benefits, materials and supplies, services, travel, and sub-grants and subcontracts up to the first $25,000 of each sub-grant or subcontract (regardless of the period covered by the sub-grant or subcontract). The following cost elements are excluded from the Modified Total Costs base: equipment that meets the University's capitalization threshold, other capital expenditures, and tuition remission, space rental costs, scholarships and fellowships, and the portion of each sub-grant and subcontract in excess of $25,000.

Academic Administration includes all costs associated with the Provost's Office and is allocated to all academically oriented functions. This includes all functions except Auxiliary Enterprises. Costs are allocated based on the Modified Total Costs of the benefiting functions, which consist of the same cost elements as the allocation base for General Administration.

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

(d) Departmental Administration

The Departmental Administration (DA) cost pool consists of expenses incurred by the University's colleges and departments for administrative and supporting services that benefit common departmental activities. The DA cost pool also includes its allocable share of depreciation, interest, O&M, and G&A.

The DA cost pool includes the costs of administrative services at the college level and the department level. College administration consists of costs incurred by deans' offices. Department-level administrative costs consist of the following six cost components:

(1) The 3.6% allowance for faculty/professional administrative activities specified in paragraph F.6.a. of Circular A-21;
(2) Professional administrative salaries;
(3) General support salaries and wages;
(4) Fringe benefit costs;
(5) Supplies and other expenses (non-labor costs); and
(6) Cross-allocations to DA from other indirect cost pools (depreciation, interest, O&M, and G&A).

Professional administrators are identified on a department-by-department basis and included in the DA cost pool.

The general support salaries and wages component is calculated on a department-by-department basis through the use of the Direct Charge Equivalent (DCE) methodology. Under the DCE methodology, the following ratio is computed: general support salaries and wages directly identified to sponsored projects compared to faculty/professional salaries directly identified to sponsored projects. Based on this ratio, a portion of general support salary and wage costs is directly assigned to instruction and the remainder included in the DA cost pool.

Item No.	Item Description

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

The next two components of the DA pool, 'Benefits and Supplies and Other Expenses' are also calculated on a department-by-department basis. 'Benefits' are determined by applying the department benefit rate to the salaries and wages included in DA. 'Supplies and Other Expenses' are calculated by using the ratio of supplies and other expenses directly identified to sponsored projects compared to salaries and wages directly identified to sponsored projects. Based on this ratio, a portion of supplies and other expenses is directly assigned to instruction and the remainder included in the DA cost pool.

The College Administration cost pools are allocated to the departments within each college, based on the MTDC of those departments. Departmental costs, plus the department's share of college administration, are allocated to benefiting functions within the department based on the MTDC of those functions. MTDC consists of the same cost elements as the Modified Total Cost Base used to allocate G&A expenses.

(e) Sponsored Projects Administration

The Sponsored Projects Administration cost pool includes expenses incurred by separate offices established primarily to administer sponsored projects, specifically, the expenses of the Research Office and Grant and Contract Accounting. Also included in this cost pool is an appropriate share of depreciation, interest, O&M, and G&A.

Sponsored Projects Administration is allocated based on the MTDC of the sponsored projects within each major function of the institution. MTDC for this purpose consists of the same cost elements as the allocation base for G&A and DA.

(f) Library

Library costs consist of all expenditures associated with operating the URI library system, including expenditures incurred for the purchase of books and periodicals. Also included in this cost pool is an appropriate share of depreciation, interest, O&M, and G&A.

Library costs are allocated based on the standard method in section F.8 of Circular A-21, which uses a combination of full-time-equivalent student and employee data and salary data in a multi-step allocation process.

Item No.	Item Description

3.4.0 Composition of Indirect Cost Pools/3.5.0 Composition of Allocation Bases (cont.)

(g) Student Administration and Services

The Student Administration and Services (SS) cost pool includes expenses incurred for administration of student affairs and services to students, including expenses for such activities as Vice President for Student Affairs, Assistant Vice President for Campus Life, Student Life, Career Services, Counseling Center, Admissions, Registrar, Bursar, and Financial Aid, etc. Also included in this cost pool are an appropriate share of depreciation, interest, O&M, and G&A. The Student Administration and Services indirect cost pool is allocated entirely to the instruction function in accordance with the standard base in section F.9.b. of Circular A-21.

Final Distribution Base

The final distribution base (i.e., the base used to allocate the accumulated indirect costs of each major function to sponsored agreements within that function) is also MTDC and consists of the same cost elements as the base for allocating the administrative cost pools noted above.

Cost Sharing

Cost sharing of direct costs on sponsored agreements is included in the same indirect cost allocation bases (e.g., organized research) as the direct cost charged to the agreements. Cost sharing commitments (mandatory and voluntary) on sponsored agreements are identified when the sponsored agreement proposals are submitted and a cost sharing account for the project is established in the University's accounting system. The actual cost sharing provided is certified in the University's After-The-Fact Activity Record System (ATFAR). Cost sharing of non salary cost is also charged to the cost sharing account. Organized research activities funded by gifts are identified by separate accounts in the University's accounting system. A separate cost sharing account is also established for any unplanned cost sharing. The University's policy on cost sharing (Cost Sharing Policy #97-01) was issued on December 1, 1998 with an effective date of July 1, 1999.

—End of Part III—

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

Column (1)--Depreciation Method Code

A. Straight Line
B. Expensed at Acquisition
C. Use Allowance
Y. Other or more than one method*

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*

Column (3)--Property Unit Code

A. Individual units are accounted for separately
B. Applied to groups of assets with similar service lines
C. Applied to groups of assets with varying service lines
Y. Other or more than one method*

Column (4)--Residual Value Code

A. Residual value is deducted
B. Residual value is not deducted
Y. Other or more than one method*

* Describe on a Continuation Sheet

Item No.	Item Description

4.1.1 Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)

A. ___ Yes
B. _X_ No*

4.2.0 Fully Depreciated Assets. Is a usage charge for fully depreciated assets charged to federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the change on a continuation sheet.)

A. ___ Yes
B. _X_ No

4.3.0 Treatment of Gains and Losses on Disposition of Depreciable Property. Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

A. _X_ Excluded from determination of sponsored agreements costs
B. _X_ Credited or charged currently to the same pools to which the depreciation of the assets was originally charged
C. ___ Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved
D. ___ Not accounted for separately, but reflected in the depreciation reserve account
Y. ___ Other(s)*
Z. ___ Not applicable

4.4.0 Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or sub-category of assets involved which differs from those for the majority of assets.)

A. Minimum Dollar Amount $5,000
B. Minimum Life Years over 1

4.5.0 Group or Mass Purchase. Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)

A. ___ Yes*
B. _X_ No

* Describe on a Continuation Sheet

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VII-CENTRAL SYSTEM OR GROUP EXPENSES NAME OF REPORTING UNIT: **University of Rhode Island**

Item No.	Item Description

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

Instructions for Part VII

This part should be completed only by the central system office or a group office of an educational system when that office is responsible for 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.

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.

7.1.0 Organizational Structure.

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

7.2.0 Cost Accumulation and Allocation.

On a continuation sheet, provide a description of:

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

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

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

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

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

Item No.	Item Description

7.1.0 Organization Structure

The Rhode Island Board of Governors for Higher Education is a legislatively constituted body consisting of fifteen publicly appointed members. It is the governing and coordinating body that is charged with policy level oversight responsibility for the state's three institutions of higher education. An appointed commissioner and a staff of about twenty persons serve the board. The institutions in the system are as follows:

University of Rhode Island
The University is a major research institution serving a broad section of both Rhode Island residents and out of state students. Degrees are awarded through the doctoral level.

Rhode Island College
The College is a comprehensive four-year institution servicing primarily Rhode Island residents and a small percentage of non-residents. Degrees awarded are primarily baccalaureate with masters' degrees awarded in selected disciplines.

Community College of Rhode Island
The Community College is a two-year institution serving primarily Rhode Island residents with a broad selection of offerings. Degrees are awarded through the Associate level.

7.2.0 Cost Accumulation and Allocation

A. Services provided to segments:
The Board of Governors for Higher Education provides policy-level supervision, coordination and direction for the three institutions in the system.

B. Identification and accumulation of costs:
In the books and records of the Board of Governors for Higher Education which are maintained by the state of Rhode Island.

Item No.	Item Description

PART IV DEPRECIATION AND USE ALLOWANCES

4.1.1 Asset Valuations and Useful Lives

The computation of depreciation for research facilities is substantially more complex than for non-research buildings. The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, and the renewal and replacement policies followed for the individual items or classes of assets involved. Research buildings are depreciated according to the useful lives of their major components, up to 16, e.g. shell, finishes, services, fixed equipment and roof, ranging from 10 to 50 years. Non-research buildings are componentized into two categories, consisting of original building with a life of 40 years and building renewals with a life of 25 years. The University uses the same method for asset depreciation for financial statement reporting purposes as it does for F&A calculation.

Equipment depreciation is based on the individual equipment categories and useful lives commonly used by educational institutions.

4.3.0 Treatment of Gains and Losses on Disposition of Depreciable Property

In accordance with section J33 of Circular A-21, the University has excluded gains and losses on the disposition of depreciable property from the determination of sponsored agreement costs. This section of the Circular has recently been revised to require that these gains and losses be treated as credits or charges to the asset cost grouping in which property was included. The University will comply with the new requirement for assets subject to depreciation effective with the development of its indirect cost proposal for a base year starting after the issuance of the change to the circular.

4.4.0 Criteria for Capitalization

The dollar amount and minimum useful life shown in this section of the DS-2 form apply to equipment. In the case of building renovations and other capital projects, the capitalization criteria is $50,000 and a useful life exceeding one year.

—End of Part IV—

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 Rhode Island**

Item No.	Item Description

Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the 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.

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 should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions.)

6.1.0 Pension Plans.

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

Type of Plan	Number of Plans
A. ___ Institution employees participate in State/Local Government Retirement Plan(s)	
B. _X_ Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	_1_
C. ___ Institution has its own Defined-Contribution Plan(s)*	

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.)

Z. [X] Not Applicable

6.2.0 Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs). (Identify on a continuation sheet all PRB plans whose costs are charged to federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)

Z. [ ] Not Applicable

* Describe on a Continuation Sheet

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 Self-Insurance Programs (Employee Group Insurance). 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 employee
E. ___ When amounts are paid to an employee welfare plan
Y. ___ Other or more than one method*
Z. _X_ Not Applicable

6.4.0 Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)

6.4.1 Worker's Compensation and Liability. Costs of such self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.)

A. ___ When claims are paid or losses are incurred (no 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. ___ Other or more than one method*
Z. _X_ Not Applicable

6.4.2 Casualty Insurance. Costs of such self-insurance programs are charged to federally sponsored agreements or similar cost objectives: (Mark one.)

A. ___ When losses are incurred (no provision for reserves)
B. ___ When provisions for reserves are recorded based on replacement costs
C. ___ When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.
D. ___ Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)
Y. ___ Other or more than one method*
Z. _X_ Not Applicable

* Describe on a Continuation Sheet.

Item No.	Item Description

PART VI DEFERRED COMPENSATION AND INSURANCE COSTS

6.2.0 PRBs OTHER THAN PENSIONS

The State of Rhode Island has a defined benefit pension plan that covers some URI employees. The state plan also provides post-retirement health benefits to the covered employees. The University makes a payment to the state which covers both the basic retirement benefit and the post-retirement health benefit.

The State Board of Governors for Higher Education has established a separate plan to provide post-retirement health benefits to University employees who are not covered by the state defined benefit pension plan. Currently, the total cost of the plan for eligible participants is being borne by the University, until a deduction from employees' gross wages is implemented some time in 1999.

The state defined benefit plan covers approximately 1,109 active URI employees. The Board of Governors plan covers approximately 1,154 active URI employees.

6.2.1 DETERMINATION OF ANNUAL PRB COSTS

As noted in 6.2.0, some University employees are covered by a state defined benefit pension plan that also provides post-retirement health benefits. The University's payment to the state for this plan does not separately identify the pension benefits from the other post-retirement benefits. The costs are charged on a cash basis. Charges for the Board of Governors post-retirement plan are also made on a cash basis.

—End of Part VI—

Item No.	Item Description

7.2.0 (cont.) **Cost Accumulation and Allocation**

C. **Basis used to allocate the accumulated costs to the benefiting segments:**
Costs of the central system office are allocated to the three institutions based on the total budget for each institution.

D. **Costs that are transferred or reallocated:**
None

E. **Fixed management fees charged:**
None

-End of Part VII-