



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Service
Division of Cost Allocation

Cohen Building, Room 1067
330 Independence Ave., SW
Washington, DC 20201
Phone: (202) 401-2808
Fax: (202) 619-3379

August 16, 2007

Ms. Deb Carmel
Director of Cost Accounting
Harvard School of Public Health
677 Huntington Avenue
Boston, MA 02115

Dear Ms. Carmel:

This is in response to your transmittal of a revised Cost Accounting Standards Board (CASB) Disclosure Statement (DS-2) for the Harvard School of Public Health. As the Administrative Contracting Officer (ACO), I am required to determine the adequacy and compliance of the DS-2. Based on the results of the Defense Contract Audit Agency's Report Numbers 2171-2006K19100003, 2171-2006K19100005, and 2171-2006K19200001 on the adequacy and noncompliance of the School's disclosure statement and a review performed by our Northeastern Field Office, I have determined that your DS-2 adequately discloses 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 at (202) 260-2381.

Sincerely,

Darryl W. Mayes
National Director
Division of Cost Allocation

**Revised Disclosure Statement
for:
Harvard School of Public Health**

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

**GENERAL INSTRUCTIONS
HARVARD SCHOOL OF PUBLIC HEALTH
Effective date July 1, 2004**

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 Parts 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.

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.

0.1

Educational Institution

- (a) **Name:** HARVARD SCHOOL OF PUBLIC HEALTH
- (b) **Street Address:** 677 Huntington Avenue,
- (c) **City, State and ZIP Code:** Boston, MA 02115
- (d) **Division or Campus of:** Harvard University
(if applicable)

0.2

Reporting Unit is: (Mark one.)

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

0.3

Official to Contact Concerning this Statement:

- (a) **Name and Title:** Deborah Carmel, Director of Cost Accounting, Office of Financial Services
- (b) **Phone Number (include area code and extension):** (617) 432-0990

0.4

Revised

Statement Type and Effective Date:

- A. **(Mark type of submission. If a revision, enter number)**
- (a) **Original Statement**
- (b) **Amended Statement; Revision No. 1**
- B. **Effective Date of this Statement: (Specify)** July 1, 2004

Effective date July 1, 2004

0.5
Revised

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

- A. Cognizant Federal Agency:**
Division of Cost Allocation
Department of Health and Human Services
Cohen Building, room 1067
330 Independence Ave. SW
Washington, DC 20201
(202) 401-2808
- B. Cognizant Federal Auditor:**
Regional Inspector General for Audit Services
Department of Health and Human Services
Room 2425 Office of Inspector General
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2689

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: March 14, 2007

(Signature)

John Lichten
(Print or Type Name)

Dean for Finance and 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
HARVARD SCHOOL OF PUBLIC HEALTH**

Item No.	Revision Number 1, Effective Date July 1, 2004 Item description
	<p align="center">Part I</p> <p>1.1.0 <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 <u>1/</u></p> <p>C. <input checked="" type="checkbox"/> Cash Basis</p> <p>Y. <input type="checkbox"/> Other <u>1/</u></p> <p>1.2.0 <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> <p>1.3.0 <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 type="checkbox"/> Specifically identified and recorded separately in the formal financial accounting records. <u>1/</u></p> <p>B. <input type="checkbox"/> Identified in separately maintained accounting records or work papers. <u>1/</u></p> <p>C. <input type="checkbox"/> Identifiable through use of less formal accounting techniques that permit audit verification. <u>1/</u></p> <p>D. <input checked="" type="checkbox"/> Combination of A, B or C <u>1/</u></p> <p>E. <input type="checkbox"/> Determinable by other means. <u>1/</u></p> <p><u>1/</u> Describe on a Continuation Sheet.</p>

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

PART I - GENERAL INFORMATION

NAME OF REPORTING UNIT

HARVARD SCHOOL OF PUBLIC HEALTH

**Item
No.**

**Revision Number 1, Effective Date July 1, 2004
Item description**

1.3.1

Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)

1.4.0

**Cost Accounting Period: July 1 - June 30
(Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)**

1.5.0

State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

The Harvard School of Public Health (HSPH) has no knowledge of State laws or regulations that materially affect its cost accounting practices.

1/ Describe on a Continuation Sheet.

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

**CONTINUATION SHEET
PART I - GENERAL INFORMATION**

**NAME OF REPORTING UNIT
HARVARD SCHOOL OF PUBLIC HEALTH**

**Item
No.**

**Revision Number 1, Effective Date July 1, 2004
Item description**

1.1.0A

Revised

Description of Cost Accounting System

The School of Public Health's accounting system is based on the principles of Fund Accounting. Direct costs are charged to sponsored agreements on the cash basis, except for charges for fringe benefits based on the University's fringe benefit rates and certain accounts payable accruals recorded at year-end. Indirect cost and fringe benefit rates are allocated to eligible direct costs. Direct and indirect costs are reconciled to the University's annual financial statements, including normal accruals for accounts payable, pensions, post retirement health benefits, etc.

**COST ACCOUNTING STANDARDS BOARD
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**CONTINUATION SHEET
PART I - GENERAL INFORMATION**

**NAME OF REPORTING UNIT
HARVARD SCHOOL OF PUBLIC HEALTH**

**Item
No.**

**Revision Number 1, Effective Date July 1, 2004
Item description**

1.2.0 A

Revised

Integration of Cost Accounting with Financial Accounting

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

The cost accounting system is integrated with the financial statements. Expenses are assigned to direct base functions and indirect cost pools based on the function (e.g. instruction, general & administrative) of the activity for which they were incurred.

Adjustments and reclassifications are then made as needed in accordance with OMB Circular A-21 to support the accumulation of costs as required by OMB Circular A-21. The specific adjustments and reclassifications are listed and explained in schedules included in the Harvard School of Public Health's indirect cost proposal.

As discussed in 3.1.0 below, the equipment depreciation and interest indirect cost pools, and some of the costs in the departmental administration pool, are not accumulated by the formal accounting system and must therefore be accumulated through cost finding techniques or other calculations. Some indirect cost pools include HSPH's share of costs allocated by Harvard University and Harvard Medical School.

Costs recognized as direct cost sharing are not accumulated by the formal accounting system. Cost sharing amounts that are added to the organized research base are identified by committed cost sharing reports.

Finally, the allocation of indirect costs and fringe benefits, and the development of indirect cost and fringe benefit rates, are accomplished through cost finding procedures in accordance with OMB Circular A-21.

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
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**CONTINUATION SHEET
PART I - GENERAL INFORMATION**

**NAME OF REPORTING UNIT
HARVARD SCHOOL OF PUBLIC HEALTH**

**Item
No.**

**Revision Number 1, Effective Date July 1, 2004
Item description**

1.3.0 A
Revised

Unallowable Costs.

Unallowable costs are charged to specific expense object codes in the accounting system. The person purchasing an item determines whether it is unallowable. Harvard's chart of accounts has a specific series of object codes that signify expenses unallowable for federal reimbursement, codes 8450-8459. The costs recorded in these object codes are excluded from the direct and indirect costs charged to sponsored agreements.

Additionally, costs incurred by organizational units whose overall functions are unallowable (e.g., School of Public Health Development, Alumni Relations, etc.) are identified by unit and removed from the indirect cost pools allocated to sponsored agreements.

Reviews are made to ensure that unallowable costs are not included in indirect cost pools during the development of indirect cost proposals. This is a two step process: The first step is programmed into the rate development software, CRIS, so that costs charged to unallowable object codes are excluded from the indirect cost pools. Second, a report of expenses by object code is reviewed for administrative and facilities pools and any unallowable costs are excluded.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART I - GENERAL INFORMATION
		NAME OF REPORTING UNIT HARVARD SCHOOL OF PUBLIC HEALTH
Item No.	Revision Number 1, Effective Date July 1, 2004 Item description	
1.3.1 A Revised	<p><u>Treatment of Unallowable Costs.</u></p> <p>Unallowable costs and activities are excluded from indirect cost pools and are reclassified to the Other Institutional Activity base as required by section B.1.d. of OMB Circular A-21. Indirect costs are allocated to these activities as part of the normal indirect cost allocation process. Unallowable costs, including unallowable directly associated costs as defined in CAS 505, are excluded from charges to Federally sponsored agreements. Whenever unallowable costs would normally be part of a regular indirect cost allocation base, they will remain in that base. Where an unallowable cost of research is identified, it will remain in the organized research base if the cost is of the type that would normally be included in the MTDC base of organized research.</p> <p style="text-align: center;">End of Part I</p>	

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

PART II - DIRECT COSTS

**NAME OF REPORTING UNIT
HARVARD SCHOOL OF PUBLIC HEALTH**

**Item
No.**

**Revision Number 1, Effective Date July 1, 2004
Item description**

Instructions for Part II

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

- 2.1.0** Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)
- 2.2.0** Description of Direct Materials. All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)
- 2.3.0** Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
- 2.3.1** Direct Purchases for Projects are Charged to Projects at:
- A. Actual Invoiced Costs
 - B. Actual Invoiced Costs Net of Discounts Taken
 - Y. Other(s) 1/
 - Z. Not Applicable
- 2.3.2** Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):
- A. First In, First Out
 - B. Last In, First Out
 - C. Average Costs 1/
 - D. Predetermined Costs 1/
 - Y. Other(s) 1/
 - Z. Not Applicable

**COST ACCOUNTING STANDARDS BOARD
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EDUCATIONAL INSTITUTIONS**

PART II - DIRECT COSTS

**NAME OF REPORTING UNIT
HARVARD SCHOOL OF PUBLIC HEALTH**

Item No.	Revision Number 1, Effective Date July 1, 2004 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 Revised	<p>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.)</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Direct Personal Services Category</th> </tr> <tr> <th></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Faculty</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Staff</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Students</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Other</u> ^{1/}</th> </tr> <tr> <th></th> <th style="text-align: center;">(1)</th> <th style="text-align: center;">(2)</th> <th style="text-align: center;">(3)</th> <th style="text-align: center;">(4)</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">A. Payroll Distribution Method (Individual time card/actual hours and rates)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____ <u>X</u> _____</td> <td style="text-align: center;">_____ <u>X</u> _____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td style="vertical-align: top;">B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)</td> <td style="text-align: center;">_____ <u>X</u> _____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td style="vertical-align: top;">C. After-the-fact Activity Records (Percentage Distribution of employee activity)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____ <u>X</u> _____</td> <td style="text-align: center;">_____ <u>X</u> _____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td style="vertical-align: top;">D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td style="vertical-align: top;">Y. Other(s) ^{1/}</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table> <p>^{1/} Describe on a Continuation Sheet.</p>		Direct Personal Services Category					<u>Faculty</u>	<u>Staff</u>	<u>Students</u>	<u>Other</u> ^{1/}		(1)	(2)	(3)	(4)	A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	_____ <u>X</u> _____	_____ <u>X</u> _____	_____	B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	_____ <u>X</u> _____	_____	_____	_____	C. After-the-fact Activity Records (Percentage Distribution of employee activity)	_____	_____ <u>X</u> _____	_____ <u>X</u> _____	_____	D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	_____	_____	_____	_____	Y. Other(s) ^{1/}	_____	_____	_____	_____
	Direct Personal Services Category																																								
	<u>Faculty</u>	<u>Staff</u>	<u>Students</u>	<u>Other</u> ^{1/}																																					
	(1)	(2)	(3)	(4)																																					
A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	_____ <u>X</u> _____	_____ <u>X</u> _____	_____																																					
B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	_____ <u>X</u> _____	_____	_____	_____																																					
C. After-the-fact Activity Records (Percentage Distribution of employee activity)	_____	_____ <u>X</u> _____	_____ <u>X</u> _____	_____																																					
D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	_____	_____	_____	_____																																					
Y. Other(s) ^{1/}	_____	_____	_____	_____																																					

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
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EDUCATIONAL INSTITUTIONS

PART II - DIRECT COSTS

NAME OF REPORTING UNIT
HARVARD SCHOOL OF PUBLIC HEALTH

Item No.	Revision Number 1, Effective Date July 1, 2004 Item description
2.5.1	<p>Salary and Wage Cost Distribution Systems.</p> <p>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.)</p> <p align="center"> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </p>
2.5.2	<p>Salary and Wage Cost Accumulation System.</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>

COST ACCOUNTING STANDARDS BOARD
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PART II - DIRECT COSTS

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Item
No.

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Item description

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

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.)

	<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (3)
A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
B. At full cost <u>including</u> 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) <u>1/</u>	<u> X </u>	<u> X </u>	<u> X </u>
Z. Interorganizational transfers are not applicable	_____	_____	_____

1/ Describe on a Continuation Sheet.

**COST ACCOUNTING STANDARDS BOARD
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**CONTINUATION SHEET
PART II - DIRECT COSTS**

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**Item
No.**

**Revision Number 1, Effective Date July 1, 2004
Item description**

2.1.0 A
Revised

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

Harvard School of Public Health 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 that cannot be identified readily and specifically with a particular sponsored project, instructional activity or other institutional activity are treated as indirect costs. The Harvard School of Public Health's indirect costs are consistent with the definitions of specific indirect cost categories in section F. of OMB Circular A-21.

The Harvard School of Public Health also follows the guidelines in section F.6.b. of OMB 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.

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

The portions of salaries and fringe benefits of faculty, research associates, technicians, lab assistants, research fellows and teaching fellows associated with effort on sponsored projects, instructional activities and other direct cost objectives, are treated as direct costs if they meet the requirements of OMB Circular A-21 Section D.1. The portions of salaries and fringe benefits of faculty and professional staff associated with administrative activities are treated as indirect costs.

Salaries and fringe benefits of administrative and clerical staff are normally treated as indirect costs, as required by section F.6.b of OMB Circular A-21. However, these costs may be charged as direct costs when the research activity qualifies as a major project and explicitly budgets for administrative or clerical services, and staff involved can be specifically identified with the project. A major project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments. For example, administrative/clerical costs are charged direct for services in support of HSPH research projects involving

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population surveys requiring extensive data accumulation and data entry by clerical staff. HSPH departmental administrative/clerical staff compensation charged direct satisfy the Circular's requirement that costs incurred for the same purpose and in like circumstances are treated consistently as either direct or F&A costs. For the conditions noted, administrative and clerical staff compensation is charged for different purposes and under different circumstances than usual administrative expenses incurred to support academic department activity.

Costs normally treated as indirect, such as administrative and clerical salaries, are charged directly to non-federal sponsored agreements if permitted by the sponsor. Administrative costs charged directly to non-federal sponsors are excluded from departmental administration cost pools. Differences in charging federal and non-federal awards for administrative costs create a technical violation of CAS 502, but the end result is the inclusion of these costs in the base and a reduction in the Facilities and Administrative cost rate used to charge indirect costs to federal awards.

The costs of laboratory supplies (e.g., chemicals, glassware), instructional supplies, animals, animal care and other specialized services, travel, consulting services, and the other items enumerated in 2.2.0 and 2.7.0 identifiable to sponsored activities, instruction, or other direct cost objectives in accordance with OMB Circular A-21 Section D.1, are treated as direct costs.

On-campus facilities costs are treated as indirect costs. Rent and other facility costs of off-campus facilities used to conduct sponsored activities or other direct cost objectives are normally treated as direct costs when they meet the requirements of OMB Circular A-21 Section D.1. When facilities costs are charged directly to off campus awards, the facilities expenses are excluded from the MTDC base and do not get an allocation of overhead. The Facilities and Administrative rate charged to off-campus awards includes administrative components but not facilities-related components.

Often, non-federal sponsors pay less than full overhead recovery, although their direct expenses are included in the MTDC base in the same manner as federal awards. When the non-federal sponsors do not provide complete recovery of Facilities and Administrative cost, the non-recovered costs are born by school funds, not by federal sponsors.

The costs of office supplies are normally treated as indirect costs. Under certain exceptional circumstances, considered "unlike circumstances" under CAS 502, these costs may be directly charged if they meet the requirements of OMB Circular A-21 Section D.1. Exceptional circumstances apply when a project has a special or unique need for such supplies that clearly differs from the normal use of these items by other activities of the institution. The use of the item must be significantly greater than the routine level of such items provided by academic departments and must be used specifically for the technical purposes of the project rather than to support administrative or clerical efforts. An example would be a project that collects voluminous data through an extensive survey.

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Memberships in business, technical and professional organizations are also treated as indirect costs.

Long-distance telephone expenses and metered postage identifiable to sponsored activities, instruction, or other direct cost objectives in accordance with OMB Circular A-21 Section D.1, are treated as direct costs. Harvard School of Public Health requires that postage costs be directly charged to all benefiting activities. This is necessary because of the frequency with which public health research utilizes mass mailings, for example, in statistical or epidemiological surveys. In order to allocate these costs properly, the mailroom uses a bar code system to record which project or administrative department will be charged for each piece of mail. This practice ensures that postage is charged consistently as a direct cost.

Local telephone expenses are normally treated as indirect costs. Under certain exceptional circumstances, considered "unlike circumstances" under CAS 502, local telephone expenses may be directly charged if they meet the requirements of OMB Circular A-21 Section D.1. Exceptional circumstances apply when a project has a special or unique need for telephone communication, for example, a health survey that requires telephone contact with subjects in Boston on an hourly basis. Such cases are very unusual. Phone usage must be significantly different from the routine level required by academic or department usage and procedures must be in place to ensure that the particular line is used exclusively for the project or activity to which it is being directly charged. An example of such a procedure would be a requirement that the office must possess another telephone line for non-study business.

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Labor costs are distributed to sponsored agreements, instruction, other non-sponsored direct cost objectives and the Departmental Administration indirect cost pool based on Harvard School of Public Health's salary distribution system described in 2.5.0.A and 2.5.2.A. For non-labor costs, such as supplies and travel, "Direct Charge Equivalents" (DCEs) are used to assign an appropriate amount of these expenses directly to instruction and other non-sponsored direct cost objectives, and an appropriate amount to the Departmental Administration Indirect Cost Pool.

DCEs are mathematical formulas which estimate the portion of general fund expenses that should be assigned directly to non-sponsored activities 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.A). 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 OMB Circular A-21 and CAS 502, and at the same time recognize the generally accepted accounting practices of the institutions.

Salaries and other direct costs contributed to sponsored agreements as committed cost sharing are identified at the proposal and award stage. A form is required which delineates the amount of cost sharing being proposed and the non-sponsored account which will pay for the cost sharing. When the sponsored account is set up in the Grants Management system, a flag is created that indicates cost sharing is required on the project. Costs used for committed cost sharing are identified as allocable to the project and documented in the same manner as other direct costs.

The funding sources for costs used for committed cost sharing are included in the direct cost bases per CAS 502. The base could be Organized Research, Instruction or Other Sponsored Activities, depending on the function of the project requiring cost sharing. The procedure involves running a report from the Grants Management system of all awards requiring cost sharing; reviewing the Cost Sharing Forms for those accounts; calculating the amounts devoted to the base year; and coding those amounts to the correct Facilities and Administrative Cost base in the rate development software.

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Description of Direct Materials.

The principal types of materials and supplies charged directly to sponsored agreements and other direct cost objectives include: laboratory consumable supplies such as chemicals, glassware, plastic ware; radioisotopes; tools; educational consumable supplies and animal consumable supplies.

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Description of Direct Personal Services.

Revised

The principal classes of direct personal service costs are faculty, research associates, technicians, lab assistants, research fellows and teaching fellows. The direct charges include salaries and fringe benefits. Salaries and fringe benefits of administrative and clerical staff are charged directly under the conditions described in 2.1.0 A.

Revised

In cases where an award must comply with salary cap regulations and an employee's salary exceeds the applicable cap, direct salary to be charged to the award is calculated as percent effort multiplied by the cap amount. The balance, calculated as percent effort multiplied by the amount that Institutional Base Salary exceeds the cap, is identified as an unreimbursed expense of the benefiting cost objective. It is paid by a non-federal source of funds and is included in the same base as the below-the-cap salary for indirect cost purposes

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2.5.0 A Revised	<p><u>Method of Charging Direct Salaries and Wages.</u></p> <p>Faculty: Faculty salaries are charged directly using <i>B - Plan Confirmation</i> method.</p> <p>Staff: Research associates, research fellows and other exempt and non-exempt staff are charged directly using <i>C - After-the-fact Activity Records</i> method. Temporary employees who are paid an hourly wage are directly charged using <i>A - Payroll Distribution</i> method.</p> <p>Students are also paid as hourly or salaried employees depending on the tasks done. Hourly students are included in <i>A - Payroll Distribution</i> method and teaching fellows are included in <i>C - After-the-fact Activity Records</i>.</p> <p>In accordance with OMB Circular A-21, the salaries and wages directly charged to federal sponsors are certified with the frequency required by OMB Circular A-21 for the various plans indicated above.</p>	

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2.5.2 A Revised	<p><u>Salary and Wage Cost Accumulation System.</u></p> <p>Salaries and wages are initiated through a ‘New Hire’ form for all employees. These forms capture information regarding employees including account coding, effective and end dates, pay group (faculty, exempt staff, teaching fellows, and so forth) and salary and wage distribution. Multiple account codes may be used for an employee as appropriate. The ‘Job Data Change’ form is used to change distribution and to increase or decrease salaries.</p> <p>Supervisors of temporary employees and students who are paid an hourly wage prepare time sheets online in the PeopleSoft system. These time sheets are used to prepare payroll documents which indicate the account coding and hours for each sponsored project benefited.</p> <p>The university manages three different payroll cycles: monthly, bi-weekly and weekly payrolls. These payrolls cover four payroll groups: faculty/research fellows, teaching fellows, exempt/non-exempt, and temporary employees paid hourly. The payrolls are run on a client-server personnel and payroll system (PeopleSoft). Collection and reporting of payroll information from local departments is done electronically and goes into the system in the Central payroll office. The PeopleSoft system maintains salary and wage detail by person including account coding, pay period and calendar year. The payroll system updates the General Ledger through the interface with accumulated costs by organizational unit and object code as each payroll occurs.</p> <p>Totals are reconciled between the payroll system and the General Ledger. The General Ledger system generates regular reports as to what was posted from the payroll system. Differences between payroll amounts transmitted and posted are identified and resolved by HSPH. See the description of salary certification in the following paragraphs for information on the procedures used by academic departments to reconcile effort charged to sponsored research with salary disbursements in the financial system.</p>	

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For employees covered by the Plan-Confirmation Method, significant changes in work activity, currently defined as 5% of dollar value over the plan period, are requested by the faculty member as work effort varies. The distribution change process requires a Job Data Change form, signed by the department administrator and approved by the Director of Payroll. Additionally, academic term and summer term statements, the Harvard University Faculty Salary and Effort Certification, are signed by a responsible official with suitable means of verification that the work was performed, stating that the salary charges are reasonable in relation to the work performed.

For employees covered by Activity Records, Monthly Salary Certification Reports are used to validate the distribution of employee salaries. Department administrators generate a report for each federally sponsored project. This certification report, which lists all staff and the charges to the project, is reviewed and signed by the principal investigator and sent to the financial office at Harvard School of Public Health. Where the actual distribution as reflected in the activity reports differs from the budgeted distribution originally charged, the charges are adjusted in the accounting system. These processes are consistent with the requirements in Section J.10 of OMB Circular A-21.

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<p>2.6.0 A</p> <p>Revised</p> <p>Revised</p>	<p>* Transportation includes a subsidy on public transportation passes; Faculty and Staff usage share of the Medical Area Shuttle, a Harvard transportation system that travels between Cambridge campus and medical campus in Boston.</p> <p>** Health and Fitness administers programs designed to promote the health of Harvard's employees and their dependents.</p> <p>***Fringe benefits administration is the actual expense of administering the above programs. Included in this are the benefits-related actuarial, legal and auditing expenses, government required insurance (such as Pension Benefit Guarantee Corporation Insurance), and costs of literature which informs employees of their benefits.</p> <p>**** Effective on July 1, 2007 a vacation accrual for the biweekly payroll for exempt and union/non-exempt staff was added to the fringe rate. Salary charges will exclude charges when a staff member is on vacation. Vacation time taken will be charged to the funded University vacation pools.</p> <p>***** These costs are included in a supplement to the University fringe benefit rates for employees at the Harvard School of Public Health.</p> <ul style="list-style-type: none"> (1) HSPH costs associated with faculty and staff functions to boost employee morale (2) HSPH portion of costs of Longwood Medical Child Care Center (3) HSPH costs associated with faculty sabbatical leave (4) Reduction in charges for parking in Harvard lots in the Medical Area for HSPH employees (5) HSPH contribution to faculty and staff supplemental pension plans (6) HSPH support for employee fitness due to distance from Cambridge athletic facilities. (7) HSPH expenses for staff training when external vendors run courses <p>Leave costs other than vacation and sabbatical leave, are included in charges for salaries and wages and are not part of fringe benefit rates. Sabbatical leaves are included in the fringe benefit rates. Vacation leaves are included in the fringe benefit rates effective July 1, 2007, see section 5.1.0 for further information.</p>

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Method of Charging Direct Fringe Benefits.

The University uses six annual fringe benefit rates: faculty, exempt, non-exempt, post-docs, teaching assistants and temporary employees. Fellows paid stipends receive a lump sum benefit to cover only health and dental costs. There are two additional categories of fringe benefit rates for extra compensation: pensionable and non-pensionable. The pensionable rate is made up of the social security tax rate and the pension rate. The non-pensionable rate consists of only the social security tax portion of the rate.

The fringe benefit rates are derived for the six payroll groups by dividing each group's benefit costs by that group's salary and wage base. These percentages are applied to salary and wage dollars for each payroll group. Benefits are assigned and allocated by payroll group to all major functions, individual sponsored projects, indirect cost pools and other direct cost objectives that have eligible salaries charged to them.

Revised

The salary and wage base for charging fringe benefits consists of all salaries and wages (including paid time-off) paid to faculty, exempt staff, non-exempt staff, post-doctoral fellows, teaching assistants, and temporary employees. Effective July 1, 2007, the salary and wage base for biweekly paid exempt and union/non-exempt staff excludes salary when staff are on vacation.

The negotiation of fringe benefit rates with the cognizant Federal agency is handled by the University's central office. Fringe benefit costs are projected annually based on actual prior year costs, computed as described above, and adjusted as necessary to reflect anticipated costs. Carry-forward adjustments are made in the rate computation to compensate for prior year over- or under-recoveries. The Harvard School of Public Health fringe benefit rates consist of the basic University fringe rates plus an additional component to cover the supplemental fringe benefits provided by HSPH as described in Section 2.6.0 A.

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Description of Other Direct Costs.

Principal categories of other direct costs include: travel; consulting services; animals; animal care; scientific supplies; other specialized and technical services; publication costs; subawards; equipment; long distance telephone expenses; metered postage; rent and other facility costs of off-campus facilities.

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Interorganizational Transfers.

These transfers involve service centers provided by Harvard University to Harvard School of Public Health as described in Section 3.2.0A of the Harvard University Area and Central Administration Disclosure Statement. Some of these service centers charge rates that include full indirect costs and others charge rates that do not include full indirect costs.

End of Part II

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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) 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.

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Indirect Cost Categories - Accumulation and Allocation. This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable 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			__1__
Building	_No_	_L_	
Equipment	_No_	_L_	
Capital Improvements to Land <u>1/</u>	_NA_	_Z_	
Interest <u>1/</u>	_No_	_L_	
(b) Operation and Maintenance	_Yes_	_L_	__2__
(c) General Administration and General Expense	_No_	_C_	__3__
(d) Departmental Administration	_No_	_D_	
(e) Sponsored Projects Administration	_No_	_D_	
(f) Library	_No_	_P_	
(g) Student Administration and Services	_NA_	_Z_	
(h) Other <u>1/</u>	_No_	_L_	__2__

1/ Describe on a Continuation Sheet.

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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.)

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	(1)	(2)	(3)	(4)	(5)	(6)
(a) Scientific Computer Operations	A	C	C	A	A	B
(b) Animal Care Facilities	Z					
(c) 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)						

- (1) **Category Code:** Use code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost pools; code "C" if billed to both direct and indirect cost objectives.
- (2) **Burden Code:** Code "A" -- center receives an allocation of all applicable indirect costs; Code "B" -- partial allocation of indirect costs; Code "C" -- no allocation of indirect costs.
- (3) **Billing Rate Code:** Code "A" -- billing rates are based on historical costs; Code "B" -- rates are based on projected costs; Code "C" -- rates are based on a combination of historical and projected costs; Code "D" -- billings are based on the actual costs of the billing period; Code "Y" -- other (explain on a Continuation Sheet).
- (4) **User Charges Code:** Code "A" -- all users are charged at the same billing rates; Code "B" -- some users are charged at different rates than other users (explain on a Continuation Sheet).
- (5) **Actual Costs vs. Revenues Code:** Code "A" -- billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B" -- billings are compared to actual costs less frequently than annually.
- (6) **Variance Code:** Code "A" -- Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B"--variances are carried forward as adjustments to billing rate of future periods; Code "C"--annual variances are charged or credited to indirect costs; Code "Y"--other (explain on a Continuation Sheet).

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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

On-Campus
 Off-Campus
 Other 1/

 D
 D

B. Organized Research

On-Campus
 Off-Campus
 Other 1/

 D
 D

C. Other Sponsored Activities

On-Campus
 Off-Campus
 Other 1/

 D
 D

D. Other Institutional Activities 1/

 D

3.4.0

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

1/ Describe on a Continuation Sheet.

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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. Yes

B. No 1/

1/ Describe on a Continuation Sheet.

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Indirect Cost Categories-Accumulation and Allocation.

Accumulation Method

(a) Building Depreciation Pool - The capitalized costs of buildings and associated depreciation are recorded in the University accounting system (General Ledger). The data on the capitalized costs of buildings is extracted from the General Ledger and used in the indirect cost calculations. The depreciation methods and useful lives for indirect cost purposes are the same used for calculating depreciation in the financial statements. Building depreciation is allocated to the various cost objectives using the buildings' functional use percentages resulting from the space survey described in 3.5.0 A.

For acquisitions 2001 and prior the amount of depreciation for indirect cost purposes differed from the depreciation in the financial statements because depreciation for indirect cost purposes was started long before depreciation was initially calculated for the financial statements. This difference in the book values would cause differences in the depreciation amounts. For acquisitions 2002 and following, the depreciation amounts are the same in the Facilities and Administrative Cost calculation and in the financial statements

Equipment Depreciation Pool - Equipment acquisition costs and associated depreciation costs are recorded in the University accounting system. The accumulation of these costs is maintained in an equipment subsystem at the Harvard School of Public Health. The subsystem records the location of the equipment items and is supported by a physical inventory. The subsystem provides a calculation of annual depreciation to be used in the indirect cost allocation process. The depreciation methods and useful lives of equipment for indirect cost purposes are the same used for calculating equipment depreciation in the financial statements. Equipment depreciation is allocated to the various cost objectives using the functional use percentages of the room where the equipment is located.

Interest - The interest expense in the indirect cost pool represents external interest on debt associated with buildings, equipment and capital improvements as defined in section J. 26 of OMB Circular A-21. The University issues various series of external debt to build pools of funding to finance capital projects. Individual schools and units may borrow from the debt pools and incur internal interest costs that include external interest and internal debt administration costs. External interest expense is recorded in the General Ledger and accumulated by debt issue.

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For indirect cost purposes, the University assigns the external interest rate of debt issues to project loans funded by each issue. The ratio of the external interest rate to internal interest rate, per respective loan pool and project, is then applied to the total internal interest charged per project. The result, the external interest cost portion of total debt, is then accumulated in the interest expense component of the indirect cost pool. The residual internal interest costs are transferred to the Other Institutional Activity cost pool and thus excluded from indirect cost calculations.

The interest cost pool is allocated to the various cost objectives using the buildings' functional use percentages resulting from the space survey described in 3.5.0 A.

For each construction project for which it is allowable according to OMB Circular A-21, external interest expense is capitalized during the construction period. The capitalized interest amount becomes a component of the construction project's subsequent depreciation.

(c) General administration and general expense – Harvard University's general administration and general expenses are included in the University's records. The University allocates these costs to each school. The Harvard School of Public Health uses this allocation in preparing its indirect cost proposal. General administration and general expense is allocated to the various cost objectives based on Modified Total Costs as described in 3.5.0 A

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

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Departmental support costs include the salaries and fringe benefits of administrative and clerical staff (excluding direct charges for administrative and clerical services under the conditions discussed in 2.1.0), professional departmental administrators, office supplies, telephone expense, travel associated with administrative activities, etc. This portion of departmental administration expenses is accumulated through an analysis of departmental general fund accounts and the application of "Direct Charge Equivalents" (DCEs). DCEs are mathematical formulas that estimate the portion of departmental general fund expenses that should be assigned directly to instruction and other non-sponsored direct cost objectives (collectively referred to as "instruction"), and the portion that should be

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3.1.0 A Revised	<p>included in the departmental administration indirect cost pool. The DCE ratio used for general support salaries and wages is general support salaries and wages charged directly to sponsored projects, divided by faculty and professional salaries charged directly to sponsored projects. This ratio is applied to unrestricted faculty and professional salaries, excluding the standard 3.6% faculty administrative allowance. The DCE ratios are developed and applied on a department-by-department basis. Non-labor costs are distributed on a department-by-department basis between departmental administration and instruction based on the distribution of salaries and wages. This involves developing the ration of DA salaries divided by total non-sponsored salaries, then applying this ratio to the total non-sponsored other expense for each department</p> <p>(f) Library Pool – The University’s Central Library costs are allocated to the schools based on all the primary categories of academic users (including students, faculty and other professional employees). This ensures an allocation that is proportional to each school's demands on the central library resource. The HSPH share of Harvard Medical School’s Countway Library is allocated to the HSPH on the basis of an FTE study of academic users at Harvard Medical School and Harvard School of Public Health. Harvard School of Public Health’s library costs, including the Central and Countway Library allocations, are allocated to the major functions in the school 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 in a multi-step allocation process.</p> <p>(h) Central Services O&M - The expenses of a small number of University central operations and maintenance services are accumulated separately in a second O&M pool called "Central Services O&M". These services include, for example, University Facilities Planning, pooled insurance costs and University Police. These costs are allocated first among the various buildings in all segments using each building's ratio of total O&M pool expenses. Each building's portion is subsequently allocated to the various cost objectives using the building's functional use percentages resulting from the space survey described in 3.5.0 A.</p> <p>(g) Student Administration and Services. This group of expenses includes expenses incurred to administer student support in such areas as admission, registration and student services, with all applicable allocations from other indirect cost pools. These costs are allocated 100% to the instruction function.</p>	

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3.3.0 A Added	<p><u>Indirect Cost Pools and Allocation Bases</u></p> <p><u>Instruction</u></p> <p>This cost pool includes the accumulated indirect costs identified with instruction, departmental research, and research training. Indirect cost cross allocations from F&A cost pools are made to this function during the F&A rate development process performed by the CRIS software. Continuation sheet 3.1.0 A describes the allocation methodology for each F&A indirect cost pool. For instance, instruction activity is included in the MTC base to receive its share of expense from the General Administrative and General Expense cost pool. Indirect costs assigned to the Instruction function are not distributed to Organized Research or Other Sponsored Activities.</p> <p><u>Other Institutional Activities</u></p> <p>This cost pool includes the accumulated costs relating to auxiliary activities at HSPH. This includes the costs of such activities as development and public relations. Other examples of included activities would be social events put on by students and non-sponsored public service. Indirect cost cross allocations from F&A cost pools are made to this function during the F&A rate development process performed by the CRIS software. Continuation sheet 3.1.0 A describes the allocation methodology for each F&A indirect cost pool. For instance, Other Institutional Activities are included in the MTC base to receive its share of expense from the General Administrative and General Expense cost pool. Indirect costs assigned to Other Institutional Activities are not distributed to Organized Research or Other Sponsored Activities, but are funded by sources such as tuition, gifts or endowment income.</p>	

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During the rate development process, costs are allocated to three cost centers for the development of separate federal negotiated rates. These are Organized Research On-Campus, Other Sponsored Activities On-Campus and a Combined Off-Campus rate. Allocation methodologies/statistics for these rates are explained below.

Organized Research

Pool: This cost pool accumulates costs identified with HSPH organized research activity. The accumulated indirect costs allocated to this function are described in continuation sheet for Items 3.1.0 and 3.4.0.

Base: The allocation methodology used to distribute expenses from each F&A indirect pool to Organized Research and the other major functions of HSPH is programmed into the CRIS software as allocation formulas. These are described in the continuation sheet for Item 3.5.0 A. The final Organized Research On-Campus F&A pool resulting from the rate development process is allocated to individual sponsored research awards using a MTDC base. This base is composed of all sponsored research activity including: Organized Research and University Sponsored Research.

Other Sponsored Activities On-Campus

Pool: This cost pool accumulates costs identified with HSPH Other Sponsored Activities. Included in this major function are expenses relating to programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, community service programs and grants to host conferences. The accumulated indirect costs allocated to this function are described in the continuation sheets for Items 3.1.0 and 3.4.0. The process for distinguishing between Other Sponsored Activities (OSA) and Organized Research occurs for facilities pools in the space survey, where respondents are asked to identify OSA space. For pools allocated on MTC or MTDC, other sponsored activities are identified at the account level and segregated as a distinct final cost objective in the stepdown.

Base: The allocation methodology used to distribute expenses from each F&A indirect pool to Organized Research and the other major functions of HSPH is programmed into the CRIS software as allocation formulas. These are described in the continuation sheet for Item 3.5.0 A. There are no differences unique to OSA. The final OSA On-Campus F&A pool resulting from the rate development process is allocated to individual OSA awards using a MTDC base. This base is composed of all OSA activity.

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3.3.0 A Added	<p><u>Off-Campus Rate</u></p> <p>Pool: This cost pool accumulates costs identified with HSPH Off-Campus Sponsored Activity. Included in this cost pool for Sponsored Research, Sponsored Instruction and OSA are expenses relating to projects whose effort is conducted on premises not owned by the University and at locations sufficiently far removed from the campus to prohibit normal use of University facilities and services. When project activities are performed partly on-campus and partly off-campus, the location will be determined by the preponderance of Harvard staff time and effort. If time and effort is more than 50% off-campus the whole award is defined as off-campus.</p> <p>The accumulated indirect costs allocated to this function are described in the continuation sheets for Items 3.1.0 and 3.4.0 with the following differences: No facilities or library pools are allocated to the Off-Campus base. Only administrative pools are allocated to the Off-Campus base. For administrative pools allocated on MTC or MTDC, off-campus awards are identified at the account level.</p> <p>Base: The allocation methodology used to distribute expenses from each F&A indirect pool to Organized Research and the other major functions of HSPH is programmed into the CRIS software as allocation formulas. These are described in the continuation sheet for Item 3.5.0 A. Differences unique to Off-Campus allocations are the following: Off-campus awards are combined with on-campus awards by function in the rate development process in CRIS, but only administrative pools are considered in the development of the rate. The Harvard School of Public Health has rate administrative components greater than the administrative cap of 26 points for all functions, meaning that only one off-campus rate is listed in the rate negotiation agreement. The final Off-Campus F&A pool resulting from the rate development process is allocated to individual Off-Campus awards using a MTDC base. This base is composed of all Off-Campus sponsored activity including: Sponsored Research, Sponsored Instruction and Other Sponsored Activities.</p>	

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3.4.0 A Revised	<p><u>Composition of Indirect Cost Pools</u></p> <p><u>Pools Identified in 3.1.0</u></p> <p>(a) <u>Depreciation.</u> Included in this pool are the depreciation expenses of the institution's buildings, capital improvements to buildings, and equipment as defined in OMB Circular A-21, Sections F.2 and J.14. Please refer to Part IV for further details.</p> <p>The depreciation cost pools exclude depreciation on assets paid for with Federal funds. The equipment depreciation pool also excludes depreciation on equipment charged to non-federal sponsored agreements in accordance with guidance issued by OMB. If the School has title to this equipment, depreciation on the remaining undepreciated cost of the equipment is included in the equipment depreciation pool after the non-federal agreements expire.</p> <p><u>Interest.</u> Included in this pool are the external interest expenses associated with certain buildings, equipment and capital improvements as defined in OMB Circular A-21, Sections F.3 and J.26. Please refer to 3.1.0 A for additional detail regarding the methodology employed to accumulate interest costs.</p> <p>(b) <u>Operation and Maintenance.</u> Included in this pool are the expenses incurred for the administration, supervision, operation (including utility costs), maintenance, preservation, and protection of the institution's physical plant as defined in OMB Circular A-21, Section F.4, with all applicable cross allocations from other indirect cost pools.</p> <p>Central Services O&M. This pool is Harvard School of Public Health's allocable share of central university O&M expenses as discussed in 3.1.0 A. The expenses of a small number of centralized services are accumulated separately in an O&M pool called "Central Services O&M", including all applicable allocations from other indirect cost pools. These services include University Facilities Planning, pooled insurance costs, University Police and some O&M support costs of other central functions.</p> <p>(c) <u>General Administration and General Expense.</u> This pool is Harvard School of Public Health's allocable share of expenses incurred for the general administrative functions of Harvard University and other expense of a general character which do not relate solely to any major function of the institution, as defined in OMB Circular A-21, Section F.5, with all applicable cross allocations from other indirect cost pools.</p>	

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(d) Departmental Administration. Included in this pool are the expenses incurred 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 institutes, study centers and research centers, as defined in OMB Circular A-21, Section F.6, with all applicable cross allocations from other indirect cost pools. Also included in this pool is the standard allowance of 3.6% of modified total direct costs as specified in paragraph F.6.a. (2) of OMB Circular A-21 to cover the costs associated with administrative activities of department heads, faculty and other professional academic staff. See 3.1.0 A for additional information on the accumulation and allocation of Departmental Administration expenses.

(e) Sponsored Project Administration. Included in this pool are Harvard School of Public Health's allocable share of expenses incurred by Harvard University's central administration of sponsored projects and the expenses incurred by the Sponsored Programs Administration office at Harvard School of Public Health, established to administer sponsored projects as defined in OMB Circular A-21, Section F.7, with all applicable allocations from other indirect cost pools.

(f) Library. Included in this pool are Harvard School of Public Health's local library expenses and the school's allocable share of the expenses incurred for the operation of the University Central Library System and Countway Library, as defined in OMB Circular A-21, Section F.8, with all applicable allocations from other indirect cost pools. See 3.1.0 A for additional information on the composition and accumulation of Harvard School of Public Health's share of library costs.

(g) Student Administration and Services. This group of expenses includes expenses incurred to administer student support in such areas as admission, registration and student services, with all applicable allocations from other indirect cost pools. These costs are allocated 100% to the instruction function.

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Pools Identified in 3.2.0

(a) **Scientific Computer Operations**. Included in this pool are the expenses incurred for the service center that provides support to researchers using computers in their work. The services include server management and memory capacity for research databases. The F&A rate calculation process allocates G&A and facilities costs to the service center, but these costs are not included in the rates of the service center.

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Composition of Allocation Bases

Depreciation on buildings and equipment. Building depreciation is allocated on a building-by-building basis among the functions performed in each building (e.g., organized research, instruction) 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 space inventory and functional use survey, which assigns a specific percentage of use to each function performed in each room. For rooms used by more than one function, the percentage applicable to each function is based on a review of the activities performed in the room, the accounts that support those activities, and the occupants of the room. When evaluating the functional use of a room, care is taken to ensure that the space classification is consistent with the functional classification of the expenditure accounts that funded the activities in the room. A detailed description of the space inventory and functional use survey is included in the School's indirect cost proposals.

Equipment depreciation is allocated based on the functional use of the room or building in which the university-owned equipment is located. Functional usage is determined on a room-by-room basis through the space and functional use survey described in the previous paragraph.

External interest expenses are allocated on the same basis as depreciation on the buildings and equipment to which the interest relates.

Operations and Maintenance. O&M expenses related to specific buildings are allocated based on functional space usage within each building.

As noted in 3.1.0 A and 3.4.0 A above, the expenses of a small number of centralized University O&M services are accumulated separately in a second O&M pool called "Central Services O&M". These costs are allocated first among the buildings in each segment using building-to-building ratios of O&M expenses. Each building's portion is subsequently allocated to cost objectives using the building's functional use percentages resulting from the space survey.

Functional use percentages based on total square footage (rather than building by building square footage) is used to allocate those O&M components, such as central management of plant operations, which cannot be identified to individual buildings.

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3.5.0 A Revised	<p><u>General Administration and General Expenses.</u> The G&A expenses allocated to Harvard School of Public Health from the University are allocated based on Modified Total Costs to the benefiting Harvard School of Public Health activities. Modified Total Costs consist of salaries and wages, fringe benefits, materials and supplies, services, travel, and grants and subgrants up to the first \$25,000 of cost of the subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). The following items are excluded from the Modified Total Cost base: equipment costing in excess of \$5,000, other capital expenditures, the amount of each subaward in excess of \$25,000, fees related to patient care, rent of off-site activities, and student aid.</p> <p><u>Departmental Administration.</u> Departmental Administration expenses, including applicable cross allocations from other indirect cost pools, are allocated to the final cost objectives of the academic units they support on the basis of MTDC. MTDC consists of the same cost elements identified in the explanation of the G&A allocation basis above.</p> <p><u>Sponsored Projects Administration.</u> Sponsored Project Administration costs are allocated based on the MTDC of sponsored projects within each major function. MTDC for this purpose consists of the same cost elements as the allocation base for G&A and Departmental Administration.</p> <p><u>Library.</u> The library costs are allocated to the major functions at HSPH according to the standard method in section F.8 of Circular A-21, which uses a combination of full-time equivalent student and employee data in a multi-step allocation process</p> <p><u>Student Administration and Services.</u> This category of expenses is allocated one hundred percent to the Instruction base</p>	

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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 MTDC and consists of the same cost elements as the base for allocating the G&A, Department Administration and Sponsored Projects Administration pools noted above.

The final distribution bases are defined in Section 3.3.0 and on continuation sheet 3.3.0A

The organized research base also includes amounts in excess of the NIH salary cap and University research, research that is separately budgeted and accounted for and supported by institutional funds.

Cost sharing of direct costs on sponsored agreements is included in the same bases as the costs charged to the agreements.

End of Part III

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Part IV

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.)

	<u>Depreciation Method</u> (1)	<u>Useful Life</u> (2)	<u>Property Unit</u> (3)	<u>Residual Value</u> (4)
<u>Asset Category</u>				
(a) Land Improvements	Z	—	—	—
(b) Buildings	A	C	A	B
(c) Building Improvements	A	C	A	B
(d) Leasehold Improvements	A	B	A	B
(e) Equipment	A	C	A	B
(f) Furniture and Fixtures	A	C	Y	B
(g) Automobiles and Trucks	A	C	A	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.)	Y	C	A	B

Column (1)--Depreciation Method Code

- A. Straight Line
- B. Expensed at Acquisition
- C. Use Allowance
- Y. Other or more than one method ^{1/} by OMB Circular No. A-21

^{1/} Describe on a Continuation Sheet

Column (2)--Useful Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance
- Y. Other or more than one method

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4.1.0	<p><u>Column (3)</u>--Property Unit Code</p> <p>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 <u>1/</u></p>	<p><u>Column (4)</u>--Residual Value Code</p> <p>A. Residual value is deducted B. Residual value is not deducted Y. Other or more than one method <u>1/</u></p>
4.1.1	<p><u>Asset Valuations and Useful Lives.</u> 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 checked="" type="checkbox"/> Yes B. <input type="checkbox"/> No <u>1/</u></p>	
4.2.0	<p><u>Fully Depreciated Assets.</u> Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)</p> <p>A. <input type="checkbox"/> Yes B. <input checked="" type="checkbox"/> No</p>	
4.3.0 Revised	<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 type="checkbox"/> Excluded from determination of sponsored agreement costs B. <input checked="" 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) <u>1/</u> Z. <input type="checkbox"/> Not applicable</p>	

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

A. Minimum Dollar Amount: \$5,000 for equipment, software and donated assets; \$100,000 for buildings, improvements, and construction in progress.

B. Minimum Life Years: More than one year.

4.5.0

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

A. X Yes ^{1/}

B. No

^{1/} Describe on a Continuation Sheet.

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Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

Depreciation method:

(h) Tools. This category is not currently applicable, but if it became necessary in the future, the depreciation would be straight line over a useful life based on estimated service life, with individual assets accounted for separately and residual value handled in accordance with the rules set forth in the current version of OMB Circular A-21.

(i) Other Asset Categories. Harvard School of Public Health capitalizes software with a minimum value of \$5,000 and depreciates using the straight-line method with a useful life of four years. Harvard School of Public Health capitalizes donated assets with a minimum market value, at time of donation, of \$5,000, and depreciates using the straight-line method with a useful life relevant to the type of asset that is being donated.

Property Unit:

(f) Furniture and Fixtures. Most furniture and fixtures are depreciated individually, however, in the case of new facilities, groups of assets with similar service lives are depreciated as a unit.

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Revised

Asset Valuations and Useful Lives.

The computation of depreciation for research facilities is substantially more complex than for non-research buildings. Research buildings are depreciated according to the useful lives of their major components, e.g. shell, finishes, services, fixed equipment and roof, ranging from 10 to 45 years. Non-research buildings are not componentized but are depreciated as single assets over one useful life of 35 years.

Harvard School of Public Health uses the same methods for asset depreciation for financial statement reporting purposes as it does for indirect cost calculation purposes.

Revised

The useful lives established for each class of assets take into consideration such factors as type of construction, nature of the equipment, technological development, and replacement policy followed for the classes of assets involved.

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CONTINUATION SHEET
PART IV - DEPRECIATION AND USE
ALLOWANCES

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Item
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4.5.0 A
Revised

Group or Mass Purchase. As part of a building acquisition or construction project, costs may be incurred to fit out space with new furnishings and equipment. When such purchases are made as part of an acquisition/construction project, if the aggregate cost of these expenditures exceeds \$5,000 and the items have a useful life of more than one year, the costs may be capitalized even though some of the individual items cost less than \$5,000

End of Part IV

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PART V - OTHER COSTS AND CREDITS

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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

Revised

B. Accrual 1/

5.2.0

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

1/ Describe on a Continuation Sheet.

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5.1.0A
Added

Method of Charging Leave Costs.

All leave is charged on a cash basis except vacation leave. Effective July 1, 2007, accrued vacation leave for biweekly paid exempt and union/non-exempt staff will be included in the University fringe benefit rates

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5.2.0 A

Applicable Credits.

Applicable credits, such as purchase discounts and insurance refunds are offset against the specific direct or indirect costs to which they relate. Miscellaneous receipts, such as library fees and fines, are treated as income and are not offset against costs.

End of Part V

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**PART VI - DEFERRED COMPENSATION AND
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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, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

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

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

1/ Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD

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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.)	
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.) Z. <input type="checkbox"/> Not Applicable	
6.2.1	<u>Determination of Annual PRB Costs.</u> (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. <input checked="" type="checkbox"/> Other or more than one method ^{1/} Z. _____ Not Applicable	
6.4.0	<u>Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</u> ^{1/} Describe on a Continuation Sheet.	
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6.4.1	<p><u>Worker's Compensation and Liability.</u> Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When claims are paid or losses are incurred (no provision for reserves)</p> <p>B. <input type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability</p> <p>C. <input type="checkbox"/> When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability</p> <p>D. <input type="checkbox"/> When funds are set aside or contributions are made to a fund</p> <p>Y. <input checked="" type="checkbox"/> Other or more than one method <u>1</u>/</p> <p>Z. <input type="checkbox"/> Not Applicable</p>
6.4.2	<p>Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When losses are incurred (no provision for reserves)</p> <p>B. <input type="checkbox"/> When provisions for reserves are recorded based on replacement costs</p> <p>C. <input type="checkbox"/> When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.</p> <p>D. <input type="checkbox"/> Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)</p> <p>Y. <input checked="" type="checkbox"/> Other or more than one method <u>1</u>/</p> <p>Z. <input type="checkbox"/> Not Applicable</p>
	<u>1</u> / Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT	CONTINUATION SHEET
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6.1.1 A Revised	<p>The Harvard School of Public Health's deferred compensation and insurance costs are incurred at the main campus level, but since significant amount of these expenses are allocated to Federally sponsored agreements at Harvard School of Public Health, this section is completed. Information is based on data from Harvard's central office of Fringe Benefits Accounting & Insurance.</p> <p><u>Defined Contribution Plans.</u></p> <p>1. Harvard University Retirement Income Plan for Teaching Faculty, 1973 is a 403(b) defined-contribution plan toward which the University makes contributions on behalf of its faculty. Faculty are not required or permitted to make contributions.</p> <p>2. Harvard University Defined Contribution Retirement Plan is a 401(a) defined contribution plan for exempt and non-exempt and hourly employees. Under the plan, the University makes contributions to accounts based on age of employee and a fixed percentage of pay.</p>	
COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT		CONTINUATION SHEET

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6.1.2 A Revised	<p><u>Defined-Benefit Pension Plans.</u> The costs of the Harvard University Retirement Plans are calculated under actuarial methods and assumptions that are consistent with Statement of Financial Accounting Standards No. 87 (SFAS 87), as follows:</p> <p>1. Actuarial cost method The actuarial cost method is the projected unit credit method, as required by SFAS 87. Under this method, benefits are projected to retirement (or earlier termination) based on assumptions as to future salary increases. Projected benefits are then allocated between past and future years.</p> <p>2. Asset valuation method The Market-Related Value of Assets has been determined using the 4 Year Average Market Value Method. Under this method capital appreciation or depreciation of any year is gradually recognized over the 4-year period. Each year the new average market value is determined by adjusting the prior year's value by receipts less disbursements for the year preceding the valuation date plus 25% of the total capital appreciation (depreciation), both realized and unrealized, which occurred during the 4 years preceding the valuation date. The Market-Related Value of Assets includes the value of both the reserve and the Master Trust.</p> <p>3. Criteria for changing actuarial assumptions and computations The actuarial assumptions employed in the development of pension cost have been selected by the University, with the concurrence of its accountants and actuaries. SFAS 87 requires that "each significant assumption used shall reflect the best estimate solely with respect to that individual assumption." An actuarial assumption is revised when there is a material difference between the assumption and anticipated future experience.</p> <p>4. Amortization periods for prior service costs The initial unfunded/overfunded liability is amortized levelly over 15 years. Prior service costs due to plan amendments are amortized over the expected average future service of active participants expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.</p> <p>5. Amortization periods for actuarial gains and losses Cumulative net actuarial gains and losses in excess of a corridor amount of 10% of the greater of the market-related value of assets or the projected benefit obligation are amortized over the expected average future service of active participants expected to</p>	

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<p>6.1.2.A Revised</p>	<p>receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.</p> <p>6. Funding Policy The university contributes the SFAS 87 Net Period Pension Cost/Income, calculated under the policies and procedures above.</p>

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6.2.0 A
Revised

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

Harvard University offers medical insurance and life insurance (to age 70) as a post retirement benefit to its eligible retirees and their dependents. Contributions are made to post retirement medical insurance for retirees. Contributions are also made for life insurance for the same level of free coverage that the employee had at the time of retirement. The retirees also contribute to the costs of these insurances. Approximately 3,800 faculty and staff are covered as retirees.

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6.2.1 A
Revised

Determination of Annual PRB Cost. The Harvard University Post Retirement Welfare Plan costs are calculated using actuarial methods and assumptions consistent with Statement of Financial Accounting Standards No. 106, as follows:

1. Actuarial cost method

The actuarial cost method is the projected unit credit method, allocated from date of hire to full eligibility date, as required by SFAS 106. Under this method, benefits are projected to retirement (or earlier termination) based on assumptions as to future medical cost increases. Projected benefits are then allocated between past and future years.

2. Asset valuation method

The Market-Related Value of Assets has been determined using the 4 Year Average Market Value Method. Under this method, the difference between the expected (based on an assumed return) and actual rate of return is gradually recognized over a 4-year period. Each year the new average market value is determined by adjusting the prior year's value by receipts less disbursements for the year preceding the valuation date plus 25% of the difference between expected and actual return, which occurred during the 4 years preceding the valuation date.

3. Criteria for changing actuarial assumptions and computations

The actuarial assumptions employed in the development of the post retirement benefit cost have been selected by the University, with the concurrence of its accountants and actuaries. SFAS 106 requires that each significant assumption "individually represent the best estimate of a particular future event." An actuarial assumption is revised when there is a material difference between the assumption and anticipated future experience.

4. Amortization periods for prior service costs

The initial transition obligation is amortized on a straight-line basis over 20 years. Prior service costs due to plan amendments are amortized over the expected average future service to full eligibility age of active participants. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.

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6.2.1 A
Revised

5. Amortization periods for actuarial gains and losses

Cumulative net actuarial gains and losses in excess of a corridor amount of 10% of the greater of the market-related value of assets or the accumulated post retirement benefit obligation are amortized over the expected average future service of active participants. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.

6. Funding Policy

The plan is currently funded on a pay-as-you-go (or cash) basis plus a 1% of pay contribution to invested reserves.

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<p>6.3.0 A Revised</p>	<p><u>Self-Insurance Programs (Employee Group Insurance)</u></p> <p>The University has the following self-insurance programs: Short-term Disability Plan, Long-term Disability Plan, Dental and, as of January 1, 2005, active employee Health plans (retiree Health remains premium-based). The assessment included in the current year fringe rate for Short-term Disability is based on projections for actual Short-term Disability costs during the fiscal year. During the year, actual costs are accumulated and, at year-end, these costs are fully funded from the fringe assessment reserves. Any over- or under- recovery for a given year would be included as part of the carry-forward adjustment for future fringe rates as described in item 2.6.1.A.</p> <p>Long-term Disability is primarily employee funded, but the University does provide a "free" benefit for those who earn less than \$15,000 per year. The assessment included in the current year fringe rate for "free" Long-term Disability is based on projections for actual Long-term Disability costs during the fiscal year. During the year, actual costs are accumulated and, at year-end, these costs are fully funded from the fringe assessment reserves. Any over- or under- recovery for a given year would be included as part of the carry-forward adjustment for future fringe rates as described in item 2.6.1.A.</p> <p>Health and Dental are partially funded by employees with the remainder of the funding included in the assessment in the current year fringe rate. Cost projections for Health and Dental are based on the expected cost of claims. During the year, actual costs are accumulated and, at year-end, these costs are fully funded from the fringe assessment reserves. Any over- or under- recovery for a given year would be included as part of the carry-forward adjustment for future fringe rates as described in item 2.6.1.A.</p>

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6.4.1 A
Revised

Self-Insurance Programs (Worker's Compensation and Liability)
The assessment included in the current year fringe rate for Worker's and Unemployment Compensation is based on projections for actual Worker's and Unemployment Compensation costs during the fiscal year. During the year, actual costs are accumulated and, at year-end, these costs are fully funded from the fringe assessment reserves. Any over- or under- recovery for a given year would be included as part of the carry-forward adjustment for future fringe rates as described in item 2.6.1.A.

The University also is self-insured on two liability programs: Comprehensive General Liability and Automobile Liability. Comprehensive General Liability: this program provides coverage for the University, its directors, officers, employees and students, acting within their duties as such, from claims resulting in bodily injury or property damage and due to the University's negligence. A comprehensive general liability reserve is set up to fund any such losses. Each year departments are charged a liability premium to maintain this reserve, which pays for losses, administration and excess premiums. This premium is allotted on a per-building basis, and each building pays a percentage of the total premium based on the replacement value of the building.

Automobile Liability: the University self-insures the vehicles owned by the University to provide coverage for University employees while driving University-owned vehicles. This program has a self-insured retention of \$250,000 and an excess commercial policy with limits of \$750,000.

All the self-insurance reserves are actual reserves and earn income. The income earned by the reserves is a credit against the costs of the self-insurance programs.

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6.4.2A
Revised

Self-Insurance Programs (Casualty Insurance)

The University self-insures academic and commercial buildings owned by the University. A property reserve is set up to fund any losses to University buildings and each year departments are charged a property premium, allocated by building value (not by square footage), to maintain this reserve, which pays for losses, administration, and excess premiums. The Self-Insured Property Program is based as closely as possible on commercial insurance guidelines as regards coverages and exclusions. Buildings are insured for replacement cost, and the repairs or replacement must be of like kind and quality. Included in the Self-Insured Property Program is the cost of a Boiler and Machinery Policy that is a commercial insurance policy that insures the University's boilers, heating, ventilation and air conditioning (HVAC) equipment against loss due to accidental breakdown as well as coverage for University owned property. This program has a self-insured retention of \$500,000 per claim and/or sum of all claims in a year with an excess property policy of \$300 million.

All the self-insurance reserves are actual reserves and earn income. The income earned by the reserves is a credit against the costs of the self-insurance programs.

End of Part VI

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**PART VII - CENTRAL SYSTEM OR GROUP
EXPENSES**

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**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.**

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**Part VII
Revised**

Part VII – Does not apply to Harvard School of Public Health. Part VII is included in the Harvard University Area and Central Administration Disclosure Statement.

End of Part VII

End of Disclosure Statement