

Direct Costs, Indirect Costs and Administrative Overhead**Direct Costs**

1. Salaries and wages and related employee benefits, including retirement contributions, Workers' Compensation, vacation accrual and sick leave usage.
2. Supplies and materials, including the Technology Infrastructure Fee (TIF).
3. Insurance costs (General Liability, Auto Liability, Employment Practice Liability, and Property Insurance). See Office of Insurance and Risk Management website <http://map.ais.ucla.edu/go/Campus-Services/Finance/Insurance-&-Risk-Management> for information on deductibles and rates.
4. Depreciation of equipment used in the unit, based on the *original* cost of the equipment, not *replacement* cost. Depreciation should be calculated on a straight line basis with no salvage value using the useful life in the equipment Useful Life Schedule <http://eulid.ucop.edu> issued by the Office of the President. The current threshold for capitalization is \$5,000. See UCLA Procedure 340.2 for additional guidance.
5. With specific approval from POSSSE, costs designated as unallowable with respect to charging Federal users (e.g., reserves for future years' Expense needs, capital expansion requirements, reserve contingencies, and interest) may be recovered through established rates at a level in excess of costs only if an approved Dual-Rate Structure for Federal and non-Federal activities is in place which does not discriminate against Federal activities. As long as there is sufficient documentation to support the Federal versus the non-Federal rates and dual rates have been charged such that Federal funds are not charged for unallowable costs, any resulting surplus would not need to be refunded to the Activity's Federal users.

Indirect Costs

For internal activities, the following departmental costs must be recovered if incurred in relation to the Sales and Service Activity:

- 1) Telephone
- 2) Office supplies
- 3) Non-direct salaries (e.g., for accounting and other administrative support) and related employee benefits

These Indirect Costs may be allocated by formula, workload indices, or other reasonable methods.

Administrative Overhead or Mark-up over Cost (for external activities only)

1. The actual calculated overhead rate attributed to all additional costs (e.g., packaging and mailing) is to be added to the calculated internal rate.
2. A mark-up may also be added, if appropriate and as needed, to achieve the market price. Where a few similar products or services are commercially available through the local business community, rates should generally approximate fair market rates to avoid allegations of unfair business practices; external rates are to be consistently applied to avoid discrimination claims. Refer to UCLA Procedure 340.3 for additional guidance.