

Cost Sharing Administrative Guidelines

Summary

Cost sharing refers to the resources contributed or allocated by the University to an externally sponsored project, over and above the support provided by that sponsor.

There are two general types of cost sharing:

- **Required:** Required cost sharing refers to that portion of the University contribution to a sponsored project that is required by the sponsoring agency as a condition of obtaining the award.
- **Voluntary:** Voluntary cost sharing refers to that portion of the University contribution to a sponsored project which is not required, and which the University contributes at its own initiative. *If the proposed cost-sharing amount (such as principal investigator's time) is included in the proposal text or award budget, it then becomes a binding commitment and must be documented and reported as if it were required cost sharing.*

Any amount of voluntary cost share committed to a project above the amount required by the sponsoring agency is considered to be excess cost share.

NOTE: Excess cost sharing (i.e., cost sharing above the amount required by the sponsoring agency) is prohibited, except in specific circumstances where such excess cost sharing can be justified.

When cost sharing is included in a proposal, it must meet certain requirements, including:

- must be verifiable from the University's financial records;
- related to program objectives;
- necessary and reasonable for proper and efficient accomplishment of the project;
- incurred during the award term;
- allowable under the applicable cost principles (e.g., OMB guidance documents);
- shown in the approved budget;
- not paid from or charged to another sponsored project or program (unless specifically allowed);
- not includable within the University's indirect cost rates.

Tracking and assuring compliance with the cost sharing principles and these guidelines are the responsibility of the principal investigator (PI) and fiscal officer for the sponsored project.

I. Purpose

This document establishes the University guidelines for providing cost sharing commitments to sponsoring agencies, limiting excess cost sharing, budgeting such commitments in proposals, and documenting cost shared expenditures.

These guidelines are provided by the Office of Sponsored Projects Administration and the Grant and Contract Accounting office and are based on generally accepted accounting practices and federal guidelines and regulations.

II. Rationale

Cost sharing represents a redirection of departmental and University resources from teaching, research, or other activities in order to support the project on which the cost share is provided. The PI, department chair, college dean, and other administrators should carefully weigh the cost-effectiveness and the expected benefits of every proposal that includes cost sharing prior to making the commitment. They also must be careful that effort committed as cost share does not exceed that allowed by the faculty or staff member's appointment.

The more dollars SIU Carbondale expends in cost sharing, the more “expensive” our research appears to various governmental agencies, in comparison to other institutions. Further, resources committed as cost sharing to one project are not available to commit to other projects. Given limited resources, the University must be careful not to promise more than it can legitimately deliver when an award is received. The more dollars expended by SIU Carbondale in cost sharing, the fewer dollars come back to campus as indirect cost returns (also referred to as F&A) for internal redistribution as faculty seed grants, travel support, and other research support. Excessive cost sharing negatively impacts our indirect cost rate calculation.

NOTE: If cost sharing commitments are not met, a portion of the grant funds may have to be returned to the sponsor. Whether required or voluntary, once cost sharing is included in an award, it becomes a binding obligation of the University. The tracking, reporting, and certifying of cost sharing are subject to audit.

III. Definition of Cost Sharing

Cost sharing is the portion of project expenses (cash and in-kind contributions) related to a sponsored agreement that is contributed by parties (typically the University) other than the primary sponsor and is not directly charged to the sponsored project account(s). Cost sharing may be required by the sponsor or offered by the University. Regardless of how it originates, cost sharing represents a university commitment to provide resources to a sponsored project.

The two categories of cost sharing are:

Required Cost Sharing is a cost contribution which is mandated by the sponsor and which benefits the project and is typically included in the initial proposal and the sponsor's award document.

Voluntary Cost Sharing is a cost contribution voluntarily made either as part of the proposal or after the award is made to the University. Voluntary Cost Sharing would be tracked and accumulated and is included in the reporting to the sponsor, and would be included in the sponsor's award documents. If made after the award, the voluntary cost sharing would still be included in the sponsor's award document by amendment to the agreement. In either of these situations, the voluntary cost share would be considered excess cost sharing (i.e., in excess of the cost sharing specifically mandated by the sponsor). Note that in most situations, voluntary cost sharing is not expected on proposals for federal research funds and may not be used by the agency as a factor in the review of the proposal.

Excess cost sharing (i.e., any cost sharing in excess of the required cost sharing) is cost sharing that is provided above and beyond what is required by the sponsoring agency. Inclusion of excess cost sharing in the proposal, or providing excess cost sharing as part of the project is prohibited (other than as discussed below), because the University is ultimately responsible for documenting and providing the cost share, whether it is required or voluntary.

Uncommitted cost sharing: There may be situations where cost sharing occurs as part of the project, but which is not proposed to the sponsor. For instance, faculty-donated additional time, over and above that agreed to as part of the award, would be in this category, and is termed uncommitted cost sharing. Because this type of cost sharing is not included in the proposal (i.e., is uncommitted), it does not need to be accounted for as detailed in these guidelines. Uncommitted cost share is not included within the budget or quantified within the proposal for the project.

Note: The inclusion of voluntary committed cost sharing is prohibited in NSF proposals, unless specifically required by a program solicitation. Proposers are directed by NSF to include an aggregated description of the resources that the organization will provide to the project in the Facilities, Equipment and Other Resources section, in lieu of other parts of the proposal such as the budget justification or project description. The description should be narrative in nature and must not include any quantifiable financial information.

IV. Other Definitions

Cash Cost Sharing is provided by the University or a third party as a cash contribution to the overall budget of the project. Cash cost share is deposited and maintained in a separate budget purpose (see below) or the costs are charged to a budget purpose other than that used for the sponsored project.

Examples of costs that can be considered cash cost sharing include salaries and fringe benefits for employees with committed effort to the sponsored project paid from local accounts, equipment purchased by the University for use on the sponsored project, and funds transferred from a local account to a restricted cost share account to use to support the sponsored project,

Direct Costs are costs that can be specifically identified with a particular project, program, activity or sponsored account.

Effort is the time spent by a principal investigator, faculty member or other employee(s) on sponsored project(s) and all other activities on an integrated basis regardless of the source of funding. Effort must be documented through the University's effort reporting system.

Indirect Costs (also known as F&A Costs) are costs that cannot be readily and specifically identified with a specific project, program or activity but which provide an overall benefit to the institution and sponsored projects. Indirect costs consist of general expenses such as administrative costs; accounting, payroll and personnel administration; operations and maintenance expenses, such as utilities, building maintenance and custodial services; building depreciation and interest associated with the financing of buildings; administrative and supporting services provided by academic departments; libraries; and IT services.

In-kind Cost Share are non-cash resources committed to, and necessary for the completion of, the project. In-kind cost share includes, for instance, the value of non-institutional meeting space used for a project activity (where that space would normally carry a charge for its use) or the donation of volunteer time. The value of the in-kind cost share must be able to be determined, be verifiable and be justified (to the goals of the project). Care must be used when determining allowable in-kind cost share, since many costs are included in the University's indirect cost rate and cannot be separately attributed to a sponsored project.

Third Party Contribution is a cash or non-cash contribution to a sponsored project or program which is provided by a party other than the University or the primary sponsoring agency. Third party non-cash (in-kind) contributions may be in the form of services directly benefiting, and specifically identifiable to the project or program, such as equipment, supplies, or use of space. In the case of volunteer labor, it is important to document the time spent and account for it at a reasonable rate consistent with rates paid for similar work. In the case of donated property, the value shall be determined in accordance with the usual accounting policies of the University.

Unrecovered (waived) Indirect Costs represent the difference between the full indirect costs that could be charged on a particular project, based on the university's federal negotiated rate, and the indirect costs allowed by the sponsoring agency for that project. Unrecovered Indirect Costs may be allowable as cost sharing. Faculty should consult with an OSPA specialist to determine if unrecovered indirect costs are allowable as cost share

and how to calculate the amount of unrecovered indirect costs that can be claimed as cost share.

NOTE: Regardless of the source of the cost share (from external or internal sources), the University is responsible for the total cost share committed to the project, whether required or voluntary.

V. General Policy

Cost sharing approved by the University will be limited to those situations where it is mandated by the sponsor. Voluntary cost sharing may only be provided in cases where it is clearly necessary because of special circumstances. In all situations, the use of cost sharing should be kept to a reasonable level because of the burden that cost sharing places on University resources. Principal investigators who have difficulty finding enough funds to meet the required cost sharing requirement may apply for matching funds from the Vice Chancellor of Research.

For required cost sharing, the cost sharing included in the proposal must be equal to, but not exceed, the amount required by the terms of the solicitation, unless a waiver to provide voluntary cost sharing is approved.

If a principal investigator wants to include voluntary cost sharing on a project at the proposal stage, a waiver requesting the voluntary cost share must be completed and approved as part of the proposal approval process. Voluntary cost share commitments after the award must be similarly approved by the appropriate fiscal officers.

The cost sharing on a sponsored project should be recalculated in situations where the award amount has been adjusted by the sponsor. This may require submission of a revised budget to the sponsor.

NOTE: The principal investigator of the sponsored award is responsible to assure that the cost sharing to which the University has agreed has been fulfilled and properly documented. Failure to meet cost sharing commitments may result in a return of project funds to the sponsoring agency.

VI. Costs Eligible for Cost Sharing

To be allowed as cost-shared expenses, costs must be:

Actual, allowable, allocable and reasonable under federal cost principles (OMB Uniform Guidance 2 CFR 200 and related documents) and the terms of the sponsored agreement.

Documentable in the effort reporting process (for cost-shared effort).

Capable of being quantified and documented.

Incurred as a cost during the project period.

There are two general restrictions on costs that may be used for cost sharing:

If the costs are used as cost sharing on a federal program, they may not be paid or used as cost sharing on another federal program, unless approved by both agencies. Generally, this is the case for cost sharing committed on non-federal programs. That is, the same cost sharing cannot benefit two different projects.

Costs classified as indirect costs or unrecovered indirect costs may not be used as direct cost sharing unless specifically permitted by the sponsor.

Examples of allowable forms of cost sharing:

The effort of the Principal Investigator and/or employees committed (not paid by the sponsored agreement) to sponsored agreements, including the associated fringe benefit costs.

The cost of equipment purchased by the University or a third party, whose purchase is necessary for, and dedicated to, the successful completion of the project. Existing equipment made available for the performance of the sponsored agreement is not allowable for cost sharing since the recovery of its cost is included in the indirect cost rate and the sponsor is already paying for it through the application of the indirect cost rate.

Laboratory supplies purchased for use by the sponsored project from funds other than those provided by the sponsor.

Travel related to the sponsored project paid from University or third-party sources.

Third party in-kind contributions. When the contribution is in the form of personal services, the contributor must certify that the amount cost shared is comparable to the individual's regular rate of compensation for the type of work performed. When contributions are for other than personal services, the provider must state the fair market value of the item. OSPA can assist in determining valuations of volunteer effort, which typically are based on the work being done, not the qualifications of the person doing the work.

Note: The willingness and ability of the third party to commit cost share must be documented by a letter of commitment from the third party, prior to submission of the proposal.

Waived or reduced indirect costs (i.e. the difference between the applicable negotiated indirect rate and the amount awarded by the sponsor). Indirect costs may be included as cost sharing on awards only if they are specifically identified as

allowable in the solicitation, or when not prohibited by the awarding agency. Consult with OSPA for assistance when considering the use of waived indirect as cost share.

Typically, the same cost cannot be used as cost share on more than one project. There are rare exceptions where this may be allowable. PIs should seek guidance from OSPA before committing the same cost share items to more than one project.

VII. Personnel Effort

In order to fulfill the university's responsibility to sponsors, sponsored projects generally include some Principal Investigator effort. The effort must be approved by appropriate administrators.

The amount of effort must be realistic and the total of any employee's effort cannot exceed 100% for all university and sponsored project commitments for the award period. Whenever possible, salary commensurate with the effort should be included in the proposal and requested from the sponsor as a direct cost.

When cost-shared effort is offered, the following should be considered:

The sponsor's requirement for cost sharing.

The percentage of time already committed on other sponsored projects.

The amount of effort devoted to other functions such as teaching and administration.

The amount of effort devoted by others such as co-Principal Investigators

The size and complexity of the project.

The Proposal Checklist and supplemental forms are used to record that the principal investigator, department, and college concur with the proposed effort and will provide the necessary documentation. If effort is included as cost share, it must be quantified in the proposal budget and documented on the proposal checklist (and supplementary forms, if necessary) with the appropriate approvals.

NOTE: In some cases, sponsoring agencies (such as NIH) may require senior/key personnel effort to be included as a percentage in proposals when there is not a cost share requirement. In such cases, the Voluntary Cost Share Waiver request is not necessary (see below).

Prior to proposal submission or award acceptance, the Office of Sponsored Projects Administration will contact the department or the Principal Investigator with any concerns regarding the proposed cost sharing commitment.

VIII. Cost Share by Subawardees

If the sponsored project includes a subaward to another organization, required cost sharing should be included in the subaward's budget at the same rate as that provided by SIU Carbondale. The subawardee will be expected to provide appropriate documentation that the cost sharing was actually provided. It is the PI's responsibility to assure that the subawardee meets its cost sharing obligations, as SIU Carbondale will not assume responsibility for the failure of the subawardee to provide cost sharing. In those cases, the subawardee's budget may be reduced proportionally to the missing cost share, or the PI's department or college may have to assume responsibility for the missing cost sharing.

IX. Documentation

Cost sharing included in the proposal must be documented and approved using the *Cost Sharing Commitment Form*, attached to the Proposal Checklist and submitted with the proposal and budget. If matching funds are requested from the OVCR, a *Request for Matching Funds* form must be completed prior and submitted with the *Cost Sharing Commitment Form* and the Checklist. OSPA will route the *Request for Matching Funds* form to the OVCR for consideration and approval, after reviewing the entire cost sharing proposed for the project.

Requests to include excess cost sharing on a proposal must be documented on the *Voluntary Cost Share Waiver Request* (except as noted above for proposals to certain agencies), which must be submitted for approval with the *Cost Sharing Commitment Form*.

All cost-shared expenditures of a sponsored project must be properly recorded and reported in the University accounting system, effort reporting system, or by means of a separate tracking system (e.g., spreadsheet). Grant and Contract Accounting (GCA) does not track cost sharing – it is the responsibility of the principal investigator.

When OSPA and GCA receive an award with a cash cost sharing requirement, a separate fund is created to track the cash cost share. Throughout the project, the principal investigator and department are responsible for monitoring the actual cost share on the project and ensuring that the cost sharing requirement is met and properly recorded and accumulated. This may require a separate cost share tracking system, particularly for third party cash and non-cash cost sharing.

The principal investigator must provide documentation of cost sharing to the department, college and OSPA/GCA. This documentation must be submitted consistent with the reporting requirements of the sponsor but no less frequently than annually.

X. Contacts for Questions

Questions concerning this policy and its requirements should be addressed to the Office of Sponsored Projects Administration and Grant and Contract Accounting.

Cost Share Forms –

Cost Sharing Commitment Form

Voluntary Cost Sharing Waiver Request

Request for Matching Funds

Adapted from the University of South Alabama, 1/13/2014