



UT System Administration Policy Library -- Policy INT158

Cost Sharing Policy

Responsible Officer: Associate Vice Chancellor-Controller and Chief Budget Officer

Sponsoring Office: Office of the Controller

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POLICY STATEMENT

This policy provides requirements, guidelines, and procedure for monitoring, tracking, and reporting cost sharing to sponsoring agencies *for all sponsored programs*, federal, state, and private, at UT System Administration (UTS). This includes the understanding of cost sharing commitments and determining when cost sharing is appropriate and allowable.

Cost sharing is the portion of sponsored project cost not borne by the sponsor. Cost sharing occurs when a sponsor requires or the institution commits funds beyond the awarded amount by the sponsor. It is the policy of UTS that cost sharing is proposed, approved, administered, available and accounted for in a consistent and reasonable manner throughout the project/program. To comply with all applicable federal laws and regulations and sponsoring agency guidelines UTS must be accountable for documenting and verifying cost sharing commitments.

RATIONALE

To comply with UTS163, *Guidance on Effort Reporting Policies* distributed to all UT institutions and UT System Administration, a formal policy on “Cost Sharing on Sponsored Projects” must be established. Federal regulations for cost sharing on sponsored projects have been tightened up substantially. These regulations require the institutions to be accountable in documenting and verifying cost sharing commitments, with the same diligence as actual expenditures on contracts and grants.

UT System Administration *strongly discourages* cost sharing arrangements for all sponsored programs, as these arrangements involve unique accounting procedures and requires funding resources from UT System Administration. Cost sharing arrangements also necessitate increased monitoring to ensure compliance.

SCOPE

All offices of UT System Administration.

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/int158.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Related Statutes, Policies, Requirements or Standards
<p><u>UTS 163, Guidance on Effort Reporting Policies</u></p> <p><u>INT153, Time and Effort Managing and Reporting Policy</u></p> <p><u>INT159, Institutional Base Salary Policy</u></p>	<ul style="list-style-type: none">• OMB A-21 Federal Administrative Requirements for Grants with Institutions of Higher Education• <u>OMB A-110 Uniform Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations</u>• Specific Sponsoring Agency Guidelines

CONTACTS

If you have any questions about UT System Administration Policy INT 158, *Cost Sharing*, contact the following office(s):

Subject	Office Name	Telephone Number	Email/URL
Grants & Contracts	Office of the Controller	512.499.4527	controllersoffice@utsystem.edu http://www.utsystem.edu/cont

DEFINITIONS

Allowable Cost: A cost that is reasonable, allocable to the sponsored program, and consistently treated throughout the institution. The cost must not be previously committed to another project as cost sharing or included in the F&A calculation.

Cost Sharing: A commitment made by the institution to fund a portion of the total cost of a sponsored agreement. This commitment may be for direct and/or indirect costs, and may consist of institution funds or funds from other outside sources. Cost sharing can be classified as either mandatory or voluntary. Cost sharing is also referred to as “Cost Matching.”

Cost Sharing Account: An account used to record mandatory cost-sharing contributions to a sponsored project or program. This account can only be used to accumulate cost-sharing contributions for a single sponsored-project.

Direct Costs: Costs that directly benefit and are specifically associated with a sponsored project or program.

Effort: Time spent on any activity by an individual, expressed as a percentage of the individual’s total professional effort. Total effort must always equal 100%.

Facilities and Administrative Costs (F&A): Costs incurred for a common or joint purpose which cannot be identified specifically with a particular sponsored project or instructional activity. Indirect costs include such items as utilities, depreciation, and facilities costs. They are real costs of conducting research, instruction, and training

which must be funded by either the sponsor or UTS. Also known as “Indirect Costs” (IDC).

Mandatory Cost Sharing: A contribution to a sponsored project or program required by the sponsor as a condition of the award. Such contributions are binding commitments and must be accounted for in accordance with this policy. This type of cost sharing must be included in the proposal budget and be included in the research base.

Third-Party In-Kind Contribution: A non-cash cost sharing commitment to a sponsored project by a party other than the institution or the primary sponsor such as facilities or equipment use. Third-Party-In-Kind contributions do not require accounting entries to be made in the accounting system. However, records must be maintained to demonstrate that the full cost share commitment was performed.

Unallowable Cost: A cost determined to be unallowable in accordance with the applicable cost principles or other terms and conditions contained in an award.

Unrecovered F&A Costs: The difference between the amount awarded and the amount which could have been awarded under the recipient’s approved negotiated facilities and administrative cost rate.

Voluntary Cost Sharing: A contribution to a sponsored project or program offered by the Principal Investigator but not required by the sponsor as a condition of the award. Voluntary cost sharing is classified as either committed or uncommitted.

Voluntary Committed Cost Sharing: Quantified contributions reflected in the proposal narrative, budget, and/or budget justification. These are binding commitments and must be accounted for, in any resulting award, in accordance with this policy. Voluntary Committed Cost Sharing should be included in the research base.

Voluntary Uncommitted Cost Sharing: Contributions not quantified or reflected in the proposal. These are non-binding commitments that do not require documentation or reporting. Voluntary Uncommitted Cost Sharing should not be included in the research base.

RESPONSIBILITIES

Principal Investigator

- Ensure compliance with the Cost Sharing Policy
- Identify cost sharing commitments in proposals

- Obtain approval for cost sharing commitments from the Office of the Controller and the Executive Vice Chancellor of Business Affairs prior to proposal submission
- Verify that effort commitment cost sharing in the proposal has been submitted and approved by the individual listed in the proposal as well as his/her supervisor
- Ensure that committed funds for cost sharing are available at the time the proposal is submitted and throughout the life of the award
- Obtain documentation of third-party contributions
- Ensure that the total effort for an individual, including cost sharing, does not exceed 100% at the time of award acceptance
- Ensure that appropriate expenses are charged and properly recorded to cost-sharing account in accordance with this policy and applicable federal or other regulations
- Ensure that cost sharing commitments are met and properly documented
- Work with Business Manager(s) in the preparation of cost sharing information for reporting to the sponsor; approve the final report before submission
- Provide cost sharing information to the Contracts and Grants Manager for annual reporting to executive management

Business Manager

- Review cost sharing commitments
- Establish cost sharing account
- Ensure that cost sharing expenses are properly recorded
- Monitor project/award to ensure that cost sharing requirements are met and recorded
- Ensure that required cost sharing documentation has been maintained. This includes, but is not limited to, financial transactions, invoices, receipts, appointments, and effort certification
- Prepare cost sharing information for reporting and review by the PI and the grants and contract manager
- Submit cost sharing reports to the sponsor as required

Office of the Controller-Grants and Contracts Manager

- Review cost sharing commitments prior to the proposal submission for allowability, proper approval, and compliance with this and other applicable policies and regulations
- Review cost sharing expenses to ensure that they are properly recorded
- Prepare annual report for executive management on cost sharing
- Ensure that cost sharing is correctly reflected in the indirect cost rate calculations

PROCEDURES

OVERVIEW

1.0 Cost sharing is a financial commitment toward the total cost of a project from a source other than the granting organization. Contributions for cost sharing include other departmental designated funds, gifts, or endowment income. OMB A-110 stipulates that cost sharing must come from non-federal sources. It can be one of two types, either mandatory or voluntary.

- Mandatory cost sharing is required by statute, regulation, or written policy. Such cost sharing is set forth in the Request for Proposal (or other notice) announcing the availability of the funding. Depending on the particular program or agency, this contribution may be satisfied by providing cash, services, or other contributions such as staff effort devoted to the project. In some instances, the program will mandate a percent of the total project costs as cost sharing, but in others, the requirement will be stated without a specified amount or percentage.
- Voluntary cost sharing is a more complex issue. On an increasing basis, various funding programs and agencies are trying to further leverage their limited grant funds by encouraging applicants to show a commitment on the part of the submitting institution through voluntary cost sharing. In these instances, while it is not mandated by the regulations, cost sharing is nonetheless encouraged as an indication of support by UTS.

1.1 Cost sharing implies the redistribution of UT System resources to support a specific sponsored agreement. Because these resources can be scarce in some cases, it is important not to over-commit funds when the sponsor does not require them and when the project can be completed without them.

1.2 Once committed in a proposal narrative, proposal budget, or notice of award, mandatory and voluntary committed cost sharing funds must be verifiable and fully documented in the accounting records in accordance with government regulations. Third party in-kind contributions do not require accounting entries in UT System's accounting system. However, adequate records must be maintained to demonstrate that the full cost share commitment was performed. Effort commitment must be certified in the time and effort certification process for mandatory and voluntary committed cost sharing.

An OMB memo dated January 5, 2001 clarified OMB's treatment of Voluntary Uncommitted Cost Sharing and said that it should not be included in the organized research base for computing the F&A rate.

<http://www.whitehouse.gov/omb/memoranda/m01-06.html>

1.3 Consideration should be given for committing to cost sharing including, but not limited to the following:

- a. Cost sharing brings down F&A costs rate and reduces the reimbursement from the sponsors. Cost sharing committed in the proposal is considered as direct costs and is added into the denominator (base) of the F&A costs calculation.
- b. It reduces the flexibility PIs have to conduct other projects.
- c. It increases the requirements for accounting and recordkeeping.
- d. Unrecovered F&A costs may be included as part of cost sharing only with prior approval of awarding agency.

1.4 Unallowable Costs for Cost Sharing The following expenses cannot be offered as cost sharing commitments in sponsored project proposals.

- Expenses that are already committed to another project as cost sharing
- Expenses that are provided from a federal or other sponsored program
- Existing UTS-owned equipment or institutions facilities
- Unallowable costs as defined in OMB A-21, Section J

1.5 Allowable Costs for Cost Sharing

Costs for cost sharing may consist of allowable direct or indirect costs and must meet the same tests as those charged to the sponsored projects. Examples of eligible costs are:

- Allowable and allocable costs under OMB A-21 and A-10 and the terms and conditions of the sponsored agreement;
- Cost of equipment purchased necessary for the completion of the project;

Salaries and wages and benefits in excess of regulatory salary caps are considered voluntary committed cost sharing. (Refer to INT159, Institutional Base Salary Policy)

PROCEDURES

2.0 Pre-Award

Consideration should be given to the administrative requirements and responsibilities inherent in the cost sharing commitment to determine the cost effectiveness and the expected benefits of cost sharing, prior to making such commitments. Department must obtain approval for cost sharing commitments from the Office of the Controller and the Executive Vice Chancellor of Business Affairs prior to proposal submission.

2.1 In addition, PI is required to:

- Verify that effort commitment cost sharing in the proposal has been submitted and approved by the individual listed in the proposal as well as his/her supervisor.
- Obtain budget authority for cost sharing amounts in the proposed budget

- Ensure that committed funds for cost sharing are available at the time the proposal is submitted and throughout the life of the award.
- Obtain approval documentation for cost sharing commitments from third-party contributions or other sources as appropriate.
- Ensure that the total effort for an individual, including cost sharing, does not exceed 100% at the time of award acceptance.

3.0 Post-Award

When a PI proposes to cost share System Administration resources, System Administration is required to provide the stated resources in the performance of the sponsored agreement.

Implicit in the commitment to cost share is the PI's agreement to ensure that funds are budgeted and available, and cost sharing is properly accounted for, monitored, tracked, and reported as required.

3.1 Accounting for Cost Sharing

Cost shared expenses for each project are accounted for in separate accounts established specifically for that purpose.

Allowable costs must be timely and accurately charged to the appropriate cost sharing account and must be approved by the PI.

3.2 Monitoring, Tracking, and Reporting Cost Sharing

The PI and the department are obligated to monitor, track, maintain documentation of the mandatory and voluntary committed cost sharing, and report to the sponsor.

The tracking, reporting, and certifying of cost sharing are subject to audit under OMB Circular A-133, sponsor guidelines, or terms of the sponsored agreement.

3.3 Time and Effort Reporting

Cost sharing effort is included in the calculation of total committed effort. Although proposals could be in circulation at any given time which exceed 100% of a staff's effort, care must be taken to ensure that effort is not committed more than the appointment allows for concurrent periods of time. And effort commitments cost sharing can only be used once and cannot be included as contribution for any other federally or sponsored program. (Refer to INT153, *Time and Effort Managing and Reporting Policy*)

SPECIAL INSTRUCTIONS FOR INITIAL IMPLEMENTATION

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

Keywords: cost sharing, sponsored programs, sponsoring agencies, grants
