

COST SHARING POLICIES AND PROCEDURES

Federal Definitions of Cost Sharing

Cost sharing is defined as program or project costs not borne by the sponsoring agency. Cost sharing may include contributed effort, other University matching funds, unrecovered facilities and administrative costs, (F&A, or indirect costs) and third-party in-kind contributions. OMB Circular A-110 entitled “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”, Subpart C, Section 23, requires that all cost sharing must:

- Be necessary and reasonable for proper and efficient accomplishment of project objectives;
- Be readily verifiable from the university’s official records;
- Not be paid by the federal government under another award (except where authorized under federal statute to be used for cost sharing);
- Be provided for in the approved budget (when required);
- Not be included as cost sharing for any other sponsored award; and
- Be allowable under applicable cost principles and conform to other applicable Circular provisions.

There are two types of cost sharing: mandatory cost sharing and voluntary cost sharing.

- **“Mandatory cost sharing”** is cost sharing that is legally required by the awarding agency as a condition of the award.
- **“Voluntary cost sharing”** is not required by the awarding agency as a condition of the award. However, some federal agencies expect some cost sharing commitment to be identified in the proposal. **If voluntary cost sharing is included in the proposal, it will become mandatory cost sharing if accepted by the sponsoring agency as a part of the award (grant or contract).**

The University will track all cost share commitments, ensuring commitments are met and that cost share complies with general requirements and specific agency or award requirements. All committed cost share is subject to review and approval by the President, Vice President for Academic Affairs, Vice President for Business and Financial Affairs, and the OSP, for allowability, appropriateness and sufficiency.

Voluntary Uncommitted Cost Sharing

On January 5, 2001, the Office of Management and Budget (OMB) issued a policy statement clarifying the OMB Circular A-21 treatment of “Voluntary Uncommitted Cost Sharing.”

“Voluntary Uncommitted Cost Sharing” is defined by OMB as university faculty or senior researcher effort that is over and above that which is committed and budgeted for in a sponsored agreement. This differs from mandatory or voluntary committed cost sharing which is cost sharing specifically pledged in the proposal’s budget or award.

To be considered voluntary uncommitted cost sharing, percentage of effort and/or dollar amounts cannot be included in the proposal. If voluntary uncommitted cost sharing is defined in such a way that time and effort can be accounted for, the proposed effort becomes voluntary committed cost sharing.

An example of voluntary uncommitted cost sharing:

- a. You have included 5% of your effort in the proposed grant budget with no cost sharing proposed.
- b. In order to reflect additional support without committing to cost share, your budget justification might state, "The percent of effort included in the budget represents only the portion that will be charged to the grant. The PI will provide the time and effort necessary to satisfactorily complete the project objectives. Effort in excess of the 5% included in the budget for the PI represents voluntary uncommitted cost share of his/her time in order to reduce the salary burden and maximize the availability of grant funds for other direct research costs. UNA allocates at least XX% of the PI's academic year time and salary in support of sponsored and non-sponsored research activities."

Appropriate Use of Voluntary Uncommitted Cost Share

The University receives federal funding for a variety of research and other sponsored activities. The federal government has clarified that, except in very unusual circumstances, each federally funded project should have allocated to it some level of committed Principal Investigator/Project Director (PI) effort. As the federal government requires that it be charged no more than any other sponsor, the University is generally required to charge all sponsors for some portion of faculty effort related to any sponsored activity.

Definition:

Voluntary uncommitted cost share (VUCC) is an acceptable means for the University to show its support of a project without the need for separately budgeting and accounting for the effort expended. The definition of and parameters for VUCC, as described in OMB Memorandum M-01-06 dated January 1, 2001 (link <http://www.whitehouse.gov/omb/memoranda/m01-06.html>), must, however, be well understood and closely followed.

The definition of VUCC provided in the OMB memorandum applies only to effort and defines voluntary uncommitted cost sharing effort as "university faculty (including senior researchers) effort that is over and above that which is committed and budgeted for in a sponsored agreement." Although it states that this type of uncommitted effort is not to be included in the research base, it stipulates that, "most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government" and "Such committed faculty effort shall not be excluded from the organized research base by declaring it to be voluntary uncommitted cost sharing."

If there is no restriction on the reimbursement of salary costs and no other cost share requirement, the University must ensure that some level of committed faculty effort is included in the proposed, sponsor paid budget. The University would, otherwise, be agreeing to voluntary committed cost sharing, which would require the necessary approvals. .

The significance of the level of uncommitted effort expected and/or provided must also be taken into consideration when determining whether it can be excluded from separate accounting. As the payroll distribution requirements of OMB Circular A-21 (section J.10.b) require that our system "encompass both the sponsored and all other activities on an integrated basis" and that "significant changes in the corresponding work activity must be identified and entered into the payroll distribution system", the OMB memorandum states that, "As such, when an institution reduces a faculty member's level of activities dedicated to other institutional responsibilities in order to shift his/her activities to organized research activities, the institution must reflect this reduction in the payroll distribution system (as an increase to the research effort component)." Any case where the uncommitted effort appears to be significant will be reviewed by the Vice President for Business and Financial Affairs for a determination of how to account for or otherwise manage the situation.

If the written policy of a sponsor or program specifies that it will not pay for salaries, that sponsor is, in effect, requiring cost share. Cost share required due to a sponsor's policy of not paying salary cost, will be treated like any other required cost share.

Exception:

The OMB memorandum does provide for exceptions in that, "some types of research programs, such as programs for equipment and instrumentation, doctoral dissertations, and student augmentation, do not require committed faculty effort, paid or unpaid by the Federal Government." There may be an exception in other cases where there is a very minimal amount of time/effort devoted to the project by the PI (e.g. an award for travel to a conference for which the PI will only be away from the University for one or two days). Any exception not specifically identified in the OMB memorandum must be thoroughly justified, in writing, approved by OSP and maintained in the grant files.

An exception may also be granted if the total funding under an award is no more than \$5,000 and the school/college/unit agrees to fund and account for the PI's time committed to the project through Voluntary Committed Cost Share. This exception will require that cost shared PI time be treated like Mandatory Committed Cost Share (i.e. a separate cost share fund must be established in Banner and the PI's unit must charge via a Personnel Action Form (PAF) the allocable portion of the PI's salary to the cost share fund and provide the funding to cover the salary charges).

UNA Policy on Cost Sharing

If a PI wishes to submit a proposal where voluntary or mandatory cost sharing is needed, the PI is required to meet with the Director of Sponsored Programs at least 14 business days prior to

submission of the proposal to discuss what funds may be available for cost sharing purposes. The OSP and the PI will identify possible sources of cost sharing funds and submit for approval the commitment of cost sharing funds to authorized parties from which non-sponsored funds are being committed. Authorized parties include but are not limited to: department chairs, Deans, Vice President for Business and Financial Affairs, Vice President for Academic Affairs, and the University President

Voluntary cost sharing is not routinely supported by UNA. It is the recommendation of UNA's Office of Sponsored Programs that cost sharing only be included in a proposal if it is mandatory cost sharing. However, the OSP recognizes that there are activities and agencies, especially those dealing with assistance awards, which look favorably on voluntary cost sharing by the university.

Cost Sharing commitments of \$250,000 or greater require Board of Trustees approval. All cost share requests of \$250,000.00 or greater must be submitted to the OSP 90 days prior to the proposal submission deadline.

If cost sharing is provided via the Office of Advancement, a letter of commitment from the Vice President for Advancement indicating the level and type of cost sharing must be submitted to the OSP seven business days prior to the proposal submission deadline.

Cost Transfer Policy

A cost transfer is a shift of an expense to or from a sponsored project when that expense was previously charged elsewhere. Examples:

- transfer pre-award costs from other university accounts/funds
- correction of a clerical error
- reallocation of salary distribution to reflect actual effort

The cost allowability and allocability requirements of OMB Circular A-21 necessitate thorough explanation and justification for any transfer of charges to federal awards from other federal, non-federal or University Funds. Allocability requirements do not allow transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns. All federal and non-federal sponsors are sensitive to the risks associated with cost transfers and expect that they also be accomplished in a timely manner (typically within 90 days). The NIH policy on *Cost Transfers, Overruns, and Accelerated and Delayed Expenditures* found in the NIH Grants Policy Statement at http://grants1.nih.gov/grants/policy/nihgps_2003/NIHGPS_Part5.htm#_Toc54600120 is representative of the perspective of all federal and most other sponsors.

It is never acceptable to charge costs to a sponsored project unless those costs are allocable to that project, even on a temporary basis.

To ensure compliance with the policies of federal and non-federal sponsors, the University requires that all cost transfers be accomplished in a timely manner and be supported by documentation that fully explains the cost transfer.