OP 65.07:  Cost Sharing on Sponsored Projects

DATE:  July 21, 2015

PURPOSE:  The purpose of this Operating Policy/Procedure (OP) is to set forth Texas Tech University’s policy for cost sharing committed on sponsored projects.

REVIEW:  This OP will be reviewed in February of odd-numbered years by the managing director of Accounting Services and the senior associate vice president for research with substantive changes forwarded to the vice president for research, the assistant vice president and controller, and the vice president for administration & finance and chief financial officer.

POLICY/PROCEDURE

1.  Policy Statement

Cost sharing will be proposed, approved, administered, and accounted for in accordance with federal regulations. Unless otherwise noted, federal regulations are imposed for state and privately funded sponsored projects. The policies herein apply to all committed cost share, whether mandatory or voluntarily committed. The university discourages cost sharing commitments when they are not required by the sponsor.

While particular sponsors may use other terms such as matching and in-kind, they are considered cost sharing for purposes of this policy.

2.  Definitions

a.  Cost Sharing–The portion of the total cost of an externally funded sponsored project that is not funded by the sponsor. Cost sharing is considered either committed or uncommitted.

b.  Committed Cost Sharing–A contribution to the total cost of a sponsored project that is specifically identified and described in the proposal budget and made a condition of the award. Committed cost sharing, whether mandatory or voluntary, is a binding commitment and must be accounted for in accordance with this policy.

   (1)  Mandatory Cost Sharing–A contribution to the total cost of a sponsored project that is required by statute or sponsor policy as a condition of obtaining the award. Mandatory cost sharing requires documentation and is reported to the sponsor.

   (2)  Voluntary Committed Cost Sharing–A contribution to the total cost of a sponsored project that is not required by the sponsor but is reflected in the proposal narrative,
Voluntary committed cost sharing requires documentation and is reported to the sponsor.

*When a proposal with quantifiable PI effort in the narrative, budget, or budget justification is awarded, federal regulations consider such effort to be a binding commitment. If there are no corresponding salary charges to the resulting award, the committed effort is deemed to be voluntary committed cost sharing and, therefore, must be certified.*

c. Voluntary Uncommitted Cost Sharing--Contributions to the project above the amount committed and budgeted for in a sponsored agreement. Uncommitted cost sharing does not require documentation or reporting.

d. Third Party Contribution--A contribution to a sponsored project that is provided by a party other than the university or the primary sponsoring agency. Third-party contributions may be in the form of cash or non-cash (i.e., “in-kind” contributions) such as real property, equipment, supplies, and other expendable property, or goods and services directly benefitting the project.

e. Unrecovered Facilities and Administrative (F&A) Costs--The difference between the university’s full negotiated F&A rate (calculated at MTDC) and that which is reimbursed under the sponsored project. Reduced F&A may be a result of sponsor limitations or institutional waivers. Refer to OP 65.01, Facilities and Administrative Cost Recovery for additional information.

3. **Allowable Costs for Cost Sharing**

Cost sharing may consist of direct and/or F&A costs and can be provided in the form of cash (institutional funds/gifts), third party contributions (cash or in-kind), program income, and/or sponsored project funding from another non-federal sponsored agency.

a. Charges must be allowable and allocable under federal cost principles (OMB Circular A-21; 2 CFR Part 200 Subpart E) and the terms and conditions of the sponsored agreement. Refer to OP 65.08, Direct Charging to Sponsored Projects and Cost Share Funds, for additional guidance.

b. Where direct charges are included as cost sharing, the associated indirect costs may be applied at the institution’s negotiated rate unless otherwise limited by the sponsor.

(1) State, private, and federal projects administered under OMB Circular A-110 do not require prior approval.

(2) Federal projects administered under the Uniform Guidance require prior approval in accordance with 2 CFR 200.306(c).

c. Unrecovered F&A costs (whether limited by the sponsor or waived by the institution) may be included as part of cost sharing on federal projects with prior approval of the awarding agency in accordance with OMB Circular A-110 and 2 CFR Part 200.306. Unrecovered F&A will be included as cost sharing for state and privately funded projects.

d. The use of normally indirect costs (OMB Circular A-21 F.6.b and 2 CFR Part 200 Appendix III.B.6) for meeting cost sharing commitments must be specifically identified in the proposal.
narrative, budget, and/or budget justification and accepted (or not specifically disapproved) by the sponsor.

e. All contributions, including cash and third party in-kind, must meet each of the following criteria in accordance with OMB Circular A-110 and 2 CFR Part 200.306:

(1) Verifiable from the recipient’s records

(2) Not included as contributions for any other federally-assisted project (i.e., the same expenditures cannot be used as cost sharing for multiple federal awards)

(3) Necessary and reasonable for proper and efficient accomplishment of project objectives

(4) Not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing (i.e., the source of cost sharing on a federal award cannot be another federal award)

(5) Provided in the approved budget when required by the federal awarding agency

f. Cost share must be incurred during the performance period of the award. Some agencies expect and/or require cost sharing to occur at the same pace as award spending.

g. The Department of Health and Human Services (DHHS) has instituted maximum compensation levels for individuals working on their projects (i.e., salary cap). Salaries exceeding the maximum rates of pay are considered mandatory cost sharing.

4. Source of Funds

Where there is a cost sharing commitment (mandatory or voluntary committed), the Office of Research Services (ORS) will work with the principal investigator (PI) at the proposal stage to develop the cost share budget and to identify source of funds for cost sharing. This includes sources of funding for rates of pay exceeding the DHHS maximum levels. ORS will work with Accounting Services to ensure appropriate sources are identified. Service centers and other funding are not allowable sources.

5. Accounting and Reporting

a. When projects are awarded with institutional commitments, Accounting Services will establish designated cost share FOPs and associated budgets in accordance with the proposal and award. When required by the sponsor, cost sharing reports will be prepared, submitted, and/or certified by Accounting Services.

b. Expenditures must be recorded in the established accounts to be counted toward the cost share commitment. Accounting Services will calculate and maintain sufficient documentation of charges not recorded in the accounting system:

(1) Fringe benefits and tuition remission on state-appropriated funds

(2) F&A and unrecovered F&A costs

(3) Third party contributions
6. **Documentation and Record Retention**

   a. Documentation for non-salaried expenditures must follow the requirements outlined in [OP 65.08, Direct Charging to Sponsored Projects and Cost Share Funds](#).

   b. Salaried cost share commitments are captured in eCRT for effort certification.

   c. Because third party contributions are not accounted for in the university’s financial systems, external entities are required to submit documentation to Accounting Services.
      
      (1) Cash and in-kind contributions from subrecipients should be reported and documented in accordance with the subrecipient risk assessment and subaward.
      
      (2) For non-subrecipients, Accounting Services will establish third party cost share monitoring plans.
      
      (3) Cost sharing information must be certified by the third party and approved by the PI.

   d. Records will be retained for the same period as the related sponsored agreements.

7. **Monitoring**

   The PI has primary responsibility for ensuring that charges to cost share funds are in accordance with federal regulations and the terms and conditions of the award. Accounting Services will provide additional oversight and accountability for the funds throughout the award life cycle.

   If it becomes apparent that cost sharing commitments may not be met in whole or in part, the PI should work with Accounting Services to revise the cost share plan and obtain sponsor approval as needed. Accounting Services will adjust the cost share budget in the accounting system accordingly.

8. **Roles and Responsibilities**

   a. **Principal Investigator**
      
      (1) Commits to cost sharing only when required by the sponsor and authorized by the department, college, and/or central administration
      
      (2) Coordinates with department, college, and/or central administration to identify and authorize funds for cost sharing
      
      (3) Works with ORS to develop a cost share budget that is compliant with federal regulations, sponsor guidelines, and institutional policy
      
      (4) Authorizes charges to cost share funds, including those reported by subrecipients or other third party contributors
      
      (5) Monitors charges to cost share accounts to ensure commitments are met
(6) Communicates proactively with Accounting Services in the event cost sharing commitments will not be met

b. Office of Research Services

(1) Provides guidance and expertise to the university community on cost sharing issues and regulations

(2) Advises PI’s of cost sharing requirements associated with a particular award

(3) Assists PI with developing the cost share budget

(4) Reviews proposal prior to submission to ensure cost sharing commitments are fully documented and all approvals have been obtained in Cayuse during proposal routing

(5) Coordinates with Accounting Services to renegotiate cost sharing requirements with sponsoring agencies when necessary

c. Accounting Services

(1) Provides guidance to departments and PIs concerning the appropriate use and treatment of cost sharing

(2) Establishes cost sharing funds in the accounting system and notifies PI and department

(3) Provides institutional oversight, including monitoring procedures to determine cost sharing commitments will be met

(4) Maintains detailed documentation as required for third party contributions

(5) Submits cost sharing reports to sponsors as required

(6) Coordinates with ORS to renegotiate cost sharing requirements with sponsoring agencies when necessary

(7) Submits final reporting to the sponsor as required

(8) Closes cost share FOPs and deobligates budgets upon award closeout