Cost Sharing Fundamentals Pre-read

WHY DOES THE UNIVERSITY OF MINNESOTA PARTICIPATE IN COST SHARING?

The University is often requested or required to share in the cost of many programs or projects sponsored by federal and nonfederal agencies. Years ago, agencies accepted any and all forms of reported cost sharing. Upon revision and refinement of government regulations, a more formal approach was implemented. Cost sharing claims are now subject to the same rigorous accountability standards that apply to direct program or project costs.

WHAT IS COST SHARING?

The terms “cost sharing,” “matching,” and “in-kind” refer to that portion of the total project costs not borne by the sponsor.

Cost Sharing
The University generally refers to cost sharing as labor costs. It also indicates funding that is contributed to the project from some source other than the sponsor.

Matching
The University generally refers to matching as non-labor costs. Cash matches are usually required by sponsors for equipment acquisition programs, specialized research centers, or other multidisciplinary programs. Often these funds are provided by the institution or by a combination of institutional offices (vice president for research, college/school, department/unit).

In-Kind Contributions
Contributions provided by the recipient organization or a third party (e.g., individuals at another organization volunteering their time) that represent non-cash contributions in the form of goods or services.

Third-Party Sharing
Occurs when an organization submits a letter of support in the proposal that clearly documents its commitment to contributions.
### Cost Sharing Fundamentals Pre-read (cont.)

#### TYPES OF COST SHARING

Cost sharing is further defined by whether it is mandated by the sponsor or is voluntarily offered by the applicant. It is necessary for the departmental research administrator (DRA) to understand all forms and types of cost sharing to ensure that the University properly proposes and documents committed cost sharing on awarded sponsored projects.

<table>
<thead>
<tr>
<th>Mandatory Cost Sharing</th>
<th>Cost sharing or matching/in-kind funds required by the sponsor as a condition for proposal submission or award. It is stated on the Notice of Grant/Contract Award (NOGA), must be documented, and must be reported to the sponsor.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Cost Sharing</td>
<td>Cost sharing or matching/in-kind funds not required by the sponsor as a condition for proposal submission and is investigator driven. It is stated on the Notice of Grant/Contract Award (NOGA) and although not reported to the sponsor, must be documented through established procedures.</td>
</tr>
<tr>
<td>Committed Cost Sharing</td>
<td>Mandatory or voluntary cost sharing or matching/in-kind funds quantified and pledged in the proposal's budget, budget justification/budget narrative, mentioned in the technical section, or stated in award documents is considered committed cost sharing and must be tracked by University, but may not need to be reported to the sponsor.</td>
</tr>
<tr>
<td>Uncommitted Cost Sharing</td>
<td>Voluntary cost sharing or matching/in-kind funds not required by the sponsor nor offered by the University. This type of cost sharing does not need to be reported to the sponsor.</td>
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</tbody>
</table>
Cost Sharing Fundamentals Pre-read (cont.)

COST SHARING ROLES AND RESPONSIBILITIES

It is important to understand the various roles and responsibilities when it comes to cost sharing on a sponsored project. Below, each role is defined and examples of key aspects of the cost sharing responsibilities are listed.

Principal Investigator (PI) The primary individual responsible for all actions required for managing and completing the financial, scientific, and programmatic aspects of the sponsored project. All individuals serving in this role must complete the Fostering Integrity in Research, Scholarship, and Teaching (FIRST) educational requirements.

- Propose cost sharing expenses if mandatory
- Consult with the department head to verify that adequate resources are available if increases in voluntary uncommitted cost sharing are necessary.
- Ensure that cost sharing or matching/in-kind commitments are met
- If required by the sponsor, obtain prior approval for changes to cost sharing or matching/in-kind commitments.

Departmental Research Administrator (DRA) An administrative staff person at the departmental, center, program, or dean's office level that provides administrative support for one or more sponsored projects.

- Ensure that cost sharing or matching/in-kind commitments are properly documented in the proposal and on the Proposal Routing Form (PRF).
- Ensure that proposed cost sharing or matching/in-kind commitments are allowable, necessary, and reasonable and that the department head is aware of commitments prior to approval of the PRF.
- Assist the PI to ensure that cost sharing or matching/in-kind requirements are met and that documentation is in accordance with University guidelines and sponsor policy. In addition, the DRA is responsible for assisting the PI with the information needed to manage sponsored and cost sharing charges.
- Use financial reports as a tool to ensure that cost sharing or matching/in-kind commitments are being met.
Cost Sharing Fundamentals Pre-read (cont.)

**Effort Coordinator**  
Facilitates the department effort certification process and ensures that effort statements are reviewed, approved, and certified within the given timeframe.

- Adjust effort as necessary using HRMS to assure paid and cost-shared effort is accurate.
- Ensure that voluntary uncommitted cost sharing is not entered in (or is removed from) the financial system for PIs and senior researchers.

**Department/Unit Head**  
The department/unit head oversees sponsored projects management at the local level.

- Review the proposal and PRF to verify that proposed cost sharing or matching/in-kind commitments are correctly identified.
- Evaluate the appropriateness of committed or uncommitted cost sharing/matching/in-kind commitments.
- Verify that funding for cost sharing or matching/in-kind commitments is available and documented.

**Dean**  
The dean’s office is responsible for overseeing the activities at the collegiate level.

- Review PRF question 20 to verify that proposed cost sharing or matching/in-kind commitments and related ChartField strings are correctly identified when the dean’s office has agreed to provide these funds.

**Sponsored Projects Administration (SPA)**  
The only institutional unit legally authorized to submit proposals for sponsored projects and commit the University on behalf of the Board of Regents in the event an award is made. SPA also serves as a liaison between sponsors and PIs.

- Review and approve proposals that include cost sharing or matching/in-kind commitments.
- Develop and implement University cost sharing policies and procedures. (shared with SFR)
- Negotiate the University’s F&A rate.
Cost Sharing Fundamentals Pre-read (cont.)

Grant Administrator (GA)  
An individual who works in the Sponsored Projects Administration (SPA) and is the administrative liaison between the sponsor and the department.

- Review proposals, specifically the budget, budget justification, and Proposal Routing Form (PRF), to verify that proposed cost sharing or matching/in-kind commitments are correctly identified and properly documented in the proposal and on the PRF.
- During award setup, confirm that committed cost sharing is documented on the Notice of Grant/Contract Award (NOGA) and that a cost sharing ChartField string is established when cost sharing is required as a condition of the award.
- Obtain cost share budget information and enter it into the University’s financial system.
- Prepare and distribute the Notices of Grant/Contract Award (NOGA) using the University’s financial system.

University Effort Unit  
Develop and implement effort reporting policies and procedures.

- Generate effort certification statements to ensure that committed cost sharing is documented.
- Maintain effort certification statements to comply with the federal requirement that committed cost sharing is documented.

Sponsored Financial Reporting (SFR)  
An institutional unit that reports to the University controller and is responsible for managing the external financial reporting and invoicing requirements of sponsored projects.

- Verify and report fulfillment of committed cost sharing or matching/in-kind as required by the sponsor.
- Develop and implement University cost sharing policies and procedures. (shared with SPA)
- Oversee cost sharing compliance.
- Perform financial system closeout and facilitate academic department completion of closeout responsibilities related to cost sharing ChartField strings.
Cost Sharing Fundamentals Pre-read (cont.)

POLICIES AND PROCEDURES

It is the DRA’s responsibility to be aware of and understand Federal and University policies as they relate to cost sharing. Below, each applicable policy is defined and examples of key aspects of how they relate to cost sharing are listed.

Federal Circulars

The Office of Management and Budget (OMB) uses circulars to issue instructions or information to federal agencies.

Circular A-110

Circular A-110 sets forth standards for obtaining consistency and uniformity among federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other nonprofit organizations.

- Cost sharing must be verifiable from the recipient’s records.
- Cost share contributions cannot be included as contributions for any other federally assisted project or program.
- Cost share contributions must be necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Cost share contributions must be allowable under the applicable cost principles.
- When required by the federal awarding sponsor, cost sharing is provided for in the approved budget.
- Cost sharing can include valued contributions of services and property, volunteer services, and donated supplies/equipment.

Circular A-21

Circular A-21 sets forth principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. Cost sharing, matching, and in-kind commitments included in a proposal budget must be compliant with A-21.

- Under A-110, it is stated that cost share contributions must be allowable under the applicable cost principles; thus, cost share contributions must be allowable under A-21.
- Allowable costs must be reasonable, allocable to sponsored agreements, given consistent treatment, and conform to any limitations or exclusions of A-21 or the sponsored agreement as to types or amounts of cost items.
Cost Sharing Fundamentals Pre-read (cont.)

+ An institution’s cost sharing associated with the overexpenditure will not fulfill cost sharing obligations as it is unallowable.

+ Examples of costs specifically designated as unallowable costs by A-21:
  ° advertising expenses except for employee and subject recruitment
  ° alcoholic beverages
  ° alumni activities
  ° commencement and convocation costs
  ° entertainment costs
  ° goods and services for personal use
  ° housing and personal living expenses for officers of the institution
  ° membership in any civic or community organization, country club, social or dining club
  ° public relations costs
  ° selling and marketing costs
  ° student activity costs

Cost Accounting Standards (CAS)

Cost accounting standards (CAS) apply to all federal sponsored agreements; the disclosure statement requirement applies to all institutions receiving $25 million in federal funding (regardless of amounts of individual awards). The four cost accounting standards that apply are:

+ Consistency in estimating, accumulating, and reporting costs by educational institutions (CAS 501): An educational institution’s practices used in estimating costs shall be consistent with the educational institution’s cost accounting practices used to accumulate and report costs. Applies to costs charged as well as cost sharing (costs that are contributed).

+ Consistency in allocating costs incurred for the same purpose by educational institutions (CAS 502): All costs incurred for the same purpose, in like circumstances, are either direct costs or facilities & administrative costs.

+ Accounting for unallowable costs (CAS 505): Unallowable costs shall be identified and excluded from any billing, claim, application, or proposal applicable to a sponsored agreement.

+ Consistency in using the same accounting period for purposes of estimating, accumulating, and reporting costs (CAS 506): Educational institutions shall use their fiscal year as their cost accounting period.
Cost Sharing Fundamentals Pre-read (cont.)

UNIVERSITY OF MINNESOTA POLICIES

The University of Minnesota’s policies on cost sharing/matching/in-kind, effort certification, and charging of direct and F&A indirect costs are applications that are derived from federal policies.

Offering Cost Sharing, Matching, and In-Kind Contributions on Sponsored Projects

A University of Minnesota research policy to support the specific application of cost sharing on sponsored projects.

- Confirms that the University will commit to cost sharing if mandated by the sponsor (mandatory) or if necessary to accurately reflect the resources required to conduct the project (voluntary).

- Advises minimization of cost sharing unless there are exceptional benefits to the University since these are real costs that must be provided by the department, college, or other unit.

- Encourages judicious use of voluntary committed cost sharing, as excessive or unnecessary cost sharing adversely affects the University F&A cost rate.

This policy is comprised of two specific procedures:

- Including Cost Sharing, Matching, and In-Kind Contributions in Proposals
  - Supports the role of cost sharing during the proposal phase

- Handling Cost Sharing, Matching, and In-Kind Contributions after Award Acceptance
  - Supports the role of cost sharing during the life of the project

Effort Certification

A University of Minnesota research policy governing the process of effort certification. Effort reporting is a federal requirement (OMB Circular A-21) as a condition to receive federal funding. At the University it is applied to all sponsors.

- The effort reporting system (ECRT) is the mechanism the University uses to document cost-shared salary expenses.

- If effort of a PI or employee is not certified on a particular project, salary costs must be removed from all sponsored projects on which the individual is paid. If this is done, the costs ultimately paid by a nonsponsored account do not qualify as cost sharing and the project will be short on its committed effort (charges that are unallowable on the sponsored account are unallowable as cost sharing).
Cost Sharing Fundamentals Pre-read (cont.)

Using the Effort Certification and Reporting Technology (ECRT):

- Payroll information (including payroll from cost-share sources) is used to pre-fill effort certification statements.
- Corrections to the payroll data are made by departmental financial staff as necessary using HRMS. All statements are reviewed and approved by departmental effort coordinators.

This policy was established to meet the compliance standards set forth in OMB Circular A-21.

It is the University’s policy that unless the institution has approved a reduction or waiver in advance of proposal submission, the full F&A rate is required to be used.

A direct cost is one that can be identified specifically with a particular sponsored project. Examples of direct costs include salaries of technical staff, laboratory supplies (e.g., chemicals), and animals and animal care costs.

Cost-shared contributions (proposed and actual) must also be allowable as a direct cost to the project to qualify as fulfilling cost sharing requirements.

F&A/IDC includes general institutional expenditures that are incurred for multiple or shared projects, functions, or activities, and therefore cannot be specifically identified with relative ease and with a high degree of accuracy to the sponsored project. The maximum F&A amount that can be charged to a federally sponsored project is negotiated with the U. S. Department of Health and Human Services (DHHS) and is based on the total amount of money spent by the University to support research.