

UNIVERSITY OF ROCHESTER
POLICY & PROCEDURES
FOR THE ADMINISTRATION OF COST SHARING

I. INTRODUCTION

The University's cost sharing policy and procedures are stated herein. The purpose of this document is to:

- 1) provide the circumstances in which cost sharing is appropriate or permitted by the University, including the types of costs that are considered to be legitimate cost-sharing expenses by our government sponsors;
- 2) provide the procedures for proposing cost sharing and the subsequent evaluation and approval of proposed costs by the University;
- 3) provide guidelines for cost sharing documentation, reporting and record-keeping.

II. DEFINITIONS

- 1) **General Definition** - Cost sharing, as a general term, is the portion of total project costs related to sponsored programs that is not provided by the sponsor. The Federal Government through OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, specifies the criteria under which all contributions, including cash and third party in-kind, shall be accepted by Federal agencies as part of the recipient's cost sharing or matching.

For the purposes of this document, the requirements and standards set forth in Circular A-110 (and a subsequent clarification issued by OMB on January 5, 2001) will be followed regardless of the sponsor, unless the sponsor provides specific guidance regarding its own requirements. OMB Circular A-110 and OMB's clarification may be accessed at <http://www.rochester.edu/orpa/regulations>.

- 2) **Types of cost sharing:**
 - (a) **Mandatory** - When the sponsor stipulates that cost sharing or matching funds are required as a condition of receiving an award, such cost sharing or matching is considered mandatory. Mandatory cost sharing is specifically pledged in the proposal's budget or award. Mandatory cost sharing or matching funds must be collected and reported in accordance with the procedures in this document. Sponsors who typically include mandatory cost sharing include the U.S. Department of Education, USAID, selected NSF programs, PHS Bureau of Health Profession and Bureau of Child and Maternal Health, and many NYS agencies.
 - (b) **Voluntary** - When the sponsor does not stipulate that cost sharing or matching funds are required but the Principal Investigator (PI) includes such costs to enhance the proposal, the cost sharing or matching is considered to be voluntary. Voluntary committed cost sharing is specifically pledged in the proposal's budget or award. If the proposal is accepted by the sponsor, the proposed cost sharing or matching funds may then be considered mandatory by the sponsor. Voluntary committed cost sharing for research programs must be collected and reported in accordance with the procedures in this document.
 - (c) **Voluntary Uncommitted:** Voluntary uncommitted cost sharing is university faculty effort over and above that, which is committed and budgeted for, in a sponsored agreement. It represents faculty-donated effort and there is no need to account for voluntary uncommitted cost sharing.

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III. THE COST SHARING COMMITMENT

When cost sharing is included in a proposal, it may become a factor in the sponsor's funding decision. If the specific level of cost sharing is a significant factor in the determination to fund an award, the cost sharing level will generally be included as a requirement of the award, even in the cases where cost sharing is voluntary.

Considering the administrative requirements and responsibilities that may be inherent in the cost sharing commitment, PI's are strongly encouraged to limit voluntary cost sharing commitments. The expected benefits and sponsor review priorities should be weighed prior to making such commitments. However, it should be noted that most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government. This effort can be provided at any time within the fiscal year (summer months, academic year, or both). It is not acceptable for a PI to submit a research proposal without some level of commitment of PI effort to the proposed project. This requirement is not applicable to equipment awards, dissertation or training support, or other limited purpose awards (e.g., travel grants, conference grants).

Implicit in agreeing to cost share is the PI's responsibility to provide the necessary proposal information and the subsequent documentation/certification of cost sharing expenditures.

Caution: The tracking, reporting and certifying of cost sharing is subject to audit by internal audit and external auditors including DHHS and sponsoring agencies.

IV. ALLOWABLE COST SHARING

The allowability of specific costs as cost sharing is usually determined by the sponsor's specific award terms and conditions. Cost shared expenses must meet the same standards that apply to costs that are directly charged to a project.

The costs must be:

1. Allowable and allocable under the principles included in OMB Circular A-21, Cost Principles for Higher Education.
2. Verifiable from University records.
3. Necessary and reasonable for proper and efficient accomplishment of project objectives.
4. Identified in the approved award budget.
5. In compliance with the criteria outlined in Circular A-110.

V. UNALLOWABLE COST SHARING

The following types of cost sharing are not allowed:

1. Federal to Federal - Federal appropriations or contracts and grants funded by Federal agencies, either directly or indirectly as flow-through funding, are not allowable as cost sharing for another Federal project. Federal contracts and grants may generally be used as cost sharing on any non-Federal contract or grant unless restricted by the non-Federal sponsor.

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2. Expenditures Included in the Overhead Rate - Costs that are included as part of the indirect cost rate, such as building and equipment depreciation, utilities, department administration, etc., cannot be cited as cost sharing expenditures. These costs are automatically cost-shared by the University when the direct costs of salaries and benefits are cost shared. Therefore, they cannot be cost shared "twice".
3. Double Counting - Cost sharing can only be committed and reported as cost sharing once. If cost sharing relates to two or more projects, it should be pro-rated among the projects so that, in total, it is only reported once.
4. Costs Incurred Outside the Project Period - Costs that have already been incurred and were documented in the University accounting system prior to the project award date are generally ineligible for cost sharing, unless allowed as pre-award costs.
5. Lack of Technical Relationship - Costs that are not specifically related to the performance of the project cannot be cost shared. Therefore, if another University sponsored project or gift is identified as a cost sharing contribution, the technical relationship between the two (or more) projects must be established.
6. Cost Specifically Not Allowable under OMB Circular A-21 - These costs include alcohol, entertainment, advertising, memberships, etc. In addition, any costs associated with a PI's sabbatical leave are generally not allowable unless specifically approved by the sponsoring agency.
7. Salary Dollars in Excess of Regulatory Salary Caps - Effort expended that exceeds a mandatory salary cap (i.e., NIH, DOD contracts) is not allowable cost sharing as this is already documented by the University and included in the MTDC base as if it were cost sharing.

VI. PROPOSAL AND AWARD PROCEDURES

When including mandatory or voluntary committed cost sharing in any proposal, the conditions stated in Section IV (Allowable Cost Sharing) above must be met. ORPA and Department Administrators will work with PI's to assure that the A-21/A-110 requirements can be met and that the cost sharing is accurately proposed and explained. Cost sharing must be indicated by checking "yes" on the University Proposal Sign-Off Form (ORPA Form 114) and by further completing the supplementary Proposed Cost Sharing Commitment Form (ORPA Form 150) that can be found at <http://www.rochester.edu/orpa/forms>. Note that this form must be completed for all mandatory cost sharing, regardless of whether the proposal is for research, training or other sponsored activities. It also must be completed for all voluntary committed cost sharing pledged for a research proposal, with the exception of: a) proposals indicating effort on NIH career awards that overlaps with other federal awards and b) effort reported on private foundation awards where there is overlap with other federal awards.

The Cost Sharing Commitment Form states the total cost shared amount by budget category and is an indication of both University and third-party sources for proposed cost sharing. The appropriate Chair, Dean's Office (or Provost) and ORPA will not authorize proposals indicating mandatory or significant voluntary cost sharing without completion of the form. Note that proposals detailing significant cost sharing must be discussed with the appropriate Dean's Office well in advance of the proposal deadline date. When completing the Cost Sharing Commitment Form, please refer to the specific instructions that are found on the back of the form.

<p>Caution: Voluntary cost sharing on research awards will result in an estimated \$350,000 loss in indirect cost recovery for every \$1,000,000 of cost sharing.</p>
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Any significant change in cost sharing commitments negotiated with the sponsoring agency prior to award must be approved by the appropriate Chair and Dean's Office.

Awards to the University that include cost sharing requirements or provisions will be processed in the following manner: a) the type and amount of cost sharing will be entered in to the COEUS database by ORPA staff; b) the Notice of Award (NOA) will indicate the amount of the required cost sharing; c) a copy of the Proposed Cost Sharing Commitment Form included with the original proposal, including any subsequent revisions/adjustments, will be distributed with the NOA.

On occasion, cost-sharing requirements may be flowed down to the University's subcontractors or consortium partners. In these instances, ORPA will include a cost-sharing requirement in the terms and conditions of the subcontract agreement.

VII. DOCUMENTING AND ACCOUNTING FOR COST SHARING

The most commonly used sources of University cost sharing contributions are donated compensated services of full-time and part-time personnel. Third party cost sharing can vary considerably with respect to the types of contributions proposed.

The documentation for cost sharing is the responsibility of the PI and must conform to the requirements of Circular A-110. This documentation provides the basis for the University's accounting and reporting of cost sharing. The Office of Research Accounting and Costing Standards (ORACS) cannot report any cost sharing to the sponsor unless the value of the cost sharing has been verified. The following is a list of commonly cost shared costs and a description of acceptable methods to document the costs. Where appropriate, examples are provided.

University Provided Contributions

1. Salaries and Benefits - Acceptable documentation for salary and benefit costs consists of a signed certification indicating the distribution of the individual's paid salary by account numbers, identification of the account(s) that cost shared salary and benefits, the percentage of effort cost shared from the account(s) to the project, and the period of time that the effort was contributed to the project. The certification must be signed by the person contributing the effort, and co-signed by the PI.

The certification will be provided by the Office of Research Accounting and Costing Standards to PI's prior to submitting the financial report. An example of the certification ("Certification for the Cost Sharing of Salary and Benefits") can be accessed at <http://www.rochester.edu/orpa/forms>. The certification will be formulated by ORACS using the information provided on the original Commitment Form; it is the Department's responsibility to provide ORACS with information on any changes. A fiscal year survey of cost shared effort will be completed each year by ORACS in connection with the F&A proposal.

2. Equipment - Equipment should only be considered as cost sharing when obtaining the award is dependent upon such cost sharing. In other instances, the PI should characterize the equipment as being available for the performance of the sponsored agreement at no direct cost to the sponsor. The process of accounting for cost shared equipment is very complicated and must be calculated against the depreciation costs being carried on the equipment. Therefore, the benefits of cost sharing equipment should be carefully considered. When equipment costs are included, the documentation of the value will be based on information obtained from the University's equipment system by the Property Accounting Unit.

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In general, the total cost of equipment may be offered as cost sharing only when the purchase of equipment is necessary for, and dedicated to, the successful completion of the project. Allowed equipment cost sharing will be documented with ledgers showing the purchase. Cost shared equipment will be identified during the fiscal year survey of cost sharing and a request for a change of the funding code associated with the equipment will be sent to Property Accounting by ORACS.

3. Tuition - The cost of tuition is allowed as cost sharing, provided that it would have legitimately been requested to be reimbursed as a direct cost. If tuition is utilized as cost sharing, the Department must obtain a detailed ISIS report from the Bursar's Office in order to document this cost shared expense.
4. Space - University space is not allowed as cost sharing. Space charges are a significant component of our indirect costs. Therefore, in accordance with the principles of A-21, A-110 and Cost Accounting Standards, University space cannot be directly charged to a sponsored program.
5. Other Direct Costs (supplies, travel, etc.) - Copies of ledgers with the specific costs highlighted should serve as documentation. The backup documentation to support the claimed costs, such as authorizations, purchase orders, invoices, T&C reports, etc., should be maintained by the PI or the department.

Caution: Cost sharing of other direct costs may be problematic, as these costs could be included in the indirect cost calculation. Double counting would result in cost disallowances.

6. Overhead/Indirect Cost - Indirect costs are not always an allowable cost shared expense; specific sponsor guidelines should be consulted.
 - (a) Applicable to the Cost Sharing - When direct costs are cost shared, the indirect costs associated with the direct costs are AUTOMATICALLY cost shared. Overhead, at the full federally approved MTDC rate, will be calculated and documented by the Office of Research Accounting and Costing Standards.
 - (b) Waived Overhead Costs - Cost sharing in the form of waived or reduced overhead is the difference between the full Federally approved MTDC rate and what was actually awarded or funded by the sponsor. The amount claimed will be calculated and reported by the Office of Research Accounting and Costing Standards.

Related University Accounts

For certain large projects entire accounts may be designated to capture matching and mandatory cost sharing expenses. Additionally, already established accounts can be designated as technically related to a new project and all costs occurring during the new project period can be allowed as cost sharing provided the costs are allowable as defined above.

Third Party or Subcontractor Contributions

Circular A-110 provides guidance about establishing value for third party contributions and must be used to establish the value of donated services. The value of third party or subcontractor contributions will not be reported to the sponsor until the Office of Research Accounting and Costing Standards receives documentation that verifies that the cost is reasonable and appropriate. The type of documentation to support third party contributions will vary taking into consideration the type of cost sharing, the terms of the agreement and other circumstances of the award. Information contained in the section above regarding University provided cost sharing should be used as guidance about what constitutes acceptable documentation. In all cases, a statement that certifies the value of the services and explains the

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relationship of the services to the project should be made and signed by a person knowledgeable of the project and in a position to verify official financial information for the third party. For purposes of reporting and certifying to such cost sharing, it is recommended that the organization use (and tailor, as appropriate) the Certification of Cost Sharing form found at <http://www.rochester.edu/orpa/forms>.

Note: All mandatory cost sharing must be documented and reported in accordance with this policy. All voluntary committed cost sharing related to research programs must be documented and reported in accordance with this policy, with the exception of: a) effort on NIH career awards that overlaps with other federal awards and b) effort reported on private foundation awards where there is overlap with other federal awards. Voluntary cost sharing on training grants, because they are not considered research for the purposes of accounting, does not have to be documented and reported.

VIII. REPORTING OF COST SHARING TO SPONSORS

The Office of Research Accounting and Costing Standards (ORACS) has the responsibility to provide and certify information to sponsoring agencies which demonstrates that the University has fulfilled its cost sharing requirements under a specific award. Only costs that meet the requirements of Circular A-110 will be reported to Federal sponsors. It is expected that PI's and departments will respond promptly to ORACS's needs to gather information that may be needed in addition to or supplementary to information specified on the Cost Sharing Commitment Form. All information provided to support cost sharing must conform with Section VII (Documentation and Accounting) above.

When cost sharing expenditure information is required on an annual basis, such as by NSF in the annual progress report, departments must work with ORACS to ensure that expenditure information is correct and verifiable by University records. It is recommended that for multi-year projects, departments work with ORACS to verify cost sharing information on an annual basis, even if this information is only required at the expiration of the project.

Caution: After award acceptance, failure to comply with the cost sharing commitment may result in a loss of project funds. Tracking and reporting should minimally be done on the same schedule as financial reporting and through completion of the fiscal year cost sharing survey.

IX. RECORD RETENTION

Documentation should be maintained in accordance with University record retention policies and with the requirements of OMB Circular A-110.