COST SHARE POLICY

Utah State University
Sponsored Programs
Cost Sharing/Matching Policy and Procedure

Policy Statement: Cost Sharing Requirements on Sponsored Projects:
It is Utah State University (USU) policy not to cost share/match on a voluntary basis.

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1.0 PURPOSE

The purpose of this policy is to set forth the circumstances and to establish the procedure for proposing, approving, administering, and documenting cost sharing on sponsored projects. Utah State University (USU) may provide resources in a "cost sharing" arrangement to support a sponsored project. Contribution of such resources must be carefully considered and approved by the party with budgeting authority. Once committed, it is important to document fulfillment of the USU’s responsibilities for cost sharing, and to maintain compliance with government and other regulations.

Cost sharing must be proposed, approved, administered, and accounted for in a consistent and prudent manner. This includes understanding workload implications of the cost sharing commitment; determining when cost sharing is appropriate; and accurately recording and reporting cost sharing expenses.

2.0 INTRODUCTION & POLICY STATEMENT

Cost sharing occurs when a cost specifically benefits a sponsored project, but is not charged to that project. Cost sharing is normally in the form of a direct cost that would otherwise be charged or utilized to support the grant or contract, such as salary, capital equipment or other direct cost items. In certain circumstances, with the sponsor's approval, cost sharing may also take the form of Facilities & Administrative (F&A) costs (where the reimbursement of F&A costs is waived or reduced by the Sponsor). Matching is essentially synonymous with cost sharing and occurs when
a sponsor agrees to fund a portion of direct costs predicated on USU making a pre-determined contribution.

Some sponsors require institutional cost sharing/matching on their grants and contracts as a matter of statute, regulation, or policy. Individual solicitations may also indicate a cost sharing/matching requirement. In these cases, USU follows its long-standing practice of meeting published cost sharing/matching requirements for targeted programs.

It is USU's policy not to cost share/match on a voluntary basis. Voluntary cost sharing occurs when a principal investigator includes cost sharing in a proposal when the sponsor does not require it. Voluntary cost sharing, including proposed faculty effort and other types of direct costs, is highly discouraged.

It is important to realize that whether cost sharing is required by the sponsor or is offered by USU or PI voluntarily, once an award is made, all cost sharing commitments are considered to be mandatory and as such represent binding obligations of USU.

In all cases, the proposed cost share must be documented in the proposal. USU reserves the right to proportionately reduce the cost sharing commitment if awarded funds are less than proposed.

3.0 DEFINITIONS

Cost Sharing: A portion of total project or program costs related to a sponsored agreement that is contributed by someone other than the sponsor. Cost sharing is further classified as either mandatory or voluntary (see below).

Cost sharing Fund: A fund established to record committed university contributions to a sponsored project or program.

Direct Cost: A cost that directly benefits and is specifically associated with a sponsored project or program.

Effort: Compensated time spent, expressed as a percentage, attributable to a sponsored project or program.

Facilities and Administrative Cost: A cost incurred in support of the project or program that does not directly benefit and is not specifically associated with a sponsored project or program.

Facilities and Administrative costs include such items as utilities and other plant costs and certain general expenses that are to some degree attributable to the project or program.

Mandatory Cost Sharing: A contribution to a sponsored project or program required by the sponsor as a condition of obtaining the award. Such contributions are binding commitments and must be accounted for in accordance with this policy. Mandatory cost sharing may be reportable to the sponsor.

Note: Sponsor "encouraged" cost sharing not required as a condition of receiving an award does not constitute mandatory cost sharing.
Third Party In-kind Contribution: A non-cash contribution to a sponsored project or program provided by a party other than either USU or the primary sponsoring agency.

Third party in-kind contributions may be in the form of real property, equipment, supplies, and other expendable property or goods and services directly benefiting and specifically designated for the project or program.

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 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 obtaining the award. Voluntary cost sharing is classified as either committed or uncommitted.

4.0 COST RECOVERY IMPLICATIONS OF COST SHARING

Every dollar of cost sharing results in USU forfeiting not only the recovery of the direct cost but also the recovery of the associated F&A cost (except in the case of cost shared capital equipment for which there is no associated F&A). In addition, in accordance with federal requirements, USU's total amount of salary and non-salary cost sharing must be included in the denominator, or base, of the F&A rate calculation. As such, USU must put amounts in its research base for which no direct cost reimbursement is received and it decreases the federally negotiated F&A rate. This has far-reaching, negative implications on our ability to grow the research enterprise at USU.

5.0 COMPLIANCE IMPLICATIONS OF COST SHARING

It is important to recognize the compliance implications of cost sharing, whether the cost sharing fulfills a sponsor mandate or is offered voluntarily. When cost sharing of any kind is represented in a proposal, upon award that cost sharing becomes a commitment that must be met and tracked for sponsor verification in USU's records.

Allowable Costs for Cost Sharing:
For expenses to be eligible for cost sharing, costs must be all of the following:

A. Allowable and allocable under federal cost principles (OMB circulars A-21 and A-110) and the terms of the sponsored agreement;
B. Necessary and directly related to the project objectives;
C. Represent costs incurred during the project period of performance;
D. Be verifiable from USU's records; and
E. For labor costs, certifiable in the effort planning and certification process.

The costs must not be any of the following (unless approved by the sponsor):

A. Included as cost sharing for any other sponsored project;
B. Payable by the same sponsoring agency under another award;
C. Payable by a different sponsoring agency within the same governmental jurisdiction under another award (e.g., federal funds must not be used for cost sharing on another federal project);

D. Otherwise unfunded salary for the effort that is outside of the contractual appointment (e.g., unfunded summer months for faculty with nine-month academic appointments).

Caution: Use of waived F&A costs 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.

When cost sharing/matching is sponsor mandated or is deemed to be in USU’s best interest to include in a proposal when not required, in-kind contributions should always be considered first. An in-kind contribution represents an item of cost for which support is already in place (and, therefore, no new cash outlay is required), such as salary or tuition. Creative packaging of in-kind contributions may suffice to meet sponsor program guidelines.

Cash cost sharing/matching contributions should only be considered if in-kind mechanisms do not suffice to meet sponsor requirements. A cash contribution represents a new, incremental purchase, such as for equipment, travel, or additional staff necessary to conduct the sponsored project.

6.0 PROCEDURES FOR OBTAINING APPROVAL AND IDENTIFYING SOURCES OF COST SHARE

If in-kind cost sharing is proposed on a voluntary basis, the department chair must provide documentation to Sponsored Programs (e.g., fully completed and signed SPO1) indicating the explicit approval to contribute the department-funded salary or other in-kind cost item as a cost share. In addition, the cost sharing becomes an official part of the budget and should be documented on the proposal budget and justification pages. To avoid confusion, commitments of effort or other forms of cost sharing should not be included in the text of the proposal or in “Current and Pending Support” summaries. Furthermore, Sponsored Programs recommends committing a total dollar amount as opposed to percentages.

Investigators must notify Sponsored Programs of their intentions to respond to a solicitation that requires cost sharing/matching and to submit their proposals to Sponsored Programs in a timely manner. Documentation that evidences both mandatory and voluntary cost sharing/matching pledged by the department, college and/or Central Administration must be submitted to Sponsored Programs at the time of proposal review. Filling out the cost share section of the SPO1 form will suffice for documentation. If the cost share information is not specified, a memo reviewed and signed by the PI, Dept. Head, and Dean will be acceptable.

Requests for cash cost sharing/matching contributions from the Office of Research and Graduate Studies should be directed to the associate vice president for research. If approved, documentation of the cost sharing (indicating the amount and source) must be provided to Sponsored Programs at the time of proposal submission. A copy of the memo from the Office of Research and Graduate Studies can be used for the documentation.
7.0 DOCUMENTATION

All mandatory and voluntary committed cost sharing expenditures of a sponsored project must be properly recorded and reported in USU accounting system. Once the award is accepted, failure to comply with the cost sharing commitment may result in a loss or return of project funds. Over-contributing prevents use of these funds for meeting commitments on other projects; under-contributing may result in a corresponding reduction in the award. If it is anticipated that there will be a significant under-contribution, the Principal Investigator or department administrator must immediately notify Sponsored Programs (see section 8.0).

To facilitate the tracking and reporting of mandatory cost sharing expenditures by specific awards, administrators must track these expenditures through separate project cost sharing funds. Therefore, at the time of the award, Sponsored Programs will notify Sponsored Program Accounting of the mandatory or voluntary committed cost sharing requirements and they will set up the cost share fund.

In-kind contributions from third parties must be properly documented via memo or letter from the third party contributing the support. Volunteer services should also be documented by the same methods. Additionally, the basis for determining the valuation of personal service, material, equipment, buildings, and land shall be documented.

Documentation is also required for cost sharing from subcontractors. All institutions receiving subawards, subagreements, or subcontracts from USU must provide information on their cost sharing contributions, if any, to USU. As a prime award institution, USU is not required to obtain documentation to substantiate all the cost sharing stated by the subaward institution, but must at least have a signed document from the subcontractor stating the amount of the cost sharing provided. In some cases, the subcontractor may be required to report cost sharing on their invoices. The subcontractor is responsible for maintaining the documentation of such costs should auditors require it.

8.0 REVISIONS TO MANDATORY AND COMMITTED COST SHARE

If the need to revise a cost sharing pledge occurs after the pledge is documented, and the pledge is simply moved from one quarter to another or cost sharing will occur during a no-cost extension, the PI or administrative personnel must notify Sponsored Program Accounting. When faculty time is pledged as cost sharing in a proposal, the pledge should be reviewed by the PI and the department (both mandatory and/or committed) to assure that the contribution to the project is still within the 100% effort distribution that must be certified in Faculty Effort Certification reports.

If changes to the amount pledged for mandatory or committed cost sharing are required, or in the cost sharing sources identified once an award is received, a revised cost sharing plan should be submitted to Sponsored Programs for concurrence and forwarded to the awarding agency for approval, if required.