

Research Services and Sponsored Programs

Policy 09.010

Area:	Cost Sharing and Matching
Authority:	Dean of Graduate School and Research
History:	Placed into effect March 2009
Responsible Office:	Office of Sponsored Programs

Background

Successful competition for extramural support of research, scholarship, creative activities and educational initiatives enhances UNCW's reputation and brings new resources to the institution. Faculty, staff and students are able to do things they would not otherwise be able to that enhance teaching, research and public service. To these ends, faculty and staff members in all fields are urged to find and take advantage of extramural funding opportunities. In keeping with the University's goal to increase federal funding, particular efforts should be made to encourage applications for and enable acceptance of federal commitments.

UNCW's responsibility is to support, enable, and facilitate and manage external funding projects, including cost sharing where appropriate. When cost sharing of direct project costs is required by the sponsor or offered voluntarily by the principal investigator/project director (PI/PD), it will be the primary responsibility of the PI/PD's department or dean to provide the resources for committed cost sharing, either cash or in-kind. The PI/PD shall first make such requests to his/her department chair and/or appropriate academic dean. If additional funds are needed requests should be made to the Dean of the Graduate School and Research with a copy to the Office of Sponsored Programs. All cost sharing must be approved by the appropriate official prior to OSP's submission of the proposal.

No faculty member should experience a diminution of university salary in accepting a substantial and prestigious external grant. The unit, the dean's office, and the OSP should work with grantees to cover both salary and non-salary costs when awards do not cover the real cost of the work and/or when cost sharing is required by the sponsor. The University is sensitive to the situation where cost sharing is an eligibility criterion and will work with the PI(s) to identify necessary resources. At the same time, we must be sensitive to limited university resources being committed to cost sharing when they are not required. The university strives to use in-kind (non-cash) contributions as much as possible to cover cost sharing responsibility in keeping with sponsor guidelines. Items that are ineligible for inclusion as a direct cost are also ineligible for use as cost sharing. Funds can only be used once as a match and cannot be federal funds, either directly received or as a pass thru from an intermediate entity.

The following policy statement establishes procedures to meet requirements to report cost sharing to sponsors. It also reflects the revisions to OMB Circular A-21 regarding the definition of University Sponsored Programs.

The University expects that the priority for cash cost sharing (charged to university funds as a special expense) to go to junior faculty to help establish their research agendas and to large, multi-disciplinary projects. The University encourages mature and experienced researchers to include more coverage of actual costs, to the extent possible, allowing us to stretch cost-share dollars to support junior faculty and less experienced faculty grants persons.

Related Documents

1. Office of Sponsored Programs *Guidelines for the Preparation of Grants and Contracts*
2. *16th Edition of the University of North Carolina Wilmington Faculty Handbook*
3. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (Amended and Recompiled August 27, 1997)*.
4. OMB Circular A-21: *Cost Principles for Education Institutions* (August 8, 2000).

Purpose

The following statement represents University of North Carolina Wilmington's (hereafter "University") policy on cost sharing and the procedure for monitoring project-by-project cost sharing and reporting such cost sharing to sponsoring agencies. The policy was developed for the following purposes:

- a. To provide guidance regarding the circumstances in which cost sharing is permitted by the University. This guidance includes what services, expenditures, or assets may be cost shared.
- b. To provide information regarding the contractual, financial, and administrative implications that result from the commitment to cost share.
- c. To establish procedures for the University to provide to sponsoring agencies. These procedures are meant to demonstrate that the University has fulfilled cost sharing commitments for obtaining external sponsorship.

Definition of Project-by-Project Cost Sharing

- a. Cost sharing represents that portion of the total project costs of a sponsored agreement borne by the University, rather than by the sponsor. Cost sharing of direct expenditures

represents a redirection of College/school or departmental resources from teaching or other activities to support sponsored agreements.

b. Types of Cost Sharing

- Mandatory cost sharing is cost sharing required by the sponsor as a condition of eligibility to submit a proposal.

- Voluntary cost sharing represents resources offered by the University but not a specific sponsor requirement.

In either case, when an award is received in which cost sharing (voluntary or mandatory) was proposed, the cost sharing becomes a binding commitment that the University must provide as part of the performance of the sponsored agreement. Mandatory and Voluntary cost sharing can be either in-cash or in-kind depending on sponsor conditions. For instance, some sponsors will require that a proportion of total cost sharing be cash. Please watch for these qualifications in the program guidelines.

c. Criteria for Cost Share: To be acceptable to be used as cost sharing, expenditures must satisfy all of the following criteria listed in OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations." (Amended and Recompiled May 1, 2004), ____23 Cost sharing or matching:

- (1) Are **verifiable** from University records;
- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are **necessary and reasonable** for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Unrecovered indirect costs may be included as part of cost sharing or matching with the prior approval of the Federal awarding agency.
- (7) Values for recipient contributions of services and property shall be established in accordance with the cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-terms use, the value of the donated property for sharing or matching shall be the less of (1) or (2) below:
 - a. The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation.
 - b. The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.

- (8) Volunteer Services: Services provided to the University by volunteers are valued at rates consistent with those paid by the University to its employees performing similar work. If the University does not have employees performing similar work, the applicable rates are those paid by other employers for similar work in the labor market in which the University competes for the same type of services. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- (9) Employees of Other Organizations: When an entity other than the University furnishes the services of an employee, these services are valued at the employee's regular pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of indirect costs), provided they are in the same line of work for which the employee is normally paid. If these services are in a different line of work, then the rules for volunteer services apply.
- (10) Donated Supplies: Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation. They must be documented in sufficient detail to withstand audit.
- (11) Method used for determining cost sharing or matching for donated equipment, buildings and land for which the title passes to the recipient may differ according to the purpose of the award, if (a) or (b) apply:
- a. If the purpose of the award is to assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.
 - b. If the purpose of the award is to support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges.
- (12) The value of donated property: shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications.
- a. The value of donated land and buildings shall not exceed its fair market value at the time of donation to the University as established by an independent appraiser (e. g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient.
 - b. The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.
 - c. The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
 - d. The value of loaned equipment shall not exceed its fair rental value.

- e. The following requirements pertain to the University's supporting records for in-kind contributions from third parties.
 - (a) Volunteer services shall be documented and, to the extent feasible, supported by the same methods use by the University for its own employees.
 - (b) The basis for determining the valuation for personal service, materials, equipment, buildings and land shall be documented.

Definition of Institutional Cost Sharing

- a. Institutional cost sharing can be either cash or in-kind.
- b. Cash cost sharing funds come from unit accounts. These funds must be spent on the project for which they are intended and they must be certified as having been expended for the project at the end of the project. Cash funds are extracted from the appropriate unit account number and placed in the award account and given a cost sharing number. These funds show up on the chart of accounts by line item (e.g., personnel, fringe, various operating costs like supplies, travel, etc.)
- c. In-kind (non-cash) funds are must also be certified in writing to the sponsor at the end of the project.

The Cost Sharing Commitment

- a. When a Principal Investigator (PI) proposes and the University agrees to cost share University resources, the University is required to provide the stated resources in the performance of the sponsored agreement. Considering the administrative requirements and responsibilities inherent in the cost sharing commitment, the PI, college, departmental and school administrators should weigh the cost effectiveness and the expected benefits of each cost sharing commitment, prior to making such commitments.
- b. Implicit in the University commitment to cost share is the PI's agreement to ensure that:
 - (1). Funds are provided for cost-shared direct costs only when required by the sponsor or by the competitive nature of the award and then to cost share only to the extent necessary to meet the specific requirements of the sponsored project. The cost sharing commitment must be included on the internal signoff sheet and in the proposed budget. The PI, unit head, dean, and the OSP must approve the cost sharing commitment on this form prior to proposal submission. This form is used with all proposals whether cost sharing is involved or not and is available on the OSP Web Site at: <http://www.uncw.edu/orssp>

(2). Verification by the responsible person for the unit providing the resources is required at the time the proposal is submitted, in the cost sharing section on the internal signoff sheet table.

(3). In-kind (non-cash) cost sharing should be defined briefly on the signoff sheet or on an attached sheet as to type (e.g., duplication, supplies, voluntary service, etc.). These costs do not appear as line items on the chart of accounts. Rather, the total amount of in-kind cost sharing is listed and in this way is integrated with the total budget compliance requirements.

(4). Allowable costs are timely and accurately charged to the appropriate cost sharing account.

(5). Expenditures on cost sharing accounts are certified.

Note: The tracking, reporting, and certifying of cost sharing are subject to audit.

Expenditures that Can Be Cost Shared

Cost sharing may consist of allowable direct or indirect cost resources. In general, costs normally treated as direct costs

A. Direct Costs

1. FACULTY, STUDENT, OR STAFF SALARIES (See approval procedures on the OSP Web Site, Sections Unit, Dean, and OSP approvals must be obtained for all cost sharing on the internal sign off sheet prior to proposal submission).

a. It may be appropriate to contribute faculty, student, or staff effort to the performance of a sponsored agreement. The commitment to provide such support binds the University to contribute the effort and record the associated expenditures including fringe benefits in the cost sharing account in the chart of accounts for the award.

b. Cost sharing effort is included in the calculation of total committed effort. Although proposals could be in circulation at any given time which exceed 100% of a faculty, student, or staff's effort, care must be taken at the time of each award to ensure that effort is not committed more than the appointment allows for concurrent periods of time.

c. Note also that significant decreases (more than 25% for grants or an amount specified by the sponsor for contracts) in the effort by key personnel to a project require coordination with and/or advance approval by a federal sponsor; non-federal sponsors may have similar requirements. This applies to changes in committed levels of effort to be cost shared on the project, as well as to that which will be charged directly to the project.

2. EQUIPMENT

- a. Equipment cannot be offered as cost sharing unless the receipt of the award is contingent upon such cost-sharing.
- b. PIs should take care in preparing proposals for sponsored agreements not to commit the use of University-owned or government-owned equipment as cost sharing, but rather to characterize the equipment as "available for the performance of the sponsored agreement at no direct cost to the project".
- c. Proposals which include the acquisition of special-purpose equipment as a direct cost may include an offer of University funds to pay for all or part of the cost of such equipment. These proposals may be for equipment or instrumentation grants, where the purpose of the grant is to buy equipment and the University is required to share the cost with the sponsor, or research-oriented grants or contracts where the purchase of equipment required for the research is an allowable expense included in the proposal and award. Purchase and acquisition must occur during the period of performance. The portion of the purchase price paid by the University must be charged directly to the cost sharing account in support of the award.

3. OTHER DIRECT COSTS

Allowable direct costs other than salaries, fringe benefits, or equipment may be committed by the PI as cost sharing on the proposal budget. The following are examples of other direct costs that may be cost shared:

- a. travel expenses
- b. office supplies
- d. classroom supplies
- c. laboratory supplies

Please note supplies, normal office expenses for a "non-major" project, use of space, etc. are discouraged from specific cost sharing commitment. If an agency requests language on university commitment and support, they may be described generally – "The university shall provide lab and office space and normal equipment and operating expenditures for this project." Due to F&A (indirect cost) calculations, these expenses are normally included in the F&A rate calculations and should not be charged directly to a sponsored project either as an actual cost or cost share. If these types of costs are committed, there must be a method specified to document the utilization – log, separate copy key, etc.

4. UNFUNDED OR WAIVED FACILITIES AND ADMINISTRATIVE COSTS (INDIRECT COSTS)

- a. Unfunded Indirect Costs: Facilities and Administrative (F&A) costs are real costs of conducting instruction and research. These F&A costs do not disappear simply because a sponsor refuses to pay for them; the University has already spent the funds but will not recover them if any F&A costs are not reimbursed. When direct costs are cost shared, the F&A costs associated with the direct costs may be cost shared.
 - b. Waived Indirect Costs: Waived indirect costs are indirect costs that are otherwise available to be recovered but the University has agreed to accept less than the full amount. The difference between the indirect costs accepted and the amount that would have been provided at the full rate may be used as cost sharing if approved by the sponsor.
 - c. In some instances the sponsor does not reimburse indirect at the full rate due to sponsor policy, government legislation, or terms of the agreement. If the difference is to be used as cost share it must be approved by the sponsor. Otherwise, it is not an identified cost share obligation.
5. Another sponsored project account: This is rare and allowable only if approved by both sponsors. Note that federal funds may not be used as cost sharing on other federal accounts.
 6. Third-party contributions: This is support from a non-University source.

Valuation of third-party in-kind contributions: the valuation of third-party in-kind contributions is what it would have cost if the University had paid for the item or service itself. Time sheets, certifications, list of materials and resources used must all be documented and certified by a responsible person for that source of support.

Source of Funds for Cost-Shared Expenditures

Identifying and providing resources for cost sharing of direct costs (including equipment) is always the responsibility of the PI. The PI may NOT utilize funds from another federal award as the source of cost sharing, except as authorized by statute. The PI may utilize funds from non-federal awards as the source of cost sharing, ONLY when specifically allowed by the non-federal sponsor. Funds for cost-shared expenditures are typically identified from among gift, endowment income, operating budget, or other department designated funds.

Expenditures NOT Eligible for Cost Sharing

The following expenses cannot be offered as cost sharing commitments in sponsored project proposals:

a. Facilities and Administrative costs in excess of the 26% administrative cap, except for DOD contracts.

b. unallowable costs as defined in A-21, section J.

c. salary dollars above a regulatory cap, e.g., NIH.

d. University facilities such as laboratory space or furniture.. PIs should take care in preparing proposals for sponsored agreements not to commit use of facilities as cost sharing, but rather to characterize the facilities as "available for the performance of the sponsored agreement at no direct cost to the project".

e. depreciation on government-funded equipment.

Overdrafts

a. After the end of the project performance period, when unanticipated project expenses result in more charges to a sponsored account than were funded, the amount of the overdraft is accounted for in the same manner as cost sharing. These costs represent project costs being borne by the University, and therefore, must be accounted for in the same manner as cost sharing. However, these costs cannot be considered cost sharing for purposes of fulfilling a cost sharing commitment because overdrafts are considered unallowable under A-21.

b. When such overdrafts occur, the department is responsible for notifying the Office of Sponsored Programs, who will open a cost sharing account and document the source of funds (as identified by the department) to cover the amount of the overdraft. The department then initiates the necessary expense transfer, including documentation of the nature of the expenses, appropriateness of the charge to the project, and other reasons for the transfer. This does not apply to temporary overdrafts that are the result of accounting errors, or mistakes in the coding of charges.

Accounting and Space Inventory Treatment

- a. Cost sharing accounts are managed in the same manner as project accounts.
- b. All cost sharing expenses must be fully funded by the fiscal year end. It is preferable to fund the cost sharing account when it is established.

Reduction in Cost Sharing

a. The actual effort and other costs required to accomplish the goals of a sponsored project might differ from what was proposed and awarded. The total costs could decrease due to changes in programmatic needs. When there is cost sharing on such projects, the sponsor may need to be consulted to determine if the reduction can be

applied to either the University's committed cost sharing or to both sponsor and University resource contributions on a pro rata basis.

b. Otherwise, the sponsor's share is reduced and the University's entire cost sharing commitment must be met. The PI must consult with the Office of Sponsored Programs before the sponsor is contacted.

Reporting Cost Sharing

a. When required, the University is responsible for providing information to sponsoring agencies that demonstrate that the University has fulfilled the cost sharing commitments that it made as a condition of receiving external sponsorship.

b. Sponsored Programs is responsible for providing cost sharing reports to sponsors when required by the sponsor. In order to do so, departments must provide the necessary information on the Cost-Sharing Authorization Form at the time of the award, and follow the accounting procedures described in the previous sections of this policy. In addition, during the financial closeout of a sponsored project, cost-sharing commitments will be reviewed.

Cost Sharing for Proposals and Awards Not Initially Authorized by the University

If the University submits a proposal for a sponsored project to an external sponsor without prior authorization, the proposal will be ineligible for all cost sharing from the University.

Please note: The University is under no obligation to accept an award based on a proposal (written or verbal) submitted to an external sponsor without prior authorization by the University. A decision to accept or not accept an award will be made on a case-by-case basis by the Office of Sponsored Programs in consultation with the appropriate dean, or unit head, and the Chief Research Officer. As a condition of such acceptance, the University shall renegotiate the terms of the award, if necessary, to bring it into compliance with University policy and regulations.

Contact: Director of Sponsored Programs, 910.962.3810, www.uncw.edu/policies