Alfred University

Sponsored Project Cost Sharing Policy

Context:

Alfred University receives substantial funding from the federal government and other sources in the support of sponsored programs. In some cases, it may be desirable or necessary for the University to provide cost sharing or matching on a project. Cost sharing is a financial commitment by the University toward the total cost of a project from a source other than the granting organization. Cost sharing of expenses must be treated in a consistent and uniform manner when preparing proposals, requesting University approval, negotiating awards, transferring cost share funds, and financial reporting to Sponsors.

Definitions:

Mandatory Cost Sharing

Mandatory cost sharing is that portion of the University contribution to a sponsored project, which is required by the terms of the project agreement or contract. Mandatory cost sharing may be a specific dollar amount or cited as a percentage of the costs requested from the sponsor.

Voluntary Committed Cost Sharing

Voluntary committed cost sharing is a cost associated with a sponsored project and supported with University and/or other non-sponsored funds that were detailed in the proposal but were not required or funded by the sponsor. Some common examples include the following:

- A percentage of effort of faculty or senior researchers included in a proposal budget or stated in the text of the proposal for which no compensation or only partial compensation was requested.
- The purchase of equipment for the project, identified in the proposal, for which no funds or only partial funds were requested.

Voluntary Uncommitted Cost Sharing

Voluntary uncommitted cost sharing is a cost associated with a sponsored project that was not committed in the proposal or in any other communication to the sponsor, and was not paid for from the sponsor’s portion of the award. Voluntary uncommitted cost sharing does not need to be tracked or recorded, and therefore should not be reported on time and effort sheets.

Some common examples include:

- Donated faculty effort on a sponsored project over and above the effort identified in the proposal or award.
- Academic year effort on a sponsored project for which only summer salary was proposed, if the effort was not listed either on the budget page or described in the body of the proposal.

**Matching – In-Kind and Cash**

Some sponsors that award funds to a University require that those funds be “matched” in some proportion with funds from another party, either from the University or another sponsor. Matching is another term for cost sharing. Matching/cost sharing may be in the form “cash” or “in-kind” contributions.

In-kind contributions are those wherein a value of the contribution can be readily determined, verified and justified but where no actual cash is transacted in securing the good or service comprising the contribution.

Cash contributions differ from in-kind contributions in that an actual cash transaction occurs and can be documented in the accounting system. This includes allocation of compensated faculty and staff time to projects. Although it is easy to mistake the allocation of compensated faculty/staff time as a donation or as In-Kind because the faculty or staff member would be compensated regardless of the advent of the sponsored project, the value is the result of a cash transaction and should be treated as a cash contribution.

Matching contributions made by a party other than AU require documentation from that third party supporting the use of the funds as matching cost share and may require a certification of fair market value. How third party matching may be valued as cost sharing is described in OMB Uniform Guidance §200.306.

**Considerations and Policies:**

**Mandatory and Voluntary Committed Cost Sharing**

Alfred University discourages voluntary committed cost sharing when submitting proposals to an external sponsor and expects that all proposal submissions include only the minimum amount of cost sharing necessary to meet the sponsor’s requirements.¹ According to the OMB Uniform Guidance §200.306, “voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity.” For most sponsors, cost sharing is not a requirement in order to receive the award. For example, the National Science Foundation (NSF) specifically prohibits voluntary committed cost share in proposals.

The University does not typically cost share on a voluntary basis, consistent with its objectives of receiving fair compensation from sponsors for research and scholarly activity conducted at the University. A voluntary commitment of effort not compensated by the sponsor and/or other types of

¹ A general exception will exist for cost sharing that is being provided by non-University sources, such as NYSTAR’s CAT Program, where providing cost sharing to industry-sponsored projects is a main component of the program.
commitment should be made only where the competitive circumstances or perceived institutional benefit of receiving the award are deemed to be sufficiently strong to warrant the commitment. **Approval for voluntary committed cost sharing must be obtained from OSP and the Dean of the school under which the project falls.**

In both mandatory and voluntary committed cost sharing when an award is received in which cost sharing was proposed, the cost sharing becomes a binding commitment that the University must provide as part of the performance of the sponsored project. Failure to properly record cost sharing may result in audit findings that could result in disallowances that have to be refunded to the appropriate sponsor and/or reduce the University’s Facilities and Administration (F&A), also known as the Indirect Cost or Overhead rate, during future negotiations.

There is a consequence of the University committing cost share to sponsored programs. Mandatory and voluntary committed cost share on federally sponsored research projects is included in the Organized Research direct cost base that is included in the calculation of the F&A rate. An increase in the Organized Research direct cost base may result in a decrease to the University’s F&A rate and consequently a reduction of indirect revenue from sponsored projects to the University.

**Voluntary Uncommitted Cost Sharing**

Voluntary uncommitted cost share is an acceptable means for the University to show its support of a project without the need for separately budgeting and accounting for the effort expended. The definition of and parameters for voluntary uncommitted cost share, as described in OMB Memorandum M-01-06 dated January 1, 2001 (http://www.whitehouse.gov/omb/memoranda/m01-06.html), must however, be well understood and closely followed. The definition of voluntary uncommitted cost sharing provided in the OMB memorandum applies only to effort and defines voluntary uncommitted cost sharing effort as "University faculty (including senior researchers) effort that is over and above that which is committed and budgeted for in a sponsored agreement." Although it states that this type of uncommitted effort is not to be included in the research base, it stipulates that, "most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government" and "Such committed faculty effort shall not be excluded from the organized research base by declaring it to be voluntary uncommitted cost sharing."

**If there is no restriction on the reimbursement of salary costs and no other cost share requirement, the University must ensure that at least 1% committed faculty effort is included in the proposed, sponsor paid budget for federal awards.**

If voluntary uncommitted cost sharing will occur, the significance of the level of uncommitted effort expected and/or provided must be taken into consideration when determining whether it can be excluded from separate accounting. As the payroll distribution requirements of OMB Circular A-21 (section J.10.b) require that our system "encompass both the sponsored and all other activities on an integrated basis" and that "significant changes in the corresponding work activity must be identified and entered into the payroll distribution system", the OMB memorandum states that "As such, when an institution reduces a faculty member’s level of activities dedicated to other institutional responsibilities
in order to shift his/her activities to organized research activities, the institution must reflect this reduction in the payroll distribution system (as an increase to the research effort component).” Any case where the uncommitted effort appears to be significant will be reviewed by the Director of the Office for Sponsored Projects for a determination of how to account for or otherwise manage the situation.

**Costs Acceptable for Cost Sharing**

Any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the University’s cost sharing or matching when such contributions meet all of the following criteria:

- Are verifiable from the non-Federal entity's records;
- Are not included as contributions for any other Federal award;
- Are necessary and reasonable for accomplishment of project or program objectives;
- Are allowable as described in AU’s “Policy on Charging of Direct Costs to Sponsored Awards”
- Are not paid by the Federal government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- Are provided for in the approved budget when required by the Federal awarding agency;

Unrecovered F&A costs, including F&A costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered F&A cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity’s approved negotiated indirect cost rate.

**Procedures for Cost Sharing**

As a result of the requirement that cost sharing be separately tracked within the University’s financial system, all mandatory and voluntary committed cost sharing will be charged to the applicable sponsored fund, and will be further differentiated from sponsor expenses by utilizing a “sub-fund” within the Banner financial system. Cost share expenses in a sponsored sub-fund will be reimbursed by the appropriate non-sponsored fund.

Third-Party cost sharing contributions must be documented through the third-party’s financial system and this documentation must be retained by that organization for audit purposes. When the cost sharing must be reported to the Sponsor, the third party provider of the cost share must send a letter or report to AU’s OSP that identifies the item costs and/or time and the value of that time. This letter must be written after the individual has contributed the effort or the items have been expensed. Estimates cannot be accepted.