



VCU

Cost Sharing

Policy Type: Administrative

Responsible Office: Office of Sponsored Programs (proposal and award) or Grants and Contracts Accounting (fiscal and accounting)

Initial Policy Approved: 01/07/2013

Current Revision Approved: 01/07/2013

Policy Statement and Purpose

The purpose of this policy is to define VCU's cost-sharing policy for sponsored programs. The university will make a cost-sharing commitment only when required by the sponsor or by the competitive nature of the award and then only to the extent necessary to meet the specific requirements of the sponsored project. Cost-sharing commitments, to the maximum extent possible, will be recorded in the university's accounting system. Cost-sharing commitments that cannot be recorded in the accounting system (e.g., committed cost sharing of organizations awarded sub-contracts by the university, etc.) shall be documented in the project file maintained by the department.

This policy was developed for the following purposes:

1. To provide guidance regarding the circumstances in which committed cost sharing is permitted by the university, including what kind of services, expenditures, or assets may be cost shared.
2. To provide information to the university community regarding the contractual, financial, and administrative implications that result from the commitment to cost share.
3. To establish procedures by which the university can identify the cost sharing commitments it makes as a condition of obtaining external sponsorship and demonstrate that it has fulfilled such commitments.
4. To establish procedures for recording cost-shared expenditures in the university's accounting system in order to identify cost sharing as required by OMB Circular A-21, "Cost Principles for Higher Education" (A-21).

Cost Sharing: Rationale and Description

For many years both the federal government and most charitable foundations have considered it the role of universities to conduct research, training and other activities. These sponsors will "assist" universities by supporting these activities, but many awards do not equal 100% of the cost of the projects. The difference is "cost sharing", and is sometimes a required condition of receiving awards. The magnitude of cost sharing can range from 1% to over 50% of the total project cost. Cost sharing is sometimes called "matching."

Technically, cost sharing from the university's resources is "cash" cost sharing, because a precise dollar amount can be shown in the university's accounts. Cost sharing from third party sources may be "in kind," because the goods or services can be identified, but may not be subject to a precise monetary evaluation. However, "in-kind" is sometimes used by some sponsors to mean any cost sharing.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU does not tolerate any form of retaliation against an employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation.

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Who Should Know This Policy

All individuals involved in sponsored programs are responsible for knowing this policy and familiarizing themselves with its contents and provisions.

Definitions

Mandatory Cost Sharing

Mandatory Cost Sharing is cost sharing required by a sponsor as a condition of making an award. If mandatory cost sharing is required, the requirement is always specified in the published description of the sponsor announcement. The requirement is usually expressed in terms of a percentage of the total project cost or a percentage of the sponsor share of the total project cost although occasionally it is expressed as a fixed dollar amount. Mandatory cost sharing expenses must be identified for cost accounting purposes and must be reported to the sponsor in the financial report of the project. Failure to document the agreed upon cost sharing during the conduct of the project will generally result in reduction of funds available from the sponsor.

In-Kind

In-kind contributions are project-specific contributions of a service or a product provided by an individual or organization where the cost cannot be tracked back to a cash transaction. In-kind expenses generally involve donated labor or equipment.

Voluntary Committed Cost Sharing

Voluntary Committed Cost Sharing is cost sharing the university may offer in a proposal to reflect accurately the total resources necessary to complete a project, or to make a proposal competitive. This offer is included in the award directly or by reference. Voluntary committed cost sharing expenses must be properly identified for cost accounting purposes, but are not generally included on financial reports to sponsors.

Salary Cap Cost Sharing

Salary Cap Cost Sharing is cost sharing which occurs when the university proposes (or later assigns), effort by individuals whose salary exceeds a sponsor-imposed limit for individual salaries. It may not be offered for mandatory committed cost sharing. Salary cap cost sharing must be identified for cost accounting purposes. Under OMB definition, salary cap cost sharing is classified as voluntary committed cost sharing, but for ease of understanding, it is defined separately in university documentation.

Voluntary Uncommitted Cost Sharing

Voluntary Uncommitted Cost Sharing is cost sharing that is not committed or budgeted for in a sponsored agreement. It need not be tracked for cost accounting purposes or reported to the sponsor, and if it arises from faculty or other personnel effort, it is excluded from separate identification in effort reporting. Voluntary uncommitted cost sharing most commonly results from a cost overrun on a project, or from researchers' effort which is over and above that committed and budgeted for in a sponsored agreement.

Contacts

The Office of Sponsored Programs (OSP) (proposal and award documentation) and Office of Grants and Contracts Accounting (G&C) (fiscal/accounting documentation) jointly officially interpret this policy. The Office of Sponsored Programs and Office of Grants and Contracts Accounting are jointly responsible for obtaining approval for any revisions as required by the policy *Creating and Maintaining Policies and Procedures* through the appropriate governance structures. Please direct policy questions to the Office of Sponsored Programs (proposal and award) or Office of Grants and Contracts Accounting (fiscal/accounting).

Procedures

Including Cost Sharing in a Proposal

When cost sharing is specifically required under the terms of a particular program, the principal investigator must include these required committed cost sharing amounts in the proposal and in the proposed project budget. Similarly, when cost sharing is explicitly volunteered in the proposal, the

principal investigator must include these committed voluntary cost sharing amounts in the proposal and in the proposed project budget. This includes in-kind cost-share committed by collaborators. Internal agreement on the funding source of cost sharing commitments must be reached prior to the proposal submission. All committed cost sharing must be indicated and recorded on the university's Internal Approval Form and on the Cost Sharing Authorization Form. All applicable cost sharing agreements become a part of the proposal file. All cost sharing must be reported to the sponsor as required by the award document. A given expenditure can only be used as committed cost sharing on one project; total expenditures can be allocated among numerous projects, but can never be allocated more than once or in excess of the total.

Criteria for cost sharing:

- Must be verifiable from records;
- Are not included as contributions for other federally assisted programs;
- Are reasonable and necessary to project;
- Are allowable charges;
- Are not paid by Federal government under another assistance agreement;
- Are provided for in the approved budget when required

Accounting For Cost Sharing

The cost sharing index is a supplemental index to an existing primary index in another ledger. For federal reporting purposes, the cost sharing index is a part of the research activity of the university. Organized Research includes cost sharing in the base for the University Research Facilities and Administrative Costs (F&A costs) Rate Proposal.

1. Creating a Cost Sharing Account

A cost sharing index created in any ledger has its own budget and expenses associated with a specific sponsored agreement. One sponsored program may have multiple indexes set up to monitor cost sharing when the related cost sharing is coming from different schools and/or departments.

- The department will identify the budget source at the time of the proposal submission. It will forward to the Office of Sponsored Programs Administration any changed information prior to inception of the project.
- Office of Sponsored Programs Administration will transmit to Grants and Contracts Accounting the cost sharing source index provided by the department when it forwards information on the new award.
- Grants and Contracts Accounting will request or create the index with a cost sharing attribute and title.
- Grants and Contracts Accounting will inform the department of the new grant or contract index and corresponding cost sharing index.
- The department will submit the budget reallocation document to the appropriate Finance and Administration Department (depending upon the ledger) to enter the budget for the cost sharing index.

2. Charging a Cost Sharing Account

The cost sharing index will include the direct allowable expenditures that correspond to the sponsored program index. Allowability of costs on **mandatory** cost sharing is identical to allowability on the

associated sponsored program index. The Payroll Action Form will reflect the cost sharing index number and/or the associated sponsored program index and the effort associated with each.

- The Effort Certification report will show the total project effort and related cost-shared salary charged and the certifier will certify accordingly.
- Grants and Contracts Accounting will report mandatory cost sharing to the sponsor. Where **mandatory** and **voluntary committed** cost sharing are co-mingled, the cost sharing reported to the sponsor will be up to the amount authorized in the agreement.
- Grants and Contracts Accounting will terminate the cost sharing index at the same end date as the associated sponsored program index unless there is a continuation year of the sponsored program.

Budget transfers from designated or gift funds (ledger 6) to the cost sharing supplemental index may be on a project period basis, but budget transfers of Education and General Programs (E&G) funds may only be on a fiscal year basis. It is preferable that transfers from gift funds also be handled on a fiscal year basis. It is also preferable that cost sharing for a given fiscal year be identified at the beginning of the year when possible. The Principal Investigator (PI) should identify the budget source on the Cost Sharing Authorization form and secure approval by an authorized signator.

Each sponsored program with **mandatory** cost sharing or salary cap cost-sharing will have at least one associated cost sharing index. The department should monitor the index monthly and update the budget as needed. Cost sharing accounts may not be in a deficit at the end of the university's fiscal year. Departments should make a budget transfer rather than an expense transfer to resolve the deficit in the cost sharing index.

Voluntary committed cost sharing must be accounted for in the same manner as mandatory cost sharing so that any required reporting can be completed.

Departments may use the voluntary uncommitted cost sharing practice to handle cost overruns. Cost overruns occur when accumulated costs for specific cost objectives are greater than the accumulated award amount after applying any appropriate expense transfers, refunds, etc. For cost transfers, follow the Cost Transfer procedures in the Financial and Budget Policies and Procedures Manual. **The costing practice (i.e., setting up a separate index) is not used for a cost overrun, since the overrun will not be tracked. Cost overrun is considered uncommitted cost sharing.**

3. Salary Cap as Voluntary Committed Cost Share

If a sponsor imposes a specific salary cap, the university will not charge the sponsor above that rate but will treat that salary portion as **voluntary committed** cost sharing. The university will not report **voluntary committed** cost sharing to the sponsor but will capture it for the F&A costs rate; therefore, charging the salary to a separate **voluntary** cost sharing index. Even though it is titled "voluntary," we are required to maintain and account for this cost share for F&A rate negotiation purposes.

4. Subawardee Cost Sharing Commitment

The subawardee will provide the PI a statement, certified by the subawardee's authorized official, of the cost-shared expenditures at the final billing of the subaward. The PI must approve the expenditures'

statement to verify that the subawardee provided the committed services or assets in the performance of the sponsored agreement.

The PI will supply the cost-shared confirmation statement to Grants and Contracts Accounting. Grants and Contracts Accounting will document the file and report the **mandatory** cost sharing to the sponsor.

5. In-kind Cost Sharing Commitment

The PI will obtain a written confirmation of the value of cost-shared goods and services. The PI must approve the cost sharing statement to verify that the third party provided the committed services or assets in the performance of the sponsored agreement. The PI will supply the cost-sharing confirmation statement to Grants and Contracts Accounting. Grants and Contracts Accounting will document the file and report the mandatory cost sharing to the sponsor.

Forms

1. VCU Internal Approval Form
<<http://www.research.vcu.edu/forms/InternalApprovalForm.pdf>>
2. Cost Sharing Authorization Form
<<http://www.research.vcu.edu/forms/CostShareAuthorization.xls>>

Related Documents

Related documents are critical to the development of corresponding policies and procedures. Related documents include federal regulations, state regulations, state policies and VCU policies, procedures and guidelines. If there are no related documents, insert the following statement: There are no related documents associated with this policy and procedures.

1. Office of Management and Budget (OMB) Circular A110
<http://www.whitehouse.gov/omb/circulars_a110>
2. Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions <http://www.whitehouse.gov/omb/circulars_a021_2004>
3. Memoranda 01-06 – Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs
<http://www.whitehouse.gov/omb/memoranda_m01-06/>
4. U.S. Department of Health & Human Services Salary Cap Summary
<http://grants.nih.gov/grants/policy/salcap_summary.htm>

Revision History

This policy supersedes the following archived policies:

Approval/Revision Date	None – New Policy
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FAQs

1. How do I calculate Salary Cap cost share?

EXAMPLES OF SALARY COST SHARING CALCULATION AND INDEX IDENTIFICATION

Assume a NIH grant with faculty members paid over the salary cap. The department may charge cost sharing to one, or multiple 1-, 2-, 4-, or 6- ledger cost sharing index(es). Charge mandatory cost sharing and voluntary committed cost sharing to different indexes; however, it is not necessary to charge cost sharing to different ledgers. In practice, a NIH grant is very unlikely to have mandatory cost sharing. Salary cap figures are subject to change each year, therefore U.S Department of Health & Human Services' Salary Cap Summary <http://grants.nih.gov/grants/policy/salcap_summary.htm> should be reviewed for updated salary cap figures.

a. None of proposed effort is volunteered as cost sharing.

John Doe's annual salary is \$250,000. Assume the salary cap is \$179,700 for this exercise. (Check the DHHS Salary Cap Summary for current rate). He will commit 20% effort with no salary cost sharing requested on his NIH grant. Charge the salary as follows:

<u>Fund Source</u>	<u>Index</u>	<u>Account</u>	<u>Amount</u>	
Grant Budget Index	5-ledger	5 xxxxx	\$35,940	Not cost shared (\$179,700 @ 20%)
Cost Sharing Index	1-ledger	5 xxxxx	\$14,060	Salary Cap (Voluntary committed) (\$50,000 @20%)

b. All of proposed effort is volunteered as cost sharing.

Note that salary cap is only a limit on the amount the sponsor will reimburse.

Sally Roe's annual salary is \$250,000. She will commit 20% effort with no salary requested on her NIH grant. Charge the salary as follows:

<u>Fund Source</u>	<u>Index</u>	<u>Account</u>	<u>Amount</u>	
Cost Sharing Index	1-ledger	5 xxxxx	\$50,000	Voluntary committed (\$250,000 @20%)

c. Part of proposed effort is volunteered as cost sharing, and faculty member's salary exceeds cap.

Mary James' annual salary is \$250,000. She will commit 20% effort with only 10% salary requested on her NIH grant. Calculate the salary as follows:

<u>Fund Source</u>	<u>Account</u>	<u>Object Code</u>	<u>Amount</u>	
Grant Budget Index	5-ledger	5 xxxxx	\$17,970	Not cost shared (\$179,700 @ 10%)
Cost Sharing Index	2-ledger	5 xxxxx	\$32,030	Voluntary committed

(Computation)

$\$250,000 \text{ salary} \times 20\% \text{ total committed effort} = \$ 50,000$
 $\underline{\$179,700 \text{ cap salary} \times 10\% \text{ capped payment by grant} = \$ (17,970)}$
 Balance is voluntary committed including salary cap = \$ 32,030

2. How is the NIH salary cap determined?

Every year since 1990, Congress has legislatively mandated a provision limiting the direct salary that an individual may received under a NIH grant. As of December 23, 2011, the salary limitation for federal Fiscal Year 2012 is set at Executive Level II. The NIH Salary Cap Summary is available online at http://grants.nih.gov/grants/policy/salcap_summary.htm.

3. Can I keep the same cost-share index for multiple years?

It depends. A cost-share index can be retained for multiple years for competitive segments of those awards that are subject to expanded authorities and SNAP. Awards requiring budget period or annual accounting will require a separate cost-share index each year.