

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
COST SHARING ON SPONSORED PROGRAMS

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Purpose The University of Alabama in Huntsville (UAH) engages in cost sharing when it is in the best overall interest of the University, but limited to situations in which it is mandated by the sponsor per solicitation or policy guidance, or deemed appropriate in light of specific and compelling circumstances. This document was developed to set forth University policy on cost sharing, and provides guidance on the appropriate and consistent management and reporting of cost sharing throughout the lifecycle of a sponsored project.

The policy is developed for the following purposes:

1. To define cost sharing and set forth the University's position on cost sharing in support of sponsored projects.
2. To provide guidance regarding the circumstances in which cost sharing is permitted by the University; including what kind of services, expenditures, or assets may be cost shared.
3. To provide information to the University community regarding the contractual, financial, and administrative implications that result from the commitment to cost share.
4. To establish procedures which give the University the ability to provide information to sponsoring agencies which demonstrates that the University has fulfilled any cost sharing commitments it has made as a condition of obtaining external sponsorship.
5. To ensure that cost sharing on sponsored projects is proposed, managed, and reported on in a manner consistent with and conforming to the applicable requirements found in the Office of Management and Budget (OMB) Circulars A-21 and A-110.

Definitions:

Cost sharing – Cost sharing is defined as the portion of a project or program costs that would normally be borne by the sponsor but instead are covered by the University or a third party, such as a subcontractor or an unfunded collaborator. For the purpose of this policy, “*cost matching*” should be treated interchangeably with the term “*cost sharing*.” However, the term “cost matching” often refers to cost sharing agreements in which the amount of sponsor funding is based on an equal or proportionate commitment (e.g., 1:1) from the University.

Cost sharing may include salaries and fringe benefits, other direct cost, unrecovered facilities and administrative (F&A) costs (previously known as indirect costs) and third party in-kind contributions. OMB Circular A-110 entitled “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”, Subpart C, Section 23, requires that all cost sharing must

1. Be necessary and reasonable for proper and efficient accomplishment of project objectives;
2. Be readily verifiable from the university’s official records;
3. Not be paid by the federal government under another award (except where authorized under Federal Statute to be used for cost sharing);
4. Be provided for in the approved budget (when required);
5. Not be included as cost sharing for any other sponsored award; and
6. Be allowable under applicable cost principles and conform to other applicable Circular provisions

Procedures

I. Types of Cost Sharing

There are three (3) main types of cost sharing:

Mandatory Cost Share: Cost sharing required by the sponsor as a condition of eligibility for an award. Mandatory cost sharing requirement must be communicated in a proposal solicitation. In these situations, a proposal must demonstrate/commit to the required cost sharing. Mandatory cost sharing is explicitly referenced in an award

document. Mandatory cost sharing must be properly documented and tracked for cost accounting and compliance purposes.

Mandatory cost sharing includes: a) costs funded by the University from non-sponsored accounts, and certain non-federal sponsor accounts, and not included as cost sharing for any other sponsor project; b) cash and third party cash contributions that are verifiable in the University's accounting system and are not included as contributions for any other federally assisted project or program; c) in-kind contribution (non-cash contributions) including volunteer services provided by professional and technical personnel, consultants and other skilled and unskilled labor if the services are an integral and necessary part of an approved project or program and d) grant related income (program income) included in the approved project/program budget.

Voluntary Committed Cost Sharing: Cost sharing not required by the sponsor as a condition of eligibility for an award but provided at the discretion of the University. Once referenced in the proposal and agreed upon by the sponsor, this becomes an auditable obligation to the University. Voluntary committed cost sharing is often (though not always) referenced in an award document. Voluntary committed cost sharing must be properly documented and tracked for cost accounting and compliance purposes.

Voluntary Uncommitted Cost Sharing: On January 5, 2001, the Office of Management and Budget (OMB) issued a policy statement clarifying the OMB Circular A-21 treatment of "Voluntary Uncommitted Cost Sharing." Voluntary Uncommitted Cost Sharing" is defined by OMB as university faculty or senior researcher effort that is over and above that which is committed and budgeted for in a sponsored agreement, and not formally tracked (or auditable).

This differs from mandatory or voluntary committed cost sharing which is cost sharing specifically pledged in the proposal budget or award. To be considered voluntary uncommitted cost sharing, percentage of effort and/or dollar amounts cannot be included in the proposal. If voluntary uncommitted cost sharing is defined in such a way that time and effort can be accounted for (Budget Justification, referenced in technical scope of work, etc.) the proposed effort becomes voluntary committed cost sharing.

In-kind contributions - Represents the value of non-cash contributions, which may be in the form of charges for real property and nonexpendable personal property, provided by the University and third

parties, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

The University will maintain accounting records on all project-by-project mandatory cost sharing. Project-by-project mandatory cost sharing is identified as an amount or percentage in the award. It is essential that all claims for mandatory cost sharing be accounted for by actual charges to the contract or grant involved. Third party in kind and unrecovered F&A will be recorded in memorandum records and kept with the applicable grant file(s).

Policy

UAH engages in cost sharing when it is in the best overall interest of the University, but limited to situations in which it is mandated by the sponsor per solicitation or policy guidelines, or deemed appropriate in light of specific and compelling circumstances. UAH does not typically cost share on a voluntary basis, consistent with its objective of maximizing sponsor cost reimbursement to support the continued growth of the research enterprise. A voluntary cost sharing commitment should be made only when the competitive forces and perceived institutional benefit of receiving the award are deemed to be sufficiently strong to warrant the commitment.

Cost sharing enables UAH to be eligible and competitive for some of the most prestigious, the most scientifically important, and the most collaborative projects that we undertake. Cost sharing represents an investment that helps UAH fulfill its mission as a premier Carnegie Mellon research institution. However, cost sharing represents an administratively complex and high-risk business objective. Cost sharing also increases the audit risk of a sponsored project.

As a rule, cost sharing on sponsored projects will only be approved when it is specifically required by the agency. Cost sharing simply “to increase the probability of the proposal being funded,” will not be permitted.

1. All cost sharing on sponsored projects must be approved at the proposal stage, before the proposal is submitted. Failure to do so may result in the “post award” request to cost share being denied.
2. Proposal must be submitted for approval in a timely manner. Proposals submitted for approval the date before, or the day, the proposal are due; are not likely to receive approval for cost sharing.
3. Proposals requiring cost sharing will use the 20% research salary line allocated in the department budget for each faculty member,

burdened with applicable F&A and fringes. Cost sharing laboratory equipment proposed requires commitment of cash.

The approval process for cost sharing in the academic colleges begins at the department level with the approval of the PI and Department Chair, and then proceeds to the appropriate Dean and to the Provost (if Provost is committing cost share). Approvals include the 20% “salary line” allocated to internal research, teaching or teaching laboratory support and any other cost shared items that are funded by the academic college.

The approval process for cost sharing in the research centers begins with the Center Director and proceeds to the Vice President for Research. The Vice President for Research also approves any other cost sharing that requires him to provide cash or modification of F&A charges.

F&A will be charges on the first \$25,000 of all subcontracts. The Vice President for Research must approve any exception, to include the “reduction” and/or “waiver” (e.g., use of account code 7435: Fabrication of Equipment) of F&A.

Cost sharing of tuition must be approved by the Dean of Graduate Studies. Tuition will only be cost shared and is the responsibility of the academic unit, Dean of Graduate Studies, and/or the Provost, when it is absolutely required by the solicitation.

III. Impacts of Cost Sharing

Financial Impact: Cost sharing can redirect resources from departments, centers, and/or central units, limiting those units’ capabilities. The inherent forfeiture of indirect costs produced by cost sharing represents a further University subsidy. That is, the University loses the ability to accrue indirect costs on project expenses that were cost shared as opposed to charged to a sponsored project.

Administrative Impact: Cost sharing presented in a proposal becomes a binding obligation at the award stage that the University must monitor, document, and report on. This represents a significant organizational administrative burden across many units and management levels at the University.

Investigator Impact: In situations where effort is cost shared in support of a mandatory or voluntary committed cost sharing requirement, investigators’ ability to conduct other research may be

limited. Investigators can also be affected by the burden to monitor, document, and report committed cost sharing.

Compliance Impact: In general, cost sharing increases the compliance risk of a sponsored project. Cost sharing increases the University's audit exposure, and any audit findings determining that cost sharing did not occur or did not occur to the committed level, could result in consequences including, but not limited to, disallowance of costs and termination of award.

F&A Rate Impact: The University's total amount of mandatory and voluntary committed cost sharing (salary and non-salary) must be included in the direct cost base for calculating the F&A rate; the higher the overall amount of cost sharing, the lower the overall F&A rate for Organized Research.

IV. Forms of Cost Sharing

All cost sharing contributions (including those from third party sources) must meet the guidelines set forth in OMB Circulars A-21 and A110 to be considered allowable cost sharing on a sponsored project. If a cost does not meet the appropriate criteria to be an allowable cost on a sponsored project, it cannot be considered a cost share contribution.

Cash: Cash contributions used to cost share must come from an allowable, non-sponsored source, such as state appropriated, gift, endowed, or discretionary accounts. Cash can be used to fund salaries, fringe benefits, travel, equipment, supplies, and other allowable direct costs as defined by OMB Circulars A-21 and A-110.

Effort: An effort commitment is the portion of time committed to a particular sponsored project in relation to an individual's total activities at the university. This commitment represents a contractual obligation to a sponsored project, whether the effort is charged or cost shared to the project. When an investigator makes an effort commitment to a sponsored project without requesting the associated salary, the investigator is establishing a cost share commitment, as the University is assuming from the sponsor the cost of the investigator's project time (inclusive of salaries and fringe benefits). Cost shared effort can occur either at the proposal stage as a commitment or at the award stage as a previously uncommitted but quantifiable contribution to the project.

Salary Cap Cost Sharing is also related to effort. This is cost sharing occurring when the base salary paid to an individual is in excess of a sponsor designated limit, usually applicable to a particular federal sponsor (e.g. NIH and NSF 2/9th rule). For more information regarding

UAH effort reporting policies, please see UAH Effort Certification Policy.

Unrecovered F&A: Facilities and Administrative costs (F&A or indirect costs) are real costs associated with conducting sponsored activities. In situations where allowable direct costs are costs shared, the F&A associated with these direct costs cannot be assessed, but still represent a quantifiable loss and will be (if allowable) considered cost sharing. In situations where indirect costs are limited by the sponsor (based on a flat amount or lower F&A rate cap), the difference between the sponsored activity's institutionally designated rate and the sponsor's limit/cap may be considered cost sharing. The University's intention to count unrecovered indirect costs as cost sharing will be presented to the sponsor in the proposal budget; prior approval (from sponsor) to count this kind of cost sharing may otherwise be required.

Graduate Student Fellowships: Graduate Student Fellowships represent the salary/stipend, any associated fringe benefits (health insurance and tuition) provided to support graduate students. These are funded by non-sponsored funds and can be used as cost sharing when provided by the department, college, Provost, or Graduate Studies.

Third-Party: Third party contributions represent cost sharing provided by an entity external to the University. Third-party cost shared commitments and expenditures must follow the same guidelines that the University follows in order for them to be considered allowable and appropriate cost sharing. Examples include subawardee cost sharing, donated equipment, and contributed time or services from an extramural party.

V. In-Kind Cost Sharing

In-kind cost sharing will be approved by the University only in rare circumstances. In-kind cost sharing must be clearly identified on the [Certification on In-Kind Cost Sharing Form \(AFR796\)](#). This form must be signed by the principal investigator and the principal investigator's direct supervisor of the department/center.

The department which is responsible for the project should keep detailed, auditable records for in-kind cost sharing throughout the project. The responsible unit will send the completed form (with all applicable signatures) to Contracts and Grants Accounting quarterly or at periods set forth in the agreement. Contracts and Grants Accounting will compute applicable indirect costs and include them in the cost sharing report.

In-kind cost sharing includes depreciation expense on previously purchased equipment and interest on bond principal.

VI. Third-Party Cost Sharing

Third-party cost sharing may be cash or non-cash. Non-cash contributions are the value of contributed goods and services directly benefiting the project. Cash contributions should normally be processed through a separate -account to be counted as cost sharing for the sponsor project. All non-cash contributions *must be verifiable*.

The written agreement should include information on any third-party non-cash contributions. Complete information (such as names, dates, hours worked) on such contributions should be submitted to the PI's Department quarterly or in the intervals required in the agreement.

VII. Process of Obtaining University Support

All requests for University cost share support should be directed to the Office of Sponsored Programs, in accordance with [OSP Memorandum 12-03 Indirect \(F&A\) Cost Rate Exception Request/Approval](#).

In both mandatory and voluntary cost sharing situations, any commitment of University resources is at the discretion of the Vice President for Research, typically in consultation with the appropriate Deans' and/or Center Director Offices.

In both mandatory and voluntary cost sharing situations, provision of university cost share is contingent upon the grant/contract being awarded in the amount proposed, and upon the fulfillment of all departments, college, and centers cost share commitments. A decrease in awarded budget will typically reduce the cost share proportionally.

VIII. Implementation--Mandatory Cost Share (excluding In-kind & Third Party Cost Share)

Cost sharing accounts will be created with the main award account, by the Office of Sponsored Programs. The [Transfer of Cost Sharing](#) form will be completed by the contract administrator and budget unit head, then forwarded to Contracts and Grants Accounting with a copy of the award document (including all terms and conditions), applicable budget forms, account create documents, and a copy of proposed/funded budget.

- A Cost share account will be established for each sponsored project account incorporating *mandatory* cost sharing/matching

provisions. The cost share account will be set up mapped to the fiscally responsible unit. All cost sharing expenses will be recorded in this cost share account. Cost share accounts will be budgeted and administered identically to prime award.

- The Principal Investigator for a project or program is responsible for the allowability and recording of costs funded by a sponsor as well as for the cost sharing expenses accumulated and reported under the award.
 - On receipt of an award document, the contract administrator will budget the sponsored account as awarded; determine the required cost sharing/matching from the award and the proposal and provide this information to the Contracts and Grants Accounting and the department/center responsible for administering the account. In addition, the contract administrator will establish a sponsored account and assign an account number. Prime award will not be released until the cost sharing account established and funded in accordance with the award document and commitment. Contracts and Grants Accounting will enter both accounts in Banner.
 - The department/center will prepare and submit a budget amendment to move money to the cost share account. The primary account will be frozen until the budgeted money for the current fiscal year has been moved to the cost share account. For subsequent years, if the budgeted money is not moved to the cost share account, the related prime account will be frozen one month after the start of each fiscal year (November). Cost share account overruns will be the responsibility of the Dean/Director of the department/center responsible for the account. Overruns will not be carried over between fiscal years unless a [risk memo](#) is filed with Contracts and Grants Accounting and/or an encumbrance is made to the next fiscal year's budget. If either one of these actions are not taken, overruns will then be closed out to the department's/center's fund balance at the end of the fiscal year. Fund balances in the cost share accounts will be carried over to the next fiscal year if the contract is not closed out.
1. The contract administrator will approve, purchase orders and budget changes relating to the cost share accounts (the cost share accounts will be held to the same approval process the prime accounts are under). No facilities and administrative costs will be budgeted or recorded in the cost share account. This is a manual

process completed by Contracts and Grants Accounting at month-end.

2. Generally, funds from the sponsoring agency and cost sharing funds should be spent at about the same rate throughout the project, for example, when 10% of sponsoring agency funds have been spent, 10% of cost sharing funds should have also been spent. This provides even support by both parties throughout the project and prevents problems at the end of the project. This may not be possible if cost sharing funds are for equipment. In the event cost share commitments are not being met, the prime award will be frozen, or an internal transfer of cost from the prime award to the cost sharing account will be made by Contract and Grants Accounting, until the commitment has reached an acceptable/committed level.
3. It is emphasized that the amount of University cost sharing should generally be limited to the amount specifically required by the funding agency. All required cost sharing plus any voluntary cost sharing in excess of the requirements must either be specifically identified in the proposal or by a separate form accompanying the proposal during internal routing and approvals.
4. If the fiscally responsible department/center does not provide the cost sharing amounts required in the agreement, a proportionate reduction will normally be made in the sponsoring agency's prime budget.
5. In accordance with our close-out procedures, sponsored research awards are final billed 90 days after the end of the period of performance unless an extension has been granted or a [risk memo](#) has been submitted pending an extension. After all receivables are collected on the final bills, and/or all cost share commitments have been made; any remaining funds in the cost share account will be returned to the department/center funding the cost sharing.

Forms/Instructions:

All forms and instructions related to cost sharing is located on the Office of Sponsored Programs website under the link “Research Forms and Documents.”

Related Information:

[NSB-09-20, Investing in the Future: NSF Cost Sharing Policies for a Robust Federal Research Enterprise](#)

[OMB Circular A-110 \(Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations\)](#)

[OMB Circular A-21 \(Cost Principles for Educational Institutions\)](#)

UAH Effort Certification Policy

Review

The Office of Sponsored Programs is responsible for the review of this policy every four (4) years; (or whenever circumstances require).

Approval



Chief University Counsel



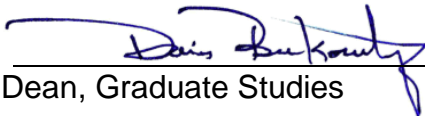
Vice President for Research and Economic Development



Provost and Executive Vice President for Academic Affairs



Senior Vice President for Finance & Administration



Dean, Graduate Studies



Director, Office of Sponsored Programs



Director, Contracts and Grants Accounting

APPROVED:



President