



<b>Procedure Name:</b>	<b>Revision Date:</b>
Cost Sharing on Sponsored Projects	October 15, 2009

## I. PURPOSE

All costs that are incurred by OHSU in the performance of sponsored projects are considered by the federal government to be part of the overall cost of the projects (research, instruction or other sponsored activities). This includes costs that are incurred in the conduct of the project over and above those costs that have been provided for by the sponsoring agency.

When a Principal Investigator (PI) proposes to include OHSU resources to share in the overall cost of the project, this constitutes a formal commitment to the sponsor. This commitment must be carefully considered at both the unit and institution level before OHSU approves the application or proposal, since these costs will need to be included in OHSU's direct cost bases when developing Facilities and Administrative (F&A) rates with the government. Therefore cost sharing commitments effectively lower OHSU's F&A rate and also reduce OHSU's F&A cost recovery. Once the application or proposal is funded by a sponsoring agency, OHSU is required not only to provide the stated resources listed as cost sharing, but also to provide the same fiduciary responsibilities in expending these funds, as is done for sponsoring agency funds. OHSU must be able to identify cost sharing to provide financial reports to the sponsor and for the calculation of the F&A Rate.

Since, overall, committed cost sharing lowers OHSU's F&A rate, all efforts should be made to reduce the level of committed cost sharing offered in applications and proposals. It is possible to indicate to a funding agency descriptions of support already in place that will assist in the competitiveness of the award, however to do so in such a way as to not list it specifically as a quantified cost share commitment

It is important that OHSU maintains compliance with federal and sponsor regulations and guidelines relating to cost sharing. This document sets forth the procedure that is to be followed by OHSU to properly document and account for cost sharing and outlines responsibilities for this to be done effectively.

This procedure specifically discusses how to meet mandatory cost sharing requirements while minimizing the burden to OHSU and describes the impact to OHSU when cost sharing is committed voluntarily. As a result, the commitment of OHSU cost sharing should be minimized at all times and is strongly discouraged unless absolutely necessary and approved by Unit Heads.

## II. DEFINITIONS

### A. Cost Sharing / Matching

Cost sharing is defined as the portion of the project or program costs not borne by the sponsor.

Matching is another way of referring to cost sharing. With a matching contribution, OHSU pledges to match some portion or percentage of funds as a condition of the sponsoring agency's award. For purposes of this procedure, the term "cost sharing" will be used to describe cost sharing and matching.

There are two categories of cost sharing – Committed and Uncommitted.

## 1. Committed Cost Sharing

Committed cost sharing is cost sharing that is specifically quantified and committed within an OHSU application or proposal budget or budget justification and therefore becomes trackable and reportable to the federal government.

There are two types of committed cost sharing – Mandatory and Voluntary.

### a) **Mandatory Committed Cost Sharing**

Mandatory committed cost sharing is defined as cost sharing that is an eligibility requirement on an application or proposal for an externally funded award or is required by the terms of the award.

### b) **Voluntary Committed Cost Sharing**

Voluntary committed cost sharing is defined as cost sharing that is not explicitly an eligibility requirement on a sponsored project application or proposal. It is a quantified contribution(s) of resource(s) offered within a sponsored grant application or proposal budget or budget justification. Once the commitment is made and the grant awarded, the commitment must be met.

## 2. Uncommitted Cost Sharing [Voluntary Uncommitted Cost Sharing (VUCS)]

Voluntary uncommitted cost sharing (VUCS) is defined as cost sharing over and above that which is committed and/or offered in a sponsored grant application or proposal budget or budget justification. It is cost sharing that is not explicitly an eligibility requirement on a sponsored project application or proposal. This includes effort by OHSU personnel that is over and above that which is committed and budgeted for in a sponsored agreement.

VUCS does not have to be accounted for or included in the organized research base for computing the F&A rate. [OMB Memorandum M-01-06 (January 5, 2001), "*Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs*"]

Examples of VUCS include: unquantified descriptions of programmatic support in existence that will provide support to the project or extra effort that was provided to the project that was not planned for or stated/committed in the project budget or budget justification.

## **B. In-Kind Contribution**

In-kind contribution is defined as a cost for which support is already in place, e.g., salary and associated fringe benefits, services, supplies, equipment, etc. already covered by OHSU's operating budget or other source of funds within OHSU (and, therefore, no new cash outlay is required). In-kind cost sharing is required to be tracked by OHSU when it has been committed and is part of what has been documented and quantified in the application or proposal as mandatory cost sharing and/or when the sponsor requires these costs to be reported in the financial reports provided by OHSU.

In-kind cost sharing can also come in the form of donation of services or supplies.

## **C. Third Party Cost Sharing**

Third party cost sharing is cost sharing that is committed by an organization other than OHSU (i.e., VA, Shriners, etc.) in an application or proposal budget or budget justification submitted by OHSU. Third-party cost sharing is

not included in OHSU's F&A Rate Proposal as part of overall sponsored project costs, since these costs are not borne by OHSU. Third party cost sharing is required to be tracked by OHSU when it is funding the mandatory cost sharing committed in an award and/or when the sponsor requires these costs to be reported in the financial reports provided by OHSU. These costs are typically tracked by OHSU, when a subaward is involved, by requiring the costs to be itemized on the invoice that the third-party submits to OHSU or in a separate letter of certification provided by the third party when no subaward exists.

### **III. RESPONSIBILITIES**

#### **A. Principal Investigator (PI)**

The PI on a sponsored project has ultimate financial responsibility for his/her project(s). A PI must: (1) ensure the reasonableness and appropriateness of all cost sharing on a project(s) by clearly identifying OHSU's cost sharing commitment in the budget or budget justification; (2) certify all labor-related cost sharing through OHSU's effort certification system; (3) review and certify all non-labor-related cost sharing through OHSU's financial system; (4) determine, justify and properly document any special circumstances surrounding the project in accordance with university policies, agency guidelines and federal regulations; and (5) assist in obtaining documentation of third-party cost sharing as needed. (6) Ensure that all commitments are met.

#### **B. Unit Administrator**

A Unit Administrator shall (1) be knowledgeable about the requirements of the cost sharing procedure and its associated documents and guidelines, and assist the PI in managing the financial detail of sponsored projects according to all applicable rules and regulations; (2) provide assistance for reporting labor-related cost sharing via OHSU's effort certification system; (3) monitor transactions to ensure appropriateness and consistency of charges in accordance with University policies and procedures, agency guidelines and federal regulations; and (4) ensure proper justification, adequate documentation and proper approval(s) of all financial transactions related to cost sharing.

#### **C. Unit Head (Dean/Director/Department Chair/Division Head)**

A Unit head shall provide oversight by (1) establishing effective processes and controls that will ensure compliance with this procedure and its associated documents and guidelines; (2) evaluate the workload implications of proposed cost sharing to ensure that a PI's total effort does not exceed 100 percent and approve a PI's cost sharing commitments at the time of proposal submission; and (3) approve all cost share commitments.

#### **D. Research Grants & Contracts**

The Research Grants & Contracts (RGC) shall (1) review grant applications and proposals for adequate justification and description of cost offered; (2) assist PI's and their staff in interpreting sponsor regulations and guidelines related to cost sharing; (3) provide guidance as to how cost sharing can be reduced or eliminated in order to benefit OHSU; (4) ensure the appropriate unit level approval has been provided for the committed cost sharing; (5) review for and approve any overlap between projects relating to cost sharing and approve cost sharing from other sponsored funds; and (6) endorse OHSU's cost sharing commitment by providing institutional approval. RGC shall also be involved with any reductions or changes in an award's budget and any associated cost share commitment.

#### **E. Sponsored Projects Administration**

Sponsored Projects Administration (SPA) shall (1) oversee the cost sharing procedure and associated guideline documents; (2) upon request, set up companion cost sharing accounts in Oracle Grants Accounting (OGA) for

committed cost sharing; (3) report cost sharing activities to sponsoring agencies when required; (4) coordinate with RGC on any reductions or changes in an award's budget and any associated cost sharing commitment that take place after the award has been accepted and during the conduct of the sponsored project.

When reporting of cost sharing activities is required by sponsoring agencies SPA will set up a companion account in OGA and receive and maintain all documentation related to cost sharing in the official accounting records of OHSU in accordance with audit standards, including documentation of third-party and in-kind donated cost sharing. SPA may require companion accounts in other circumstances when warranted.

When reporting of cost sharing activities is NOT required sponsoring agencies SPA will only set up a companion account for committed cost sharing at the request of the department. The department will be responsible for monitoring charges to these accounts. SPA will treat them as normal General Ledger funds in Oracle (e.g., SPA will not review and approve the appropriateness of cost transfers).

## **F. Corporate Financial Services**

Corporate Financial Services (CFS) is responsible for collecting all OHSU cost sharing expenditures for inclusion in OHSU's F&A rate proposals. CFS also captures cost sharing from Federal salary cap expenditures on NIH awards

## **IV. REQUIREMENTS**

### **A. Permissibility of Cost Sharing**

When required, all OHSU mandatory committed cost sharing must be included in the sponsored project application or proposal. Costs budgeted and charged as cost sharing related to Federally funded projects must meet the same eligibility requirements as any costs directly charged to Federal awards, i.e., costs must be reasonable, allowable, allocable and treated consistently under OMB Circulars A-21 and A-110 in addition to being necessary for the project. This treatment also applies to non-Federal sponsored projects that contain cost sharing. A cost must be reasonable, necessary, allowable and allocable under the sponsoring agency's guidelines. Costs must also be incurred within the project period to be considered allowable cost sharing and costs must directly benefit the project to which they are providing support. Costs identified as cost sharing for a particular award cannot be used to fulfill the cost sharing commitments of any other awards.

Examples of acceptable sources of cost sharing would be a gift that is administered by the OHSU Foundation, Program Development Funds, or departmental funds. There may be certain instances where an award from a sponsoring agency, e.g., Robert Wood Johnson Foundation, could be used as a source for cost sharing for another project, however, not only would the scope of work have to be closely related, the project periods would also have to coincide and written approval may be required from the sponsoring agency providing the cost sharing. RGC is responsible for reviewing cost sharing commitments funded from other sponsored funds to ensure that all appropriate approvals have been obtained.

#### **1. Examples of acceptable types of expenses for cost sharing:**

- PI and/or other personnel salaries and wages and associated other personnel expenses (OPE)
- Project-related laboratory supplies or services;
- Special purpose equipment whose purchase is necessary for the conduct of a particular project;
- Costs incurred by subawardees or other organizations (also called third-party contributions); and

- Reduced or waived Facilities and Administrative Rates. [For use in mandatory cost sharing only] (Per established F&A waiver procedure, the Vice President for Research's prior approval is required to use reduced or waived Facilities and Administrative Rates as cost sharing commitments providing that it is allowed by the sponsoring agency per their guidelines or regulations). When a sponsoring agency limits the amount of F&A that they will pay, using the reduced F&A is a desirable way in which to meet the cost sharing requirement, if the sponsor allows this to be used.

## **2. Examples of unacceptable types of expenses for cost sharing:**

- Any costs considered F&A or indirect —examples of these costs would be administrative salaries and wages, routine supplies, and routine postage. (see Policy No. 04-40-001 for a discussion of costs normally treated as indirect costs). If a cost would not normally be allowed as direct cost to project, then the cost cannot be treated as a direct cost in the cost sharing portion either;
- Any costs recovered through OHSU's F&A rate—examples of these costs would be operations and maintenance costs, space costs and OHSU's existing equipment;
- Any costs that cannot be quantified;
- Any costs that are not incurred within the project period;
- Any costs that do not directly benefit the project;
- A cost must be allowable in order for it to be used as cost sharing. For example, if a program announcement indicates that travel is an unallowable cost on an award, it is also unallowable as a cost sharing expense. Also, existing equipment to be used on a project cannot be proposed as a cost sharing commitment, but the cost of services or products provided by a service center (e.g., a microscope facility) can be used as cost sharing as long as there is a documented billing rate for that facility (see OHSU Policy No. 06-20-005).

The PI must identify the source of the proposed cost sharing at the time of award and prior to the account being set up. Cost sharing commitments must be approved by the Unit Head on the Proposed Project Questionnaire (PPQ). Cost sharing may not be explicitly stated in an award notice, but it is always recognized in the award document by virtue of language that states the "award is based on the application/proposal submitted ...." If necessary, a separate cost sharing account will be established in the financial system so that cost sharing can be separately tracked for reporting to the sponsoring agency (if necessary) to ensure that OHSU has met its cost sharing commitment. The appropriate cost sharing mission code should be used for all cost sharing activities so they can be properly included in OHSU's F&A rate proposal.

### **B. Committed Cost Sharing Involving Labor**

Mandatory or voluntary committed cost sharing involving labor costs requires identification of the effort to be quantified in the budget and/or budget justification. The PPQ will contain information that identifies the source covering those labor costs (provided by department at time of award). If the application or proposal is awarded, a cost sharing account may be established so that the contributed effort will be listed on the individual's effort certification report via being charged to the cost sharing account, or it may be identified using the appropriate cost sharing mission code. PI's and Unit Administrators are responsible for processing the necessary labor adjustments in order for the committed effort cost sharing to actually be charged to the cost sharing account or appropriate cost sharing mission code.

It is very important for PIs to be aware of the total effort—both directly charged to the sponsored project and contributed—so that combined effort for research and other OHSU duties does not exceed 100%. Effort certification is done semi-annually—January through June and July through December.

### **C. Committed Cost Sharing Involving Special Purpose Equipment**

Special purpose equipment purchases that are proposed as cost sharing commitments must be appropriately identified in a sponsored project application or proposal. A cost sharing award would be set up to track and record this cost sharing commitment. Corporate Financial Services (Fixed Assets) tracks this equipment in the same fashion as all other equipment. Existing special purpose equipment cannot be considered as a cost sharing commitment since it was purchased prior to the proposed project period.

### **D. Committed Cost Sharing From a Third Party (Mandatory Cost Sharing only)**

While OMB Circular A-110 allows cost sharing from a third party, all cost sharing must be “verifiable from the recipient’s records.” [OMB Circular A-110, \_\_\_.23(a) (1)]. If a subrecipient is providing cost sharing, OHSU’s PI must receive verification that the cost sharing commitment was honored and also meets all of OHSU’s requirements for cost sharing. A third party should report its cost sharing commitments on the invoices submitted to OHSU for payment. If the third party cost sharing comes from an entity not involved in a subaward, that entity may provide a letter of certification for the cost sharing commitment. This entity should understand, at the time of the commitment, that OHSU will reserve the right to verify any rates or amounts offered as third party cost sharing. An example of this type of third party cost sharing would be a software company donating one of its products to a particular project. The company should provide a letter stating the value of that donation; OHSU would use the value of what it would cost to purchase the software (e.g., using an educational discount) as the value of the cost sharing commitment.

OMB Circular A-110 also allows the use of volunteer services as cost sharing. If volunteer services are used, the requirement for verification will be met by the use of “timesheets” for number of hours worked. Either the prevailing minimum wage or the OHSU pay scale for a comparable position, whichever is appropriate, will be used as the hourly rate of pay.

PIs are cautioned to carefully consider the use of third party cost sharing. OHSU, as the recipient, is responsible for providing the cost sharing offered in the application or proposal. If the third party does not honor their commitment for cost sharing, OHSU is responsible for meeting its commitments since OHSU is the awardee.

Third party cost sharing, when provided to meet a mandatory cost sharing requirement, will most likely be required to be reported to the sponsor. This type of cost sharing, however, is not required to be tracked for inclusion in OHSU’s F&A rate proposal, since these costs are not costs actually incurred by OHSU, and a separate cost sharing account will not be established.

Examples of third parties include the Portland Veterans Administration Medical Center (PVAMC) or Shriners Hospital.

### **E. Changes in Committed Cost Sharing**

When an application or proposal that contains cost sharing is awarded, OHSU is expected to meet the cost sharing requirement in that application or proposal. The PI should ensure that the commitment is met, and provide all necessary documentation, as required.

If an award amount is less than what was proposed, the Research Support Office should be contacted immediately so that the sponsor can be approached for consideration of any reductions in the proposed cost

sharing. If the PI anticipates they will be unable to meet the cost sharing commitment associated with a particular award, the Research Support Office should be contacted immediately so that the sponsor can be informed in this situation as well. Any changes in the cost sharing commitment must be coordinated and documented prior to transfer to SPA for account setup, in order to facilitate timely creation of new accounts.

If the funding of the cost sharing account changes after the cost share account is originally setup, a written request, should be submitted to the SPA Account Setup Coordinator.

## **F. Tracking Committed Cost Sharing**

It is important that OHSU be able to separately account for cost sharing in order to be able to report on the costs, include the costs in our F&A rate proposal and ensure that our cost sharing commitments are being met. It is this separation of costs that ensures that OHSU remains compliant with federal regulations related to cost sharing.

Unless there is reportable mandatory committed cost sharing there are several options departments may use for tracking purposes. If you have reportable mandatory committed cost sharing you will be required to use Option 1.

Option 1. Request SPA set up a cost sharing account utilizing the OGA numbering system with the addition of the letters "CS" added to the end of the project and award number. Additional details about this option in section H.

Option 2. Utilize FOMOPPL segments to internally track cost sharing.

- a. Appropriate mission code must be used (14, 24, 32, 53)
- b. PPL codes are optional. Program and location codes 680 -699 are designated "Cost Sharing Grant 1, Cost Sharing Grant 2, etc. for your convenience.

The PI and unit administrators must ensure that all committed cost sharing expenses are actually charged through the OHSU payroll system using appropriate mission codes or "CS" accounts prior to the project end date.

## **G. SPA Set Up of "CS" Project Numbers in OGA**

Cost sharing accounts may be set up by SPA for cases of committed cost sharing (mandatory and voluntary). Cost Sharing accounts will not be set up for voluntary uncommitted cost sharing. These accounts may be set up at the same time that the account for the sponsored award is set up. It is possible to set up multiple cost sharing accounts if needed.

Account numbering for cost sharing accounts in OGA will follow the numbering convention of standard project accounts with the addition of the letters "CS" added to the end of the project and award number. This will help units distinguish which of their accounts are standard project accounts and which are cost sharing accounts. Generally, cost sharing accounts will be designated with an OGA Award Type of "Cost Sharing". If a sponsored project is specifically funded in order to meet a cost sharing requirement of another sponsored project, that project will not have an OGA Award Type of "Cost Sharing," however it will be numbered using the cost sharing numbering convention, in order to assist units to determine which of their accounts are cost sharing.

A budget for the cost sharing account will be established based on the cost sharing indicated in the application or proposal. When all applicable accounts are established in OHSU's financial system, SPA will send Notice of Account Setup/Revision (NOASR) forms to the PI and Unit Administrators, summarizing the general information and budget amounts of each account. The PI and Unit Administrators should verify the information contained in these forms and process any necessary paperwork to shift payroll or other costs to the cost sharing account. Any

necessary changes to the information listed in the NOASR should be communicated in writing to SPA Account Setup.

## **H. Special Circumstances for Committed Cost Sharing**

### **1. Awards with Funding Restrictions**

Sponsors frequently restrict the type of costs that can be requested and charged to projects funded from their agencies. One example of this is not allowing any of the funds to be used toward PI salaries.

Cost sharing this effort from another sponsored project is not allowed unless written sponsor approval is provided (e.g., National Kidney Foundation award supplements specifically to augment NIDDK awards).

### **2. Training and Career Development Awards**

Mentor effort cited without requested salary support on NIH training grants, fellowships, and K-awards should not be regarded as cost sharing and does not have to be tracked or accounted for as such. The presumption is that this effort constitutes acceptable commitment overlap between the training investigator's mentoring activities and his/her regular research activities, since the mentoring usually takes place within the context of those research activities.

### **3. National Science Foundation (NSF) Cost Sharing**

There is one example of cost sharing that is done on an institutional basis. For awards received before 6/1/07 the National Science Foundation (NSF) requires "that each grantee share (1%) in the costs of research projects resulting from unsolicited proposals." [NSF Grants Policy Manual, Section 333.1(a)] NSF defines an unsolicited proposal as one not specifically solicited by an NSF program solicitation, and includes all proposals submitted solely in response to the Grants Policy Guide. Even though this is a form of mandatory cost sharing, OHSU provides this cost sharing on an institutional basis. PIs do not include this in their budgets or budget justifications, cost sharing accounts will not be established, and it is reported on an aggregate basis by OHSU.

## **I. Reporting of Committed Cost Sharing**

For reportable mandatory cost sharing, SPA will generally report the cost sharing at the time financial reports are submitted (if required by sponsor). Not all mandatory commitments are required to be reported to the sponsor(s). When third party cost sharing is used, PIs are expected to obtain appropriate documentation of that third party's cost sharing contributions. If there is a subaward, the subawardee can report the cost sharing contribution on invoices. If there is no subaward, the third party contributor can provide a letter that details the cost sharing contribution and forward the documentation to the SPA Analyst managing their project(s).

SPA will be responsible for capturing voluntary uncommitted cost sharing that occurs with true cost overruns. True cost overruns are defined as project-related expenses incurred during the life of an award that exceed the total amount awarded by the sponsor. They must be transferred in a lump sum entry to a non-sponsored source of funds by SPA, utilizing a consistent object code for tracking purposes.

## **J. Record Retention for Cost Sharing Expenditures**

Since cost sharing expenditures are part of a sponsored project's total budget, the record retention requirements for cost sharing expenditures will be the same as the externally sponsored award. This includes such items as letters or statements certifying third party cost sharing contributions. When SPA informs the PI and departmental

administrator that a project has closed, the record retention time period begins. After that time period lapses, the records can be destroyed.

## **V. RELATED DOCUMENTS**

- OMB Circular A-21, *“Cost Principles for Educational Institutions”*
- OMB Memorandum M-01-06 (January 5, 2001), *“Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs”*
- OMB Circular A-110, *“Uniform Administrative Requirements for Grants and Agreements With Higher Education, Hospitals and Other Non-Profit Organizations”*
- Policy No. 04-40-001, Charging of Direct and Facilities and Administrative (Indirect) Costs on Sponsored Accounts
- SPA Procedure No. 04-40-001.100, Charging of Direct and Facilities & Administrative (Indirect) Costs on Sponsored Accounts
- Policy No. 04-90-010, Effort Certification
- Effort Certification Procedure

## **VI. REVISION HISTORY**

November 2009: Language simplified, removed duplicate language, removed companion account requirement for all committed cost sharing.