



NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY

SEC. V—Sponsored Research 12.0

COST SHARING

UNIT POLICY--DORED

I. PURPOSE

This policy explains the different types of cost sharing, circumstances requiring cost matching, and the proper documentation for each. It contains the procedures to verify that cost sharing commitments are being fulfilled and to periodically obtain cost sharing data from campus for financial reporting purposes. Also included in this statement are examples of costs that are not allowable as cost sharing.

II. SCOPE OF POLICY

This policy applies to cost sharing for sponsored programs and those non-sponsored programs funds that are used as cost sharing toward a sponsored programs award.

III. DEFINITIONS

Cost sharing is the portion of total project costs **not borne by the sponsor**. Other terms used to express more specific methods of cost sharing include **matching, third-party and in-kind contributions**.

Mandatory cost sharing is the term used when cost sharing is required by a sponsor.

Voluntary cost sharing is the term used when cost sharing is included in proposals but is not required by the sponsor.

IV. VOLUNTARY COST SHARING

It is the University's policy not to volunteer cost sharing. Once cost sharing has been included in a proposal and that proposal has been accepted by the sponsor, the University has an obligation to provide the cost sharing proposed, whether it was mandatory or voluntary. The terms required or committed cost sharing are used to describe this obligation.

CFR 200.306(a) Under Federal Research proposals, voluntary committed costsharing 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.

The University does not allow cost sharing unless it is required by the sponsor or is in the best interest of the University as certified by the Principal Investigator's (PI) Department Chair and Dean and approved by the Vice Chancellor for Research and Economic Development.

V. POST AWARD COST SHARING

Cost sharing may become a requirement through reductions in award amounts (as compared to what was requested in a proposal) unless comparable reductions are made in the scope or objective of the work. The reasons for reductions in award amounts should be clearly documented during negotiations with sponsors to avoid unplanned or unnecessary cost sharing. Examples of reasons for a reduction in the award amount include original cost estimate was too high, the scope or objective of the proposal was reduced, or the sponsor wants the University to bear more of the project's cost.

Cost sharing may also occur to maintain the committed level of effort on sponsored projects when re-budgeting results in significant decreases in salaries of the principal investigator or other personnel..

Unrecovered indirect (overhead) costs or waived indirect (overhead) may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. This should be clearly stated in the budget justification.

When a third-party organization furnishes the services of an employee, these services must be valued at the employee's institutional base salary rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect (overhead) costs at either the third-party organization's approved federally negotiated indirect (overhead) cost rate or a rate in accordance with 2 CFR 200.414.

VI. APPLICABLE REGULATIONS

University cost sharing must meet the following criteria in order to be allowable:

1. Cost sharing must be verifiable from University records.
2. Expenditures documented as cost sharing must be necessary and reasonable for the

- proper and efficient accomplishments of project objectives.
3. Expenditures documented as cost sharing must be the types of charges that are allowable according to federal cost principles (See "**Unallowable Cost Sharing**" below and "**Allowable Costs**").
 4. Cost sharing cannot be used or reported more than once. If cost sharing benefits more than one project, it should be prorated in an equitable manner among the projects (e.g., based on % of each project's cost to the combined projects' costs).
 5. Expenditures supported by a federal project may not be used as cost sharing for another federal project unless specifically approved by the awarding agency.
 6. Mandatory cost sharing must be disclosed in approved budgets when required by the agency.
 7. If the requested funding is reduced, there should be a corresponding reduction of the cost sharing on a pro-rata basis. This should occur during negotiations and prior to official acceptance of the award.
 8. The following are unallowable as cost sharing:
 - o Space unless specifically leased or constructed for the award.
 - o Equipment or supplies unless specifically purchased for the award.
 - o Equipment usage unless specialized rates are developed and applied uniformly.
 - o Cost that are unallowable in accordance with federal cost principles identified in 2 CFR 200, Subpart E (i.e. advertising, entertainment, stipends and scholarships for research awards, etc.).

VII. DOCUMENTATION

For documentation and reporting purposes, the University has classified cost sharing into the following categories:

Effort

This includes the effort of University employees for whom the University will fund salaries and related fringe benefits for the time that they work on a sponsored project. During the proposal process the University's Cost Sharing form should be completed to identify those individuals who will contribute a portion of their time to the project objective. Planned individual contributions to the award will be confirmed upon receipt of the award.

Time and Effort (T&E) certification is required to document the percent of effort contributed to the project. The total T&E certified must equal 100% of the individual's total effort including teaching, research and other activities charged directly to an award and applicable cost sharing. (See Effort Reporting policy for more information)

It is the responsibility of the Principal Investigator/Project Director (PI/PD) to assure that the committed level of effort for cost sharing is being met.

Non-Salary Matching Total Direct Cost

This includes supplies, travel, equipment, tuition and other total direct costs (except salaries and fringe benefits) which the University will fund. Documentation such as purchase

orders, vendor invoices, journal vouchers, payment authorizations, travel authorizations and travel reimbursements should be maintained by the PI/PD for a period of time as noted in the award agreement for financial documentation. Documentation will need to be submitted with the actual certification forms.

Indirect (Overhead) Costs

- Applicable to Section 2 CFR 200.306 7(c) Cost Sharing - Indirect (overhead) costs may be calculated and claimed as cost sharing, if approved by the sponsor, on salaries and wages that are allowable and documented as cost sharing. No documentation by the PI/PD is required, other than certification of cost sharing of charges for salaries and wages.
- Waiver of Sponsor Costs - Cost sharing in the form of waived or reduced indirect (overhead) costs is the difference between the applicable University indirect (overhead) cost rate and the indirect (overhead) cost actually awarded by the sponsor. The University policy is not to waive or reduce the indirect (overhead) cost rate.

Other Funds

In some cases, cost sharing requirements may be met through expenditures on other contract and grant funds. When this type of cost sharing is used, the funds must be identified by the PI/PD. If less than total expenditures of the other contract or grant will be used to meet cost sharing requirements, account codes must also be provided. Based on fund and account codes provided by the PI/PD actual charges documented in the accounting system will be used to support this category of cost sharing.

For other funds to qualify as allowable cost sharing, the technical relationship between the projects must be established. The technical relationship to the project requiring cost sharing can be established by information cited in the other funding proposal linking the work of the projects or by a certification from the Dean stating he/she has reviewed the other funds and determined them to be technically related to the project requiring cost sharing. This memo should be provided to the Director of Budget Services prior to the submission of the proposal. A federal contract or grant **cannot** be used as cost sharing for another federal project unless approval is secured from both federal agencies, the one funding the proposal and the one who funded the award to be used as cost share.

Subcontractor

Subcontractors who have agreed, as part of their contract with the University, to participate in our cost sharing requirements make up this category of cost sharing. A standard clause should be included in subcontract agreements citing the subcontractors' cost sharing and reporting responsibilities. Because subcontractors' cost sharing will never appear in the University's accounting system, it is important to obtain this information as a part of the invoicing process. Their documentation of actual cost sharing to date should be reported by expenditure category (salaries, fringes, equipment, their indirect (overhead) costs, etc.) on the invoices. If required, subcontractors must provide documentation of cost sharing to the Office of Financial Compliance (OFC). This requirement should also be included as a clause in all subcontracts. Cost sharing commitments must be documented on the invoice at a

rate that is substantially proportional to the request of project funds.

Third Party/Other

Cost sharing by a third party is not identifiable in the University's accounting system. This type of cost sharing must be reviewed to ensure that it is allowable according to the University's agreement with the sponsor and that prior approval for this type of cost sharing has been obtained from the sponsor when necessary. In some cases, federal regulations will govern the valuation of third party contributions. Copies of these regulations are available upon request. Documentation should identify cost sharing by category (salaries, fringes, equipment, etc.), the value of each and be provided on the third party's letterhead or other official documentation. Copies of cost sharing documentation obtained from third party and other sources must be provided to OFC. (See 2 CFR 200.306.)

Multiple Accounts Under Prime

All cost sharing will be tied to the principal fund.

VIII. UNALLOWABLE COST SHARING

1. Federal to Federal

Federal appropriations, contracts and grants funded directly or indirectly (overhead) through non-federal sponsors by the federal government are not allowable as cost sharing for another federal project unless the source of cost sharing was explicitly disclosed in the proposal and accepted as cost sharing by the federal agency. Federal contracts and grants may be used as cost sharing for a non-federal contract or grant unless prohibited by either sponsor.

2. Expenditures Included in Overhead Rates

Costs that are recovered through the University's federally approved indirect (overhead) cost rates, such as building and equipment use, utilities consumption, departmental administrative support and departmental office supplies are not allowable as cost sharing. Questions regarding expenditures that are recovered through indirect (overhead) cost rates should be directed to the Offices of Contracts and Grants and Financial Compliance.

3. Double Counting

Cost sharing can only be committed and reported as cost sharing once. If cost sharing expenditures relate to two or more projects, the expenditures should be pro-rated in an equitable manner among the projects so that, in total, it is only used and reported once.

4. Expenditures Incurred Prior to Award

Expenditure transactions which have already taken place in a period prior to a project's begin date are not normally eligible as cost sharing. For example, "cost sharing" the PI's effort during the previous summer for an award with a project begin date of October 1st, would not be eligible as cost sharing. If equipment purchases or lab renovations included as part of a proposal have already been

completed, these may not qualify as cost sharing without sponsor approval.

5. Lack of Technical Relationship

If no technical relationship can be demonstrated between a contract and grant used as cost sharing and the project requiring cost sharing, the other project expenditures are not eligible as cost sharing.

IX. NON-COMPLIANCE WITH COST SHARING REQUIREMENTS

Failure to meet cost sharing obligations or to adequately document cost sharing can result in cost disallowances of contract and grant direct expenditures by the sponsor, thereby creating a liability for the University. It is the responsibility of the PI/PD to ensure compliance with University cost sharing regulations and procedures. The University Cost Sharing form is the official documentation of cost share commitment. If the award amount is different from the proposal budget amount, the cost share commitment form must be revised and approved. Non-reimbursed direct costs that are the result of not satisfying cost sharing/matching will be the responsibility of the PI/PD. It is expected that the PI/PD will consult with his/her Chair and/or Dean as needed for ensuring that compliance is achieved.

X. ROLES AND RESPONSIBILITIES

Principal Investigator

- Complete the cost share form and justification at proposal stage with required signatures and attach in RAMSeS
- Confirm and sign cost share commitment upon receipt of award
- Request necessary release time with the Internal Salary Authorization Form (ISAF) and signatures
- Confirm actual cost share on each invoice, twice yearly as requested and at the end of the award
- Provide documentation to support cost share expenses as required
- Advise Office of Sponsored Programs (OSP) if commitment will not be met.

Department Chair/Dean/Vice Chancellor

- Provide proposed departmental cost sharing
- Provide funding to cover direct cost expended on an award that is not reimbursed because cost sharing was not met.

Office of Research Services and Project Management (ORS)

- Send a cost share form to Principal Investigator upon notice that a proposal requires cost share
- Review completed cost share form for accuracy, allowability, and compliance with agency guidelines.

Office of Sponsored Programs (OSP)

- Assure that cost sharing/matching is a sponsor requirement
- Record proposed cost share in the file in RAMSeS

- Request cost share reduction if the sponsor reduces the resulting award
- Work with PI/PD and negotiate with the sponsor for a reduction, if possible
- Send cost share form to PI (Co-PIs if applicable) for confirmation upon receipt of award
- Obtain cost share modification form if needed and get certification
- Record award cost share information in RAMSeS
- Ensure that some percentage of funding is included for effort of all PIs and key personnel during the academic year.

Office of Financial Compliance (OFC)

- Review award file on shared drive and establish cost sharing file for award
- Include labor cost sharing information from *ecrt*TM
- Calculate effort, related fringe benefits and overhead (if approved by agency) for all cost share effort certified in *ecrt*TM
- Complete and distribute actual cost share certification to PI/PD/Dean/Dept. Chair twice a year and at end of award period
- Notify PI/PD (Co-PIs if applicable), Contracts and Grants if cost share is not being met
- Work with PI/PD and others as deemed necessary if cost share is not being met
- Provide copy of final cost share confirmation to grant accountant

Office of Contracts and Grants (OCG)

- Include cost share information on billings if required
- Notify the Office of Financial Compliance if cost share information is not on shared drive or if the award has special reporting requirements. Certify final cost share.

Approved by the Chancellor

Date policy is effective: upon approval

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