



# GEORGETOWN UNIVERSITY

## DIVISION OF FINANCIAL AFFAIRS

Policy # FA 132-09	Cost Sharing and Matching on Sponsored Projects		
Responsible Department	Financial Affairs	Effective Date	July 1, 2008
Responsible Official	Director, Sponsored Projects Financial Operations	Last Revision	January 1, 2007

### 100.01 PURPOSE:

Federal regulations and agency guidelines (Office of Management and Budget (OMB) Circular A-21 and A-110) require entities to properly account for cost share and matching (third party cost sharing) information. The purpose of this policy is to provide guidance to University staff to ensure their compliance with federal laws and regulations. This document establishes requirements for the identification, funding, accounting and reporting of mandatory, voluntary committed cost sharing, and in-kind/matching requirements associated with sponsored projects. See OMB A-110 Section C.23. To adhere to standards of consistency, cost sharing and matching on projects without federal sponsorship will be handled in the same manner as federally sponsored projects.

NOTE: The University wants to *minimize* cost sharing/matching on sponsored projects. It should only be offered if mandated by the sponsor or needed to accurately reflect the resources required to conduct the project. Because cost sharing involves use of departmental or collegiate funds, department heads or deans may impose limits on the amount of cost sharing volunteered by faculty and staff in their units. Cost share is a commitment of University resources and must be approved by Campus Finance Offices and if the commitment exceeds \$100K the Senior Vice President, Chief Financial Officer and Treasurer.

### 100.02 STATEMENT:

Cost sharing or matching funds are required by some sponsors as a condition of award or can be volunteered on the part of the University to demonstrate its commitment to a project. Usually, these commitments must be included in the proposal. If a proposal voluntarily lists cost sharing that is not mandatory, the commitment becomes a requirement of the agreement and the University must adhere to cost share requirements. Financial reporting may be required as a condition of the award. OMB Circular A-21 and A-110 require that the University track and monitor all committed cost sharing (see [Appendix II](#)).

**General Guidelines (A-110)** - All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- Are verifiable from the recipient's records.
- Are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowable under the applicable cost principles (OMB Circular A-21).
- Are provided for in the approved budget when required by the federal awarding agency.

**Project-by-Project Cost Sharing** - Cost sharing represents that portion of the total project costs of a sponsored agreement borne by the University, rather than by the sponsor. Cost sharing of direct expenditures represents a redirection of departmental or school resources from teaching or other departmental and school activities to support sponsored agreements. Mandatory cost sharing is required by the sponsor as a condition of obtaining an award. It must be included or a proposal will receive no consideration by the sponsor. Voluntary cost sharing represents resources offered by the University when not a specific sponsor requirement. In either case, when an award is received in which cost sharing (voluntary or mandatory) was proposed, the cost sharing becomes a binding commitment which the University must provide as part of the performance of the sponsored agreement.

In order for cost sharing to be verifiable in the University financial system, a companion (GM) cost center is required for each sponsored (RX) cost center with committed cost share.

Committed cost sharing included in Organized Research agreements becomes a component of University Research used to calculate our F&A Rate. Failure to properly account for cost share can result in a decrease of the Organized Research base in the F&A calculations resulting in a higher rate. It is this impact that makes federal auditors very concerned about proper accounting for cost sharing.

### **Voluntary Uncommitted Cost Share**

OMB issued a memorandum dated January 5, 2001 to clarify university obligations with regard to faculty effort above that which is committed to a sponsored project or program. OMB 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 a sponsored agreement." This effort "is faculty-donated additional time above that agreed to as part of the award."

OMB has excluded voluntary uncommitted cost sharing effort from payroll accounting and reporting requirements. It is not considered to be part of the effort for which faculty are compensated by an institution; therefore, there is no associated cost and no reporting requirement.

### **Expenses That Can Be Cost Shared**

The following expenses are generally allowed by federal regulations to be offered as cost sharing:

- Direct costs of time and effort - Cost sharing usually consists of direct costs and their associated indirect costs. It is often comprised of direct cost faculty and staff contributions of time and effort. Documentation is required when cost sharing is contributed on a project (see section 100.07). The indirect costs associated with direct costs that are cost shared are automatically cost shared as well. See Section 100.06 for approval of cost sharing. *Note: Cost share (waiving) of fringe allocation must be covered by departmental funds.*
- Other direct costs - Costs other than salaries and fringe benefits that are used to meet cost share requirements, must be identifiable and tracked in the University's financial accounting system. This would be the case, for example, if student tuition, travel expenses, or laboratory supplies were cost shared. Prior approval as discussed in Section 100.06 still applies.
- Unrecovered Indirect Costs - Indirect costs are real and tangible costs of conducting instruction and research. Waiving of indirect cost to meet cost sharing requirements is only done in rare cases and must be approved (see Section 100.06). The waiving of indirect costs affects both departmental funds and central university funds as it results in lost revenue to the university.

- Equipment paid from non-sponsored accounts. Proposing the purchase of equipment as University cost sharing should be carefully weighed as there are cost/benefit issues to be considered. The indirect cost rate includes an allowance for equipment purchased with non-federal funds. When an item is cost shared on a federally funded project, the University must document the item as cost shared equipment in the University property system.

### **Expenses That Can Not Be Cost Shared**

The following expenses are not allowed by federal regulations to be offered as cost sharing.

- Indirect costs in excess of the 26% administrative cap imposed by OMB Circular A-21.
- Funds for one federal project cannot be used as cost sharing or matching for another federal project. When private funds are used it is considered matching.
- Administrative and clerical staff salaries, including fringe, or any costs that must be classified as indirect costs according to OMB Circular A-21, section F.6.b.
- Unallowable costs, as defined by OMB Circular A-21, section J.
- Construction or renovation costs. Cost sharing of construction and renovation costs, except as required by federal grants for construction, is generally discouraged because of questions of ownership and disposal of the properties involved.

### **Non-University Contributions (Matching)**

When funding is provided by another entity to cover the costs of a project it is considered matching and will be tracked by the University in its accounting records using a Sponsored (RX) Cost Center; however, the value of contributions from third parties in the form of real property, equipment, supplies and other expendable property, or the value of goods and services directly benefiting a project which are contributed by a third party are third party in-kind contributions. To be eligible as cost sharing on federally funded projects, third party in-kind contributions must meet criteria required by OMB Circular A-110. Third party contributors are required to complete a certification reporting the value of its contribution to the project. In kind contributions are not tracked in the university accounting system and must be maintained by the departments.

### **Overdrafts**

After the end of the project performance period, when unanticipated project expenses result in more charges to a sponsored account than were funded, the amount of the overdraft is accounted for in a manner similar to cost sharing that allows the costs to be tracked. These costs represent project costs being borne by the University (i.e., cost shared) and therefore, must be accounted for by using the proper account (78440 Overdraft Transfer) to balance the Cost Center budget against a general funds account.

### **100.03 APPLICABILITY:**

This policy applies to all faculty and staff working directly on federally sponsored projects; therefore, this policy is to be followed by all principal investigators, departmental administrators, Sponsored Accounting Office (SAO), Office of Sponsored Programs (OSP), and the Office of Sponsored Research for the Georgetown University Medical Center (OSR).

## **100.04 ROLES AND RESPONSIBILITIES:**

### **Principal Investigator**

- When developing a proposal, principal investigators must:
  - commit mandatory cost sharing or matching/in-kind expenses,
  - consider all resources required to complete the project's objectives, including their own effort, and budget accordingly.
  - check 'yes' to the question on the Proposal Routing Form (PRF) if they are proposing to commit cost sharing/matching/in-kind.
- Request matching funds.
- Request account number to pay for cost sharing.
- Certify the proper percentage effort on their sponsored projects commensurate with the actual effort they expended, up to the effort level committed.
- Consult with department heads to verify that adequate resources are available if increases in voluntary uncommitted cost sharing are necessary.
- Ensure that committed cost sharing or matching/in-kind requirements are met and that documentation is in accordance with University guidelines and sponsor policy.
- Ensure that the process of documenting cost sharing or matching/in-kind has been initiated.
- If required by the sponsor, obtain prior approval for changes to cost sharing and matching/in-kind commitments.

### **Department Administrator/Cost Center Manager**

- Ensure that OSP or OSR are notified when committed cost sharing is not listed or listed incorrectly on the Notice of Grant/Contract Award (NOGA).
- Use financial reports to ensure that cost sharing or matching/in-kind commitments are being met.
- Ensure that committed cost sharing or matching/in-kind requirements are met and that documentation is in accordance with University guidelines and sponsor policy.

### **Department Head/Chair**

- Approve cost center to pay for cost sharing. Review proposal and PRF to verify that proposed cost sharing or matching/in-kind commitments are correctly identified on the PRF.
- Evaluate the appropriateness of committed or uncommitted cost sharing/matching/in-kind.
- Define a process that ensures increases in committed or uncommitted cost sharing are reviewed and approved within the department.
- Verify that matching/in-kind commitments are available and documented.

### **Campus Finance Office**

- If necessary, approve matching funds that come from sources outside the department or college.
- Review the cost sharing/matching question on the Proposal Routing Form when there is a request to provide matching funds.
- Forward information to SVP, CFO and Treasurer if commitment exceeds \$100K.

### **Senior Vice President, Chief Financial Officer and Treasurer**

- If cost to the University is \$100K or greater, approve matching funds that come from sources outside the department or college.

### **Sponsored Projects Administration (OSP and OSR)**

- Review proposal budget, budget justification and PRF to verify that proposed cost sharing or matching/in-kind commitments are correctly identified on the PRF. Resolve discrepancies between

PRF data and sponsor's award notice. Review award terms and conditions and ensure that committed cost sharing, matching or in-kind is noted on the Notice of Grant/Contract Award.

### **Sponsored Accounting Financial Reporting**

- Report committed cost sharing, matching/in-kind as required by the sponsor.
- At project termination, inform department and principal investigator that they must have met cost sharing and matching/in-kind commitments.
- Validate that information provided by department fulfills cost share commitment.

### **Cost Analysis and Compliance**

- Maintain effort cost sharing information and ensure that effort certification statements properly document.
- Review cost share commitments for proper accounting as part of audit cycle.
- Ensure that salary cap is properly accounted for on projects where applicable.

### **100.05 ENFORCEMENT and ACCOUNTABILITY:**

Failure to properly account for cost share commitments is considered a failure to meet cost share obligations and may result in loss of funds to the University in proportion to the cost share obligation that is unmet. Improper accounting of cost share reflected in effort certification can result in failure to properly certify Effort Certification Statements (See Effort Reporting Policy).

The policy is enforced by the campuses' Chief Financial Officers and Internal Audit. Additional reviews may be conducted by the University's financial auditors, A-133 auditors, or agency specific auditors. Each campus Chief Financial Officer shall report annually to the Senior Vice President, CFO and Treasurer on efforts undertaken by the CFO to ensure this policy's implementation. All employees who have financial accountabilities should attend the prerequisite operational training courses through Training and Occupational Development. Classes are listed at:

[http://www10.georgetown.edu/hr/training\\_development/index.html](http://www10.georgetown.edu/hr/training_development/index.html)

### **100.06 ADMINISTRATION AND IMPLEMENTATION:**

#### **Proposal Preparation**

When developing a proposal, principal investigators (departmental administration) must consider all resources required to complete the project's objectives and budget accordingly. They must gather cost share budget information and commitments for matching. It is crucial that proposal routing documents note that they are proposing to commit cost sharing/matching/in-kind. OSR and OSP will ensure that cost share is accurately documented and approved prior to submission of proposal.

#### **Approval**

All obligations for cost sharing and matching funds, whether they be for direct or indirect costs, must be approved in writing by:

- Center for Intercultural Education and Development (CIED): Director of the center. The Director of Finance has the authority to approve in-kind contributions.
- Facilities - Fuel Cell Study: Vice President, Facilities and Student Housing. Federal Relations also reviews cost sharing.
- Law Center: Finance Officer.

- Main Campus: Main Campus Finance Officer. The Office of Sponsored Programs (OSP) will receive such approval prior to submitting to the Sponsored Accounting Office (SAO) a Sponsored Programs Action Notice (SPAN).
- Medical Center: Medical Center Finance Officer. The Office of Sponsored Research (OSR) will receive such approval prior to submitting to the Sponsored Accounting Office (SAO) a Sponsored Programs Action Notice (SPAN).

All commitments in excess of \$100K must be approved by the Senior Vice President, Chief Financial Officer and Treasurer.

### **Accounting for Cost Share**

If cost share or matching is identified in the proposal for an award that has been accepted, a cost center shall be set up along with the project account as a companion account when the award has been received. It is the Department's responsibility to make sure that the companion cost center (GM) is established when primary RX is established. In order to ensure that costs are verifiable, the department must have the Companion Account (GM) set up in system and post expenses accordingly. Faculty and Staff payroll percentages should be distributed to the GM account. Purchases that are shared should be allocated at time of purchase in proportion to the agreed upon amounts.

### **Accounting for Matching**

OSP and OSR will establish a separate RX cost center for all matching funds on a project. Charges should be proportioned at the time incurred to the primary and matching cost centers according to terms of agreements.

### **Accounting for In-Kind Contribution**

Use of Department Subsidiary Ledgers: If this method is used, the department must provide supporting documentation for all cost share expenditures to SAO for reporting purposes.

### **Accounting for NIH Salary Cap**

Since 1990, Congress has mandated a salary limitation on any awards made by the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ) and the Substance Abuse and Mental Health Services Administration (SAMSHA). Any amount above this cap is considered cost sharing and should be charged to the appropriate companion (GM) cost center. Cost share percentage must be calculated at proposal stage with only allowable portion charged to Project (RX) Cost Center and the unallowable portion should be allocated to a companion (GM) Account.

For example, if the salary cap is \$191,300, annually (\$ 7,358 bi-weekly) and a PI had an annual salary of \$225,000 (\$ 8,654 biweekly) and expended 50% effort on a Federal grant over a two week period, the maximum amount that can be charged to the Federal account for that period is \$ 3,679 (50% of \$ 7,358) not \$ 4,327 (50% of \$ 8,654). The difference of \$ 648 must be charged to the companion cost center.

### **Annual Review**

On an annual basis Cost Analysis and Compliance will review cost share information, including Salary cap calculations. Transfers will be made to companion accounts where applicable.

### **Reduction in Cost Sharing**

The actual effort and other costs required to accomplish the goals of a sponsored project might differ from what was proposed and awarded. The total costs could decrease due to changes in programmatic needs. When there is cost sharing on such projects, the sponsor may need to be consulted to determine if

the reduction can be applied to either the University's committed cost sharing or to both sponsor and University resource contributions on a pro rata basis. Otherwise, the sponsor's share is reduced and the University's entire cost sharing commitment must be met. The PI or the PI's departmental or research administrator must consult with the Office of Sponsored Research before the sponsor is contacted.

### **Reporting Cost Sharing**

When required, the University is responsible for providing information to sponsoring agencies that demonstrates the University has fulfilled the cost sharing commitments that it made as a condition of receiving external sponsorship. Sponsored Accounting Financial Reporting is responsible for providing cost sharing reports to sponsors when required by the sponsor. In order to do so, departments must provide the necessary information by following the accounting procedures described in the previous sections of this policy. In addition, during the financial close-out of a sponsored project, cost sharing commitments will be reviewed.

### **Retention of Records**

Retention of cost share records is identical to the retention requirements of award records which are specified in the terms and conditions of the award. Documentation related to cost share must be retained in the Department for a period of three (3) years following final payment by the sponsor, unless the award indicates a longer retention period or there is audit/litigation still in progress. Examples of Cost Share documentation include, but are not limited to:

- Copies of effort reports for Faculty and Staff.
- Copies of Proposal Documentation
- Copies of support for matching effort by other institutions.

### **100.07 RESOURCES:**

Appendix I: Definitions

Appendix II: Federal Requirements

Appendix III: Examples

OMB Circular A-21 ([http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html))

OMB Circular A-21 Clarification of Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs (<http://www.whitehouse.gov/omb/memoranda/m01-06.html>)

OMB Circular A-110 (<http://www.whitehouse.gov/omb/circulars/a110/a110.html>)

OMB Circular A-133 (<http://www.whitehouse.gov/omb/circulars/a133/a133.html>)

National Science Foundation (NSF) Grants Policy Manual

([http://www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=gpm](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=gpm))

National Institutes of Health (NIH) Grants Policy Statement

([http://grants.nih.gov/grants/policy/nihgps\\_2003/index.htm](http://grants.nih.gov/grants/policy/nihgps_2003/index.htm))

**100.08 APPROVAL:** Director, Sponsored Projects Financial Operations.

**100.09 REVIEW CYCLE:** At least annually by Director, Sponsored Projects Financial Operations or more often if the Office of Management and Budget changes requirements.