

## Proposing and Managing Cost Sharing on Sponsored Programs

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**Contact Office**

[Sponsored Programs \(Office of\)](#)

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[Vice President for Research](#)

**Applies To**

Academic Division The College at Wise

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**Reason for Policy**

The University is committed to complying with established federal regulations applicable to cost sharing on Sponsored Programs. To facilitate compliance, the University has established requirements on proposing and managing cost sharing on sponsored programs consistent with the requirements established by the Office of Management and Budget in the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2CFR 200 (Uniform Guidance).

**Definition of Terms**

**Committed Effort**

Any part of '*University effort*' that is quantified and included in a sponsored program proposal and the subsequent award (e.g., two summer months, 12% time, one half of a year, three person-months, etc.). This quantified effort/time is associated with a specific dollar amount based on the employee's Institutional Base Salary (IBS). Associated effort and funding to support this devoted effort/time can be in the form of:

- **Direct Charged Effort:** Any portion of '*committed effort*' toward a sponsored program for which the sponsor pays salary/benefits.
- **Cost Shared Effort:** Any portion of '*committed effort*' toward a sponsored program for which the sponsor does not pay salary/benefits, which instead are paid using other, non-federal UVa sources.

## **Cost Sharing or Matching**

The portion of research costs that are not borne by the sponsors. Cost Sharing on a sponsored program may be comprised of one or more of the following: Mandatory Cost Sharing, Voluntary Committed Cost Sharing, and Voluntary Uncommitted Cost Sharing.

### **Voluntary Committed Cost Sharing**

Sharing costs of a sponsored program when it is not required by the sponsor but offered by the Principal Investigator in the proposal budget or budget justification as a commitment to the project. When the proposal is awarded by the sponsor, the voluntary cost sharing commitment becomes part of a binding agreement and an award condition. Voluntary committed cost sharing must be tracked, documented, and reported (when required) to sponsors.

### **Voluntary Uncommitted Cost Sharing**

Sharing costs of a sponsored program which are over and above proposed and awarded commitments. Such cost sharing does not need to be tracked, documented, or reported to sponsors. For example, key personnel committed to and charged 25% of the Institutional Base Salary to the project but spent 35% of his/her research effort on the project. The additional 10% is voluntary uncommitted cost sharing.

### **Facilities and Administrative (F&A) Costs (Indirect Costs)**

Costs that are incurred for common or joint objectives benefiting more than one cost objective and therefore cannot be identified readily and specifically with a particular cost objective, a sponsored program, an instructional activity, or any other institutional activity.

### **Funding Proposal**

The proposal record in ResearchUVA Powered by Huron that consists of application materials, critical budgetary and compliance data, and required approvals and certifications from study team participants and authorized officials.

### **Institutional Base Salary (IBS)**

The annual compensation that the University and/or University Physicians Group (UPG) pays for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities (e.g., patient care or proposals preparation).

### **Mandatory Cost Sharing**

Cost sharing required by the sponsor as a condition of obtaining an award. Such requirements are generally incorporated in the funding opportunity announcements or solicitations or required by legislation and will be considered as an award requirement by the sponsor.

### **Principal Investigators/Project Directors and Other Key Personnel**

Individuals whose effort is absolutely essential to the success of the proposed activity, either because of their critical leadership positions within the proposal (and consequently their intellectual guidance) or because of the

uniqueness of the expertise they are contributing relative to the proposed scope of activity. 'Key personnel' typically include research scientists, principal scientists, and senior scientists, depending on their intellectual contribution to the proposed scope of activity. Typically, replacement of any of these individuals requires approval from the sponsor. Importantly, the status of 'Principal Investigator/Project Director' and 'key personnel' does not necessarily imply salary support from the sponsor.

### **Sponsored Program**

Any externally funded research, public service, or scholarly activity (including hosting or attending conferences) at the University that has a defined scope of work often including a set of specific programmatic objectives and/or deliverables, and line-item-based budget, providing the basis for sponsor expectations and awardee accountability (i.e., a reciprocal transfer of something of value). Sponsored programs are funded through agreements that usually include terms and conditions for the disposition of tangible properties and outcomes (e.g., equipment, records, specified technical reports, theses, or dissertations) or intangible properties and outcomes (e.g., rights in data, copyrights, and inventions). **Note:** The terms sponsored program, sponsored project, and/or sponsored activity are often used interchangeably.

### **Third Party Cost Sharing**

Occurs when commitments or contributions are offered from an entity external to UVa which may be in the form of cash or in-kind contributions, such as compensation, materials, equipment, etc.

### **Policy Statement**

The Uniform Guidance defines cost sharing or matching as the portion of project costs not paid by federal funds. Cost shared contributions, including in-kind contributions from third parties, must be verifiable from University records; not included as contributions for any other federal award; necessary and reasonable for accomplishing program objectives; and allowable per federal cost principles. The University generally discourages but does not prohibit voluntary committed cost sharing. Requirements have been established to comply with University expectations on committing to share research costs.

At the proposal stage, the Principal Investigator (PI) or Project Director (PD) must consider administrative requirements and responsibilities as well as assess the cost effectiveness versus the expected benefits before committing University resources at no cost to the sponsor (i.e., cost share). The funding source for any proposed cost share must be identified in the Funding Proposal. Proposals with cost sharing commitments, mandatory or voluntary, must be evaluated by the Department Chair or designee for workload and financial implications. Through the PI's certification and cognizant official's approval, each accepts responsibility for fulfilling the binding commitments of the sponsored program agreement (i.e., sponsored award, including cost sharing).

According to the Uniform Guidance (2CFR 200), voluntary cost sharing commitments are not expected and cannot be used as a factor during the merit review of applications or proposals. The National Science Foundation prohibits inclusion of voluntary committed cost sharing either in the form of direct cost support or by charging an indirect cost rate lower than the University's federally negotiated Financial & Administrative (F&A) rate.

At the award stage, cost sharing commitments, both mandatory and voluntary, become a binding agreement between the University and the sponsor. It is the PI's responsibility to administer and account for cost share in a consistent and prudent manner that is in accordance with sponsor requirements, this policy, and associated procedures.

For awards with cost sharing commitments, all shared or matching costs including third party in-kind contributions must meet the following criteria:

- Costs are verifiable from the University's records and, if required by the sponsor, are provided for in the approved budget.
- Federal funds are not used to meet cost sharing requirements except where the federal statute authorizing a program specifically provides that federal funds made available for such program can be applied to matching or cost sharing requirements of other federal programs.
- Costs are claimed as cost sharing only once.
- Costs claimed as cost sharing are necessary and reasonable for accomplishment of project or program objectives, allowable, and reasonable for the award on which they are being claimed.

University policy [FIN-028: Minimum Effort on Sponsored Programs](#), requires Principal Investigators/Project Directors and other Key Personnel commit to a minimum of 1% of effort, directly charged or cost shared. The same levels of oversight, assessment, and approvals are required regardless of the fund source for the effort.

### 1. **Methods of Cost Sharing:**

#### ***Cash:***

The cash method of cost sharing generally involves commitment of unrestricted University funds made available in support of a project. Sources include, but are not limited to, departmental F&A returns, PI's discretionary funds, gifts, and funds from Endowed Chairs. Non-federal sponsored awards can also be used as cost sharing or matching but may require the prior approval of the sponsor.

A common source of cost sharing is PI effort devoted to a sponsored project, but not charged to the sponsored project. When PI salary is cost shared, the associated fringe benefit and indirect costs should be included in the calculation of the cost share amount and paid from the same fund source.

Where full indirect costs are not charged to the sponsor, they may be shown on the budget as a cost sharing expense being borne by the University. Unrecovered indirect costs, including indirect costs on cost sharing or matching, may be included as part of cost sharing or matching only with the prior approval of the federal awarding agency.

#### ***Third Party In-Kind Contributions:***

Third party contributions may include the services of an employee or items (e.g., supplies/materials, equipment, and other items, as long as the items meet the sponsor's criteria for cost sharing). The value of the cost sharing includes the direct cost of the item(s) plus indirect costs that would be applicable if the item were charged directly to a grant or cooperative agreement. Value assessed to donated property included in the cost sharing or matching share must not exceed the fair market value of the property at the time of the donation. When a third-party organization furnishes the services of an employee, the services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at the third-party organization's approved federally negotiated indirect cost rate, provided these services employ the same skill(s) for which the employee is normally paid.

#### ***Costs Allowed for Cost Sharing:***

- Personnel compensation based on effort, including associated benefits.
- Tuition, fees, and graduate research assistant compensation.
- Equipment, supplies, travel, and other costs necessary for the sponsored project.

#### ***Costs Not Allowed for Cost Sharing:***

- Unallowable costs as defined in federal regulations. Note: The Uniform Guidance addresses basic considerations for costs (e.g., whether costs are allowable, reasonable, and allocable) in [§§ 200.402-411](#).
- Unrecovered indirect costs (F&A) unless approved in advance by the sponsor.
- Compensation in excess of a sponsor-imposed cap, e.g., NIH salary cap.
- University utilities, space.

## 2. Roles and Responsibilities:

Each individual involved in proposal or budget development and/or the management of sponsored activities is responsible for adhering to sponsor requirements as well as applicable University policies and procedures. Specifically:

***Principal Investigators/Program Directors on sponsored program activities*** are responsible for:

- Obtaining approval for committing University resources from Department Chair, or other officials as appropriate.
- Communicating with unit and central administrators in identifying cost sharing funding sources and establishing a proper mechanism to track cost shared expenses in the University's financial system of record.
- Working with unit administrators to accurately schedule and record effort commitments and associated costs (directly charged to sponsored projects or cost sharing) in the University's financial system of record.
- Responding to any questions posed by reviewers (i.e., unit research administrators, department chairs/division heads, the Office of Sponsored Programs, and the Office of Financial Planning and Analysis) regarding cost share commitments.

***Unit Research Administrators*** are responsible for:

- Reviewing for and advising faculty on the inclusion of cost sharing commitments in federal and federal flow-through sponsored research program activities, as appropriate.
- Assisting the PIs in managing and tracking cost sharing commitments through the financial system.

***Department Chairs/Division Heads*** are responsible for:

- Maintaining effective practices within the department/division to identify and capture cost sharing commitments made in a proposal and approve using University resources to support such binding commitments.
- Reviewing effort commitments on proposals to confirm reasonableness of proposed effort and raise concerns when salaries to support effort are not charged to the sponsored project.

The ***Office of Sponsored Programs*** is responsible for:

- Establishing and communicating policies and procedures related to cost sharing.
- Assisting in the determination of whether a funding opportunity requires cost sharing, if a proposal includes cost share commitments, or if an award includes committed cost share.
- Documenting all cost share requirements and commitments.
- Reviewing proposals to confirm that proposed cost share funding sources are consistent with this policy.
- Incorporating appropriate cost sharing conditions in sub-recipient agreements.
- Conducting periodic reviews of cost sharing expenses to support fulfillment of cost share obligations to sponsors.
- Submitting cost sharing reports to sponsors when required.

The *Office of Business Assets & Cost Recovery* is responsible for including committed cost shared expenditures in the University organized research base for the federal F&A rate calculation.

### 3. **Compliance with Policy:**

Failure to comply with the requirements of this policy may result in the disallowance of expenditures by the sponsor; such expenditures will be transferred to a non-sponsored fund source (e.g., unrestricted gift or departmental). [Note: see, Cost Share Procedure on [OSP Policies and Procedures website](#) for a list of authorized award types.] In addition, an individual's failure to comply with the requirements of this policy may result in disciplinary action up to and including termination or expulsion in accordance with relevant University policies.

Questions about this policy should be directed to the [Office of Sponsored Programs](#).

### **Procedures**

[OSP Policies and Procedures website](#)

### **Related Information**

[FIN-017: Consistent Treatment of Sponsored Program Costs](#)

[FIN-027: Time and Effort Certification](#)

[FIN-028: Minimum Effort on Sponsored Programs](#)

[Uniform Guidance \(2 CFR 200.306 Cost Sharing or Matching\)](#)

[M-01-06 Memorandum for the Heads of Executive Departments and Establishments](#)

[NIH Grant Policy Statement](#)

[NSF Proposal & Award Policies and Procedures Guide](#)

**Major Category** [Finance and Business Operations](#)

**Next Scheduled Review** Tuesday, March 19, 2024

### **Revision History**

Definition and Office Title change 7/22/22; Confirmed 3/19/21.

### **Applies To Text**

Academic Division and the College at Wise.

### **Category Cross Reference**

[Research Administration](#)

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