

## POLICY AND PROCEDURE

**Department: Centerwide Policy**

**Subject: Cost Sharing Policy**

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**Reviewed by: Advisory Council on Research**

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**Page 1 of 8**

### **Reason for Policy**

The SUNY Research Foundation at Downstate Medical Center receives funding for research, sponsored project, and public service grants and contracts provide by the federal, state and local government agencies. As a condition of accepting such funding, the Research Foundation must comply with all applicable federal regulations including the Office of Management and Budget (OMB) Circular A-21 "*Cost Principles for Educational Institutions*". The U.S. federal government requirements for cost sharing are defined primarily in Office of Management and Budget (OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", Section .23 Cost Sharing or Matching, OMB Circular A-21, "Cost Principles for Educational Institutions", Section J, and OMB Memoranda 01-06, "Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs", January 05, 2001.

In addition, sponsoring agencies, including non-federal sponsors, can identify agency and/or program specific cost sharing requirements in their proposal solicitations, program announcements, and award terms and conditions. This document provides a statement of policy to: ensure compliance with the U.S. federal government requirements for Cost Sharing, and to provide The Research Foundation for The State University of New York ("RF") position on the use of Mandatory, Voluntary Committed, and Voluntary Uncommitted Cost Sharing.

The goals of this policy and procedures are to:

- Comply with the requirements of OMB Circulars A-21 and A-110 regarding the requirements of Cost Sharing and Matching costs for federal, state or local agencies grants and contracts,
- Provide clear guidance to research faculty and staff to properly determine, verify and document personal services costs allocated to federal sponsored programs,
- Describe how to properly account and use the SUNY Research Foundation Grants Management system to document cost sharing, and
- In OMB Memoranda 01-06, *“Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs”*, January 05, 2001.

## Statement of Policy

**Background:** Historically, the concept of cost sharing originates from a simple notion: a grant is a form of financial assistance to support a worthwhile activity, and federal agencies that issue grants expects grantees to share the cost of the program being supported. Cost sharing formulation from the grantor's and institution's point of view takes the following into consideration:

- Research is considered a fundamental part of DMCs mission.
- Cost sharing commitment requires the institution to establish priorities and resources.

These issues provide a background for formulating the Statement of policy, accordingly:

Downstate Medical Center considers allowing cost sharing by taking into consideration three issues: (1) institution priority (see above); (2) successful competition of the grant application; (3) successful execution of the grant, if awarded. At the time of proposal, any and all cost share must be identified and approved by the Chair of the department prior to submission. This information should be provided in the form of a guarantee letter and submitted to the Pre-Award office, identifying the non-sponsored account number and the amount of the cost share. At the time of award, prior to account setup, the second approval by the Operations Manager must be in place and the monies must be available in the non-sponsored account.

- In preparing applications for sponsored projects funding, PIs are expected to provide reasonable estimates of the percent of effort necessary to carry out the proposed project.
- PIs must meet any proposed voluntary or mandatory effort commitments made to sponsors.
- Key personnel such as PIs must obtain sponsor prior approval for reductions in effort when such approval is required by the sponsor.

## Special Consideration

Any cost sharing that is offered and documented in the proposal (e.g., budget/narrative) becomes a sponsor requirement in the award (e.g., terms and conditions) and a binding financial obligation of the campus.

For the use of Mandatory, Voluntary Committed, and Voluntary Uncommitted Cost Sharing, the following applies:

- **Mandatory Cost Sharing** – Principal Investigators should only provide cost sharing in a proposal when it is Mandatory, required in writing by the sponsor, specified in the program announcement, or identified as an award term and condition.
- **Voluntary Committed Cost Sharing** – Principal Investigators should provide Voluntary Committed Cost Sharing when it is a critical factor that will contribute to the proposal being competitive and approved for funding; and to the completion of the awarded project/scope-of-work. It occurs when a PI voluntarily offers in the proposal to apply more effort to the award than the commensurate level of salary.

**Voluntary Uncommitted Cost Sharing** – Principal Investigators should avoid providing Voluntary Uncommitted Cost Sharing.

## Accounting Procedures

When a PI proposes, and the department or school agrees to cost share Medical Center resources, the Medical Center is required to provide the stated resources in the performance of the awarded project. Considering the administrative requirements and responsibilities inherent in the cost sharing commitment, the PI should carefully weigh the cost effectiveness versus the expected benefits of each potential cost sharing commitment. This commitment must be indicated on the Proposal Check List. By signing the Proposal Check List, the Department Chair approves the cost sharing commitment.

The department which has approved the cost sharing commitment shall create a separate Cost Sharing Project account which will have a one to one relationship to the sponsored project account. The “cost sharing account” will be funded from the department or school resources, either by State appropriation, or other unrestricted funding sources. Cost Sharing accounts must be maintained and handled consistently. Each account, whether for direct salary reimbursement from a grant, or internally funded to support cost sharing, must be dedicated to that one purpose only. These accounts must be tied to a particular award, and must never be co-mingled with any other accounts, or closed out until a full accounting and effort certification of the award and all related components, such as cost sharing are satisfied.

Implicit in the Medical Center’s commitment to cost sharing is the PI's agreement to ensure that:

- Voluntary cost sharing is permitted by the particular sponsor and project for which it is being proposed, and funds are available to cost-share direct costs.
- Once awarded, cost sharing is managed in the same manner as a sponsored project. Cost-shared expenses will be appropriately charged, tracked and accounted for in compliance with Medical Center and sponsor requirements.
- The PI will certify these expenditures in the same manner as all sponsored project spending. The tracking, reporting, and certifying of cost sharing are subject to audit.

## Expectation for Faculty Effort in Proposals

In accordance with memorandum M-01-06 to OMB Circular A-21, most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government. Some types of research programs, such as programs for equipment and instrumentation, doctoral dissertations, and student augmentation, do not require committed faculty effort. This principle extends to all non-federal sponsored projects, including fixed price contracts and clinical trials, due to requirements for consistent costing methodology regardless of funding sources.

## Reduction of Effort Commitments When Awarded Budget is Less than Proposed

When an awarded budget is less than proposed, the Principal Investigator must determine the impact on effort commitments. Generally, an overall scope reduction should be considered when the budget is reduced by 25% or more, along with a reduction in the effort commitment. This is consistent with DMC’s

policy on cost sharing. For most sponsors, prior approval must be obtained if effort is reduced by 25% or more. The PI should work with the Research Administration in obtaining sponsor approval.

## **Reduction of Effort Commitments When Awarded Effort Exceeds 100%**

One hundred percent (100%) effort is defined as the effort expended to accomplish the set of activities encompassed by the DMC appointment, regardless of the actual number of hours expended on those activities. 100% effort is not defined as a single standard of hours or days per week since it will likely be different for each faculty member and may vary during the year. The number of hours implicit in any individual faculty member's 100% must be reasonable and able to be justified to the department, school, Medical Center and external reviewers if requested.

Faculty effort devoted solely to sponsored projects usually does not equal 100% due to other institutional commitments and the effort required to write proposal applications for new or renewal funding. Therefore, additional care should be taken when any faculty member's sponsored activity exceeds 95% to ensure that all institutional effort is properly accounted for when charging salary and certifying effort.

When awarded effort on multiple projects exceeds 100%, effort must be adjusted downward. The PI's cost sharing effort is to be included in consideration of 100% effort. In some cases this may be done by making minor adjustments of less than 25% on all or some of the awards. In other instances the adjustment on an award may be 25% or more, and sponsor prior approval must be requested. In any event, the sponsor of the award where the proposed total effort has exceeded 100% must be informed of the revised effort.

## **Method for Certification**

The Research Foundation utilizes the "After-the-Fact" method of reporting as defined by OMB Circular A-21, Section J.10.c.(2).

## **Records Retention**

Effort Reports and the applicable documentation to support the certification must be retained in accordance with the RF [Records Management Policy](#).

## **Retroactive Adjustments**

A request for retroactive adjustment to an effort certification that exceeds 90 days or is processed for a previous effort reporting period requires a Letter of Justification to Research Administration. The PI and Research Administration should ensure that payroll or IFR charges related to a 5% percent or more change in effort are transferred to the appropriate award.

## Responsibilities

The following table identifies the responsibilities for compliance with this policy:

The following responsibilities apply to the **principal investigator**:

- Understand and apply the federal government, sponsor-specific and RF requirements for cost sharing on proposals/awards. Determine the acceptability for including the offer of cost sharing in external proposals to sponsors.
- Understand that a cost sharing expenditure must meet the same requirements for cost criteria that apply to any direct or indirect cost expenditures made on an award.
- Determine and provide the appropriate resources in relation to the proposal/award budget and project/scope-of-work.
- Consider providing cost sharing only when it is mandatory that is required by the sponsor..
- Evaluate providing voluntary cost sharing based on the needs of the proposal/award, the project/scope-of-work, the critical factors associated with proposal competitiveness for successful funding, and the available campus resources.

The following responsibilities may apply to other roles (e.g., the **Dean, department chairs/directors/administrators, institutional officials, operations managers, vice presidents for research**):

- Understand and apply the federal government, sponsor-specific, and RF requirements for cost sharing on proposals/awards.
- Determine the acceptability for including the offer of cost sharing in external proposals to sponsors.
- Review and approve cost sharing offered in a proposal to ensure reasonableness with the allocation in relation to the budget and project/scope-of-work.
- Ensure that cost sharing offered does not conflict with any cost sharing offered on other proposals/awards, and/or with the academic and other institutional responsibilities of the principal investigator.
- Review and submit proposals and accept awards to ensure that cost sharing commitments are in accordance with the federal government requirements for cost criteria.

The following responsibilities apply to campus sponsored program offices (e.g., **pre-award, account establishment, post award**) depending on the structure:

- Understand and apply the federal government, sponsor-specific and RF requirements for cost sharing on proposals/awards.
- Develop a separate cost sharing budget for proposal submission.
- Determine and apply the special considerations/recommendations for voluntary committed and voluntary uncommitted cost sharing, as appropriate.
- Review and submit proposals and accept awards to ensure that cost sharing commitments are in accordance with the federal government requirements for cost criteria.
- Document, monitor, and report cost sharing in accordance with the federal government requirements throughout the life of the award and to ensure the cost sharing is met.

## Related Information

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

[OMB Memoranda 01-06: Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs, January 05, 2001](#)

Research Foundation: Effort Certification Training for:

- [Principal Investigators](#)
- [Proxy certifiers](#)
- [Restricted effort coordinators](#)
- [Administrators](#)

Research Foundation: [Cost Sharing Policy](#)

Research Foundation: [Cost Sharing: Guide for Administrators](#)

Research Foundation: Certification of Salary Distribution (Effort Reporting): Exempt RF and SUNY Employees

Research Foundation: [Records Management Policy](#)

Research Foundation: Assigning Extra Service Policy

State University of New York: [Faculty Salary Recovery from Sponsored Programs \(Document Number 1002\)](#)

## **Forms**

DMC Research Proposal Application Review/Signature Worksheet (% effort committed, % salary to be charged)

Sponsor Proposal Application Forms (various)

RF Effort Reporting Roster