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# Cost Sharing Presentation

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## Reason for Policy

- The Research Foundation (RF) at SUNY Downstate Medical Center (DMC) receives funding for research, sponsored project, and public service grants and contracts provided by the federal, state and local government agencies.
- DMC and the RF must comply with all applicable federal regulations including:
  - Office of Management and Budget (OMB) Circular A-21 “*Cost Principles for Educational Institutions*” ,
  - OMB Circular A-110, “Uniform Administrative Requirements for Grants and Agreements, and CRF 200 “Uniform Guidance”
  - OMB Memoranda 01-06, “Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing ”.
- 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.



# Statement of Policy

- DMC considers allowing cost sharing by taking into consideration based on three criteria:
  - Institution priority
  - Successful competition of the grant application
  - Successful execution of the grant , if awarded
- At time of proposal:
  - All cost sharing must be identified and approved by the Chair, Dean, CFO & OM of the department
  - The cost sharing information should be provided in the form of a guarantee letter submitted to the Pre-Award office, identifying the non-sponsored account number and amount of the cost share.
- At time of award:
  - Prior to account setup, a second approval by the RF Operations Manager must be in place and the monies must be available in the non-sponsored account.
- Points to remember:
  - In preparing applications for sponsored projects budgets, PIs are expected to provide reasonable estimates of the percent of effort necessary to carry out the proposed project
  - PIs must meet 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

## **The goals of the Cost Sharing Policy are to:**

- Comply with the requirements of OMB Circulars A-21, A-110 and CRF 200.
- 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 RF grants management system to document cost sharing.



## Background: Why is Cost Sharing Important To Us?

- It has implications for both the direct costs and the indirect (F&A) cost rate calculation.
- The OIG and A-133 auditors are looking at cost sharing very closely from various perspectives:
  - The dollar amount,
  - The cost accounting documentation, and
  - Certification of total effort.



## Background: Cost Sharing Categories

- **Mandatory**
  - Required by the agency as a condition of the award
- **Specifically Committed (Voluntary)**
  - Not required as a condition of the award but committed in the proposal budget
- **Voluntary Uncommitted (VUCS)**
  - Not required by the agency as a condition of the award, not committed in the budget



# A-110 & CFR 200 Requirements

Cost Sharing or matching (*CFR §200.306*):

- (a) Under Federal research proposals, voluntary committed cost sharing is not expected,
- It cannot be used as a factor during the merit review applications or proposals,
- But may be considered if specified in the notice of funding opportunity.



# **A-110 & CFR 200 Requirements**

Cost Sharing commitments must be:

- Verifiable within accounting records;
- Not included as a contribution for any other Federal award;
- Necessary and reasonable to accomplish the program objectives;
- Allowable under the applicable cost principles



# **A-110 & CFR 200 Requirements**

Cost Sharing commitments require:

- Not to be paid under another federal award;
- Are provided in the budget when required by Federal awarding agency
- Conform to other CFR 200 provisions



## **Federal Expectations/Positions and Concerns:**

- Most federal and non federal projects should have some level of faculty committed effort, paid or unpaid
  - If a research sponsored agreement shows no faculty effort, an estimated amount should be included in the Organized Research base



## Federal Expectations/Positions and Concerns:

- When an institution reduces a faculty member's level of effort commitment dedicated to teaching, committee assignments or other institutional responsibilities to shift effort to Organized Research
- A voluntary cost sharing commitment has been made (unless a corresponding change has been made in the payroll distribution system charging the grant).

## Federal Expectations/Positions and Concerns: Examples of OIG Findings

- A University Federal audit found for over \$12 million of claimed cost sharing, the University's accounting system did not track \$6 million of cost sharing to specific Federal awards.
- Another \$5 million of sub-recipient cost sharing was determined inadequate.
- The OIG required the University to have the external A-133 auditor specifically perform a cost sharing audit annually.



## Federal Expectations/Positions and Concerns:

### Examples of OIG Findings

- A major Research Institute committed \$ 24 million of Institution funded facilities capital expenditures as cost sharing to an Federal award. However, subsequently included \$ 24 million of depreciation in its F&A rate submission.
- The Institute over collected on the depreciation component for 3 years and was required to repay \$1.3 million.



## Federal Expectations/Positions and Concerns: NIH

- What is the impact of significant funding reductions if a revised scope of work is not negotiated with NIH?
  - Is the difference between the proposed budget and the awarded budget considered cost sharing?
    - If so, is it specifically committed, voluntary uncommitted, or mandatory cost sharing?



# **A-110 & CFR 200 Requirements**

- **May be in the form of cash or in-kind**
  - May include paid salaries and wages, other services, donated effort, supplies, equipment, or un-recovered F&A with agency approval
- **Must be auditable**



## Federal Expectations/Positions and Concerns: NIH

### Salary Over the NIH Cap:

- Is salary over the NIH cap considered cost sharing?
- No, salary over the NIH cap is an unallowable cost.
- The excess over the cap must be accounted for and included in the F&A cost allocation base.



## Accounting Procedures

- When cost sharing is proposed, DMC is required to provide the stated resources in the performance of the awarded project.
- 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 identify a Cost Sharing “Fund Source” account which will have a one-to-one relationship to the sponsored project account.
- The “cost sharing fund source” will be funded from the department or school resources, either by State appropriation, or other unrestricted funding sources.



# Accounting Procedures

- The RF Pre-Award Office will forward the Cost Sharing Notification Sheet to the Post-Award Office where a Cost Sharing “Shadow Account” will be established which is tied to the RF Grant Account and records Cost Sharing Effort and monitors salary projections.
- NO STATE APPROPRIATION Funds are transferred. The RF ONLY monitors the effort and salary projections for cost accounting purposes.
- Implicit in DMC’s commitment to cost sharing is the PI’s agreement to ensure that:
  - Specifically (Voluntary) Committed 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, and receives all required approvals by Chair and Dean
  - 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



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

- When an awarded budget is less than proposed, the PI 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 committed effort.
- For most sponsors, prior approval must be obtained in effort is reduced by 25% or more.
- The PI should work with the Research Administration in obtaining sponsor approval.



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# Responsibilities

- **Principal Investigator:**
  - Understand and apply the federal government, sponsor-specific and RF requirements for cost sharing on proposals/awards.
  - 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 or when the scope of work is greater than the award budget.
  - Evaluate providing committed cost sharing based on the needs of the proposal/award, the project/scope-of-work, and the available campus resources.

# Responsibilities

- **Institutional Stakeholders: Chairs & Deans**

- 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 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.



## Responsibilities

- **Sponsored Programs Offices:**

- 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 mandatory and specifically (voluntary) committed 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 as memo entries in accordance with the federal government requirements throughout the life of the award and to ensure the cost sharing, if required, is met.
- Verify that mandatory and voluntary committed cost sharing effort is properly accounted for and effort certifications are completed.