



Policy Title: BF4018 - Sponsored Agreement Cost Sharing

Subject Area: Finance

Responsible Official(s): Executive Vice President and Chief Operating and Financial Officer

Responsible Office(s): Accounting Office

Policy Statement

Cost sharing must be proposed, approved, administered, and accounted for in a consistent and prudent manner. This includes understanding workload implications of the cost sharing commitment, determining when cost sharing is appropriate, and accurately recording and reporting cost sharing expenses. The University of Memphis provides only the minimum amount of cost sharing necessary to meet sponsors' requirements.

Authority

OMB Uniform Guidance (2 CFR 200) - Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Dec 2014)

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:

- The costs are allowable in accordance with OMB Uniform Guidance (2 CFR 200) - Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Dec 2014);
- Are verifiable from the recipients records;
- Are not included as contributions for any other federally-assisted project or program;
- Are necessary and reasonable for proper and efficient accomplishment of project objectives;
- Are allowable under Subpart E Cost Principles of Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- Are not paid by the Federal Government under another award, except where authorized by federal statute to be used for cost sharing or matching; and
- Are provided in the approved budget when required by the federal awarding agency.

Definitions

Cost Sharing - A portion of total project or program costs related to a sponsored agreement that is contributed by someone other than the sponsor. Cost sharing is further classified as either mandatory or voluntary (see below).

Cost Sharing Activity Code - A six digit activity code number will be used with budget and expenditures to record committed university contributions to a sponsored project or program. The six digit activity code is equivalent to the grant fund number.

Facilities and Administrative Costs (F&A or Indirect Costs) - F&A costs are broad categories of costs. "Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of Facilities.

FOAPA - The Fund, Organization Code, Account Code, Program Code, and Activity Code elements of the chart of accounts.

Mandatory Cost Sharing - A contribution to a sponsored project or program required by the sponsor as a condition of obtaining the award. Salary over a sponsor imposed cap (for example, NIH Salary Cap) is also considered mandatory cost sharing. Such contributions are binding commitments and must be accounted for in accordance with this policy. Records must be kept of mandatory cost sharing. Sponsor "encouraged" cost sharing, not required as a condition of receiving an award, does not constitute mandatory cost sharing.

Third Party In-Kind Contribution - A non-cash contribution to a sponsored project or program provided by a party other than either the University or the primary sponsor. Third party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, or goods and services directly benefiting and specifically designated for the project or program. For more information, reference [GE2021 - Conflict of Interest](#).

Voluntary Cost Sharing - A contribution to a sponsored project or program offered by the principal investigator and key personnel, but not required by the sponsor as a condition of obtaining the award. Voluntary cost sharing is classified as either committed or uncommitted.

Voluntary Committed Cost Sharing - Quantified contributions reflected in the proposal narrative, budget, and/or budget justification. These are binding commitments and must be accounted for in any resulting award because they were volunteered as part of the proposal process.

Example: A faculty member proposes to spend 30% of her effort on a sponsored project, but charges only 10% of her salary to the project. The remaining 20% of her effort is regarded as cost sharing because she has committed the effort, but is not charging the entire 30% to the sponsor.

Voluntary Uncommitted Cost Sharing - Contributions not quantified or reflected in the proposal. These are, therefore, non-binding commitments that do not require documentation or reporting.

Example: A research grant application lists a professor at 10% paid effort. If the professor later decides to devote an additional 5% effort, paid for by departmental discretionary funds, but makes no written commitment to the sponsor, this would be considered “voluntary uncommitted cost share.”

Procedures

Cost sharing represents real costs to the University:

- Cost sharing represents a redirection of departmental and college resources from teaching or other departmental activities to support sponsored projects.
- The principal investigator, department chair, college dean or director, and other administrators should carefully weigh the cost-effectiveness and the expected benefits of every proposal for cost sharing prior to making the commitment. Effort committed may not exceed that allowed by the faculty or staff member’s appointment.

Pre-Award Procedures

Cost Sharing Commitment

Any University commitment to share in the cost of a project should be identified early in the proposal process. The University’s cost share commitment must comply with this policy and with the criteria for acceptability. Funding sources for University cost share commitments must be identified within the proposal summary form and approved by the principal investigator (PI), chair, and dean prior to submission. Prior to award acceptance, Office of Sponsored Programs will contact the unit or the principal investigator with any concerns regarding the University’s proposed cost sharing commitment (mandatory or voluntary committed).

Establishing Cost-sharing Effort

Generally, there will be some level of committed faculty (e.g., principal investigator) or senior researcher effort directly charged or specifically designated for cost sharing to a sponsored project. If salary will not be charged to the grant, it must be considered cost sharing. For effort

to be allowed under a sponsored agreement, it must be quantified in the proposal narrative, budget, and/or budget justification. The amount of effort must be realistic and should be determined on a project-by-project basis.

Allowable Costs for Cost Sharing

For expenses to be eligible for cost sharing, costs must be consistent with [BF4014 - Charges to Sponsored Agreements](#).

The terms of the sponsored agreement should be:

- Necessary and directly related to the project objectives;
- For labor costs, certifiable in the effort certification process.

Cost sharing cannot be attributed to any of the following (unless approved by sponsor):

- Included as cost sharing for any other project;
- Payable by the same sponsoring agency under another award;
- Payable by a different sponsoring agency within the same governmental jurisdiction under another award (e.g., federal funds must not be used for cost sharing on another federal project).

Specific Expenses That May be Considered for Cost Sharing

Cost sharing may consist of direct or unrecovered indirect expenses (i.e., waived or reduced F&A cost rate). When direct expenses are cost shared, the associated indirect costs are also cost shared.

In addition to other direct expenses allowed by [BF4014 - Charges to Sponsored Agreements](#), the following are examples of allowable forms of cost sharing:

- The cost of any equipment whose purchase is necessary for, and dedicated to, the successful completion of the project. Note: Sponsor approval may be required to include equipment in cost sharing. Caution: Existing equipment made available for, but not dedicated to the performance of the sponsored agreement, must not be considered for cost sharing.
- Costs incurred by subrecipient or other third parties, including third party in-kind contributions, not otherwise reimbursed. The service must be an integral and necessary part of an approved project or program. Caution: The value of a third party in-kind contribution must be established. When the contribution is in the form of effort, the contributor must certify that the regular rate of compensation was used in the calculation of costs to be shared. When contributions are other than personal services, the provider must state the fair market value of the item.

- Waived or reduced facilities and administrative costs (i.e., the difference between the applicable negotiated F&A cost rate and the amount of indirect costs awarded by the sponsor). Caution: Unrecovered facilities and administrative costs (if any) may be included as part of cost sharing on federal awards only if they are specifically identified in the award, or with the specific approval of the awarding agency.

Post-Award Procedures

At the time of the award, Grants and Contracts Accounting will notify the department and principal investigator of the mandatory or voluntary committed cost sharing requirements.

Caution: Once the award is accepted, failure to comply with the cost sharing commitment may result in a loss or return of project funds. Tracking of mandatory or voluntary committed cost sharing should be done regularly by units to prevent an over or under-contribution. Over-contributing prevents use of these funds for meeting commitments on other projects; under-contributing may result in a corresponding reduction in the award. If it is anticipated that there will be a significant under-contribution, the principal investigator or unit administrator must immediately notify Grants and Contracts Accounting.

Accounting for Cost Sharing

When an award is received that has a cost share commitment, Grants and Contracts Accounting will provide the cost share FOAPA to the department and principal investigator. Grants and Contracts Accounting will work with the principal investigator and principal investigator's home department to determine cost share commitments per fiscal year and process the necessary budget adjustments. It is the responsibility of the principal investigator to ensure that expenses are recorded in the appropriate cost share FOAPA and must be consistent with the amount in the award documents. All mandatory and voluntary committed cost sharing expenditures of a sponsored project must be properly recorded and reported in the University accounting system.

In-kind contributions from third parties must be properly documented in accordance with U of M policy [GE2017 - Donations to the University of Memphis](#). This completed documentation must be submitted to Grants and Contracts Accounting where it will be maintained as part of the grant permanent file. Volunteer services should also be documented by the same methods as those used by the University for its own employees. Additionally, the basis for determining the valuation of personal service, material, equipment, buildings, and land shall be documented consistent with U of M policy [GE2017 - Donations to the University of Memphis](#).

Roles and Responsibilities

Principal Investigator/Program Director

- Commit to cost sharing when required by sponsor and according to University policy.
- Obtain approval from chair and additional University officials regarding proposed cost sharing commitments.
- Primarily responsible for ensuring cost sharing requirements are met.
- Prepare and submit in-kind documentation, as outlined in terms and conditions of the award to Grants and Contracts Accounting.

Administrator/ Business Officer

- Submit Budget Revision to Financial Planning to establish budget for all unrestricted cost share, except for regular positions and benefits which will be handled by Grant and Contracts Accounting.
- Monitor the cost share FOAPA to ensure cost share requirements are being met.
- Monitor allowable expenses to be cost shared according to OMB Uniform Guidance (2 CFR 200) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Dec 2014) and in accordance with [BF4014 - Charges to Sponsored Agreements](#).
- Ensure expenses do not exceed budget.
- Advise PIs in establishing cost sharing at time of proposal submission, and notify PIs upon award notification of cost share commitment.

Departmental Chairs/Directors/Dean

- Review and approve cost sharing commitments provided in all proposal submissions (excluding cost sharing in the form of Regular Position salary over a sponsor imposed rate cap; i.e. NIH Salary Cap.)

Office of Sponsored Programs

- Advise principal investigators on the University's cost sharing policy and procedures when preparing proposals.
- Review proposals for cost sharing commitments and determine if appropriate approvals are in place.
- Provide guidance to college business officers/department administrators, business representatives and principal investigators on the appropriate use and treatment of cost sharing.

Grants and Contracts Accounting

- Create cost sharing FOAPA.
- Report cost sharing to sponsors according to sponsor requirements and the terms and conditions of agreements.

- Monitor cost share expenses to ensure cost share requirements are being met and expenses are allowable in accordance with OMB Uniform Guidance (2 CFR 200) - Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Dec 2014) and [BF4014 - Charges to Sponsored Agreements](#).
- File in-kind supporting documentation provided by the principal investigator in the grant permanent file.

Financial Planning

- Establish regular position and benefits budget for all unrestricted cost share.

Related Documents, Policies and Forms

[Gift In Kind Acceptance Form](#)

[GE2017 - Donations to the University of Memphis](#)

[BF4014 - Charges to Sponsored Agreements](#)

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