

Cost Share / Matching Funds / In-Kind Contributions External Procedure

Cost Sharing:

Cost sharing is defined as the portion of the project or program costs not borne by the sponsor. There are three categories of cost sharing—mandatory, voluntary committed or voluntary uncommitted.

Mandatory Cost Sharing

Mandatory cost sharing is defined as cost sharing that is an eligibility requirement on an application for an externally funded award. Some sponsors will stipulate that the recipient must provide a certain percentage of the funds being provided, or an actual dollar amount, in order to receive funding (e.g., sponsor requires recipient to provide at least 15% matching funds).

Voluntary Committed Cost Sharing

Voluntary committed cost sharing is defined as cost sharing that is not explicitly an eligibility requirement on a sponsored project proposal. It is a quantified contribution(s) or resource(s) offered within an SFSU proposal and specified on the budget or budget justification of the proposal. Although voluntary, the cost sharing will be incorporated into the terms and conditions of the award and SFSU is required formally to account for the cost shared expenses to the sponsor (e.g., cost sharing is not required by the sponsor and in the proposal 5% of the PI's salary will be an in-kind contribution).

Voluntary Uncommitted Cost Sharing

Voluntary uncommitted cost sharing is defined as cost sharing that is not explicitly an eligibility requirement on a sponsored projects proposal and is not included in the proposal budget or budget justification. It represents costs incurred by SFSU for a project beyond what is offered in the proposal (e.g., no cost sharing is included in the proposal and a student assists a faculty member at no cost to the grant).

Purpose:

When a Principal Investigator (PI) proposes to include SFSU resources as a cost sharing commitment, the commitment must be carefully considered at the department and institutional level before ORSP approves the submission of the proposal. Once the application or proposal is funded by a sponsoring agency, SFSU is required to provide the resources stated as cost sharing in the proposal and to provide the same financial accounting and fiduciary oversight for these resources as it does for the sponsoring agency funds.

SFSU supports sponsored activity of its faculty, but also must ensure that its cost sharing commitments do not overburden its resources. **Once cost sharing is included and quantified in a sponsored project proposal's budget and/or budget justification, it becomes an SFSU commitment and must be honored.** If a sponsored project proposal that contains cost sharing is awarded, SFSU administrative staff and the PI will have additional responsibility to monitor, document, and report its cost sharing commitment to the sponsoring agency.

This procedure provides guidelines for cost sharing, including examples of what is allowable for cost sharing, and what is necessary to document a cost sharing commitment.

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Most cost share contributions at SFSU fall under two categories – Matching, and In-Kind Contributions. Irrespective of the type of contribution, SFSU is required to accurately account for and report on any committed cost sharing.

Matching Contribution:

With a matching contribution, SFSU is pledged to match some portion or percentage of funds as a condition of the sponsoring agency's award.

In-Kind Contribution:

In-kind contribution is defined as a cost for which support is already in place, e.g., salary release time and associated fringe benefits already covered by SFSU's operating budget, or donated services from an outside entity.

Examples of acceptable types of expenses for cost sharing are:

- PI and/or other staff salaries and wages and associated fringe benefits, including payroll above the Federal salary cap on NIH awards;
- Project-related laboratory supplies or services;
- Special purpose equipment whose purchase is necessary for the conduct of a particular project;
- Costs incurred by subawardees (also called third-party contributions); and
- Reduced or waived facilities and administrative costs.
Note: The Associate Vice President for Research's prior approval is required to use reduced or waived facilities and administrative costs as a cost sharing commitment.
- There may be certain instances where an award from a foundation, e.g., Robert Wood Johnson Foundation, could be used as a source for cost sharing. However, the scope of work of both projects would have to be closely related.

Examples of unacceptable types of expenses for cost sharing are:

- Any costs normally treated as F&A or indirect costs — administrative salaries and wages, routine supplies, routine postage;
- Any costs recovered through SFSU's F&A rate—examples of these costs would be the University's operations and maintenance costs, use of University space, and use of SFSU's existing equipment;
- Any cost that cannot be quantified;
- An expense that does not directly assign a benefit to the activity and as such is not allocable to the sponsored project;
- An unallowable cost on an award. For example, if a program announcement indicates that travel is an unallowable cost on an award, it is also unallowable as a cost sharing expense.
- Also, existing equipment to be used on a project cannot be proposed as a cost sharing commitment, but a service center's rate (e.g., a microscope facility) can be used as a cost sharing commitment as long as there is a documented rate for that facility.

Including Cost Sharing on a Proposal:

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All SFSU mandatory and voluntary committed cost sharing must be included in the proposal submitted to the sponsor. Cost sharing on Federally funded projects must meet the same eligibility requirements as other expenses on any Federal award, i.e., costs must be reasonable, allowable and allocable under OMB Circulars A-21 and A-110 in addition to being necessary for the project. This also applies to non-Federally sponsored projects that contain cost sharing. A cost must be reasonable, necessary, allowable and allocable under the sponsoring agency's guidelines.

An expense can only be used once as a source of cost sharing. The same expense cannot be used multiple times as cost sharing. For example the same piece of equipment cannot be included as a cost share expense on multiple projects.

Accounting for Cost Sharing:

Cost sharing may not be explicitly stated in an award notice, but it is always recognized in the award document by virtue of language that states the "award is based on the application/proposal submitted" Therefore it is the responsibility of the PI and SFSU to account for cost share expenses.

Cost Sharing Involving Labor:

Mandatory or voluntary committed cost sharing involving labor costs requires identification of the effort to be quantified in the proposal budget and budget justification. The Cost Sharing / Matching Contribution form will contain information that identifies the source covering those labor costs. It is important for PIs to be aware of the total effort, both directly charged to the sponsored project and contributed as a cost share, so that their total effort does not exceed 100%. Effort certification is done five times a year for faculty to coincide with the end of each academic period.

Cost Sharing From a Third Party:

A third party may contribute cost sharing for an SFSU sponsored project (e.g., consultant may donate time to assist with a project or a foundation may purchase a piece of equipment to be used on a Federal grant). It is never appropriate to use a piece of equipment as cost share on a Federal grant if it was purchased using Federal funds (i.e., from a different Federal grant). When third party cost sharing is included in a proposal to meet sponsor requirements the source of cost sharing should be clearly stated (e.g., Jane Doe, an outside consultant, will donate 5 hours of time to the project; Foundation XYZ will purchase equipment XXX for the project, etc.)

All cost sharing must be "verifiable from the recipient's records" [OMB Circular A-110, Subpart C-Post Award Requirements .23(a) (1)]. If a third party or subrecipient is providing cost sharing, SFSU must receive documented verification that the cost sharing commitment was honored. If the third party cost sharing comes from an entity not involved in a subaward, that entity may provide a letter of certification for the cost sharing commitment. This entity should understand, at the time of the commitment, that SFSU will reserve the right to verify any rates or amounts offered as third party cost sharing.

OMB Circular A-110 also allows the use of volunteer services as cost sharing. If volunteer services are used, the requirement for verification will be met by the use of "timesheets" for number of hours worked. Either the prevailing minimum wage or the SFSU pay scale, whichever is appropriate, will be used as the hourly rate of pay.

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PIs are cautioned to carefully consider the use of third party cost sharing. SFSU, as the recipient, is responsible for providing the cost sharing offered in the proposal. If the third party does not honor their commitment for cost sharing, SFSU, as the awardee, is still responsible for meeting its commitments.

Changes in Cost Sharing:

If an award amount is less than what was included in the proposal budget, the PI should notify ORSP immediately. In turn ORSP will contact the sponsor to negotiate a possible reduction in the cost share commitment associated with the award.

If the PI anticipates that the cost sharing commitment will not be met, ORSP should be contacted immediately so that the sponsor can be contacted in this situation as well. Since the budget is the financial expression of any project, any reduction in budget is commensurate with reduction in scope of work, and sponsor prior approval would be required. **If cost share commitments are not met by SFSU the sponsor has the right to reduce the funding amount.**

Reporting Cost Sharing:

In most cases, a companion “2” cost sharing account will be established in the SFSU financial system to capture the cost sharing commitment. Fiscal Affairs will report the cost sharing expenses from this account at the time financial reports are submitted. When third party cost sharing is used, PIs are expected to obtain appropriate documentation of that third party’s cost sharing contributions. If there is a subaward, the subawardee can report the cost sharing contribution on their invoices. If there is no subaward, the third party contributor can provide a letter that provides sufficient detail of the cost sharing contribution, and the PI can forward copies of those letters to the ORSP Grants Administrator managing their project.

Project Cost Overruns:

A true cost overrun is defined as project-related expenses incurred during the life of an award that exceed the total amount awarded by the sponsor (i.e., the award is overspent). The Federal government considers cost overruns to be cost sharing. Fiscal Affairs must transfer them via a journal entry to a non-Federal source of funds.

Roles and Responsibilities:

Academic Department:

- **Principal Investigator (PI):** The PI should understand cost sharing and clearly identify cost sharing on the PI checklist and the proposal. PIs have ultimate financial responsibility for their sponsored project(s). PIs must: (1) ensure the reasonableness and appropriateness of all cost sharing on a project(s) by clearly identifying SFSU’s cost sharing commitment in the proposal’s budget and budget justification; (2) certify all labor-related cost sharing through SFSU’s effort certification system; (3) review and certify all non-labor-related cost sharing through SFSU’s financial system and (4) determine, justify and properly document any special circumstances surrounding the project in accordance with university policies, agency guidelines and federal regulations.
- **Dean / Department Chair:** Deans and Department Chairs must review and approve any cost sharing commitments using unit funds, and ensure that funds are available to cover cost sharing commitments. They shall also evaluate the workload implications of proposed cost sharing to ensure

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that a PI's total effort does not exceed 100 percent and approve a PI's cost sharing commitments at the time of proposal submission.

- **Department Administrators:** Department Administrators shall be knowledgeable about the requirements of the cost sharing policy and its associated procedures and guidelines. Department Administrators assist the PI in managing the financial details of sponsored projects according to all applicable rules and regulations; provide assistance for reporting labor-related cost sharing via SFSU's effort certification system; monitor transactions to ensure appropriateness and consistency of charges in accordance with University policies and procedures, agency guidelines and federal regulations; and ensure proper justification, adequate documentation and proper approval(s) of all financial transactions related to cost sharing.

The Office of Research and Sponsored Programs (ORSP):

- **Pre-Award:** ORSP Pre-award shall review grant/contract applications for adequate justification and description of cost sharing offered and endorse SFSU's cost sharing commitment by providing institutional approval.
- **Post Award:** ORSP Post-Award shall monitor the cost sharing commitments on a sponsored project to maintain compliance with University policies and procedures, agency guidelines and applicable federal regulations. ORSP Post-Award shall be involved with any adjustments to the cost share commitment based upon reductions in an award's budget, either at the time of negotiation/award or during the conduct of a sponsored project. Post award will also assist the Fiscal Affairs Office to accurately report the Cost Share Expenses to the Sponsor.

Fiscal Affairs:

- **Fiscal Affairs Accountant II:** The Fiscal Affairs Accountant II includes cost share expenses on financial reports submitted to the sponsor.

Related Processes/Events:

- Effort Reporting Procedure
- Financial Reporting Procedure

Forms and Links:

- OMB Circular A-21, "*Cost Principles for Educational Institutions*"
- OMB Memorandum M-01-06 (January 5, 2001), "*Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs*"
- OMB Circular A-110, "*Uniform Administrative Requirements for Grants and Agreements With Higher Education, Hospitals and Other Non-Profit Organizations*"