EXHIBIT A - COST SHARE PROCESS

1. Service Center Subsidies

Subsidies provided to Service Centers are considered cost sharing based on the percentage of revenue generated from internal sales to organized research programs/projects. For example, if the Center for Laboratory Animal Care is providing 90% of their services to research and UCD is subsidizing the activity by $50,000, $45,000 would be considered cost sharing and must be included in the calculation of the facilities and administrative cost rate. The Finance Office will identify these subsidies. These subsidies are not considered cost sharing for a specific award.

2. External In-Kind Contributions

External in-kind contributions should be documented and a record kept of the donations. The value is calculated as defined in OMB Circular A-110. The use of in-kind contributions is discouraged because of the requirement for record keeping and the difficulty in assigning a value to the donation.

3. Equipment

Equipment cannot be used for cost sharing unless specifically required by the sponsor. Cost sharing with equipment requires each piece of equipment to be tracked separately to be sure that its depreciation is not included in the calculation of the facilities and administrative (indirect cost) rate. This type of transaction is difficult to monitor.

4. Accounting and Documentation

A. Mandatory Cost Sharing

Two forms will be used to identify cost sharing. *The Approval of Application for Grant or Contract Form*, ("Routing Form"; see Fiscal Policy 4-5, Exhibit A) provides for cost sharing information to be identified at the proposal stage of an award. This form requires the approval of the Principal Investigator, the Department Chair or Director and the Dean or Administrator. After the award has been granted, a second form called a *Cost Sharing Documentation and Program/Project Request Form* (Exhibit B) must be completed. This form identifies the specific cost sharing to be performed on the

program/project and is the document used to establish a new program/project for recording the cost sharing.

A separate cost sharing program/project will be established for each sponsored program/project when a specific dollar amount of mandatory cost sharing is required. This is necessary because specific documentation of the actual cost sharing is required to substantiate to the sponsoring agency that the cost sharing was performed. These separate programs/projects will be administered in the same manner as the sponsored program/project. This means that these programs/projects must comply with all applicable Federal, State and UCD fiscal policies. (See procedure section for the specific reporting process.) Awards that require only a specific level of UCD effort (e.g., 20% of Dr. Smith's effort) will be documented through the electronic Personnel Effort Reporting system as appropriate.

Records of external in-kind contributions used to meet mandatory cost sharing requirements should be maintained by the department and supplied to the Grants and Contracts at the end of the grant/contract budget period or each fiscal year (June 30), whichever comes first. This information will be reported to the sponsoring agency and included in the calculation of the facilities and administrative (F & A) cost rate.

B. <u>Obligatory (Committed) Cost Sharing</u>

Obligatory cost sharing also requires the completion of the Routing Form at the proposal stage of an award and the *Cost Sharing Documentation and Program/Project Request Form* (Exhibit B) after the award has been granted. A separate program/project is not required to record payroll obligatory cost sharing. This will be identified via the electronic Personnel Effort Report (ePER). However, obligatory cost sharing with non-payroll expenditures, e.g. supplies, travel, etc. does need to be recorded in a separate program/project.

One departmental non-payroll obligatory cost share program/project will be required for each UC Denver Fund Account series (unrestricted, auxiliary, gift, etc.) that supplies cost sharing dollars. For example, three different sponsored programs/projects having non-payroll obligatory cost share expenses are supported by the same state-appropriated program/project. All the department's cost share expenses can be recorded in one departmental state-appropriated non-payroll obligatory cost share program/project.

Records of external in-kind contributions used to meet obligatory cost sharing requirements should be maintained by the department and supplied to the Office of Grants and Contracts at the end of the grant/contract budget period or each fiscal year (June 30), whichever comes first. This information will be reported to the sponsoring agency and included in the calculation of the facilities and administrative (F & A) cost rate.

5. NIH, SAMHSA and U.S. Army Research Acquisition Activity Salary Caps

Annual appropriations to NIH, Substance Abuse and Mental Health Administration (SAMHSA), and U.S. Army Research Acquisition Activity contain language that do not allow these agencies to reimburse grantees for the direct salaries of individuals at a rate in excess of the level specified in the appropriations language. This limitation is commonly referred to as the salary cap.

The salary cap limitation applicable to an award may vary from year to year based upon the appropriations language. An award may start out at one salary cap level and have subsequent adjustments to the salary cap in future budget periods as those periods are funded.

The level of effort applied to the program/project for those individuals whose salary is above the cap determines the amount of salary that can be paid to the individual. For example, a professor whose annual salary is $180,000 plans to devote 10% of his effort on a NIH research grant which has an annual salary cap of $136,700. The amount of allowable salary that can be charged to the grant is 10% of $136,700, or $13,670. The amount of University salary paid for the 10% effort is $18,000, $13,670 coming from the NIH award and $4,330 coming from institutional funds. The $4,330 paid from institutional funding is an unallowable cost to the NIH award and represents cost sharing that must be contributed from institutional resources if the faculty member is to receive $13,670 from the NIH award. Current DHHS guidelines specify that the $4,330 in cost sharing must be included in the research base. Salary dollars paid from institutional funds as a result of regulatory caps will be included in the UCD research base as cost sharing. Any additional cost sharing effort reported that is effort above the amount required to substantiate salary paid from an award having a salary cap will also be included in the base.

6. Approvals

Cost sharing is a commitment of departmental resources. All mandatory and obligatory cost sharing must be approved as part of the proposal routing process by the Principal Investigator, Department Chairperson or designee and by the School Dean or designee. Disclosure and approval of cost sharing is required on the Routing Form.

7. Process

	Mandatory Cost Sharing
Performed By:	**Action:**
Requestor/Department	1. Document the requirement for mandatory cost sharing in the appropriate section of the Routing Form. (Refer to Policy Section D.4.b. for a definition of mandatory cost sharing) 2. Submit the Routing Form as part of the proposal approval process to Grants and Contracts.
Grants and Contracts	3. Coordinate with the applicable department when the award has been received regarding cost sharing. Assist the department as appropriate in completing necessary forms and/or answering questions regarding policy and procedure.
Requestor/Department	4. Provide information on the "Cost Sharing Documentation and Program/Project Request Form", have responsible person(s) sign and forward to Grants and Contracts. If external in-kind contributions are used, attach an explanation. If UCD funds are the source of cost sharing, proceed to step 5. If in-kind contributions are the source of cost sharing, proceed to step 16.
Finance or Grants and Contracts	5. Review the form and award document. If a specific dollar amount of cost sharing is required, establish the new cost share program/project. The new program/project must have the same expense purpose code as the sponsored program/project. If an Unrestricted and/or Auxiliary program/project, proceed to step 6. If a Gift program, proceed to step 7. If the award requires only a specific level of UCD cost sharing effort (e.g., 20% of Dr. Smith's effort), proceed to step 11.
Requestor/Department	6. Establish a budget in the new cost share program/project (requires completion of a Budget Change Authorization form). The budget for the new program/project must equal the total cost share expenditures to be made from this program/project during the fiscal year.
Requestor/Department	7. Submit to the Finance Office a request for transfer of funds to an Auxiliary cost share program/project. Submit a "Request for Transfer of Funds" to the CU Foundation for a gift cost sharing program. If an auxiliary program/project, proceed to step 8. If a gift program , proceed to step 9.
Finance	8. Prepare and process a journal entry to transfer the funds into the auxiliary cost sharing program/project. Proceed to step 10.

	Mandatory Cost Sharing
CU Foundation Treasurer's Office	9. Process an electronic funds transfer and complete a cash receipt to transfer funds to the gift cost sharing program.
Requestor/Department	10. Process cost share expenditure documents as appropriate. If payroll cost share enter PeopleSoft human resources authorizations to charge the cost sharing payroll activity to the new cost share program/project and submit for departmental and Budget Office/Grants and Contracts approval as appropriate. Proceed to step 11. If non-payroll cost share, process cost share program/project expenditure (P.O., travel voucher, etc.). Proceed to step 16.
Grants and Contracts	11. Enter payroll cost sharing information into the electronic Personnel Effort Reporting (ePER) system.
University of Colorado System, Office of University Controller	12. Distribute ePERs on a semester basis to departments.
Requestor Department	13. Certify, as appropriate, cost sharing activity on the ePER form and return to Grants and Contracts.
Grants and Contracts	14. Compare cost sharing activity on the ePER form to the information provided on the "Cost Sharing Documentation and Program/Project Request Form."
Grants and Contracts/ Requestor Department	15. Reconcile any differences between the effort percentages provided on the "Cost Sharing Documentation and Program/Project Request Form" with those shown on the ePER. This would occur when the reported effort on the sponsored program/project account is 5% or more under the total of the payroll distribution for the sponsored program/project plus the mandatory cost share requirement.
Requestor/Department	16. Document and maintain records for any in-kind contributions. If none, proceed to step 18. 17. Forward in-kind contribution documentation to Grants and Contracts. Supply documentation at the end of the grant/contract budget period or as soon as possible at the end of each fiscal year (June 30), whichever comes first.
Grants and Contracts	18. Complete the sponsored program/project financial status reports and report on mandatory cost share activity by using the financial information in the cost share program/project, level of effort documented through the ePER system, and/or departmental in-kind contribution information.
Finance	19. Include all identified cost sharing in the calculation of the UCD F&A (indirect) cost rate.

	Obligatory (Committed) Cost Sharing
Performed By:	**Action:**
Requestor/Department	1. Document the requirement for obligatory cost sharing in the appropriate section of the Routing Form. (Refer to the policy, Section D.4.c for a definition of obligatory cost sharing). 2. Submit this form as part of the proposal approval process to Grants and Contracts.
Grants and Contracts	3. Coordinate with the applicable department when the award has been received regarding cost sharing. Assist the department as appropriate in completing necessary forms and/or answering questions regarding policy and procedure.
Requestor/Department	4. Provide information on the "Cost Sharing Documentation and Account Request" form, have responsible person(s) sign and forward to Grants and Contracts. If external in-kind contributions are used, attach an explanation. If UCD funds are the source of cost sharing, proceed to step 5. If in-kind contributions are the source of cost sharing, proceed to step 18.
Finance or Grants and Contracts	5. Review form for type of cost share expenditures. If payroll cost share only, proceed to step 12. If non-payroll cost share, proceed to step 6. 6. Establish the new cost share program/project. The new program/project must have the same expense purpose code as the sponsored program/project. If an Unrestricted and/or Auxiliary program/project, proceed to step 7. If a Gift program, proceed to step 8.
Requestor/Department	7. Establish a budget in the new cost share program/project (requires completion of a Budget Change Authorization form). The budget for the new program/project must equal the total cost share expenditures to be made from this program/project during the fiscal year.
Requestor/Department	8. Submit to the Finance Office a request for transfer of funds for auxiliary cost share program/project. Submit a "Request for Transfer of Funds" to the CU Foundation for gift cost sharing programs. If an auxiliary program/project, proceed to step 9. If a gift program, proceed to step 10.
Finance	9. Prepare and process a journal entry to transfer the funds into the auxiliary cost sharing program/project. Proceed to step 11.

	Obligatory (Committed) Cost Sharing
CU Foundation Treasurer's Office	10. Process an electronic fund transfer and complete a cash receipt to transfer funds to the gift cost sharing program.
Requestor/Department	11. Process cost share expenditure documents as appropriate. If payroll cost share, complete a Personnel Action Form (PAF) to charge the cost sharing payroll activity to the new cost share program/project. Submit the PAF for departmental and Budget Office/Grants and Contracts approval as appropriate. Proceed to step 12. If non-payroll cost share, process cost share program/project expenditure (P.O., travel voucher, etc.). Proceed to step 17.
Grants and Contracts	12. Enter payroll cost sharing information into the Personnel Effort Reporting (PER) system.
University of Colorado System, Office of University Controller	13. Distribute ePERs on a semester basis to departments.
Requestor Department	14. Certify, as appropriate, cost sharing activity on the ePER form and return to Grants and Contracts.
Grants and Contracts	15. Compare cost sharing activity on the PER form to the information provided on the "Cost Sharing Documentation and Program/Project Request Form."
Grants and Contracts/ Requestor Department	16. Reconcile any differences between the effort percentages provided on the "Cost Sharing Documentation and Program/Project Request Form" with those shown on the PER. This would occur when the reported effort on the sponsored program account is 5% or more under the total of the payroll distribution for the sponsored program/project plus the mandatory cost share requirement.
Requestor/Department	17.Document and maintain records for any in-kind contributions. If none, proceed to step 19. 18. Forward in-kind contribution documentation to Grants and Contracts. Supply documentation at the end of the grant/contract budget period or as soon as possible at the end of each fiscal year (June 30), whichever comes first.
Grants and Contracts	19. Complete the sponsored program/project financial status reports and report on obligatory cost share activity by using the financial information in the cost sharing program/project and/or departmental in-kind contribution information.

	Obligatory (Committed) Cost Sharing
Finance	20. Include all identified cost sharing in the calculation of the UCD facilities and administrative (indirect) cost rate.