



University of Colorado Denver

Campus Guidelines

Title:	Fiscal Policy for Cost Sharing, 4-8
Source:	Office of Grants and Contracts
Prepared by:	Director of the Office of Grants and Contracts
Approved by:	Vice Chancellor for Research
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Replaces:	Fiscal Policy for Cost Sharing, May 1, 2009
Applies:	All Campuses

A. Introduction

This policy exists to:

1. Provide guidance regarding allowable cost sharing, including the kinds of services, expenditures, or assets that may be used for cost sharing. Cost sharing is that portion (cost) of a sponsored project or program that is not supported by the sponsor.
2. Provide information to the University of Colorado Denver (UCD) regarding the financial and administrative impact of cost sharing.
3. Establish procedures which enable UCD to provide information to sponsoring agencies demonstrating UCD's fulfillment of cost sharing commitments made as a condition of accepting a sponsored project or program.
4. Provide a method of identifying all costs required to calculate the Facilities and Administrative (F&A or indirect) cost rate.
5. Provide guidance on approvals that must be obtained when multiple department are asked to commit cost share.

Responsibility

It shall be the responsibility of the principal investigator (PI) for the sponsored award and the originating department to ensure that all cost sharing is identified and documented according to this policy and the requirements of the award. The Director of the Office of Grants and

Contracts will be responsible for reporting to the sponsor as required. The Controller will be responsible for including cost sharing information in the F&A cost proposal.

Applicability

This policy applies to all federal and non-federal sponsored programs which include a commitment by the UCD to support a sponsored project or program with UCD funds.

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C. References

1. Cost Accounting Standards 501 and 505.
2. National Institutes of Health Grants Policy Statement, December 2003 for grants issued between December 1, 2003, to September 30, 2010; October 1, 2010 version for awards issued on or after October 1, 2010.
3. National Science Foundation, *Grant Proposal Guide*, Chapter II, Proposal Preparation Instructions.
4. Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*.
5. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*; (particularly Subpart C, Section 23)

D. Definitions

1. Allocable costs are the costs of a specific grant, function, department, or other component (“cost objective”) that are chargeable or assignable to the cost objective in accordance with the relative benefits received or other equitable relationship. For example, a cost is allocable to a grant if it is incurred solely in order to advance work under the grant; it benefits both the grant and other work of the institution, including other grant-supported project; or it is necessary to the overall operation of the organization and is deemed to be assignable, at least in part, to cost objective.
2. Allowable costs are costs that are acceptable to be charged to a sponsored agreement. The allowability of costs incurred by institutions of higher education is determined in accordance with the provisions of OMB Circular A-21.
3. Auxiliary and Self-funded Activities Fund is the resource available from an enterprise, auxiliary, and self-funded activities maintained by the UCD.

4. Cost Sharing or Matching is that portion (cost) of a sponsored project or program that is not supported by the sponsor. Cost sharing consists of three types: (1) mandatory; (2) obligatory; and (3) voluntary (see separate definition for each type of cost sharing). Cost sharing is usually provided through contributed effort by principal investigators or their staff and paid from an unrestricted fund, auxiliary and self-funded activity fund and/or gift programs/projects.

a. In-kind Contributions represent the value of non-cash contributions made by sources outside of the UCD for a sponsored program/project. Examples of non-cash contributions include non-UCD employees working on a program/project, the use of donated equipment if specifically required by the sponsoring agency, or the use of donated services or supplies.

b. Mandatory Cost Sharing is cost sharing that is required by a statute or program regulation of the sponsoring agency and usually refers to an overall percentage of total costs to be contributed. When cost sharing is required (i.e., mandatory), it will be stated in the award notice. The most common example of mandatory cost sharing is the commitment of time and effort by UCD faculty or staff that is required by the sponsoring agency as a condition of getting the award.

c. Obligatory Cost Sharing is cost sharing that a UCD representative offers to perform as a part of the application/proposal, although it is not required as a condition of the award. Obligatory cost sharing is a commitment and must be documented and tracked. Obligatory cost sharing is also known as committed cost sharing.

d. Voluntary Cost Sharing is cost sharing that is provided in excess of obligatory or mandatory cost sharing requirements. It is a commitment of time or other spending in support of a sponsored program over and above that required by the award or agreed to in order to obtain the award. Examples of voluntary cost sharing include (1) additional time spent on a program/project that is 5% or more above that which is budgeted or required by the award; (2) laboratory supplies or travel expenditures paid by a source other than the sponsored program/project; or (3) cost overruns on a program/project.

5. Gift funds are cash or non-cash items bestowed voluntarily to the UCD without any expectation of a tangible good or service being provided in return. Gift funds are recorded in financial system programs/projects.

6. Service Center is an organizational unit of the UCD which provides a specific type of good or service to other UCD departments, may incidentally provide the service to individuals or the general public, and is primarily supported by fees charged to the user department's operating programs/projects. Such goods or services might be purchased from commercial sources, but for reasons of convenience, cost, or control is often provided more effectively through a UCD Service Center.

7. Sponsored Projects are research, instructional, or public service activities that are related to the mission of the UCD and sponsored by external agencies or entities. If an award meets at least one of the following criteria, it is likely a Sponsored Project. However, the existence of any one of the criteria may not be determinative.

a. The award is a grant or contract from a governmental entity, unless exempted under OMB Circular A-21.

- b. The proposal responds to a Request for Application (RFA), Request for Proposal (RFP), or other formal solicitation, and the project is initiated by notice of award. Certain RFPs issued by private charitable foundations may not qualify as a Sponsored Project.
- c. The award includes terms that bind the university to a list of scholarly or scientific inquiry.
- d. The Statement of Work specifies programmatic objectives mutually agreed upon by the university and the sponsor, which are to be accomplished within a specific period of time or within a detailed budget framework.
- e. The sponsor is entitled to receive the following types of deliverables: a detailed technical report of research results, milestone reports, or a required report of allowable expenditures. Certain reporting requirements of private charitable foundations that are stewardship- or accountability-oriented may not qualify as Sponsored Projects.
- f. The award requires separate accounting procedures and detailed financial reports.
- g. The sponsor requires the return of unexpended funds or only reimburses for incurred costs (expenditure-driven).
- h. The award provides for compliance audits by or on behalf of the sponsor which may or may not include a financial audit.
- i. The award is for a project requiring compliance oversight including, but not limited to: human subjects, animal use, biohazards, or bio-safety.
- j. The award terms include publication or data restrictions or monitoring.
- k. The sponsor requests intellectual property rights or controls the disposition of capital equipment.
- l. The award is by a sponsor who has licensing rights to inventions from the same lab/researcher benefiting from the award.
- m. The sponsor designates a sponsor employee (agent) as project technical monitor (as opposed to designating a contact person to improve communications).
- n. The award is for a sub-award project under a federal award.
- o. The award requires a matching or cost sharing commitment on the part of the university.
- p. The award generates program income to a federal award.
- q. The award from the sponsor is for membership fees to centers and affiliate programs. The university may receive membership fees for its centers and affiliate programs, as characterized by any one of the following examples:

- i. The member agreement imparts “Center Member” status to the sponsor.
 - ii. The member receives the right to exert any type of control over the operation of the institute, center or program.
 - iii. The member receives special or discounted access to laboratories or other university facilities for its use.
 - iv. The member receives patent, licensing rights, or other intellectual property rights provisions benefiting the sponsor.
8. Unrestricted Fund is the term used to describe the resources available primarily from funds appropriated by the State of Colorado General Assembly. These resources include state general funds, student tuition and fees, F&A (indirect) cost recoveries, and patient revenues generated by the School of Dentistry Dental Clinics.
9. Waiver Approval Process is the process by which F&A cost rates are approved when they are less than the Federal rate or are less than the rate that is normally paid by a private corporation or foundation.

E. Policy Statement

1. Generally. Cost sharing of direct expenditures represents a redirection of departmental or school resources from teaching and other departmental activities to expenditures in support of sponsored programs/projects. Providing resources for cost sharing is the responsibility of the Principal Investigator (PI) and his or her department. The department or departments committing funds must provide signature approval(s) of cost share commitment on the routing form at the time the proposal is submitted to OGC for review prior to submission to a sponsor. When the PI agrees to cost share it commits the UCD to provide stated services or assets in the performance of the sponsored program/project. The effectiveness and expected benefits of each cost sharing agreement should be weighed considering the administrative requirements and responsibilities inherent for the PI, the department and central administrators. All responsibilities associated with this policy and procedures are to comply with OMB Circular A-110.

Cost sharing is not normally appropriate on programs/projects supported by “for-profit” entities. It is also not normally allowable from other sponsored programs/projects. Cost sharing may be funded by Unrestricted General Fund programs, Auxiliary and Self-Funded Activity Fund programs, and/or Gift Fund programs.

Mandatory and obligatory (committed) cost sharing must be provided at the required amounts and appropriately tracked through our processes (See Exhibit A). Voluntary cost sharing in excess of obligatory or mandatory cost sharing requirements, if equal to 5% or more of a person’s effort, must be reported on the electronic Personnel Effort Report (ePER) as time spent on the program/project.

UC Denver is required to include all mandatory and obligatory (committed) cost sharing of direct costs on sponsored programs/projects in the Organized Research base when calculating the F&A cost rate. The F&A costs associated with this cost sharing do not need to be identified since these costs are not included in the rate calculation. (Reference OMB Circular A-110.)

Tracking, reporting and certifying of cost sharing is subject to audit by internal and external auditors, federal agencies and the sponsoring agency itself. Any penalty, disallowance or loss of funding caused by not reporting or documenting existing cost sharing will be assessed against the department in violation of the policy. A table, *Summary of UC Denver Cost Share Policy* (Exhibit C), may be used by departments as a cost share reference guide.

2. Requirements for Cost Sharing

If a cost sharing commitment exists, the expenses used for this purpose must be:

- a. Verifiable from UCD records, e.g. Personnel Effort Reports, financial system program/project reports, etc.
- b. Used as cost sharing for only one sponsored program/project
- c. Allowable and allocable to sponsored programs/projects
- d. Necessary and directly related to the program/project objectives
- e. Provided for in the approved budget when required by the awarding agency
- f. Not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing
- g. Incurred during the applicable award period of the grant or contract
- h. Recorded in a separate program/project if there is a specific mandatory dollar amount of cost sharing or non-payroll obligatory cost sharing
- i. Recorded in a separate program/project if there is a cost overrun of \$50,000 or more of non-faculty/professional salary/benefit expense or cost overrun of non-personnel expense.

3. Examples of Expenditures That May Not Be Used For Cost Sharing

Expenditures that cannot be used for cost sharing include the following:

- a. Expenditures that are normally charged as indirect costs, such as administrative salaries or office supplies.
- b. Unallowable costs such as alcoholic beverages, entertainment, or any costs disallowed by the sponsor.
- c. Equipment unless required by the sponsor. Cost sharing with equipment requires each piece of equipment to be tracked separately to ensure that its depreciation is not included in the calculation of the F&A rate. This type of transaction is difficult to monitor.
- d. Service Center expenses cannot be used for cost sharing on a specific award.

4. Examples of Expenditures That May Be Used for Cost Sharing

- a. Faculty, staff or student salaries and related fringe benefits (except as prohibited by III.H.)
- b. Laboratory supplies
- c. Travel
- d. Waivers of F&A. With the appropriate approvals, waivers or reductions of the F&A cost rate may be used as cost sharing. These waivers or reductions must have prior approval of the awarding agency and must be formally requested and processed through the UCD waiver approval process if the rate is different than the normal rate. (See, UC Denver fiscal policy *Facilities and Administrative Costs and Distribution of Recovery*, 4-4.)

5. National Science Foundation

a. Voluntary Committed Cost Sharing. In accordance with the National Science Foundation (NSF) Grant Policy Guide, grantees are prohibited from including voluntary committed cost sharing in grant proposals. All organizational resources needed and available to the project must be described in the Facilities, Equipment and Other Resources section of the grant proposal. NSF Program Officers are prohibiting from imposing or encouraging cost sharing unless the program solicitation explicitly required by the program solicitation.

b. Mandatory Cost Sharing. Mandatory cost sharing may only be required when expressly authorized by the NSF director, National Science Board, or legislation. When cost sharing is required, the grant proposal must outline the proposed cost sharing in accordance with the NSF Grants Policy Guide requirements. See, Chapter II.C.2.g(xi), *Mandatory Cost Sharing*. Mandatory cost sharing commitments which are included in proposals and accepted by NSF are legally binding and subject to audit. Failure to comply with cost sharing commitments could result in termination of the NSF award, disallowance of award costs, and/or refund of award funds to the NSF.

6. Other Granting Agencies. If applicable, PIs and administrative unit personnel providing administrative support should carefully review the program guidelines of other granting agencies to ensure compliance with any cost sharing requirements.