

WELCOME

Cost Sharing

Workshop/Training

Wednesday, April 6, 2011

Morning session

Part 1 from 9:00 to 10:15 and Part 2 from 10:30 to 11:45

Afternoon session

Part 1 from 1:45 to 3:00 and Part 2 from 3:15 to 4:30

Presented by

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Post Award Administration
(GCO)**

Agenda

- Background & Definitions
- Types of cost sharing
- Capturing contributed effort (soft match) vs. hard match
- Banner and other systems
- Stakeholders
- Allowability of costs
- Expectations

Brief History

- Introduced in 1950's
- Defined in OMB Circular A-110
 - http://www.whitehouse.gov/omb/circulars_a110
- Recognizes University contributions
- Mutual interests and benefits warrant sharing of costs
- OMB clarification memo Jan. 05, 2001
 - http://www.whitehouse.gov/omb/memoranda_m01-06/

Definition – from OMB A110

Cost sharing or matching -- means that portion of project costs not borne by the Federal Government

What we see in proposals and executed awards

- **Cash**
 - Contributed effort
 - Hard match
 - Unrecovered F&A
- **3rd party in-kind**

Costs must meet “allowability” criteria

Types of Cost Sharing

Statutory and mandatory

- Major impact with NSF statutory cost sharing requirement -- was 1% for unsolicited proposals; this was repealed with new proposals submitted on or after June 1, 2007. Will be discussing new NSF policy later.
- Other agencies, such as Dept of Ed, DOE, USDA may have mandatory cost-sharing for specific programs (not agency-wide) -- need to be aware of the program's requirements

Types of Cost Sharing

Voluntary committed

- Offered (quantified) in proposal text, budget, or budget narrative
- Important – NO distinction between “*voluntary*” and “*required*” once committed
- Once committed, **must** be accounted for in financial records

Voluntary Uncommitted Cost Share

OMB has issued specific guidance:

Voluntary uncommitted cost share is defined as “University faculty (including senior researchers) effort that is over and above that which is committed and budgeted for in a sponsored agreement.”

-- Will not be tracked or reported by UI

Voluntary Uncommitted (con't)

Per OMB this is to be treated differently from committed effort

- Should not be included in the organized research base for computing the F&A rate or reflected in any allocation of F&A costs.
- Such effort is excluded from the effort reporting requirement in OMB A-21 section J.8.

“Cash” cost sharing

Cash (provided by University)

- Contributed effort (*as quantified and committed in proposal or award*)
- Hard match
- Unrecovered F&A (*as allowed by sponsor*)

Contributed Effort (“SOFT” Match)

Contributed Effort -- salaries/benefits paid by the University from the individual’s AY appointment(s) in support of activities provided to the project by the PI/faculty member or other academic personnel.

“Activities provided to the project” means work performed by that individual for that project for the amount of time claimed.

Contributed Effort (“SOFT” Match)

To claim as cost-sharing contributed effort must :

- Be for work performed by the individual that is directly related to the project’s objectives
- Not include time spent on administrative or instructional activities
- Be time/effort provided within the appointment period (i.e. provided during the period the salary was actually earned)

Note: The portion of a 9/12 salary arrangement that is paid during the summer (deferred from AY) is ineligible for “summer cost sharing”; that salary was earned prior to the summer. Also, summer salary paid directly by the sponsor is not a University resource and is not eligible for cost sharing.

Contributed Effort (“SOFT” Match)

Activities that are appropriate for contributed effort cost-sharing (PI & other Sr. Personnel)

- Same activity as award (such as research)
- Review/approval of appointments; originating/approving requisitions, & vouchers
- Reviewing expenditures and effort
- Recruiting, training, & supervising project personnel
- Evaluating equipment specifications
- Preparing technical and non-technical reports
- Preparation of continuation & renewal proposals

Recent Changes to NSF Cost Sharing Policy

Effective January 18, 2011, NSF revised its cost sharing policies

- Mandatory cost sharing is required only when explicitly authorized by the NSF director, the National Science Board
- Voluntary committed cost sharing is **PROHIBITED**
- Significant effort made by NSF to scrub existing requirements in funding opportunities:
 - Language changed from “cost sharing is not required” to “Voluntary committed cost sharing is prohibited” in all other announcements and solicitations.

Recent Changes to NSF Cost Sharing Policy

What does the NSF prohibition of voluntary committed cost sharing mean?

- Line M will only be available for mandatory cost sharing commitments
- Only the level of effort that NSF is funding should be quantified in the proposal
- Current and pending support should include level of PI effort (NSF does not view this as voluntary committed cost sharing)
- Level of effort = drawing salaries

Pre-award proposal review for cost share

What does OSPRA look for during the proposal review?

- The proposal text and budget/budget justification are reviewed for commitments of University resources, particularly commitments that are quantified.
- If cost sharing is committed, have the appropriate approvals been obtained?
- Is a cost sharing commitment recorded on the proposal transmittal form?

Pre-award proposal review for cost share

What does OSPRA look for during the proposal review?

- Is cost sharing required by the sponsor (i.e., mandatory)? If so, what level of cost sharing is required? Are resources overcommitted?
- What resources may (or may not) be used to fulfill the match?
- Are the costs allowable?
- Has a detailed cost sharing budget been provided?

Pre-award proposal review for cost share

What does OSPRA look for during the proposal review?

- Is contributed effort on the part of the PI/co-PI being committed?
- Is the sponsor funding all or part of the PI effort being committed?
- Is an unpaid commitment of PI effort being quantified in the proposal?

Pre-award proposal review for cost share

Consider an NIH proposal

- NIH requires that some level of effort be indicated in on the R&R Budget for all Senior/Key personnel
- No *contributed* effort was noted on the transmittal form
- No funding (or partial funding) was being requested from NIH for the PI's effort

Pre-award proposal review for cost share

Versus an NSF proposal

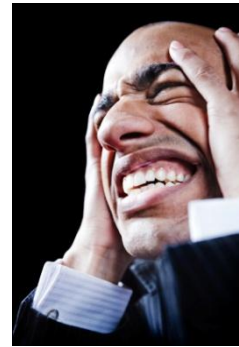
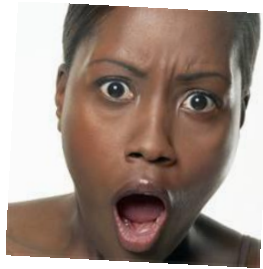
- NSF **prohibits** voluntary committed cost sharing
- That means that all effort on the part of senior personnel that is indicated in the budget must be funded by NSF
- If the salary is not supported by NSF, don't quantify the effort

Pre-award review upon receipt of award

- Review award for cost sharing terms and conditions
- If the amount of the award is reduced, try to negotiate a proportional reduction in cost sharing

So What, It's Only a Proposal!

- A proposal is an offer being made on behalf of the University to do something
- By offering something, we can be bound to deliver it



**OH NO – how
did THAT
happen?!?**



“Red Flag” terms – can mean a cost sharing commitment

- Cost sharing, sharing, matching
- In-kind
- Donated, contributed
- Support at no cost to sponsor
- Allocate, commit, or devote
 - % of time or effort
 - % of salary or \$ amount of salary
- Exclusive use
- Volunteer

Some examples of “Red Flag” terms to look for in proposal/award

“Effort equivalent to \$xx,xxx in salary and benefits will be provided by Professor Z.”

“Professor X will devote 20% (or number of person months) of time to the project at no cost to the sponsor.”

“The department will purchase a [equipment name] at \$xx,xxx for exclusive use in support of the project.”

“The department will provide the use of an electron microscope free of charge for the duration of the project “ – *if the typical practice of the department is to charge for the use of the microscope, this is cost sharing.*

“Company “X” is donating lab supplies with a value of \$5,000 to be used on the project” – *the question to ask is what the supplies would cost if they weren’t being provided free of charge*

Contributed Effort Tracking – After award is executed

1. Department creates payroll appointment on eligible source of funding
2. Department alerts GCO to cost share commitment
3. GCO enters commitment into cost share application
4. GCO periodically extracts committed effort data for upload to the Activity Reporting System (ARS)
5. ARS records fed with Banner pay history data for pay events within the open AY
6. Periodic data validation occurs (GCO/DMI/Dept)
7. Calculations and reporting done as needed by GCO
8. PI confirms contributed effort semi-annually

Contributed Effort Tracking

BOTTOM LINE:

Whether mandated by the sponsor or voluntarily committed (i.e. when effort not supported by the sponsor is quantified in the proposal or award)

Effort commitment becomes a condition of the award and must be:

- Properly documented
- Captured in the Cost-Share application
- Captured in Activity Reporting System
- Confirmed semi-annually

THIS WILL BE AUDITED

“Related Effort” Requirement

Most common - Contributed effort on research projects – Salary must originate from a source with an activity code related to research to be eligible

Related effort that is allowable for cost-sharing on a research project:

- Organized research
- Departmental research
- Thesis supervision

Related Effort; grid from ARS

NACUBO Function Code of providing appointment (Derived from program hierarchy and the program shown on the labor distribution)	NACUBO function code of project account for which cost sharing is being provided (shown in the cost sharing box)			
	1000	1100	1200	1300+
1000	Non-thesis Thesis Indirect Instr Dept Research	Thesis Dept Research	N/A	Admin, Technical & Library
1100 or 1110	Non-thesis ¹ Thesis Indirect Instruction	Organized research	N/A	Admin, Technical & Library
1200	N/A	N/A	Extension/ public service	Admin, Technical & Library
1300	N/A	N/A	N/A	Admin, Technical & Library

Name
 UIN

[Select another employee](#) [Select another department](#)
[Previous Employee](#) [Next Employee](#)
[View/Return to Dept Error report](#)
[View appointments for current year](#)
[Salary summary, appts for all years](#)
[View sections, update section SOF for this instructor](#)
[Cost-sharing commitments in this department:](#)

Pct	Grant	NACUBO	Dates		AnnFTE
20%	A3674	1100	8/16/2009	5/10/2010	14.74%

 Minimum Overall CS annualized FTE: 14.74%
 NACUBO 1100 Minimum Total CS annualized FTE:
 14.74%

Example of Employee record from ARS

SOF	Fund	Acct	Program (NACUBO)	Ann ual ized FTE	YTD Pay	Obl- igated Pay	Activity Percents - click here for a grid of permissible activities											
							Instruction					Dept. Res	Orgnzd Resrch	Admin Tech Library	Paid Leave	Extn Public Svc	Alum Dev Cmty	Gen Spec Svc
							Class room	Ind Study	Online	Thesis	In- direct							
S	100010	211100	361001 (1000)	49.97	\$83,333	\$0	<input type="text" value="30"/>	<input type="text" value="5"/>	<input type="text" value="0"/>	<input type="text" value="25"/>	<input type="text" value="0"/>	<input type="text" value="40"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	
Cost Sharing Percents -----> (Suggestion: at least 30% if this line is the only one with this NACUBO with cost sharing)							<input type="text" value="0"/>					<input type="text" value="30"/>						
S	100011	211100	361001 (1000)	10.03	\$16,666	\$0	<input type="text" value="30"/>	<input type="text" value="5"/>	<input type="text" value="0"/>	<input type="text" value="25"/>	<input type="text" value="0"/>	<input type="text" value="40"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	
Cost Sharing Percents -----> (This line alone will not fulfill the cost share commitment for this NACUBO)							<input type="text" value="0"/>					<input type="text" value="0"/>						
G	488281	211200	191100 (1100)	3.89	\$6,944	\$0	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="100"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	
G	489943	211200	191100 (1100)	8.33	\$6,944	\$0	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="100"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	
O	627306	211100	191300 (1300)	15.00	\$25,000	\$0	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="100"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	

“HARD” Match

Cost sharing other than contributed effort of PI/faculty and other academic personnel that is provided in direct support of the sponsored project.

“HARD” Match

To be eligible for hard dollar cost-share, the source of funding cannot be directly from the award or from any federal source.

Cost share may be provided by a non-federal sponsored project; this is rare and is allowable only if approved by both sponsors.

Tracking “HARD” Match

- Costs must be charged to a separate [eligible] fund or a separate [eligible] program code (attach attributes in FTMFATA)
- Fund/program code title should indicate project to which the cost sharing relates
- Reporting done directly from hard match funding source with calculations for fringe, F&A and tuition remission as necessary; disallowed costs are excluded from the calculations

“HARD” Match / funds

Fund types that are ineligible to use as the hard match fund or to use in the cfoapal with the hard match program code

4A – Federal sponsored projects

4Y – Federal Ag appropriations

3E – Service and Storeroom Activities

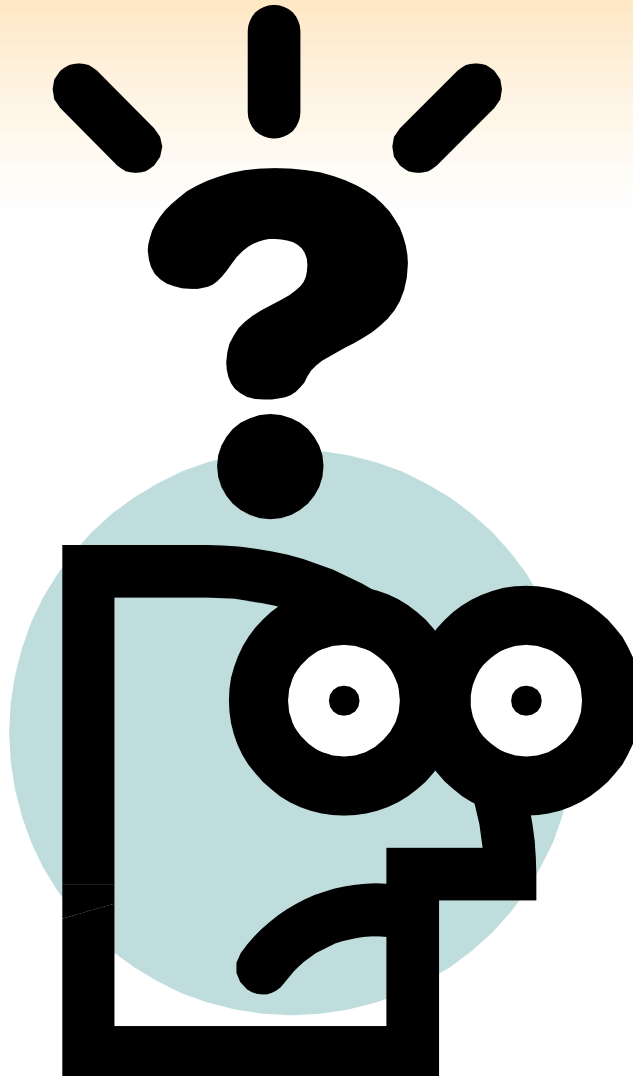
**Intermission – Hope to see you
back for Part 2 😊**

X



Welcome Back!

Cost Sharing (Part 2)



Who Cares?

Who Cares --

Who are the “stakeholders”?

- **Investigators**
 - Meet sponsor requirements
 - Perceived to ensure a “favorable” review
 - Perceived to be a gauge of the institutional or departmental support of the project
 - If voluntary cost sharing is prohibited by the sponsor and still included, the proposal can be rejected
- **Departmental business office personnel**
 - Track Unit resources
 - Meet procedural requirements

Who Else Cares?

- **OSPRA, GCO Post Award & Gov't Costing**
 - Review proposals for commitments and ensure these can be met
 - Record commitments
 - Report to sponsors as required
 - Ensure compliance with A21 and A110
 - Accurately calculate F&A rate/cost pools
- **Sponsors**
 - For reasons cost sharing was encouraged
 - Compliance – again, watch for PROHIBITED

Who Else Cares?

University Administration (“Pres Mike”)

Cost sharing commits University resources.

This is REAL money and is also an opportunity cost. Once committed for project A, these resources are not available for project B (or anything else)

Contributed effort – committing University resources

Resources committed = **Real** University \$\$\$

It's not Monopoly money and it doesn't grow on trees



Does Anybody Else Care?

You bet --

This is a hot topic
with “The Feds”

(and A133 auditors)



FY10 Expenditures

Total Sponsored & Fed Ag \$1,008,373,308

Total from Federal ~76% \$ 764,444,097

HHS	\$287,147,365
NSF	\$131,677,967
DoD	\$ 59,892,189
DOE	\$ 47,229,661
USDA	\$ 39,662,556 *
Ed	\$145,652,447 **

* USDA total includes \$15.6 mil from fed ag approp funds

**Ed total includes \$71.8 mil in SFA and \$45.5 mil one-time SFSF (ARRA)

A133 audit procedures

Auditors conducting A133 compliance audits are directed to:

- Perform tests to verify required (mandatory or voluntarily committed) cost share was met
- Verify sources of cost share are allowable
- Test 3rd party cost share, verify values claimed are in accordance with A110
- Test cost share transactions to verify allowable cost principles were met (A21)

Office of the Inspector General (IG)

IG offices are the “oversight” arms of the respective federal agencies

Per the Inspector General Act of 1978, part of the Inspector General's mission is to conduct “independent and objective audits, investigations and inspections”

Office of the Inspector General (IG)

Cost sharing is subject to audit just like the direct and indirect costs charged to the federal projects

- If cost sharing is not adequately documented:
 - Awardee did not meet requirements
 - Funds not needed
- Must be able to confirm/support cost-sharing; including sub-recipient cost-sharing
- Cost sharing has been “targeted”

Department of Justice

“False Claims Act” settlements

Some reasons stated for recent audit findings and multi-million dollar settlements related to cost-sharing:

- Lack of internal control for managing & reporting cost sharing
- Cost share claimed was not tracked in separate funding sources
- Entity could not support their cost sharing claims (undocumented or ineligible claims)

Substantiation of Contributed Effort

“PROVE IT!”

What will the auditor/sponsor ask to see?

– Appointment verification

- Was the cost share properly recorded?
 - Cost share and ARS records
- Was the source of funding allowable?
 - Banner HR and ARS records

– Semi-annual confirmations

- PI confirmation includes confirmation of cost share claimed as contributed effort (currently, hard match is not included)

Substantiation of Hard Match

**What will the auditor/sponsor ask to see
in audit/review?**

- Costs charged to separate funding source and not counted as cost-share for any other project
- Only allowable costs were claimed
- Not paid from a federal source
- No equipment “issues”

What is a “Good” Cost Sharing Charge

- Eligible source of funding; not from federal dollars
- Documented and verifiable (audit standards)
- Necessary and reasonable for project objective (allowable costs)
- Not used for any other cost sharing contribution
- Provided for in the budget or budget narrative (committed)

Allowable Costs

Elements of allowability:

- Reasonable
- Allocable
- Consistently treated

What is expected of **OSPRA** personnel?

At Pre Award stage --

- Assist departments in understanding the full impact of committing departmental and institutional resources as cost share (training and communication)
- Review proposals to determine if cost-sharing commitment exists; check for agreement with any cost-share noted on the transmittal form
- Check that cost-share budgets contain allowable costs and approvals for cost-share have been obtained
- Work with department to remove prohibited voluntary cost-sharing commitments from NSF proposals before submission

What is expected of **Department** personnel?

At Pre-Award stage --

- Assist faculty in understanding the full impact of committing departmental and institutional resources as cost share
- Encourage faculty to request direct salary support (don't commit to cost share unless the department can support the commitment)
- Monitor faculty effort & resource commitments to avoid over commitment of resources
- Don't bury cost share commitments of any type in the text of the proposal; make the commitments are "up front" in the budget/budget narrative and are easy to identify (if awarded, these will need to be appropriately recorded and tracked)

What is expected of **Department** personnel?

At Post-Award Stage --

- Discourage use of previously purchased equipment to meet cost share commitment
- Set up payroll appointments on eligible funding sources for faculty/academic personnel that are contributing effort; need to ensure cost share effort is handled appropriately (as contributed effort, not as hard match)
- Ensure contributed effort is part of the semi-annual confirmation process; if the cost share attachment to the confirmation form is missing, contact GCO to investigate

What else is expected of **Department** personnel? At Post-Award stage --

- Know how to recognize a “good cost”; review the charges to the hard match funding source to ensure the costs are in direct support of the project and are allowable costs
- Identify the sources used to meet the cost share commitment and work with GCO Post Award staff to provide documentation necessary to meet reporting, billing, and audit requirements
- Don’t be afraid to ask questions!!

What is expected of **GCO Post-Award** personnel?

- Read executed award documents thoroughly to determine if cost share is committed
- Update cost share system with contributed effort details as needed; create data files for ARS upload
- Communicate with departments to ensure separate funds or program codes are established to track hard match expenses as needed (must be eligible fund or program code)
- Remind departments that salary for faculty/academic personnel cost share is to be captured as contributed effort and confirmed semi-annually; this salary is NOT to be charged to the fund or program code set up for hard match

What else is expected of **GCO Post-Award** personnel?

- Ensure cost share reporting requirements are met in a timely manner – work with the departments as needed
- Cost share amounts claimed are subject to audit --
Ensure the amount of cost share claimed is adequately documented at the time it is reported. GCO will work with department personnel to obtain supporting documentation for contributed effort, hard match, and 3rd party cost share being claimed.
- Ask questions!

Other things to keep in mind

Unfulfilled cost sharing commitments or lack of documentation may result in a reduction of costs allowed against the sponsored project and a return of funds to the agency.

Also, keep in mind that the cost sharing commitment is not automatically reduced when an award is reduced. If the awarded amount is reduced from the proposed amount, the committed cost sharing may need to be renegotiated and adjusted accordingly, particularly if the awarded budget requires a change in the scope of work.

Almost Done!

Wrap up formal presentation

Questions?

The End – Thank you!

