

Proposing and Managing Cost Sharing

PRESENTED BY OFFICE OF SPONSORED PROGRAMS

Cost Sharing (UVA Policy FIN-051)

- Cost Sharing represents the sponsored project costs (direct and indirect) that *would normally be borne by the sponsor, but instead are covered by the institution or a third party, such as a subcontractor*
- Types of cost sharing
 - Mandatory-Required by the sponsor & an award condition included in the solicitation; a binding commitment
 - Voluntary Committed-Not required by the sponsor, but PI offers *quantifiable* institutional resources in the proposal; when awarded, becomes a binding commitment
 - Voluntary Uncommitted - Institution supports research costs, which are not included or quantified in the proposal; when awarded, does not become a binding commitment and will not require a companion account
 - ***Over-the-cap salary (e.g., NIH salary cap)-statutory requirement, type of mandatory cost sharing***

Considerations Before Committing to Cost Share

- Federal guidelines specifically state “cost sharing” is not expected in proposals and cannot be used as a factor during the merit review process
- Cost sharing increases administrative burden on the research team, increases audit risks for the institution, & negatively impacts the F&A recovery
- Commitments from other organizations require the research team to confirm third party collaborations via letters of intent and results in considerable discussion and debate between research sites wasting valuable creative time
- PIs could avoid voluntarily offering cost sharing (*in most of the cases*):
 - If the solicitation does not call it, consider including institutional resources in *non-monetary* terms and in “facilities, equipment and other resources” section, not as cost sharing

Impacts of Cost Sharing

- Financial-F&A Rate
- Administrative
- Compliance

- *Surely some positive impacts – supporting award-winning research!*

Calculation of the Facilities & Administrative Cost Rate

No Cost Sharing

F&A COSTS

- Building Depreciation
- Equipment Depreciation
- Interest on Debt
- Operations & Maintenance
- Library Support
- General Administration
- Departmental Administration
- Sponsored Project Administration

DIRECT COSTS

- Research Salaries & Fringes
- Consultant Services
- Travel
- Technical Services
- Research Supplies
- Subcontracts up to \$25,000

\$69,540,000 ← F&A Costs ÷ Direct Costs → \$114,000,000

0.61 = 61%

Calculation of the Facilities & Administrative Cost Rate

With Cost Sharing

F&A COSTS

- Building Depreciation
- Equipment Depreciation
- Interest on Debt
- Operations & Maintenance
- Library Support
- General Administration
- Departmental Administration
- Sponsored Project Administration

DIRECT COSTS

- Research Salaries & Fringes
- Consultant Services
- Travel
- Technical Services
- Research Supplies
- Subcontracts up to \$25,000
- **Cost Sharing \$1.5M**

$\$69,540,000 \leftarrow \text{F\&A Costs} \div \text{Direct Costs} \rightarrow \$115,500,000$

$0.60 = 60\%$

Impact of Cost Sharing-Compliance

Regulatory Expectation

Verifiable from recipients records

Allowable under federal cost principles

Necessary and reasonable for proper and efficient accomplishment of project goals

Not included as contributions for any other federal projects

Not paid by federal government under another award

Auditor Expectation

Costs recorded separately for identification & inclusion in the F&A rate calculation

Costs being subject to same regulatory oversight as the sponsored award

Costs claimed as cost sharing are benefitting the research project

PI certification including third party cost sharing

Cost sharing is not coming from a federally funded "G" award



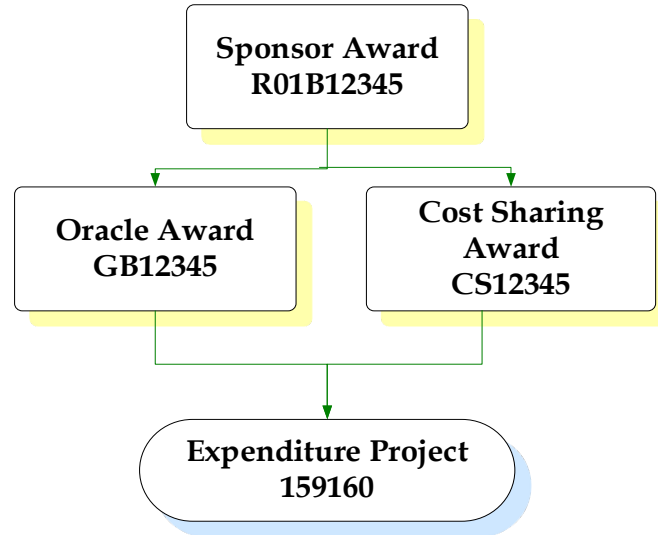
Responsibilities of Administrators Supporting The PIs

Responsibility of the Research (Department) Administrator preparing proposal budgets:

- Review program solicitation and identify if mandatory cost sharing is required
- Avoid including voluntary cost sharing
 - *Remember to check if there is enough salary support in non-sponsored PTAO to cover over the cap salary for NIH awards*
- Sponsored projects require key personnel commit to a minimum of 1% effort
 - PI effort should have associated budget for salary and benefits
 - When PI effort does not have salaries budgeted, it becomes a cost sharing situation

UVA Procedure for Managing Cost Sharing

Cost Sharing Companion Account Structure



Setting Up Cost Sharing PTAO

- ❖ Post Award reviews award document to confirm cost sharing commitment & budget
- ❖ Department provides non-sponsored PTAO(s) to fund required cost sharing budget
- ❖ Companion Account/s (CS award prefix) created by Post Award with the following criteria:
 - ❑ CS award with the same Award Start and End Dates, Allowable Cost Schedule, Transaction Controls as the sponsored Award (G award)
 - ❑ CS award with the same Award Purpose Code as the source funding the cost sharing, e.g., 2075-10 when a DR award is used to support cost sharing
 - ❑ CS award is linked to the same Expenditure Project as the “G” Award (*with the **exception of State E&G funds (SG Awards)** – a separate project is created for financial reporting requirements to the State*)
 - ❑ CS award is linked to the same Revenue Project as the funding source award (e.g., DR award revenue project)

Setting Up CS Companion PTAO

Cost sharing companion awards are funded from institutional funding source/s identified by the department

CS award is linked to the Revenue Project of the Institutional non-G Award (e.g., ER12345.155960)

Cost sharing companion awards expend through sponsored award expenditure project

CS award is linked to the Expenditure Project of the sponsored award (e.g., GB12345.159160)

More on Cost Sharing PTAOs

- ❖ Post Award notifies the Budget Office or other Central Office/s responsible for overseeing the funding source (e.g., IP=VPR, FI=Fixed Asset), the Oracle Award Manager (funding source owner) and Oracle Fiscal Contact of the CS PTAO
- ❖ Post Award coordinates the amount of funding to move to the CS award with the Award Manager assigned to the cost share funding source award (e.g., SS, SG, DR, FI, IP, etc.), who may want to move funds equal to expenses estimated during the remainder of the fiscal year
- ❖ *An important reminder for the departments:* CS Award expenses will need to be taken into consideration while projecting expenses and creating non-sponsored budgets for the funding source that is used to cover cost sharing
- ❖ PI starts spending from the CS PTAO, LD lines are set up for salary, purchase orders for OTPS, internal billing is set up for core labs, T&E card is used for travel reimbursements
- ❖ Department tracks cost shared expenditures and initiates request for additional funding, when required

Managing Cost Sharing Companion Awards

Ongoing Financial Management of Cost Sharing PTAO:

- ❖ PI reviews CS award budget and expenses during monthly recon@process
- ❖ PI certifies effort spent on CS awards during the effort reporting cycle
- ❖ Department Administrator tracks expenses and ensures CS award is appropriately funded
 - ❖ *CS awards are funded from FYTD projects, important for the department budget office to know of the current and pending commitments so that they can be included in the yearly budgets*
- ❖ Post Award reviews cost shared expenditures, ensuring compliance with sponsor requirements, submits financial reports to sponsors and closes CS award along with the G award

Mock BBA for Cost Share PTAO

Project from: 01-Jul-2017 to: 30-Jun-2020 PERIOD: JUN-FY2018

AWARD: CS12345

Award Name: Expect Miracles NIH AGENCY AWARD#: R01B12345

Award from: 01-Jul-2017 to: 30-Jun-2020

Expenditure Category	Total ITD Budget	Period Budget Activity	FY Costs	Project TD Costs	Commitment	Project TD Budget Balance
Staff Salaries	0.00	0.00	<u>456.00</u>	456.00	0.00	(456.00)
GRA Assistantship	0.00	0.00	<u>50,000</u>	129,026.97	0.00	(129,026.97)
Paid Leave Allocation	0.00	0.00	<u>5.56</u>	68.40	0.00	(68.40)
Staff Benefits Allocation	0.00	0.00	<u>136.34</u>	136.34	0.00	(136.34)
Materials and Supplies	0.00	0.00	<u>0.00</u>	16,135.99	0.00	(16,135.99)
Travel	0.00	0.00	<u>0.00</u>	7,145.38	0.00	(7,145.38)
Tuition Remission Allocation	0.00	0.00	<u>54,025</u>	74,185.46	0.00	(74,185.46)
Indirect Cost	0.00	0.00	<u>0.00</u>	0.00	0.00	0.00
Total	0.00	0.00	104,622.90	227,154.54	0.00	(227,154.54)