COST SHARING ON SPONSORED PROJECTS

I. REFERENCES


B. UCSD Cost Accounting Standards Board Disclosure Statement (CASB DS-2) dated June 30, 1996

C. National Science Foundation Grant Policy Manual, NSF 95-26, July 1995

D. Public Health Service Grants Policy Statement (Revised) April 1, 1994

E. Contract and Grant Manual, Chapter 5, Circular No. 17, January 1996

F. OMB Circular A-110; Subpart .23 - Cost Sharing or Matching

G. Accounting Manual Chapter A-000-7, Official Documentation Required In Support of University Financial Transactions

H. UCSD Policy and Procedure Manual (PPM)

150-14 Facilities and Administrative Cost Rates Development Process and Timetable

150-15 Facilities and Administrative Cost Rates Applicable to Research, and other Federal and Non-Federal Sponsored Projects

150-66 Personnel Activity Report System

II. DEFINITIONS

A. Departmental Research

Research, development, and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research is not a separate major function but is part of the instructional function of the institution.
B. Facility and Administration (F&A) Costs

Revised Paragraph Effective 8/1/2001

Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instruction activity, or any other institutional activity and cannot be directly charged. A grouping of incurred costs that is identified with two or more cost objectives but not with any final cost objective is referred to as an F&A cost pool. F&A costs are also referred to as "indirect" costs.

End Revised Paragraph

C. Formal Cost Sharing

A commitment of University resources or funding that supplements externally sponsored projects. Supplemental funding may be required as a condition of accepting a sponsored project (mandatory cost sharing) or may be a voluntary commitment at the University's discretion.

Formal cost sharing exists if one or more of the following criteria apply:

1. It is included and quantified (e.g. % effort and/or dollar amount) in the proposal budget;
2. It is specifically identified and quantified in the proposal narrative;
3. It is included and quantified in the award document, either directly or by reference to the proposal.

D. Mandatory Cost Sharing

University resources/funding which are required by the sponsor as a condition of accepting a sponsored project. Formal cost sharing includes all mandatory cost sharing.

E. Organized Research

All research and development activities of an institution that are separately budgeted and accounted for, including:

1. Sponsored Research - all research and development activities that are sponsored by Federal and non-Federal agencies and organizations;
2. University Research - all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds.
F. Project Collaboration or Enhancement

A Voluntary commitment of University resources/funding to supplement externally sponsored projects.

Project Collaboration or Enhancement exists if all of the following criteria apply:

1. It is not quantified in the proposal budget;
2. It is not quantified in a narrative or transmittal letter, and support is described as resources available for the project;
3. It is not required as a condition to the acceptance of the award.

G. Statutory Cost Sharing

The National Science Foundation (NSF) requires that each grantee share in the cost of research projects resulting from unsolicited proposals. The grantee may meet the statutory cost sharing requirement by choosing one of two alternatives:

1. by cost sharing a minimum of one percent of the project, or
2. by cost sharing a minimum of one percent on the aggregate costs of all NSF supported projects requiring cost sharing.

UCSD received approval from NSF to use the Facilities and Administrative cost rate calculation as the basis for demonstrating an aggregate one percent cost sharing in a letter dated June 9, 1988. (See Exhibit A)

III. POLICY

All campus recipients of sponsored awards will comply with all mandatory cost sharing commitments on all Federal and other external sponsored projects. In addition, all campus recipients of sponsored awards, which include formal cost sharing commitments, will comply with campus requirements. Campus compliance requirements include:

• Approval of Formal Cost Sharing in the proposal;
• Accounting for Formal Cost Sharing as it occurs;
• Certification of Formal Cost Shared effort in the same cycle as certification of direct charged effort; [revised 5/18/2005]
• Reporting of Formal Cost Sharing to awarding agencies; and
• Classification of the Formal Cost Sharing in the same functional base as the project itself when F&A cost rates are calculated.
A. Approval of Formal Cost Sharing in the Proposal

1. When submitting proposals, the Principal Investigator (PI) or the department will complete the Request for Extramural Support Form (RES). One of the questions on the RES requires the PI / department to identify whether formal cost sharing is part of the proposal. If the proposal includes subaward recipients that are also responsible for cost sharing, written documentation for the proposed subawardee confirming such commitments must also be included with the proposal. If formal cost sharing is part of the proposal, the RES or other supporting documents must include:

   a. Type of cost sharing - Expenditure (equipment, salaries and benefits, supplies, other expense) or Non-Expenditure;

   b. Description and amount of cost sharing; and,

   c. Appropriate department, divisional dean or vice chancellor approval.

After the RES is completed, the original plus four (4) copies is routed with the proposal package to the Office of Contracts and Grants Administration (OCGA).

2. When proposals include a commitment of effort or other resources, that effort or other commitment will constitute formal cost sharing on that project. If the sponsoring agency does not award the full amount of requested proposed project costs, the differential between the costs proposed and the funds awarded will not be considered formal cost sharing unless:

   a. The sponsor specifically identifies the differential as cost sharing in the award terms and conditions; or

   b. The University submits a revised budget identifying the differential as cost sharing.

B. Accounting for Formal Cost Sharing

1. Documentation and Tracking

By accepting an award with formal cost sharing, the University incurs an obligation to document, track, and report the financial contributions to the sponsored project. The University’s post award administration of sponsored projects includes the review of all proposals and awards to ensure that cost sharing requirements, if any, are consistent with agency and University policies and commensurate with the value of the projects to the University.
2. Allowability of Cost Sharing Costs

The specific award terms and conditions usually determine allowability of cost sharing costs. When a project is funded, the University practice follows the guidance on allowable costs given in Office of Management Budget (OMB) Circular A-110. In accordance with OMB A-110, formal cost sharing must be verifiable, related to the program objectives, allowable under the applicable cost principles of OMB Circular A-21, and shown in the approved budget. Income earned under the award may not count as cost sharing unless expressly authorized by the sponsoring agency.

Costs are allowable as University cost sharing contributions on sponsored projects provided they:

a. Adhere to the four Cost Accounting Standards (CAS) as defined by the Cost Accounting Standards Board (CASB) and OMB Circular A-21;

b. Qualify as allowable costs under provisions of OMB Circular A-21;

c. Do not duplicate the costs included in the University’s F&A costs rates; and

d. Have not been charged to any other Federal contract or grant.

Where a sponsored project which includes a formal cost sharing commitment is awarded at less than the proposed amount, the department or ORU has the option to renegotiate the amount of the cost sharing commitment.

Note: Cost Accounting Standards (CAS) 501 which is incorporated in OMB Circular A-21, requires consistency between proposal budget cost estimates and actual cost accumulation and reporting. This consistency requirement applies to formal cost sharing. If cost sharing is estimated as part of the project cost, it must be tracked as part of the project cost, regardless of the fund source.

3. Direct Costs/Facilities and Administrative (F&A) Costs

Direct Costs may be contributed to a sponsored project subject to the cost sharing terms and conditions of the proposed project and University policy. If a cost sharing commitment includes direct project costs which would normally generate F&A cost recovery if the costs were charged to a sponsored project, the total cost sharing commitment should include the associated F&A costs, calculated at the appropriate negotiated F&A rate.
4. Commitment of Effort

Where a sponsoring agency recognizes a commitment of effort or other resources as an estimate, rather than as a firm commitment, then, subject to any restrictions on this approach by the agency, the actual effort or other commitment applied will constitute the formal cost sharing on that project. Otherwise, the commitment made in the proposal or specified in the award constitutes the formal cost sharing.

C. Certification of Formal Cost Shared Effort

Personnel effort which is formally cost shared will be reported and certified on the Cost Sharing Contribution Report. This report, located in the Standards Reports section of the Cost Sharing System (8/1/2001), recaps all actual cost sharing for each project per its reporting period, and includes a certification for cost sharing of effort.

D. Reporting of Formal Cost Sharing to awarding agencies

Formal Cost Sharing commitments, excluding personnel effort of 5% or less, must be reported in project financial statements. The financial reports of the project will contain the total actual cost sharing amount. This amount will be reported to the sponsoring agency in accordance with the terms and conditions of the award document. Records are maintained for audit purposes according to the University's Record Retention PPM 480-20.

E. Classification of Formal Cost Sharing

Formal cost sharing must be classified in the same functional base as the project itself when campus F&A cost rates are calculated.

IV. EXCEPTIONS

Enumerated below are certain types of cost sharing commitments and examples of other university resources, which are exempt from the Formal Cost Sharing requirements.

A. Individual formal cost sharing commitments of personnel effort of 5% or less;

B. Commitments that are not quantified in either cost, percent of effort, or some other measure that can be reduced to a cost element. For example, University expenditures in support of research which are not separately budgeted, and which are not quantified in either the project proposal and/or in the award notice, are classified as departmental research.

C. Proposal costs of both successful and unsuccessful bids and proposals. Normally these costs should be treated as F&A costs, and allocated to all activities of the institution in F&A cost rate calculations. The portion representing the salaries and fringe benefits
attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads), and other professional personnel conducting research and/or instruction, shall be included in the Department Administration F&A cost pool.

D. Awards which are non-federal and are for construction, outfitting, and/or equipment.

V. PROCEDURES

The Cost Sharing System (CSS) (8/1/2001) is the university’s official system used for tracking, verifying and reporting formal cost sharing. For detailed information regarding the subsystem, please access http://blink.ucsd.edu/finance/awards/cost-sharing/system/index.html

Procedures for tracking, verifying, and reporting formal cost sharing vary according to the type and category of commitment.

NOTE: Hereinafter, any reference to cost sharing denotes formal cost sharing.

A. Proposal Submission

When submitting proposals, the Principal Investigator (PI) or the department will complete the Request for Extramural Support Form (RES). One of the questions on the RES requires the PI/department to identify whether formal cost sharing is part of the proposal.

There are two types of cost sharing, and each type includes different categories:

1. Expenditure Type - This type includes the following categories:
   a. Salaries and benefits;
   b. Equipment (cannot be depreciated or counted against another cost sharing opportunity);
   c. Supplies and other expenses;
   d. The corresponding F&A costs associated with this cost sharing, identified by application of the appropriate F&A rate.

   The department manager or divisional dean providing the resource must authorize expenditure type cost sharing.

2. Non-Expenditure Type - This type includes the following categories:
   a. Value of land;
b. Depreciation of buildings, previously acquired equipment, general improvements, and capitalized renovations;

   c. Other project-specific F&A costs that are designated as cost sharing for the project and would be excluded from future F&A cost rate calculations.

Use of the above non-expenditure cost sharing requires the approval of the Vice Chancellor, Resource Management and Planning.

B. Approval of Formal Cost Sharing Commitments

If formal cost sharing is part of the proposal, the RES or other supporting documents must include:

1. Type of cost sharing - Expenditure (equipment, salaries and benefits, supplies, other expense) or Non-Expenditure;

2. Description and amount of cost sharing;

3. Appropriate department, divisional dean or vice chancellor approval.

   If the proposal includes subaward recipients that are also responsible for cost sharing, written documentation from the proposed subawardee confirming such commitments must also be included with the proposal.

C. Post-Award Accounting for Formal Cost Sharing

Formal cost sharing will be tracked in the University's Cost Sharing (CSS) (8/1/2001) using the information from the following:

1. Personnel/Payroll System (PPS) for salaries and benefits;

2. Integrated Financial Information System (IFIS) for equipment, supplies and other expenses;

3. Equipment Acquisition Management System (EAMS) for equipment previously purchased;


Note: To ensure that all recipients of sponsored projects with formal cost sharing commitments meet policy requirements, the recording of all formal cost sharing commitments on the CSS (8/1/2001) will be mandatory for all new and continuing awards effective 7/1/98. For awards received prior to this time, use of the CSS (8/1/2001) for recording formal cost sharing commitments is strongly encouraged, but award recipients...
can choose to manually record and track cost sharing commitments, as long as they provide the Cost Sharing Contribution Report to Office of Post Award Financial Services (8/1/2001) within the time frame required by the agency (i.e. monthly, quarterly, annually, end of the project).

When an award with cost sharing is received, or when pre-award spending authority on such a project is given, OCGA will submit the fully executed award document to Office of Post Award Financial Services (OPAFS) (8/1/2001). OPAFS (8/1/2001) will establish an index/fund for the funding agency portion in IFIS and flag the cost sharing field in the GRANTTBL. Preliminary data will flow from the IFIS system to the CSS (8/1/2001) and will be updated by the department.

The department will create a unique Index Number in IFIS on all fund sources that will be utilized for cost sharing.

D. Cost Sharing Budget Information

Departments will enter cost sharing budget information in accordance with the awarded proposal or award document. For example, if the award specifies cost sharing of 10% personnel effort, a budget with that equivalent dollar amount needs to be established in the CSS (8/1/2001) referencing the fund source used for cost sharing. A single award can have numerous “budgets” to account for cost sharing. University's Cost Sharing System (8/1/2001) requires entry of a variety of information depending on the type of formal cost sharing. For more details, please access http://blink.ucsd.edu/finance/awards/cost-sharing/system/index.html

E. Project Tracking

The Cost Sharing System (CSS) (8/1/2001) will provide reports that accumulate cost sharing by budget and/or project period and track start and end dates, ceiling amounts, and specified months for cost sharing. An exception report entitled Salary Commitment Report is provided to validate and check the level of effort per employee in order not to exceed 100%.

1. On a monthly basis, the department needs to review the cost sharing reports and transactions, compare what has been recorded vs. budget, and make adjustments as necessary. Payroll and Non-Payroll Expenditure transactions are automatically downloaded once a month. Non-Expenditure Equipment transactions are downloaded at the time the budget is created.

   a. Payroll Transactions

      On a monthly basis, Payroll Distribution of Payroll Expense (DOPE) records will be checked by the system for matching index numbers, time frames and
UC Identification (UCID) numbers. When a match is found a transaction will be created with:

1) Actual salary and benefit dollars cost shared for the period;
2) Total salary and benefit dollars cost shared cumulative to date;
3) Remaining balance to be cost shared within the budget or project period.

This information ties back to Payroll DOPE reports for audit purposes.

b. Non-Payroll Expenditure Transactions (Including Equipment)

Periodically, CSS (8/1/2001) will check IFIS for transactions that meet the cost-sharing criterion.

Note: If only a portion of the purchase price is used for cost sharing, the Department can adjust the dollar amount extracted from IFIS.

c. Equipment in Inventory

Downloading from the EAMS system will generate these transactions.

d. Non-Expenditure Transactions

For other miscellaneous non-expenditure categories of cost sharing, the department will enter the information into the CSS (8/1/2001).

2. The financial reports of the project will contain the total actual cost sharing amount. This amount will be reported to the sponsoring agency in accordance with the terms and conditions of the award document. Records are maintained for audit purposes according to the University's Record Retention PPM 480-20.

F. Project Completion

At the end of the award period, the department will generate a Cost Sharing Contribution Report from CSS (8/1/2001). The report must be signed by the Principal Investigator and submitted to OPAFS (8/1/2001).
G. Record Retention

For audit purposes, the Cost Sharing Contribution Report constitutes the primary record substantiating the University's cost sharing participation for individual awards. However, Principal Investigators and departments must be prepared to provide federal auditors with such supplementary information and records as might be necessary to explain the costs certified as having been contributed.

V. RESPONSIBILITIES

A. Department Chair or Director

Supervises the reporting procedures applicable to activities under their Direction.

B. Principal Investigator/Department

1. Advises Purchasing of subawardee cost sharing requirements;

2. Ensures that the cost sharing portion of the Request for Extramural Support (RES) form is complete and submitted with each proposal;

3. Ensures consistency between proposal budget costs and actual accumulating and reporting practices;

4. Reports and certifies all cost sharing efforts on the Personnel Activity Reports;

5. Ensures that required cost sharing data is entered into the CSS (8/1/2001);

6. Prints Cost Sharing Contribution Report from the CSS (8/1/2001) or in the case of awards not under CSS (8/1/2001), manually tracks cost sharing and prints a Cost Sharing Contribution Report to OPAFS (8/1/2001). Obtains the PI signature and forwards the completed report to OPAFS (8/1/2001);

7. Ensures the availability of records and information to support cost sharing certifications;

8. Ensures that the University's cost sharing commitment is fulfilled for all cost sharing, including coordination and reporting of subawardee cost sharing.

C. Office of Post Award Financial Services (8/1/2001)

1. Ensures that a cost-sharing budget is set up in IFIS;

2. Ensures that the amount cost shared is in compliance with CAS and agency policies;
3. Coordinates completion of Institutional and Cost Sharing Contribution Reports;

4. Ensures that the level of accounting detail equals or exceeds the level of budget detail in proposals;

5. Submits Institutional and Cost Sharing Contribution Reports to funding agencies as required;


D. Office of Contract and Grant Administration

1. Advises departments on appropriate cost sharing and analyzes proposals for compliance with cost sharing requirements;

2. Coordinates the campus review and approval process for the cost sharing;

3. Upon acceptance of an award, notifies OPAFS (8/1/2001) of cost sharing requirements;

4. Request approval from sponsoring agencies for changes in cost sharing, as necessary.

E. Vice-Chancellor, Resource Management & Planning

1. Approves non-expenditure cost sharing commitments.
EXHIBIT A

NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550

June 9, 1988

Mr. Bill Brophy
Office of the Vice Chancellor
Administration
Mail Code Q-057
University of California-San Diego
LaJolla, CA  92038

Dear Mr. Brophy:

The National Science Foundation has no objection to your organization using an alternate method of documenting compliance with the NSF cost-sharing requirement as proposed in your letter of May 4th addressed to Stanley Gunsher, Office of Audit and Oversight. We understand that your method is based on the Indirect Cost System (ICS) used at UCSD to develop the rate proposals. As illustrated in the attachments to your letter, the method appears to meet NSF cost-sharing policies and is acceptable.

If Mr. Gunsher or I can be of further assistance in this matter, please let us know.

Sincerely,

William S. Kirby, Head
Policy Office
Division of Grants and Contracts

cc: Stan Gunsher, CAO