

Cost Sharing Policy

LEHIGH UNIVERSITY Office of Research and Sponsored Programs COST SHARING POLICY

INTRODUCTION

The following document comprises the University's policy on cost sharing, monitoring project-by-project cost sharing and reporting such cost sharing to sponsoring agencies. The policy was developed for the following purposes:

- To provide guidance regarding the circumstances in which cost sharing is permitted by the University, including what kind of services, expenditures, or assets may be cost shared.
- To provide information to the University community regarding the contractual, financial and administrative implications that result from the commitment to cost share.
- To establish procedures by which the University can identify the cost sharing commitments it makes as a condition of obtaining external sponsorship and to demonstrate that it has fulfilled such commitments.
- To establish procedures for recording cost-shared expenditures in the University's accounting system in order to identify cost sharing as required by OMB Circular A-21, "Cost Principles for Higher Education" (A-21).

COST SHARING: RATIONALE AND DESCRIPTION

For many years both the Federal Government and most charitable foundations have considered it the role of universities to conduct research, training and other activities. These sponsors will assist universities by supporting these activities, but many awards do not equal 100% of the cost of the projects. The difference is "cost sharing", and is sometimes required as a condition of receiving awards. Cost sharing is sometimes referred to as "matching."

Mandatory Cost Sharing is cost sharing required by a sponsor as a condition of making an award. If mandatory Cost Sharing is required, the requirement is always specified in the published description of federal programs. The requirement is usually expressed in terms of a percentage of the total project cost or a percentage of the sponsor share of the total project cost although occasionally it is expressed as a fixed dollar amount. Mandatory cost sharing expenses must be identified for cost accounting purposes and must be reported to the sponsor in the financial report of the project.

POLICY

I. Definition of Project Cost Sharing

Cost sharing for a grant or other sponsored agreement represents that portion of the total project costs borne by the University (or a third party), rather than the sponsor. Providing resources for cost sharing is the responsibility of the Principal Investigator (PI) with approval from the appropriate department, college or university official.

Cost sharing of direct costs of Organized Research projects becomes a component of the Organized Research Base for purposes of computing the University's Facilities & Administrative or "Indirect" cost rate.

Federal policies related to inclusion of cost sharing in federal grants and cooperative agreements are listed in OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations" (A-110).

II. The Costing Commitment

When the University accepts an award with a cost sharing commitment, it is making an agreement, subject to audit, that it will provide the stated (or equivalent) services or assets in the performance of the sponsored project. The cost effectiveness and the expected benefits of each cost sharing commitment should be carefully weighed prior to making such commitments. In addition to

the direct costs of these commitments, the administrative requirements and responsibilities inherent in the cost sharing commitment upon the PI, departmental administrators, and central administrators should be considered.

In preparing a proposal offering cost sharing, it is the PIs responsibility with the assistance of ORSP staff to include all cost sharing, in dollar amounts, in the proposal budget and to provide verification of the cost sharing commitment at the time the proposal is submitted internally for University approval on a Cost Sharing Summary form.

In accepting an award including cost sharing, it becomes the University's responsibility to track the cost sharing amounts and to report the cost sharing to the sponsor as required and ensure proper treatment of cost sharing in the Facilities and Administrative Cost Rate Proposal.

III. Expenditures Which May Be Cost-Shared

Cost sharing may consist of several types of direct and indirect costs (or Facilities and Administrative costs). Frequently, cost sharing comprises faculty and staff contributions of time and effort and the related employee benefits, supplies or travel expenses, and related Facilities and Administrative costs. The proposal budget must reflect any cost sharing offered and its monetary value. It is not appropriate to simply disclose the intent to cost share and its monetary value in the narrative. Cost sharing of any direct expense requires documentation and evidence of a direct contribution to the project.

A. Direct Costs

1. Faculty, Student, or Staff Effort

It may be appropriate to contribute faculty, student, or staff effort to the performance of a sponsored project. This commitment to provide such cost sharing binds the University to actually contribute to the effort and also to track, record, and report the associated expenditures. Therefore, the source of funds for cost sharing must be identified on the Cost Sharing Summary form.

Employee benefits related to cost-shared effort are cost shared at the benefits rates for the type of account supporting the cost sharing, which may be different from the pooled benefits rates approved for direct costs to sponsored program accounts.

2. Equipment

Cost sharing the cost of purchase, or a portion of the cost of purchase, for a piece of equipment requires documentation and the equipment must be tracked separately within the University's Fixed Asset Accounting System.

3. Other Direct Costs

Direct costs other than salaries, fringe benefits, or capitalized equipment may be listed by the PI as cost sharing in the proposal budget if required. The written approval of a representative with budgetary authority is needed on the Cost Sharing Summary form.

4. Third Party Cost Sharing

Cost sharing may include both time and effort and goods and services contributed by third parties, sometimes by a subawardee under the prime award. The University is responsible for securing records of, and reporting, such third party cost sharing.

B. Indirect Costs (Facilities and Administrative Costs)

Facilities and Administrative costs are real costs of conducting instruction and research. When direct costs are cost shared, the Facilities and Administrative costs associated with those direct costs are also cost shared. PIs should include Facilities and Administrative costs in the proposal budget to meet any mandatory cost sharing requirement.

IV. Expenditures Which May NOT Be Offered as Cost Sharing

The following expenses represent cost borne by the University, but not allowed by federal regulations to be counted as mandatory cost sharing:

- Administrative salaries, services, supplies and any other costs which are reclassified as Facilities and Administrative costs, rather than direct costs, per A-21, Section F.6.b.;
- Unallowable costs as defined in A-21, Section J;
- Salary dollars and associated benefits in excess of regulatory salary caps;
- Unallowed Facilities and Administrative costs which are not approved for use as cost sharing by the agency.

V. Funding Cost-Shared Expenditures

Identifying and providing resources for cost sharing of direct costs is always the responsibility of the PI. The PI may not utilize funds from another federal award as the source of cost sharing on a federal award, except as authorized by statute (which is very uncommon). The PI may utilize funds from non-federal awards as the source of cost sharing on a federally funded project unless prohibited by the non-federal sponsor, so long as the goals of the projects are closely related; however, this takes special record keeping and requires making prior arrangements with ORSP and Research Accounting.

The sources of all cost-shared direct costs must be identified by the PI as part of the proposal preparation and approval process. The Proposal Budget should show cost sharing and its sources. A Cost Sharing Summary Form is required for ORSP review of proposal involving cost sharing.

LEHIGH UNIVERSITY Office of Research and Sponsored Programs PROCEDURES TO ACCOUNT FOR COST SHARING

SUMMARY

A cost sharing index is a supplemental index to an existing grant index. It is accounted for in the grant ledger as a 5-ledger index and is assigned specific Grant Type codes and Report Sum codes. The code assigned depends on the type of federal funding the cost share is supporting. If the grant index funds are ARRA funded then assign codes "06" and "R8", if the grant index funds are non ARRA funded then assign codes "05" and "R7". The expenses in the cost sharing index may "roll-up" with the primary index and count as one index for University reporting. For federal reporting purposes, the cost sharing index is a part of the research activity of the University. Research Accounting includes cost sharing in the organized research base for the University Research Facilities and Administrative Costs (F&A costs) Rate Proposal.

PROCEDURES

1. Creating a Cost Sharing Index

A cost sharing index created in the 5-ledger will account for expenses associated with a specific sponsored agreement.

The Project Investigator (PI) will identify the cost sharing source at the time of the proposal submission, obtain appropriate approvals, and forward to the Office of Research and Sponsored Programs (ORSP).

ORSP will transmit to Research Accounting the cost sharing source index(s) when it forwards information on the new award.

ORSP will generate the source document for the cost sharing index and submit it to Research Accounting to create the index with a cost sharing attribute and title.

ORSP will inform the PI of the new grant or contract index and corresponding cost sharing index.

In the event there is academic year salary cost sharing, the academic department will submit an Assignment Appointment form to ORSP for approval to reallocate salary to the cost share index. ORSP will transmit a copy of the document to notify Research Accounting to move the budget and fund the cost sharing index.

2. Charging a Cost Sharing Index

The cost sharing index will include the direct allowable expenditures that correspond to the sponsored program index. Allowability of costs on cost sharing index is identical to allowability on the associated sponsored program index.

Research Accounting will report mandatory cost sharing to the sponsor.

Research Accounting will freeze the cost sharing index at the same end date as the associated sponsored program index.

Fund transfers from designated funds (ledger 6) to the cost sharing supplemental index may be on a project period basis, but fund transfers of Unrestricted funds (ledger 2) may only be on a fiscal year basis. It is preferable that transfers from all funds be handled on a fiscal year basis. It is also preferable that cost sharing for a given fiscal year be identified at the beginning of the year when possible. The Project Investigator (PI) should identify the budget source on the Cost Sharing Summary form and secure approval by an authorized signer.

Each sponsored program with cost sharing will have at least one associated cost sharing index. ORSP should monitor the account monthly and update the funding as needed. Cost sharing indexes may not be in a deficit at the end of the University's fiscal year.

3. Subawardee Cost Sharing Commitment

The subawardee will provide the PI a certified statement of the cost-shared expenditures at the final billing of the subaward. The PI must approve the expenditures' statement to verify that the subawardee provided the committed services or assets in the performance of the sponsored agreement.

The PI will supply the cost-shared confirmation statement to ORSP. ORSP will add the document to the grant file and inform Research Accounting to report the cost sharing to the sponsor.

4. In-kind Cost Sharing Commitment

The PI will obtain a written confirmation of the value of cost-shared goods and services. The PI must approve the cost sharing statement to verify that the third party provided the committed services or assets in the performance of the sponsored agreement.

The PI will supply the cost-shared confirmation statement to ORSP. ORSP will add the document to the grant file and inform Research Accounting to report the cost sharing to the sponsor.

These codes identify the cost sharing as normal federal funds or ARRA federal finds.