

# The Basics of Cost Sharing

# What is Cost Sharing?

- CIRCULAR A-110
- (REVISED 11/19/93, As Further Amended 9/30/99)
- The provisions of the sections of this Circular shall be applied by Federal agencies to recipients. Recipients shall apply the provisions of this Circular to subrecipients performing substantive work under grants and agreements that are passed through or awarded by the primary recipient
- This Circular applies to subawards made by State and local governments to organizations covered by this Circular. Federal agencies may apply the provisions of this Circular to commercial organizations, foreign governments, organizations under the jurisdiction of foreign governments, and international organizations.
- **A-110 definition: Cost sharing or matching is that portion of project or program costs not borne by the federal government**

# What is Cost Sharing? (cont'd)

- All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the defined criteria.
- Cost Sharing =
  - Matching
  - University Contribution
  - Institutional Support
  - In Kind (from Rutgers)
  - Leveraged Funds
  - Other Support

# Rutgers Cost Sharing-cont'd

**Cost sharing occurs when the University “shares” or provides effort or resources to a sponsored award beyond what is provided by the sponsor**

- **Mandatory cost sharing** occurs when an award sponsor requires a specific University commitment of matching of like effort or resources.
- **Voluntary cost sharing** occurs when a researcher (PI) provides effort or other resources to a sponsored project that are neither required nor funded by the sponsor.
- Voluntary cost sharing can be further refined into **committed or uncommitted**. Effort or resources provided beyond the sponsor funding that are specifically defined in the award proposal are committed.
- When a PI does not quantify or otherwise specify a cost sharing commitment/ component on an award proposal yet provides effort or resources beyond the sponsor funding, it is referred to as **voluntary uncommitted cost sharing**

# Rutgers Cost Sharing-cont'd

## ECRT

Captures Cost sharing Information

# Changes due to ECRT

- **Voluntary Uncommitted Cost-Sharing (VUCS)**
  - Does not require a SWRJ to be processed in PeopleSoft
  - Indicate “Variance of x% reflected on award 43xxxxx is VUCS” In Notes of Effort Card
- **Remember:**
  - All cost-sharing accounts (state and non-state) should be listed under the “Project” of the sponsored award in which it relates to in ECRT on an effort card
  - Salary Expenses posted will be shown in “Cost-Share” column on effort card
- **No longer will be certified semi-annually**
  - Frequency will be determined by Employee Classification of Salaried, Non-Salaried or Other in ECRT

# Importance of Cost Sharing

- Facilities and Administrative (F&A) Rate Development
- Federal Government Changes in Tracking Cost Sharing
- Audit Impacts

# Cost Sharing and F&A Rate

- The federal government has recently increased scrutiny on voluntary cost sharing commitments due to the potential effect on the calculation of the administrative (F&A) rate used to determine the indirect costs for projects sponsored by the federal government.
- RU F&A base year is 2012
- Further, when mandatory cost sharing commitments are not met, financial penalties may be levied by the granting sponsor, which may involve returning some portion of the award money



# Cost Sharing and F&A Rate-cont'd

- The F&A rate calculation depends on the institutional organized research base, which includes both federal and non federal award expenditures including mandatory and voluntary committed cost sharing. To the extent that voluntary committed cost sharing is included in the base, the indirect cost rate is lowered, and the amount of F&A the University can recover from sponsors is less.
- See the Office of Management and Budget memorandum M-01-06 dated January 2001 to clarify the treatment of voluntary uncommitted cost sharing in the computation of facilities and administrative (F&A) rates

# Criteria for Cost Sharing

- Must be verifiable from University records
- Only used for one award—One federal award can not be used as cost sharing on other federal award. Not included as contributions for any other federally-assisted project or program
- Provided for in approved budget when required by the awarding agency
- Conform to other circular A-110 Federal rules and regulations
- Un-recovered F&A cost may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency

# Criteria for Cost Sharing-(cont'd)

- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Allowable under the applicable cost principles
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching

# Criteria for Cost Sharing-(cont'd)

- Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles.
- If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).
  - (1) The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation.
  - (2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project

# Criteria for Cost Sharing-(cont'd)

- Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program.
- Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization.
- In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved.
- In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation

# Criteria for Cost Sharing-(cont'd) Donations

- Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies.
- Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

# Criteria for Cost Sharing-(cont'd) Donations

- The method used for determining cost sharing or matching for donated equipment, buildings and land for which title passes to the recipient may differ according to the purpose of the award, if (1) or (2) apply.
- (1) If the purpose of the award is to assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.
- (2) If the purpose of the award is to support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges.

# Criteria for Cost Sharing-(cont'd) Donations

- The value of donated property shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications
- (1) The value of donated land and buildings shall not exceed its fair market value at the time of donation to the recipient as established by an independent appraiser
- (2) The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation
- (3) The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality
- (4) The value of loaned equipment shall not exceed its fair rental value



# Criteria for Cost Sharing-(cont'd)

## Donations-In Kind

- The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.
- (i) Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
- (ii) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented

# Sources of Cost Sharing

- Salaries and Wages
- Other Direct Costs
- Un-recovered F&A Costs
- Other Sponsored Programs
- External Partners

## Process Change When Recording Salaries on State Cost Sharing Accounts

- Due to the implementation of the University's new budgeting system Hyperion, please note the following change when processing salary expenditures in state cost sharing accounts:
- (1) When submitting a State Budget Cost Sharing Reallocation Form against all salaried natural accounts a temporary budget adjustment must now also be prepared to cover the cost of the salary expense being reallocated.
- (2) Prior to Hyperion's implementation, a budget adjustment was not required for these natural accounts. The temporary budget adjustment form can be found on the RIAS forms repository at <http://rias.rutgers.edu/forms.htm>

# Changes Due to RIAS

- **Natural Accounts referenced in Attachment 6 of policy have been revised**
  - **Refer to New Attachment for Sample JE**
- **When transferring cost-sharing expenses to a 22xxxx or 40xxxxx (formally 42xxxx series) cost-sharing account, must debit and credit the same natural account that the original expense was posted to**
  - **Do not use “bulk transfer” or transfer code natural accounts**
- **No longer has dedicated series of accounts (2215xxx-222xxx) for AES state cost-sharing accounts**
- **Last 4 digits of state cost-sharing accounts no longer mirror that of last 4 digits of related sponsored award**

# Changes due to PeopleSoft HCM

- **(Semi-annual) Retroactive Salary Reallocations are no longer necessary if you:**
  - **Establish in your HCM budget table charging instructions for all individuals for part or the entire FY on state cost-sharing accounts (22xxxx)**
  - **Same process may be used for non-state cost-sharing accounts (40xxxxx)**
  - **By establishing charging instructions for your state cost-sharing accounts – you minimize your risk of losing your state cost-share funding before the FY is closed**
  - **By setting up charging instructions, may reduce SWRJs**

# Reporting Cost Sharing

- Interim Reporting
  - Will include fringe benefit and F&A costs
  - Significant shortfalls in cost sharing will result in request for explanation and corrective action
  - Cost sharing salary reallocations done periodically
- Final Reporting
  - Documentation must be completed by PI/PD/Department within 30 days prior to due date of final report
  - THEN**
  - DGCA will finalize fringe benefits and F&A within 30 days after end date

# Cost Sharing Forms

- Salary and Wage Redistribution & Justification Application Form now used for Cost Sharing Transfers. (previously salary reallocation form)



Adobe Acrobat  
Document

- RU Budget - Temporary Adjusting Journal
  - WebAdi
- RU Actuals Journal
  - WebAdi
  - Base Apps

# JE Natural Accounts

- <http://postaward.rutgers.edu>
- **Select Procedures/Topics**
- **Select Cost Sharing**
- **Select Non-State Cost Sharing Transfer Sample**



# CS Audit Findings

## FEDERAL AUDITING NEWS *for Colleges and Universities*

### In This Issue

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### Audits From NSF OIG Cite Common Issues With Monitoring Subawards, Cost Sharing

After a rather quiet period toward the end of fiscal 2010, the National Science Foundation's Office of Inspector General has made up for lost time in terms of posting the results of auditing activity involving college and universities. Last month, *Federal Auditing News* reported on Recovery Act reviews that OIG has been conducting. This article highlights the findings of four audits that recommend improvements in how the institutions are monitoring subrecipients (see p. 5).

The audits also found problems with the institutions' cost sharing commitments, including tracking and reporting both their own and that of subawardees. OIG is likely to encounter fewer such findings in the future, as NSF eliminated voluntary committed cost sharing effective for proposals submitted or due on or after Jan. 18, 2011; but a few programs still have mandatory cost sharing ([www.nsf.gov/bfa/dias/policy](http://www.nsf.gov/bfa/dias/policy)).

OIG selected the institutions for audit because they have awards that are "collaborative in nature" and previous A-133 audits, NSF desk reviews and/or site visits had identified problems.

*continued on p. 4*

# CS Audit Findings

## Trustees of Boston University

The audit of an award from August 2002 to December 2009, totaling \$27.8 million in costs claimed and \$8.7 million in claimed cost share, questioned \$412,400 in subaward costs and \$174,397 in cost sharing. BU was selected for audit because of the high-dollar value and number of its NSF awards, collaborative nature of many of those awards, and deficiencies reported in a 2005 NSF program office site visit report.

# CS Audit Findings

## Louisiana Board of Regents

The audit covered costs claimed for four awards from May 15, 2004, to Sept. 30, 2009. Costs claimed totaled approximately \$18.6 million in NSF-funded costs and \$8.2 million in claimed cost share. Auditors questioned \$1,884,950 (10% of total claimed costs) and \$152,182 in cost sharing. LBR was selected for audit because of the high-dollar value and number of its NSF awards, collaborative nature of many of these, issues identified in the results of OIG's audit of LBR in 1998 and NSF's monitoring site visit in 2004, and internal control deficiencies reported in past A-133 audits

# CS Audit Findings

## Ohio State University

In 2009, Ohio State University had 382 active NSF awards totaling over \$160 million and NSF award expenditures of \$41,230,373. The audit concerned approximately \$17.5 million in costs claimed and \$5 million in cost sharing during the period Nov. 1, 2003, to Sept. 30, 2009; \$1,736,068 (10% of the \$17.5 million) and \$263,937 in cost sharing were questioned. The three awards audited were selected because they mandated extensive collaboration between OSU and several subawardees, involved large salary and indirect cost expenditures, and required substantial cost sharing by both OSU and its subawardees. Also, prior OSU audits identified noncompliance and internal control weaknesses in its financial grant administration.

# CS Audit Findings

## William Marsh Rice University.

*OIG reviewed costs claimed from Oct. 1, 2004, to Sept. 30, 2009, at Rice University, amounting to \$13.8 million and \$4 million in cost sharing for four NSF awards. There were no questioned costs. Rice was selected for audit because it passed through large amounts of NSF funds and had a high number and high-dollar value of awards, many of which were collaborative. Also, deficiencies had been reported in NSF's 2006 desk review of Rice and its past A-133 single audits. NSF is the cognizant federal agency for the university*

# CS Audit Findings

- The procedures and processes for complying with the cost sharing policy were not effectively communicated to Campus departments
- Monitoring to assure cost sharing commitments are fulfilled did not occur
- Monitoring to assure written documentation of cost sharing commitments was not always completed
- Committed cost sharing was not always identified
- Monitoring to assure program codes are assigned to cost sharing funds does not occur
- Financial Status Reports (FSRs) did not always include cost sharing expenditures
- Non cost sharing funds were improperly identified as cost sharing
- There is currently no mechanism to capture salaries above the NIH salary cap for the negotiated F&A rate
- System reports do not accurately reflect shared costs

## BEST PRACTICES:

- **Principles** state the general characteristics; i.e., they are overall statements of standards of quality management.
- **Practices** are measurable conditions or discrete actions or activities which assist in implementing crucial components in the attainment of each principle, but not necessarily all components.
- **Indicators** are suggested measures to use or elements to look for when examining whether effective practices are being employed or outcomes are being achieved

# Best Practices

- **Practice A.** The institution has written policies and procedures for cost sharing that are consistently applied in proposing, accumulating, and reporting costs both to external sponsors and within the institution.
- Indicator 1. Cost sharing included in proposal budgets, accepted by the sponsoring agency, and made a condition of the award is considered to be an obligation of the institution.
- Indicator 2. Investigator and staff effort as well as non-labor costs included as cost sharing obligations are appropriately recorded in the institution's accounting records.
- Indicator 3. Cost sharing expenditures meet the standards of allowability, allocability, and reasonableness consistent with federal cost principles and requirements of non-federal sponsors.
- Indicator 4. Contributions and/or third party in-kind cost sharing of services and property are valued consistent with the requirements of OMB Circular A-110/2CFR215.23 and documentation of the basis for the determinations is maintained



# Best Practices

- Indicator 5. Institutional systems provide for appropriate monitoring of cost sharing for timeliness and adequacy of expenditure or in-kind valuation documentation.
- Indicator 6. The institution reports required cost sharing in accordance with the terms and conditions of awards.
- Indicator 7. Voluntary uncommitted cost sharing (i.e. investigator-donated additional time above that agreed to as a condition of the award) is not considered for effort reporting and is excluded from the organized research base used for computing the F&A cost rates as specified in OMB's January 5, 2001 clarification memo

# Best Practices

- Practice B. Where cost sharing is a requirement of subawards, such commitment is included in subaward documents, monitored and appropriately reported to the sponsor.
- Indicator 1. Institutional policy and procedures clearly identify who is responsible for monitoring subrecipient compliance with cost sharing requirements.

# Best Practices

- Practice C. Cost sharing including investigator and staff effort and non-labor cost sharing, dedicated to organized sponsored programs is appropriately classified for the calculation of an institution's F&A cost rate.
- Indicator 1. Cost sharing is transferred to the organized research base for F&A cost calculation purposes.
- Indicator 2. Federally-funded research, including any no-cost time extension periods, reflects some level of committed senior investigator effort whether or not supported by the federal sponsor, except where the particular research program does not require committed investigator effort. If no effort is captured in the institution's financial systems, an estimated amount is computed by the university and included in the organized research base, consistent with the OMB January 2001 clarification memo

# Useful Websites

- <http://rias.rutgers.edu/forms.htm>
  - WebAdi Templates
    - Actual
    - Budget Temp
- <http://rias.rutgers.edu/training2.htm>
  - User Guide for WebAdi and Base App entries

# Resources Available

- DGCA Web site:  
<http://postaward.rutgers.edu>
- [DGCA\\_FORUM@EMAIL.RUTGERS.EDU](mailto:DGCA_FORUM@EMAIL.RUTGERS.EDU)
- University Policy Library
  - [http://policies.rutgers.edu/contents\\_index.shtml](http://policies.rutgers.edu/contents_index.shtml)
- Various University Training Sessions
- e-mail: [dgca1@rci.rutgers.edu](mailto:dgca1@rci.rutgers.edu)

The End