

# CLARK ATLANTA UNIVERSITY

## Policy 7.7.7: Cost-Sharing/Matching



CLARK ATLANTA UNIVERSITY		
<b>POLICY and PROCEDURE</b>	<b>Subject:</b> Cost-Sharing/Matching	
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## **1.0 Policy**

Clark Atlanta University (The University/CAU) must ensure that cost-sharing requirements of sponsored agreements are proposed, accounted for and reported in a manner consistent with the requirements set forth in federal regulations, primarily the Office of Management and Budget (OMB) Circulars A-110 and A-21. This document clarifies and strengthens CAU's requirements and cost-sharing procedures. Specifically, this document details the procedures for monitoring project-by-project cost-sharing and reporting such cost-sharing to sponsoring agencies.

## **2.0 Procedure Narrative**

The University should make cost-sharing commitments only when required by the sponsor. Cost-sharing should never be assumed to be a gratuitous gesture. Cost-sharing commitments included in a proposal budget and/or in the text of a proposal are to be reflected on the Research and Sponsored Programs (RSP) Proposal Routing Sheet. The Provost/Vice President for Academic Affairs and the Vice President for Finance and Administration must approve the proposed cost-sharing commitment in writing. Proposals may not be submitted to sponsoring agencies by RSP or Prospective Principal Investigators (PI's) unless approvals for these commitments are on file.

The Office of Management and Budget Circular A-21 requires the University to use consistent accounting practices to estimate the cost of a project in the proposal and to accumulate and report the actual costs off the project, including cost-sharing.

The Cost-Sharing Policy is intended to:

1. Limit cost-sharing commitments to only those instances where cost-sharing is required by the sponsor.
2. Ensure that the commitments for cost-sharing have been identified and are available.
3. Provide information regarding the contractual, financial, and administrative requirements that result from cost-sharing commitments.

### **2.1 Cost-Sharing Commitments**

Cost-sharing should be limited only to those situations where it is mandated by a sponsor. Where cost-sharing is not required by the sponsor, PI's or Prospective PI's should refrain from making such commitments. In all situations, the use of cost-sharing should be kept to a reasonable level.

Cost-sharing may include effort of the PI or other personnel committed to the project at no cost to the sponsor. In order to qualify as cost-sharing, the effort must be necessary and reasonable for the performance of the project objectives.

Cost-shared efforts must be directly related to the project's objectives and must not include time spent on administrative or instructional activities (unless specifically stated in the special terms and conditions of an award document).

A program announcement (RFP) or application may include a requirement to cost-share or the sponsor may insist during the negotiation of an agreement on a specific contribution to the project as a condition of the award. In instances where a contribution has been committed, the direct cost dollars of such a commitment will be reclassified from a private or unrestricted account to an established cost-sharing account.

PI's and Prospective PI's should commit specific cost-sharing sponsored project budgets only under the following circumstances:

1. Mandatory cost-sharing is specified in a program announcement (RFP) or application package;
2. The project sponsor requires on a specific cost-sharing contribution to the project during the negotiation of an award;

Once awarded, all explicit commitments become mandatory cost-sharing and must be accounted for as a part of the total cost of the project. These costs must be separately identified and reported.

In those instances where cost-sharing is not required as a condition of the award, and less than 5% of an individual's total effort is contributed to the project, the statement "Clark Atlanta University supports salaries of the Prospective Principal Investigator submitting the proposal but makes not specific commitment of time or salary to this particular project" must be inserted in the text of the proposal. This statement ensures the funding agency that the Prospective PI will make a contribution to the project but the expected level of effort is not a significant portion of the individual's overall effort.

When preparing proposals, PI's and Prospective PI's must be careful not to over commit themselves or others. Since not all proposals get funded, commitments of total effort should be taken into consideration with existing workload requirements and all outstanding proposals.

It is important to realize that when cost-sharing is required by the sponsor or and an award is made all cost-sharing commitments are considered to be mandatory and as such, represent binding obligations of the University.

## **2.2 Sources of Cost-Share**

Cost-sharing may be derived from the following sources:

1. University funds provided for the benefit of the specific project through private or unrestricted accounts.

2. Direct expenses (personnel and nonpersonnel) identified as cost-sharing and the associated Facilities & Administrative (F & A).
3. Unfunded or Waived F & A Costs. Waived F & A costs are indirect costs that are otherwise available to be recovered, but the University has agreed to accept less than the full amount. (This action must be approved by the Provost/Vice President for Academic Affairs and the Vice President for Finance and Administration). The difference between the indirect costs accepted by the University and the amount that would have been provided at the full rate may be used as cost-sharing.
4. Another non-Federal sponsored project. This is rare and allowable and may in some instances require both sponsors' approval. (Note that Federal funds may not be used as cost-sharing on other federally funded projects).
5. Third-party contributions. This is support from a non-University source.

### **2.3 Criteria for Cost-Sharing**

All contributions, including cash and third-partying kind shall be accepted as cost-sharing or matching when contributions meet all of the following criteria: (OMB Circular A-110, Section 23)

1. Are verifiable from official University accounting records;
2. Are not used as cost-sharing for any other sponsored program;
3. Are necessary and reasonable for proper and efficient accomplishment of project objectives;
4. Are allowable under the applicable cost principles, OMB Circular A-21;
5. Are not paid by the Federal Government under another agreement.
6. Are incurred during the effective dates of the grant or contract.

### **2.4 Acceptable Expenditures**

In general, costs normally treated as direct costs and allowable under OMB Circular A-21 on sponsored projects may be used to meet a cost-sharing obligation. Costs normally treated as indirect on sponsored projects may not be used to meet cost-sharing obligations.

Examples of appropriate expenditures which may be used as cost-sharing include but are not limited to:

1. Faculty, staff, or student salaries and applicable fringe benefits;
2. Supplies
3. Travel necessary for the project (U.S. air carriers only);
4. Approved overhead (F & A costs) on all allowable cost-shared expenditures;
5. Unrecovered F & A

Examples of expenditures which may not be used as cost-sharing include but are not limited to;

1. Unallowable costs under OMB Circular A-21, such as alcoholic beverages, costs of entertainment, including amusement and social activities and any costs associated with such costs;
2. Travel made on foreign air carriers;
3. Fines and penalties;
4. Goods or services for personal use

## **2.5 Establishing Separate Cost-Sharing Accounts**

When the RSP initiates a CAU Approved Restricted Budget Form (405) for the sponsored project, the Office of Grants and Contract Accounting (OGCA) will initiate the establishment of cost-sharing companion account (s) in the general ledger. OGCA monitors cost-sharing accounts. The PI must identify specific itemized transactions to be reclassified to the cost-sharing accounts (including personnel).

During the period of performance, cost-shared effort that was specified in the award should be reclassified to the appropriate companion account. The amount initially identified as cost-sharing will not be changed during the life of the project unless there is a significant change in the amount of the cost-shared effort or agency requirement.

## **2.6 Documentation**

When cost-sharing or matching is accepted by the sponsor, it is a commitment of the University. Throughout the life of the project, RSP and the PI must provide adequate documentation to substantiate the transactions that have to be reclassified to the cost-sharing companion account. OGCA will make the appropriate reclassification entries to the general ledger. OGCA will maintain those records and make them available to any auditor or the funding agency as required. The specific type of documentation required is based on the nature of the award taking into consideration the type of cost-sharing, the terms of the sponsored agreement, and other circumstances of the award.

*Faculty, Student, or Staff Effort.* When the effort of an employee is committed to an award as cost-share the PI is obligated to identify the personnel and the time associated with the effort. OGCA is required to record and report the associated expenditures.

*Equipment Used as Cost-Sharing.* Equipment may be cost-shared only if title to the equipment is in the University's name and it was acquired with non-federal funds, (i.e. private or unrestricted funds), during the period of the award.

Under federal cost principles, (OMB Circular A-21) universities are allowed to depreciate equipment purchased with non-federal funds. However, if the equipment is purchased in whole or in part with non-federal funds and has been identified as cost-share, the University is not allowed to depreciate this equipment. The equipment that has been cost-shared must be flagged by Accounting so that depreciation will not be calculated on it.

*Third Party Cost-Sharing.* CAU may offer as cost-sharing contributions made by third-parties such as subcontractors under its prime award. The contributions may be in the form of time and effort, goods and services or facilities. RSP and the PI are responsible for securing appropriate detailed documentation reporting such third-party cost-sharing to OGCA.

If a potential subcontractor makes a cost-sharing commitment that appears in the budget of the proposal, the subcontractor is required to maintain records and report the cost-sharing in its financial reports to the University. This requirement should be a part of the terms and conditions on any subcontract agreement issued by the University.

If cost-sharing is provided by a third-party who is not a subcontractor, RSP and the PI must provide documentation supporting the value of the contributions if other than cash.

*Volunteer Services or Donated Property.* The basis for determining the valuation for personal service, material, equipment, buildings and land must be accepted by the University prior to entering into an agreement.

1. Volunteer services furnished by professional and technical personnel, consultants and other skilled and unskilled laborers 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 at the University. Third-Party volunteer services or donated property will follow similar guidelines.
2. The value of donated land and buildings shall not exceed its fair market value at the time of donation as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative).
3. 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.
4. The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraiser of comparable space and facilities in a privately-owned building in the same locality.
5. The value of loaned equipment shall not exceed its fair rental value.

## **2.7 Units to Contact for Assistance**

Questions and/or assistance for cost-sharing in the pre-award cycle for inclusion in proposal budgets should be directed to RSP. Questions pertaining to the post-award cycle should be directed to OGCA.

## **3.0 Entities Affected By This Policy**

Office of Grants and Contract Administration (OGCA), Division of Research and Sponsored Programs (RSP) and Principal Investigators (PI's)

## 4.0 Definitions

**Cost-Sharing/Matching** is identified as that portion of project or program costs not borne by the sponsor. These costs represent an implied or explicit agreement on the part of the University to ensure that nonsponsor resources are contributed to a project, either from sources within or external to the University.

**Cash Contributions** are actual funds from internal or external sources. Cost-sharing from the University's resources is generally considered "cash" cost-sharing. This means that a precise dollar amount of expenses can be shown in the University's general ledger.

**In-Kind Contributions** are non-cash contributions, such as volunteer services, space allocation, equipment, etc. As the contribution of these resources is not exclusively controlled by the University, utmost care must be exercised before entering into agreements promising such contributions. Once the project is funded, in-kind contributions should be monitored on an on-going basis to ensure that the cost-sharing agreement is fulfilled. Failure to meet, or adequately document in-kind contributions, could result in the disallowance of a portion of the University-incurred cost. Disallowed costs create an unanticipated finance burden for the University.