



Eastern Kentucky University Policy and Regulation Library

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Volume 4, Academic Affairs
Chapter 4, Academic Research and Sponsored
Projects
Section 3, Cost Sharing on Externally Sponsored
Projects

Approval Authority: Board of Regents

Responsible Executives: Associate Vice President for
Research, Vice President for Finance

Responsible Office(s): Sponsored Programs,
Sponsored Programs Accounting

Effective: October 22, 2015

Last Revised: October 22, 2015

Issued: January 26, 2009

Next Review Date:

Cost Sharing on Externally Sponsored Projects

Policy Statement

Cost sharing constitutes additional financial obligations for the University. All cost sharing must be reviewed and approved prior to proposal submission and expenditures must be documented throughout the period of the award. All types of cost sharing obligations described below must be documented and identifiable in the University accounting system. This policy describes the criteria and obligations for cost sharing on externally sponsored programs.

Purpose

Cost sharing or matching (the terms may be used interchangeably) represents the use of institutional funds to supplement project costs not borne by the sponsoring agency. Some sponsored projects require that the University participate to some extent in the total cost of the project; other times, voluntary cost share may be necessary to effectively conduct the project. This policy sets forth the University guidelines for committing cost share on externally-sponsored projects.

Entities Affected

- Departments
- Colleges
- Units involved with externally-sponsored projects

Background

Generally, the University prefers to avoid cost sharing arrangements. From a competitive standpoint, it is usually not necessary to provide cost share unless required by the sponsor or to provide cost share in excess of that required. Any cost sharing commitment must be included on the Internal Review and Approval Form (IRAF) and in the proposed budget. The responsible University officials must identify the source of institutional funds and approve the cost sharing commitment on the IRAF. Any committed cost sharing must be documented within the University's financial system. Policies for tenure and promotion shall state the specific criteria for each of teaching, scholarly/creative activities, and service to be used in the evaluation and how they shall be applied. While teaching is the primary mission at ECU, scholarly/creative activities and service are both important and weighted according to Department guidelines. Those specific criteria shall be provided to faculty when they begin their tenure-track employment at ECU and those criteria shall be the basis for the tenure decision.

Criteria

Criteria for Cost Share

To be acceptable for use as cost sharing, an expenditure must satisfy all of the following criteria:

- A. Be verifiable from official University records;
- B. Not be used as cost sharing for any other sponsored program;
- C. Be necessary and reasonable for proper and efficient accomplishment of project objectives;
- D. Be allowable under the applicable cost principles, OMB Circular 2 CFR 200;
- E. Be itemized in the approved budget; and
- F. Be incurred during the effective dates of the grant or contract.

Acceptable Expenditures

In general, costs normally treated as direct costs on sponsored projects may be used to meet a cost sharing obligation. Costs normally treated as indirect on sponsored projects may not.

- A. Examples of expenditures that may be used as cost sharing:
 1. Faculty, staff, or student salaries and applicable fringe benefits
 2. Laboratory supplies
 3. Travel
- B. Examples of expenditures that may not be used as cost sharing:
 1. Expenditures normally treated as indirect costs, such as administrative salaries and office supplies
 2. Unallowable costs, such as alcoholic beverages, entertainment, and memberships in community organizations

Sources of Cost Share

Cost sharing may be met from the following sources:

- A. University funds may be used as cost share when they are provided for the benefit of the specific project.
- B. Waived indirect costs that are otherwise available to be recovered may be used as cost share if the University has agreed to accept less than the full amount. The difference between the indirect costs accepted and the amount that would have been provided at the full rate may be used as cost sharing if approved by the sponsor.
- C. Unfunded indirect costs may be used as cost share when the sponsor does not reimburse indirect costs at the full rate due to sponsor policy, government legislation, or terms of the agreement. If the difference is to be used as cost share, it must be approved by the sponsor.
- D. In exceptional circumstances, another sponsored project account may be used as cost share if approved in advance by both sponsors. Note that federal funds may not be used as cost sharing on other federally-sponsored projects.
- E. Third-party contributions (support from a non-University source) may be used as cost share if committed in writing by the third party.

OMB Circular 2 CFR 200 also provides specific rules for valuation and documentation of volunteer services, donated supplies, property buildings, and equipment. In general, however, it is the University's preference to avoid referring to these items as cost share and characterize them instead as "available for the use of the project at no direct cost."

Cost Sharing Obligation

There are several points in the proposal and award process at which the University may incur a cost sharing obligation. Cost sharing may be committed in the proposal to the sponsor for one of two reasons: (1) the sponsor (or a particular program of the sponsor) requires cost sharing as a condition of applying for an award; or (2) the University makes a commitment of cost sharing for competitive purposes. In both of these situations, cost sharing is quantified in the proposal budget and becomes a condition of the sponsor's award. These instances are normally referred to as mandatory or voluntary committed cost sharing.

All types of cost sharing obligations described above must be documented and identifiable in the University accounting system.

Procedures

Cost Share Commitments at Proposal Stage

1. The project director shall secure required cost share commitments early in the proposal development stage and document appropriately in the proposal budget and narrative.
2. The project director shall secure written approval on the IRAF from the individuals responsible for the organization code from which cost share is committed.
3. The department chair and dean (or equivalent supervisors in administrative units) shall review the proposal and IRAF to identify and approve any committed cost share.

4. Sponsored Programs shall review the proposal to identify any committed cost share from the University. If cost share is committed, Sponsored Programs shall ensure that appropriate cost share documentation has been included on the IRAF, including the organization code for the cost share funds and written approval from the individual responsible for the organization code.

Cost Share Commitments at Award Stage

1. If the award amount is less than the proposed budget, Sponsored Programs shall work with the project director to determine whether the university has incurred a cost sharing obligation beyond what was committed in the proposal. If additional cost share obligations are incurred at the award stage, written approval shall be obtained from the individuals responsible for the funds to be used as cost share.
2. Sponsored Programs shall review award conditions and ensure that required cost share is committed and identified prior to acceptance of the award.
3. Sponsored Programs shall provide documentation of the award and a budget that identifies sponsor funding and cost share commitments to Sponsored Programs Accounting.

Cost Share Documentation and Reporting

1. Sponsored Programs Accounting shall establish a companion cost sharing account for all awarded projects with committed cost share.
2. The Project Director shall provide accurate source documentation for all cost sharing expenses on awarded projects to Sponsored Programs Accounting.
3. Sponsored Programs Accounting shall monitor expenditures from the cost sharing account as well as from the grant/contract account and report cost share expenditures according to the sponsor's award terms and billing instructions.

Definitions

- **Companion Cost Share Account:** An account that is established to record the University's contributions to the project. When a project has either mandatory or voluntary committed cost share that is funded by the University, a companion cost share account will be set up to document cost share expenditures.
- **Cost Share:** Use of institutional funds to supplement project costs not borne by the sponsoring agency
- **Direct Costs:** Costs that can be identified specifically with a particular sponsored project relatively easily and with a high degree of accuracy. Direct costs are essential to the accomplishment of the project's objectives. Examples of direct costs include salaries, fringe benefits, travel, supplies, equipment, tuition, and subcontracts.

- **Grant or Contract Account:** An account established to record the revenues, expenditures, and encumbrances of a project or program funded by an external sponsor.
- **Mandatory Cost Share:** Cost share that is required by the sponsor as a condition of receiving an award; must be documented and identifiable in the University accounting system
- **Third Party Contribution:** A contribution to a sponsored project provided by a party other than the University or the primary sponsoring agency
- **Voluntary Cost Share:** Occurs when the sponsor does not stipulate that cost sharing is required, but the University makes a commitment of cost sharing for competitive purposes or incurs costs not reimbursed by the sponsor; voluntary committed cost share must be treated and accounted for in the same manner as mandatory cost share.

Responsibilities

- College Dean
 - Review proposal and IRAF to identify and approve any committed cost share
- Department Chair
 - Review proposal and IRAF to identify and approve any committed cost share
- Project Directors
 - Secure cost share commitments and document appropriately in proposals and on the IRAF
 - Maintain documentation for cost share expenditures on awarded projects
 - Provide accurate source documentation for all cost sharing expenses on awarded projects to Sponsored Programs Accounting
- Sponsored Programs
 - Review proposal and IRAF to ensure that organization code and approval from authorized individuals is provided for any cost share committed in proposal
 - Review award conditions to ensure that required cost share is committed and identified prior to acceptance of the award
 - Provide award documentation and budget, including cost share, to Sponsored Programs Accounting

- Sponsored Programs Accounting
 - Establish a companion cost sharing account for each awarded project with committed cost share
 - Monitor and report expenditures from sponsor and cost share funds

Violations of the Policy

Policy compliance is the joint responsibility of all involved. If non-compliance issues are identified by the Office of Graduate Education and Research, corrective action may be necessary and shall be completed following consultation with the Principal Investigator, respective Dean, Department Chair, and/or Financial Manager. Corrective action may include, but is not limited to, movement of unallowable or inappropriate charges from grant accounts to departmental, college, or other university accounts, suspension of grant accounts, and/or withdrawal of a proposal or award. Any actions deemed necessary in response to policy non-compliance may be appealed to the Provost and/or Executive Vice President for Administration.

Interpreting Authority

Executive Vice President for Academic Affairs and Provost

Statutory or Regulatory References

OMB Circular 2 CFR 200: http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tp

Policy Adoption Review and Approval

Revised Policy

<u>DATE</u>	<u>ENTITY</u>	<u>ACTION</u>
October 22, 2015	Vice Provost	Editorial Revision

Policy Issued

<u>DATE</u>	<u>ENTITY</u>	<u>ACTION</u>
January 26, 2009	Board of Regents	Adopted
December 19, 2008	President Whitlock	Approved
October 6, 2008	Faculty Senate	Approved