

Proposing and Managing Cost Sharing

PRESENTED BY OFFICE OF SPONSORED PROGRAMS

What is Cost Sharing?

- Cost Sharing represents the sponsored project costs (direct and indirect) that would normally be borne by the sponsor, but instead are covered by the institution or a third party, such as a subcontractor
- Types of cost sharing
 - Mandatory – Required by the sponsor & an award condition included in the solicitation; a binding commitment
 - Voluntary Committed – Not required by the sponsor, but PI offers *quantifiable* institutional resources in the proposal; when awarded, becomes a binding commitment
 - Voluntary Uncommitted - Institution supports research costs, which are not included or quantified in the proposal; when awarded, does not become a binding commitment
 - *Over-the-cap commitments (e.g., NIH salary cap) – statutory requirements*

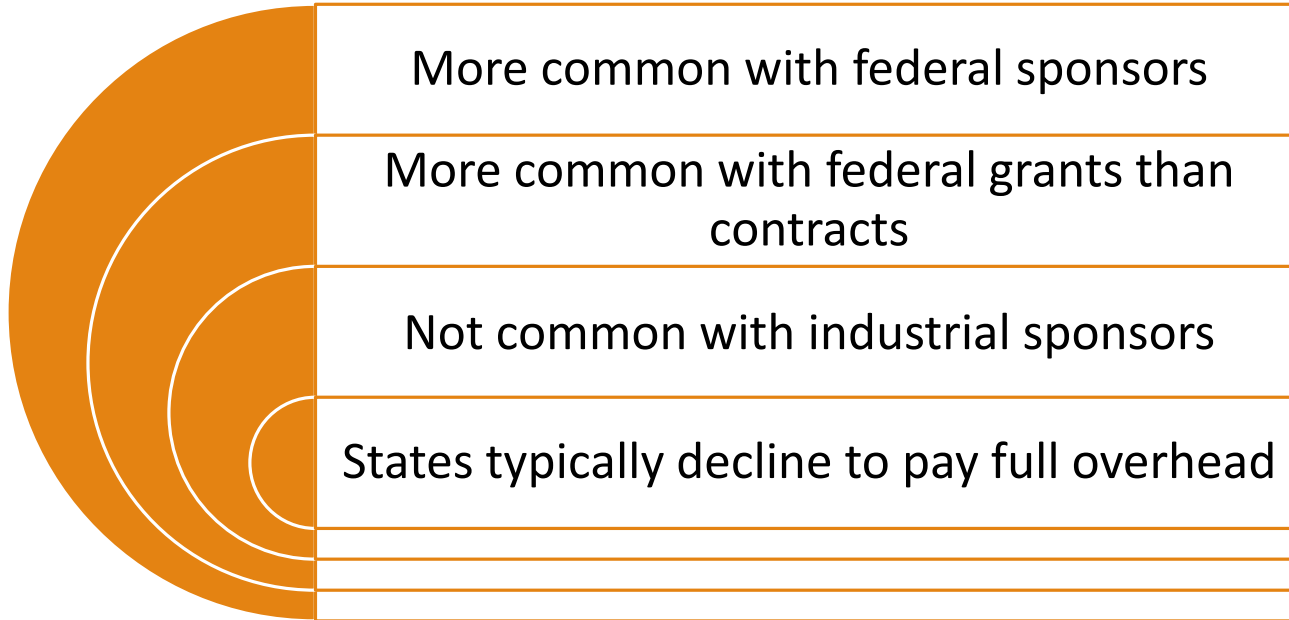
Considerations Before Committing to Cost Share

- Federal guidelines specifically state “cost sharing” is not expected in proposals and cannot be used as a factor during the merit review process (2CFR200. Appendix I)
- Cost sharing increases *administrative* burden on the research team, increases *audit risks* for the institution, & negatively impacts the *F&A recovery*
- Commitments from other organizations require the research team to confirm third party collaborations via letters of intent and results in considerable discussion and debate between research sites wasting valuable creative time
- PIs could avoid voluntarily offering cost sharing (*in most of the cases*):
 - If the solicitation does not call for it, consider including institutional resources in *non-monetary* terms and in “facilities, equipment and other resources” section, not as cost sharing

**KNOW THE
RULES!**



Common Traits Observed with Cost Sharing



Mandatory Cost Sharing

Required by sponsor, as stated in the announcement (RFP/FOA/BAA)

Quantified in the proposal

Legally binding, reportable to sponsor

Included in the MTDC Base for F&A cost rate calculation

Voluntary Cost Sharing-Committed

Not required by the sponsor

Quantified in the proposal

Becomes legally binding, reportable to sponsor

Included in the MTDC base for F&A cost proposal

Voluntary Cost Sharing-Uncommitted

Not required by the sponsor

Not quantified in the proposal

Not legally binding and is not reportable sponsors

Not included in the MTDC base for F&A cost rate calculation

Proposal Stage

Proposal Review

Help the PI with decision-making – whether or not to cost share

- Is this a contract or a grant; federal or non-federal; basic or clinical trial
- Does the solicitation/program announcement require cost sharing
- Does the PI know that UG specifically discourages agencies considering cost sharing during merit review process
- Does the PI have institutional endorsement for committing university resources for cost sharing, including *unrecovered* indirect costs
- If the cost sharing is coming from other organizations (e.g., subcontractors), does the PI have a letter of intent from the third party
- Does the PI anticipate program income from the sponsored project that he/she could use for cost sharing

De-quantifying Voluntary Committed Cost Sharing

Core Director will spend 20% effort for the project at no cost to the agency

Rewrite as

Core Director will be available to provide advice

PI will use general budget to purchase the \$500K laser interferometer

Rewrite as

PI has access to laser interferometer

Relationship Between Budget, PI Effort, Cost Sharing

Federal guidelines require federally funded programs to have “some level of committed faculty (or senior researchers) effort, paid or unpaid”

UVA FIN-028 Policy: The minimum amount of effort committed to a specific sponsored program may be no less than 1% of the employee's ‘*University effort*.’ Beyond this minimum, the specific amount of effort committed to a particular sponsored program is left to the judgment of the Principal Investigator/Program Director, based on his or her estimate of the effort necessary to meet the technical goals and outcomes of the project.

Relationship Between Budget, PI Effort, Cost Sharing

Key personnel effort in the proposal = formal commitment

Key personnel effort in the *proposal* but no corresponding salary in the budget=cost sharing

Award resulting from *proposal* with key personnel effort, without corresponding salary in the budget= *committed (mandatory or voluntarily offered)* cost sharing

Higher effort spent than *committed*, and not charged to award=voluntary *uncommitted* cost sharing

Pre-Award/Post-Award Connections

- Cost sharing (mandatory and voluntary) presented at the proposal stage must be monitored, documented, and reported on at the award stage
- Conversations regarding the “how” and “why” of cost sharing must occur at the proposal stage to set a project up for success when the award arrives
- Proposal stage is where the opportunity to evaluate reasons to cost share, but award stage is where the real risk and (potential) negative impacts come into play

Case Study 1

The PI submits a research proposal to NASA. As part of the budget justification, the sponsor requires a table detailing the FTE commitment of any individual involved in the project, even if the individual will not receive any salary from the project.

OSP Pre-Award reviewer notices that there are two individuals included in the FTE Commitment Table who are not included in the budget, each of whom is listed at 5% time. She asks the department administrator if these individuals were accidentally left out of the budget and is informed that they are collaborators who will contribute their time but who will not be paid from the grant. The EPRF (proposal routing form) signed by the PI and the Chair indicates that there is no cost sharing.

Is this cost sharing? If so, what kind? Will it have to be tracked and reported? What additional information does Pre-Award require before submitting the proposal?

Award Stage

Award with Cost Sharing – Now What?

Review of cost sharing commitment during Award acceptance

- Award arrives with same \$s as requested
- Award arrives with fewer \$s and without formal discussion between sponsor and awardee
- Award arrives with fewer \$s after negotiation and revised budget

Award Arrives At the Same \$s As Requested

PI needs to be notified about the following commitments via Notice of Award

- cost sharing
- effort

If cost sharing is using UVA resources, funding source for the cost sharing is identified

If cost sharing is coming from an external entity, third party is notified

Award Arrives At Fewer \$s As Requested

PI effort may need to be reduced.....

- If no revised budget has been submitted, *agency assumes same level of effort as in proposal*
- 25% or more reduction will require agency approval

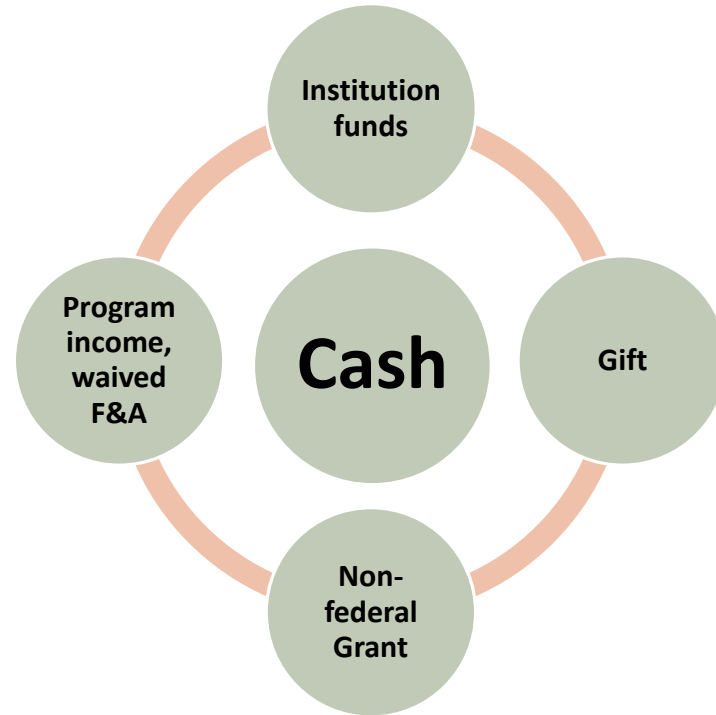
Cost sharing commitment may need to be reduced

Remind PI that effort commitment must match the \$ charged to avoid voluntary committed cost sharing

Award with Cost Sharing – Now What?

- Cost sharing commitment entered in Oracle, with appropriate cost share code
- Cost share codes used at UVA:
 - 0-Salary/effort; 2- No cost sharing; 3-OTPS; 4-OTPS and Salary; 5-MTDC exclusions; 6-Waived indirect costs; 7-Third party external; 8-External sub; 9-External sub and UVA
- Cost sharing funding source/s re-confirmed at the Award acceptance stage
- Important to remember that, cost shared expenditure are...
 - Subject to federal cost principles
 - Subject to audit
 - Easily identifiable for F&A rate proposal
 - Part of the official record (record retention)

Cost Sharing Funding Source-Cash

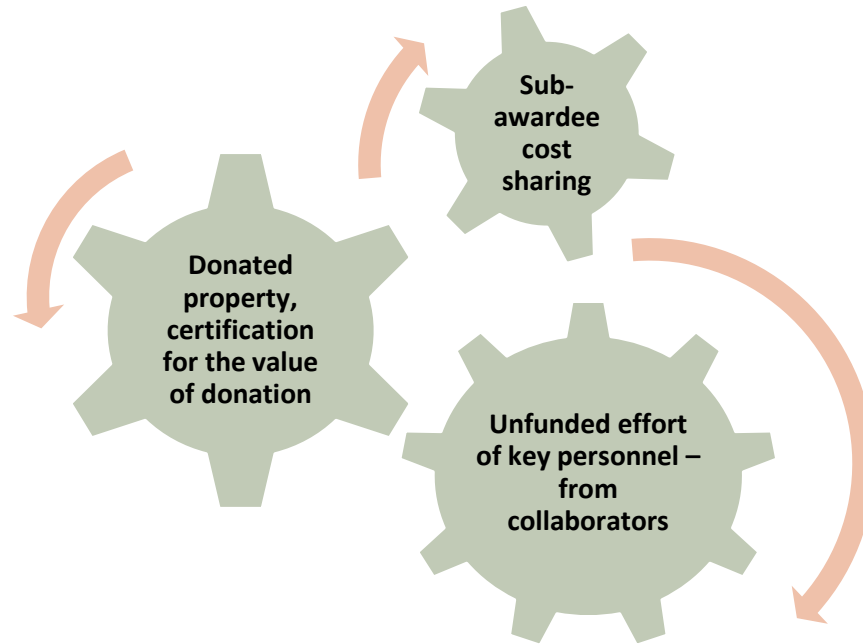


Cost Sharing Funding Source-Cash

Can our system and processes capture what is required by the Federal guidelines

- easily verifiable from financial records
- not included as contributions for another award
- necessary and reasonable for accomplishing program objective
- allowable per federal cost principles
- not paid for by another federal award (few exceptions)
- unrecovered indirect costs (waived F&A on the sponsored award or unrecovered F&A on cost shared direct costs) have sponsor approval

Cost Sharing Funding Source-Non Cash



Cost Sharing Funding Source-Non Cash

Sub-awardee cost sharing

- request sub-awardee to submit periodic cost sharing reports
- Sub-awardee invoices should reflect inception to date cost shared amounts

Donated property

- Document value of the donation

Unfunded collaborators

- request cost share certified quantifying amounts

Award with Cost Sharing – Wrapping Up

All documentation saved in ResearchUVA under the RI

When needed, other central departments (Fixed Asset, Purchasing, etc.) are notified of cost sharing

For in-kind contributions, PI's approval via cost share certificate with documentation from the contributor confirming cost sharing is obtained

PI's approval of subawardee cost sharing is documented via cost share certificate and retained with a copy of sub-awardee's cost share certification

Cost shared expenditures are reviewed for allowability, allocability, consistency and reasonableness

Cost sharing is accurately reported to sponsors and UVA Cost Analysis

Case Study 2

The PI submits a proposal to the Department of Energy which *requires* 20% cost sharing. The PI intended to meet the cost share requirement with technical services provided by a local utility company at no cost to us since they were interested in the research. DOE issued the award, and gave the PI the exact amount he requested for. PI's department administrator contacted the company to follow up on its portion of the cost share commitment, but was surprised to find out that company had decided against participating on this research.

The PI and Department Chair were immediately notified by the department administrator who also informed OSP. OSP presented three options: 1) Cover the cost sharing from discretionary funds; 2) Cover the cost sharing from another award; or 3) Return the award to DOE. The PI responded to OSP that he had a NSF grant that was for similar research which he would use to meet the cost sharing requirement.

What do you think; will this straight forward solution to cover the cost sharing commitment work for this PI? Could this situation been avoided? Who would perform the work that was going to be done by the local utility company? How will UVA PI fulfill the commitment?

Impacts of Cost Sharing

Impacts of Cost Sharing

- Financial-F&A Rate
- Administrative
- Compliance
- *Surely some positive impacts – supporting award-winning research!*



Impact of Cost Sharing-Financial

Cost shared expenditures on research projects are:

- organized research costs
- included in the University's MTDC base

When MTDC base increases, the F&A rate decreases

Voluntary committed cost sharing becomes part of the MTDC Base for determining the F&A rate

Some schools impose penalty (unrecovered overhead) on the PIs for offering voluntary cost sharing

Calculation of the Facilities & Administrative Cost Rate

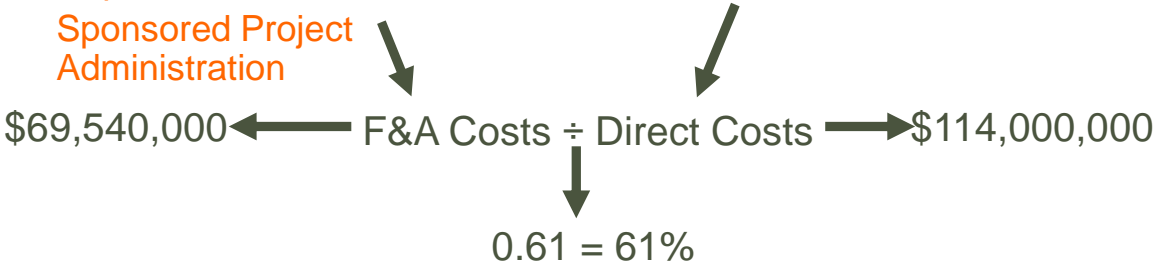
No Cost Sharing

F&A COSTS

- Building Depreciation
- Equipment Depreciation
- Interest on Debt
- Operations & Maintenance
- Library Support
- General Administration
- Departmental Administration
- Sponsored Project Administration

DIRECT COSTS (Research Base)

- Research Salaries & Fringes
- Consultant Services
- Travel
- Technical Services
- Research Supplies
- Subcontracts up to \$25,000



Calculation of the Facilities & Administrative Cost Rate

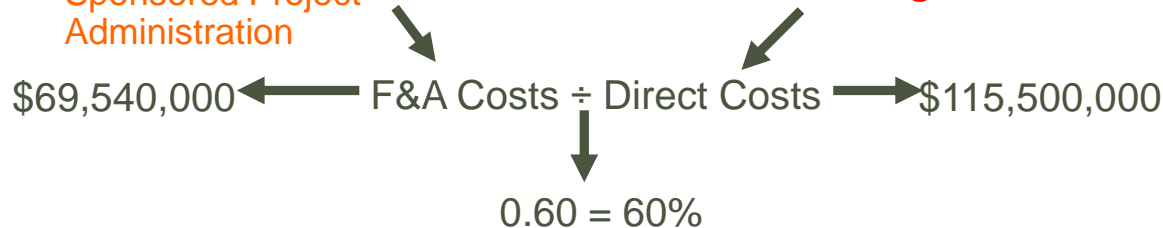
With Cost Sharing

F&A COSTS

- Building Depreciation
- Equipment Depreciation
- Interest on Debt
- Operations & Maintenance
- Library Support
- General Administration
- Departmental Administration
- Sponsored Project Administration

DIRECT COSTS (Research Base)

- Research Salaries & Fringes
- Consultant Services
- Travel
- Technical Services
- Research Supplies
- Subcontracts up to \$25,000
- **Cost Sharing \$1.5M**



Impact of Cost Sharing-Administrative

- Need to track cost shared expenditures in the financial system
- Funding source/s used for cost sharing to be identified, documented with appropriate approvals
- Expenditures reviewed with same scrutiny as the sponsored award
 - Companion account set up with same transaction controls as sponsored award
 - If no companion account, the cost share funding source PTAO/s need to have unique Project or Task for tracking as cost sharing for the sponsored award
- Third party (external subaward) cost sharing needs to be certified by the sub-awardee PI and UVA PI
- Late invoicing or reporting since OSP Post Award will not submit a final invoice or financial report until cost share commitments are reviewed for propriety

Impact of Cost Sharing-Compliance

Regulatory Expectation

Verifiable from recipients records

Allowable under federal cost principles

Necessary and reasonable for proper and efficient accomplishment of project goals

Not included as contributions for any other federal projects

Not paid by federal government under another award

Auditor Expectation

Costs recorded separately for identification & inclusion in the F&A rate calculation

Costs being subject to same regulatory oversight as the sponsored award

Costs claimed as cost sharing are benefitting the research project

PI certification including third party cost sharing

Cost sharing is not coming from a federally funded "G" award



Case Study 3

A clinical faculty submitted clinical trial proposals to multiple agencies, including NIH, Pharmaceutical Companies and DoD. The PI's appointment stated that she could spend 50% of her time on patient practice, and 50% on research. The research effort was distributed among the proposals; 15% commitment on NIH, 20% on DoD and 15% on Pharmaceutical Companies. Surprisingly, all her proposals went through successful negotiations and she received all awards.

Post Award Financial Compliance noticed that the PI was consistently certifying 20% effort for NIH (15% payroll charged to the NIH grant, effort is certified at 20% since PI's salary is over the NIH cap), 20% on DoD (same as payroll distribution) and 15% on industry clinical trials (same as payroll charges); research effort was totaling to 55%, instead of 50% per her contract. The PI's 50% clinical salary is paid by the University Physicians Group.

Do you see any problems in the way the PI certified her effort? What do you think should have happened while the PI was submitting her proposals to NIH, DoD and industry?

Proposed Process for Managing Cost Sharing

Institutional Policy and Procedures

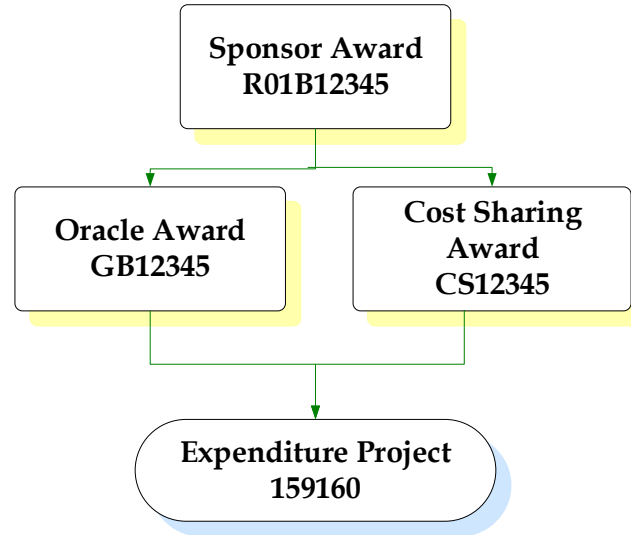
Cost Sharing Policy:

- January 2018 Cost Share Policy Request was presented to the President's Cabinet by VP Finance
- March 2018 President's Cabinet approved creation of UVA Cost Sharing Policy
- May 2018 Cost Share Policy (Draft) shared with Research Administration Improvement Team (RAIT)
- June 2018 Cost Share Policy *submitted* to the Policy Review Committee
- July 13, 2018 Cost Share Policy is approved by the Policy Review Committee

Cost Sharing Procedure:

- July 2017 SEAS and Curry School agreed to pilot establishing companion accounts to track cost sharing
- November 2017 OSP started documenting cost share procedure by partnering with IT, Budget Office, Cost Analysis, VPR, SOM Finance
- June 2018 Cost Share Procedure (Draft) *distributed* to Research Administration Improvement Team (RAIT), questions on funding sources are being addressed by FP&A

Cost Sharing Companion Account Structure



Funding and Expending CS Companion Accounts

Cost sharing companion awards are funded from institutional funding source/s identified by the department

CS award is linked to the Revenue Project of the Institutional non-G Award (e.g., ER12345.155960)

Cost sharing companion awards expend through sponsored award expenditure project

CS award is linked to the Expenditure Project of the sponsored award (e.g., GB12345.159160)

Mock BBA for Cost Share PTAO

Project from: 01-Jul-2017 to: 30-Jun-2020 PERIOD: JUN-FY2018

AWARD: CS12345

Award Name: Expect Miracles NIH AGENCY AWARD#: R01B12345

Award from: 01-Jul-2017 to: 30-Jun-2020

Expenditure Category	Total ITD Budget	Period Budget Activity	FY Costs	Project TD Costs	Commitment	Project TD Budget Balance
Staff Salaries	0.00	0.00	<u>456.00</u>	456.00	0.00	(456.00)
GRA Assistantship	0.00	0.00	<u>50,000</u>	129,026.97	0.00	(129,026.97)
Paid Leave Allocation	0.00	0.00	<u>5.56</u>	68.40	0.00	(68.40)
Staff Benefits Allocation	0.00	0.00	<u>136.34</u>	136.34	0.00	(136.34)
Materials and Supplies	0.00	0.00	<u>0.00</u>	16,135.99	0.00	(16,135.99)
Travel	0.00	0.00	<u>0.00</u>	7,145.38	0.00	(7,145.38)
Tuition Remission Allocation	0.00	0.00	<u>54,025</u>	74,185.46	0.00	(74,185.46)
Indirect Cost	0.00	0.00	<u>0.00</u>	0.00	0.00	0.00
Total	0.00	0.00	104,622.90	227,154.54	0.00	(227,154.54)

Closing Out Sponsored Awards with Cost Share

Final reconciliation

- Expenditures are matching commitment
- Companion award is closed along with G award

Reporting to sponsors

- SF425
- SF1034 (for subawards)
- NSF Research.gov

Reporting to Cost Analysis

- Cost sharing booked in non-Federal sponsored accounts