

# Office of Sponsored Programs

## Cost Sharing Policy

**Policy ID:** OSP 0006

**Date:** 8/1/18

**Status:** Approved

**Policy Type:** Public

**Issuing Office:** Office of Sponsored Programs (OSP)

**Responsible Executive:** Provost

**Affected Parties:** Liberty University faculty and staff receiving external funding in the form of sponsored programs.

**Reason for Policy:** Cost sharing must be proposed, approved, administered and accounted for in a consistent and prudent manner. This includes understanding financial and workload implications of the cost sharing commitment, determining when cost sharing is appropriate and accurately recording and reporting cost sharing expenses. Contribution of such resources must be carefully considered and approved by the party with budgeting authority. Once committed, it is important to document the fulfillment of the university's responsibilities for cost sharing, and to maintain compliance with governmental and other regulations.

This policy applies to all externally sponsored proposals and awards that include costs not borne by the sponsor.

See Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (OMB Uniform Guidance).

**Policy Statement:**

### **A.) Proposals – Cost Sharing Commitments**

Any University commitment to share in the cost of a project should be identified prior to proposal submission. The University's cost share commitments must be identified and authorized prior to submission. If a subawardee will contribute to a cost share commitment, the amount should be agreed to prior to proposal submission and documented in the subawardee's commitment letter.

Prior to award acceptance, OSP will contact the unit or the Principal Investigator (PI) with any concerns it has regarding the University's proposed cost sharing commitment (mandatory or voluntary committed.) At the time of the award, OSP will notify the unit of the mandatory or voluntary committed cost sharing requirements.

Once the award is accepted, failure to comply with the cost sharing commitment may result in a loss or return of project funds. Tracking of mandatory or voluntary committed cost sharing by units should be done regularly to prevent an over or under-contribution. Over-contributing prevents use of these funds for meeting commitments on other projects; under-

contributing may result in a corresponding reduction in the award. If it is anticipated that there will be a significant under-contribution, the PI or unit administrator must immediately notify the OSP.

**Allowable Costs for Cost Sharing** - For expenses to be eligible for cost sharing, costs must be:

- Allowable and allocable under federal cost principles (OMB Uniform Guidance) for federal projects and the terms of the sponsored agreement;
- Necessary and directly related to the project objectives; and
- Certifiable in the Payroll Certification process for labor costs.

The costs must not be any of the following (unless approved by sponsor):

- Included as cost sharing for any other project;
- Payable by the same sponsoring agency under another award; or
- Unrecovered F&A unless approved in advance by the sponsor.

**Specific Expenses that May be Considered for Cost Sharing** – Examples of allowable forms of cost sharing are:

- The effort of the PI and/or employees devoted to sponsored agreements, including the associated benefits costs;
- Tuition, fees, and stipends related to work performed by graduate students on sponsored agreements;
- The cost of any equipment whose purchase is necessary for, and dedicated to, the successful completion of the project;
- Laboratory supplies;
- Travel necessary for the project; and
- Costs incurred by sub recipients or other third parties, including third party in-kind contributions, not otherwise reimbursed.

#### **B.) Awards: Accounting for Cost Sharing**

All mandatory and voluntary committed cost sharing expenditures of a sponsored project must be properly recorded in the University accounting system. To facilitate the tracking and reporting of these cost sharing expenditures by specific awards, unit administrators must track mandatory and voluntary committed cost sharing expenditures with activity codes.

When an award is received that has a cost share commitment, OSP will work with the PI and the PI's home unit to determine the source of funding for the cost share (i.e., Education & General Program, Indirect, etc.). For each grant Accounting will establish a FOAPAL with a separate but related fund used to track the cost share for labor, equipment, and other direct costs.

To facilitate the accumulation of mandatory and voluntary committed cost sharing expenditures, Accounting will track expenditures and ensure cost share fund code is being used. In-kind contributions from third parties must be properly documented. Volunteer services should also be documented by the

same methods as those used by the University for its own employees. Additionally the basis for determining the valuation of personal services, material, equipment, buildings and land shall be documented.

The amount of cost sharing reporting in the accounting system must be consistent with the amount in the award documents. The unit should notify OSP if it anticipates a significant difference.

**Documentation** – Throughout a project’s life and subsequent record retention period, of five years from the close of the grant award, the PI and the unit must maintain sufficient supporting documentation to substantiate the mandatory and voluntary committed cost sharing contribution to the project. This documentation may be required by sponsors and/or auditors.

**Procedures:**

**Responsibilities**

**A. Office of Sponsored Programs**

- Monitor cost sharing reporting
- Review cost sharing requirements and commitments at the proposal stage
- Verify mandatory cost sharing requirements and voluntary cost sharing commitments
- Notify units of mandatory cost sharing requirements and reportable voluntary committed cost sharing at time of award
- Request a FOAPAL with a separate but related fund code from Accounting and apply this fund code to the cost share budget in Banner
- Monitor mandatory cost sharing requirements
- Submit necessary cost sharing reports to sponsors

**B. Principal Investigator**

- Review the cost sharing requirements of the project
- Contact impacted parties early in the proposal process so any requirements can be thoroughly evaluated in advance of submission
- Evaluate the workload implications of proposed cost sharing
- Ensure that effort does not exceed 100%
- Adjust the employee effort distribution to reflect cost sharing commitments or changes to cost sharing effort, when appropriate
- Review subrecipient invoices for required cost sharing information
- Work with the OSP to submit cost share reports that comply with the sponsor’s reporting requirements

**C. Cost Share Approvers (Deans, Department Chairs, Senior Central Administrators)**

- Carefully review all cost share commitments prior to proposal submission to ensure the benefit exceeds the cost and that there are sufficient resources available.
- If there are charges between the proposal and award stages which impact cost share commitments, the Dean, Department Chair and/or

other Senior Administrators will work with the PI and OSP to ensure cost share commitments can be met prior to award acceptance.

**Sanctions:** Failure to adhere to this policy may result in disciplinary action.

Sponsored agreements funded with public money (federal, state and local government awards; subcontracts under government prime grants and contracts) are subject to full review of all project activity (program and financial) by auditors. All project activities must comply with sponsor terms and conditions and with all applicable regulations.

**Exclusions:** None

**Review Cycle:** Every two years or as needed. All OSP policies will be reviewed by the OSP Policy Committee, a cross-section of LU faculty and staff, in coordination with the Director of the Office of Sponsored Programs, for recommended revisions. The Vice President for Outreach & Business Engagement will approve all OSP policies.

**Glossary of Terms:** **A. Cost Sharing:** Cost sharing is the portion of the project expenses related to a sponsored agreement that is contributed by the University and charged to the sponsored project fund.

Cost sharing may be required by the sponsor as a condition of receiving an award (“mandatory cost sharing”) or offered by the Principal Investigator (PI) by including it in the sponsored proposal document. (“Voluntary committed cost sharing.”)

Cost sharing represents real costs to the University.

- Cost sharing represents a redirection of University resources from instruction or other activities to support a sponsored project.
- The PI, department chair, college dean or director, and other administrators should carefully weigh the cost-effectiveness and the expected benefits of cost sharing prior to making the commitment in a proposal.
- Effort committed may not exceed that allowed by the faculty or staff member’s appointment.
- Funds expended by LU in cost sharing result in a lower F&A (indirect cost) rate.

**B. Cost sharing Fund Code:** A Fund code will be assigned to labor budgets and direct expenditures to record committed University contributions to a sponsored project or program.

**C. Effort:** Compensated time spent on sponsored project or program, expressed as a percentage.

**D. Facilities and Administrative (F&A) Cost:** A cost incurred in support of the project or program that does not directly benefit, and is not specifically associated with, a sponsored project or program. Unrecovered F&A can only be used to support cost share requirements with prior sponsor approval.

**E. Mandatory Cost Sharing:** A contribution to a sponsored project or program required by the sponsor as a condition of obtaining the award. Such contributions are binding commitments and must be accounted for in accordance with this policy. Records of mandatory cost sharing must be kept. **Note:** Sponsor “encouraged” cost sharing not required as a condition of receiving an award, does not constitute mandatory cost sharing.

**D. Matching Contribution:** A type of cost sharing wherein a contribution to a sponsored project or program is pledged to match some portion of funds provided by the primary sponsoring agency. Matching contributions may be in any form acceptable to the sponsor, including cash and third party in-kind.

**E. Effort Certification:** This is the process used by LU to satisfy federal requirements to certify effort expended on federally sponsored projects. The PI must certify that direct supported and cost share effort amounts are reasonable in relation to work performed.

**F. Third Party In-Kind Contribution:** A non-cash contribution to a sponsored project or program that is provided by a party other than LU or the primary sponsoring agency. Third party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, or goods and services directly benefitting and specifically designated for the project or program. The amounts must be certified by the third party at the time of the proposal submission and documented during the award stage to support amounts contributed.

**G. Voluntary Cost Sharing:** A contribution to a sponsored project or program offered by the PI but not required by the sponsor as a condition of obtaining the award. Voluntary cost sharing is classified as either committed or uncommitted.

- **Voluntary Committed Cost Sharing:** Quantified contributions reflected in the proposal narrative, budget and/or budget justification. If awarded, these contributions are binding commitments and must be accounted for in accordance with this policy. These contributions are considered to be required cost sharing by the sponsor because they were volunteered as part of the proposal.
- **Voluntary Uncommitted Cost Sharing:** Contributions not quantified or reflected in the proposal. These are, therefore, non-binding commitments that do not require documentation or reporting.