



Cost Sharing

Policy Type: Administrative

Responsible Office: Office of Sponsored Programs (proposal and award), Office of Research and Innovation, and Grants and Contracts Accounting (fiscal and accounting), Office of Finance and Budget

Initial Policy Approved: 01/07/2013

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Policy Statement and Purpose

The purpose of this policy is to define VCU's cost-sharing policy for sponsored programs. The university will make a cost-sharing commitment only when required by the sponsor or by the competitive nature of the award and then only to the extent necessary to meet the specific requirements of the sponsored project. Cost-sharing commitments to the maximum extent possible will be recorded in the university's accounting system. Cost-sharing commitments that cannot be recorded in the accounting system (e.g., committed cost sharing of organizations awarded subagreements by the university, volunteers on sponsored agreements, etc.) must be documented in the project file maintained by the university department responsible for fiscal management of the project.

This policy serves the following purposes:

1. To provide guidance regarding the circumstances for which committed cost sharing is permitted by the university, including what kind of services, expenditures, or assets may be cost shared.
2. To inform the university community regarding the contractual, financial, and administrative implications that result from the commitment to cost share.
3. To inform the university community regarding the procedures by which the university can identify the cost sharing commitments it makes as a condition of obtaining external sponsorship and by which the university demonstrates that it has fulfilled such commitments.
4. To inform the university community regarding the procedures for recording cost-shared expenditures both in the university's accounting system and/or third party system in order to identify cost sharing as required by the Office of Management and Budget Uniform Guidance (2 CFR 200).

Cost Sharing: Rationale and Description

For many years, the federal government and most charitable foundations, otherwise known as sponsors, have considered it the role of universities to conduct research, training, and other activities. These sponsors support universities in fulfilling their role through the issuance of awards for particular projects;

however, many awards do not cover 100 percent of the cost of the projects. The difference between the award amount and the total cost of the project must be provided by the university, a third party, or a combination of the two; this is called "cost sharing," and it is sometimes a required condition of receiving awards. Cost sharing can range from 1 percent to over 50 percent of the total project cost. Cost sharing is sometimes called "matching."

Cost share is often referred to as either "cash" or "in-kind."

1. If a precise dollar amount can be shown in the official VCU accounting system, it is called "cash" cost sharing. Cost sharing from the university's resources is usually "cash" cost sharing.
2. If a service or a product is not tracked in the official VCU accounting system, it is called "in-kind" cost sharing. Cost sharing from third-party sources is usually "in-kind" cost sharing. Note that some sponsors use the term "in-kind" cost sharing to mean any type of cost sharing.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

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Who Should Know This Policy

All individuals involved in sponsored programs are responsible for knowing this policy and familiarizing themselves with its contents and provisions.

Definitions

In-Kind

In-kind contributions are project-specific contributions of a service or a product provided by an individual or organization where the cost is not tracked in the official VCU accounting system. Examples of in-kind

contributions include equipment or labor. Volunteer hours are also considered to be in-kind contributions. Sponsors may have their own definitions of “in-kind” that differ from VCU’s definition. In those circumstances, the sponsors’ definition of “in-kind” governs the sponsored project.

Mandatory Cost Sharing

Mandatory cost sharing is cost sharing required by a sponsor as a condition of making an award. This requirement is always specified in the published description of the sponsor announcement. The requirement is usually expressed in terms of a percentage of the total project cost or a percentage of the sponsor share of the total project cost, although occasionally it is expressed as a fixed dollar amount. Mandatory cost sharing expenses must be identified for cost accounting purposes and must be reported to the sponsor in the financial report of the project. Failure to document the agreed upon cost sharing during the course of the project will result in reduction of funds available from the sponsor.

Research Administration Management System – Sponsored Programs Online Tracking (“RAMS-SPOT”)

The electronic system implemented by the Office of Sponsored Programs that supports paperless routing and approval of all major sponsored project transactions, paperless record storage, in-system budgeting, and in-system communications. Access is by EID and password.

Salary Cap Cost Sharing

Salary Cap Cost Sharing is cost sharing which occurs when the university proposes (or later assigns), effort by individuals whose salary exceeds a sponsor-imposed limit for individual salaries. It may not be offered for mandatory committed cost sharing. Salary cap cost sharing must be identified for cost accounting purposes. Under OMB definition, salary cap cost sharing is classified as voluntary committed cost sharing, but for ease of understanding, it is defined separately in university documentation.

Voluntary Committed Cost Sharing

Voluntary committed cost sharing is cost sharing the university may offer in a proposal to reflect accurately the total resources necessary to complete a project or to make a proposal competitive. This offer is included in the award directly or by incorporation. Voluntary committed cost sharing expenses must be properly identified for cost accounting purposes but generally are not included on financial reports to sponsors.

Voluntary Uncommitted Cost Sharing

Voluntary Uncommitted Cost Sharing is cost sharing that is not committed or budgeted for in a sponsored agreement. It need not be tracked for cost accounting purposes or reported to the sponsor, and if it arises from faculty or other personnel effort, it is excluded from separate identification in effort reporting. Voluntary uncommitted cost sharing most commonly results from a cost overrun on a project, or from researchers’ effort which is over and above that committed and budgeted for in a sponsored agreement.

Contacts

The Office of Sponsored Programs (OSP) (concerning proposal and award) and Grants and Contracts Accounting (G&C) (concerning fiscal and accounting) officially interpret this policy. The Office of Sponsored Programs and Grants and Contracts Accounting are jointly responsible for obtaining approval for any revisions as required by the policy *Creating and Maintaining Policies and Procedures* through the

appropriate governance structures. Please direct policy questions to the associate vice president for Sponsored Programs or to the director of Grants and Contracts Accounting and Effort Reporting.

Policy Specifics and Procedures

Including Cost Sharing in a Proposal

When cost sharing is specifically required under the terms of a particular program, the principal investigator (PI) must include the required committed cost sharing amounts in the proposal and in the proposed project budget. Similarly, when cost sharing is explicitly volunteered in the proposal, the PI must include the committed voluntary cost sharing amounts in the proposal and in the proposed project budget. This includes in-kind cost-share committed by collaborators. Internal agreement on the funding source of cost sharing commitments must be reached among all involved parties prior to the proposal submission. All committed cost sharing must be recorded in the university's Research Administration Management System – Sponsored Project On-line Tracking (RAMS-SPOT) system. All applicable cost sharing agreements become a part of the proposal file. All applicable cost sharing must be reported to the sponsor as required by the award document.

According to Uniform Guidance (2 CFR 200.306(b)),

For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

1. Are verifiable from the non-Federal entity's records;
2. Are not included as contributions for any other Federal award;
3. Are necessary and reasonable for accomplishment of project or program objectives;
4. Are allowable under Subpart E—Cost Principles of this part;
5. Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
6. Are provided for in the approved budget when required by the Federal awarding agency; and
7. Conform to other provisions of this part, as applicable.

Accounting for Cost Sharing

This section sets forth the specific procedures for capturing and tracking cost sharing in VCU's accounting system.

When the grants/contract includes matching or cost sharing, the department administrator must complete the Committed Cost Sharing Authorization form found on the University Controller's Post Award Links, Policies and Forms webpage and forward it to gcavcu@vcu.edu. The cost sharing index is a supplemental index to an existing primary 5-ledger index.

1. Creating a Cost Sharing Account

A cost sharing index created in any ledger has its own budget and expenses associated with a specific sponsored agreement. One sponsored program may have multiple indexes set up to monitor cost sharing when the related cost sharing is coming from different schools and/or departments, or if it is associated with multiple budget years requiring budget year reporting.

- The department will identify the budget source at the time of the proposal submission in RAMS-SPOT. It will update any changed information prior to inception of the project in RAMS-SPOT or on the Committed Cost Sharing Authorization form.
- Grants and Contracts Accounting will request an index with a cost sharing attribute and title.
- Grants and Contracts Accounting will inform the department of the new grant or contract index and the corresponding cost sharing index.
- The department will reallocate budget to the cost share index, or submit the budget reallocation document to the Finance and Budget Division (depending upon the ledger) to enter the budget for the cost sharing index.

2. Charging a Cost Sharing Account

The cost sharing index will include the direct allowable expenditures that correspond to the sponsored program index. Allowability of costs on **mandatory** cost sharing is identical to allowability on the associated sponsored program index. The labor distribution must reflect the cost sharing index number and/or the associated sponsored program index and the effort associated with each.

- The Effort Certification report will show the total project effort and related cost-shared salary charged and the certifier will certify accordingly.
- Grants and Contracts Accounting will report mandatory cost sharing to the sponsor. Where **mandatory** and **voluntary committed** cost sharing are co-mingled, the cost sharing reported to the sponsor will be up to the amount authorized in the agreement.
- Grants and Contracts Accounting will terminate the cost sharing index at the same end date as the associated sponsored program index unless there is a continuation year of the sponsored program.

Budget transfers from designated or gift funds (ledger 6) to the cost sharing supplemental index may be on a project period basis, but budget transfers of Education and General Programs (E&G) funds may only be on a fiscal year basis. It is preferable that transfers from gift funds also be handled on a fiscal year basis. It is also preferable that cost sharing for a given fiscal year be identified at the beginning of the year when possible. The PI or department administrator must identify the budget source on the Committed Cost Sharing Authorization form and secure approval by an authorized signatory official responsible for the funding source.

Each sponsored program with **mandatory** cost sharing or salary cap cost-sharing will have at least one associated cost sharing index. The department must monitor the index monthly and update the budget as needed. Cost sharing accounts may not be in a deficit at the end of the university's fiscal year. Departments must make a budget transfer rather than an expense transfer to resolve the deficit in the cost sharing index.

Voluntary committed cost sharing must be accounted for in the same manner as mandatory cost sharing so that any required reporting can be completed.

Departments may use the voluntary uncommitted cost sharing practice to handle cost overruns. Cost overruns occur when accumulated costs for specific cost objectives are greater than the accumulated award amount after applying any appropriate expense transfers, refunds, etc. **The costing practice (i.e., setting up a separate index) is not used for a cost overrun, since the overrun will not be tracked. Cost overrun is considered uncommitted cost sharing.**

3. Salary Cap as Voluntary Committed Cost Share

If a sponsor imposes a specific salary cap, the university will not charge the sponsor above that rate but will treat that salary portion as **voluntary committed** cost sharing. The university will not report **voluntary committed** cost sharing to the sponsor but will capture it for the F&A costs rate; therefore, charging the salary to a separate **voluntary** cost sharing index. Even though it is titled “voluntary,” we are required to maintain and account for this cost share for F&A rate negotiation purposes.

4. Subawardee Cost Sharing Commitment

The subawardee will provide the PI a statement, certified by the subawardee’s authorized official, of the cost-shared expenditures as prescribed in the award agreement. The PI must approve the expenditures' statement to verify that the subawardee provided the committed services or assets in the performance of the sponsored agreement. The VCU In-Kind Cost Sharing Certification Form (and Third-Party Cost Sharing) may be used for this purpose.

The PI will supply the VCU In-Kind Cost Sharing Certification Form (and Third-Party Cost Sharing) and subawardee statement and/or financial support documentation to Grants and Contracts Accounting during the budget period close-out or project period close-out as applicable, along with other required close-out documents. Grants and Contracts Accounting will document the file and report the **mandatory** cost sharing to the sponsor.

5. In-kind Cost Sharing Commitment (including Volunteer Hours)

The VCU In-Kind Cost Sharing Certification Form (and Third-Party Cost Sharing) must be used for this purpose. The PI will supply the VCU In-Kind Cost Sharing Certification Form (and Third-Party Cost Sharing) to Grants and Contracts Accounting during the reporting period(s) and/or the budget period close-out or project period close-out as applicable, along with other required close-out documents. Grants and Contracts Accounting will document the file and report the mandatory cost sharing to the sponsor.

Forms

1. [VCU Committed Cost Sharing Authorization Form](#)
2. [VCU In-Kind Cost Sharing Certification Form \(and Third-Party Cost Sharing\)](#)

Related Documents

1. Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Section 2 CFR 215.23(a)(5), 2 CFR 200.29, 2 CFR 200.306
<https://www.gpo.gov/fdsys/granule/CFR-2005-title2-vol1/CFR-2005-title2-vol1-sec215-23>
<https://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-sec200-29>
<https://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-sec200-306>
2. U.S. Department of Health & Human Services Salary Cap Summary
https://grants.nih.gov/grants/policy/salcap_summary.htm
3. VCU Policy: [Post-Award Financial Management](#)

Revision History

This policy supersedes the following archived policies:

Approval/Revision Date	Title
01/07/2013	<i>Cost Sharing</i>

FAQ

1. How do I calculate Salary Cap cost share?

EXAMPLES OF SALARY COST SHARING CALCULATION AND INDEX IDENTIFICATION

Assume a NIH grant with faculty members paid over the salary cap. The department may charge cost sharing to one, or multiple 1-, 2-, 4-, or 6- ledger cost sharing index(es). Charge mandatory cost sharing and voluntary committed cost sharing to different indexes; however, it is not necessary to charge cost sharing to different ledgers. In practice, a NIH grant is very unlikely to have mandatory cost sharing. Salary cap figures are subject to change each year; therefore, review the U.S. Department of Health & Human Services' Salary Cap Summary for updated salary cap figures.
http://grants.nih.gov/grants/policy/salcap_summary.htm

a. None of proposed effort is volunteered as cost sharing.

John Doe's annual salary is \$250,000. Assume the salary cap is \$185,100 for this exercise. (Check the DHHS Salary Cap Summary for current rate). He will commit 20 percent effort with no salary cost sharing requested on his NIH grant. Charge the salary as follows:

<u>Fund Source</u>	<u>Index</u>	<u>Account</u>	<u>Amount</u>	
Grant Budget Index	5-ledger	5 xxxxx	\$37,020	Not cost shared (\$185,100 @ 20%)
Cost Sharing Index	1-ledger	5 xxxxx	\$12,980	Salary Cap (Voluntary committed) (\$64,900 @ 20%)

b. All of proposed effort is volunteered as cost sharing.

Note that salary cap is only a limit on the amount the sponsor will reimburse.

Sally Roe's annual salary is \$250,000. She will commit 20 percent effort with no salary requested on her NIH grant. Charge the salary as follows:

<u>Fund Source</u>	<u>Index</u>	<u>Account</u>	<u>Amount</u>	
Cost Sharing Index	1-ledger	5 xxxxx	\$50,000	Voluntary committed (\$250,000 @ 20%)

c. Part of proposed effort is volunteered as cost sharing, and faculty member's salary exceeds cap.

Mary James' annual salary is \$250,000. She will commit 20 percent effort with only 10 percent salary requested on her NIH grant. Calculate the salary as follows:

<u>Fund Source</u>	<u>Account</u>	<u>Object Code</u>	<u>Amount</u>	
Grant Budget Index	5-ledger	5 xxxxx	\$18,510	Not cost shared (\$185,100 @ 10%)
Cost Sharing Index	2-ledger	5 xxxxx	\$21,490	Voluntary committed

(Computation)

\$200,000 salary x 20% total committed effort = \$ 40,000
\$185,100 cap salary x 10% capped payment by grant = \$(18,510)
Balance is voluntary committed including salary cap = \$ 21,490

2. How is the NIH salary cap determined?

Since 1990, Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under an NIH grant. The NIH Salary Cap Summary is available online at http://grants.nih.gov/grants/policy/salcap_summary.htm.

3. Can I keep the same cost-share index for multiple years?

It depends. A cost-share index can be retained for multiple years for competitive segments of those awards that are subject to expanded authorities and SNAP. Awards requiring budget period or annual accounting will require a separate cost-share index each year.

4. How do I account for cost-sharing by a volunteer?

PIs and departments are responsible for documenting volunteer activities and for maintaining complete records of these activities. Per the Uniform Guidance:

Volunteer services furnished by third-party 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 third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.