

System-wide Policy:	
FI0210 - Sponsored Projects - Cost Sharing	
Version: 1	Effective Date: 10/01/2017

FI0210 – Sponsored Projects – Cost Sharing

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Objective:

To ensure compliance with federal costing and cost-sharing requirements as set forth in the OMB Uniform Guidance. This policy establishes procedures for recording cost share expenditures in the university's accounting and effort certification systems for sponsored projects.

Policy:

1. A number of sponsors require mandatory direct or facilities and administrative (F & A) cost sharing, matching, or other financial obligations from the university. In general, these obligations of university resources should be minimized as much as possible while maintaining harmonious relations with such sponsors. The following guidelines should be used when preparing budgets for applications, proposals, award agreements and accounting for cost sharing.

General Information

2. Cost sharing is the portion of the total project costs on a sponsored project that is not paid by the sponsoring agency. There are primarily three types of cost

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sharing that may occur on sponsored projects: mandatory cost sharing, voluntary committed cost sharing, and voluntary uncommitted cost sharing. Matching is another common term used to describe cost sharing.

- a. **Mandatory Cost Sharing:** This is cost sharing that is required either by statute or by administrative regulation. The requirement for such cost participation is explicitly set forth in funding opportunity announcements (FOAs) or guidelines issued by the sponsor, and is a requirement for eligibility to participate in the project and will be specifically identified within the university's proposal. Whenever it is possible or permissible to do so, grant and contract proposals should reflect mandatory cost sharing as a percentage of total costs rather than as an allocation of specific direct costs
- b. **Voluntary Committed Cost Sharing:** This is cost sharing that is not required by the sponsor, but which is included voluntarily in the university's proposal to the sponsor. Once the sponsor has accepted the proposed cost share, the university is then obligated to meet the cost sharing amount. For example, voluntary committed cost sharing would be when a principal investigator commits to spend 15% effort on the project but does not expect the sponsor to provide funding to cover his/her salary. In this case, the 15% effort on the project was not a requirement for proposal submission in the FOA, but was included at the discretion of the PI (or other project personnel) in an attempt to leverage the proposal. §200.306 a) Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity. Furthermore, only mandatory cost sharing or cost sharing specifically committed in the project budget must

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be included in the organized research base for computing the indirect (F&A) cost rate or reflected in any allocation of indirect costs.

- c. **Voluntary Uncommitted Cost Sharing:** This is cost sharing that is neither mandatory nor voluntary committed. It represents contributions by the university to a sponsored project that were not required by the awarding sponsor and were not volunteered in the university's proposal to the sponsor. Voluntary uncommitted cost sharing is not reported back to the sponsor. For example, voluntary uncommitted cost sharing occurs when the principal investigator's effort is greater than what was committed in the proposal.
3. It is the preference of the university that only mandatory cost sharing be proposed to sponsoring agencies. This preference does not preclude exceptions that may be judged appropriate under certain circumstances to leverage a project. Mandatory cost sharing requirements are usually defined by law, statute, sponsor regulations, or written in the application guidelines for a specific program. When mandatory cost sharing is required, a copy of the FOA, regulations or guidelines must be submitted with the proposal along with a written commitment from the individual authorized to commit the resources to the campus research office. All cost sharing is to be reviewed and committed in writing in accordance with campus procedures.
4. Mandatory and voluntary committed cost sharing must be recorded in the university's accounting and effort certification systems to meet federal requirements specified in OMB Uniform Guidance §200.306.

Cost Sharing Criteria

5. 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:
 - a. Cost sharing must be identifiable and verifiable in the university's records.

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- b. Expenditures must be necessary and reasonable for proper and efficient accomplishments of project or program objectives.
 - c. Expenditures are allowable and allocable under the applicable cost principles.
 - d. Expenditures are allowable under the cost principles as stated in OMB Uniform Guidance.
 - e. Expenditures must not be included as contributions for any other federal award.
 - f. Cost-sharing expenditures may not be from funds supported by the federal government under another award, except where authorized by federal statute to be used for cost sharing.
 - g. Costs are described in the approved budget and/or terms of the sponsored agreement when required by the awarding sponsor.
6. Values for non-Federal entity contributions of services and property must be established in accordance with OMB Uniform Guidance §200.434 Contributions and Donations. Third-party in-kind contributions offered as cost sharing require a commitment letter on company letterhead signed by an individual who is in a position to commit the in-kind contribution. After-the-fact reporting to the university will be necessary. For contributions other than cash, see [FI0210-Attachment A](#) for valuation methods. Listed below are some examples of acceptable cost sharing expenditures.
- a. Faculty, staff, or student salaries
 - b. Allowable staff benefits related to the cost shared salaries
 - c. Laboratory supplies
 - d. F & A costs
 - i. F & A associated with the direct cost-share expenditures
 - ii. Unrecovered F & A
 - iii. Caution: Not all F & A is allowable as cost sharing. Prior approval from the sponsor is required. Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the

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difference between the amount charged to the Federal award and the amount which could have been charged to the award under the federally approved negotiated indirect cost rate.

- e. Third-party contributions

Any potential direct cost that may be used as cost sharing must also qualify as a direct expense on the project and not be an expense that would normally be included in the facilities and administrative costs. See [FI0205 - Sponsored Projects](#), sections 11-15 for more information on direct and F & A costs.

- 7. Listed below are examples of expenditures that are not allowable cost sharing expenditures:
 - a. Cost-sharing sources that come from other federally sponsored projects that have not obtained prior approval from both federal sponsors involved
 - b. Expenditures that are normally included in the university's F & A rate
 - c. Expenditures that were incurred outside the award period
 - d. Expenditures that are considered to be outside the scope of the project

Budgeting and Cost Sharing Procedures

- 8. The following guidelines should be used when preparing budgets for applications, proposals, and contract agreements.
 - a. **Mandatory Direct Cost Sharing.** Several agencies require mandatory direct cost sharing in varying amounts or percentages of direct costs. Total direct costs as reflected in the approved budget for the grant or contract must be expended through the WBS element. Whenever it is possible or permissible to do so, grant and contract proposals should reflect mandatory direct cost sharing as a percentage of total direct costs rather than as an allocation of specific direct costs.

By this preferred method, the cost sharing will be a monthly, computer-generated transaction based on the cost-sharing percentage on campus-specific Restricted Budget Form. This percentage will be applied to the

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direct expenditures for the month. The resulting charge will be made to cost element 544400 (cost sharing) against the cost object designated on the campus-specific Restricted Budget Form.

If the mandatory cost sharing is an allocation of specific direct-cost line items, periodic manual accounting entries are necessary.

- b. **Mandatory Matching.** There are many variations of matching requirements among agencies. Some require that the university obtain matching funds before a grant or contract is awarded. Others require detailed matching expenditures to be reported periodically throughout the project term. The principal investigator must provide the campus post award office with detailed information on how the matching requirement will be met at the beginning of the project term.
- c. **Mandatory Facilities and Administrative Cost Sharing.** Many departments and agencies of the state and federal government have refused to recognize the concept of "full cost reimbursement" and will not allow the inclusion of the full facilities and administrative cost recovery rates in awards to or contracts with the university. Campuses and institutes contracting with state and federal agencies should negotiate for the best F & A cost rate permissible.

Facilities and administrative costs and mandatory facilities and administrative cost sharing are calculated each month as direct costs are expended through the WBS element. These monthly, computer-generated transactions are based on the percentages shown on the appropriate campus specific form. These amounts are included on the Grant and Contract Budget and Expenditure Report, or the "R ledger sheet," with the cost element 501000 for facilities and administrative costs and 501990 for facilities and administrative cost sharing.

- d. **RESTRICTED BUDGET FORM (FORM T-1).** This form must be completed for each grant and contract when the proposal is completed.

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Upon execution by the university, the original grant or contract documents should be forwarded to the appropriate post-award office for the official files so that the required WBS elements can be established. A campus or institute receiving direct grants that do not require official acceptance by the chief financial officer (or designee) should immediately forward copies of all pertinent documents, accompanied by a completed [FORM T-1](#), to the campus or institute post-award office so that the required WBS elements can be established and the documents filed. Restricted WBS element numbers generally will not be assigned in the Treasurer's Office or appropriate campus or institute post-award office. However, provisions may be made for assigning an advance restricted WBS element by contacting the appropriate campus or institute business office. Refer to the campus-specific [REQUEST FOR ADVANCE WBS ELEMENT \(ADVANCED ACCOUNT REQUEST\) FORM](#) included in the campus specific instructions at the end of the policy.

- e. **Supplemental Budget and Cost Information.** Each campus or institute chief business office and the sponsored programs office should develop supplemental budget and cost information forms to use in reviewing grant and contract proposals. Such supplemental budget and cost information forms should (1) require that the total costs involved in the proposed project be given and (2) reflect any portion of both direct and facilities and administrative costs being borne by the department or the university as joint-effort cost sharing that is in addition to the mandatory direct or F & A cost sharing proposed for the project budget.

Post-Award Cost-Sharing Issues

- 9. **Impact of Cost Sharing Direct Expenditures:** If the funds for direct cost sharing are coming from a cost center, this commitment ties up the funds that might otherwise be used elsewhere. The department must carefully review to ensure that cost-sharing commitments are reserved and available.

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10. Impact of Cost Sharing on the University's F & A Rate: Cost sharing has a negative impact on the university's facilities and administrative cost rate. The total amount of cost sharing is incorporated into the formula used in the negotiation of future F & A rate. By having a lowered F & A rate, this may also impact the amount of F & A returned from the campus to the colleges/departments/principal investigators.

Recording and Documenting Cost Sharing

11. Documentation for cost sharing begins at the proposal stage and ends with the closeout of the project.

12. Pre-award:

- a. When a proposal is submitted for review by the campus pre-award office, all mandatory and voluntary committed cost-sharing information will be included in the budget narrative as well as the budget, if applicable. The proposal is certified by the principal investigator and approved by the department head to note that cost-sharing resources are committed and available. Cost sharing should be approved by the appropriate CBO or his/her designee.
- b. The campus pre-award office will review the budget to ensure compliance with the OMB Uniform Guidance.
- c. When a project is awarded with an amount different from the proposed budget, adjustments must be made to the budget and cost-share amount and may require recertification or approval

13. Post-award:

- a. Upon receipt of either a fully executed award or [REQUEST FOR ADVANCE WBS ELEMENT \(ADVANCED ACCOUNT REQUEST\) FORM](#), the campus business office will establish the project and WBS element(s) depending on the cost-sharing requirements. **All UT cost-sharing expenditures (mandatory and voluntary committed) must be recorded on the project WBS element(s) or its related match cost center.** Listed below are the approved methods:

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- i. *Single WBS element.* Under this method, all project expenditures (including cost-sharing expenditures) are posted to one WBS element. Cost sharing will be recorded via a settlement rule or manually to the appropriate cost center or in rare cases, a gift fund. Typically, this method will be used to record unrecovered F & A costs.
 - ii. *Companion WBS element.* Under this method, more than one WBS element will be created for the project. One WBS element will be used to record sponsor-related expenditures while a second WBS element will be used to capture cost-sharing expenditures. At the end of each period, the costs on the cost sharing WBS element will be settled to an appropriate cost center or gift fund.
 - iii. *Other.* A method to be determined and approved by the campus business office to document cost sharing when methods i. and ii. are simply not possible. This option will be used very sparingly and in only special circumstances.
- b. In addition, all salary used for cost sharing on a project must be appropriately accounted for in the university's effort certification system. Instructions for the effort certification process can be found at <http://ecr.tennessee.edu>. See the effort certification sections 20-23 in [FI0205 - Sponsored Projects](#).

14. **Third-party contribution:**

- a. Any cost sharing from a third-party source must be included in the proposal. Documentation must include a letter from such party on company letterhead signed by an individual authorized to commit the resources.
- b. The cost-sharing criteria are the same for the third party as it is for the university.
- c. Third-party in-kind expenditures will never appear in the university's accounting system, it is the principal investigator's responsibility to obtain an after-the-fact documentation of the cost sharing in a timely manner. The cost-share documentation should include the date of the service, cost

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of the service, and signature from the third party contributor. This documentation must be forwarded to the appropriate campus post-award office to file in the university's official record. It should be noted that this documentation is subject to audit.

- d. Unmet cost sharing by a third party will become the responsibility of the principal investigator and his/her department.

Cost Sharing Responsibilities

- 15. **Principal Investigator.** The principal investigator (PI) is responsible to ensure that cost-sharing expenditures are recorded on the correct WBS element in a timely manner. It is the PI's responsibility to obtain acceptable documentation of any third-party cost sharing and to forward it to the appropriate campus post-award office. Failure to meet cost-sharing obligations or to adequately document cost sharing can result in cost disallowances by sponsors. It is the responsibility of the principal investigator and the department to ensure university compliance with cost-sharing regulations and procedures.
- 16. **Departmental.** The department is responsible for ensuring that funds are budgeted or otherwise available to meet the cost-sharing requirements. In addition, the department is primarily responsible for ensuring that cost sharing is in compliance with OMB Uniform Guidance §200.306.
- 17. **College.** If applicable, the college is responsible for assisting the department and ensuring university compliance with cost-sharing requirements.
- 18. **Campus Pre-award Office.** The campus pre-award office is responsible for reviewing the proposed cost share information to ensure compliance with OMB Uniform Guidance §200.306. To ensure the cost share is in the best interest of the unit and the university, the proposed cost share requires approval by the appropriate campus business office or their designee. In addition, if the proposed cost-share amount differs from the award cost-share amount, the budget must be adjusted accordingly with appropriate approvals.
- 19. **Campus Post-award Office.** It is the responsibility of the campus post-award office or other appropriate administrative office to review cost sharing and ensure

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that adequate documentation is provided in the official file to support the cost-sharing requirements as required by the award agreement and OMB Uniform Guidance §200.306.

PROCEDURES:

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

FORMS:

- [Request for Advance WBS Element Form](#)
- [Restricted Budget Form \(T-1\)](#)
- [Valuation of Third-party In-kind Contributions](#)

Contacts

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Related Policies: [FI0205 - Sponsored Projects](#), [FI0215 - Sponsored Projects - Effort Certification](#), [FI0220 - Sponsored Projects - Cost Transfers](#), [FI0230 - Sponsored Projects - Subaward Origination and Subrecipient Monitoring](#), [FI0235 - Sponsored Projects - Program Income](#), [FI0420 - Contracts](#)