



Cost Sharing Policy and Procedures

Policy Number: 600-012
Effective Date: April 3, 2007
Last Updated: April 3, 2009
Issuing Authority: Senior Vice President/Chief Financial Officer – Treasurer and Vice President for Research and Compliance
Responsible Office: Restricted Fund Accounting – Office of Sponsored Programs/Grants and Contracts Accounting; Office of Financial Analysis and Budget

Purpose:

The purpose of this policy is to:

- 1) Provide detailed instruction on the allowable forms of cost sharing permitted by Howard University and all related entities, business units, subsidiaries and affiliated organizations including, but not limited to, Howard University Hospital (hereinafter referred to collectively as “Howard University”) including the nature of services, expenditures, or assets;
- 2) Provide information to Howard University sponsored program community pertaining to the contractual, financial, and administrative implications that result from cost sharing commitments;
- 3) Establish procedures to account for cost sharing commitments that Howard University has fulfilled as a condition of obtaining external sponsorship; and
- 4) Institute procedures for documenting cost-shared expenditures within Howard University’s accounting system in order to isolate cost sharing for inclusion in Howard University’s research portion of the “Organized Research” MTDC base .

Policy:

This document establishes Howard University’s policy on and procedures for accounting for cost-sharing on sponsored awards. Howard University will commit to cost sharing only when required by the sponsoring agency or by the competitive nature of the award, and then only to the extent necessary to meet the requirements stipulated by the sponsoring agency.

Howard University’s procedures for accounting for cost sharing and reporting such commitments to sponsoring agencies will be in accordance with the Office of Management and Budget (OMB) Circulars A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations” and A-21, “Cost Principles for Educational Institutions.”

Definitions:

Cost Sharing

OMB Circular A-110 defines cost sharing or matching as “that portion of the project or program costs not borne by the federal government.” Accordingly, Howard University defines cost sharing, also known as



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matching, as that portion of total project costs contributed that are not borne by the sponsor. These costs represent an implied or explicit agreement on the part of Howard University to assure that non-sponsor resources are contributed to a project, either from sources internally or externally.

There are four (4) categories of cost sharing: Committed, Mandatory-Committed, Voluntary-Committed, and Voluntary-Uncommitted.

- (1) Committed Cost Sharing represents quantified institutional commitments within an application, proposal budget or budget justification which become trackable and reportable to the Federal Government. Costs used for committed cost sharing must follow sponsor guidelines for allowability (i.e., be allowable, reasonable, allocable and consistently treated), be verifiable and not used for cost sharing elsewhere, be incurred within the project period and provide a direct benefit to the project.
- (2) Mandatory-Committed Cost Sharing applies to those projects in which the cost sharing commitments are eligibility requirements that are explicitly stated in the solicitations, announcements, or in the terms of the funded awards or contracts.
- (3) Voluntary-Committed Cost Sharing is cost sharing that is proposed by Howard University, and when accepted and included in the terms of the award by the sponsor, becomes mandatory and must be documented by project.
- (4) Voluntary-Uncommitted Cost Sharing is not proposed by Howard University and not formally accepted and included in the terms of the award by the sponsor, but is “voluntarily” incurred by Howard University. Voluntary-uncommitted cost sharing need not be documented. Howard University discourages the use of this type of cost sharing.

Cash Contributions

Cash contributions are actual funds from internal or external sources. Cost sharing from Howard University’s resources is generally considered "cash" cost sharing, because a precise dollar amount of expenses can be shown in its accounting system.

Direct Costs

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or facilities and administrative costs. (See Direct and Indirect Cost Charging Policy.)

Facilities and Administrative (F&A) Costs

F&A costs are those that are incurred for common or joint activities and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.

Effort



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Effort represents time spent by a Principal Investigator/Project Director (PI/PD) or employee on a sponsored project or program. (See Effort Reporting Policy.)

In-Kind Contributions

In-kind contributions are non-cash contributions generally from outside Howard University, such as volunteer services or donations of equipment or supplies. Since these resources are not under the control of Howard University, much care must be exercised before entering into agreements promising such contributions. Once the project is funded, in-kind contributions are monitored on an on-going basis to assure that the cost sharing agreement will be fulfilled. Failure to meet, or adequately document in-kind contributions could result in a portion of Howard University incurred costs being disallowed and create a financial liability for the department and Howard University.

Third-Party Cost Sharing

Third-party cost sharing is cost sharing that is provided by an organization other than Howard University or primary sponsoring agency. Third-party cost sharing is not included in the F&A base as part of overall sponsored project costs, since these costs are not borne by Howard University. Third-party cost sharing is required to be tracked when it is funding the mandatory cost sharing committed or voluntary committed in an award and/or when the sponsor requires these costs to be reported in the financial reports. These costs are tracked by Howard University when a sub-award is involved, by requiring the costs to be itemized on the invoice that the third-party submits or in a separate letter of certification provided by the third-party when no sub-award exists.

Cost Sharing in Sponsored Program Proposals and Awards:

Cost sharing should be limited only to those situations where it is mandated by a sponsor or Howard University has determined that such a contribution is necessary to ensure the success of a competitive award. Where cost sharing is not required by the sponsor or necessary to ensure the competitiveness of a proposal, PI/PDs and departments should refrain from making such commitments voluntarily. In all situations, the use of cost sharing should be kept to a reasonable level because of the burden that cost sharing places on Howard University or departmental resources.

Once awarded, all explicit commitments of effort referenced in a proposal become mandatory cost sharing and must be accounted for as a cost of the project. These costs must be separately identified and reported and, if effort, certified in the Effort Reporting System.

Since not all proposals get funded, it is possible to include commitments of more than 100% of total effort taking into consideration existing workload requirements and all outstanding proposals. However, in preparing proposals, PI/PDs must be careful not to over-commit themselves or others.

It is important to realize that whether cost sharing is required by the sponsor or is offered by Howard University voluntarily, once an award is made all cost sharing commitments are considered to be mandatory and, as such, represent binding obligations for Howard University. Committed cost sharing must be tracked and accounted for separately from other expenditures of Howard University funds because it must be included in the "Organized Research" base – the denominator of the fraction which defines our indirect cost rate.



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Howard University must also be able to document that its cost sharing expenses are allowable and comply with all the requirements of OMB Circular A-21.

Establishing Cost-Shared Effort

In order to fulfill Howard University's responsibility to sponsors, sponsored projects generally include some PI/PD or other key personnel effort that is directly charged or explicitly cost-shared with the agency, excluding time spent on administrative or instructional activities, unless directly related to the project's objectives. This effort must be quantified in the proposal. The amount of effort must be realistic (i.e., neither overstated nor understated), and should be determined on a project-by-project basis. Generally, a PI/PD should expect to spend a minimum of one day per month for the management of the research project, or 5% of his or her effort, whether direct-charged or not. The total of one's effort, including other Howard University duties, cannot exceed 100%.

In determining the appropriate level of cost-shared effort, PI/PDs should consider the following requirements for cost-sharing:

- The percentage of time spent on other projects;
- The amount of effort devoted to other functions, such as, teaching, administration, etc.; and
- Whether the project involves Co-PI/PDs, (in these cases, a minimum cost-shared amount lower than 5% for each Co-PI/PD may be reasonable);
- Obtain Dean or Department Chair approval.

Realistic Cost-Sharing Commitment

Prior to a proposal submission, OSP/RA will contact the department or the PI/PD with any concerns it has concerning Howard University's cost-sharing commitment. At the time of the award acceptance, OSP/RA will notify GCA and the department of the 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 cost-sharing should be done periodically by the department (e.g., when monthly transaction statements are reconciled) to prevent an over or under contribution. Over-contribution prevents use of those costs for meeting commitments on other projects; under-contributing may result in a corresponding reduction in the award or other consequences for Howard University.

Sources of Cost Sharing

OMB Circular A-110, section 23(a) states that cost sharing may be met from the following sources:

- a. The Howard University's funds provided for the benefit of the specific project (i.e., department, college accounts, etc.)
- b. F&A costs (overhead) on direct expenses identified as cost sharing.
- c. Unfunded or waived F&A costs. Waived F&A costs are indirect costs that are otherwise available to be recovered, but Howard University has agreed to accept less than the full amount. The difference between the indirect costs accepted by Howard University and the amount that would have been provided at the full rate may be used as cost sharing, if approved by the sponsor.



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- d. Another sponsored project account. This is rare and allowable only if approved by both sponsors. (Note that Federal funds **may not** be used as cost sharing on other Federally funded projects).
- e. All contributions, including cash and third-party in-kind. (This is support from a non-Howard University source).
- f. Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor. These costs may be counted as cost sharing if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work at Howard University. In those instances in which the required skills are not found in Howard University, rates shall be consistent with those paid for similar work in the labor market. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- g. Donated supplies, which include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.
- h. Third-party in-kind contributions. The supporting records for in-kind contribution from third parties must meet the following requirements:
 - 1) Volunteer services shall be documented, and to the extent feasible, supported by the same methods used by Howard University for its own employees.
 - 2) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Criteria for Cost Sharing

All contributions, including cash and third-party in-kind, shall be accepted as part of Howard University's cost sharing when such contributions meet all of the following criteria:

- a. Are identifiable, verifiable and documented in Howard University's records.
- b. Are not included as contributions for any other project or program.
- c. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- d. Are allowable under OMB Circular A-21.
- e. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- f. Are provided for in the approved budget when required by the Federal awarding agency.
- g. Are incurred during the effective dates of the grant or contract.

Acceptable Cost Sharing Expenditures

In general, costs normally treated as direct costs and allowable under OMB Circular A-21 on sponsored projects may be used to meet a cost sharing obligation; costs normally treated as indirect on sponsored projects may not be used as direct costs to meet cost sharing obligations. Examples of expenditures which **can** be used as cost sharing include:

Cash Contributions



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- Salaries (faculty, staff or students and applicable fringe benefits)
- Supplies
- Tuition, fees, stipends related to work performed by graduate students on sponsored agreements
- Equipment, only if Howard University has title and purchased with non-Federal funds during the period of the award
- Travel
- Costs incurred by subcontractors or other third parties, including third party in-kind contribution, not otherwise reimbursed¹
- Unrecovered F&A, if approved by sponsor
- Waived or reduced indirect costs (i.e., the difference between the negotiated indirect cost rate and the amount of indirect costs awarded by the sponsor)²

When direct expenses are cost-shared, the applicable indirect costs are automatically cost-shared.

In-Kind Contributions

- Volunteer employee services
- Volunteer professional, technical or consulting services
- Donated supplies
- Donated equipment, property or space

The following expenses **may not** be used as cost sharing on a Federal award in accordance with OMB Circular A-21 and other agency criteria:

- Expressly unallowable costs identified by OMB Circular A-21 or identified by the sponsor in the agreement.
- Administrative and clerical salaries or any other costs properly classified as indirect costs.
- Salary dollars in excess of the NIH rate cap³.
- Construction or renovation costs, except those required by contract, as these costs are typically recovered as F&A costs and can result in disputes of ownership and disposal of the assets involved.
- Travel on foreign air carriers

¹ The value of a third-party in-kind contribution must be established. When the contribution is in the form of personal services, the contributor must certify that the amount cost-shared is comparable to the individual's regular rate of compensation. When contributions are other than personal services, the provider must state the fair market value of the item.

² Indirect costs may be included as part of cost-sharing Federal awards only if they are specifically identified in the accepted proposal, or with specific approval of the awarding agency.

³ Salary up to and including the NIH salary cap may be charged to a federal award in proportion to the effort applied by the staff member to the project. The portion of the staff member's compensation associated with that effort, but corresponding to the staff member's compensation above the salary cap, may neither be charged to the grant nor cost shared. It must be charged to a university account.



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Accounting for Cost Sharing:

All cost-shared expenditures of a sponsored project must be properly recorded and reported in Howard University's accounting system. At the time of proposal submission, OSP/RA must be informed of cost-sharing and its source of funding must be indicated.

Cost sharing accounts are funded at the inception of the project. Final determination of funding to support cost sharing is the responsibility of the Department Chair and is based on the responsibilities of the PI/PD and the availability of funds. A *Grant Recommendation* form is prepared including the applicable cost sharing budget section and submitted to GCA for processing. If cost sharing is required, the source of cost sharing must be identified and approved in the project's operating budget prior to submission to GCA. The account funding the cost sharing must be clearly displayed on the face of the recommendation.

In completing the *Grant Recommendation* form, the following information must be provided where cost sharing is applicable:

- Faculty and/or graduate assistant name, Howard University position number, percentage of effort and the cost shared salary/wages
- Fringe benefits that are attributable to direct salary/wages
- Supplies and expenses
- Equipment
- Indirect costs

The department(s) providing funding for the cost-sharing must approve the *Grant Recommendation* and the *Cost Sharing Authorization* form, shown as Exhibit 1. The latter form provides verification that the account number provided for cost sharing is valid and guarantees that funds are available to cost share on the referenced project.

Cost sharing will be recorded in dedicated cost-sharing accounts. Budgets will be established based on approved budget recommendations and all cost-sharing expenses will be recorded in these accounts. The amount of cost sharing actually reported in the accounting system must be consistent with the amount committed in the award documents.

Third-Party Cost Sharing

The Howard University may offer as cost sharing: (a) time and effort, (b) goods and services, and (c) facilities, contributed by third parties, such as, a subawardee. The PI/PD is responsible for securing records of and reporting such third party cost sharing.

If a potential sub-grantee or subcontractor makes a cost sharing commitment which appears in the budget of the proposal, the sub-grantee or subcontractor is required to maintain records and report the cost sharing in its financial reports to Howard University. This requirement will be part of the terms and conditions on any sub-award agreement or subcontract issued by Howard University.

If cost sharing is provided by a third party who is not a sub-grantee or subcontractor, the PI/PD must obtain documentation proving the value of the contributions if other than cash.



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Documentation

During the term of the project, the PI/PD and the department must maintain sufficient supporting documentation to substantiate the actual cost-sharing contributions to the project. This documentation may be required by sponsors, auditors, and/or GCA. (See Record Retention Policy.)

Effort Reporting and Certification

The Howard University's effort distribution system and certification process requires that all effort directly associated with a project be classified consistently, even if salaries are not charged to the sponsor. All effort (whether charged to the sponsor or included as cost-sharing in the proposal), should be charged to accounts with the same functional classification. When there is a significant change from the employee's planned effort, including the cost-shared amount, a change in the employee's payroll effort distribution should be processed. Effort, including the cost-shared amount, must be confirmed after the fact as part of the bi-annual certification process.

If effort is required by the sponsoring agency, and there is a significant decrease in the level of effort devoted to the project, the sponsor should be notified through OSP/RA

Roles and Responsibilities

Academic Department

- **Principal Investigator/Project Director (PI/PD):** The PI/PD is the individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity. The PI/PD has ultimate project and financial responsibilities for his/her project(s) and must:
 - Determine the cost sharing requirements of the project by clearly identifying the cost sharing commitment in the budget or budget justification;
 - Evaluate the workload implications of proposed cost-sharing commitments;
 - Ensure that the total of all effort for an individual does not exceed 100%;
 - Identify the cost-sharing source account and ensure that funds are available to meet the obligation;
 - Obtain approval for cost sharing from the Dean/Department Chair;
 - Notify Grant Contract Accounting (GCA) of the cost sharing commitments by sub codes and by fiscal year;
 - Certify all labor-related cost sharing through Howard University's effort certification system;
 - Review and certify all non-labor-related cost sharing through Howard University's financial system;
 - Determine, justify and properly document any special circumstances surrounding the project in accordance with Howard University's policies, agency guidelines and Federal regulations;
 - Assist in obtaining documentation of third-party cost sharing as needed;
 - Work with GCA to submit cost-sharing reports that comply with the sponsor's reporting requirements; and
 - Ensure that cost-sharing commitments are met and properly recorded.

- **Department Chair:** The Department Chair is the individual designated by the Dean of the school who is responsible for the general financial and administrative oversight of grant and contract activities conducted within the respective School or College. The Department Chair must:



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- ensure that faculty time commitments on grants and contracts do not conflict with other departmental or Howard University responsibilities;
 - establish departmental procedures for the financial administration of grants and contracts;
 - approve detailed proposals and budgets for grant awards on a consistent basis;
 - provide coordinated support for grants administration within the department; and
 - assist the PI/PD in resolving any budgetary, overrun, disallowance or grant dispute issues with the sponsor.
- **Dean:** The Dean is the individual who provides oversight by (1) establishing effective processes and controls that will ensure compliance with the cost sharing policy and procedures and its associated documents and guidelines; (2) evaluating the workload implications of proposed cost sharing to ensure that a PI/PD's total effort does not exceed 100 percent and approve a PI/PD's cost sharing commitments at the time of proposal submission.

Office of Financial Analysis and Budget

The Office of Financial Analysis and Budget will establish 2 ledger (Howard University) dedicated cost sharing accounts upon request by Grant Contract Accounting (GCA). The budget in any 2 ledger account committed by the PI/PD for cost sharing will be transferred to a dedicated 2 ledger account.

Office of the Comptroller

The Office of the Comptroller has responsibility for interpreting and revising Howard University's cost sharing policy and procedures.

Office of Sponsored Programs/Research Administration

The Office of Sponsored Programs/Research Administration (OSPRA) will (1) review grant/contract applications and proposals for adequate justification and description of cost sharing committed; (2) assist PI/PD and their staff in interpreting sponsor regulations and guidelines related to cost sharing; (3) provide guidance as to how cost sharing can be reduced or eliminated in order to benefit Howard University; (4) ensure the appropriate unit level approval has been provided for the committed cost sharing; (5) review for and approve any overlap between projects relating to cost sharing and approve cost sharing from other sponsored funds; (6) endorse Howard University's cost sharing commitment by providing institutional approval; (7) notify Grant Contract Accounting (GCA) and departments of cost sharing requirements at time of award, and (8) be involved with any changes in an award's budget and associated cost share commitment that may occur.

Additionally, OSP/RA will ensure that proposal requirements are satisfied for each participating unit, notify departments of reporting requirements (if applicable) and monitor and advise participating departments of cost-sharing commitments, as well as ensure that the department/PI/PD complies with various regulatory requirements of the sponsor and Howard University.

Grant Contract Accounting (GCA)

Grant Contract Accounting will (1) review cost-sharing requirements and commitments upon receipt of award notification from OSP/RA; (2) work with departmental administrators to determine fulfillment of appropriate reporting requirements; (3) monitor cost-sharing requirements; (4) establish separate dedicated cost-sharing accounts and (5) report cost sharing commitments and fulfillment as necessary. Grant Contract Accounting (GCA) will setup dedicated 5 and 6 ledger cost sharing accounts and work with the Office of Financial



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Analysis and Budget to ensure that 2 ledger accounts are established. The cost-sharing committed by the PI/PD and other project staff will be recorded into these Restricted Fund Accounting accounts.

Third-Parties

These are organizations other than Howard University that are participating in the costs of the project, such as, a subawardee that is also required to make a cost sharing contribution to the project. They will have to provide proof of fulfillment of their commitments.

Related Policies:

- Direct and Indirect Cost Charging Policy
- Internal Controls Policy
- Effort Reporting Policy
- Closeout Policy
- Record Retention Policy
- Cost Transfer Policy

Forms and Links

- *OMB Circular A-21* – www.whitehouse.gov/omb/circulars/a021/a021_2004.pdf
- *OMB Circular A-110* – www.whitehouse.gov/omb/circulars/a110/a110.html
- *Cost Sharing Authorization Form*
- *OVPRC Website* <http://ovprc.howard.edu>