Research Education and Compliance Training

Principal Investigator Certification Program

Howard University
Research at The Capstone
Integrity, Responsibility, Trust, Generosity, Creativity
Module 3: Cost Sharing

Learning Objectives

✓ Understand the Definition of Cost Sharing
✓ Understand the Difference Between Committed and Uncommitted
✓ Understand the Sponsored Research Life Cycle
✓ Understand the Impact of Cost Sharing on the Institution
✓ Understand How to Include Cost Sharing in a Proposal
✓ Understand Howard's Cost Sharing Policy
✓ Understand the responsibilities of the PI and Department
Summary of the PI Certification Program

- Program that will **ensure** that principal investigators are **aware of and follow** the research policies and procedures of the University.
- Personnel from all units related to grants and contracts **will be required to attend training**, and;
- Principal Investigators **will be made aware that failure to comply with regulations** **will result in the recommendation of sanctions** by the Research Compliance Office.
- Research Education and Technical Assistance section within the Research Compliance Office, Sr. VP for Research and Compliance
Summary of the PI Certification Program

- There are **8 required modules** with other supplementary modules to be developed.
  - Module 1: Overview of the University Environment
  - Module 2: Cost Principles
  - Module 3: Cost Sharing
  - Module 4: Administrative Charging
  - Module 5: Direct Costs
  - Module 6: Property Management
  - Module 7: Cost Transfers
  - Module 8: Project Monitoring
Background and Howard Perspective

• “We found that the University did not have comprehensive policies, procedures, techniques, and mechanisms to effectively manage, account for, and monitor NSF grant funds.”

• “As a result, for the five grants reviewed, with total funding of $10 million, we found inadequate Howard internal controls over (a) $12.3 million of cost sharing claimed on NSF awards, (b) $2.9 million of NSF funds passed-through to subawardees, (c) faculty salary charges of $176,000, and (d) stipend payments of $109,000 made to trainees.”

• The University did not separately track, and therefore, could not support $6.9 million of Howard matching funds. Also, it did not have adequate documentation to support another $5.4 million of claimed cost sharing provided by seven subawardee organizations.
Howard Responsibilities…
• “…validate that timely and appropriate corrective actions are implemented to address all audit report recommendations.”

In order to avoid…
• “If such an evaluation discloses that Howard has not implemented actions to establish effective management control over NSF grant funds, we recommended that NSF withhold additional funding until appropriate corrective actions are instituted.”

NSF Responsibilities…
• “Resolution shall be made within a maximum of six months after issuance of a final report…”
Definition of Cost Sharing

Cost sharing or matching means that portion of project or program costs not borne by the Federal Government.

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

1. Are verifiable from the recipient's records.
2. Are not included as contributions for any other federally-assisted project or program.
3. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. Are allowable under the applicable cost principles.

Source: Office of Management and Budget, Circular No. A-110
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html
Allowable, Allocable and Reasonable

- The **tests of allowability** of costs under these principles are:
  - they must be **reasonable**;
  - they must be **allocable** to sponsored agreements under the principles and methods provided herein;
  - they must be given **consistent** treatment through application of those generally accepted accounting principles appropriate to the circumstances; and
  - they must **conform to any limitations or exclusions** set forth in these principles or in the sponsored agreement as to types or amounts of cost items.
Definition of Cost Sharing (cont.)

- (5) Are **not paid by the Federal Government** under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Are **provided for in the approved budget** when required by the Federal awarding agency.
- (7) **Conform to** other provisions of this Circular, as applicable

- Unrecovered indirect costs **may** be included as part of cost sharing or matching only **with the prior approval** of the Federal awarding agency.
Definition of Cost Sharing (cont.)

- **Mandatory** cost sharing is defined as institutional contributions required by NSF for specific sponsored projects, usually with different requirements for different programs and solicitations.

- **Voluntary** cost sharing is defined as institutional resources made available to a specific sponsored project solely at the discretion of the grantee institution:
  - Committed
  - Uncommitted
Definition of Cost Sharing (cont.)

• Voluntary **committed** cost sharing refers to those **voluntary** cost sharing resources that are **included in the grant proposal, referenced in the award, and required to be provided** in accordance with award terms and conditions.

• Voluntary **uncommitted** cost sharing refers to those **voluntary** cost sharing resources that are **not presented in the proposal or referenced in the award**, but are provided by the grantee institution even though there is no requirement to do so.

*Source: NSF Policy on Cost Sharing NSB-09-21, 2/24/2009*

Case Study Example

• “Vanderbilt’s labor effort reporting system properly tracked and reported voluntary committed cost shared effort pledged by PIs in NSF grant proposals.”

• “However, the University did not appropriately report committed cost sharing when NSF funded PI effort on grants was replaced with cost shared effort.”

• The unreported amount of such committed cost sharing represented about 3 percent of the total FY 2006 salaries of $298,646 charged by the 15 faculty members to NSF grants.
Case Study Example (cont.)

- Without accurate reporting of committed cost sharing of PI effort, Vanderbilt is unable to validate to NSF that the two PIs provided the level of effort explicitly committed in the two grant proposals to accomplish project objectives.
- NSF expected these faculty members to provide the amount of effort that the individuals have agreed to contribute in their original grant proposals.
- It is important for the Federal Government to be able to validate that a sufficient level of PI effort was committed to a sponsored project that is commensurate with the complexity and nature of the research and dollar amount of grant funding.
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Sponsored Research Life Cycle

Pre Award

Post Award
Impact of Cost Sharing on the Institution

- Dilutes the institutional F&A rate

"Indirect costs represent substantial, real expenditures incurred by the institution to support each research program, and if these costs are not fully paid by each sponsor, HU must subsidize them from other institutional resources"
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Inclusion in a Proposal
Typical Budget Categories

- Direct Costs
  - Personnel/Labor
    - PI
    - Key Personnel
    - Other titles (Research Assistants,
      Technicians, Clerical, etc.)
    - Salary/wages & Fringe Benefits
  
- Non-Labor
  - Supplies
  - Equipment
  - Travel
  - Patient Care
  - Stipends/tuition remission
  - Subawards
  - Other

Total Cost = Directs + Indirects + Cost Sharing
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Inclusion in a Proposal (cont.)

HU Budget Template Tool

Source: OSP-RA Forms and Tools
http://ovprc.howard.edu/offices/osp/ra/tools.html
Howard Cost Sharing Policy

- 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 and A-21.
Howard Cost Sharing Policy (cont.)

- 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.
Howard Cost Sharing Policy (cont.)

• 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.
Howard Cost Sharing Policy (cont.)

- **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.

http://ovprc.howard.edu/resources/policies.html
Case Study Example

• “We were engaged to audit the funds awarded by the National Science Foundation (NSF) to the Northwest Indian College (NWIC) under three awards, numbers DUE-9752076, DUE-0053303, and ESR-0086186 for the period September 1, 1997 to December 31, 2001. Northwest.”

• “We were unable to determine whether material amounts of claimed costs and cost sharing that NWIC charged to NSF Award Numbers DUE-9752076, DUE 0053303, and ESR-0086186 were allowable, allocable, and reasonable in accordance with applicable Federal cost principles and NSF award terms and conditions.”
Case Study Example

• “…we have questioned the entire $1,115,306 in direct costs claimed by NWIC for the three awards. We have also questioned all of the $35,534 cost sharing required for the closed Award Number DUE-9752076 and have identified the remaining $141,114 as cost sharing “at risk” for Award Number DUE-0053303, which was still in process at the conclusion of our audit.”

• Questioned costs are (1) costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, (2) costs that require additional support by the awardee, or (3) costs that require interpretation of allowability by NSF
Responsibilities of PI and Department

• 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;
Responsibilities of PI and Department (cont.)

- PI/PD (cont.)
  - Obtain approval for cost sharing from the Dean/Department Chair;
  - notify Restricted Fund Accounting (or Grant/Contract Accounting once established by Howard University) (RFA-OSP/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;

http://ovprc.howard.edu/resources/policies.html
Responsibilities of PI and Department (cont.)

- PI/PD (cont.)
  - 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 RFA-OSP/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

http://ovprc.howard.edu/resources/policies.html
Responsibilities of PI and Department (cont.)

- **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:
  - 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;

http://ovprc.howard.edu/resources/policies.html
Responsibilities of PI and Department (cont.)

- **Department Chair:** (cont.)
  - 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

http://ovprc.howard.edu/resources/policies.html
Responsibilities of PI and Department (cont.)

- **Dean:** The Dean is the individual who provides oversight by
  - establishing effective processes and controls that will ensure compliance with the cost sharing policy and procedures and its associated documents and guidelines;
  - 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.

http://ovprc.howard.edu/resources/policies.html
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Helpful Links, Materials and Other Resources