

University of South Alabama

Cost Sharing Policy

I. Purpose

This Policy Statement establishes the University of South Alabama (University) policies and procedures for providing cost sharing commitments to sponsoring agencies, budgeting such commitments in proposals, and documenting cost shared expenditures.

II. Definition of Cost Sharing

Cost sharing is the portion of project expenses (cash and in-kind contributions) related to a sponsored agreement that is contributed by parties (typically the University) other than the primary sponsor and is not directly charged to the sponsored project account(s). Cost sharing represents a University commitment to provide resources to a sponsored project. Cost sharing may be required by the sponsor or offered by the University, and may or may not be included in the sponsored award document. Regardless of how it originates, cost sharing represents a university commitment to provide resources to a sponsored project.

The two categories of cost sharing are:

- **Mandatory Cost Sharing** is a cost contribution, which can be mandated by the sponsor or voluntarily committed by the University, for which the project benefits and is included in the sponsor's award document.
- **Voluntary Cost Sharing** is a cost contribution voluntarily made (typically after the award is made) by the University but not included in the sponsor's award document. Voluntary cost sharing can also include expenditures incurred during the performance of the project, which were not anticipated in the proposal budget and not funded by the sponsor. Faculty time not over and above a normal workload where the effort benefits a specific project is considered voluntary cost sharing and should be reflected on the effort certification. Faculty-donated (including senior researchers) additional time, over and above that agreed to, as part of the award, is considered voluntary uncommitted cost sharing (i.e., hours in excess of a normal workload). Voluntary uncommitted cost sharing should be treated differently from committed effort and is excluded from the effort reporting requirement.

III. Other Definitions

- **Direct Costs** are costs that can be specifically identified with a particular project, program, activity or sponsored account.
- **Effort** is the time spent by a principal investigator, faculty member or other employee(s) on sponsored project(s) and all other activities on an integrated basis regardless of the source of funding. Effort is documented through the University's effort reporting system. Faculty-donated additional time (including senior

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researchers) (effort) above a normal workload is considered voluntary uncommitted cost sharing and should not be included in the effort reporting system.

- **Facilities and Administrative Costs (F&A Costs)** are costs that cannot be readily and specifically identified with a specific project, program or activity but which provide an overall benefit to the institution and sponsored agreements. F&A costs consist of general administration and general expenses such as executive management, accounting, payroll and personnel administration; operations and maintenance expenses, such as utilities, building maintenance and custodial services; building depreciation and interest associated with the financing of buildings; administrative and supporting services provided by academic departments; libraries; and special administrative services provided to sponsored programs. F&A costs were previously called "indirect costs."
- **Matching Contribution** is a form of cost sharing. It is the amount pledged by the institution or a third party to match some portion of funds provided by the primary sponsoring agency. Matching contributions may be in any form, including costs incurred by the University and in-kind contributions made by third parties.
- **Third Party In-Kind Contribution** is a non-cash contribution to a sponsored project or program which is provided by a party other than the University or the primary sponsoring agency. Third party in-kind contributions may be in the form of services directly benefiting and specifically identifiable to the project or program, equipment, supplies, or use of space.

IV. General Policy

Cost sharing should generally be limited only to those situations where it is mandated by the sponsor. Voluntary cost sharing should only be provided in cases where it is clearly necessary because of the nature of the program. In all situations, the use of cost sharing should be kept to a reasonable level because of the burden that cost sharing places on University resources.

V. Costs Eligible for Cost Sharing

To be allowed as cost-shared expenses, costs must be:

- Allowable, allocable and reasonable under federal cost principles (OMB circulars A-21 and A-110) and the terms of the sponsored agreement.
- Certifiable in the effort distribution and certification process (for cost-shared effort).
- Capable of being quantified and documented.

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There are two general restrictions on costs that may be used for cost sharing:

- If the costs are used as cost sharing on a federal program, they may not be paid or used as cost sharing on another federal program, unless permitted by statute.
- Costs classified as F&A costs, such as administrative and clerical salaries, may not be used as direct cost sharing unless permitted by the sponsor (federally funded awards).

Examples of allowable forms of cost sharing:

- The effort of the Principal Investigator and/or employees committed (not paid by the sponsored agreement) to sponsored agreements, including the associated benefit costs.
- The cost of equipment whose purchase is necessary for, and dedicated to, the successful completion of the project. Existing equipment made available for the performance of the sponsored agreement are not considered for cost sharing since the recovery of its cost is included in the F&A cost rate and the sponsor is already paying for it through the application of the F&A cost rate.
- Laboratory supplies
- Travel
- Third party in-kind contributions. 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 for other than personal services, the provider must state the fair market value of the item.
- Waived or reduced F&A costs (i.e. the difference between the applicable negotiated F&A rate and the amount awarded by the sponsor). F&A costs may be included as cost sharing on federal awards only if they are specifically identified in the accepted proposal, or with the specific approval of the awarding agency.

VI. Proposal Development

In order to fulfill the university's responsibility to sponsors, sponsored projects generally include some Principal Investigator effort and other personnel effort that is directly charged to or explicitly cost shared. The effort is quantified in the proposal budget. The amount of effort must be realistic and the total of one's effort must not exceed 100%. Whenever possible, salary commensurate with effort should be included in the proposal and requested from the sponsor.

When cost-shared effort is offered, the following should be considered:

- The sponsor's requirement for cost sharing.
- The percentage of time already committed on other sponsored projects.
- The amount of effort devoted to other functions such as teaching and administration.
- The amount of effort devoted by others such as co-Principal Investigators
- The size and complexity of the project.

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The Transmittal Sheet for Proposal is used to signify that the principal investigator, department, and college concur with the proposed cost sharing and will provide the necessary funding. Prior to proposal submission or award acceptance, the Office of Sponsored Programs may contact the department or the Principal Investigator with any concerns it has regarding the proposed cost sharing commitment. The principal investigator of the sponsored award is responsible to ensure that the cost sharing agreed to has been fulfilled and properly documented. Non-fulfillment of a cost sharing commitment may result in a loss or return of project funds.

VII. Documentation

All cost-shared expenditures of a sponsored project must be properly recorded and reported in the University accounting system or effort reporting system wherever possible.

For mandatory cost sharing, the cost sharing actually provided and reported must at a minimum be the amount required by the terms of the award. Completion of a timely effort report fulfills the documentation requirement related to compensation. When OCGA receives an award with a cost sharing requirement, a separate fund is created to track the cost share. Throughout the project, the principal investigator and department are responsible for monitoring the actual contribution to the project and ensuring that the cost-sharing requirement is met and properly recorded.

The principal investigator must provide documentation of cost sharing to the department, college and Office of Grants and Contracts Accounting. This documentation must be submitted consistent with the reporting requirements of the sponsor but not less frequently than annually.

VIII. Contacts for Questions

Questions concerning this policy and its requirements should be address to the Office of Sponsored Programs (OSP) or Office of Grants and Contracts Accounting (OGCA).