Section	4	Fiscal Policies	01/25/06 -Originated
Subject	4.5	Cost Accounting	08/01/08 -Reviewed w/ changes 10/06/11 -Reviewed w/o changes
Policy	**4.5.7**	**Cost Sharing Policy**	Office of Sponsored Programs-Finance -Author

COST SHARING POLICY

Definitions

Committed Effort – The amount of effort proposed in a grant or other project application and accepted by the sponsor, regardless of whether salary support is requested for the effort.

Cost Sharing: The mandatory or voluntary commitment of institutional resources contained in the proposal or award. The concept of cost matching is synonymous with Cost Sharing. Cost Sharing may be made up of either labor or non-labor costs. There are different types of Cost Sharing:

Mandatory Committed Cost Sharing refers to costs in excess of what the sponsor is going to fund where a requirement for the grantee to fund some portion of the cost is required by the sponsor as a condition of obtaining an award. It must be included in the contract or grant proposal to receive consideration from the sponsor.

Salary-Cap Cost Sharing results when an individual's Institutional Base Salary exceeds a sponsor's salary cap. The prorated excess is a form of mandatory Cost Sharing that must be funded by an appropriate and allowable source.

Voluntary Committed Cost Sharing refers to costs in excess of what we are asking the sponsor to fund that are included in the proposal budget where cost sharing was not required by the sponsor.

Voluntary Uncommitted Cost Sharing refers to costs of a project not funded by the sponsor and which were not committed in the proposal or award.

Non-salary Cost Sharing refers to non-labor costs, e.g. supplies, materials, equipment, that benefit a project but that are not financially supported by the project

For both mandatory and voluntary committed Cost Sharing, when a notice of grant award is received in which Cost Sharing was proposed, the Cost Sharing becomes a binding commitment that must be provided and tracked in a consistent manner across UTMB. Budget reductions

Definitions, continued

and scope changes recommended by the sponsor may be a basis for re-negotiation of any proposed Cost Sharing. Additionally, these forms of Cost Sharing must be included in the appropriate direct cost base in the facilities and administrative rate proposal.

Research Services: Research Services is the UTMB institutional office charged with the administrative oversight of sponsored research. Research Services is responsible for ensuring that policies and procedures are in place to assure the proper stewardship of externally funded projects, including Cost Sharing policies

Sponsored Project: An externally funded activity that is governed by specific terms and conditions. Sponsored Projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Separately budgeted means that a project budget has been prepared to identify the costs necessary to meet the objectives of the project. Sponsored Projects may include grants, contracts, and cooperative agreements for research, instruction and training, and other public service activities. Sponsored programs involve a specific commitment of time of the principle investigator and other key personnel and can be either: 1) externally funded activities for which a formal written agreement, such as a cooperative agreement, contract, or grant is entered into by UTMB and by a sponsor; or 2) internally funded activities which are separately budgeted and accounted for by UTMB as a result of a formal application and approval process within UTMB. For externally funded programs, the commitment of time can either be paid or unpaid by the sponsor (see mandatory and voluntary committed Cost Sharing definitions). A sponsored program may be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.

Unrecovered Facilities and Administrative Cost: The difference between the amount awarded and the amount which could have been awarded under the recipient's approved negotiated facilities and administrative cost rate.

Institutional Base Salary (IBS): The total guaranteed annual compensation an individual receives from UTMB, whether the individual’s time is spent on research, instruction and teaching, patient care, public service or other activities. The IBS shall be used to compute salaries charged to sponsored programs unless sponsor’s policies further

Definitions, continued

limit salary charges. IBS excludes: fringe benefit payments; non-recurring merit payments; incentive payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk. IBS may or may not include additional payment, in special circumstances, by prior approval of Research Services.

Policy

It is the policy that UTMB will report Cost Sharing to ensure that UTMB is in compliance with all applicable federal laws and regulations. UTMB will maintain records of all Cost Sharing within the records of the institution.

It is the Policy of UTMB to discourage the sharing of costs on sponsored awards unless it is a requirement for application. Under extraordinary circumstances, Cost Sharing may be voluntarily offered to the sponsor, but any such proposal and subsequent agreement will require prior departmental approval and will be governed by the specifics of this document in the following sections.

Procedures

UTMB, and the Department/PI, will maintain documentation sufficient to provide information to sponsoring agencies and demonstrate that UTMB has fulfilled any Cost Sharing commitments it has made as a condition of obtaining external sponsorship. The institutional effort reporting system will be the book of record for salary related Cost Sharing. Non-salary Cost Sharing commitments will be documented in departmental records.

When a Principal Investigator (PI) proposes, the chair approves, and UTMB agrees to cost share university resources, UTMB is required to provide the stated resources in the performance of the sponsored agreement. Cost Sharing commitments must be specifically requested by the Principal Investigator and approved by the appropriate UTMB departmental and school officials. Facilities & Administrative Cost Sharing requires prior approval from the Associate Dean for Research Administration.

UTMB will maintain documentation within the institutional records sufficient to segregate Cost Sharing for inclusion in the Organized Research Modified Total Direct Cost (MTDC) base, as required by OMB Circular A-21 (A-21).

Procedures, continued

To meet the administrative requirements for Cost Sharing under OMB Circular A-110 and UTS 163, any Cost Sharing at UTMB must meet the following criteria:

1. Is verifiable from the recipient's records.
2. Is not included as contributions for any other federally-assisted project or program.
3. Is necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. Is allowable under the applicable cost principles.
5. Is not paid by the Federal Government under another award, except where authorized by Federal statute or the award terms and conditions
6. Is provided for in the approved budget when required by the Federal awarding agency.
7. Conforms to other provisions of Circular A-110 and UTS 163, as applicable.
8. Has distinct funds that remain available to the Cost Sharing commitment and are not allocated to any other use or activity.
9. Is a part of the proposal review and approval process by the individual's supervisor, for mandatory and voluntary committed Cost Sharing commitments.
10. Is to be managed as part of the total institutional commitments of individuals (see Effort Reporting IHOP policy).

Implicit in UTMB's commitment to cost share is the PI's agreement to ensure that:

1. Cost Sharing commitment is discussed and approved by the PI and his/her supervisor at the time the proposal is submitted and indicates whether the Cost Sharing is mandatory or voluntary. This will be considered part of the supervisor and PI responsibility for the management of total effort commitments of the PI.
2. Funds are provided for cost-shared direct costs at time of award.
3. Cost-shared expenses for each project are documented.
4. Allowable costs are charged timely and accurately to the appropriate Cost Sharing chartfield string.
5. Records for Cost Sharing chartfield strings are retained for

Procedures, continued

the same period as the records for related sponsored agreement.

Note: The tracking, reporting and confirming of Cost Sharing are subject to audit under OMB Circular A-133, sponsor guidelines or terms of the sponsored agreement.

Other (examples: exceptions, sub categories, etc)

TYPES OF COST SHARING

Faculty, Student or Staff Effort

It may be appropriate to contribute faculty, student, or staff effort to the performance of a sponsored agreement. The commitment to provide such support binds UTMB to contribute the effort and record the associated expenditures including fringe benefits with the appropriate Cost Sharing funds.

Cost Shared effort will be documented within UTMB's institutional effort reporting system.

Cost Shared effort is included in the calculation of total Committed Effort. Although proposals could be in circulation at any given time which in the aggregate exceeds 100% of a faculty, student, or staff's effort, care must be taken at the time of each award to ensure that effort is not committed more than the appointment allows during concurrent periods of time.

Note also that significant decreases in the effort by key personnel to a project may require coordination with and/or advance approval by the project sponsor. This applies to changes in committed levels of effort to be cost shared on the project, as well as to that which will be charged directly to the project.

Equipment

Equipment should not be offered as Cost Sharing unless the receipt of the award is contingent upon such Cost Sharing.

Proposals which include the acquisition of special-purpose equipment as a direct cost may include an offer of UTMB funds to pay for all or part of the cost of such equipment. These proposals may be for equipment or instrumentation grants, where the purpose of the grant is to buy equipment and the grantee is required to share the cost with the sponsor, or research-oriented grants or contracts where the purchase of

Other (examples: exceptions, sub categories, etc), continued

equipment required for the research is an allowable expense included in the proposal and award. Purchase and acquisition must occur during the period of performance of the award. The portion of the purchase price paid by UTMB must be charged directly to funds identified for Cost Sharing in support of the sponsored project.

Facilities and Administrative Costs

Facilities and Administrative (F&A) costs are real costs of conducting Sponsored Projects. When the project does not recover the F&A costs (in part or in whole) associated with a sponsored project, UTMB forgoes associated funds that it would have received and requires the university to provide funding to cover the F&A costs. This impacts the total funds UTMB has available. Unrecovered F&A costs may be used to satisfy a mandatory Cost Sharing obligation ONLY with the prior approval of the Federal awarding agency and the Associate Dean for Research Services Administration

Identifying and providing resources for Cost Sharing of direct costs (including equipment) is always the responsibility of the PI, in conjunction with the department. The PI may NOT utilize funds from another sponsored award as the source of Cost Sharing, except as authorized by the terms and conditions of the award or by statute. Funds for cost-shared expenditures are typically identified from among gift, endowment income, operating budget, or other department designated funds.

The following expenses cannot be offered as Cost Sharing commitments in Sponsored Project proposals:

1. Unallowable costs as defined in A-21, section J.
2. Salary dollars above a regulatory cap, e.g., NIH.
3. University facilities such as laboratory space. PI's should take care in preparing proposals for sponsored agreements not to commit use of facilities as Cost Sharing, but rather to characterize the facilities as "available for the performance of the sponsored agreement at no direct cost to the project"
4. Depreciation on federally funded equipment
5. Costs that do not benefit the project or which occur outside the period of performance.

After the end of the project performance period, when unanticipated

Other (examples: exceptions, sub categories, etc), continued

project expenses result in more charges to a Sponsored Project than were funded, the amount of the cost overrun is accounted for in the same manner as Cost Sharing. These costs represent project costs being borne by UTMB, and therefore, must be accounted for in the same manner as Cost Sharing.

When Sponsored Projects are awarded at the level outlined in the proposal, the committed Cost Sharing must be provided at the requested amount. The actual effort and other costs required to accomplish the goals of a Sponsored Project might differ from what was proposed and awarded. The total costs could decrease due to changes in programmatic needs. When there is Cost Sharing on such projects, the sponsor may need to be consulted to determine if the reduction can be applied to either UTMB's committed Cost Sharing or to both sponsor and University resource contributions on a pro rata basis and to approve such reduction. Otherwise, the sponsor's share is reduced and UTMB's entire Cost Sharing commitment must be met. The PI or the PI's departmental or research administrator should consult with Research Services before the sponsor is contacted.

When required, UTMB is responsible for providing information to sponsoring agencies that demonstrates UTMB has fulfilled the Cost Sharing commitments that it made as a condition of receiving external sponsorship. This responsibility includes providing Cost Sharing reports and reviewing Cost Sharing commitments during the financial closeout of a Sponsored Project. The Principal Investigator and departmental administration will need to provide to Sponsored Programs a full accounting of such Cost Sharing for incorporation into the institutional report to the sponsor.

Disciplinary action for non-compliance with this policy including, but not limited to, failure to report expenditures related to Cost Sharing, will be administered according to the UTMB Institutional Handbook of Operating Procedures in accordance with the University of Texas System Board of Regent's Rules and Regulations. In case of a violation of civil or criminal law, violators may be subject to civil or criminal penalties. If UTMB becomes aware of alleged criminal violation(s), UTMB may report such conduct to the appropriate oversight agencies.

References

OMB Circular A-21, C-4b; Section J;
OMB Circular A-133
OMB Circular A-110
PHS Grants Policy Statement
45 CFR 74.53
UT System, UTS163, Guidance on Effort Reporting Policies
NIH Grants Policy Statement