Fiscal Compliance Requirements for Sponsored Programs Cost Sharing

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Learning Objectives

• Fiscal compliance requirements related to cost sharing
• Responsibility of Research Administrator and Principal Investigator (PI)
• Common issues and impact of non-compliance
Definitions

• **Cost Sharing** – the portion of a project’s costs **not** borne by the sponsor. Types include:
  • **Mandatory** – cost sharing required by the sponsor as a condition of award.
  • **Voluntary – Committed** – not initially required by sponsors, but has been implied based on inclusion in the budget or proposal narrative.
  • **Voluntary – Uncommitted** – arises after the award is in place.
Methods of Cost Sharing

• **Internal**
  - Salary and benefits – PI, faculty
  - Other – equipment, materials

• **Third Party** – other than University or sponsor
  - Subcontractor – work on award
  - Cash – donated funds
  - Other – donated services, materials
Compliance requirements applicable to Cost Sharing include:

- OMB Circular A-110 – Administrative Requirements
- OMB Circular A-21 - Cost Principles for Educational Institutions
- UM System - APM 60.30 – Cost Share
- Sponsor Guidelines
Compliance Requirements - General

- Cost sharing must be:
  - Allowable as a direct cost
    - Reasonable and Necessary
    - Allocable
    - Consistent treatment
    - Conforms to sponsor limitations
  - Incurred during the period of availability
  - Verifiable from the University’s records
  - Only counted one time
Compliance Requirements - General

- Prior sponsor approval required if:
  - A federal award will be used to cost share on another federal award
  - Unrecovered Facilities & Administrative (F&A) costs will be used as cost share
  - Any unallowable costs are used to cost share
  - Cost sharing in different categories than budgeted
- Work with Sponsored Programs Office (SPO) for approval
Cost Sharing - Proposal

• Committed cost share must be approved
  • Mandatory or Voluntary
• Evaluate for reasonableness
  • Both $$ and % of total cost
  • Ability to meet proposed commitments along with existing commitments
• Ensure all cost sharing is clearly identified – direct or implied
  • Certain language and other wording implies the PI will commit effort
Cost Sharing – Award Set-up

• All internally committed cost share must be accounted for in the financial system
  • Mandatory and Voluntary - committed
  • Establish cost share ChartFields
  • Separate ProjectID if another University Business Unit
  • Project Activity Description pages used to track cost share provided by another sponsored award
Cost Sharing – During Award

• PI monthly managerial review to ensure cost sharing is:
  • Verified, recorded, and reported
  • Commitments are being met
  • Properly documented
• Effort reports include cost sharing
• Fund 0000 ordinarily used with ProjectID
Cost Sharing – Closeout

• Reported in final financial report
  • Unrecovered F&A calculated by SPO
• Certify allowability of costs
• Ensure all cost sharing is:
  • Met per commitments – both mandatory and voluntary
  • Allowable
  • Properly documented
Compliance Requirements - Third Party

• PI obtains a letter at proposal to quantify commitment
• Regularly monitor commitment status
  • Certification with each invoice
  • Invoice documents cost sharing portion
• Third party cost share is **not** tracked in the University’s financial system
  • Part of PI managerial review
  • Department and SPO tracks in spreadsheet
## Responsibilities

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<td>Overall Compliance Responsibility</td>
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<td>Knowledge of Compliance Requirements</td>
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<td>Attend Training</td>
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<td>Cost Sharing Commitments Met</td>
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<td>Documentation to Support Costs</td>
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Common Issues

• Unaware of implied commitments
• Unallowable costs used as cost sharing
  • Pre-approval not obtained for exceptions
  • Outside period of availability
• Commitments are not timely tracked or met
• Third party noncompliance
Impact of Non-Compliance

- Questioned or unallowable costs
- Repayments to the sponsor
- Fines and/or sanctions
- Subject to additional external audits
- Jeopardize future funding opportunities
- Damage to reputation
Concluding points

• Committed cost share—whether mandatory or voluntary—must be
  • Approved by Dean or equivalent
  • Allowable direct cost unless otherwise approved by sponsor
  • Met in accordance with award requirements
  • Monitored, quarterly at a minimum
Knowledge Check

• The following are three questions to reinforce concepts from this session.
Question 1:

1. Which of the following is **not** allowable as cost sharing unless prior sponsor approval is obtained?
   a. PI Salary
   b. Technical equipment necessary for the research
   c. Unrecovered F&A costs
   d. Travel costs to present the research findings at a conference
2. All committed cost sharing, whether mandatory or voluntary, is required to be tracked and met after the award is accepted.
   a. True
   b. False
3. The PI does not need any approvals to use funds from a non-federal award to cost share on a proposal.
   a. True
   b. False
Additional Information

- University Accounting Policy – APM – Section 60
  - APM 60.30 – Cost Sharing
- Reference Guide for Sponsored Programs
- Other related training available:
  - Financial Compliance Training Website
  - Contact your Sponsored Programs Office for departmental training sessions or further discussion

Please Click Here to Complete the Training Survey