

Basics of Cost Sharing Module 1



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Workshop Objectives

- Provide an overview of cost sharing and the various types of cost sharing
- Provide information on procedures for obtaining approval for cost sharing
- Highlight cost share in regards to budgeting, policy, monitoring, documentation, and common problems



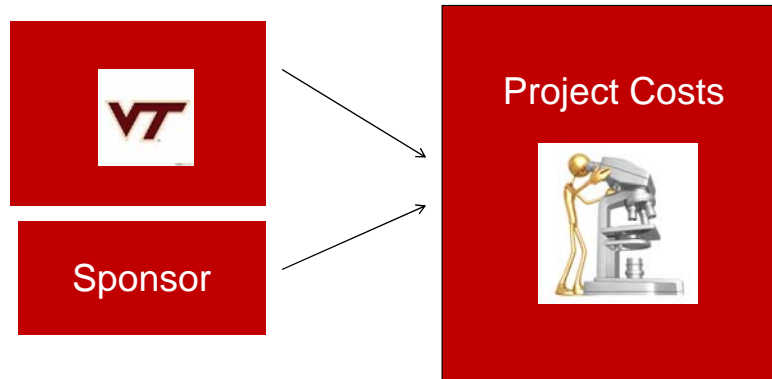
Agenda

- Cost Sharing Defined
- Committing to Cost Share at the Pre-Award Stage
- Managing Cost Share at the Post Award Stage
- Lessons Learned

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What is Cost Sharing?

- Portion of project costs not reimbursed by the sponsor



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What is Cost Sharing?

- Often called “Matching”
- Cost Share is a REAL dollar commitment
- Actual expenditures on the project
- Necessary to accomplish the program activities



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Regulatory Requirements

- Office of Management and Budget (OMB)
Circulars A-110 and A-21
- Cost sharing expenditures must meet the same requirements as a direct charge on a sponsored project
- Cost Sharing Criteria:
 - Costs must be Allowable, Allocable, and Reasonable
 - Cost must be incurred during the project period
 - Federal funds may not be used as cost share
- Sponsors may not allow a cost to be charged directly to the project but it may be acceptable to cost share the cost
- Cost Share expenditures may only be cost shared on one project



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Types of Cost Sharing

- **Mandatory**
 - Sponsor specifies cost share is required
 - Pre-Award will need documentation of the sponsor requirement
- **Voluntary Committed**
 - Offered in the proposal but not required by sponsor
 - This must be approved by Pre-Award Director
- **Voluntary Uncommitted**
 - Work done over & above what is accounted for in the budget
 - Is not officially tracked or documented for the sponsor
 - Examples: faculty/student time, cost over-runs



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VT Cost Share Policy 3245

- All Mandatory and Voluntary Committed cost sharing must be approved by Sponsored Programs via the Form A Cost Sharing Request Form
- Voluntary Uncommitted Cost Sharing cannot be applied as committed cost sharing without the sponsor and the Pre Award Director's approval
- Cost Sharing should only be committed when required by the sponsor
- Cost Sharing should only be committed *at the level* required by the sponsor



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VT Cost Share Policy 3245

- Cost Sharing must be approved by all departments/colleges sharing the costs
- Cost Sharing must be included in an approved budget
- <http://www.osp.vt.edu/Policies.htm>
- www.policies.vt.edu



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Cost Sharing

- Solicitation will outline cost sharing requirements
- Percentage can be calculated from the sponsor cost or the total project cost
- % of Sponsor costs
 - $\$100,000 \times 50\% = \$50,000$ (labeled as VT Cost Share)
 - Sponsor costs $(\$50,000 + \$100,000 = \$150,000)$
- % of Total Project Costs
 - $\$100,000 \times 50\% = \$50,000$ (labeled as VT Cost Share)
 - Total project costs $(\$50,000 + \$50,000 = \$100,000)$



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Sources of Cost Sharing

- University funds
 - State E & G funds
 - Returned Overhead (also called Indirect or F&A)
 - Tuition Remission
 - VT Foundation
 - SCHEV Equipment
 - Documented Volunteer Hours
 - Third Party Commitments
- Indirect Costs/F&A on Cost Share Expenditures
- Un-recovered Indirect/F&A Costs
 - Indirect rate used on the project is less than the approved rate
 - Sponsor may allow the difference to be used toward meeting a cost sharing commitment

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Third Party Cost Sharing

- Can be provided by a subcontractor or third party not on the budget
- Cash received by third parties will be set up as a separate award fund
- All Third Party commitments must abide by the same guidelines as VT cost share
- *Third Parties must submit a commitment letter.*
 - On agency letterhead
 - Signed by authorized signatory
 - Include a statement that costs will be expended during project period
 - Include a statement that auditable records of expenditures will be submitted to VT

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Cost Sharing in the Proposal

- Submit a cost share budget to Pre-Award with the sponsor budget request/solicitation
- Describe cost share in the proposal narrative or budget justification *only when it is quantified and approved in the budget*
- Every department/college that is participating in the cost share will need to approve the cost share and provide the source of funding

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Form A-Cost Sharing Request

- [Form A-Cost Sharing Request](#)
- Must be submitted at the proposal stage anytime cost sharing is involved
- Voluntary Committed Cost Sharing requires additional approval from the Pre Award Director
- Follow instructions on completing the form
- <http://www.osp.vt.edu/forms.php>
- View the How to Complete the Form A Online Tutorial

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Documentation of Cost Sharing

- Recorded in the University's accounting system with a few exceptions
 - Tuition
 - SCHEV
 - Waived Indirect
 - Third party cost sharing
- PI's/Departments must provide the documentation to the Post Award Administrator
- All cost sharing must be documented in the OSP project file

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Challenges with Cost Sharing

- Administrative burden to OSP, Departmental staff, and Principal Investigator's
 - Pre Award: Additional approvals and paperwork
 - Post Award: Expenditures are appropriate, well-documented, and reported
- Audit Scrutiny
 - Loss of or reduction of funding
- Contractual obligation
- Monitor progress of cost sharing
- Don't wait until the end of the project

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Lessons Learned

- Only cost share when it is mandatory
- Completed Form A is Required at Proposal Stage
- Verify cost is Allowable, Allocable, and Reasonable
- Document, Document, Document!
- Frequently monitor your cost sharing accounts
- Communicate Problems Early with your Post Award Administrator

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References

- [Office of Management and Budget \(OMB\) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations](#)
- [Office of Management and Budget \(OMB\) Circular A-21: Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions](#)
- [University Policy 3245: Cost Sharing on Sponsored Projects](#)

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Thank you!
Online Tutorial Completion
Evaluation

