Cost Share Scare…

THE GOOD, THE BAD, AND THE HORROR!
Session Agenda

• Interactive Polls
• What is Cost Share?
• Why is Cost Share Dangerous?
• Cost Share “Scary Stories” Across the Lifecycle:
  • Proposal
  • Award Setup
  • Award Management
  • Subrecipients
  • Closeout
• Conclusion
Poll Question 1

- What is your role at your institution?
  - Central
  - Departmental
  - Other
Poll Question 2

• Are you responsible for managing cost share?
  • Yes
  • No
WHAT IS COST SHARE?
Sponsored Costs Formula

\[
\text{Total Direct Project Costs} = \text{Direct Costs Paid for by Sponsor} + \text{Direct Costs Not Paid for by Sponsor}
\]

\[
\text{Total Indirect Project Costs} = \text{Indirect Costs Paid for by Sponsor} + \text{Indirect Costs Not Paid for by Sponsor}
\]

\[
\text{Total Project Costs} = \text{Total Direct Project Costs} + \text{Total Indirect Project Costs}
\]
Definition

• **Cost sharing** is any project cost that is not reimbursed by the sponsor to support the scope of work defined by the federal or non-federal sponsored award
Requirements for Cost Sharing

• 2 CFR 200.306 Requires that Cost Sharing is:
  • Verifiable from the recipient’s records (must be documented)
  • Not included as contributions for any other federally-assisted program (can only use once)
  • Necessary & allowable (under cost principles) for accomplishment of the project
  • Have not been paid by the federal government under another award (cannot use other federal funds to meet cost sharing commitments)
  • Provided for in the approved budget

• Cost sharing commitments can be met using direct or indirect costs that are allowable, allocable, reasonable, and consistently accounted for in accordance with Institution and sponsor policies
## Types of Cost Sharing

<table>
<thead>
<tr>
<th>Mandatory Committed Cost Sharing</th>
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<tbody>
<tr>
<td>• Required as a condition of the award which must be tracked and may require reporting.</td>
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<tr>
<td>• Required by the Sponsor and must be included in the proposal.</td>
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<tr>
<th>Voluntary Committed Cost Sharing</th>
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<tr>
<td>• Specifically pledged by the institution on a voluntary basis in the proposal's budget and/or narrative and becomes a binding requirement of the award, <em>must be tracked, and may require reporting.</em></td>
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<table>
<thead>
<tr>
<th>Voluntary Uncommitted Cost Sharing</th>
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<tr>
<td>• Costs and effort that are not included as part of the submitted proposal or upon acceptance of the award. <em>This does not need to be tracked or reported.</em></td>
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<th>Over-the-Cap Salary</th>
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<td>• The portion of a faculty or staff member's salary and associated fringe benefits that exceed regulatory maximum imposed by the sponsor.</td>
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Cost Sharing Sources

Institution Funds  Other Sponsored funds

In-Kind  Subrecipient
Cost Sharing Source: Institution & Other Sponsored Funds

• **Institution**
  • **Definition:** Commitments that are paid from Institution funds using gift, endowment, or other non-sponsored sources, as represented by institutional accounting codes

• **Other Sponsored Funds**
  • **Definition:** Costs are paid from non-federal sponsored grants and contracts (used to call Matching funds), identified by institutional accounting codes) in support of a sponsored program
Cost Sharing Source: In-Kind

- **Definition:** Non-cash contribution of goods and services from the Institution or donations from third parties

- **Types & Valuation:**
  - Volunteer Services
    - Based on rates paid for similar work
    - Associated benefits
  - Donated Equipment & Supplies
    - At current fair market value
Cost Sharing Source: Subrecipient

• **Definition:** Commitments, expenses, or in-kind cost sharing made by subrecipients where the Institution is the prime awardee. Cost sharing is included in the subrecipient’s proposal and documented in the subaward agreement.

• **Monitoring:** Ongoing monitoring of subrecipient cost sharing budget to actuals is necessary to ensure that subrecipients meet their cost sharing commitments.
  
  - If a subrecipient does not meet a cost sharing commitment, then the prime is responsible for ensuring the total project cost sharing commitment is met.
WHY IS COST SHARE DANGEROUS?
Difficulties of Managing Cost Share

- Risks associated with third-party cost share - you are relying on someone else’s accounting
- Cost sharing imposes a substantial tracking, monitoring, recording, and documenting burden on the PI and Institution Administrators
Consequences of Unfulfilled Cost Share:

• Sponsor may not accept invoice if cost sharing is not reflected on it
• Sponsor may consider an institution in default of the award if the cost sharing commitment isn’t met and could terminate the award
• If there is cost sharing by a third party and that commitment is not met, the institution cost share could increase accordingly
• Sponsor may disallow an expense listed as part of cost share if the item is not allowable
Implications for an Institution

- Reduction in research dollars due to a portion being cost shared
- Reduction in future F&A cost recovery
- Inability to recover F&A costs associated with cost sharing
- It is a legal binding agreement
- This is a commitment that can be audited
Cost Share Horror: Proposal

- **Spooky Setup**
  - To “boost” an application, an institution voluntarily included cost share
  - Commitment letter didn’t specify cost share was a percentage (i.e., $4M against a $20M award, or 20%); instead, only the flat amount was committed

- **Frightening Financials**
  - Sponsor awarded $16M, but also held the institution to the $4M cost share
  - Sponsor required acceptance of several sub sites from other applicants

- **Compliance Nightmare**
  - The additional support for the subs required by the Sponsor reduced the total IDC of the award
  - The institution remained responsible for the cost share, and the Division of Research, several colleges, and President’s office covered the difference
Cost Share Tips: Proposal

• ALWAYS indicate voluntary cost sharing, especially in the form of cash, as a % of the award and not as a flat dollar amount.
• When possible, try to avoid quantifying cost share in the proposal text unless it is mandatory.
• Unless mandated, when in doubt, leave it out. Mandatory cost-sharing is considered an eligibility criterion, not a review criterion. Inclusion of mandatory cost-sharing will not increase your likelihood of getting funding.
Cost Share Horror: Award Setup

• **Spooky Setup**
  • Organization complicates award setup by setting up 24 total accounts for one award

• **Frightening Financials**
  • Organization had to front costs on large equipment purchases, then ask collaborators to send them a check for reimbursement!

• **Compliance Nightmare**
  • Imagine how fun this was to keep track of – especially with administrative staff turnover!
Cost Share Tips: Award Setup

• Ensure you have the right accounting structure that is realistic to use
  • Consider reporting requirements – getting too granular can make management difficult
  • Keep it simple
• Have conversations with Post-Award early (and if you like them, often!)
Cost Share Horror: Award Management

- **Spooky Setup**
  - Institution did not set up separate award lines/grants for cost share to track it appropriately
  - Instead, they allocated it to a PI’s discretionary fund account

- **Frightening Financials**
  - Allocating to the PI’s account resulted in co-mingling with true discretionary funds and other grants that had cost share
  - Aside from non-compliance, this made it very difficult to differentiate funds

- **Compliance Nightmare**
  - Took over a year to clean up!
  - Overhaul of compliance practices, including retraining on cost share and award setup and reconfirming all IBS and appointments for over the cap salaries
Cost Share Tips: Award Management

• Once funds are awarded, actual Cost Sharing amounts and effort commitments must/should be tracked separately
• Accounting practices – companion accounts, sponsored systems, shadow systems, any other?
  • Let us know in the Chat or the Q&A!
• Be Timely – It’s never too early to start reviewing Cost Share
• Subrecipient Tracking – Prime has the right to require documentation
• Language should be outlined in the subaward language
Cost Sharing Horror: Subrecipients

• **Spooky Setup**
  • University had not adequately managed and monitored $2.9 million, or 80 percent of total NSF funding passed-through to seven subrecipient organizations.

• **Frightening Financials**
  • University did not establish legal contractual requirements to secure $5.4 million of subrecipient cost sharing
  • Either get the sub-sites to pay the cost share amounts, or to pay the fees itself

• **Compliance Nightmare**
  • University instituted a program for monitoring and overseeing its NSF grant management
  • Independent evaluation required of corrective action on auditor’s recommendations, with caveat that if evaluation failed, NSF funding would be withheld
Cost Sharing Tips: Subrecipients

• Prime is responsible for everything!!
• Risk:
  • Sponsor may consider prime awardee in default of award if cost sharing commitment isn’t met and could terminate the award
  • If the sub recipients cost commitment isn’t provided, prime awardee’s cost sharing commitment could increase accordingly
  • Future funding from sponsor could be at risk
• Suggest Solution:
  • Collaborate on prime-sub activities to help with cost sharing commitments
Cost Share Horror: Closeout

• **Spooky Setup**
  • During Pre-Award: 1.0 effort allocated for programmer as cost share
  • During Post Award: Programmer effort was moved to another project without PI approval

• **Frightening Financials**
  • Effort was part of cost share dollars
  • Now had to come up with cost share dollar shortage and meet what was indicated for a 1.0 FTE programmer position

• **Compliance Nightmare**
  • The CFO spoke with HR, effort could not change without PI approval
  • The AOR reached out to the GMS requesting permission to assign effort from two programmers
  • The GMS approved this request
Cost Share Tips: Closeout

• Begin your closeout process early and plan for adequate time to collect all information
• Communicate with subs regularly that are contributing to cost share
• Complete any institutional cost share reports in a timely manner
• Review cost share expenditures for allowability
CONCLUDING THOUGHTS
Key Takeaways

• Cost-sharing commitments are generally discouraged by organizations and often prohibited by federal sponsors
  • Unless they are required by the sponsor, avoid Cost Sharing!
  • Make sure to not commit yourself accidentally!
• It’s never too early to review Cost Share (but it can be too late!)
• Impossible to Avoid Cost Sharing?
  • Aim for the lowest amount possible and expenses that align with and support organization objectives
Cost Sharing Sample Policies and Procedures

• [Cost Sharing for Sponsored Agreements](#), Cornell University
• [Cost Share Procedure](#), University of Vermont and State Agricultural College
• [Cost Sharing Policy](#), University of Colorado at Boulder
• [Cost Share](#), University of Georgia