

# **Cost ~~Share~~ Scare...**

THE GOOD, THE BAD, AND THE  
HORROR!

# Speakers



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# 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

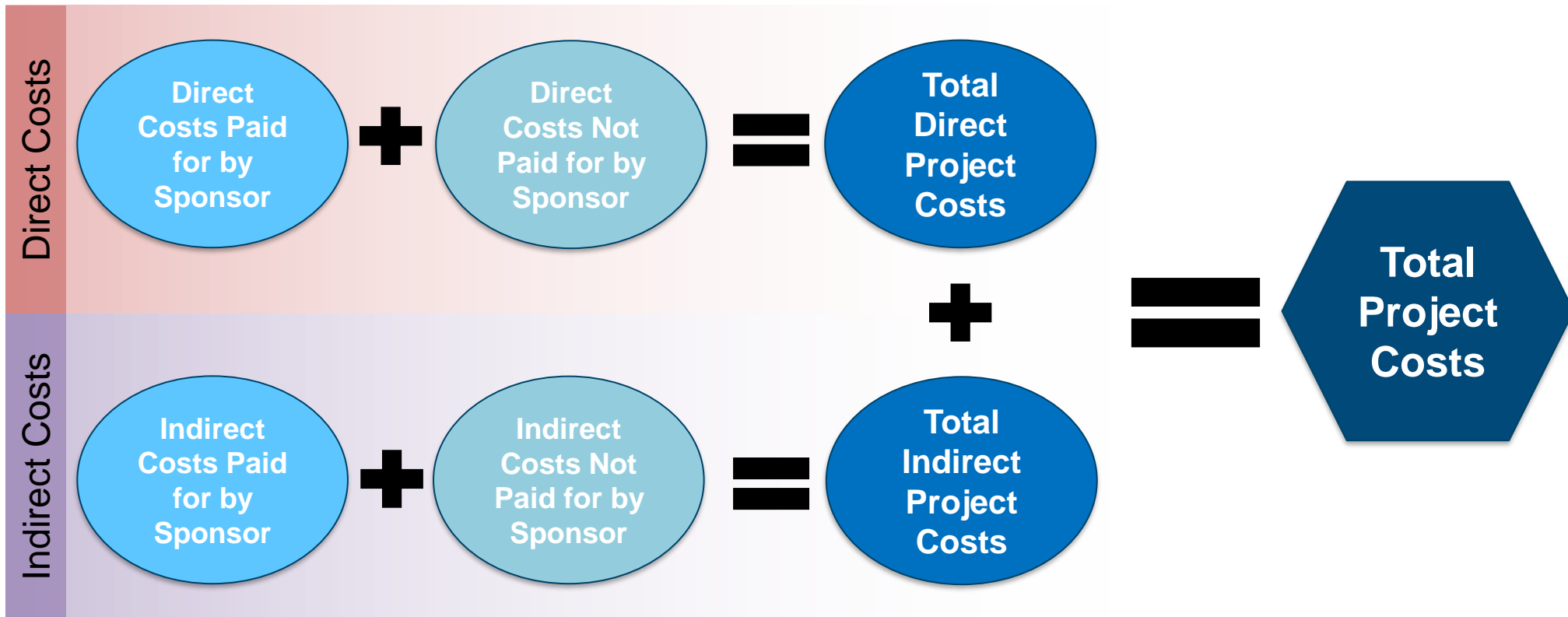
# Poll Question 2

- Are you responsible for managing cost share?
  - Yes
  - No

# WHAT IS COST SHARE?

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# Sponsored Costs Formula



# 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

## Mandatory Committed Cost Sharing

- Required as a condition of the award which must be tracked and may require reporting.
- Required by the Sponsor and must be included in the proposal.

## Voluntary Committed Cost Sharing

- 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, *must be tracked, and may require reporting.*

## Voluntary Uncommitted Cost Sharing

- Costs and effort that are not included as part of the submitted proposal or upon acceptance of the award. *This does not need to be tracked or reported.*

## Over-the-Cap Salary

- The portion of a faculty or staff member's salary and associated fringe benefits that exceed regulatory maximum imposed by the sponsor.

# 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?

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# 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 ACROSS THE LIFECYCLE

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# 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 off – 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**

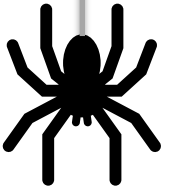
- Institution did not set up separate award lines/grants for cost share to track it appropriately
- Instead, they allocated it to a PI's discretionary fund account

- **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**

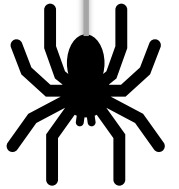
- Took over a year to clean up!
- Overhaul of compliance practices, including retraining on cost share and award setup and reconfirming all IBS and appointments for over the cap salaries





# 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

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# 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

# APPENDIX

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# 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