



California University of Pennsylvania

OSPR POLICY: Cost Sharing on Externally Sponsored Projects

A. Purpose & Scope

This policy sets forth the University guidelines for committing cost share or matching funds (the terms may be used interchangeably) on externally sponsored projects. Cost sharing or matching represents the use of institutional funds to supplement project costs not borne by the sponsored agency. Some sponsors mandate the University to commit a specific amount of funds to the total cost of the project; other sponsors, encourage the University to voluntarily commit funds to the total cost of the project.

Cost sharing constitutes financial obligations for the University. All cost sharing must be approved prior to proposal submission and cost sharing expenditures must be documented throughout the period of the award. All types of cost obligations described within the policy must be documented and verifiable in the University accounting system, necessary and reasonable for proper accomplishment of the project, and allowable under Federal cost principles and regulations OMB Circular A-21 and Circular A-110.

B. Definitions

1. Cost Share or Match: Use of University funds to supplement project costs not borne by the sponsoring agency.
2. Cash Match: Project costs for which cash will be spent. Allowable cash match includes those costs which are allowable with federal funds.
3. Direct Costs: Costs that can be identified specifically with a particular sponsored project relatively easily and with a high degree of accuracy. Direct costs are essential to the accomplishment of the project's objectives. Examples of direct costs include salaries, fringe benefits, travel, supplies, equipment, and subcontracts.
4. Grant Account: An account established by Grants Accounting to record the revenues, expenditures, and encumbrances of a project or program funded by an external sponsor.
5. In-kind Contribution: A non-cash contribution. May be in the form of real property, equipment, supplies and other expendable property, in which the value of goods and services directly benefit and are specifically identifiable to the project or program.
6. Mandatory Cost Share: Cost share or match that is required by the sponsor as a condition of receiving an award; must be documented and identifiable in the University accounting system.
7. Third Party Contribution: A contribution to a sponsored project provided by a party other than the University or the primary sponsoring agency.

8. University: California University of Pennsylvania.
9. Voluntary Cost Share: Occurs when the sponsor does not require cost sharing, but the University make a commitment of cost sharing for competitive purposes or incurs costs not reimbursed by the sponsoring agency; voluntary cost share must be treated and accounted for according to the same methods as mandatory cost share.

C. Policy

1. Generally, the University prefers to avoid cost sharing commitments. From a competitive standpoint, it is usually not necessary to provide cost share unless required or strongly recommended by the sponsor.
2. When cost sharing is necessary or beneficial, the Principal Investigator/Director must request the cost sharing support early in the proposal development process. All cost sharing obligations must be reviewed and approved by the University President prior to proposal submission.
3. Once cost sharing is included and quantified in a sponsored project proposal budget and/or budget justification, it becomes a Cal U commitment and must be honored.
4. Once the project is funded by a sponsoring agency, Cal U will provide the resources stated as cost sharing in the proposal, and will provide the same financial accounting and fiduciary oversight for these resources as it does for the sponsoring agency funds.

D. Procedure(s)

1. Cost Share Commitments at the Proposal Development Stage
All mandatory and voluntary committed cost sharing must follow the criteria, acceptable expenditures, and source of cost sharing procedures outlined below and be approved and included in the proposal submitted to the sponsor by Cal U.
 - a. The project investigator/director shall secure required cost share commitments early in the proposal development stage and document appropriately in the proposal budget and narrative.
 - b. The project investigator/director shall explore possible cost sharing sources with the Cal U OSPR.
 - c. If University funds or a reduction in indirect cost recovery are required for cost share, the OSPR shall present the request to the Dean of Graduate Studies and Research.
 - d. The OSPR will secure written approval from the individual responsible for the cost center from which the cost share is committed.
 - e. The Project Investigator/Director shall report cost share on the Routing Sheet. The OSPR will attach copies of the written approval from the individual responsible from the departmental cost center from which the cost share is committed.
 - f. Approvers of the Routing Sheet shall review the cost share committed.

2. Criteria

In accordance with OMB Circular A-110, to be acceptable for use as cost sharing, expenditures must satisfy all of the following:

- a. Be verifiable from official University records;
- b. Not be used as cost sharing for any other federally sponsored project or program;
- c. Be necessary and reasonable for proper and efficient accomplishment of project or program objectives;
- d. Be allowable under the applicable cost principles, OMB Circular A-21;
- e. Not be paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing;
- f. Be itemized in the approved budget; and,
- g. Be incurred during the effective dates of the grant or contract.

3. Acceptable Expenditures

In general, costs normally treated as direct costs on sponsored projects may be used to meet a cost sharing obligation. Costs normally treated as indirect costs on sponsored projects may not.

- a. Examples of acceptable types of expenses for cost sharing:
 - 1) Faculty, staff, or student salaries and wages and associated fringe benefits.
 - 2) Project-related laboratory supplies or services.
 - 3) Project-related travel.
 - 4) Special purchase equipment whose purchase is necessary for the conduct of a particular project.
- b. Examples of unacceptable types of expenses for cost sharing:
 - 1) Expenditures normally treated as indirect costs, such as administrative salaries and wages, routine supplies, routine postage, routine telephone.
 - 2) Costs normally recovered through Cal U's indirect cost rate, such as University space, use of existing equipment.
 - 3) Costs that cannot be quantified.
 - 4) Expenses that do not directly align with the project activity and as such is not allocable to the project.
 - 5) Costs that are unallowable, such as alcoholic beverages, entertainment, and memberships in community organizations.
 - 6) Costs deemed unallowable by the sponsoring agency. For example, if an agency's guidelines indicate that travel is an unallowable cost on an award, it is also unallowable as a cost sharing expense.
 - 7) Existing equipment to be used on a project cannot be proposed as a cost sharing commitment, except in the use of a service area that has a specified recharge rate. Such use can be applied as a cost share commitment as long as there is a documented rate for that facility.

4. Sources of Cost Share

- a. Cost sharing may be met from the following sources:

- 1) University funds may be used as cost share when they are allocated to the project.
 - 2) Reduced or waived indirect costs that are otherwise available to be recovered may be used as cost share if the University has agreed to accept less than the full amount. The difference between the indirect costs accepted and the amount that would have been provided at full rate may be used as cost sharing if approved by the sponsor.
 - 3) Unfunded indirect costs may be used as cost share when the funding agency does not reimburse indirect costs at the full rate due to sponsor policy, government legislation, or terms of the agreement. If the difference is to be used as cost share, it must be approved by the sponsor.
 - 4) There may be certain instances when an award from a private funder could be used as a source of cost sharing. It is required that the scope of both projects be closely related. Note that federal funds may not be used as cost sharing on other federally-sponsored projects.
 - 5) Third-party contributions (support from a non-University source or sub-awardee) may be used as cost share if committed in writing by the third-party.
5. Cost Share Commitments at the Award Stage
 When an award is made that includes cost sharing, the cost sharing will be tracked for reporting in the University accounting system. Funds will be transferred from cost centers that have committed financial support to the project.
- a. The OSPR shall review the award conditions and ensure that cost sharing is committed and identified prior to the acceptance of the award.
 - b. If the award amount is less than the proposed budget, the OSPR shall work with the project investigator/director to determine whether the University has incurred a cost share obligation beyond the funded scope of the work. The OSPR shall negotiate a possible reduction in the cost share commitment associated with the award.
 - c. The OSPR shall provide documentation of the award and a budget that identifies sponsor funding and cost share commitments to Grants Accounting.
 - d. In the event the Project Investigator/Director anticipates that the cost sharing commitment will not be met, the project investigator/director must contact the OSPR immediately. Any reduction in budget is commensurate with reduction in scope of work, and the sponsor's prior approval will be required. If cost share commitments are not met by Cal U, the sponsor has the right to reduce the funding amount.
6. Cost Share Documentation and Reporting
- a. Grants Accounting shall prepare timely reports for the cost share account, reporting all activity in the account as well as from the grant/contract account and report cost share expenditures according to the sponsor's award terms and invoicing instructions.
 - b. The project investigator/director shall provide accurate source documentation for all cost sharing expenses on funded projects to Grants Accounting.

E. Effective Date: Approved November 27, 2012

Updated Date:

Amended Date: