

Western Michigan University Cost Sharing Policy and Procedures

Purpose

The following document comprises the University's policy on cost sharing and the procedures for monitoring project-by-project cost sharing and reporting such cost sharing to sponsoring agencies. The policy was developed for the following purposes:

1. To provide the circumstances in which cost sharing is appropriate or permitted by the University, including the types of costs that are considered to be legitimate cost-sharing expenses by external sponsors.
2. To provide information to the University community regarding the contractual, financial, and administrative implications that result from the commitment to cost share.
3. To provide the procedures for proposing cost sharing and the subsequent evaluation and approval of proposed costs by the University.
4. To provide guidelines for cost sharing documentation, reporting and record-keeping.

Definition

Cost sharing, as a general term, is the portion of total project costs related to sponsored programs that is not provided by the sponsor. The Federal Government through OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, specifies the criteria under which all contributions, including cash and third party in-kind, shall be accepted by Federal agencies as part of the recipient's cost sharing or matching.

For the purposes of this document, the requirements and standards set forth in OMB Circular A-110 (and a subsequent clarification issued by OMB on January 5, 2001) will be followed regardless of the sponsor, unless the sponsor provides specific guidance regarding its own requirements. OMB Circular A-110 and OMB's clarification may be accessed at <http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Types of cost sharing

1. **Mandatory Cost Sharing** is when the sponsor stipulates that cost sharing or matching funds are required as a condition of receiving an award. Mandatory cost sharing is specifically pledged in the proposal's budget or award and is usually expressed in terms of a percentage of the total project cost or a percentage of the sponsor share of the total project cost, although occasionally it is expressed as a fixed dollar amount. Mandatory cost sharing or matching funds must be identified for cost accounting purposes and must be reported to the sponsor in the financial report of the project. Failure to document the agreed upon cost sharing during the conduct of the project will generally result in reduction of funds available from the sponsor. Therefore, mandatory cost sharing must be collected and reported in accordance with the procedures in this document.
2. **Voluntary Committed Cost Sharing** is when the sponsor does not stipulate that cost sharing or matching funds are required but the Principal Investigator (PI) includes such costs to enhance the proposal. Voluntary committed cost sharing is specifically pledged in the proposal's budget or award. If the proposal is accepted by the sponsor, the proposed cost sharing or matching funds may then be considered mandatory by the sponsor. Voluntary committed cost share expenses must be properly identified for cost accounting purposes, but are not generally included on financial reports to sponsors. Therefore, voluntary committed cost sharing for research programs must be collected and reported in accordance with the procedures in this document.

Western Michigan University Cost Sharing Policy and Procedures

3. **Voluntary Uncommitted Cost Sharing** is cost sharing that is not committed or budgeted for in a sponsored agreement. It does not need to be tracked for cost accounting purposes or reported to the sponsor. Voluntary Uncommitted Cost Sharing most commonly result from a cost overrun on a project or from researchers' effort which is over and above that committed and budgeted for in a sponsored agreement.

Cost Sharing Commitment

When cost sharing is included in a proposal, it may become a factor in the sponsor's funding decision. If the specific level of cost sharing is a significant factor in the determination to fund an award, the cost sharing level will generally be included as a requirement of the award, even in the cases where cost sharing is voluntary committed.

Considering the administrative requirements and responsibilities that may be inherent in the cost sharing commitment, PI's are strongly encouraged to limit voluntary cost sharing commitments. The expected benefits and sponsor review priorities should be weighed prior to making such commitments.

Committed cost sharing of direct costs of Organized Research projects becomes a component of the Organized Research Base for purposes of computing F&A cost rates. Increasing the Organized Research Base will reduce the F&A cost rate and, consequently, lower F&A reimbursement.

Caution: The tracking, reporting and certifying of cost sharing is subject to audit by internal audit and external auditors including DHHS and sponsoring agencies.

Allowable Cost Sharing

The allowability of specific costs as cost sharing is usually determined by the sponsor's specific award terms and conditions. Cost shared expenses must meet the same standards that apply to costs that are directly charged to a project.

The costs must be:

1. Allowable and allocable under the principles included in OMB Circular A-21, *Cost Principles for Educational Institutions*.
<http://www.whitehouse.gov/omb/circulars/a021/a021.html>
2. Verifiable from University records.
3. Necessary and reasonable for proper and efficient accomplishment of project objectives.
4. Identified in the approved award budget.
5. In compliance with the criteria outlined in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*.
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Western Michigan University Cost Sharing Policy and Procedures

Unallowable Cost Sharing

The following types of cost sharing are not allowed:

1. Federal to Federal - Federal appropriations or contracts and grants funded by Federal agencies, either directly or indirectly as flow-through funding, are not allowable as cost sharing for another Federal project. Federal contracts and grants may generally be used as cost sharing on any non-Federal contract or grant unless restricted by the non-Federal sponsor.
2. Expenditures Included in the Overhead Rate - Costs that are included as part of the F&A cost rate, such as building and equipment depreciation, utilities, department administration, etc., cannot be cited as cost sharing expenditures. These costs are automatically cost-shared by the University when the direct costs of salaries and benefits are cost shared. Therefore, they cannot be cost shared "twice".
3. Double Counting - Cost sharing can only be committed and reported as cost sharing once. If cost sharing relates to two or more projects, it should be pro-rated among the projects so that, in total, it is only reported once.
4. Costs Incurred Outside the Project Period - Costs that have already been incurred and were documented in the University accounting system prior to the project award date are generally ineligible for cost sharing, unless allowed as pre-award costs.
5. Lack of Technical Relationship - Costs that are not specifically related to the performance of the project cannot be cost shared. Therefore, if another University sponsored project or gift is identified as a cost sharing contribution, the technical relationship between the two (or more) projects must be established.
6. Cost Specifically Not Allowable under OMB Circular A-21 - These costs include alcohol, entertainment, advertising, memberships, etc. In addition, any costs associated with a PI's sabbatical leave are generally not allowable unless specifically approved by the sponsoring agency. See [WMU's Federal Cost Principles Policy](#).
7. Salary Dollars in Excess of Regulatory Salary Caps - Effort expended that exceeds a mandatory salary cap (i.e., NIH, DOD contracts) is not allowable cost sharing as this is already documented by the University and included in the MTDC base as if it were cost sharing.

Proposal and Award Procedures

When including mandatory or voluntary committed cost sharing in any proposal, the conditions stated in the Section "Allowable Cost Sharing" above must be met. Research and Sponsored Programs and Department Administrators will work with PI's to assure that OMB A-21 and A-110 requirements can be met and that the cost sharing is accurately proposed and explained. Cost sharing must be indicated by checking "**Sponsored Required Cost Share**" and by completing the "**Source of Cost Share**" section on the University Proposal Review and Approval Form.

The appropriate Chair, Dean's Office, Vice President, and the Vice President for Research will not authorize proposals indicating mandatory or significant voluntary cost sharing without cost share commitments noted on the University Proposal Review and Approval Form. Note that proposals detailing significant cost sharing must be discussed with the appropriate Dean's Office well in advance of the proposal deadline date.

Any significant change in cost sharing commitments negotiated with the sponsoring agency prior to award must be approved by the appropriate Chair and Dean's Office.

Western Michigan University Cost Sharing Policy and Procedures

Awards to the University that include cost sharing requirements or provisions will be processed in the following manner: a) the type and amount of cost sharing will be entered into the cost sharing database by the Grants and Contracts staff; b) the Notice of Award will indicate the amount of the required cost sharing; c) a detailed cost sharing commitment form will be created including any revisions/adjustments and will be distributed with the Notice of Award.

On occasion, cost-sharing requirements may be flowed down to the University's subcontractors or consortium partners. In these instances, Research and Sponsored Programs will include a cost-sharing requirement in the terms and conditions of the subcontract agreement.

Documenting and Accounting for Cost Sharing

Cost sharing accounts are managed in the same manner as project accounts. Cost sharing accounts are set up in a Fund 30 and tracked through the Grants and Contracts Office. The most commonly used sources of University cost sharing contributions are compensated services of full-time and part-time personnel. Third party cost sharing can vary considerably with respect to the types of contributions proposed.

The documentation for cost sharing is the responsibility of the PI and must conform to the requirements of OMB Circular A-110. This documentation provides the basis for the University's accounting and reporting of cost sharing. The Grants and Contracts Office cannot report any cost sharing to the sponsor unless the value of the cost sharing has been verified. The following is a list of commonly cost shared costs and a description of acceptable methods to document the costs. Where appropriate, examples are provided.

Expenditures Which May be Cost-Shared

Cost sharing may consist of several types of direct costs or resources, or of Facilities and Administration (F&A) costs. Frequently, cost sharing comprises faculty and staff contributions of time and effort and the related employee benefits and F&A costs. Other direct expenses, with their related F&A costs, may be contributed as cost sharing, e.g. supplies or travel expenses. However, non-payroll cost sharing is discouraged because of difficulty in documenting these costs. Committed cost sharing of any direct expense requires documentation and evidence of a direct contribution to the project.

1. Salaries and Benefits - Acceptable documentation for salary and benefit costs consists of a signed certification indicating the distribution of the individual's paid salary by account numbers, identification of the account(s) that cost shared salary and benefits, the percentage of effort cost shared from the account(s) to the project, and the period of time that the effort was contributed to the project. The certification must be signed by the person contributing the effort, and co-signed by the PI or Chair.

The "**Certification of Cost Sharing**" form will be provided by the Grants and Contracts Office to PI's prior to submitting the financial report. The certification will be formulated by the Grants and Contracts office using the information provided in the budget; it is the Department's responsibility to provide the Grants and Contracts Office with information on any changes. A fiscal year survey of cost shared effort will be completed each year by the Grants and Contracts Office in connection with the F&A proposal.

2. Equipment - Equipment should only be considered as cost sharing when obtaining the award is dependent upon such cost sharing. Equipment may be cost shared only if title to the equipment is in the University's name and it was acquired with non-Federal funds. In lieu of committing equipment for cost sharing, the PI should characterize in the proposal as the

Western Michigan University Cost Sharing Policy and Procedures

equipment is being available for the performance of the sponsored agreement at no direct cost to the sponsor. The process of accounting for cost shared equipment is very complicated and must be calculated against the depreciation costs being carried on the equipment. Therefore, the benefits of cost sharing equipment should be carefully considered. When equipment costs are included, the documentation of the value will be based on information obtained from the University's equipment system maintained in the Plant Accounting Office.

In general, the total cost of equipment may be offered as cost sharing only when the purchase of equipment is necessary for, and dedicated to, the successful completion of the project. Allowed equipment cost sharing must be documented within the Asset Management system showing the purchase. Cost shared equipment will be identified during the fiscal year survey of cost sharing and a request for a change of the funding code associated with the equipment will be sent to Plant Accounting by the Grants and Contracts Office.

3. Tuition – The cost of tuition is allowed as cost sharing, provided that it would have legitimately been requested to be reimbursed as a direct cost. If tuition is utilized as cost sharing, the Department must obtain a detailed ISIS report from the Customer Accounts Services Office in order to document this cost shared expense.
4. Other Direct Costs (supplies, travel, etc.) Copies of the backup documentation and the GLOW printout with the specific costs highlighted should serve as documentation. The backup documentation to support the claimed costs, such as travel authorizations, purchase orders, pro card statements and invoices, etc., and the GLOW printout should be sent to the Grants and Contracts office and also maintained by the PI or the department.
Caution: Cost sharing of other direct costs may be problematic, as these costs could be included in the indirect cost calculation. Double counting would result in cost disallowances.
5. Overhead/Indirect Cost - Indirect costs are not always an allowable cost shared expense. Specific sponsor guidelines should be consulted.

(a) Applicable to the Cost Sharing - When direct costs are cost shared, the indirect costs associated with the direct costs are AUTOMATICALLY cost shared. Overhead, at the full federally approved MTDC rate, will be calculated and documented by the Grants and Contracts Office.

(b) Waived Overhead Costs - Cost sharing in the form of waived or reduced overhead is the difference between the full Federally approved MTDC rate and what was actually awarded or funded by the sponsor. The amount claimed will be calculated and reported by the Grants and Contracts Office.

Expenditures Which May Not be Cost-Shared

The following expenses represent cost borne by the University, but not allowed by federal regulations to be counted as mandatory cost sharing:

1. Space - University space is not allowed as cost sharing. Space charges are a significant component of our indirect costs. Therefore, in accordance with the principles of OMB A-21, A-110 and Cost Accounting Standards, University space cannot be directly charged to a sponsored program.

Western Michigan University Cost Sharing Policy and Procedures

2. Administrative salaries, services, supplies and any other costs which are classified as F&A costs, rather than direct costs, per OMB A-21, Section F6.b. See "[WMU's Federal Costing Policy](#)" for treatment of costs.
3. Unallowable costs as defined in OMB A-21, Section J. See "[Unallowable Cost Doctrine](#)" for unallowable costs.
4. Salary dollars and associated benefits in excess of regulatory salary caps.
5. Unallowable F&A costs which are not approved for use as cost sharing in the agency implementation of OMB A-110, Section 12. As of June 2001, this applies to the difference between the 8% rate limit applied to the U.S. Department of Education to training grants and the University's negotiated rate, but to no other major federal sponsor of University awards.

Third Party or Subcontractor Contributions

OMB Circular A-110 provides guidance about establishing value for third party contributions and must be used to establish the value of donated services. The value of third party or subcontractor contributions will not be reported to the sponsor until the Grants and Contracts Office receives documentation that verifies that the cost is reasonable and appropriate. The type of documentation to support third party contributions will vary taking into consideration the type of cost sharing, the terms of the agreement and other circumstances of the award. Information contained in the section above regarding University provided cost sharing should be used as guidance about what constitutes acceptable documentation. In all cases, a statement that certifies the value of the services and explains the relationship of the services to the project should be made and signed by a person knowledgeable of the project and in a position to verify official financial information for the third party.

Reduction in Cost Sharing

The actual effort and other cost required to accomplish the goals of a sponsored project might differ from what was proposed and awarded. The total costs could decrease due to changes in programmatic needs. When there is cost sharing on such projects, the sponsor may need to be consulted to determine if the reduction can be applied to either the University's committed cost sharing or to both sponsor and University resource contributions on a pro rata basis. Otherwise, the sponsor's share is reduced and the University's entire cost sharing commitment must be met.

Reporting of Cost Sharing to Sponsors

The Grants and Contracts Office has the responsibility to provide and certify information to sponsoring agencies which demonstrates that the University has fulfilled its cost sharing requirements under a specific award. Only costs that meet the requirements of OMB Circular A-110 will be reported to Federal sponsors. It is expected that PI's and departments will respond promptly to the Grants and Contracts Office request to gather information that may be needed in addition to or supplementary to information specified on the "**Certification of Cost Sharing Form**". All information provided to support cost sharing must conform with the Section "*Documentation and Accounting for Cost Sharing*" above.

When cost sharing expenditure information is required on an annual basis, such as by NSF in the annual progress report, departments must work with the Grants and Contracts Office to ensure that expenditure information is correct and verifiable by University records. It is recommended that for multi-year projects, departments work with the Grants and Contracts Office to verify cost sharing information on an annual basis, even if this information is only required at the expiration of the project.

Western Michigan University Cost Sharing Policy and Procedures

Caution: After award acceptance, failure to comply with the cost sharing commitment may result in a loss of project funds. Tracking and reporting should minimally be done on the same schedule as financial reporting and through completion of the fiscal year.

Record Retention

Documentation should be maintained in accordance with University record retention policies and with the requirements of OMB Circular A-110.

Sources of Federal Guidelines

- **OMB Circular A-110 “Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations”**
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

- **OMB Circular A-21 “Cost Principles for Educational Institutions”**
<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

- **NSF Policy on Cost Sharing**
<http://www.nsf.gov/pubs/issuances/in128.pdf>

Sources of Other Pertinent University Policies

- [WMU Federal Costing Principles Policy](#)
- [WMU Unallowable Cost – Reasonable Doctrine](#)
- [WMU Cost Sharing Guidelines \(OVPR\)](#)

Last Updated 11/03
Grants and Contracts Office