**DIVISION OF RESEARCH & GRADUATE STUDIES**

**OGC POLICIES AND PROCEDURES**

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<th>Title: Cost Sharing</th>
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<td>Description: FINANCIAL COMPLIANCE</td>
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<tr>
<td>Authority: Vice Chancellor for Research &amp; Graduate Studies</td>
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<td>Contact: <a href="mailto:grantsc@ecu.edu">grantsc@ecu.edu</a></td>
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**ADDITIONAL REFERENCES**


**PURPOSE**

This Policy Statement establishes East Carolina University's policies and procedures for providing cost sharing commitments to sponsoring agencies, budgeting such commitments in proposals, and documenting cost shared expenditures.

**DEFINITION OF COST SHARING**

Cost sharing is the portion of project expenses related to a sponsored agreement that is contributed by parties other than the primary sponsor and is not directly charged to the sponsored project account(s). Cost sharing represents a University commitment to provide resources to a sponsored project. Cost sharing may be required by the sponsor or offered by the University, and may or may not be included in the sponsored award document. Regardless of how it originates, cost sharing represents a university commitment to provide resources to a sponsored project and to provide documentation of those costs subject to review and audit.

The two categories of cost sharing are:

- Mandatory Cost Sharing is a cost contribution required by the grant sponsor in the grant solicitation, included in the proposal budget, and communicated to the grantee as a condition of the award. Cost sharing that is not initially required in the solicitation, but is offered by the University in the proposal, and explicitly communicated to the grantee as a condition of the award is also considered mandatory.

- Voluntary Cost Sharing is a cost contribution offered by the University in the project budget, but not included as a condition of the award. Voluntary cost sharing also includes expenditures incurred during the performance of the project.
of the project, which were not anticipated in the proposal budget and not funded by the sponsor.

Other definitions:

- Direct Costs are costs that can be specifically identified with a particular project, program, activity or sponsored award at ECU.

- Effort is the time spent by a Principal Investigator or other employee on a sponsored project or program regardless of the source of funding. Effort is documented through the University's effort reporting system (ERS).

- Facilities and Administrative Costs (F&A Costs) are costs that cannot be readily and specifically identified with a specific project, program or activity but which provide an overall benefit to ECU and sponsored agreements. F&A costs were previously called indirect costs.

- Matching Contribution is a form of cost sharing. It is the amount pledged by the institution or a third party to match some portion of funds provided by the primary sponsoring agency. Matching contributions may be in any form, including costs incurred by the University and in-kind contributions made by third parties.

- Third Party In-Kind Contribution is a non-cash contribution to a sponsored project or program which is provided by a party other than either ECU or the primary sponsoring agency. Third party in-kind contributions may be in the form of services directly benefiting and specifically identifiable to the project or program, equipment, supplies, or use of space.

**LIMITATION OF COST SHARE**

Cost share represents a commitment of scarce University resources and generally should be limited only to those situations where it is mandated by the sponsor. Voluntary cost sharing should only be offered in unusual cases where it is clearly necessary because of the nature of the program.

In all situations, the use of cost sharing should be kept to a minimum because of the burden that cost sharing places on University resources and the increased audit liability it represents for the project. PI proposals should not commit more cost share than is absolutely necessary for the performance of the program or to meet sponsor requirements. Any cost share commitment must be specifically approved by the Dean of the appropriate College/School.

F&A rates reflect real costs to the University for conducting sponsored activities. F&A recoveries are needed to support the University's mission and the research infrastructure. A waiver of F&A should not be requested nor offered as cost share except under exceptional circumstances. Unless the sponsor has a published guideline restricting F&A to less than the negotiated rate, the University may require that the PI or
Department provide funding for the waived F&A from their own resources. 
Once committed to a sponsor, any voluntary cost share becomes mandatory for 
documentation, reporting and audit purposes.

**EXPENDITURES ELIGIBLE FOR COST SHARING**

To be allowed as cost-shared expenses, costs must be:

- Allowable and allocable under applicable cost principles (e.g., OMB 
circulars A-21 and A-110), sponsor policies and the specific terms of the 
sponsored agreement.
- Certifiable in the effort distribution and certification process (for cost-
shared effort).
- Necessary and directly related to the project objectives (except for waived 
or reduced F&A costs).
- Capable of being quantified and documented.

There are four general restrictions on costs that may be used for cost sharing:

- If the costs are used as cost sharing for a sponsored project, they may not 
be paid or used as cost sharing for another program, unless specifically 
permitted by statute or specifically authorized by the sponsors. Costs may 
only be reported “once” for cost share purposes.
- Cost share may not normally come from another sponsored project 
without specific sponsor authorization. Cost share normally must come 
from non-sponsored University resources.
- Costs classified as F&AC, such as administrative and clerical salaries, 
may not be used as direct cost sharing unless approved as an exception 
under the prime agreement or unless waived F&AC is authorized as part 
of the cost share commitment.
- All cost share costs must meet the same eligibility, allowability, period of 
availability and allocability requirements as costs directly charged to the 
 sponsored project.

Examples of allowable forms of cost sharing:

- The effort of the Principal Investigator and/or employees devoted to but 
not paid by sponsored agreement, including the associated fringe benefit 
costs, is one method of cost sharing. All effort costs must be documented 
through the effort certification system (ERS). Only cost share effort 
certified through ERS is eligible for reporting cost share to the sponsor.
Most other direct costs may be used for cost share, unless specifically prohibited by sponsor guidelines. Common examples include:

- The cost of equipment whose purchase is necessary for, and dedicated to, the successful completion of the project. Existing equipment made available for the performance of the sponsored agreement must not be considered for cost sharing since the recovery of its cost is included in the F&A rate and the sponsor is already paying for it through the application of the F&A rate. Equipment fees, charged to all users, normally may be used for cost share – unless the equipment was purchased by the sponsored agreement.

- Laboratory supplies purchased for the specific project.

- Travel undertaken for the specific needs of the project.

- Third party contributions. When the contribution is in the form of personal services, the contributor must certify, in writing, that the amount cost shared is comparable to the individual's regular rate of compensation. When contributions are for other than personal services, the provider must state the fair market value of the tangible item and certify that costs can be validated/audited through their financial systems.

- Waived or reduced F&AC (i.e. the difference between the applicable negotiated rate and the amount awarded by the sponsor). F&AC costs may be included as cost sharing for federal awards only if they are specifically identified in the accepted proposal, or with the specific approval of the awarding agency. Waived F&AC only applies when the sponsor would normally have authorized the full rate. In cases where the federal rate is limited, capped programmatically or by statute, only the authorized/capped rate may be used for F&AC calculation purposes (whether charged to the award or included as cost share). Most non-federal sponsors will allow the calculated difference between their lower, capped rate and the University’s published, negotiated rate for cost share.

**PRE-AWARD PROCEDURES**

In order to fulfill the University’s responsibility to sponsors, sponsored projects generally include some PI effort and other personnel effort that is directly charged to or explicitly cost shared. The effort is quantified in the proposal budget. The amount of effort must be realistic and the total of one's effort must not exceed 100%. Whenever possible, salary commensurate with effort should be included in the proposal and requested from the sponsor.
When cost-shared effort is offered, the following should be carefully considered:

- The sponsor's requirement for cost sharing.
- The percentage of time already committed on other sponsored projects.
- The amount of effort devoted to other functions such as teaching and administration.
- The amount of effort devoted by others such as co-Principal Investigators.
- The size and complexity of the project.
- The ability to document and audit actual effort to the project.

Each school should establish a process for the review and approval of a commitment to cost share. The OSP approval form must be used for this purpose but additional information may need to be provided by the PI in the form of a memo or attachment. Signatures on the form signify that the Principal Investigator, department, and school concur with the proposed cost sharing and will provide all the necessary funding and will document cost share in conformance with required audit standards. Prior to proposal submission or award acceptance, OSP will contact the department or the Principal Investigator with any concerns it has regarding the proposed cost sharing commitment.

Once the award is accepted, failure to comply with the cost sharing commitment may result in a loss or return of sponsor funds and could lead to other audit findings or penalties.

**POST-AWARD PROCEDURES**

All cost-shared expenditures for a sponsored project must be properly recorded and reported in the University accounting system and/or effort reporting system. Cost shared expenditures must be identified with the same functional classification as the sponsored award.

For cost shared salaries, recording and tracking occurs through the effort reporting system. For all other expenses, the specific transactions will be documented as cost share and identified in the accounting system. These expenses will be documented in the same manner and have the same approvals as expenses charged to the sponsored project.

For mandatory cost sharing, the cost sharing actually provided and reported must be at least the amount required by the terms of the award or the sponsor’s portion of the funding may be reduced. Inability to meet the cost share requirement must be reported to the sponsor. Only the sponsor can authorize a reduction in the cost share commitment.
Throughout the project, the Principal Investigator and department are responsible for monitoring the actual contribution to the project and ensuring that the cost-sharing requirement is met and properly recorded. The PI must be able to provide detailed information on the cost share to OGC for audit and reporting purposes. OGC will require the PI/Department to provide periodic, transactional reporting on cost share.

The PI must submit a detailed cost share reconciliation at least every six months in order to ensure that all cost share commitments will be met by the budget end date. OGC recommends that cost share reconciliations be processed on a quarterly basis.

The PI should contact OGC whenever it is projected that the cost share commitment will not be met. Depending upon the sponsor, the terms of the agreement and the type of cost share required, it may be necessary to contact the sponsor for approval to reduce the cost share commitment. Depending upon the sponsor, the terms of the agreement and the type of cost share required, it may be necessary to reduce costs to the sponsored agreement.

OGC will review cost share expenditures with the Principal Investigator and departmental administrator to assure appropriateness of expense and documentation of transactions prior to reporting cost share to the sponsor. OGC may disallow cost share expenditures for reporting purposes based on sponsor guidelines, this policy or other audit requirements. OGC may disallow sponsor expenditures when cost share commitments have not been met or reductions have not been authorized by the sponsor.

**AUDIT**

Expenses reported as cost share are subject to the same audit procedures as costs directly charged to the sponsored award.

**ADDITIONAL INFORMATION**

Questions concerning this policy and its requirements should be addressed to the Office of Grants and Contracts or the Office of Sponsored Programs.