

Guidelines and Procedures for Cost Sharing on Sponsored Projects

Purpose

The purpose of these guidelines is to promote a shared understanding among PIs, grants staff, and administrators regarding how cost sharing is proposed, approved, administered, and accounted for.

Definitions

Cost sharing is a financial contribution toward the total cost of a sponsored project from a source other than the sponsoring agency. Following are definitions of various types of cost sharing:

- *In-Kind*: a financial contribution toward a sponsored project that consists of donated goods and services.
- *Cash*: a financial contribution toward a sponsored project that consists of direct monetary support.
- *Matching*: providing additional resources (*in kind* or *cash*) for a sponsored project in some required proportion to the amount to be externally funded.
- *Mandatory*: cost sharing that is required by the sponsor as a condition of a grant or contract award.
- *Voluntary*: cost sharing that is not required by the sponsor but is offered by the grantee to demonstrate its commitment to the project.
- *Committed*: cost sharing (either *mandatory* or *voluntary*) is *committed* when a quantifiable financial contribution to a sponsored project from a source other than the sponsor is referred to in the proposal narrative or included in the proposal budget.
- *Third-party*: a cost sharing commitment to a sponsored project made by a party other than the University or the sponsoring agency.

Need for These Guidelines

The guidelines are necessary for several reasons:

- PIs, grants staff, and proposal approvers can work together most effectively from a common set of guidelines regarding how cost sharing is defined, proposed, approved, and administered.
- DePaul has a stewardship responsibility for all of its sponsored funds, and proper management of its cost sharing commitments is essential to meet this obligation.
- Cost sharing (whether cash or in kind, mandatory or voluntary) is a commitment of university resources to a sponsored project.

- At the point of a grant award, cost sharing commitments (including those made by third parties) will typically result in contractual, financial, and administrative requirements that the University is obligated to fulfill. These obligations apply whether the cost sharing included in the proposal was mandatory or voluntary.
- Excessive cost sharing may reduce the University's recovery of indirect costs (F&A costs) by lowering DePaul's negotiated F&A rate.

In addition to its general stewardship responsibilities, DePaul must conform to the requirements and criteria of its sponsors that apply specifically to cost sharing. For example, many of DePaul's external sponsors consider cost sharing to be a legally binding commitment that is subject to audit. In these cases, failure to provide the level of cost sharing committed may result in termination of the grant award, disallowance of grants costs, and return of grant funds to the sponsoring agency.

Many of the University's sponsors also prescribe criteria for the allowability of cash and in-kind contributions, along with procedures for satisfying cost sharing requirements. For instance, cost sharing commitments must typically be verifiable from the university's records, necessary and reasonable for accomplishing the project objectives, and allowable under the cost principles that apply to the grant award. Failure to meet these criteria may result in the termination of grant awards, repayment of funds, audit findings, and other sanctions against the University. (See the references at the end of these guidelines for examples of such requirements and criteria.)

When and to What Extent to Cost Share

In determining when to cost share, the expectations of the sponsor are the key. Most sponsors state their expectations regarding cost sharing in their grant guidelines, RFP's, program descriptions, and other such documents, which should be carefully consulted. Cost sharing is appropriate when the sponsor clearly indicates that it is required, strongly encouraged, or a criterion for proposal review. In such cases, the cost sharing should be offered prudently, at a level that does not significantly exceed the stated expectations of the sponsor.

Financial Responsibility for Cost Sharing Commitments

The dean or unit head who reviews a proposal containing cost sharing should carefully consider whether the necessary resources are available. **Any cost sharing commitment made in a proposal is the responsibility of the college, school, or other administrative unit that approves the commitment.**

Allowability of Cost Sharing Contributions

General Guidelines

To be allowable, cost sharing contributions (cash or in-kind, university or third-party) must be:

- Verifiable from university records.
- Claimed only once as cost sharing.
- Necessary and reasonable to accomplish the project.
- Allowable as expenditures under the sponsor's guidelines and the applicable cost principles.
- Incurred as expenses during the budget period of the sponsored award.

Unallowable cost sharing contributions include:

- Expenses that are already committed to another project as cost sharing.
- Costs that are not allowable as a direct charge on the award.
- Federal funds used to cost share on another federal project.
- Expenses recovered through indirect costs (F&A) paid by the sponsor.

Specific Expenses

When indirect costs (F&A) are paid by the sponsor, specific expenses typically recovered as indirect costs may not be included as cost sharing. These include (but are not limited to):

- University facilities costs.
- Clerical salaries, office supplies, postage, and local phone costs.

Unrecovered indirect costs (F&A) may be included as cost sharing if the sponsor:

- Does not allow full indirect cost recovery.
- Allows use of unrecovered indirect costs to satisfy cost sharing requirements.

University facilities costs may be included as cost sharing only when:

- The sponsor allows it.
- The sponsor does not pay indirect costs.
- The facilities costs are firmly established and can be soundly documented.

As a general rule, equipment costs may be included as cost sharing only if the equipment is being purchased specifically for the sponsored project.

Funds from privately sponsored grant awards may be included as cost sharing if the general guidelines for allowability stated above are met.

Tuition may be offered as cost sharing provided that:

- Unrecovered tuition costs are recognized as an expense that must be charged to a college or unit.
- A college or unit commits to paying the unrecovered tuition costs, supplying a Dept ID to which the tuition will be charged.
- All fees associated with the tuition are accounted for--as a sponsor expense, as cost sharing, or as a student cost.
- The tuition costs that are committed as cost sharing will be incurred during the budget period of the sponsored award.

When necessary, pending proposals submitted to other agencies to obtain additional project support may be referenced in a grant proposal, provided that:

- All pending funding referred to is clearly identified as such and not as committed cost sharing.
- A disclaimer is included indicating that DePaul will not be responsible for supplying the additional funds if the pending proposals are not awarded.

Third-Party Cost Sharing

Third party cost sharing may include items such as supplies and materials, personnel costs, volunteer services, and facilities costs, provided that:

- The value of the contributions can be readily determined and substantiated.
- The items meet the sponsor's criteria for cost sharing.

- The items meet the criteria for cost sharing described above.

Prior to proposal submission, third parties must supply letters of commitment that specifically authorize their resources or contributed items to be used for cost sharing.

Such letters must:

- Reference the sponsored project to which the contribution is being made.
- Include a description of the items to be contributed.
- Specify the dollar value of the cost sharing contribution and the methods used to calculate the amount.
- Be signed by an authorized representative of the third-party organization on the organization's letterhead, with the title of the representative included.
- Be on file at DePaul prior to proposal submission.

Post-award cost sharing reports provided by third party organizations must:

- Reference the sponsored project to which the contribution was made.
- Include detailed descriptions of the items contributed and the methods used to derive their dollar values.
- Include required supporting documentation.
- Be signed by an authorized representative of the third-party organization on the organization's letterhead, with the title of the representative included.

If third-party cost sharing included in a grant proposal does not materialize, the school, college, or other administrative unit from which the proposal originated will be responsible for the full dollar amount.

Approvals

All cost sharing commitments must be included in the proposal budget and approved, as part of the proposal review and approval process, by the dean or other unit head responsible for providing the funds and/or resources to be used for cost sharing.

If fundraising will be needed to meet the cost sharing commitments, then the Senior VP for Advancement must also review and approve the proposal.

In addition, the approval of the Provost's Office is required for proposals that include a total of \$300,000 or more in cost sharing. (ORS will request this approval on behalf of the PI.) **Allow 7 business days for proposal review if the budget includes \$300,000 or more in cost sharing, or if fundraising will be needed to meet the cost sharing commitments.**

Proposals will not be eligible for submission to the sponsor until all of the required internal approvals, along with letters of commitment for any third part cost sharing, are on file in ORS.

Pre-Award Procedures

Following are key steps related to cost sharing that PI's should follow leading up to the point of proposal submission:

- Identify the cost sharing guidelines of the sponsor.

- Develop a draft budget that includes the necessary amount of cost sharing. (See the section *When and to What Extent to Cost Share* for guidance concerning this.)
- Alert ORS that a proposal is being developed which will include cost sharing and provide a link to the program guidelines or RFP to document the sponsor's requirements.
- Initiate discussions with deans, unit heads, the AVP for Academic Technology, and/or third party organizations to determine the extent to which they are willing to provide the cost sharing needed. These discussions, based on a draft proposal budget, should begin no later than one month before the proposal deadline.
- Include all cost sharing commitments, as agreed to by deans, unit heads and/or third parties, when developing the final proposal budget. Such commitments should be displayed at the line-item level and included in the budget narrative.
- At least **5 business days** before your proposal submission deadline, submit the completed proposal review form to ORS. Also, forward all commitment letters from third parties to ORS at this point. **Allow 7 business days for proposal review if the budget includes \$300,000 or more in cost sharing, or if fundraising will be needed to meet the cost sharing commitments.**

Post-Award Procedures

Following are key steps that apply to the management of cost sharing from the point of grant award to account closeout:

- Attend an orientation scheduled by ORS, during which use of the chartfields pertaining to cost-shared funds and the cost sharing documentation standards will be discussed. (Federal standards will apply unless the sponsor clearly establishes a lower standard in writing.)
- If some or all of the cost sharing will be supplied by third-party organizations, schedule a meeting or phone conference with the Director of Restricted Accounting or the Manager of Restricted Accounts in the Office of Financial Affairs. The purpose of this meeting will be to define cost share reporting and documentation requirements and procedures for the third parties that meet the requirements of the sponsor.
- Communicate the cost share reporting and documentation requirements to the third-parties, scheduling on-site meetings to review them, as needed.
- Monitor the cost share and sponsor accounts regularly (once a month or more), making sure that expenses are being allocated correctly and that cost sharing is keeping pace with expenditures from the sponsor-funded account.
- Contact ORS for help in addressing any problems involving the cost share accounts associated with the sponsored project, including difficulties accessing the funds or allocating expenses to cost share, or unanticipated changes in cost sharing contributions (such as a reduction of effort by a faculty member contributing effort to the sponsored project).
- Contact Restricted Accounting for help in addressing problems related to third party cost sharing, including documentation, or rates of cost sharing that are off target.

- If it becomes necessary to modify the project budget or to request a no-cost extension or other award modification, route any change requests through ORS for review, approval, and submission to the sponsor. During this process, any impact of the budget changes on cost sharing will be identified and addressed.
- In consultation with Restricted Accounting, begin collecting third-party reports and documentation well in advance of any financial reporting deadlines.
- Rely on Restricted Accounting to prepare all financial reports for the sponsor, including reports on cost sharing. Do not include financial information in the programmatic report unless specifically authorized to do so by Restricted Accounting.

References

- [NSF's Proposal and Awards Policies and Procedures Guide \(Chapter II, Sec. D\)](#)
- [OMB Circular A-110 \(2 CFR 215.23\)](#)