



Research Seminar Series
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Establishing, Monitoring and Reporting Cost Share

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Cost Share – What is it??



Definition: That portion of the project cost not borne by the sponsor.

- May be direct or indirect (F&A) costs.
- Must be “necessary and reasonable for accomplishment of project or program activities”.
- Must be costs incurred within project period and for the project period. (No prepays!!)
- Can’t use federal funds to cost share federal projects except where the Federal statute authorizing a program specifically allows it.

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Cost Share – What is it?? (Specific Legal Terms)



Committed cost sharing – legally binding commitments. Subject to audit. Must be documented, tracked and reported to the sponsor.

1. Mandatory cost sharing – required by the sponsor as a condition of funding.
2. Voluntary cost sharing – not required by sponsor but was included in the proposal.

Voluntary Uncommitted cost sharing – not legally binding.

Funds or effort spent in support of the project but not included in the proposal or in the award document. Keep it vague and don't assign a dollar value or a quantifiable level of effort!

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A Unique Type of Voluntary Cost Sharing



If an agreement has no funding for faculty or senior researchers included in either the sponsor budget or the cost share budget, an estimated amount must be calculated by the university for F&A rate calculation purposes. (OMB January 2001 clarification memo) There are a few exceptions to this requirement (ex. instrumentation grants).

See MSU's cost sharing policy OP 80.13. MSU treats the item above as voluntary committed cost sharing.

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Principal Investigator Perspective



- Belief (true or not) that including cost sharing will increase the odds of the project being funded.
- Desire to have F&A “waived” when the award amount is capped in order to increase funds available for direct costs.
- Desire to perform research at a level that exceeds the sponsor’s available funds.

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Department, College and Central Administration Perspective



- Cost sharing is real money. If F&A is waived, cost are unrecovered. We are already subsidizing federally funded projects since the “A” (Administration) part of the F&A rate as capped at 26%.
- Cost sharing requires redirecting of funding from other institutional priorities. This may result in an opportunity cost.
- Projects with cost sharing are much more likely to be audited.
- Administrative burden - determining allowability, documenting, tracking and reporting.
- Cost sharing negatively impacts the calculated F&A rate.
- MSU’s cost sharing policy strongly discourages cost sharing beyond what is required by the sponsor.

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How Much Cost Sharing is Required?



- Read the proposal guidelines to determine the required cost sharing level!!
- None allowed – including it may result in proposal being rejected without review.
- % of total project \$\$ (Ex. 20% of \$1M project = \$200K cost sharing and \$800K sponsor funding)
- % of total sponsor \$\$ (Ex. 20% of \$800K sponsor funding = \$160K cost sharing)
- “Matching” is a \$1:\$1 ratio.

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Sources of Cost Sharing



- Education & General (E&G) funding – an academic department’s base funding.
- Designated funds – typically the portion of the F&A recovery distributed to departments, colleges and – in the Research Division – to the Office of Research and Economic Development.
- Startup funds (may be a mixture of E&G, designated funds, gifts, etc.). These are commitments to a faculty member to jump start his/her research program. If from ORED, we typically allow these funds to be redirected towards cost sharing.
- Unrecovered F&A when a sponsor specifies a cap (8%, 15%, etc.) in the funding announcement/request for proposal is sometimes allowed as cost sharing. See the agency guidelines.
- Unrecovered F&A when there is no sponsor specified cap. Also called waived F&A. Only the VP-Research and VP-DAFVM have the authority to waive F&A. Note that in the Research Division this is rarely approved.

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Sources of Cost Sharing – Continued



- Cash from 3rd parties
- In-kind - Donated time, services, software, etc. from 3rd parties. Careful on donation of equipment and property!!!
- Gift money routed through the Development Foundation

Note: Regardless of source, cost sharing must be verifiable from the non-federal entity's records.

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When Should We Cost Share?



When cost sharing is mandatory and the proposal will not be considered for funding if the required level of cost sharing isn't provided.

Unusual circumstances.

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When Should We Not Cost Share?



We should not provide cost share on contracts – particularly those with industry. Unlike grants or cooperative agreements, contracts are not a funding mechanism used “for the common good”. Work done under a contract is specifically for the sole benefit of the sponsor. Typically intellectual property belongs to sponsor, there are non-disclosure agreements, etc.

Obviously we should not cost share when it is prohibited. NSF, for example, has rejected proposals with voluntary cost sharing (including waiving of all or part of the full F&A rate).

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What Are Some Examples of Cost Sharing?



- Cost sharing of academic year salary (and the associated fringe) is typically the largest source of cost sharing.
- Maintenance contracts for equipment purchased using the sponsor funds. Limited to period of performance.
- Travel (careful!), services, and commodities.
- Computing device “must be essential and allocable but not necessarily solely dedicated to the project”.
- Purchased equipment – Careful! Special purpose or general purpose?

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What Costs Are Unallowable as Cost Sharing?



- Costs unallowable as direct charges to federal projects per the Uniform Guidance (booze, entertainment, general purpose equipment, etc.)
- Space that the university owns and anything else included in F&A.
- Costs that don't benefit the project.
- Costs outside the project period of performance.
- Salary in excess of regulatory salary caps (primarily NIH)
- Costs specifically disallowed per the sponsor's proposal guidelines.

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Documentation at Proposal Stage



- Committed cost sharing must be included in the budget.
- The internal approval sheet (IAS) must include the cost sharing commitment and must be approved by every office committing the cost sharing. Provide info on sponsor requirements under "special notes".
- When a PI wishes to waive F&A and there is no documentation of sponsor specified cap, they must obtain specific written approval from the relevant VP. Only the VP-Research and VP-DAFVM have the authority to waive F&A.
- Cost sharing commitments from 3rd parties must be documented on their letterhead signed by the authorizing official of the entity with detailed information on their contributions and the value. (See <http://www.controller.msstate.edu/sponsoredprograms/training/> Cost Share (3rd party) – Sample Letter)
- Sub-awardee's should typically include the appropriate level of cost sharing in their own budget.

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Monitoring MSU Cost Sharing



- Cost sharing must be tracked. MSU tracks by use of companion funds. Typically the sponsor fund starts with a 3 and the cost share fund with an 8. The remaining 5 fund digits match.
- It must be distinct from other funds to document that the same funds aren't being used to "cost share" multiple projects.
- Cost shared effort is included in the time and effort reports and must be certified. Note: Be careful what you certify!!! Very few people look good in orange stripes!!
- Under cost sharing = breach of contract = repayment to the sponsor by the department + potential termination of project.
- Cost share as the project progresses. Don't wait until the end. Peaks: academic year vs. summer.

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Reporting Cost Sharing



Sponsored Programs Accounting handles the reporting to the sponsor. Their report is gathered from three sources:

1. Transactions which have posted to Banner (verifiable financial documents) to the companion fund.
2. SPA calculated F&A on the cost shared hard dollars and any waived F&A (if the sponsor capped the F&A rate).
3. Documents gathered by the PI/department from 3rd parties and provided to Accounting. **The documentation is auditable.** See <http://www.controller.msstate.edu/sponsoredprograms/training/> Cost Share (3rd party) - Documentation
4. Sub-awardee's must document their own cost sharing and include it on their invoices to MSU.

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Cost Sharing Pitfalls



- You must remember --- as soon as you do JLRFs to charge the salary to the cost share fund, immediately do the budget transfer(s).
- What if the sponsor funding is reduced either at time of award or later due to budget cuts, etc.? Make sure you work with OSP to renegotiate the level of required cost sharing.
- What do you do if another department or a 3rd party fails to provide the promised cost sharing? This could be either failing to incur cost share expenses or failing to transfer the money to the cost share fund to cover the cost share expenses.
- Valuing and documenting 3rd party cost sharing.

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Cost Sharing Pitfalls - Continued



2 CFR § 200.306 (Uniform Guidance) prescribes criteria and procedures for the allowability of cash and in-kind contributions.

Grantees should be aware that mandatory cost sharing commitments are subject to audit. Audit findings involving cost sharing have pertained to: a) failure to keep adequate source documentation for claimed cost sharing; b) unclear valuation of in-kind donated contributions; c) lack of support for cost sharing contributions by subrecipients; and d) failure to complete annual certifications for awards with mandatory cost sharing requirements.

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Useful Links



- **MSU Cost Sharing Policy**
<http://www.policies.msstate.edu/policypdfs/8013.pdf>
- **Cost Share Roles and Responsibilities Matrix**
<http://www.spa.msstate.edu/rt/dev/costshare.pdf>

Fund: 86 Cost Share for 36!

DESCRIPTION	BUDGET	REALIZED	CURRENT MONTH	AVAILABLE BALANCE	REALIZED BUDGET
<u>Revenue</u>					
Budgeted 400000	.00	.00	.00	.00	
Budt Costshare	7,500.00	5,000.00	5,000.00	2,500.00	
<u>Expenditures</u>					
Salaries	.00	.00	.00	.00	%
Wages	.00	.00	.00	.00	%
Fringe Benefits	.00	.00	.00	.00	%
Fringe--Tuition	.00	.00	.00	.00	%
Travel	.00	.00	.00	.00	%
Subcontr<=\$25k	.00	.00	.00	.00	%
Subcontr>\$25k	.00	.00	.00	.00	%
Contractual	7,500.00	.00	.00	7,500.00	%
Commodities	.00	.00	.00	.00	%
Equipment	.00	.00	.00	.00	%
Transfers	.00	.00	.00	.00	%
Indirect Costs	.00	.00	.00	.00	%
Subtotal Expend	7,500.00	.00	.00	7,500.00	%
Costs Of Goods	.00	.00	.00	.00	
Total Expend	7,500.00	.00	.00	7,500.00	%
Total Encumb	.00	.00	.00	.00	
Non Curr Fund	.00	.00	.00	.00	

Funding still due from department

Uh-oh! No cost sharing expenditures have been posted!

Reconciled by: _____ Date: _____
*Reviewed by: _____ Date: _____

*Ledger reports for research funds should be reviewed by the principal investigator.

Fund: 861 Cost Share for 36

DESCRIPTION	BUDGET	REALIZED	CURRENT MONTH	AVAILABLE BALANCE	REALIZED BUDGET
Revenue					
Budgeted 400000	.00	.00	.00	.00	
Budgeted Rev	2,745.00*	.00	.00	2,745.00	
Budt Costshare	12,041.00	4,093.32	4,093.32	7,947.68	
Expenditures					
Salaries	3,101.00	3,101.08	3,101.08	-.08	100%
Wages	.00	.00	.00	.00	%
Fringe Benefits	1,115.00	852.27	852.27	262.73	76%
Fringe--Tuition	.00	.00	.00	.00	%
Travel	7,025.00	6,089.14	6,089.14	935.86	86%
Subcontr<=\$25k	.00	.00	.00	.00	%
Subcontr>\$25k	.00	.00	.00	.00	%
Contractual	800.00	.00	.00	800.00	%
Commodities	.00	760.00	760.00	-760.00	%
Equipment	.00	.00	.00	.00	%
Transfers	.00	.00	.00	.00	%
Indirect Costs	2,745.00*	.00	.00	2,745.00	%
Subtotal Expend	14,786.00	10,802.49	10,802.49	3,983.51	73%
Costs Of Goods	.00	.00	.00		
Total Expend	14,786.00	10,802.49	10,802.49	3,983.51 +	
Total Encumb	.00	.00	.00	2,745.00 -	
Non Curr Fund	.00	.00	.00	1,238.51*	

Funding still due from the department

10,802.49 Spent since inception

Unspent Cost share budget

Reconciled by: _____
 *Reviewed by: _____

Date: _____
 Date: _____

*Ledger reports for research funds should be reviewed by the principal investigator.

* Waived F+A. S.P. Accounting will handle. Tracked when Sponsor allows waived F+A to be counted towards cost sharing.

**MISSISSIPPI STATE UNIVERSITY
REQUEST FOR BUDGET TRANSFER**

A. TRANSFER FROM							
DEPARTMENT NAME	FUND	ORG	ACCOUNT	PROGRAM	ACTIVITY	POSITION	AMOUNT
Special Research Activities	25XXXX	440900	409101	021000			\$922.11
							\$922.11

B. TRANSFER TO							
DEPARTMENT NAME	FUND	ORG	ACCOUNT	PROGRAM	ACTIVITY	POSITION	AMOUNT
Cost share for 36XXXX	86XXXX	XXXXXX	359101	021000			\$922.11
							\$922.11

EXPLANATION BELOW IS ESSENTIAL TO CONSIDERATION OF THIS REQUEST.

A. Reason for transfer:
 Cost sharing - ORED balance

B. (Mark one) Permanent Temporary Released

<u>SIGNATURE OF APPROVING OFFICIALS</u>	<u>TITLE</u>	<u>DATE</u>
_____	Budget Manager	_____
_____	Next Higher Administrator	_____
_____	Vice President*	_____

*Vice President's signature required for
 Permanent transfers
 Transfers crossing functions or divisions
 Transfers to Plant Funds
 Transfers involving salaries (401000) or wages (402000)

This form prepared by:
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Questions? Comments?



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