

COST SHARING ON SPONSORED PROJECTS POLICY

PURPOSE

This policy has been developed to ensure that cost sharing on sponsored projects is proposed, accounted for, and reported in a manner consistent with the requirements set forth in federal regulations (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Part 200, Code of Federal Regulations), requirements of Sponsoring agencies, The Arizona Board of Regents (ABOR), and Northern Arizona University (NAU).

It is the overall intention of NAU to minimize the inclusion of cost share arrangements on sponsored projects. NAU should only participate in cost sharing arrangements when it is mandated by the Sponsor or needed to accurately reflect the resources required to conduct the project. All cost sharing arrangements require advance approval at NAU, and this approval must be secured before proposal submission.

DEFINITION OF COST SHARING

Cost sharing is the financial and non-financial support contributed by NAU to sponsored projects. Cost-sharing represents a portion of the total project costs (both direct and indirect) of a Sponsored agreement borne by the University, rather than by the sponsor. Cost sharing, also sometimes referred to as matching, is typically funded through a non-federal source.

It is the responsibility of the NAU unit(s) proposing the work to source internal resources to cover proposed cost share obligations. There may, however, be some instances where a special internal agreement may be formed where cost sharing may come from one or more sources, including other units, colleges/schools, and central administration at NAU. Cost sharing amounts can also be derived from non-NAU, or third parties if approved by the sponsor.

All proposed cost sharing resources require approval of the NAU unit providing the cost-share prior to proposal submission to the sponsor. Furthermore, cost sharing should be discussed and clarified by the Principal / Lead Investigator with the approving unit well in advance of proposal submission to the NAU Office of Sponsored Projects (OSP). As a result, cost share amounts should be clearly itemized with the appropriate NAU SpeedChart account numbers, where relevant, in the internal budget for OSP review and approval.

Types of cost sharing include mandatory committed cost sharing, voluntary committed cost sharing, voluntary uncommitted cost sharing, and quantified cost sharing.

Mandatory Committed Cost Sharing:

Resources committed to and budgeted for by NAU in Sponsored project proposals as required by the terms of the sponsor and project. Resources must be clearly included and itemized in the budget and subsequently tracked and documented for reporting to the sponsor.

Voluntary Committed Cost Sharing:

Resources committed to and budgeted for by NAU in sponsored project proposals without a specific sponsor or project requirement. Resources must be clearly included and itemized in the budget and subsequently tracked and documented for reporting to the sponsor.

Voluntary Uncommitted Cost Sharing:

Resources offered by NAU in sponsored project proposals without a specific sponsor requirement. Resources are not budgeted for (nor therefore tracked or documented) but may be referenced in the proposal.

	Mandatory and Voluntary Committed Cost Sharing			Voluntary Uncommitted Cost Sharing		
	NAU Cost Sharing		Non-NAU Cost Sharing (Quantified)	Non-NAU Cost Sharing (Not Quantified)	NAU Other Commitments	Internal NAU Agreements
Required by Sponsor	Yes (Mandatory Cost Sharing)	No (Voluntary Committed Cost Sharing)	Yes	No	No	No
Qualitatively described in proposal	Yes	Yes	Yes	Yes	Yes	No
Quantitative in proposal	Yes	Yes	Yes	No	No	No
Tracked in People Soft	Yes	Yes	No	No	No	No
Included in Financial Report to Sponsor	Yes	Yes – check details with OSP	Yes – check details with OSP	No	No	No
Subject to Audit	Yes	Yes	Yes	No	No	No

Quantified Cost Sharing

Cost sharing that is quantified, regardless of whether it is being provided as NAU cost sharing or non-NAU cost sharing, is a condition of the award when included in a proposal or an award budget and therefore subject to audit. It is important, therefore, that any cost sharing commitments are reflected in the project accounts once an award is received. Failure to properly record cost sharing may result in audit findings and disallowances of costs that must be refunded to the appropriate sponsor and/or reduce NAU’s indirect cost rate during future negotiations.

ALLOWABLE COSTS FOR COST SHARING

The obligation for cost sharing is associated with federal grants and cooperative agreements. In accordance with [Uniform Guidance](#), resources used for cost sharing must be reasonable, allowable, allocable and meet the consistency requirements under federal cost principles. Sources for cost-sharing may include non-federal sources such as start-up packages, department/division related funds, indirect cost returns, or other NAU funds accessible by the PI. Funds from other grants and contracts typically may not be used as cost-share unless agreed to in advance by both sponsors.

In addition, the costs should be:

- Certified in the effort reporting system when salaries are involved (for mandatory and voluntary committed cost shared effort) and available from accounting records (for other cost sharing expense); and
- Necessary and directly related to project objectives.

The cost must not include any of the following:

- Costs included as cost sharing for any other project; or
- Costs paid from another federal project except as authorized by the federal agency.

EXPENDITURES THAT CAN BE COST-SHARED ALLOWABLE COSTS

Cost sharing may consist of allowable direct or unrecovered indirect cost resources, subject to approval by the providing party (Dean, Center Director, Vice President for Research, Provost) and the award sponsor.

Direct costs

Direct costs for cost share can be broken down into two main categories:

- Cash (Matching): Personnel or non-personnel
- Third Party “In-Kind” Contributions

Cash (Matching) Cost Share

Personnel - It may be appropriate to contribute faculty or staff effort to the performance of a Sponsored project. The commitment to provide such support binds the University to contribute the effort and record the associated expenditures including fringe benefits in the total committed effort that may not exceed 100%.

Example:

If a faculty member proposes to spend 30% of their total time working for NAU as effort on a sponsored project, but only plans to charge 10% of their salary to sponsor funds, the remaining 20% of their effort on the project can be proposed as cost share.

Cost sharing commitments created by replacing funded effort on sponsored projects with cost shared effort must be properly tracked and maintained within the general ledger to ensure that the individual’s total effort on a project both direct and cost shared is accurately reflected and during periods where the PI is under a continuing contract with the university (i.e. a typical faculty member can cost share effort during the nine-month academic year but not during the summer months when they are not under contract).

Salary amounts more than the NIH, AHRQ and SAMSA salary cap (contact OSP for the current amount) are considered voluntary committed cost sharing. The associated fringe benefits and indirect costs are also considered cost sharing.

Non-personnel - It may be appropriate to cost share the cost of equipment (in whole or in part) in the performance of a sponsored project, in proportion to the value of the sponsored project; however, additional institutional approval may be required.

Example:

If a piece of equipment is purchased with the expectation of using it 60% on a sponsored project and 40% for other university purposes, then 60% of the total cost may be direct charged OR cost shared to the project.

It is not allowable to commit the use of existing NAU-owned or government owned equipment as cost sharing, but instead the PI can characterize the equipment as “available for the performance of the Sponsored project at no direct cost to the project”.

Proposals that include the acquisition of special-purpose equipment as a direct cost may require that NAU provides funds to pay for all or part of the cost of such equipment. These proposals may be for equipment or instrumentation grants, where the purpose of the grant is to buy equipment and NAU is required to share the cost with the sponsor, or research-oriented grants and contracts where the purchase of equipment required for the research is an allowable expense included in the proposal and award. The portion of the purchase price paid by NAU will be considered cost sharing.

Third Party Cost Share

This is the computed value of any services and/or resources provided by a third-party (neither NAU, nor the sponsor) in support of a sponsored project being administered by the University. Third-party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, or goods and services directly benefiting and specifically designated for the University’s project or program. In-kind support of a sponsored project should be committed in writing by the third-party at the proposal stage.

Example:

If an independent consultant wishes to contribute his/her time to support a sponsored project being proposed by NAU, at the proposal stage OSP will need a letter of commitment from the consultant, the amount of time the consultant will devote to the project if funded, and an estimate of the value of the consultant’s time (based on prevailing market values). At the award stage, the department/unit will need to keep a written record of the consultant’s time and effort devoted to the project for reporting purposes. The value of volunteer time will need to be estimated at prevailing rates at the proposal stage and carefully documented and reported periodically over the life of the award for cost sharing purposes.

Facilities and Administrative Costs (Indirect costs)

Facilities and administrative (F&A) costs or indirect costs (IDC) are the associated additional costs of conducting instruction, research, and public service projects that cannot easily or directly be attributed to the sponsored project aims/work tasks (e.g., administrative salaries, office supplies, etc.). NAU has a federally-approved [F&A rate](#) which should be applied to all sponsored project budgets, unless otherwise instructed by the sponsor.

There are two main ways to utilize F&A costs for cost share:

- Unrecovered / waived F&A costs on total sponsored expenditures
- Unrecovered F&A costs on cost share

Unrecovered / Waived F&A Costs On Total Sponsored Expenditures

Unrecovered indirect costs are created when the sponsor’s written F&A policy states that the sponsor will not pay for F&A or will pay a lower percentage for F&A than the university’s federally negotiated F&A rates. If allowed by the sponsor, the difference between NAU’s approved F&A rate (based on the modified total direct costs) and

the reduced, sponsor-mandated F&A rate (based on total direct costs) can be used as cost share.

Example:

In Budget A below, NAU can allocate the full F&A rate to the modified total direct costs (excluding equipment) which results in \$5,250. In Budget B, the sponsor has limited the F&A rate to 10%. When a lower F&A rate is imposed Uniform Guidance allows us to calculate the F&A rate from the total direct costs (which includes things like equipment costs). In Budget B the F&A costs come to \$1,500. In order to calculate the unrecovered or waived F&A costs, we look at the difference between the F&A funds in both budgets (\$5,250 - \$1,500) and use the difference, in this instance \$3,750, for cost share.

Budget A: no waived F&A generated			Budget B: waived F&A generated		
	Funds from Sponsor	NAU Cost Share		Funds from Sponsor	NAU Cost Share
PI Travel	\$10,000	\$0	PI Travel	\$10,000	\$0
Equipment	\$5,000	\$0	Equipment	\$5,000	\$0
Total Direct Costs (TDC)	\$15,000	\$0	Total Direct Costs (TDC)	\$15,000	\$0
IDC base: Modified TDC (excluding equipment)	\$10,000	\$0	IDC base: TDC	\$15,000	\$0
NAU F&A Rate @52.5% of MTDC	\$5,250	\$0	Sponsor F&A Rate @10% of TDC	\$1,500	\$0
Waived F&A		\$0	Waived F&A		\$3,750
Total Project Costs	\$20,250	\$0	Total Project Costs	\$16,500	\$3,750

Unrecovered F&A Costs On Cost Share

Indirect costs can and should be applied to the total sponsored project costs, including funds identified from cost share. The proportion of indirect costs applied to the cost share funds can also be included in the total cost share amount. The indirect cost rate used to calculate the amount / proportion of cost share required should be equal to or lower than the applicable federally approved indirect cost rate.

EXPENDITURES NOT ELIGIBLE FOR COST SHARING

The following expenses cannot be offered as cost sharing commitments in sponsored project proposals:

- Administrative salaries, services, and supplies that are not appropriate as direct costs, as stated in the Uniform Guidance;
- Unallowable costs as defined in the Uniform Guidance;
- NAU facilities costs such as laboratory space (e.g., rent, utilities). PIs should take care not to commit the use of facilities as cost sharing, but rather to characterize facilities as “available for performance of the sponsored agreement at no direct cost to the project”; or
- Depreciation of equipment.

ROLES AND RESPONSIBILITIES

Dean's Office, Academic Department and Research Unit

- Determine the cost sharing requirements of the project;
- Evaluate the workload implications of proposed cost sharing;
- Ensure the total effort for an individual does not exceed 100%;
- Identify, quantify, and record mandatory and voluntary committed cost sharing;
- Identify the cost sharing source for mandatory and voluntary committed cost sharing;
- Notify OSP of the cost sharing account for mandatory and voluntary committed cost sharing;
- Ensure that mandatory and cost sharing commitments are reflected in effort certifications for cost shared effort;
- Work with OSP to submit cost sharing reports (if required) that comply with Sponsor's reporting requirements;
- Ensure that mandatory and voluntary committed cost sharing commitments are met and properly budgeted and recorded.

Office of Sponsored Projects

- Review cost sharing requirements and commitments in the proposal and verifies these commitments are properly budgeted when awarded;
- Incorporate appropriate cost sharing conditions in subcontract agreement;
- Upon award, review cost sharing requirements and commitments for proper accounting treatment;
- Work with departmental/center administrators to determine appropriate reporting requirements; and
- Verify that cost sharing requirements have been met at close out.

COMMONLY ASKED QUESTIONS

If a proposal voluntarily offers cost sharing, does that represent a binding commitment if the proposal is awarded?

Yes, cost sharing that is identified in the proposal represents a binding commitment if awarded, regardless of whether it is mandatory or voluntary.

Can cost sharing expenses consist of expenses that are unallowable on a federal grant/contract?

No, one of the criteria to determine if a cost sharing expenditure is appropriate is that it meets all the allowability criteria in the Uniform Guidance. See Allowable Cost for Cost Sharing section in this policy.

Do amounts more than the NIH salary cap represent cost sharing?

Yes, the NIH salary cap is a legislated cap on salary reimbursement rates and amounts more than the cap represent cost sharing.

If a faculty member cost shares 50% effort (FTE), what is that 50% of?

A faculty FTE is defined as 100% effort that is performed during a defined work period, regardless of the number of hours worked (i.e., they may work more than 40 hours per week). Faculty can cost share a percentage of their FTE, rather than hours, since hours may vary. If a faculty member makes a commitment of a percentage of effort to a sponsored project, and that amount of salary is not charged to the project, then the faculty member has made a cost-sharing commitment.

I am submitting a proposal to an agency that requires cost-share and allows indirect costs at the fully negotiated indirect cost rate. Do I calculate the indirect costs on both my project budget and the cost-share funds?

Yes. Indirect costs are real costs that NAU incurs in the administration of grants and contracts such as OSP services, library services, utilities, building depreciation, and other administrative functions. Thus, indirect costs must be calculated on cost-shared funds at the fully negotiated indirect cost rate, when allowable by the sponsor.

CONTACT:

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