

Cost Sharing Guidance

Please take note of the various comments within this document related to the Uniform Guidance (2 CFR 200) and how processes will be affected by the new regulations.

<p>What is cost sharing?</p>	<p>Cost sharing is defined in both in OMB circular A-21 and the Uniform Guidance (2 CFR 200) as “all contributions, including cash and third party in-kind which meet seven criteria:</p> <ul style="list-style-type: none"> – Verifiable – not included as contributions for any other federally-assisted project or program – necessary and reasonable for accomplishment of objectives – allowable – not paid by the Federal Government under another award (except where authorized by statute) – provided for in the approved budget when required by the federal awarding agency – conform to other Circular provisions" <p>Cost sharing can be mandatory, i.e. required by the sponsor as a condition of the award, either due to laws passed by Congress or agency program guidelines. Cost sharing that is specifically pledged in the proposal’s budget or award is mandatory cost sharing.</p> <p>Cost sharing can also be voluntary, which most often occurs when a university offers to share in the total project costs in order to make the proposal more competitive. If a proposal that includes cost sharing is awarded, the cost sharing becomes a requirement of that award and is termed <i>voluntary committed cost sharing</i>. Some agencies or specific proposal guidelines prohibit proposals that include voluntary committed cost sharing.</p> <p>Voluntary uncommitted cost sharing occurs when sponsored project activities result in cost overruns. This may result from project activities or adjustments in fringe benefits and F&A rates.</p>
<p>How is a mandatory cost sharing commitment met?</p>	<p>There are three ways that a cost sharing commitment can be met.</p> <ul style="list-style-type: none"> • Cash – recipient’s cash outlay • In-Kind – non-cash contributions provided by non-federal third parties <ul style="list-style-type: none"> – Volunteer services – at rates, inclusive of respective benefits, exclusive of F&A, paid for similar work – Donated supplies & equipment – current Fair Market Value • Matching – using non-federal sponsor funds <ul style="list-style-type: none"> – Costs must be incurred during same period as award – Work must be related

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<p>How does cost sharing affect F&A?</p>	<p>Since all cost sharing (mandatory or voluntary) represents a real cost of research, costs <i>must be included in the research base</i>. The effect of including cost sharing in the research base is a lower F&A rate.</p> <p><i>UNIFORM GUIDANCE (2 CFR 200) NOTE: The Uniform Guidance will no longer require voluntary committed cost sharing to be treated as part of the research base in the F&A rate calculation. The new guidance is effective December 26, 2014 for requirements related to direct costs. Implementation of the Uniform Guidance for F&A rates is slated for the fiscal year that begins after December 26, 2014; which is FY2016 for CMU. This will benefit the university and potentially increase future F&A rates.</i></p>
<p>What types of costs are allowable as cost sharing?</p>	<p>To be considered as cost sharing:</p> <ul style="list-style-type: none"> • Cost must be allowable on the award • Cost must follow OMB Circular A-21 factors affecting allowability of costs: <ul style="list-style-type: none"> – Reasonable – necessary, prudent, consistent with institutional policies and practices – Allocable – incurred solely to advance the work under sponsored agreement, benefits is measurable, necessary – Conform to limitations/exclusions set forth in A-21 or in sponsored agreement as to types or amounts of cost items
<p>Are there types of costs that are better to be used as cost sharing?</p>	<p>From a university perspective, there are types of costs that are better than others to be used as cost sharing. Some items may not be used as cost sharing.</p> <ul style="list-style-type: none"> • Equipment <ul style="list-style-type: none"> – GOOD - if newly purchased and/or specifically for project – NOT ALLOWED – previously owned equipment (re: this is already incorporated in the F&A rate) • Space and Facilities <ul style="list-style-type: none"> – GOOD - leased space, although the lease costs must be excluded from the facility component when calculating the F&A rate – NOT ALLOWED - space and facilities that typically serve joint objectives and their cost is factored into the F&A rate • Level of Effort <ul style="list-style-type: none"> – GOOD, if the service is integral to the approved project or program • Unrecovered F&A Costs <ul style="list-style-type: none"> – GOOD – this is the difference between the amount awarded and the amount which could have been awarded under the University's approved negotiated F&A cost rate (with prior approval of the Federal awarding agency) • Other F&A Costs <ul style="list-style-type: none"> – GOOD – these are the F&A costs associated with the direct

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	<p>costs being cost-shared</p> <ul style="list-style-type: none"> • Cost Overruns <ul style="list-style-type: none"> – GOOD - overruns may meet the cost sharing requirements on the project for which they were incurred. However, cost overruns on one project cannot be used as cost sharing on another
<p>How does Carnegie Mellon account for cost sharing?</p>	<p>Carnegie Mellon utilizes companion awards to account for cost sharing. All cost sharing awards begin with a “2” (2xxxxxxx) and are linked to the same project for which it is being cost shared. Utilizing companion awards allows Carnegie Mellon to be compliant with federal requirements to report all projects costs on sponsored project financial reports (because the awards linked by common project numbers). The use of companion awards also ensures that all research costs are included in the F&A calculation because any cost charged to a 2xxxxxx is pulled into the calculation model.</p> <p><i>UNIFORM GUIDANCE (2 CFR 200) NOTE: Voluntary uncommitted cost sharing is not required to be treated as part of the research base in the F&A rate calculation. Currently, Carnegie Mellon does not separately track voluntary uncommitted cost sharing (e.g., cost overruns).</i></p> <p><i>To implement the new guidance and exclude cost overruns from the research base, a new cost sharing number will be created for your department/school that is linked to a separate, distinct function number (970) in the general ledger. These awards will be denoted as 29xxxxx and will be used by SPA to make cost sharing entries that are necessitated by cost overruns. These charges will be identified by the Cost Analysis department by the function number and removed from the research data collected for the F&A rate calculation.</i></p> <p><i>This new process will be used beginning with cost sharing entries made on or after 7/1/2014. Starting in FY2015 will allow Carnegie Mellon to collect the necessary data to prepare projections for the FY2016 and FY2017 F&A rates.</i></p>
<p>Is the amount over the NIH salary cap cost sharing?</p>	<p>No. However, the effort associated with those amounts needs to be captured with the NIH funded award. In order to do this, Carnegie Mellon currently records the amounts exceeding the salary cap in cost sharing awards. However, these amounts are not included in cost sharing totals that are reported to NIH.</p> <p><i>UNIFORM GUIDANCE (2 CFR 200) NOTE: Because the amounts over the salary cap are not true cost sharing (because they are not allowable to the NIH funded award), the newly created cost sharing awards (29xxxxx, function 970) will be used for recording these amounts which will aid in the identification and exclusion of these costs from the F&A rate calculation.</i></p>

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<p>How are cost sharing awards created? What documentation is needed to have one established?</p>	<p>SPA creates the cost sharing awards in Oracle based on the following:</p> <ul style="list-style-type: none">✚ Out of need - if one doesn't exist for a department and an entry is needed. Note that the Award Purpose (Sponsored Research, Sponsored Instruction, Other Sponsored Projects) for the cost sharing award must match the Award Purpose of the sponsored award for which the cost sharing is made. This is because the Award Purpose determines the Oracle Function number that is used in calculating the F&A rates.✚ By request from the department - many departments choose to use one (or a few) cost sharing award to record all of their cost sharing. Others choose to have specific cost sharing awards established for specific cost sharing commitments. Either process is acceptable, however, for sponsored awards with significant mandatory cost sharing commitments consideration should be given to having a unique cost sharing award established. An email from the department requesting the cost sharing award is sufficient documentation. <p><i>UNIFORM GUIDANCE (2 CFR 200) NOTE: The above reasons/process will be followed for the new cost sharing awards established for the voluntary uncommitted cost sharing. If the department needs to direct charge to a 29xxxxx award due to the NIH salary cap, a request can be sent to the that department's SPA Rep via email requesting that the award be created. Otherwise, the awards will be created as needed when cost overruns occur.</i></p>
<p>Who can answer questions about cost sharing and the information contained in this guidance?</p>	<p>Please contact the Sponsored Projects Accounting office with questions or concerns regarding this information.</p>