

## Cost Sharing on Sponsored Awards - Procedures

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For the purposes of these procedures, cost sharing represents that portion of the total award costs of a sponsored agreement borne by the University, rather than by the sponsor.

All cost sharing on externally sponsored awards should be identified and associated with the award. The purpose of these procedures is to provide guidance on the process to be followed by principal investigators (PIs), grants managers, department administrators, and the Dean's offices to ensure compliance with federal and non-federal sponsors on the necessary steps needed to properly account for cost sharing.

These procedures are complementary to the Cost Sharing on Sponsored Awards Policy and define the processes and procedures surrounding the proper steps to take when cost sharing on externally sponsored awards to ensure that the University meets any reporting requirements imposed by the sponsoring agencies.

### Cost Sharing Process

Cost sharing is tracked in a separate project under a sponsored award. Departments can request cost shared projects at any time during the life of an award. A cost share project will be associated with a designated financial unit. The system automatically tags the financial entity as the source of funding for the cost sharing.

If a department needs to fund the cost sharing from a source within PPM, they must alert the appropriate grant accountant for that award in the Office of Contract and Grant Accounting (OCGA). A manual entry within PPM will be processed quarterly to fund the costs on the cost share project from the indicated PPM source, i.e. faculty fund or gift/endowed project.

### Types of Cost Sharing

#### **MANDATORY COST SHARING**

Mandatory cost sharing is that portion of the University contribution to a sponsored award, which is required by the terms of the project. It must be included in the proposal or the proposal will not be considered by the sponsor.

#### **VOLUNTARY COST SHARING**

Voluntary cost sharing represents resources offered by Vanderbilt in sponsored project

proposals when there is not a specific sponsor requirement.

Voluntary **committed** cost sharing is defined as those resources that are committed and budgeted for in a sponsored agreement. These costs must be tracked through the institutions systems.

Voluntary **uncommitted** cost sharing is defined as university faculty effort that is over and above that which is committed and budgeted for but not charged to the sponsored agreement. Voluntary uncommitted cost sharing does not have to be separately identified.

The Office of Management and Budget (OMB) clarified that most Federally funded research programs should have some level of committed faculty (or senior researchers) effort, either in the form of a direct charge or committed voluntary cost sharing. If this effort is in the form of cost sharing, it cannot be considered voluntary uncommitted cost sharing. This effort can be provided at any time within the fiscal year (summer months, academic year, or both). Some types of research programs such as programs for equipment and instrumentation, doctoral dissertations, and student augmentation do not require committed cost sharing.

In both mandatory and voluntary cost sharing, when an award is received in which cost sharing was proposed, the cost sharing becomes a binding commitment that the University must provide as part of the performance of the sponsored project. Failure to properly record cost sharing may result in audit findings that could result in audit disallowances that have to be refunded to the appropriate sponsor and/or reduce Vanderbilt's indirect cost rate during future negotiations.

### **Allowable Costs for Cost Sharing**

The obligation for cost sharing is predominately associated with Federal grants and cooperative agreements. In accordance with the Uniform Guidance cost-sharing costs must be reasonable, allowable, allocable and meet the consistency requirements under federal cost principles. In addition, the costs should be:

- Certified in the effort reporting system (for mandatory and voluntary committed cost-shared effort) and available from accounting records (for other cost sharing expenses).
- 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.
  - Paid from another Federal project except if authorized by the Federal agency.

### **Types of Expenditures that can be Cost Shared**

- **Faculty or Staff Effort** - 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%. Cost sharing commitments created by replacing funded effort on sponsored projects with cost shared effort must be properly tracked and maintained within the institutional systems to ensure that the individual's total effort on a project both direct and cost shared are properly reflected.

- **Equipment** – It may be appropriate to cost share the cost of equipment (in whole or in part) in the performance of a sponsored project, however, additional institutional approval may be required.

Care should be taken in preparing proposals for sponsored projects not to commit the use of existing Vanderbilt-owned or government owned equipment as cost sharing, but to 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 the University provide 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 the University is required to share the cost with the sponsor, or research-oriented grants or 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 the University must be considered cost sharing.

- **Other Direct Costs** - Allowable direct costs other than salaries, fringe benefits or equipment may, on occasion, be committed as cost sharing on the proposal budget. The following are examples of other direct costs that may be cost shared:
  - Travel expenses
  - Lab supplies
  - Core Charges

### Types of 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 prescribed by the Uniform Guidance. For additional guidance see the Direct Cost Guidelines. <https://www.vanderbilt.edu/ocga/docs/vupolicies>
- Unallowable costs as defined in the Uniform Guidance.
- University facilities such as laboratory space. PIs should take care in preparing proposals for sponsored projects not to commit use of facilities as cost sharing, but rather to characterize the facilities as "available for the performance of the sponsored agreement at no direct cost to the project".
- Depreciation on equipment

### Other Instances of Appropriate Cost Sharing

## Cost Overruns

After the end of the award/project performance period, when unanticipated project expenses result in more allowable charges to a sponsored project than were funded, the amount of the overrun is cost sharing and should be reflected appropriately as cost sharing.

## NIH Salary Cap

Salary amounts in excess of the NIH salary cap, see NIH Salary Cap guidelines <https://www.vanderbilt.edu/ocga/vupolicies>, are considered voluntary committed cost sharing. The associated fringe benefits are also considered cost sharing.

## Approval Process

During the proposal submission stage, the award setup and then at the time of closeout, cost sharing commitments are approved by the appropriate authorities in each area. Implicit with the submission of the closeout information, the department is affirming that any requested cost sharing adjustments are appropriate expenditures for the externally sponsored award and that the department, PI and dean's office have approved the cost sharing.

## Key Terms

**Cost Sharing** – refers to the portion of the total project costs (direct or indirect) of a sponsored agreement borne by the University, rather than by the sponsor.

**NIH Salary Cap** – refers to the amount of salary in excess of the NIH salary cap.

**Cost Overruns** – refers to the amount of allowable charges on a sponsored project in excess of the funded amount.

## Related Policies/Documents

Federal Uniform Guidance – <https://www.ecfr.gov>

NIH Grants Policy Statement – <https://grants.nih.gov/policy/index.htm>

NSF Requirements – <https://www.nsf.gov/bfa/dias/policy/>

VU Retroactive Reallocation of Costs Policy – <https://finance.vanderbilt.edu/policies/index.php>

Cost Transfers for Federally Funded Awards - <https://www.vanderbilt.edu/ocga/docs/vupolicies>