

Middle Tennessee State University

OFFICE OF RESEARCH SERVICES

ORS Procedure 003: Cost Sharing

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Table of Contents

- I. Procedure Statement
- II. Definitions
- III. Administrative Procedures for Committed Cost Sharing
- IV. Methods of Cost Sharing
- V. Documenting Cost Sharing in the Proposal Stage
- VI. Document Cost Sharing in Post Award Stage
- VII. Roles and Responsibilities for Complying with Cost Sharing Policies

I. Procedure Statement

In regard to cost sharing, the Office of Research Services (ORS) at MTSU is governed by University Procedure 1:01:12, Section III D. The following procedures supplement that procedure. As a procedural rule, ORS discourages cost sharing (defined below) in proposals for external funding. If the sponsoring agency requires mandatory cost sharing and identifies it as an eligibility criterion for the project for which funding is sought, MTSU has established the following procedures for the administration of cost sharing.

II. Definitions

Cost sharing is that portion of the total cost of an externally funded project that is not funded by the sponsor. Depending on the circumstances, cost sharing may be considered committed (mandatory or voluntary) or uncommitted.

- **Committed Cost Sharing** refers to a financial commitment that the applicant specifically identifies and describes in the proposal budget. Once the applicant commits that cost sharing, sponsors require that it be tracked, documented, and in some cases certified and reported.

Two variants of committed cost sharing are:

- **Mandatory Cost Sharing**, which is required by the sponsor as a condition of an award. Mandatory cost sharing results either from statutory requirements or from agency procedure requirements.
- **Voluntary Cost Sharing** which is not required by the sponsor, but is offered by the grantee institution as a demonstration of its commitment to the project. When voluntary

cost sharing is included in the proposal budget, it is considered committed cost sharing once the award has been made.

- **Uncommitted Cost Sharing** refers to any contributions to the project above the amount committed and budgeted for in a sponsored agreement. Uncommitted cost sharing does not have to be tracked, documented, or reported.

III. Administrative Procedures for Committed Cost Sharing

It is the procedure of MTSU that committed cost sharing is proposed, approved, administered, and accounted for in a consistent and reasonable manner. Committed cost sharing on a sponsored project is a binding obligation that must be satisfied in accordance with the sponsor's requirements. MTSU's policies and procedures with regard to cost sharing are intended to comply with the requirements of OMB Circulars A-110, A-21, and the A-21 Clarification Memo M-01-06 (dated January 5, 2001) and are consistent with the cost sharing requirements of federal sponsors of research.

Federal regulatory requirements for cost sharing include the following stipulations:

- Federal funds cannot be used to meet cost sharing requirements on federally funded awards.
- Costs can be claimed as cost sharing only once.
- Costs claimed as cost sharing must be verifiable, necessary, allowable, and reasonable for the award on which they are being claimed.

IV. Methods of Cost Sharing

The **cash method** of cost sharing involves commitment of unrestricted University funds made available in support of a project. Sources include funding from the applicant's department, college, and/or the Provost's office. Matching funds are also available through the ORS. As a procedure, faculty who seek matching funds should consult with their Department Chair, Dean, and ORS and then submit an Internal Match Application with the appropriate signatures to ORS. As indicated on the application, internal matching funds are committed only when prior approval has been secured and the external grant application has been awarded.

A common source of cost sharing that is found in MTSU proposals is the **effort of faculty that is devoted to a sponsored project, but not paid by the sponsor**. When effort is used as a cost sharing category, the associated fringe benefit and (contingent on the approval of the funding agency) indirect costs should be included in the calculation.

Third party contributions refer to organizations other than MTSU that are contributing to the costs of the project. Examples include donations of equipment from manufacturers and funding commitments from sub-recipient institutions (typically other universities with whom MTSU faculty are collaborating).

Third party contributions may also include supplies/materials, equipment, volunteer services and others, as long as the items meet the sponsor's criteria for cost sharing. The value of the cost

sharing includes the direct cost of the item(s) plus indirect costs that would be applicable if the item were charged directly to a grant or cooperative agreement.

V. Documenting Cost Sharing in the Proposal Stage

At the proposal stage, when there is a formal cost sharing commitment (mandatory or voluntary), the source(s) and amount of the cost sharing will be identified in the proposal budget and budget justification. The Internal Approval Form and Internal Match Form will reflect the approval of the University official(s) responsible for the source(s) of funds that will be used for cost sharing.

VI. Documenting Cost Sharing in Post Award Stage:

For awards that include committed cost sharing, MTSU is required to maintain documentation of the cost sharing and, in certain instances, to submit formal reports of the cost sharing to the sponsor. When reporting to sponsors is required, the terms of the award indicate the frequency of and the format of the reports (generally annually and/or at end of the project). When required by sponsors, formal cost sharing reports are certified and submitted by Accounting Services.

To assure compliance with the documentation requirements for committed cost sharing, a cost sharing account must be established and the committed funds must be transferred into that account. Through this account, ORS will keep a record of the cost sharing that the University has committed through the grant agreement.

VII. Roles and Responsibilities for Complying with Cost Sharing Policies

It is the responsibility of the:

Principal Investigator to:

- Ensure compliance with MTSU's Cost Sharing Procedure
- Identify cost sharing commitments in proposals
- Obtain approval for cost sharing commitments from the Office of Research Services, the Dean, Department Chair, or other University officials as appropriate
- Obtain documentation of third-party contributions
- Assure that committed cost sharing effort is provided and documented

PI's Department/College to:

- Ensure that personnel involved in financial administration of sponsored projects are familiar with the Cost Sharing Procedure
- Commit Departmental/College funding, as appropriate, to meet cost sharing requirements
- Monitor awards to assure that cost sharing requirements are met and recorded

Office of Research Services to:

- Advise principal investigators and divisional administrators of the cost sharing requirements associated with particular grant or cooperative agreement programs
- Review proposals prior to submission to assure that formal cost sharing commitments are fully documented and that all necessary approvals have been obtained
- Inform investigators, departmental/college staff, and accounting services of the details of the cost sharing requirements of an award
- Negotiate with the sponsoring agency should any revisions to cost sharing be required

Accounting Services to:

- Monitor awards, in conjunction with the ORS Post Award staff, to assure that cost sharing requirements are being met
- Report and certify cost sharing to sponsoring agencies as required