

# Collaboration, Community, and Continuous Improvement

## Managing the Challenges of Cost Share Commitments

### Session Facilitators:

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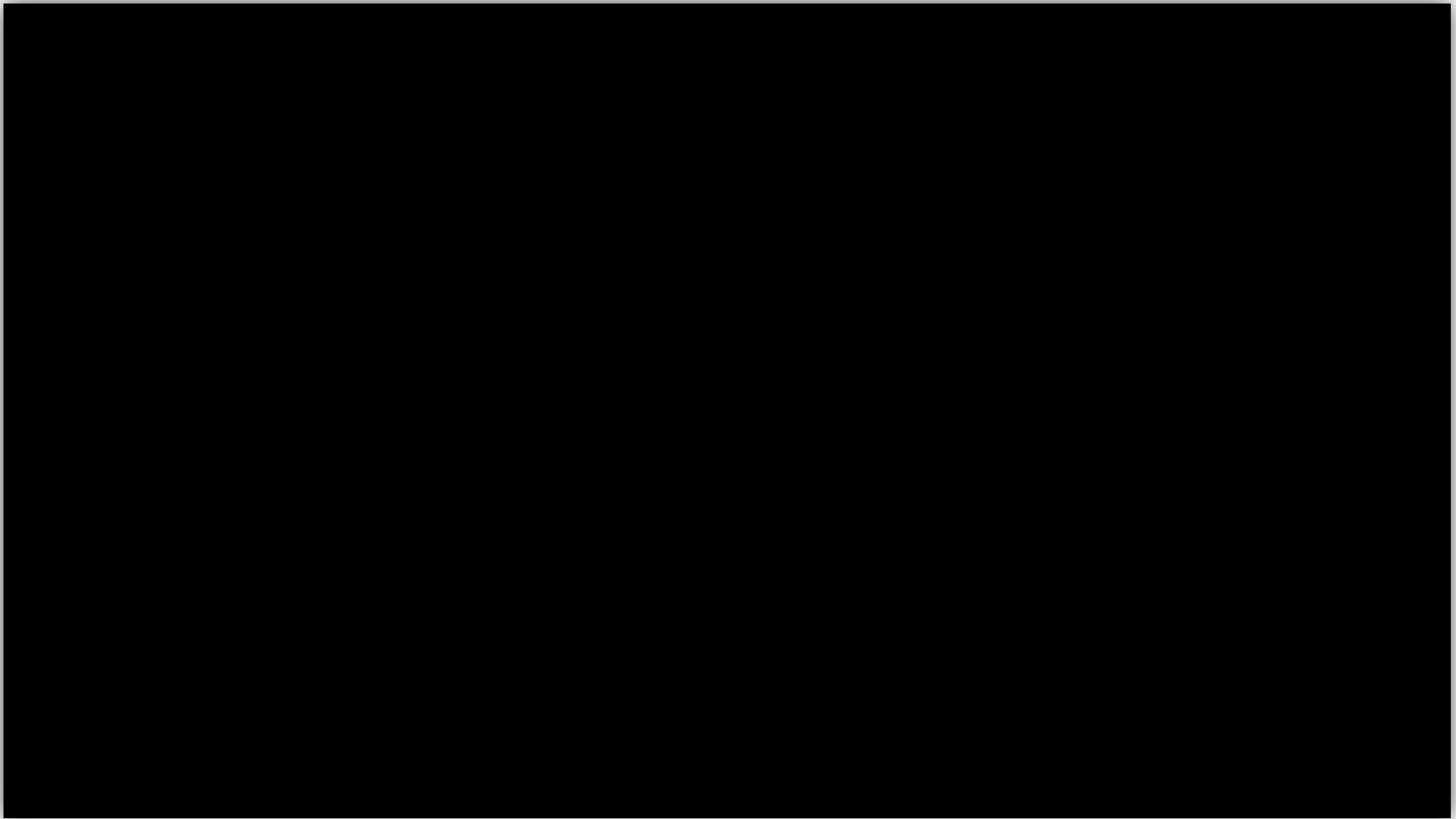
Dana Allen, Sharon Brooks and Nate Martinez-Wayman, OSP

# Today's Objectives

- ***Answer Your Questions and Concerns***
- What is Cost Share? What Does it Look Like?
- Federal (2 CFR Part 200.306) and Duke Guidance (GAP 200.140)
- Steering Clear of Cost Share Commitments:
  - What Pre-Award is Looking For to Prevent Voluntary Commitments?
  - Having that Faculty Conversation – Giving Guidance
- Cost Share Impacts
- Managing Impacts – Responsibilities of Commitment
- Examples – Is it Cost Share or Not?
- Tools, Forms, Lessons Learned and Your Resources



# Cost Share – What It Is!



**Courtesy of NCURA: The Basic Definition of Cost Sharing**

Heather Offhaus, Director, Medical School Grant Review & Analysis, University of Michigan-Ann Arbor

# Cost Share – What Is It?

*The portion of incurred project costs not paid/supported by the sponsor. Further defined as:*

➤ **MANDATORY:**

Required by the sponsor or by federal statute as a condition of receiving the award

➤ **VOLUNTARY COMMITTED:**

Specifically pledged (on a voluntary basis) in the proposal's budget or the Federal award by the non-Federal entity and that becomes a binding requirement of Federal award



# Cost Share – What Isn't It?

'Coast' Sharing....?  
Not everyone  
understands what  
we do.....





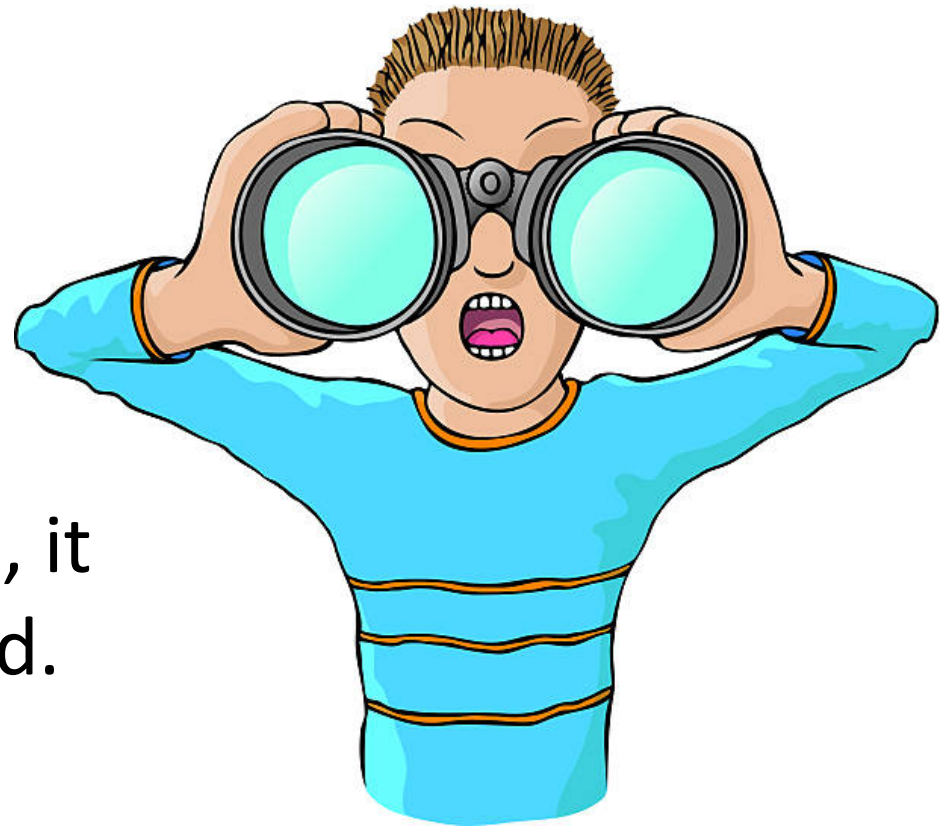
# Cost Share – What Isn't It?

Not the good sharing you learned as a kid.....

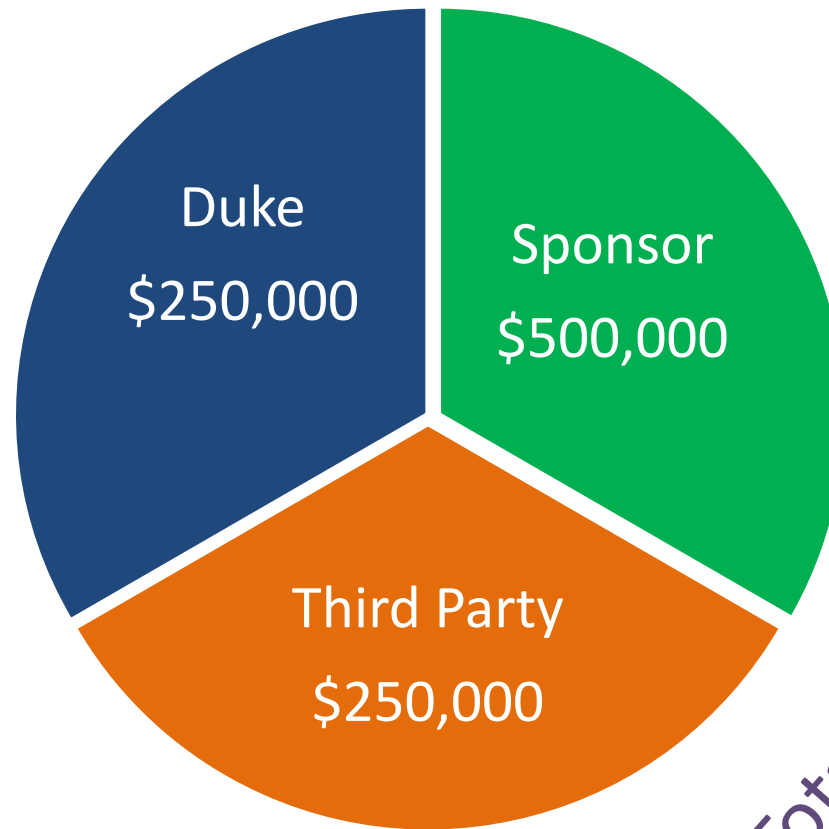


# Cost Share – What Isn't It?

Isn't desired!  
But when committed, it  
cannot be overlooked.



# Cost Sharing – What Does It Look Like?



Total Cost of Project = \$???



# Is Matching Any Different?

- Cost matching is often noted as a mandatory requirement of the specific program and/or sponsor,
- **Actual cost match dollars will depend upon how much of the sponsor's funding is expended,**
- Cost match is often noted as a certain % or ratio to the awarded amount

Examples: The U.S. Department of Transportation in its Funding Opportunity Announcement (FOA) often requires a 1:1 match by the recipient.



The National Science Foundation's equipment grant awards require a 50% match by the recipient.

# Is This Cost Share?

The following statement was noted in the narrative section of the proposal document:

*The following individuals are actively involved in the project with 5% effort but are paid 100% by the Department:*

*Employees - Smith, Jones, White and Williams*

Answer = YES



**Federal and Duke Policy Statements:  
The Uniform Guidance (2 CFR Part 200) and the  
Duke GAP (200.140)**

# Uniform Guidance 2 CFR Part 200.306

In general, under Federal research proposals, VOLUNTARY committed cost sharing/matching is not expected. It cannot be used as a factor during the merit review of applications or proposals.

***Criteria for considering voluntary committed cost sharing and any other program specific policy factors that may be used in determining who may receive a Federal award MUST be explicitly described in the 'notice of funding opportunity'.***



**A Positive Change**

# NSF's Position on 2 CFR Part 200.306

Except when required in an NSF solicitation, **inclusion of voluntary committed cost sharing is prohibited**. Descriptions of facilities, equipment and other resources should be narrative in nature and *not include any quantifiable financial information.*

NSF-required mandatory cost sharing will only be required when explicitly authorized by the NSF Director. Mandatory cost share in these circumstances will be noted in Line M on the Notice of Award.





# Uniform Guidance 2 CFR Part 200.306

For a cost to be eligible to meet a cost share or matching requirement (toward a Federal award), it must meet all of the following criteria:

- ✓ Is verifiable from the recipient's records;
- ✓ Is not included as a contribution for any other Federal award;
- ✓ Is necessary and reasonable for accomplishment of project or program objectives;
- ✓ Meets the definition of an allowable cost – Subpart E the Cost Principles;

# Uniform Guidance 2 CFR Part 200.306

## Criteria continued:

- ✓ Are not paid by the Federal government under another Federal award
- ✓ Is provided for in the approved budget when required by the Federal awarding agency;
- ✓ Unrecovered indirect costs, including indirect costs on cost sharing/match cost items, may be included as a part of the total cost sharing/match only with the prior approval of the Federal awarding agency

**Unrecovered indirect costs defined:** The mathematical difference between the amount of indirect costs charged to the Federal award and the amount that could have been charged using the recipient's approved negotiated indirect cost rate.

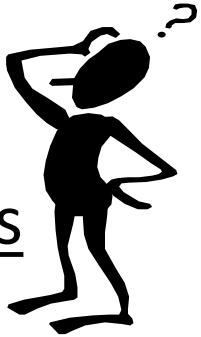
# Uniform Guidance 2 CFR Part 200.306

Criteria Summarized: Just Remember.....

***BOTTOM LINE = If the cost could NOT have been charged as a direct cost to the associated sponsored program – it CANNOT be claimed/counted as cost share/match***

Let's  
Recap

# Is This Cost Share?



The following statement was found in the Facilities and Resources section of the proposal narrative:

*“Existing resources include a \$50,000 high speed server that will be utilized in the analysis of data for the stated program aims. In addition, dedicated laboratory space, other specialized equipment and research personnel are available to ensure aims are met”.*

Answer = No – The \$50K server is an existing resource/already purchased, making the statement only useful as identification of important current resources in support of the potential new award.

# Duke GAP 200.140 – Check It Out!

- Affirms that Duke follows the UG
- Distinguishes committed versus uncommitted:
  - Any quantifiable commitment of cost sharing in a proposal package becomes required when awarded
  - Voluntary uncommitted is not quantified in a proposal, is not tracked in the project's finances and is not included in effort certification
- Unless required by a Federal sponsor, **Duke does not commit cost sharing:**
  - Exceptions should be rare and must be approved by a management center





# Duke's Audit Requirements

- Cost Sharing is perennially a component of the Federal Single Audit Compliance Supplement, and instructs auditors to:
  - Evaluate Duke's internal control environment to ensure compliance with cost sharing requirements,
  - Verify committed cost sharing was provided,
  - Test transactions to confirm allowability of costs,
  - Corroborate the value of reported in-kind cost sharing



# Steering Clear of Cost Share Commitments – Pre-Award Stage

# Funding Opportunity Announcement (FOA)

2. **Salaries and Wages:** Enter the name, percent of time on project and salary requested, as well as normal fringe benefits, (i.e., pay for vacation, sick days, and holidays charged to the grant). On budget justification page state what each person will be doing. **Salary recovery for the PI or Co-PI is not allowed.**



# Funding Opportunity Announcement (FOA)

The primary purpose of this grant is to support the proposed research. However, for the anesthesiologist PI, there should also be a component of career development. As such, a fraction (up to 20% of grant funds) can be used for salary support, which can be supplemented by the department or institution, with a minimum protected time for the anesthesiologist of 40% to reflect a career development plan as well as the research.



# Is This Cost Share?

*The following language was noted in a 'Letter of Support/Intent' that was part of the sponsor's proposal package:*

The Chocolate Company of Hersey, PA is very supportive of the associated proposal to the National Chocolate Federation and is excited to partner with Duke University. Our company is prepared support the aims of the proposed scientific study.

Answer = No – only a statement of external support





# The Pre-Award Perspective – What We Are Looking For

- When putting together an application...
  - Is Cost Share *required* by the sponsor? Necessary to meet project aims (i.e. budgetary limitations)? Voluntary (merit)?
  - What is allowed per Duke/Feds?
  - How should it be reflected in SPS vs. how it should/should not be provided/communicated to the sponsor?
  - What is the impact on post-award grant management?

# The Pre-Award Perspective – What We Are Looking For

- Work with your pre-award contact to determine if cost share is *required* and how to indicate it in the application to the sponsor,
- Communicate within your department and with the PI to ensure the appropriate personnel are aware and approve of the financial commitment

# Is This Cost Share?

Specific Term/Condition of the FOA includes:

*“Reimbursement of fringe benefits is not an allowable cost – only the allocable salary/wage for effort devoted can be reimbursed”.*

Duke’s proposal budget, now under pre-award review includes fringe benefits as recipient *cost share* dollars.

Answer = No; the fringes are not allowable as direct costs on this specific award, so not eligible as cost share. Duke/Department still has the financial responsibility to pay the fringes from other funds.



# Pointers When Talking with Faculty About Voluntary Commitments

# Faculty Conversations About Voluntary Commitments

- ✓ Determine why cost sharing is being considered (if *required* – you will clearly see this in the FOA or solicitation),
- ✓ Speak to the Institutional/Federal policies — Duke GAP, Faculty Handbook and Uniform Guidance: *Cost sharing is not expected (especially with our largest agencies) and it just isn't compliant with institutional and Federal positions,*
- ✓ If the PI is accustomed to voluntary cost sharing, remind them of the changed external environment on this topic,
- ✓ Federal sponsors are instructed to 'ignore' voluntary cost sharing,
- ✓ Ensure the PI understands his/her role in monitoring and tracking cost share dollars,
- ✓ Speak to the financial pressures on committing other Duke funds toward voluntary cost share – those resources could be used for other purposes, like internally funded research projects, student support, etc.



# Faculty Conversations About Voluntary Commitments

- ✓ Talk to the fact that even the smallest amount of cost share commitment will add to the institutional level of commitment (in the multi-millions of \$\$),
- ✓ Advise them that any shortfall in documented cost sharing could result in the disallowance of perfectly allowable and charged costs to the sponsor,
- ✓ Advise them that once committed, sponsors are expecting those costs to be tracked and reported – resulting in an increased audit risk to their research project and to Duke,

Listen carefully and understand the environment your PI is in— a hugely competitive atmosphere with many stresses. Programmatic/technical relationships are inherently different from administrative/financial relationships.

It is important to remember that they just want to accomplish the research!

# Is This Cost Share?

The proposal budget associated with a Federal FOA includes:

*Salary/fringe and travel costs for the department's Grants Manager. These costs represent 5% effort/fringe and travel costs of \$600 to attend a related conference with the PI. Review prior to submission of the proposal package reveals that the GM is not integral to this project with no duties going above and beyond the normal GM role in support of this specific extramural project.*



Answer = No; the GM costs are not allowable as direct costs as there is no support to meet the integral criteria.

# Managing the Commitments – Post-Award Stage and The Broad Impacts

# Management of Commitments: The Broad Impacts

- Research Costs
- Indirect Cost (F&A) Rate Calculation
- Documentation Maintenance
- Administrative Management
- Effort Reporting Data
- Audit Review and Risk

# Managing Cost Share – The Math!

## F&A COSTS

Building Depreciation = F

Equipment Depreciation = F

Interest on Debt = F

Operations & Maintenance = F

Library Support = F

General Admin. = A

Departmental Admin. = A

Sponsored Projects Admin. = A

## DIRECT RESEARCH COSTS

- Salaries & Fringes

- Consultant Services

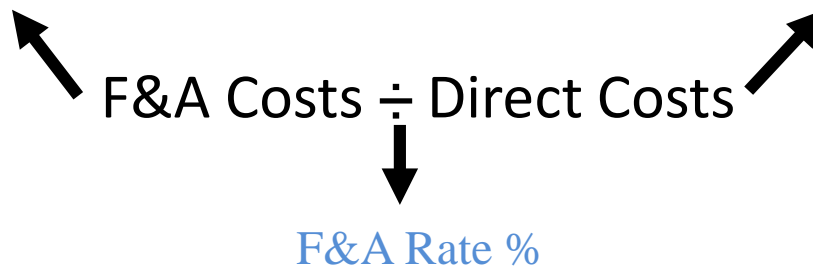
- Travel

- Technical Services

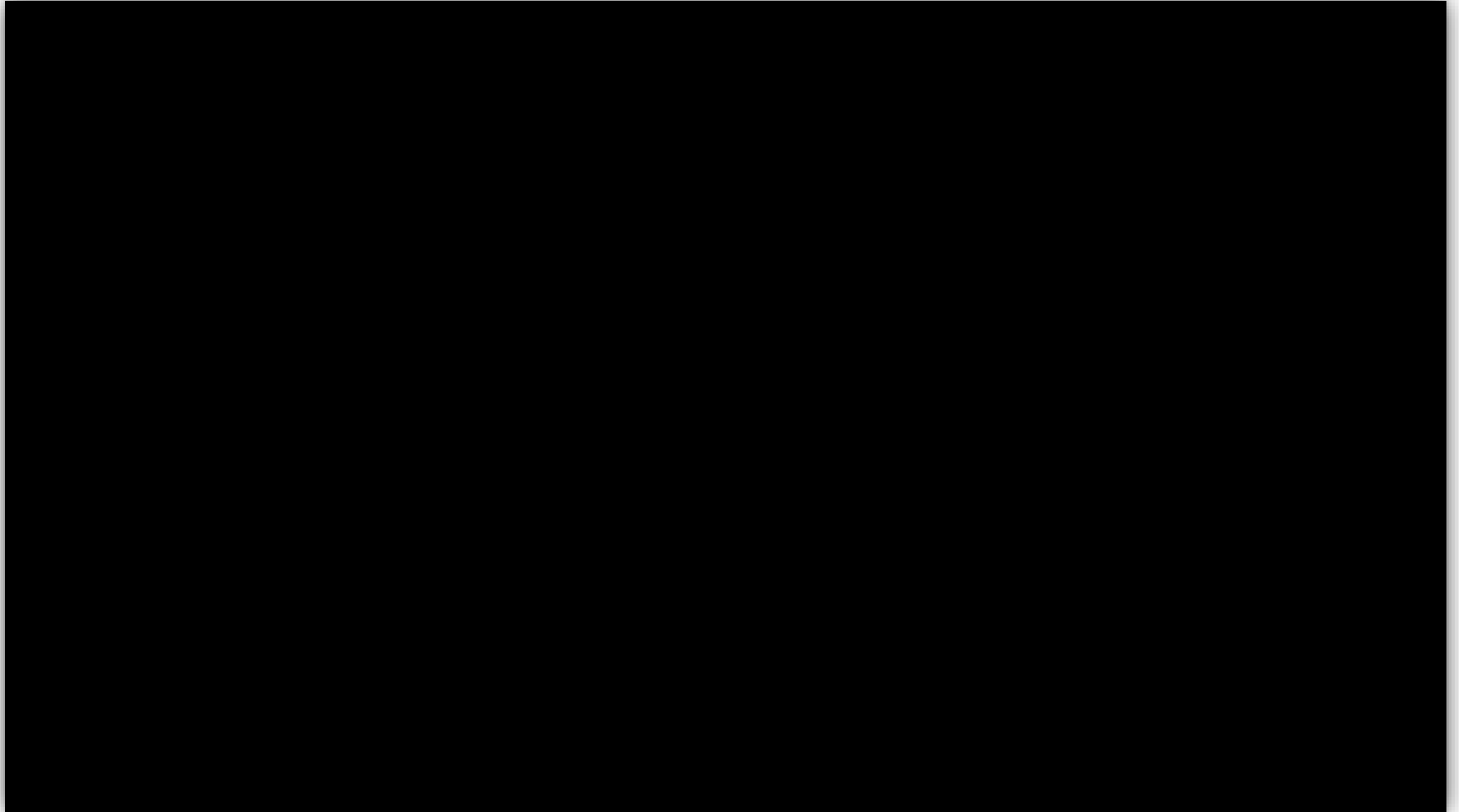
- Supplies and Materials

- Subcontracts up to \$25,000

- **Committed Cost Sharing**



# The Impact of Cost Sharing



**Courtesy of NCURA: The Impact of Cost Sharing**  
Josh Rosenberg, Director, Cost Studies, Emory University



# Is This Cost Share?

The following language was found in the sponsor's Notice of Award:

*This award will take effect on **November 1, 2017** and extend for a period of **three (3) years** (the "Term") and may be used only to support the Investigator's conduct of the Research Proposal. The XYZ, (funding sponsor), will partner with Duke University to support this award. The award amount equals **\$225,000** over the term, to which XYZ (Sponsor), will contribute \$75,000 to be distributed in three (3) installments each totaling \$25,000 per year. Duke University will provide \$75,000 and Duke donor, John Doe, will provide \$75,000 – both, over the same three (3) year term. XYZ is proud to sponsor and collaborate on this research project.*

Answer = Yes; Duke and the Duke donor, John Doe, each have a \$75K cost share commitment over the 3 year term of the award



# Managing the Financial Impacts of Cost Share

As a post-award GM, how do I know if there is a cost sharing commitment on my project?

- At award setup, CS included in the SPS budget will be loaded in SAP under the appropriate GL

Project Period:	03/01/2015	-	02/29/2016
Project To Date thru:	Period 16	Fiscal Year	2017
Cost elements		ITD Plan	
808200 COST SHARING - OTHER		20,000.00-	
* Cost element group		20,000.00-	

# Managing the Financial Impacts of Cost Share

How do I record cost sharing on my project?

- Non-personnel
  - Equipment (GL 808100)
  - Everything else (GL 808200)
- Owning org submits JV to credit the project and charge a discretionary or institutional source

Account	Account short text	Profit Ct	WBS elem.	Fund	Amount
808200	COST SHARING - OTHER	1199998	391 [REDACTED]	391 [REDACTED]	50,000.00
808200	COST SHARING - OTHER	1199998	203 [REDACTED]	203 [REDACTED]	50,000.00-

# Managing the Financial Impacts of Cost Share

How do I record cost sharing on my project?

- Personnel
- Owning org submits iForm using [CS payroll GLs](#)

	Regular Rank Tenure/Tenure -Track Faculty	Regular Rank Non-Tenure Track	Non-Regular Rank Faculty	Monthly Staff
CS - Sponsored Non-Research	603300	600300	600300	600300
CS - Sponsored Research	603400	600400	600400	600400
CS - Training Graduate Students				600700
CS - Research Graduate Students				600800
CS - House Staff or Post Doctoral Associates				600900

# Managing the Financial Impacts of Cost Share

## Personnel Cost Sharing:

- Month-end OSP transaction, during fiscal period close  
Salary & Fringe combined in GL 808000
- For RA PhD students with cost shared payroll (GL 600800),  
Tuition Remission will be proportionally cost shared on GL  
808300

Reminder: iForms need to be submitted prior to monthly deadlines (schedule [here](#)) to be included in that month's CS entry

# Managing the Financial Impacts of Cost Share: Whose Cost Share Is It?

**Duke Supported:** Costs posted to Duke funds - accounted for in the financial system. \_\_\_\_\_:

- Personnel
- Non-Personnel

**In-Kind/Third Party:** Commitments met from sources other than Duke – not accounted for in the financial system. Some examples:

- Donations of equipment
- Goods and services
- Volunteer time
- Use of space

The valuation of these goods/services must be supported from a 'Statement of Value'.



# What is the Statement of Value?



- Documentation in support of the value for goods/services provided
- Describe the contribution/donation
- Include the time frame, cost basis
- Official support documentation including a signature, date, etc.

Example: Donated professional time (not a Duke employee) was valued on an hourly basis considering the individual's last, comparable salary level.

# Tools – Forms – Lessons Learned..... and Your Resources

**NEW & IMPROVED!**

## Cap Calculator Tool



<http://finance.duke.edu/research/forms-resources/forms/index.php#costsharecalc>

# ORS Cost Share Reporting Form

<https://ors.duke.edu/gcc-forms>

## REQUEST FOR COST SHARING Duke University

University policy allows cost sharing only when it is required by the sponsor (see Faculty Handbook, Chapter 5). A proposal with cost sharing cannot be approved without a completed and signed Request for Cost Sharing form.

PI Name: \_\_\_\_\_  
 PI Dept./Center/School: \_\_\_\_\_  
 Title of Proposal: \_\_\_\_\_  
 Sponsor Name: \_\_\_\_\_  
 Project Start/End Dates: \_\_\_\_\_

List sources or cost share commitments e.g. Chair, Dean, Provost, or non-federal funds. Federal funds cannot be used as a source for cost sharing.

Source name:	Amount/Value:

### Cost Sharing Worksheet

Fill-in cumulative totals or attach approved budget

If cost sharing is required due to the NIH salary cap, please check this box:

1. Salaries and Fringe Benefits		Amount/Value	
a. Faculty salaries + FB			
b. Faculty salaries + FB amount above the NIH cap			
	I. 12-month		
	II. 9-month		
	III. Summer		
c. Student salaries + FB			
d. Other salaries + FB			
3. Fellowships			
2. Capitalized Equipment (Items costing above \$5K)			
		Cash	In-kind
4. Other			
a. Supplies			
b. Small equipment (Items costing below \$5K)			
c. Travel			
d. Consultants			
e. Space rental			
f. Miscellaneous (specify _____)			
5. Facilities & Administrative Costs (if allowed by sponsor)			
a. MTDC (also exclude value of in-kind items)			
b. F&A total			
6. Total Cost Share Amount			

Commitment Signatures (or attach Letters of Commitment)

Date: \_\_\_\_\_



# Lessons Learned: Cost Share Audits & Findings

- \$ Baylor University: Lack of Internal Controls to Ensure that Cost Share is Properly Identified, Recorded, Reported and Monitored,
- \$ UC Berkley: Cost Sharing Reporting Deficiencies,
- \$ University of Notre Dame: Audit of Costs Claimed and Cost Share on Five Awards,
- \$ Ohio State University: Inadequate Controls for Meeting Cost Share Commitments,
- \$ University of Michigan: Audit of Large Center Awards which continued over an extensive period of time and **had significant cost sharing**,
- \$ University of California, Santa Barbara: Over \$2.8 Million of Excess Federal Cash Disbursements Results From Not Fulfilling Grant Cost Share Requirements.
- \$ University Nevada-Reno: Cost Share Effort Not Reflected on Reports



Reference from the National Conference on College Cost Accounting (NACCA):

<http://www.ncura.edu/Portals/11/NACCA16/09.05.2016%20Audit%20Summary.pdf>



# Resources

➤ Faculty Handbook

<https://provost.duke.edu/wp-content/uploads/FHB.pdf>

➤ GAP (200.140)

<https://finance.duke.edu/accounting/gap/m200-140.php>

➤ Pre-Award Offices: ORA, ORS, ORC

➤ Post-Award Offices: OSP Liaisons and the Implementation Teams

## Urban Myths About Cost Sharing

- The commitments aren't real – It's just funny-money!
- Any cost can be considered valid cost share.
- We have a better chance of being funded if we cost share.
- Cost sharing has no impact on the department, school or institution.
- No one is looking to assure commitments are met.
- The sponsor is willing to ignore the commitments if not met.
- The cost sharing dollars have no relation to the project's outcomes.



# Collaboration, Community, and Continuous Improvement

