

Cost Sharing Basics



What is cost sharing?

THE UNIVERSITY OF ARIZONA.

- Cost sharing is the portion of project or program costs that are not paid for by the project sponsor.
- Synonymous terms: matching, in-kind contributions, donations, third party contributions, volunteered time.
- See OMB Circular A-110

____.23 Cost Sharing or Matching

- (a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.
 - (1) Are verifiable from the recipient's records.
 - (2) Are not included as contributions for any other federally-assisted project or program.
 - (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
 - (4) Are allowable under the applicable cost principles.
 - (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
 - (6) Are provided for in the approved budget when required by the Federal awarding agency.
 - (7) Conform to other provisions of this Circular, as applicable.
- (b) Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

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- **Mandatory Cost Sharing**
 - Is required by the sponsor
 - Must be included in the proposal before the sponsor will consider the application
- **Voluntary Committed Cost Sharing**
 - Is not required by the sponsor, but was voluntarily offered (listed and quantified) in the proposal submitted to the sponsor
 - When the award is received, voluntarily proposed cost sharing becomes committed
- **Voluntary Uncommitted Cost Sharing (VUCS)**
 - Is additional effort contributed that was not quantified in the proposal
- **Mandatory and voluntary committed cost sharing must be provided and documented as part of the performance of the project**

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- Valid sources of funding for cost sharing:
 - Any non-federal UA account
 - UA Foundation
 - Third parties (subcontractors)
 - Volunteer services
 - Donated items
 - Indirect Costs
- Proposals should include cost sharing only to the extent required by the program.

- Documenting cost sharing adds administrative costs
- Cost sharing brings down the university indirect cost rate, reducing the indirect cost reimbursement from the government.
- Here is why: The cost sharing committed in a proposal is required to be considered as direct research costs, and is added into the denominator of the indirect cost calculation. See the difference between the formulas with and without cost sharing:
 - *With Cost Sharing: Indirect Costs for Research / (Direct research costs + Cost Sharing Committed) = Indirect Cost Rate*
 - *Without Cost Sharing: Indirect Costs for Research / Direct research costs = Indirect Cost Rate*
 - *It is apparent the indirect cost rate with cost sharing is lower.*

- Mandatory and Voluntary committed cost sharing must be documented
- Sponsor must be notified when cost sharing cannot be met
- The department is required to maintain and submit to SPS supporting documentation for committed cost sharing. These records serve as the official auditable records.
- Records for contributed effort should include the names of the individuals, the percentage of contributed effort, the time period, and funding sources.

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- Operational costs contributed should be supported by UA's financial reports
- Third party contribution should be supported by third-party's financial reports or certification
- Volunteer services and donated supplies should be supported by worksheets calculating the value of the services or supplies
- PI or someone who has either first-hand knowledge or suitable means of verification of the work performed should maintain and certify the cost sharing records.

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Role of Sponsored Projects



- Review new awards or modifications for cost sharing
 - Any quantifiable amount that was presented to the sponsor is identified as committed cost sharing
 - Amounts only identified on the PRS are not committed
 - Determine if cost sharing needs to be reported to the sponsor and maintain cost sharing reporting requirement in an intranet database
 - Issue Cost Sharing Notification to the department

- Requesting cost sharing documentation from the department
 - Required for both reportable and non-reportable cost sharing
 - Cost Sharing Certification to be signed by PI or someone who has either first hand knowledge or suitable means of verification
 - Oral communication is not suitable means of verification
 - Supporting documentation is required

- Calculate the amount of cost sharing
 - Cost shared salary amount
 - Fringe benefit and Indirect Cost (if allowable)
 - Indirect costs foregone (if allowable): the difference between the approved University Indirect Cost Rate and the Indirect Cost Rate actually used on the award

- Report cost sharing on the invoice and/or the financial report to sponsors
- Maintain cost sharing documentation received from the department for audit purposes
- Calculate the amount of cost sharing to be added to the Indirect Cost Rate calculation

- Changes that will be brought by the Mosaic Project
 - Cost sharing expenditures will be tracked by accounting system and linked to the project
 - A fully automated effort reporting system will be implemented
 - Mandatory and voluntary committed cost-shared effort will be identified separately
 - Voluntary uncommitted effort is not required to be separately identified and tracked



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