

# Cost Sharing: Policy and Procedures

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**Last Revised:** September 2006

**Responsible College Officer**  
Associate Controller for Research

**Responsible Office**  
Research Accounting

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## Policy Statement

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The Weill Medical College of Cornell University (WMC) encourages, supports, and values the efforts of Principal Investigators (PIs) to obtain external funding for their research endeavors. PIs must therefore be given latitude in developing the scientific and financial aspects of their proposals to increase their success in the highly competitive arena of sponsored projects. However, it is essential that the use of cost sharing does not overburden departmental resources and facilities and administrative recoveries. It should only be offered if clearly mandated by the sponsor or if needed to accurately reflect the resources required to conduct the project. Because cost sharing may involve use of departmental funds and departments are responsible for research budgets, Department Chairs may impose limits on the amount of cost sharing volunteered by PIs and staff in their units. All committed cost sharing and matching/in-kind expenses must also conform to WMC and federal policies regarding allowability, allocability, and reasonableness and must be verifiable through documentation.

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## Reason for Policy

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Sponsors and auditors must be able to verify that funds committed to sponsored projects as cost sharing or matching have been provided. Therefore, this policy and its inherent procedures have been developed to ensure that cost sharing on sponsored projects is proposed, accounted for, and reported in a manner consistent with the requirements set forth in federal regulations (OMB Circulars A-110 and A-21), the requirements of granting agencies, and the policies of WMC.

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## Who Should Know These Procedures

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- Dean
- Senior Administration – Vice Provosts, Associate Deans
- Director, Department Chair, Division Head
- Faculty
- Departmental/Divisional Administrators
- Finance Personnel – Research Accounting, Accounting Services
- Grants & Contracts Personnel

- Research Compliance Personnel
- Research Integrity Personnel
- All Employees
- Information Technology Personnel
- Human Resources Personnel
- Students

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## Contacts

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Subject	Contact	Phone	Email
Policy questions	Kevin McGrath	(212) 680-7125	<a href="mailto:kjmcgra@med.cornell.edu">kjmcgra@med.cornell.edu</a>
Institutional research compliance issues	Barbara Pifel	(212) 821-0722	<a href="mailto:blp2001@med.cornell.edu">blp2001@med.cornell.edu</a>

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## Applicable WMC Policies and Procedures

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- *Time and Effort: Policy*
- *Time and Effort: Procedures*
- *Proposal Development, Processing, and Submission: Procedures*
- *Charging of Direct Costs to Sponsored Projects: Policy*

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## Applicable Federal Regulations

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### NIH Grants Policy Statement

### OMB Circular A-110

### OMB Circular A-21

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## Cost Sharing Overview

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### Definition

Cost sharing is that portion of a project or program cost that is not reimbursed by the sponsor and as such represents a commitment by WMC. Cost sharing may be required by the sponsor as a condition of the award (mandatory cost sharing), or it may be offered by the WMC (voluntary committed cost sharing). Whether cost sharing is mandatory or voluntary committed, once an award is made, all cost sharing commitments become obligations of WMC.

When expenses such as those in the examples given below are not paid for by the sponsor, they must be treated as cost sharing:

- Effort of a PI and/or other WMC employee devoted to sponsored agreements, including employee benefit costs. In order to qualify as cost sharing, the effort must be necessary and reasonable for the performance of the project's objectives. Cost shared effort must be directly related to the project's objectives and must not include time spent on administrative or instruction activities.

*Note: If the effort is considered to be voluntary uncommitted (faculty donated additional time above that agreed to as part of the award), then this is not considered as cost sharing due to the imprecise nature of tracking this type of effort.*

- Supplies and services directly associated with the project. However, it is important to note that cost sharing of non-personnel costs is discouraged because of the difficulty of documenting such costs as appropriate direct costs of the project.

It is the PI's primary responsibility to request matching funds according to WMC policy. The PI may request that departmental funds be used for cost sharing, and in this case the Department Chair must approve the request. Any requests to use the Dean's funds for cost sharing must be approved by the Dean, as well as the Vice Provost & Executive Vice Dean. Approval to use the Executive Vice Dean's funds must be approved by the Executive Vice Dean, as well as the Associate Dean of Research Administration.

### **Consequences of Cost Sharing**

Cost sharing on sponsored research projects, whether mandatory or voluntary committed, is included in the Organized Research direct cost base of the College, which is used in the calculation of the Facilities and Administrative (F&A) cost rate. An increase in the Organized Research direct cost base results in a decrease in WMC's F&A rate and consequently a reduction of revenue from sponsored projects. The effect is that WMC must pay the F&A associated with the cost-shared direct costs.

- *Note: The majority of faculty organized research effort is considered mandatory or voluntary committed on the part of the recipient. Both mandatory and voluntary committed cost sharing are consistent with the terms of the sponsored agreement and are captured in the accounting system. Voluntary uncommitted cost sharing effort is faculty-donated additional time above that agreed to as part of the award. The imprecise nature of the data concerning the amount of voluntary uncommitted cost sharing has made it difficult to compute and use as part of rate negotiations, and therefore it is not included in the organized research base for computing the F&A rate.*

Cost sharing should only occur when a sponsor mandates it, or it has been determined by the PI, in discussion with Grants & Contracts, that such a contribution is necessary to enhance the likelihood of success of a competitive proposal. When cost sharing is not required by the sponsor, or is not necessary to enhance the competitiveness of a proposal, PIs and departments should avoid any statements in a proposal that imply the possibility of cost sharing unless it is approved by Grants & Contracts. Cost sharing should be kept to a reasonable level because of the burden it places on WMC and/or departmental financial resources.

Neither a PI nor a department has the authority to commit WMC resources to cost sharing. Cost sharing must be authorized by the institution, and the Director of Grants & Contracts must approve the terms and conditions of a project when a PI or department requests a reduction or waiver of F&A costs. If a PI or department offers cost sharing on a project when there is no requirement for such cost sharing imposed by the sponsor (including the NIH Salary Cap), and Grants & Contracts has not specifically approved inclusion of cost sharing in the application for funding, then the department will be responsible for funding both direct costs and the F&A costs associated with such a commitment. It is not possible to cost share direct costs without also cost sharing associated F&A costs.

### **Appropriateness of Cost Sharing**

A program announcement for an application may include a requirement to cost share or the sponsor may insist, during the negotiation of an agreement, on a specific contribution to the project as a condition of the award. There may also be situations as described above where the PI, with the approval of the Department Chair, has determined that a cost sharing contribution is necessary to enhance the likelihood of success with a competitive award. In instances where a contribution is to be made (mandatory or voluntary), the direct cost dollars of such a commitment must be moved from a non-sponsored account to

a departmental or project-related cost sharing account. If a project-specific cost sharing account is requested, it will be set up on a case-by-case basis. Further advice regarding implementation of this requirement can be obtained from Grants & Contracts or Research Accounting.

The following are illustrations of when cost sharing may be appropriate in sponsored projects:

- Mandatory cost sharing is specified in program announcement or application package.
- The project sponsor insists on a specific cost sharing contribution to the project during the negotiation of an award.
- Voluntary cost sharing is necessary to enhance the likelihood of success of a competitive proposal. Voluntary cost sharing should usually be less than 5% of an individual's compensation.

Where the proposal includes casual consultation that will enhance the likelihood of the success of the project, such consultation shall be included in the narrative portion of the proposal and not in the budget section. In these cases no percentage of effort should be stated in the narrative.

### **Documentation**

If effort commitments referenced in a proposal are not funded by the sponsor, the cost of such effort would need to be treated as cost sharing and accounted for as a cost related to the project. The cost of effort should be separately identified, reported and certified in the labor activity distribution report, unless there has been a documented decrease in effort or scope of the project. Grants & Contracts must be informed of all cost sharing because it is important to document the cost sharing appropriately.

Since the budget submitted with the grant application is regarded as representing the level of funding required to conduct the research described, any award less than the proposed budget could be interpreted as an altered scope of work or a cost sharing commitment. Therefore, PIs are expected to submit a budget, which is reasonable in terms of the scope of the research proposed. If the award is less than the requested budget, PIs are required to submit a revised budget to Grants & Contracts documenting the reasons for the discrepancy between the application and the awarded budget.

When the sponsor accepts cost sharing, it becomes a commitment of WMC, and the Medical College will absorb the F&A cost associated with cost sharing. The PI, department and WMC must maintain sufficient documentation to substantiate the actual cost sharing contribution and report the cost sharing to the funding agency, if required. The documentation of personnel costs shall be through the labor distribution system.

As an example, if a NIH proposal approved by the Grants & Contracts office indicated that 50% of a PI's effort would be spent on the grant with only 25% of the effort funded from the grant, then the department would be required to allocate, on the PI's Personnel Action Form (PAF), 25% to the Federal grant account and 25% to a specific research-related cost sharing account.

## Roles & Responsibilities

Responsibilities	PI	Dept Admin	Dept/Div Chair	G&C Office	Finance	Other
Request matching funds or identify in-kind contributions according to College policy	P		S	I		
Approve department funds to be used for matching funds			P	O	S	
Approve Dean's funds to be used for matching funds				O	S	Vice Provost & Exec Vice Dean – P Dean - P
Approve Vice Dean's funds to be used for matching funds					S	Vice Provost & Exec Vice Dean – P Associate Dean of Research Administration - S
Confirm that matching funds and cost sharing are documented and approved	P	S		O		
Initiate the process of documenting cost sharing and/or matching	P					
Report cost sharing on sponsored awards					P	
Collect money from College for cost sharing					P	
Provide institutional oversight related to documenting cost sharing and/or matching					P	

KEY
P = PRIMARY RESPONSIBILITY
S = SECONDARY RESPONSIBILITY
O = INSTITUTIONAL OVERSIGHT
O - L = LOCAL OVERSIGHT
I = PROVIDE INPUT

## Definitions

Term	Definition
<b>Actual Effort</b>	The time that an employee actually devotes to a particular sponsored project (including time pledged to a sponsor as Mandatory or Voluntary Committed Cost Sharing) or other WMC activity, expressed as a percentage of Total Effort.
<b>Allowable Costs</b>	Costs that are (a) reasonable; (b) allocable to sponsored projects under the principles and methods outlined in OMB Circular A-21; (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items. (OMB Circular A-21, Section C2).
<b>Committed Effort</b>	The amount of effort proposed in a grant or other project application and accepted by a sponsor, regardless of whether salary support is requested for the effort. For example, if an NIH grant application proposes that an employee will devote 30% of his or her effort to the grant, with salary support for 10% of effort, the Committed Effort for that employee is 30%.
<b>Cost Sharing</b>	The portion of the total project costs of a sponsored project that is borne by WMC rather than the sponsor. (Cost Sharing is also referred to as "Cost Matching".)
<b>Facilities and Administrative (F&amp;A) Costs</b>	Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (OMB Circular A-21, Section E1).
<b>Institutional Base Salary (IBS)</b>	The annual compensation that WMC pays for an employee's appointment, whether that employee's time is spent on research, teaching, administration, or other activities. However, at WMC, historically, IBS has specifically excluded supplemental compensation paid in connection with Faculty Practice activities coded as "612x" and paid from a "9" account. Likewise, IBS excludes compensation for an employee's outside consulting activities and other compensation received from an entity other than WMC.
<b>Mandatory Cost Sharing</b>	Cost Sharing required by a sponsor as a condition of obtaining an award. Mandatory Cost Sharing is a binding commitment on WMC, and any employee effort that is expended in satisfaction of the commitment must be accounted for in accordance with this policy.
<b>NIH Salary Cap</b>	Federally mandated limitation on the amount of salary that may be charged to NIH sponsored grants, cooperative agreements, and applicable contracts. The NIH Salary Cap establishes a maximum annual rate at which an employee can be compensated under an NIH sponsored project. For example, if an employee spending 50% of his or her effort on an NIH grant has an actual IBS of \$200,000, and the NIH Salary Cap is \$180,100, the appropriate IBS charge to NIH for the employee's effort would be 50% of \$180,100, or \$90,050. The \$9,950 difference between this amount and the \$100,000 that would have been chargeable at the full IBS rate may not be charged to any Federal project or used to satisfy Cost Sharing commitments.
<b>Sponsored Project</b>	An externally funded activity that is separately budgeted and accounted for and governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may be in the forms of grants, contracts, or cooperative agreements for research, instruction, and public service activities.

Term	Definition
<b>Time and Effort Report</b>	<p>A certified form used by WMC to document the proportion of Total Effort devoted by an employee to each activity with which he or she is involved, including sponsored projects, administration and teaching. This document becomes WMC's official verification that the IBS charged to a sponsored project is consistent with the Actual Effort expended on the project. The sum of all reported Actual Effort percentages on the Time and Effort report represents the employee's Total Effort. By definition, Total Effort must always equal 100% -- never more or less.</p> <p>*WMC's supplemental compensation plan is currently under review to ensure that it complies with the provisions of OMB Circular A-21, "Cost Principles for Educational Institutions".</p>
<b>Total Effort</b>	<p>The effort that the employee devotes in the aggregate to the professional activities for which he or she receives IBS compensation from WMC. Specifically excluded from Total Effort is time spent on (a)** Faculty Practice activities through the Weill Cornell Physician's Organization for which supplemental compensation coded "612x" is received from a "9" account, and (b) outside consulting activities or other activities for which compensation is received from an entity other than WMC.</p> <p>**It is important to note that this does not include any "fixed" supplemental income, which must be included in computing "total effort".</p>
<b>Voluntary Committed Cost Sharing (VCCS)</b>	<p>IBS that is associated with Committed Effort in excess of effort for which salary reimbursement is requested. VCCS can occur in one of two ways: (a) through a proposal in which Committed Effort is greater than the effort for which salary support is requested (for example, where a WMC proposal promises Committed Effort of 30% for an employee, but requests only 10% salary support); or (b) by actually charging the sponsor for less than all of the Committed Effort actually expended (for example, where the proposal contains Committed Effort of 30% and requests full salary support of 30%, and the Actual Effort is 30%, but the grant is only charged for 10% of IBS). VCCS does not include voluntary effort that is in excess of Committed Effort, and for which no salary support is requested or claimed. For example, if a WMC proposal contains Committed Effort of 30% and requests full salary support of 30%, but 40% effort is actually provided and the sponsor is not charged for the additional 10% effort, the 10% does not represent VCCS.</p>
<b>Voluntary Uncommitted Cost Sharing</b>	<p>University faculty effort that is donated time over and above that which is committed and budgeted for in a sponsored agreement.</p>