

University of Colorado Boulder Policy and Procedure Accounting & Business Support (ABS) Office of the Vice Chancellor for Research

Cost Sharing

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1 Introduction

Office of Management and Budget (OMB) Circular A-110 states that, “Cost sharing or matching means that portion of project or program costs not borne by the Federal Government.” The University of Colorado Boulder (“CU-Boulder,” “University”) uses this as the standard definition for all its cost share obligations unless otherwise defined by a non-federal sponsor.

Cost sharing is a commitment by CU-Boulder (or a third party through the University) to provide a portion of the direct costs necessary to fulfill the objectives of a sponsored project award. Cost sharing that has been committed to the sponsor shall be documented for individual projects and for inclusion in the organized research direct cost base used to develop the campus Facilities and Administration (F&A) rate.

The value of the cost sharing is a binding obligation to the University and subject to audit. Failure to fulfill cost sharing commitments may result in audit findings and/or reduction of the award.

2 Policy Statement

CU-Boulder commits to cost sharing only when required by the written policies of the sponsor or the specific terms of an award and/or is in the best interests of the University, e.g., experience indicates that a particular proposal will be more competitive if cost sharing is offered. All cost sharing commitments become binding obligations and part of the project’s Scope of Work when identified in a proposal and approved in advance by each contributing unit to the cost sharing, i.e., cash, effort, or in-kind support (see Section 4.2). Cost sharing beyond the required minimum is strongly discouraged.

It is the policy of CU-Boulder to reduce the cost share budget proportionately with a reduction in the awarded budget. Whenever the amount of mandatory cost sharing is tied to a specific percentage of the award or is budgeted by project year and the number of proposed project years is reduced, then the amount of the cost share is automatically reduced. Whenever the amount of the required cost share is not pre-determined by a percentage or number of project years, then the Principal Investigator will be required to prepare a reduced cost sharing budget, which will be proposed to the sponsor. In all cases, a revised budget is required (see Section 4.4).

Principal Investigators (PI) are responsible for ensuring that cost sharing commitments are fulfilled and documented. Deficits resulting from reduced funding or unpaid invoices due to a failure to satisfy cost sharing commitments are the responsibility of the PI’s department.

When committed, cost sharing shall fulfill all the following:

1. Comply with federal cost principles, federal regulations, and applicable University policies and procedures;
2. Be clearly identified in the Finance System when CU-Boulder funds are committed;
3. Be used exclusively to support the project as proposed and awarded;
4. Be incurred during the project period; and
5. Be fully documented by the PI and verified by the Sponsored Projects Accounting (SPA) Cost Share Accountant.

3 Definitions, References and Resources

3.1 Definitions

Cost Sharing and *Matching* are terms that are often used interchangeably and identify the financial or in-kind support contributed by CU-Boulder (or third parties through the University) to sponsored projects.

Committed Cost Sharing is pledged in the proposal budget, budget justification, or proposal narrative whenever a specific dollar amount is stated or can be calculated from information provided in the proposal. There are two types of Committed Cost Sharing:

- a) *Mandatory Cost Sharing* is required as a condition of the award.
- b) *Voluntary Cost Sharing* is offered by the recipient when not specifically required by the award.

Voluntary Uncommitted Cost Sharing is incidental support that is over and above what was proposed and agreed upon for the project.

3.2 References and Resources

[OMB Circular A-110](#) *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, particularly [Subpart C.23](#), *Cost sharing or matching*

[OMB Circular A-21](#), *Cost Principles for Educational Institutions*

[Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs](#) (OMB Memorandum)

[Electronic Personnel Effort Reporting System \(ePERS\)](#) (ABS Policy and Procedure)

[Gift In Kind](#) (OUC Accounting Handbook topic)

[Gift In Kind Acceptance](#) (OUC Form)

[Cost Share Commitment Form](#)

[Certification of In-Kind Cost Sharing Contributions](#)

4 Procedures

4.1 Cost Share Requirements

Committed cost sharing, from all sources, shall meet **all** of the following criteria as expressed in OMB Circular A-110:

1. Are verifiable in the University's Finance System and substantiated by departmental records;
2. Are not used as cost sharing for any other sponsored project;
3. Are necessary and reasonable for proper and efficient accomplishment of project objectives;

4. Comply with applicable federal cost principles as expressed in A-21 including reasonable, consistent, allocable, allowable, and incurred during the award period;
5. Are not paid by the federal government under another award, except when authorized in writing;
6. Are provided for in the approved budget when required by the awarding agency.

4.2 Cost Sharing Approval

Proposals that commit cost sharing must include a completed *Cost Share Commitment Form* with the proposal application. Committed cost sharing is an official part of the budget and should be detailed in the budget justification. It is the policy of CU-Boulder to cost share only when it is required by sponsor policies or award terms. Therefore, **voluntary cost sharing should only be proposed when it is clearly in the best interests of the University. This policy does not prohibit** the University from contributing resources toward the performance of sponsored projects or PIs from spending time on research projects without receiving salary from the sponsor.

Principal Investigators are required to complete the Cost Share Commitment Form, including additional documentation as required by the type of cost sharing proposed. All Cost Share forms must be signed by the Principal Investigator and the Department Chair, Institute Director, or equivalent. In addition, authorized signatures are required from each unit that contributes to a cost share commitment.

Committed cost sharing by outside entities supporting CU-Boulder proposals require “commitment letters” endorsed by a person authorized to approve these commitments and, if the entity is a subcontractor, a proposed cost share budget. All commitment letters must be submitted with the proposal and include the following information:

1. The kind of cost sharing to be provided, e.g., services, monies, supplies, equipment;
2. The actual dollar value or fair market value of the contribution;
3. The time period over which the contributions will be made. All cost sharing must be expended or provided within the project’s performance period.

4.3 Cost Sharing Sources

Committed cost sharing may be supplied from any number of sources, including the following:

1. **Cash** contributions are CU-Boulder funds **and/or** money provided to CU-Boulder by external sources to pay the University’s direct costs of a sponsored project.
2. **Cost Sharing Effort** is work committed to the project but paid with CU-Boulder funds. This includes the cost of salary and associated fringe benefits.
3. **In-Kind** contributions represent non-cash support such as volunteer services, donated use of University¹ or non-university equipment or facilities, or services of employees from non-university organizations. The value of in-kind contributions is what it would have cost had CU-Boulder directly paid for the item or service. Special rules apply to the valuation and documentation of in-kind contributions as specified in Section C.23.(c)-(h) in OMB Circular A-110, and University policies governing gift in-kind transactions.
4. **Waived or Unrecovered Facilities & Administrative (F&A) Costs** represent two types of indirect cost calculations that can be included as part of cost sharing or matching, **but only**

¹ University facilities and/or services are eligible for cost sharing when they are chargeable, such as those types of services provided by Internal Service Centers.

with prior approval of the sponsor. A Cost Share Commitment form must identify these sources whenever used to fulfill part of a cost share.

- a. *Mandatory Waived F&A* are those unreimbursed indirect/overhead costs which the University forfeits when it is the written policy of the sponsor to pay a rate less than the University's negotiated F&A rate with the federal government.

For example, if the sponsor will provide only a 12% F&A rate for their funding and our campus rate is 52.5%, we can request to claim the 40.5% difference between those two rates as part of our cost sharing.

- i. The 12% sponsor rate would automatically calculate in the Fund 30/31 SpeedType,
- ii. SPA would calculate the waived amount of 40.5% on direct costs funded by the sponsor and track that as part of the fulfilled amount, and
- iii. If a companion SpeedType(s) is being used to pay for University direct costs, SPA would calculate the full 52.5% on allowable direct costs charged to that SpeedType. Of that 52.5%, 12% represents the "unrecovered" portion and the remaining 40.5% would represent the "waived" portion.

- b. *Voluntary Waived F&A* are those unreimbursed indirect/overhead costs which the University voluntarily forfeits. Specifically, if the sponsor will provide the negotiated F&A rate but the University proposes to accept a lower rate, then this represents a voluntary loss of income to the University and requires pre-approval by the Vice Chancellor for Research (VCR).

- c. *Unrecovered F&A* are those indirect/overhead costs that support the direct costs contributed by the University to the project for which the University is not reimbursed by the sponsor. Consequently, if the sponsor includes a 52.5% F&A rate for their direct funding, then the University will calculate 52.5% on its contributed direct costs which is a real investment by the University in the project. The rate of the unrecovered F&A used will mirror whatever F&A rate is being provided by the sponsor.

5. **A Sponsored Award** whose specific purpose is to match another award funding a single project or program. This is allowable as cost share if pre-approved by all sponsors. Note that federal funds cannot be used as cost sharing on other federally funded projects, except where authorized by the sponsor.
6. **Subcontractors** may be required to contribute cost sharing requirements based on the proposal solicitation.

4.4 Revised Cost Share Commitment Budgets

Whenever the awarded budget is less than the proposed budget, a revised budget is required.

1. If the sponsor requires a resubmission of the revised budget for approval, then the resubmission will include revisions to both the proposed budget and to the cost share budget.
2. If the sponsor accepts the revised project and cost share budgets, then the project will be implemented using the revised budgets which will reduce the University's level of cost share commitment proportionally to the reduction in the value of the project budget.
3. If the sponsor does not require the resubmission of a revised budget, then the University will submit a written request for a proportional reduction in the cost share requirement. If the sponsor approves the request, then the project will be implemented with the revised budget. If the sponsor declines the request, then the project will be implemented with the original level of commitment. The sponsor's response will be included as part of the permanent project record.

If the Principal Investigator requests a cost sharing budget greater than the recalculated amount, then the PI will submit a written justification to the Office of Contracts and Grants (OCG) and each contributor to the original cost sharing commitment for consideration.

4.5 Documentation

Committed cost sharing made at the proposal stage becomes a binding obligation at award and must be verifiable in the University's Finance System and substantiated by departmental records. The following section describes the documentation required for each type of cost share to demonstrate its fulfillment.

4.5.1 Cash

Each project with a proposed cash commitment shall, upon award, establish a companion (cost share) account with its own SpeedType in the Finance System specifically for this purpose. This companion account will enable the segregation of cost shared expenses from sponsor-funded expenses and prevent commingling of general purpose funds with project expenditures. The SpeedType for the companion account will be requested by SPA and assigned by ABS at project set up. The account will be titled "Costsharing for Proj#[insert project number]." All cost sharing expenditures must be recorded in SpeedTypes created for this purpose.

The PI and department are responsible to ensure that:

1. Any funds obligated to meet committed cost share are transferred into the companion SpeedType(s);
2. Cost sharing funds are spent concurrently with grant expenditures and/or per the terms of the award;
3. Costs used to satisfy matching or cost sharing requirements comply with the same policies governing allowability as other costs under the approved budget;
4. Indirect costs are used to meet this obligation only if specifically allowable in the award.

Once the cost sharing commitment has been fulfilled, unexpended funds in the companion SpeedType should be returned to the campus contributors in proportion to each unit's contribution.

4.5.2 Effort

University-paid salary expense committed as cost sharing is documented by the University's electronic Personnel Effort Reporting System (ePERS). Once a project is established, SPA records the committed percentage of effort in the Finance System. The ePER includes this percentage and its certification provides the required documentation.

4.5.3 In-Kind

Non-cash contributions shall comply with the valuation guidelines of OMB A-110 Subpart C.23 and University policy. The PI is responsible for obtaining documentation from the donor as soon as possible after the cost sharing commitment is completed but no later than the conclusion of the project. One of the following is required to support these contributions:

1. A signed, dated letter from the donor describing the donation, its purpose, its value, and, verifying the information is true and correct;
2. A statement and signature on the commitment letter certifying that the commitment has been fulfilled; or
3. A completed *Certification of In-Kind Cost Sharing Contributions* form.

4.5.4 Facilities and Administrative (F&A) Costs

The Finance System tracks F&A only in sponsored project SpeedTypes. To capture this amount when F&A is fulfilling cost share, SPA performs background calculations using the appropriate F&A rate on cost share expenditures posted to the project's cost sharing companion SpeedType(s). Likewise, SPA calculates any pre-approved waived F&A on sponsor funded direct costs.

1. If the cost sharing commitment is mandated by the sponsor, then F&A costs will be calculated and added to the direct cost shared expenses to fulfill the cost sharing obligation.
2. If the cost sharing commitment is volunteered by the University, then no F&A costs will be calculated and only the direct cost shared expenses will be used to fulfill the cost sharing obligation, unless specifically requested by the PI.
3. Effort, however, will always have the sponsor approved F&A rate calculated on the contributed salary to fulfill mandatory or voluntary cost sharing.

4.5.5 Another Sponsored Award

Cost sharing contributions from another sponsored award shall be uniquely identified in the Finance System and will be treated as any other Fund 30/31 award. It will have its own project number and its description shall read "Costsharing for Proj#[insert project number]." Cost share expenses on these projects are subject to the same policies governing the allowability of costs under the award being matched.

4.5.6 Subcontractor

Subcontractor cost share commitments shall be documented, reported, and certified as true and accurate on the subcontractor's invoices submitted to the University. The PI is responsible for ensuring that these commitments are fulfilled and providing any documentation needed by the SPA Cost Share Accountant for the award.

4.5.7 Uncommitted

Uncommitted cost sharing does not require sponsor reporting and is not tracked by SPA.

5 Compliance and Reporting

The PI is responsible for immediately informing OCG or SPA, as appropriate, of any changes in the cost sharing commitments or the unit's ability to meet and/or document those commitments. This applies to mandatory or voluntary commitments because all committed cost sharing must be fulfilled.

It is also the responsibility of the PI and/or unit to provide to the SPA Cost Share Accountant any documentation about cost sharing that is not available in the Finance System. The Cost Share Accountant uses this documentation and finance system records to monitor the progress of all cost sharing commitments in order to verify compliance, to provide cost sharing reports to sponsors when required, and to sign off as responsible party to verify completion.

6 Exceptions

Exceptions to this policy must be approved by both Sponsored Projects Accounting and the Office of Contracts and Grants.