

## IV-4.00(A) UNIVERSITY OF MARYLAND POLICY AND PROCEDURES FOR COST SHARING

(APPROVED BY THE PRESIDENT, November 19, 1999; Effective December 1, 1999; Technical Amendments October, 2014)

### 1.0 PURPOSE

The University must ensure that cost sharing requirements of sponsored agreements are proposed, accounted for and reported in a manner consistent with the requirements set forth in federal regulations, primarily the Office of Management and Budget (OMB) Uniform Administrative Requirements and Cost Principles, 2 CFR Chapter I, Chapter II, Part 200 (Uniform Guidance). This document clarifies and strengthens the UM requirements and cost sharing procedures. Specifically, this document details the procedures for monitoring project-by-project cost sharing and reporting such cost sharing to sponsoring agencies. The updated policy is effective in accordance with the Uniform Guidance implementation on December 26, 2014.<sup>1</sup>

### 1.1 Introduction

UMD should commit to cost sharing only when mandated by the sponsor, as noted in the agency solicitation or funding announcement. **Cost sharing should never be assumed to be a gratuitous gesture.** Cost sharing commitments included in the proposal budget and budget justification are to be reflected on the Office of Research Administration (ORA) Internal Routing Form for Proposals or as appropriate in the ORA electronic proposal routing system. If cost sharing is other than the Principal Investigator's (PI) or Co-PI's effort explicitly stated in the proposal, the responsible UMD officials must certify to the cost sharing commitment in writing. Proposals will not be signed by ORA on behalf of UMD unless cost sharing documentation, with all certifications executed, is completed and on file.

As a recipient of federal awards, the University of Maryland must comply with Office of Management and Budget (OMB) Uniform Guidance Cost Principles. The Cost Principles include the following four Cost Accounting Standards (CAS) applicable to educational institutions:

\_\_CAS 501 - Consistency in Estimating, Accumulating, and Reporting Costs

\_\_CAS 502 - Consistency in Allocating Costs Incurred for the Same Purpose

\_\_CAS 505 - Accounting for Unallowable Costs

\_\_CAS 506 - Cost Accounting Period

CAS 501 requires the University to use consistent accounting practices to estimate the cost of a project in the proposal and to accumulate and report the actual costs of the project, including cost sharing.

The Cost Sharing Policy is intended to:

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<sup>1</sup> All existing awards will be administered in accordance with the policy effective December 1, 1999.

- Help units determine when cost sharing is required by the sponsor and/or permitted by the University; including types of expenditures and in-kind contributions that qualify as cost sharing under federal regulations;
- Ensure that the commitments for cost sharing within the institution have been identified and guaranteed;
- Provide information regarding the contractual, financial, and administrative requirements that result from cost sharing commitments;
- Establish procedures for recording cost sharing in the University's accounting system and for the reporting of cost sharing expenditures to ensure that the University has fulfilled any cost sharing commitments it has made as a condition of an award; and
- Limit cost sharing commitments to only those instances where cost sharing is required by the sponsor or is deemed appropriate under extenuating circumstances by UMD.

## 1.2 Definitions

Cost sharing or matching (the terms may be used interchangeably) refers to that portion of a project or program costs not paid by the sponsor and/or is explicitly required by the program or solicitation, without which an application would be ineligible. These costs represent an implied or explicit agreement on the part of the University to assure that non-sponsor resources are contributed to a project, either from sources within or external to the University. The term cost sharing is also known as cost matching, cost participation and other similar phrases.

Cash Contributions are actual funds from internal or external (third parties) sources. Cost sharing from the University's resources is generally considered "cash" cost sharing because a precise dollar amount of expenses can be shown in the University's accounts.

In-Kind Contributions are the value of non-cash contributions generally from outside the University, such as volunteer services or donations of equipment. The in-kind contributions must benefit the project or program, and are contributed by non-federal third parties without charge, to a recipient, subrecipient or cost type contractor under an award. As the contribution of these resources is not under the control of the University, much care must be exercised before entering into agreements promising such contributions. Once the project is funded, in-kind contributions should be monitored on an ongoing basis to assure that the cost sharing agreement will be fulfilled. Failure to meet or adequately document in-kind contributions could result in a portion of the University incurred cost being disallowed and the creation of a financial liability for the department and the University. The value of donated property must not exceed its fair market value at the time of donation to the University.

Voluntary Committed Cost sharing is typically not allowed under federal awards. It may be allowed under extenuating circumstances, and when it's specifically pledged on a voluntary basis in the proposal's budget, budget justification, scope of work, or the Federal award on the part of the University. Cost sharing then becomes a binding requirement of the Federal award.

## 2.0 Cost Sharing Commitments on Research Proposals or Awards

Cost sharing should be limited only to those situations where it is mandated by a sponsor by explicit statements in the funding announcement and, if federal funds, mandated by the federal awarding agency regulations, or where UMD has determined that such a contribution is deemed appropriate under unique circumstances. Where cost sharing is not required by the sponsor or necessary to ensure the competitiveness of a proposal, PIs and departments should refrain from making such commitments voluntarily. In all situations, the use of cost sharing should be kept to a reasonable level.

Under federal research proposals, voluntary committed cost sharing is not expected. Per the Uniform Guidance, cost sharing cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with federal awarding agency regulations and specified in a notice of funding opportunity.

Cost sharing may include effort of the PI or other personnel committed to the project (e.g., a percentage of effort, dollars of salary, or number of person-months) at no cost to the sponsor. In order to qualify as cost sharing, the effort must be necessary and reasonable for the performance of the project objectives. Cost shared effort must be directly related to the project's objectives and must not include time spent on administrative or instructional activities (unless directly related to the project's objectives).

In addition to salary and fringe benefits, other costs may be included as part of cost sharing commitments (see paragraph 4.1 for examples).

Once awarded, all explicit quantifiable commitments referenced in a proposal or award become mandatory and binding cost sharing, and must be separately budgeted and accounted for. The direct cost dollars of such a commitment should be transferred from a non-sponsored account to a cost sharing companion account. These costs must be identified, reported and, if effort, certified in the labor distribution system. For more information on accounting for cost sharing effort, please refer to the UMD "Effort Reports Standards & Procedures."

Since not all proposals get funded, it is possible to include commitments of more than 100% of total effort, taking into consideration existing workload requirements and all outstanding proposals. However, in preparing proposals, PIs must be careful not to over-commit themselves or others.

### 3.0 Funding Sources for Cost Sharing

Cost sharing may be funded from the following sources:

- a. UMD funds provided for the benefit of the specific project (i.e. department, college accounts).
- b. Facilities and Administrative Costs on direct expenses identified as cost sharing (written approval from the federal awarding agency required).
- c. Third-party contributions. This is support from a non-UMD source.
- d. A different sponsored project account. This is rare and allowable only under specific circumstances. (Note that Federal funds, including federal pass-thru funds, may not be used as cost sharing, except as authorized under federal statute, without the sponsor's prior written approval.)

### 4.0 Criteria for Cost Sharing

Subsequent cost sharing expenditures must satisfy **all** of the following criteria (in accordance with the Uniform Guidance Administrative Requirements):

- a. Are verifiable from official University accounting records;
- b. Are not included as contributions or cost sharing for any other sponsored program;
- c. Are necessary and reasonable for accomplishment of project or program objectives;
- d. Are allowable under the applicable Uniform Guidance cost principles as direct costs;
- e. Are not paid by the federal government under another federal award;
- f. Are incurred during the effective dates of the federal award; and
- g. Are provided for in the approved budget when required by the Federal awarding agency and conform to other provisions of the Uniform Guidance as applicable.

#### 4.1 Acceptable Expenditures

In general, costs normally treated as direct costs and allowable under Uniform Guidance Cost Principles on sponsored projects may be used to meet a cost sharing obligation; costs normally treated as Facilities & Administrative (F&A) costs on sponsored projects may not be used to meet cost sharing obligations.

- A. Examples of expenditures that **may** be used as cost sharing include:
  - 1. Faculty, staff, or student salaries and applicable employee benefits;
  - 2. Laboratory supplies;
  - 3. Travel (U.S. air carriers only except Open Skies Agreements);
  - 4. Equipment
  - 5. F&A Costs on all allowable cost shared expenditures, with prior written approval; and
  - 6. Unrecovered F&A, if approved by sponsor.
- B. Examples of expenditures that **may not** be used as cost sharing are:
  - 1. Expenditures normally treated as indirect, such as administrative salaries and office supplies;<sup>2</sup>
  - 2. Unallowable costs under Uniform Guidance Cost Principles such as: alcoholic beverages, entertainment and memberships in community organizations; and
  - 3. Travel on foreign air carriers, unless allowable under Open Skies Agreements.

#### 5.0 Establishing Separate Cost-Sharing Accounts

When ORA initiates a Coeus Transaction Notice for the sponsored project, the Office of Contract & Grant Accounting (OCGA) will automatically initiate the establishment of a cost sharing companion account(s) in ledger 2, where appropriate. The departments will initiate the transaction necessary to transfer the cost sharing funds into the ledger 2 accounts. OCGA will monitor the cost sharing accounts. Cost sharing expenses will be charged against the cost sharing account (including faculty effort where that constitutes the cost sharing).

#### 5.1 Documentation

When cost sharing or matching is included in the proposal and accepted by the sponsor, it becomes a University commitment. Throughout the project's life, the PI and the administering unit must maintain sufficient documentation to substantiate all expenditures including cost sharing contributions and make those records available to the funding agency and/or auditors as required. The specific type of documentation required is based on the nature of the award, taking into consideration the type of expenses, the terms of the sponsored agreement, and other circumstances of the award.

#### 5.2 Faculty, Student, or Staff Effort

It is recommended that PIs include an appropriate portion of their effort and associated fringe benefits as a direct cost on each of their sponsored project proposals and awards.

When the effort of a University employee is committed to an award as cost sharing, the University is bound to contribute the effort and to track, record, and report the associated expenditures. Cost sharing must be recorded on the employee's effort report. Effort reports are produced automatically only if an employee is paid from a sponsored project or related cost sharing account.

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<sup>2</sup>Administrative costs approved in accordance with ORU/SP Guidelines may be an exception.

### 5.3 Equipment Used as Cost Sharing

Equipment may be cost shared only if title to the equipment is in the University's name and it was acquired with non-federal funds during the period of the award and charged to the cost shared companion accounts. The department must maintain documentation proving that federal funds were not used to acquire the equipment.

Under federal cost principles, universities are allowed to depreciate equipment purchased with non-federal funds. However, if the equipment is purchased **in whole or in part** with federal funds, the University is not allowed to depreciate this equipment. Therefore, the PI or the PI's department must notify the Department of Inventory Control of any equipment that has been purchased in whole or in part with federal funds so that it may be removed from the depreciation calculation of the F&A cost proposal.

In lieu of committing equipment for cost sharing, the Principal Investigator could characterize the equipment in the proposal as: *available for the performance of the sponsored agreement at no direct cost to the sponsor* under the Facilities and Resources section of the proposal.

### 5.4 Third-Party Cost Sharing

The University may offer as cost sharing: (a) time and effort and, (b) goods and services and (c) contributions by third parties such as subawardees under its prime award. The PI is responsible for securing documentation of and reporting such third party cost sharing.

If a potential subawardee makes a cost sharing commitment that appears in the budget of the proposal, the subawardee is required to maintain documentation and report the cost sharing in its financial reports to the University. This requirement should be part of the terms and conditions on any subaward agreement issued by the University.

If cost sharing is provided by a third party who is not a subawardee, the PI must provide documentation proving the value of the contributions if other than cash.