



Office of Sponsored Projects Policy on Cost Sharing on Sponsored Projects

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Purpose

This policy has 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 (Uniform Administrative Requirements, Cost Principles,

Definition of Organized Research

NAU categorizes sponsored projects into three “buckets” for NAU’s Facilities and Administrative (F&A) Cost Rate Agreement: Research, Instruction and “other sponsored activities”. NAU further defines research and development as either basic research or applied research, and development. Within these research definitions the federal government further defines Organized Research as follows:

- Sponsored Research All research and development activities that are sponsored by Federal and non-Federal agencies and organizations.
- University Research All research and development (ana3]3 (3.9 (t (h)6 (arc)t (n)-4 (iv)1 (it)-i (m (an is:

RESEARCH POOL EXPENSES ORGANIZED RESEARCH BASE

The research pool expenses consist of the total of expenses related to organized research and consisting of the following nine pools of e-2 (he)4oP((ne)4h)oXTN3M2 (4[(t)-2 (i)-2 (ng)10 (e))4 (-2 (r

- Building Depreciation
- Interest Expense
- Equipment Depreciation
- Operations and Maintenance
- Library Expenses
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Failure to properly record cost sharing may result in audit findings and disallowances of costs that have to be refunded to the appropriate sponsor and/or reduce NAU's indirect cost rate during future negotiations.

ALLOWABLE COSTS FOR COST SHARING

The obligation for cost sharing is predominately associated with Federal grants and cooperative agreements. In accordance the Uniform Guidance, ~~cost~~ sharing costs must be reasonable, allowable, allocable and meet the consistency requirements under federal cost principles as expressed in the Uniform Guidance. In addition, the costs should be:

- Certified in the effort reporting system (for mandatory and voluntary committed costshared effort) and available from accounting records (for other cost sharing expense).
- Necessary and directly related to project objectives.

The cost must not include ~~any~~ of the following:

- Costs included as cost sharing for any other project.
- Costs paid from another Federal project except as authorized by the Federal agency.

What Expenditures can be Cost Shared?

Cost Sharing may consist of allowable direct or indirect ~~cost~~ resources, subject to approval by the providing party (Dean, Center Director, Vice President for Research, Provost)

DIRECT COSTS

- Faculty or Staff Effort – It may be appropriate to contribute faculty or staff effort to the performance of a sponsored ~~project~~. The commitment to provide such support binds the University to contribute the effort and record the associated expenditures including fringe benefits in the total committed effort that may not exceed 100%.(e)6]b-1 (o)-5.9 (dnt)-2 (r)3 (i)-2

University is required to share the cost with the sponsor, or research oriented grants and contracts where the purchase of equipment required for the research is an allowable expense included in the proposal and award. The portion of the purchase paid by the University must be considered cost sharing.

- Other Direct Costs – Allowable direct costs other than salaries, fringe benefits or equipment may, on occasion, be committed as cost sharing on the proposal budget. The following are examples of other direct costs that may be cost shared:
 - Travel expenses
 - Laboratory supplies
- Indirect Costs (Facilities and Administrative Costs) Indirect costs are real costs of conducting instruction, research, and public service projects. Indirect costs do not disappear because a sponsor refuses to pay them. The University must pay these costs when they are not reimbursed. When direct costs are cost shared, the indirect costs associated with the direct costs are automatically cost shared. Principal investigators may take advantage of the automatic cost sharing of indirect costs on cost shared direct costs and include them on the proposal budget.

Expenditures Not Eligible For Cost Sharing

The following expenses cannot be offered as cost sharing commitments in sponsored project proposals:

- Administrative salaries, services and supplies that are appropriate as direct costs, as stated in the Uniform Guidance.
- Unallowable costs as defined in the Uniform Guidance.
- University facilities such as laboratory space. PIs should take care in preparing proposals for sponsored projects not to commit use of facilities as cost sharing, but rather to characterize facilities as “available for performance of the sponsored agreement at no direct cost to the project”.
- Depreciation on equipment.

Cost Overruns

After the end of the project performance period, when unanticipated project expenses result in more allowable charges to a sponsored project than were funded, the amount of the overrun is cost sharing and should be accounted for appropriately.

Salary Amounts In Excess Of The NIH Salary Cap For Faculty Charged To National Institutes Of Health (NIH), Agency For Healthcare Research And Quality (AHRQ), And the Substance Abuse And Mental Health Services Administration (SAMSA) Grants

Salary amounts in excess of the NIH salary cap (contact OSP for the current amount) are considered voluntary committed cost sharing. The associated fringe benefits and indirect costs are also considered cost sharing.

Consequences of Cost Sharing

Mandatory and voluntary committed cost sharing on sponsored research projects is included in the Organized Research direct cost base that is included in the calculation of the Facilities and Administration (F&A, also known as indirect costs) rate. An increase in the Organized Research direct cost base results in a decrease in NAU's F&A rate and consequently a reduction of indirect cost revenue from sponsored projects that are credited to the various schools and centers of the University.

Cost Sharing on Research Projects

SPACE CODING

University space used for mandatory and voluntary committed cost sharing for research projects is coded to Sponsored Research in the University's indirect cost proposal and must be consistent with the coding of expenditures in the accounting system.

Roles and Responsibilities

DEAN'S OFFICE, ACADEMIC DEPARTMENT AND RESEARCH UNIT

- Determine the cost sharing requirements of the project.
- Evaluate the workload implications of proposed cost sharing.
- Ensure the total effort for an individual does not exceed 100%.
- Identify, quantify and record mandatory and voluntary committed cost sharing.
- Identify the cost sharing source for mandatory and voluntary committed cost sharing.
- Notify OSP of the cost sharing account for mandatory and voluntary committed cost sharing.
- Ensure that mandatory and cost sharing commitments are reflected in effort certifications for cost shared effort.
- Work with OSP to submit cost sharing reports (if required) that comply with sponsor's reporting requirements.
- Ensure that mandatory and voluntary committed cost sharing commitments are met and properly budgeted and recorded.

OFFICE OF SPONSORED PROJECTS (OSP)

- Review cost sharing requirements and commitments in the proposal and verifies these commitments are properly budgeted when awarded
- Incorporate appropriate cost sharing conditions in subcontract agreement.
- Upon award, review cost sharing requirements and commitments for proper accounting treatment.
- Work with departmental/center administrators to determine appropriate reporting requirements (OSP)

