

# UNIVERSITY OF SOUTH FLORIDA OFFICE OF RESEARCH

## COST SHARING POLICY STATEMENT

June 22, 2005

### **I. INTRODUCTION (Purpose and Intent)**

The University of South Florida (USF) encourages, supports, and values the efforts of faculty and research personnel to seek and obtain funding from external sponsors in support of their research, scholarship, and creative endeavors (collectively referred to as “research” or “project”).

While it is recognized that, on occasion, University resources may be needed to leverage external support, cost sharing on sponsored projects should be limited to those circumstances where it is a requirement of the sponsor. In exceptional cases where cost sharing is not required, but is considered a review criterion and/or is strongly encouraged by the sponsor, the amount offered should be kept to a minimum.

Cost sharing represents that portion of the total cost of a sponsored project that is covered by USF (and/or a third party) rather than an external sponsor. USF seeks to minimize the cost sharing of direct expenditures to support a given project because it necessitates the redirection of departmental or college resources from teaching, academic expenses, or other institutional activities. In addition, excessive or unnecessary cost sharing can negatively affect USF’s Facilities and Administrative (F&A) Cost Rate (also known as indirect cost rate or overhead).

All cost sharing, except for unrecovered indirect charges, must be tracked in USF’s financial system. Documentation for third-party contributions, in-kind expenses, and unrecovered indirect charges must be maintained in the official central office project files.

### **II. DEFINITIONS**

- A.** For purposes of this policy, the term employee includes, but is not limited to: all faculty in all pay plans, all administrative and support employees in all pay plans, all graduate assistants and other student employees in all pay plans, or any other employee classifications that may be developed by USF or the University Board of Trustees.
- B.** For purposes of this policy, cost sharing is defined as that portion(s) of the total cost of a sponsored project covered by USF or third parties other than the sponsor. The terms “cost sharing,” and “matching funds” are often used interchangeably. “Cost sharing” is used generically throughout this document to include both cost sharing and matching funds.
- C.** For purposes of this policy, in-kind contributions include: (a) donation or use of equipment/building/land from a third party; (b) services (effort) provided by volunteers from a third party; (c) donation of expendable property (e.g., supplies) from a third party.
- D.** For purposes of this policy, mandatory cost sharing is defined as a sponsor’s terms and conditions mandate, or requirement, that USF share in the cost of the project. This type of cost sharing is considered “committed,” must be documented as well as reported to the sponsor and may negatively affect USF’s F&A Cost Rate.

- E.** For purposes of this policy, voluntary committed cost sharing (planned) is defined as cost sharing that is NOT required by the sponsor as a condition for submitting a proposal, but rather is offered by the investigator, with approval of the department chair, because of the competitive nature of the proposal. This type of cost sharing is considered a commitment once the contract or grant is awarded by the sponsor, must be documented within the USF business systems, and may require reporting to the sponsor or its designated representative. USF does not endorse voluntary committed cost sharing as it often redirects departmental resources.
- F.** For purposes of this policy, voluntary uncommitted cost sharing (unplanned) is defined as cost sharing that does not need to be documented in USF business systems or reported to the sponsor. Voluntary uncommitted cost sharing may occur when the investigator voluntarily elects to incur costs that are in excess of the amount budgeted due to budget reductions by the sponsor at the time of the award or when unforeseen additional costs are incurred on behalf of the project that the sponsor is unwilling to pay. Significant voluntary uncommitted cost sharing of effort must be considered when certifying individual effort reports. (Note: No separate category for this exists within USF's effort-reporting system.) USF strongly discourages voluntary uncommitted cost sharing, but recognizes that there are circumstances when it may be appropriate.

### **III. STATEMENT OF POLICY**

- A.** Cost sharing on sponsored projects will only be approved and provided when mandated by the sponsor (i.e., mandatory cost sharing, II.D. above) or, with approval of the department chair, when necessary due to the documented competitive nature of the award (i.e., voluntary committed cost sharing, II.E. above). Voluntary uncommitted cost sharing (II.F. above) should be discouraged, as it represents an unplanned redirection of University and/or department resources.
- B.** All committed cost sharing, whether mandatory or voluntary, and regardless of sponsor, must:
1. Be allowable under the applicable cost principles, administrative guidelines, and agency guidelines;
  2. Be necessary and reasonable for the completion of a project;
  3. Be verifiable through documentation and identifiable within the USF business systems;
  4. Not duplicate the types of costs included in USF's Facilities & Administration (Indirect) Cost Rate;
  5. Not have been charged or reported as cost sharing on any other project; and
  6. Not be paid by another federal award, unless specifically authorized and documented by the sponsor in advance.
- C.** USF recognizes the following means of providing cost sharing in sponsored projects:
1. **Matching funds/in-kind contributions** provided by USF or third parties to pay for project expenses that directly benefit a project such as salaries and fringe benefits, tuition of USF employees or students, supplies, equipment, and travel. USF employees can not provide in-kind services to USF-awarded projects.
  2. **Unrecovered facilities and administrative costs**, which represent the difference between USF's full F&A Cost Rate and the amount of the sponsor's awarded F&A Cost Rate, may be used only with prior documented approval of the awarding agency.
  3. **Grant-to-grant cost sharing** must be approved, and such approval documented, by all sponsors involved.
- D.** Non-federal, third-party, in-kind contributions provided as cost sharing will be valued at fair market value of the service, supply, or equipment, based on the amount USF would pay for the

item or service at the time of donation. Documentation of fair market value may include a letter or other documentation from the donor. For federal awards, the valuation and documentation of all cost sharing must comply with OMB Circular A-110.

- E. In general, costs normally treated as direct costs on sponsored projects may be used to meet cost-sharing obligations. Costs that are normally treated as indirect costs on sponsored projects may not be used to meet cost-sharing obligations without documented, prior sponsor approval.
  - 1. Expenditures that may be used to meet cost-sharing obligations include, but are not limited to:
    - a. Faculty, staff, or student salaries and applicable fringe benefits, as established and reported within USF's effort-reporting system;
    - b. Laboratory supplies, as documented through the purchasing process;
    - c. Travel;
    - d. Equipment.
  - 2. Expenditures that normally may not be used to meet cost-sharing obligations include, but are not limited to:
    - a. Expenditures normally treated as indirect per federal cost accounting standards, such as, but not limited to, administrative and clerical salaries, office supplies, local telephone, etc.
    - b. Unallowable costs, such as, but not limited to, alcoholic beverages, entertainment, memberships in community organizations, etc.
- F. Investigators are responsible for ensuring that cost-sharing commitments are identified in the project budget and provided, as committed.
- G. The central pre-award office, in partnership with the Investigator(s), is responsible for establishing the reported cost-sharing commitments and working with sponsors on any changes during the life of the project, as required by the sponsor.
- H. The central post-award office, in partnership with the Investigator(s), is responsible for establishing the cost-share commitment in USF's financial system, monitoring cost-sharing commitments, retaining documentation, and addressing cost-sharing commitment deficiencies.

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**History: 6/22/2005.** This policy was developed by a cross-functional university-wide workgroup, facilitated by the University Compliance Officer, in an effort to ensure compliance with federal regulations for reporting cost sharing on grants and contracts. It has been presented to and endorsed by various USF advisory councils, committees, and groups. Additional cost-sharing information and training is provided on the Office of Research Policies, Procedures, and Guidelines Web site: [www.research.usf.edu/rppp.htm](http://www.research.usf.edu/rppp.htm). This policy provides important information, but affects a relatively small portion of USF faculty and employees. Thus, future decisions about promulgating as an official USF policy will be made as circumstances warrant.

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