



COST SHARING WORKSHOP

Denise Clark, OSP

Mike Anthony, DFA

Ken Heck, OSP

Jim Bowen, DFA



National Perspective

Cost Sharing Policies and Practices

Denise Clark

Director

Office of Sponsored Programs

dc34@cornell.edu



National Perspective

- ✖ Are we in this alone?
- ✖ How do we stay informed and get involved?
 - COGR
 - NCURA
 - FDP



National Perspective

Federal Demonstration Partnership

✧ Executive Committee

✧ Task Forces

- Federal Funding Opportunity
- Cost Sharing and Effort Reporting



Presidential Review Directive-4

Action: Clarify or Amend Cost Sharing Policies and Practices

- ✦ Explore mechanisms by which agencies might more clearly and consistently communicate information to universities about their cost sharing policies, practices, and expectations.



Presidential Review Directive-4

Discussion

- ✂ OMB Circular A-110 defines cost sharing as “that portion of project or program costs not borne by the federal government.” With the exception of cost sharing that is required by law, agencies vary in their approaches to cost sharing and most do not have explicitly articulated, agency-wide policies. NSF recently issued an agency-wide policy.



Presidential Review Directive-4

PRD-4 Recommendation

- ✦ Requests that all agencies that support research consider a variety of approaches, such as the new NSF cost-sharing policy, as a means to communicate information to universities more clearly and consistently about agency cost sharing policies, practices, and expectations.



NSF Policy

- ✱ NSF considers cost sharing an eligibility criterion rather than a review criterion;
- ✱ Program announcements will clearly state cost sharing requirements beyond the NSF 1% statutory requirement, as will solicitations or other mechanisms that generate proposals; and
- ✱ NSF will require only statutory cost sharing for unsolicited research and education projects;



NSF Policy (cont'd)

- ✱ Requirements for cost sharing may take into account the type of institution, institution size, level of other research support, population served, etc; and
- ✱ Any negotiation with proposers as to the level or amount of NSF required cost sharing will occur either prior to the review process to establish the project's eligibility for consideration or after merit review has been completed to adjust cost sharing to the agreed-upon amount of the award.



Presidential Review Directive-4

Action: Clarify or Amend Cost Sharing Policies and Practices

- ✦ Assess the impact of accounting practices on voluntary cost sharing by universities, particularly as it relates to the donation of faculty time to research projects.



Presidential Review Directive-4

Discussion

- ✦ The issue raised by university concerns is the impact of requiring university faculty researchers (including senior researchers) to keep track of research related effort that is over and above that committed and budgeted for on sponsored research programs. Prior to 1996, the federal government did not actively pursue an accounting of this voluntary uncommitted faculty effort.



Presidential Review Directive-4

Recommendation

- ✦ The PRD-4 recommends OMB issue a memorandum clarifying OMB Circular A-21 to state that voluntary uncommitted effort by faculty should not be included in the organized research base for computing F&A rates or to be reflected in any allocation of F&A costs.



Cost Sharing Overview

Michael Anthony
Manager of Indirect Cost
Division of Financial Affairs
ma239@cornell.edu

Cost Sharing Overview

Agenda

- ☀ What is Cost Sharing
- ☀ General requirements
- ☀ Recent Federal clarifications
- ☀ Cost Sharing Policy changes



What is Cost Sharing?

Cost Sharing Represents

Contributions to sponsored agreements not provided by the sponsor.

Federal government and universities working in “harmony” to achieve a mutual outcome



What is Cost Sharing?

Contributions are provided

- ✦ Most commonly from institutional sources
- ✦ Sometimes by an outside third party (GIK, subcontractors)
- ✦ Periodically through a non-federal sponsored agreement





What is Cost Sharing?

Cost sharing results from

- ✧ Requirements by sponsors as a condition for proposing or receiving an award.
- ✧ PI's including commitments of institutional resources in his/her proposal.
- ✧ Identification of institutional contributions over and above those noted above.



What is Cost Sharing?

Mandatory Cost Sharing

- ✦ Represents contributions to a sponsored project or program required by the sponsor as a condition of obtaining the award. Mandatory cost sharing:
 - May be a fixed percent or specific level of participation negotiated between Cornell and the sponsor.
 - Must be included in the proposal and be provided by someone other than the sponsor.
 - Is a binding commitment and must be accounted for.
 - May be reportable to the sponsor.



What is Cost Sharing?

Voluntary cost sharing

- ✧ Represents contributions to a sponsored project or program offered by the Principal Investigator but not required by the sponsor as a condition of obtaining the award. Voluntary cost sharing is classified as either:
 - Committed, or
 - Uncommitted



What is Cost Sharing?

Voluntary cost sharing

- ✦ Committed: Represents quantified contributions reflected in the proposal. These are binding commitments and must be accounted for. They may be reportable to the sponsor.
- ✦ Uncommitted: Represents contributions not quantified or reflected in the proposal. These are non-binding contributions therefore do not require documentation or reporting.

General Requirements

Cost sharing expenses must

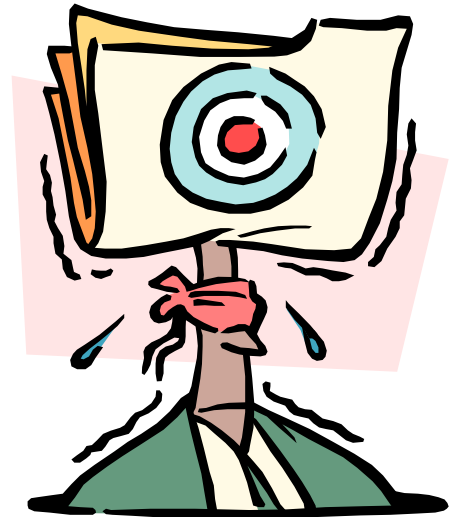
- ✦ Meet allowability standards of OMB Circular A-21 and the sponsored agreement
- ✦ Be documented and, if effort, certified in the annual effort certification process
- ✦ Be necessary to meet the project objectives



General Requirements

Cost sharing expenses must not

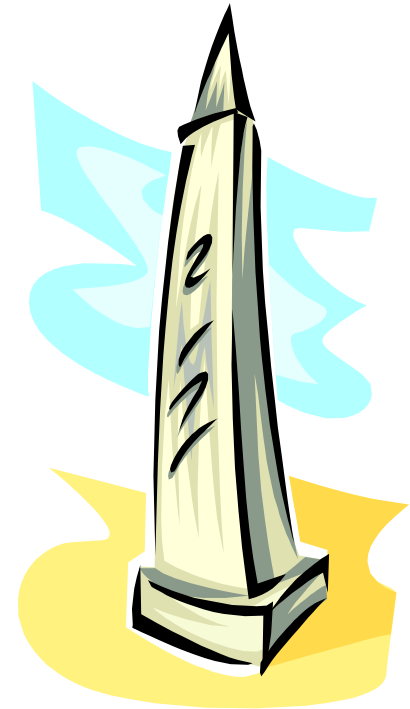
- ✖ Be included as cost sharing for another sponsored project
- ✖ Be provided by the same sponsor under another award
- ✖ Be provided from a federal or federal flow-thru source



Recent Clarifications

January 2001 OMB Clarification

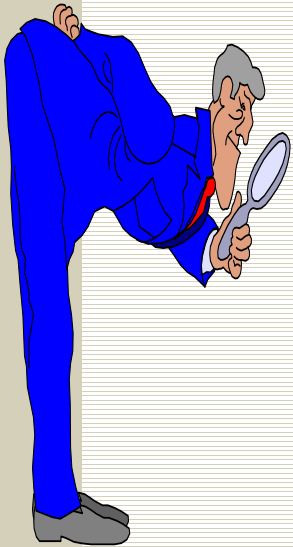
- ✧ Memorandum, January 5, 2001
- ✧ Clarified the application of A-21 (did not change A-21)
- ✧ Introduced/defined cost sharing as
 - “Voluntary uncommitted”
 - “Mandatory” and “voluntary committed”



Recent Clarifications

Documentation requirements

- ✦ Mandatory cost sharing (requires continued documentation)
- ✦ Voluntary “committed” cost sharing (requires continued documentation)
- ✦ Voluntary “uncommitted” cost sharing (no documentation required)



Recent Clarifications

Federal expectations of effort

- ✂ Should have some level of faculty (PI) or senior researcher effort
- ✂ Effort may be provided during academic year and/or summer



Recent Clarifications

Caution

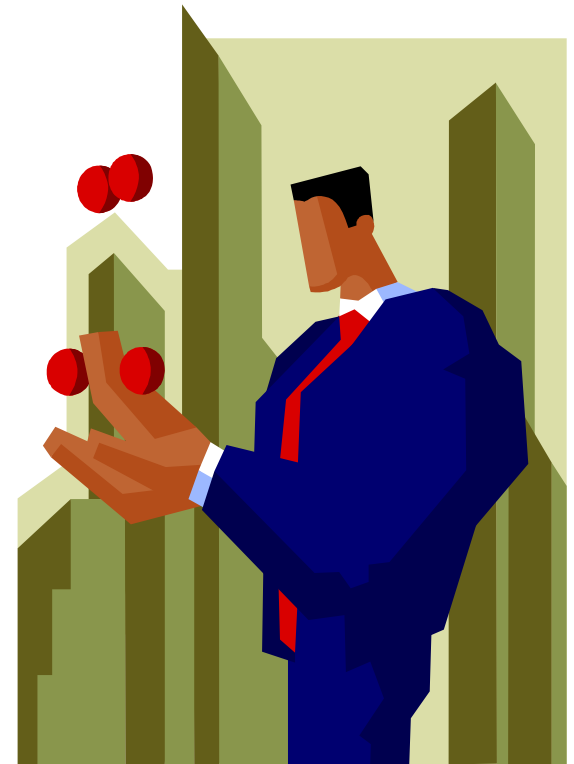
“..when an institution reduces a faculty member’s level of activities dedicated to other institutional responsibilities in order to shift his/her activities to organized research activities, the institution must reflect this reduction in the payroll distribution system (as an increase to the research effort component)..”



Internal Process Changes

Notable policy changes

- ✦ Modified definitions
- ✦ New definitions
- ✦ Modification to language concerning cost shared effort
- ✦ New proposal, award, and accounting processes



Internal Process Changes

Modified/New Definitions

💡 Voluntary cost sharing

- Committed
- Uncommitted

💡 Cost sharing accounts

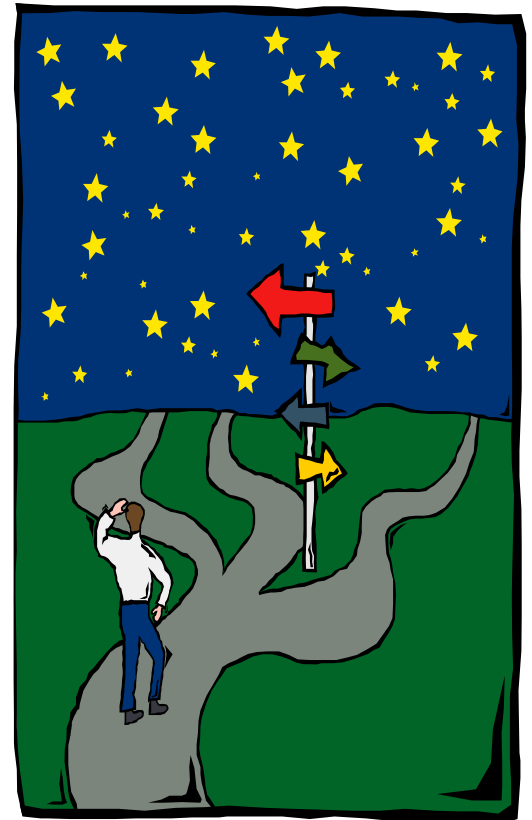
- Department account
- Project account



Internal Process Changes

Modified Processes

- ✂ Form 10 changes
- ✂ New account and related accounting process requirements for mandatory cost sharing (voluntary committed optional)





OSP Process

Ken Heck

Sr. Grant and Contract Officer

Office of Sponsored Programs

keh2@cornell.edu



The Process - OSP

Familiarity and Comfort with the Definitions

- ✧ Mandatory
- ✧ Voluntary Committed
- ✧ Voluntary Uncommitted
- ✧ Identification on the Form 10



The Process - OSP

Mandatory Cost Sharing

✶ ***Required by the sponsor***

✶ Identified as part of the proposal

- Clearly indicated in the announcement or solicitation
- Line item in the budget
- Separate column
- Reflected as a component of the total project cost

The Process - OSP

Mandatory Cost Sharing

- ✂ 'X' the box on the Form 10
- ✂ Fill in the appropriate source of dollars
- ✂ If multiple sources, the total should reflect the total mandatory cost sharing proposed
- ✂ OSP needs a copy of, or a website address for, the announcement or solicitation
- ✂ May be adjusted at the time of award



The Process - OSP

Voluntary Committed Cost Sharing

- ✧ Not required by sponsor
- ✧ But specifically offered by Cornell



The Process - OSP

Voluntary Committed Cost Sharing

- ✂ 'X' the box on the Form 10
- ✂ Line item in budget
- ✂ Separate column in budget
- ✂ Budget justification
- ✂ Quantification (\$ or %) in proposal narrative is a driver



The Process - OSP

Voluntary Committed Cost Sharing (cont'd)

- ✦ Incumbent on Dept/PI to identify on Form 10
- ✦ Fill in appropriate source of dollars
- ✦ If multiple sources, the total should reflect the total voluntary cost sharing proposed



The Process - OSP

Voluntary Uncommitted Cost Sharing

- ✖ Not required by sponsor
- ✖ Not reflected in proposal
- ✖ Not reflected in award
- ✖ Indicated as 'None' on the Form 10



The Process - OSP

Proposal Summary

- ✂ Genesis of cost sharing identification rests with Form 10 preparation



Award Phase

- ✂ There could be significant changes between proposal and award (e.g. dates or dollars)
- ✂ Mandatory and voluntary committed cost share may be formally adjusted during award negotiation
- ✂ A change in the scope of work?
- ✂ Can you meet your cost sharing obligations?



Award Phase

- ✦ Successful negotiation of award
- ✦ Award Summary Sheet is generated by OSP
- ✦ Award Summary Sheet distributed to SFA, unit, and PI
- ✦ Award Summary Sheet indicates cost sharing information reflected in the award



SFA Process

Jim Bowen

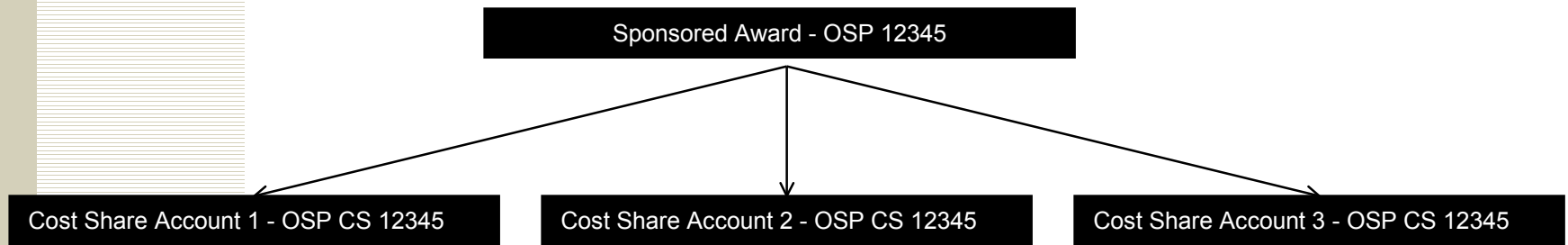
Manager, Sponsored Funds Accounting

Division of Financial Affairs

jl6@cornell.edu

Accounting System Changes

- ✦ A new master file attribute is being added to hold the OSP number of an award with mandatory cost sharing requirements. (planned availability in July 2001)
- ✦ This attribute will allow the cost sharing account(s) to be linked with the sponsored award account.



Accounting System Changes

- ✦ The month end indirect cost process will be modified to create IDC debit / reverse debit entries on cost sharing accounts, which would normally not be charged.

(system proposal submitted but not yet approved)

9820	1,000.00
9821	(1,000.00)

Accounting System Changes

- ✦ The employee benefit process will be modified to create benefit debit / reverse debit entries on Statutory non-restricted accounts that would normally not be charged.

(system proposal submitted but not yet approved)

4960

500.00

4961

(500.00)

Accounting Data Warehouse OSP Web Portal

- ✦ Standard Cost Sharing Reports will be created.

Availability dependent on system change approvals

- ✦ These reports will be based on an award's OSP number and utilize the new attribute field to identify the cost sharing account(s).
- ✦ Employee benefit and indirect charges will automatically be included, as well as, Endowed institutional GRA support and waived / reduced indirect charges on sponsored accounts.

Establishing Accounts

- ✖ For those awards with agency mandated cost sharing, you will need to establish a separate cost sharing account(s). Refer to the OSP Proposal Guide for fund source matching allowability.
 - These accounts should have the same function code as that of the sponsored agreement.
- ✖ When completing the New Account Request Form, please include the OSP number of the sponsored award at the end of the "Account Title", e.g. **COST SHARE FOR OSP 12345.**



Establishing Accounts (continued)

- ✧ Submit new account request forms using current procedures and notify the appropriate SFA accountant of all newly established accounts.
- ✧ As required, SFA will establish employee benefit and indirect cost attributes for these accounts.




Establishing Accounts (continued)

- ✦ Effort distribution changes for a mandatory cost share account should be made at the same time updates to staff being directly charged to the award account are made.
- ✦ Only expenses that are allowable as a direct charge to an award can be considered allowable on a cost share account.
 - (unallowable activity will need to be charged to another account).



Frequently Asked Questions

- 
- Do I need to establish a new account if all of my cost sharing is waived indirect cost?
- No, a separate account will not be required. This is also true for the case of Endowed Institutional GRA support.



Frequently Asked Questions

✂ What about cost sharing gifts of equipment?

- When used for cost sharing, these will continue to be work paper adjustments to the cost sharing reports.
- This will also be true for any other kind of third party cost sharing that is not accounted for in the general ledger.



Frequently Asked Questions

- ✶ What should I do for awards with only voluntary committed cost sharing?
- If the award requires that cost sharing be reported, it is recommended that you establish separate accounts to utilize the new reporting capabilities that are being provided.
 - When there are no reporting requirements, you may continue to account for cost sharing in a single, departmental account.



Frequently Asked Questions

✂ Why can't I use project codes to identify my cost sharing accounts?

- A USDA CRIS project code defines an area, or specific scope of research and may include numerous sponsored agreements as well as federally appropriated funds.
- There are insufficient project codes to provide each sponsored award that has mandatory cost sharing, its own unique project code.



Frequently Asked Questions

✖ I am having trouble meeting the required cost sharing obligations, what should I do?

- Contact your OSP and SFA representatives



Impact of Cost Sharing on the F&A Rate

Michael Anthony
Manager of Indirect Cost
Division of Financial Affairs
ma239@cornell.edu



Impact On The F&A Rate

Cost Sharing

- ✂️ “Perceived” positive impact (awards)
- ✂️ “Actual” negative impact (F&A rate and recovery)



Impact On The F&A Rate

- ✧ Positive - Belief that the more cost sharing provided the better the chances of receiving a sponsored award.
- ✧ Negative - The more cost share dollars committed the lower the University's F&A rate and recovery.



Impact On The F&A Rate

- ✧ F&A costs represent the overhead expenses supporting the University's research mission.
- ✧ F&A rate represents the ratio of overhead costs to the direct costs of conducting the research (with some modifications - MTDC).

Impact On The F&A Rate

F&A Costs:

- ✂ Building/Equipment Depreciation
- ✂ Interest on Capital Debt
- ✂ Operations & Maintenance Costs
- ✂ Administrative Costs
- ✂ Cost of Libraries



Impact On The F&A Rate

Modified Total Direct Costs (MTDC):

- ✂ Salaries & Wages

- ✂ Fringe Benefits

- ✂ Supplies

- ✂ Travel

- ✂ Services



Impact On The F&A Rate

F&A Rate Determination:

$$\frac{\text{Research F\&A Costs}}{\text{Research MTDC}} = \text{F\&A Rate}$$



Impact On The F&A Rate

Research expenses (MTDC) includes:

- ✦ Sponsored research awards
- ✦ Internal research projects
- ✦ Committed cost sharing support for sponsored research awards



Impact On The F&A Rate

Examples

	<u>No Cost Sharing</u>	<u>Cost Sharing</u>
Sponsored Research Awards	\$ 35	\$ 35
Internal Research Projects	5	5
Cost Sharing Commitments	<u>0</u>	<u>5</u>
Total MTDC	\$ 40	\$ 45



Impact On The F&A Rate

<u>Examples</u>	<u>No Cost Sharing</u>	<u>Cost Sharing</u>
Total Research MTDC	\$ 40	\$ 45
Total Research F&A Costs	20	20
F&A Rate	50.0%	44.5%

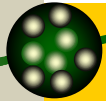


Impact On The F&A Rate

<u>Examples</u>	<u>No Cost Sharing</u>	<u>Cost Sharing</u>
Total Sponsored Research MTDC	\$ 35.0	\$ 35.0
F&A Rate	<u>50.0%</u>	<u>44.5%</u>
F&A Recovery	\$ 17.5	\$ 15.6

URL's

- ✧ Cornell's Interim Cost Sharing Policy
 - <http://www.univco.cornell.edu/policy/CS.FOR.html>
- ✧ OMB Circular A-21
 - <http://www.whitehouse.gov/omb/circulars/a021/a021.html>
- ✧ OMB Circular A-110
 - <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- ✧ OMB Clarification Memo on Voluntary Uncommitted Cost Sharing and Tuition Remission
 - <http://fdp3.org/m01-06.pdf.pdf>
- ✧ OSP Portal
 - <http://osp.cit.cornell.edu/portal/default.htm>



The End