

Administrative Operational Guidelines

Section Number:	2.5	Section Title:	University Controller Grants and Contracts Financial Services
Guideline Number:	2.5.3	Guideline Title:	Accounting for Cost Sharing
Effective Date:	01/01/09	Approved By:	Kerry Kennedy, Vice President for Business Affairs Janet Parker, Assoc Vice President for Business Affairs
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I. Purpose/Scope

Cost sharing refers to that portion of a sponsored program's costs not borne by the sponsoring agency. Either the university or a third party may contribute cost sharing to a sponsored agreement. This document will address five categories of cost sharing: *Mandatory, Voluntary Committed, Salary Cap, Voluntary Uncommitted and Minimal Committed Faculty Effort*. The procedures for recording cost-shared expenditures in the university's accounting system will be outlined.

II. Federal Requirements

OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations" details the criteria which must be met for a contribution to be accepted as cost sharing:

- Verifiable from the university's records.
- Not included as contributions for any other federally assisted project or program.
- Necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Allowable under the applicable cost principles.
- Not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- Provided for in the approved budget when required by the Federal awarding agency.
- Conforms to other provisions of Circular A-110, as applicable.

III. Definitions

- A. Mandatory Cost Sharing:** Required by the sponsor as a condition of obtaining the award. Mandatory cost sharing must be specified in the proposal; otherwise, the proposal will not receive consideration from the sponsoring agency.
- B. Voluntary Committed Cost Sharing:** Cost sharing that is not required by a sponsor, but is nevertheless pledged in the proposal or subsequent communication with the sponsor. This type of cost sharing is often used to reflect accurately the total resources necessary to complete a project.
- C. Salary Cap Cost Sharing:** Results when an individual's institutional base salary exceeds a sponsor's salary cap. UT System Administration Policy UTS163 (Guidance of Effort Reporting Policies) states that "The prorated excess is a form of mandatory Cost Sharing that must be funded by an appropriate and allowable source."
- D. Voluntary Uncommitted Cost Sharing:** Faculty-donated additional time above that agreed to as part of a sponsored agreement.
- E. Minimal Committed Faculty Effort:** OMB Circular A-21, Clarification Memo M-01-06 (dated 01/05/01), states "If a research sponsored agreement shows no faculty (or senior researchers) effort, paid or unpaid by the Federal Government, an estimated amount must be computed by the university and included in the organized research base."

When an award is received in which mandatory or voluntary committed cost sharing was proposed, the cost sharing becomes a binding commitment which the university must identify, monitor, track and report as part of the performance of the sponsored project.

IV. Accounting Treatment.

- A. Mandatory and Voluntary Committed Cost Sharing:** A separate companion account for each sponsored agreement will be established within the same fund group as the source of cost sharing funds. These types of cost sharing must be readily identifiable in the university's financial records.
- B. Salary Cap Cost Sharing:** If a sponsor imposes a specific salary cap, the university will not charge the sponsor above that rate but will treat that salary portion as committed cost sharing. The salary will be charged to the separate companion account.
- C. Minimal Committed Faculty Effort:**
A single 14 account, classified as research, will be used in each Department to capture all faculty/senior researcher appointments in response to this requirement.
- D. For the following types of cost sharing, no formal accounting entries will be made:**
 - **Voluntary Uncommitted Cost Sharing**
 - **In-Kind Contributions:** Non-cash contributions provided by the university or third parties.
 - **Non-Recovery of Facilities and Administrative Cost:** To use non-recovery or under-recovery of F+A as cost sharing generally requires the sponsor's approval in advance.

V. Process

On the Internal Notice of Award, the Office of Sponsored Programs (OSP) will clearly identify the type of cost sharing being incurred and will forward the account number for the source of the cost sharing to GCFS.

GCFS will create cost sharing accounts as needed.

GCFS will provide OSP with the new grant or contract account number(s) and the corresponding cost sharing account number(s).

OSP will inform the Principal Investigator/Department of the new account numbers.

OSP will notify the owner of record (College or Department) for the source of the cost sharing to transfer funds to the new cost sharing account via the Budget Office. OSP will also insure that appropriate personnel appointments, as well as all other relevant charges are posted to the new cost sharing account.

GCFS will terminate the cost sharing account at the same end date as the associated sponsored program account.

On a periodic basis, either for the preparation of financial reports and/or when the grant is closed out, OSP will inform GCFS of the documented cost sharing by forwarding the data in the existing Excel format. GCFS will update the documented cost sharing on CA3, Screen 9.

GCFS will report cost sharing to the sponsoring agencies as required by the terms and conditions of the grant or other agreement.

VI. Accounting Requirements

All cost sharing expenses must be treated in a consistent and uniform manner in proposal preparation and in the financial accounting and reporting of these expenses to sponsors.

Funds for cost sharing may come from gifts, operating budget accounts or other department designated funds.

Funds from another federal award may not be used as cost sharing unless authorized by statute.

Funds from non-federal awards may be used as cost sharing only when specifically allowed by the non-federal sponsor.

Cost sharing accounts may not be in a deficit at the end of the fiscal year. Funds must be transferred in to the cost sharing account rather than expenditures transferred out to resolve the deficit.

VII. Revision History

Date	Description
02/27/2009	Published guideline.