

**TO:** Business Managers and Research Administrators

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**SUBJECT:** Cost Sharing – Policies and Procedures, [REVISED](#)

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The Sponsored Projects Accounting Department (SPA), in conjunction with Grants and Contracts (G&C) and the Research Office (RO), has revised the policies and procedures for cost sharing on sponsored projects. The information noted below was developed from the following sources; Federal Circulars, sponsoring agency guidelines, the University's Direct Charging Guidelines, G&C Cost Sharing Packet materials and the current Financial Information System (FIS) & Grants Budgeting System (GBUD) processes. These policies and procedures should be utilized by all University personnel involved with the financial management of sponsored projects.

## **Policies**

Cost sharing is defined in Office of Management and Budget (OMB) Circular A-110 as costs incurred under a specific cost objective which **are not** supported by the sponsoring agency. These costs can be provided in the form of cash contributions (via department or University funds), third party in-kind contributions or funding from another sponsoring agency. In order to qualify as valid cost sharing expenses, the following criteria must be satisfied:

- The costs are verifiable in the University's financial system.
- The costs are not included as contributions from any other federally-assisted project or program.
- The costs are necessary and reasonable for the proper and efficient accomplishment of the project or program's objectives.
- The costs are allowable under the applicable cost principles (e.g., OMB Circular A-21, National Institutes of Health (NIH) Grants Policy Statement, NSF's Proposal and Award Policies & Procedures Guide.
- The costs are not paid by the Federal Government under another award, except where authorized by Federal statute to be used as cost sharing or matching.
- The costs are provided for in the approved budget, when required by the sponsoring agency.

Based upon the provisions noted above, cost sharing can be described as the dollar amount the University or a third party provides to support a sponsored project. The University or a third party will commit resources to support a project under the following conditions:

- **Mandatory Cost Sharing:**  
Certain sponsoring agencies, and programs within those agencies, may require the grantee to contribute resources towards the project as a condition of the award. Typically, the agency will state in the sponsored agreement the minimum dollar amount or percentage of project

## **Cost Sharing – Policies and Procedures, cont. July 2007**

costs that the University (grantee) must contribute as cost sharing. The following are examples of mandatory cost sharing:

- The sponsored agreement stipulates that the sponsoring agency will contribute \$80,000 (80%) and the University will provide \$20,000 (20%) towards the project.
  - The amount of salary charged to the grant is limited, based upon the NIH salary cap regulations (see related section below)
  - The sponsoring agency requires Principal Investigator (PI) on the project, but it will not provide funding for the associated salary or fringe benefits in the grant.
  - National Science Foundation's statutory cost sharing on research awards [issued prior to 6/1/07](#) (see related section below).
- **Voluntary Cost Sharing:**  
The PI will voluntarily pledge resources towards the project. The following are examples of voluntary cost sharing.
- The PI pledges 25% effort on the project but requests only 20% of salary support in the proposal budget.
  - Project related expenditures (travel, supplies, equipment...) which are funded by departmental or other unrestricted resources.

Subsequent to the issuance of the award, the University must cost share the amounts committed in the proposal and/or the amounts required by the sponsor. A detailed description of the roles and responsibilities of University personnel involved with costs sharing can be found in **Appendix A**.

### **NIH Salary Cap:**

The National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ) and the Substance Abuse and Mental Health Services Administration (SAMHSA) have instituted a maximum compensation level (rate of pay) for individuals working on their grants and contracts (NIH salary cap). Accordingly, the University is required to charge salary that exceeds the maximum level (rate of pay) to a mandatory cost sharing account. The PI and/or the academic department is responsible for requesting G&C or RO to establish a mandatory cost sharing account when the salary rate of an individual providing effort on a NIH/AHRQ/SAMHSA grant exceeds the NIH cap rate.

The University maintains a separate set of policies and procedures regarding the NIH Salary Cap, see <http://www.spa.wustl.edu/policies.htm>, and then click on NIH Salary Cap Policy. This document contains detailed information regarding; current rates, applicable periods, payroll sourcing, payroll edits and costs sharing accounts.

### **NSF Cost Sharing Requirements:**

The National Science Foundation (NSF) has issued specific cost sharing requirements for research projects resulting from unsolicited proposals. [For awards issued prior to 6/1/07](#), the University is required to cost share a minimum of one percent of total costs (direct and F&A) on each these projects. [This statutory cost sharing requirement was rescinded for awards issued on or after 6/1/07](#). The policies and procedures related to the cost sharing requirements for NSF awards can be found at [http://www.spa.wustl.edu/adminpol/nsf\\_cs0607.pdf](http://www.spa.wustl.edu/adminpol/nsf_cs0607.pdf).

## **Procedures**

### **Proposal Development System (PDS):**

The Principal Investigator is required to document all cost sharing commitments in the proposal budget. The cost sharing commitments contained in the budget should also be described with additional detail in the budget narrative.

**Cost Sharing – Procedures and Policies, cont.**  
**July 2007**

The University's Proposal Development System (PDS) enables calculation of cost sharing amounts for personnel, non-personnel and F&A costs, as described below.

▪ **Personnel Costs:**

PDS can calculate cost sharing amounts related to the NIH salary cap (or salary caps instituted by other agencies), and for any amounts associated with the portion of effort which exceeds the requested salary. (Refer to NIH Salary Cap Policies and Procedures at <http://www.spa.wustl.edu/policies.htm>, and then click on NIH Salary Cap.

Example using NIH salary cap:

- Enter the faculty member's percent of effort to be devoted to the project, and base salary information, including any applicable raise(s) (Personnel Costs Detail Page)
- Enter the applicable cap amount in the *Salary Cap* field (percent effort x NIH salary cap). Upon saving the changes, this will prompt the system to automatically adjust the percentage(s) listed in the *% Salary* column(s) on the bottom half of the page to correspond with the salary cap amount entered in the *Salary Cap* field.
- Manually adjust the *% of Effort* field in the top left portion of the page to equal the weighted average of the percentage(s) listed in the *% Salary* column(s) below. Note: The system calculated weighted average is displayed next to the *Salary Cap* field.
- The detail of capped salary amount(s) (plus fringes) to be requested from the agency will be reflected in the *Agency Comp* column(s), and the cost shared amount in the *Cost Shared* column(s), with totals displayed below under the *Agency* and *Comp* headings.

Example of cost sharing a percentage of salary:

- Enter the employee's percent of effort to be devoted to the project, and base salary information, including any applicable raise(s) (Personnel Costs Detail Page)
- In the *% of Salary* field, enter the percentage of salary to be requested
- The detail of salary amount(s) (plus fringes) to be requested from the agency will be reflected in the *Agency Comp* column(s), and the cost shared amount in the *Cost Shared* column(s) with totals displayed below under the *Agency* and *Comp* headings.
- After reviewing the results, the *% Effort* column on each detail line may be adjusted as needed to influence the cost sharing amount. Note: *% Salary* on each detail line may also be adjusted manually if the *Salary Cap* is not in use.

▪ **Non-Personnel Costs:**

Non-personnel costs contributed to a project (equipment, travel, supplies, and other expenses) should be entered on the appropriate category pages in PDS (Budget Category Detail Page) Enter the requested/contributed costs and associated descriptive detail on these pages. PDS will allow the user to either cost share a specific amount or a specific percentage of the costs.

- To cost share a specific percentage of the costs, enter the percentage to be cost shared in the *PCT Shared* field at the bottom of the appropriate cost category page. The corresponding amount to be cost shared will be displayed in the *Cost Shared* field.
- To cost share a specific dollar amount, enter the dollar amount of the costs to be shared in the *Cost Shared* field. The corresponding percentage to be cost shared will be displayed in the *PCT Shared* field.
- The amount to be requested from the agency will be displayed in the *Agency Total* field.

▪ **Facilities and Administrative Costs (F&A):**

PDS will apply the default agency F&A rate to the personnel and non-personnel cost sharing amounts. If the sponsor's guidelines require the use of a lower rate, the figure should be revised on the Indirect Cost Summary page.

**Cost Sharing – Policies and Procedures, cont.**  
**July 2007**

**Accounts:**

The University monitors and maintains cost sharing expenditures by establishing separate accounts/funds in FIS (general ledger). For each sponsored project, a specific cost sharing account will be established based upon the terms and conditions of the award. These accounts/funds will be established by either Grants & Contracts (Medical School) or the Research Office (Danforth Campus) at the time of the award and/or upon submission of the appropriate form:

G&C Cost Sharing Account Request Form, available at  
<http://grantsandcontracts.wustl.edu/medadmin/gcsite.nsf/WV/BE5E89473C7F6AFC86256DC1006BF09F?OpenDocument>

RO Allocation Request Form, available at  
[http://wuro.wustl.edu/FormsGuides/Costshare\\_1021.pdf](http://wuro.wustl.edu/FormsGuides/Costshare_1021.pdf),

The account/fund numbers will follow same general fund number logic as the sponsored account. The PI and/or the academic department must provide a Debit account that corresponds to each cost sharing account.

▪ **Mandatory Cost Sharing Account/Fund (“X”):**

Cost sharing obligations mandated by the sponsor and committed to in the proposal/award will be maintained and monitored in accounts that end in “X”. The first five digits of the fund number will correspond to the sponsored account/fund, but the sixth digit will be an “X”. The PI and/or their designee will charge all mandatory cost sharing expenditures to this account/fund which are deemed reasonable, allocable and allowable under Federal, University and sponsoring agency guidelines.

Example:            Sponsored Fund –            54321  
                          Mandatory Cost Sharing Fund –    54321X

The alpha character “W” will be assigned to a fund for mandatory cost sharing if a #####X fund has already been established.

▪ **Voluntary Cost Sharing Account/Fund (“V”):**

All other cost sharing obligations not managed via an “X” account can be monitored and maintained in accounts/funds that end in “V”. The first five digits of the fund number will correspond to the sponsored account/fund, but the sixth digit will be a “V”. The PI and/or their designee will charge all voluntary cost sharing expenditures to this account/fund which are deemed reasonable, allocable and allowable under Federal, University and sponsoring agency guidelines.

Example:            Sponsored Fund –            54321  
                          Voluntary Cost Sharing Fund –    54321V

▪ **Cost Sharing Debit Account:**

- The cost sharing Debit account is the actual source of funds for the obligation. The PI and/or the department should provide the Debit account number on the appropriate G&C/RO forms (see above). The Debit account should meet one of the following criteria:
  - An unrestricted ledger class (LC) 12 account, excluding clinical practice accounts.
  - An unrestricted LC 22 account, usually a gift or endowment account.
  - A non-federal career development award (LC 22).

**Cost Sharing – Policies and Procedures, cont.**  
**July 2007**

- The Debit account is entered in profile field #258 and can be viewed on Account Inquiry.
  - The Debit account number can be different for the X and V accounts on the same project.
  - The department number on the Debit account can differ from the department number utilized on the X and V funds.
  - The Cost Sharing Request Form – Medical School/G&C and the Allocation Request Form – Danforth/RO allows the PI and/or department to provide two Debit account numbers. A dollar limit is required for the first account. The system will post amounts to the first account on a monthly basis, until the dollar limit has been reached. Subsequently, the system will post the monthly transactions to the secondary Debit account. Changes to the dollar limit or the number of Debit accounts should be submitted via a revised G&C/RO forms in July of the new fiscal year.
  - An expense debit will be posted to budget object code (BUOB) 50 in an amount equal to the monthly expenses (salary, fringe benefits, supplies...) incurred on the corresponding X and/or V funds. An expense debit will be posted to BUOB 60 for equipment costs incurred on the corresponding X and/or V funds. See Month End Process for additional information.
- **Third Party (In-Kind) Contributions:**  
External individuals and/or entities may contribute resources to a sponsored project awarded to the University. These costs are not accumulated in the University's financial statements (FIS), therefore, the third party is required to maintain and submit detailed documentation for the costs contributed to the project. The documentation should include items such as; name of individual/entity, date(s) of service, hours worked, rate of pay, a dollar amount and description of the items/supplies utilized...
- Third party services furnished by professional and technical personnel, consultants, and unskilled labor may be counted as costs sharing, if the service is an integral and necessary part of an approved project program. Rates for third party services shall be consistent with those paid for similar work at the University. In those instances in which the required skills are not found at the University, rates shall be consistent with those paid for similar work in the labor market in which the University competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable and allocable may be included in the valuation.
  - When an employer, other than the University, furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.
  - Detailed cost sharing information should be certified by the third party or a responsible individual within the third party entity and submitted to the Principal Investigator on a timely basis.

The Principal Investigator is responsible for monitoring the goods/services that the third party contributes to the project. He/she should also review the cost sharing data submitted by the third party to ensure that the costs are reasonable, allocable and allowable under University and the sponsored agency's guidelines. Subsequent to the PI's review, copies of the data should be forwarded to Sponsored Project Accounting (Campus Box 1034) for inclusion in the financial reports.

**Cost Sharing – Policies and Procedures, cont.**  
**July 2007**

**Month End Process:**

Although cost sharing expenditures are posted directly to the X or V accounts, the academic department absorbs these costs via the corresponding Debit account. As part of the monthly general ledger closing process, the FIS system automatically calculates and posts transactions to the X, V and Debit accounts. These transactions are identified in BUOB 50 (salaries, fringe benefits, supplies...) and BUOB 60 (equipment only). On a monthly basis, the system will post a credit (negative) entry to the X/V account in an amount equal to the expenditures incurred that month. Similarly, the system will post a debit (positive) entry to the Debit account for the same amount. Accordingly, the X/V account will have a net zero expenditure balance at month end and the Debit account's expenses will increase by the amounts incurred for cost sharing obligations. The PI and/or his designee should review their X/V accounts and contact SPA if an account does not have a net zero balance at month end.

**Budgeting for Cost Sharing:**

In order to properly manage a sponsored project's cost sharing (c/s) obligations, budgets in the X, V and Debit accounts should be established and maintained per the following guidelines:

▪ **X Accounts (mandatory c/s):**

Mandatory cost sharing obligations (except NIH Salary Cap) stipulated in the sponsored agreement will be budgeted (direct and F&A) by G&C or RO as part of the profiling process. The budgeting methodology applied by each of those offices is as follows:

- G&C / Medical School: The budget dollars will be loaded by G&C on an annual basis, per the current award notice.
- RO / Danforth: The budget dollars associated with the obligation for the entire project period will be loaded by the RO, unless the sponsor has an annual (or some other) requirement.

NIH Salary Cap: The PI and/or the academic department is responsible for processing budget adjustments (direct costs only) related to NIH salary cap costs, which are considered mandatory cost sharing.

▪ **V Accounts (voluntary c/s):**

- G&C / Medical School: The Principal Investigator (PI) and/or the academic department is responsible for processing budget amendments (direct and F&A) for voluntary cost sharing dollars committed in the proposal budget.
- RO / Danforth: The RO will load the budget dollars associated with the voluntary cost sharing commitment for the entire project period, per the PC Form or the Allocation Form.

▪ **Ledger Class(LC) 12 Debit Accounts:**

At the start of the project, the PI and/or the academic department must process a budget adjustment equal to the estimated cost sharing expenses to be incurred from the start date of the project until the end of the current fiscal year (6/30/XX). The BA should utilize BUOB 50 or 60(equipment only) and, as applicable. Typically, the direct cost BUOB's (11, 21, 22, 2901, 2902...) on the Debit account are reduced and the cost sharing BUOB (50) is increased. The year end budget balances in LC 12 accounts are not carried forward to the new fiscal year (7/1/XX), therefore, an additional budget adjustment should be posted for an amount equal to the project's estimated cost sharing expenditures for the new fiscal period.

**Cost Sharing – Policies and Procedures, cont.**  
**July 2007**

▪ **LC 22 Debit Accounts:**

At the start of the project, a budget adjustment equal to the estimated cost sharing expenses to be incurred from the start date until the end of the project (based on the available funding in the LC 22 fund) should be posted to BUOB 50 or 60 (equipment only). Typically, the direct cost BUOB's (11, 21, 22, 2901, 2902...) on the debit account are reduced and the cost sharing BUOB (50) is increased. Subsequent budget adjustments should be posted, as necessary, to reflect changes in cost sharing obligations and/or the available funding in the Debit account.

**Facilities and Administrative (F&A) Costs:**

F&A costs are automatically calculated and posted monthly to BUOB 83 on all cost sharing accounts, unless otherwise restricted by the sponsoring agency. The system will utilize the same F&A rate that is applicable to the sponsored account. As part of the Month End Process, the system will post a credit (negative) entry to BUOB 82 on the cost sharing account (X/V), which is equal to the amount previously posted to BUOB 83, and a debit (positive) entry to BUOB 79 on the school's revenue account. The month end entries will create a net zero F&A expenditure balance in the cost sharing account. The PI and/or his designee should review the F&A transactions and contact SPA if they do not net to zero.

**Financial Reporting:**

The Sponsored Projects Accounting Department will include amounts posted to X and V accounts, plus third party cost sharing data provided by the PI, on all applicable financial reports, as required under Federal, University and sponsoring agency guidelines.

The attached policies and procedures will be posted on Sponsored Projects Accounting's web page (<http://www.spa.wustl.edu/>) and the Research News' web page (<http://researchnews.wustl.edu/>, see Message Library). If there are any issues that have not been addressed in this document, please contact Joe Gindhart at 935-7089 / [jgindhart@wustl.edu](mailto:jgindhart@wustl.edu), John Michnowicz at 362-6876 / [john.michnowicz@wustl.edu](mailto:john.michnowicz@wustl.edu) or Kaaren Downey at 935-8324 / [downeyk@wustl.edu](mailto:downeyk@wustl.edu). Thank you for your cooperation in this matter.

**Cost Sharing – Roles and Responsibilities**

**Principal Investigator (PI)**

- Coordinates with school, department, and central administration personnel to identify and authorize cost sharing obligations and expenditures.

**Department Administrator**

- Processes and reviews cost sharing and cost matching transactions and documents funds sources.
- Coordinates with Principal Investigator and school, department, and central administration personnel to identify and authorize appropriate cost-sharing obligations and expenditures.

**Department Head/Chair**

- Provides direction, resources, and oversight for cost sharing obligations and expenditures.
- Approves department's source of cost sharing is matched by the fund.

**Dean**

- Provides direction, resources, and oversight to help ensure that all cost sharing obligations and expenditures are met in accordance with Federal regulations and University and sponsoring agency policies and procedures.
- Allocates department voluntary cost-sharing resources.
- Approves all sources of cost sharing and matching funds within the school.
- Provides departments with a mandatory salary cost-sharing budget.

**Grants & Contracts (G&C) / Research Office (RO)**

- Assists Sponsored Projects Accounting with providing guidance and technical expertise to the University community on cost sharing issues and regulations.
- Establishes and maintains cost sharing accounts using the University Financial Information System (Profile System).

**Sponsored Projects Accounting (SPA)**

- Provides institutional oversight on cost sharing.
- Primarily responsible for, and with the assistance of Grants & Contracts / Research Office, providing guidance and technical expertise to the University community on cost sharing issues and regulations.
- Includes cost sharing expenditures on financial reports, as required under Federal, University and sponsoring agency guidelines.

**Third Party Individual/Entity**

- Provide goods/services that were committed in the proposal.
- Maintain and submit detailed information about the cost of the contributed services and/or goods to the PI, in a timely manner, in accordance with required Federal, University and sponsoring agency guidelines.