



# Cost Sharing

Marcel Villalobos, Financial Compliance, Sponsored Projects



THE UNIVERSITY  
OF ARIZONA

## Objectives

- ▶ Define cost sharing
- ▶ Types of cost sharing
- ▶ Compliance and burden
- ▶ How can we avoid it
- ▶ Minimum level of investigator effort
- ▶ How does the UA manage it



## What is cost share?



- ▶ Per Uniform Guidance – “*Cost sharing or matching* means the portion of project costs not paid by Federal funds”
- ▶ Compliance issues with cost share arise if the cost share is:
  - ▶ required by the sponsor
  - ▶ specifically volunteered by the applicant



## Types of cost share



- ▶ Mandatory cost share
  - ▶ Required by the sponsor and must be documented. It may be identified in the agency's policies and guidelines, the funding announcement, or in the award terms and conditions.
  - ▶ Must be tracked



## Types of cost share



- ▶ Voluntary committed cost share
  - ▶ Not required by the sponsor but is specifically quantified as part of the proposal.
  - ▶ If the proposal is awarded, it becomes part of the award and is therefore committed by the University.
  - ▶ Must be tracked



## Types of cost share



- ▶ Voluntary uncommitted cost share
  - ▶ Was not required by the sponsor or committed in the proposal.
  - ▶ Voluntary uncommitted cost sharing does not need to be tracked and documented.
  - ▶ No compliance issues, no tracking.



## Cost share summary



- ▶ Mandatory cost share – needs to be tracked
- ▶ Voluntary committed
  - ▶ Quantified in the proposal, needs to be tracked
- ▶ Voluntary uncommitted
  - ▶ Neither required or quantified, does *not* need tracking



## Financial issues with cost share



- ▶ Becomes a binding commitment to the University and its resources.
- ▶ Lowers the institution's F&A rate, thereby reduces F&A return to colleges and departments.
- ▶ Redirects University resources from their intended primary use, to fund the cost share.



## Administrative burdens of cost share



- ▶ Imposes a significant administrative burden on both faculty and business staff for tracking and monitoring.
- ▶ Adds complexity to budgeting, reconciliation, and reporting; particularly on the accounts that fund cost share.
- ▶ Results in increased scrutiny by federal auditors.



## Strategies for minimizing cost share



- ▶ Mandatory cost share
  - ▶ Only propose what is required
  - ▶ To lower risk - try to limit to UA obligations, and not third party such as subawards, volunteers, donations.



## Strategies for minimizing cost share



- ▶ Voluntary cost share
  - ▶ Direct charge senior personnel effort whenever allowed by the sponsor.
  - ▶ Avoid specifically quantified commitments (*such as effort percentages and/or dollars*)
    - ▶ However, if the resources are the PI or senior personnel, then we must quantify in order to track per OMB requirements.

## Minimum level of effort and cost share

- ▶ Per OMB, the institution must track investigator effort.
- ▶ The effort is part of the person's base compensation, and cannot be "volunteered"
- ▶ Therefore, the effort has to be tracked, either as a direct charge to the grant, or as a cost share in the cost share subaccount system.
- ▶ Only on certain awards may faculty effort not be tracked, such as equipment or student support grants.



## NSF stance on cost share



- ▶ Although NSF prohibits voluntary cost share from being listed on the budget, OMB still requires the faculty effort to be tracked in the cost share system for F&A calculation purposes.
- ▶ NSF - “For proposals requesting no effort and salary on the budget, awardees must be aware that should an award be made, they remain subject to the provisions of OMB M-01-06 “Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs,” regarding requirements for committing and tracking “some level” of faculty (or senior researcher) effort as part of the organized research base.”



## Language for avoiding voluntary committed cost share



- ▶ The PI Wilma Wildcat is requesting 10% salary support and will provide additional support as needed.
- ▶ Professor Wilbur Wildcat will be consulting with the project and providing advice. *(However, this doesn't work for the PI since effort must be tracked as a direct or cost share per OMB)*
- ▶ A graduate assistant will assist with the project as needed.
- ▶ A research scientist will be assigned to analyze samples as necessary.



## Language for avoiding voluntary committed cost share



- ▶ The University is contributing access to supercomputing resources to assist with the project.
- ▶ The PI will have access to resources such as a mass spectrometer to complete the project.
- ▶ Third party donors will contribute to the project.
- ▶ Volunteers will assist with the project.



## How does the UA manage cost share



- ▶ Cost share subaccounts within UAccess Financials
- ▶ Subaccounts are part of the grant account, and linked to the source that pays cost share, such as state, indirect cost, gift, etc.

## Resources on Research Gateway

- ▶ <http://rgw.arizona.edu/administration/proposal-preparation/cost-sharing-and-matching>
- ▶ Review the cost share intro
- ▶ Review procedures for cost share
- ▶ Review the guide to posting cost share expenditures
- ▶ HHS Salary cap cost share calculators



# Effort Certification

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## Objectives

- ▶ Define effort certification
- ▶ Why it is required
- ▶ Approval process
- ▶ Correcting effort distributions
- ▶ Revisiting previously certified periods



## Effort Certification



- ▶ Required by OMB Uniform Guidance for any employee who received fed or subfed pay
- ▶ After the fact certification of payroll distribution percentages
- ▶ Done on a periodic basis
- ▶ Certification must be done by the PI, employee or someone else with firsthand knowledge
- ▶ Payroll timecard approval is not effort approval

## Why does it exist?

- ▶ Payroll is approximately 70% of direct charge to federal awards
- ▶ Timecard approvals do not show distribution of activity among accounts
- ▶ After the fact confirmation by the principal investigators that the pay charged to their grants was actually worked for the project
- ▶ The sole means of proving in audit that the work charged was appropriate and actually done



## Effort Certification Process



- ▶ Semiannual reporting
- ▶ January-June, July-December
- ▶ For all employees who receive any fed/sub-fed pay
- ▶ Electronic reports in UAccess Financials
- ▶ Route to the fiscal officers of the accounts and then the principal investigators



## Institutional Base Salary and Supp Comp



- ▶ Institutional Base Salary is certified on a report
- ▶ Supp comp is certified on a second report since it is a separate pay mechanism
- ▶ Other pay types such as cash awards or allowances are not certified since they are not part of the base salary

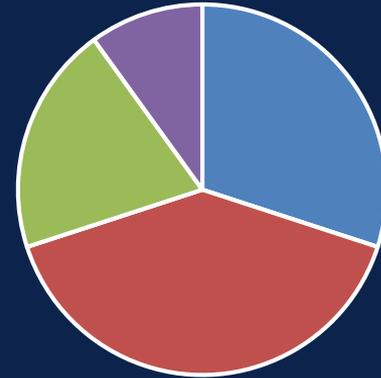


## Total University Effort



- ▶ All professional activity for which an individual is compensated by the University of Arizona
- ▶ Totals 100%
- ▶ No “overtime” effort

100% of compensated time



Teaching

Sponsored Projects

Public Service

Other activities



## Changes to Effort Certs



- ▶ Fiscal officer or PI can change the document to fix the distribution
- ▶ Effort Certs with changes go to SPS post award to review for allowability, grant balance, etc.
- ▶ Provide a justification of the transfer as a note to the document



## Changes to Certified Effort Certs



- ▶ Once a report is fully approved, the period is closed and salary should no longer be moved
- ▶ Exceptions:
  - ▶ Removing deficit to non sponsored source
  - ▶ Charging a project that came in late



## Creation and Due Dates



- ▶ Created in Financials through a batching process based on parameters setup by SPS
- ▶ About 5,500 edocuments created every six months
- ▶ 100% compliance required
- ▶ Due date of 30 days from document create day



## Resources on Research Gateway



- ▶ <http://rgw.arizona.edu/administration/managing-projects/effort-reporting>
- ▶ Review the effort certification introduction
- ▶ Review the detailed PowerPoint training at bottom of page
- ▶ Review the online tutorial for how to approve and change effort reports