

**Lifespan Office of Research
Administration**

Subject:
Policy on Cost Sharing

File under:
ORA G&C 004

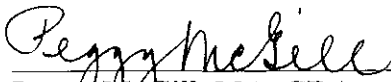
Issuing Department:
Lifespan Office of Research
Administration (ORA)

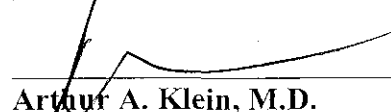
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Approved by:


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I. Purpose

To establish policy and procedures providing consistent methods of requesting, proposing, administering, and reporting cost sharing.

II. Summary

This policy comprises Lifespan's policy on cost sharing including: a definition of cost sharing according to the Code of Federal Regulations, Title 45, Part 74.23 and OMB Circular A110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations; implications in fulfilling a cost sharing commitment; and procedures for monitoring and reporting the cost sharing commitment on a project by project basis.

III. Definition

Cost sharing is generally defined as a situation in which the grantee shares in the costs of a sponsored project. Cost sharing may be mandatory, i.e. required by the sponsor as a condition of the award, or voluntary, i.e. offered and quantified by Hospital. An example of voluntary cost sharing is proposing a percentage of personnel effort without salary funding from the sponsor. Some federal agencies require institutions to share a specified percentage in order to be eligible for funding – this is defined as matching. Once offered in a proposal by the Principal Investigator (P.I.), approved by the affiliated Hospital, and accepted in an award, cost sharing – whether mandatory or voluntary becomes a commitment of the Investigator/ Hospital and a condition of the award which can be subject to audit.

IV. The Decision to Cost Share

Cost sharing has a financial impact on the PI/Department providing the funds and/or on the Hospital as a whole. When a PI proposes and the Hospital agrees to cost-share resources, the Hospital and the PI are required to provide the resources and track the committed resources *separately* from other expenditures. Those expenditures cost-shared by the Hospital must be included in the research cost base – the denominator of the fraction which determines the Hospital's indirect cost rate (therefore, a greater amount of cost sharing may effectively lower the indirect cost rate). Prior to proposing a cost-sharing situation, the PI should consider the requirements and responsibilities as well as the costs inherent in cost sharing with respect to the expected benefits.

V. Allowable Cost Sharing Expenditures

The OMB Circular A-110 defines the requirements of acceptable cost sharing or matching contribution as both in-kind and cash contributions which meet all of the following criteria:

- 1) Allowable and allocable under the applicable federal cost principles and terms of the sponsored agreement;
- 2) Not included as contributions for any other federally assisted programs;
- 3) Necessary and reasonable for proper and efficient accomplishment of the project objectives;
- 4) Represent costs incurred during the project period of performance;
- 5) Be verifiable from Hospital records;
- 6) Not paid by the Federal Government under another award (except as authorized by the Federal agency to be used for cost sharing);
- 7) Are provided for in the approved budget when required by the federal agency;
- 8) For labor costs, certifiable in the effort planning and certification process;
- 9) Conform to other provisions in OMB A-110 as applicable.

VI. Specific Examples of allowable cost sharing expenses

Hospital cost principles require that cost shared expenses shall be treated consistently with the direct or indirect costs proposed for sponsor funding. Cost sharing is incurred for the same purposes as the costs incurred for the program by the sponsoring agency.

The following are examples of cost sharing:

- Principal Investigator and/or employees – this commitment binds the Hospital to contribute the effort through funds identified by the PI and approved by the appropriate department, and record the associated expenditures including fringe benefits.
- Equipment costs - if the equipment was purchased specifically for, is necessary for, and is dedicated to the completion of the project.

Caution: Existing equipment made available for, but not dedicated to, the project CANNOT be considered for cost sharing

- Subcontractors or third party fees – a fair market value for services must be established and certified by the contributor.
- Other Direct Expenses – travel, supplies, non-capitalization items
- Administrative Expenses – which are incurred as direct support to the award (may be disapproved as allowable cost share by the sponsor)
- Indirect Costs associated with Direct Costs shared – only when included in the proposal and approved by the sponsor and Hospital.

VII. Expenditures NOT Eligible for Cost Sharing

- Unallowable costs
- Salary above the regulatory cap
- Hospital facilities such as space
- Depreciation
- Hospital Administrative and General Costs
- Expenditures included as cost sharing for any other sponsored project

The above examples are listed as for the purpose of illustrating the principles of cost sharing. Should the PI have a question or concern regarding the applicability of cost sharing, they are urged to discuss their concerns with a Research Administrator (RA) in ORA.

VIII. Procedures

Pre-Award

The proposal to cost-share must be noted on the Lifespan Business Proposal Form and included in the budget. The ORA requires that the source of funds be noted on the Business Proposal Form. The account from which the cost-shared expenses will be funded must be noted and guaranteed by the authorized official for the funding account. If the funds are committed by a source outside of the Hospital, a letter of commitment from the authorized business official of the source is required. Final determination of funding to support cost sharing is at the discretion of the Department Chair and the Director of the Office of Research Administration, and will be based upon the individual PI circumstances and the availability of funds.

Post-Award

When an award is made, the Hospital may create a separate “mirrored” account to track cost-shared expenses committed. As expenses are made to the cost-shared account, funds will be transferred into this account from the appropriate cost sharing sources on a monthly basis by the Research Finance Accountant (RFA) responsible for the corresponding sponsored project account. The Department is responsible for ensuring that appropriate expenses are charged to the cost-sharing account and the amount charged to the cost-sharing account match the amount committed on the submitted budget and

Business Proposal Form. The RA will monitor both the sponsored research account and the corresponding cost-sharing account and notify the department if expenses are not occurring as committed. If the committed cost sharing involves portions of a researcher's salary, at the time of award activation, the RA will split the researcher's salary according to the commitment and to the assigned cost-sharing account.

The procedures outlined above will ensure that the research costs committed by the Hospital as cost-sharing expenditures reflect the costs as committed on the budgets submitted and agreed upon by the Hospital at the time of the award.