

College of Sciences
Standard Operating Procedures

CRO.03.00	College Cost Share Commitments
Owner/Contact Information:	College of Sciences Research Office
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Related Policies:	https://research.ncsu.edu/administration/compliance/fiscal-compliance/effort-reporting/ https://research.ncsu.edu/administration/compliance/fiscal-compliance/cost-sharing/

1. PURPOSE/INTRODUCTION To standardize and document the process for requesting Cost Share from the College of Sciences.

2. DEFINITIONS

ADR - Associate Dean for Research

COFBM - College Office of Finance and Business Management

C&G - University Office of Contracts & Grants

CRO - Research Office

DBO - Department Business Officer

DH - Department Head

F&A - Indirect costs, also known as facilities and administrative (F&A) costs or overhead, are costs associated with the conduct of sponsored activities that are incurred for common or joint objectives and, therefore, are not readily identifiable with a specific project.

PI - Principal Investigator, the individual(s) designated by NCSU and the sponsor who will be responsible for the scientific/technical direction of the project.

SPARCS - Sponsored Programs and Regulatory Compliance Services (University Office)

MTDC - Modified Total Direct Cost is a type of F&A rate, defined in the Uniform Guidance (§200.68) as all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment greater than \$5,000, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs — and only with the approval of the sponsor.

Unrecovered indirect costs — aka facilities and administrative (F&A) costs — equates to the difference between the amount charged to the federal award and the amount which could have been charged to the federal award under the nonfederal entity’s approved negotiated indirect costs rate.

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Cost sharing - is the portion of total project costs not borne by the sponsoring agency that directly benefits a particular sponsored project. “Matching” is another commonly used term. There are three types of cost sharing that may occur on sponsored projects: mandatory cost sharing, voluntary committed cost sharing, and voluntary uncommitted cost sharing, as described below:

	Mandatory	Voluntary Committed	Voluntary Uncommitted
Eligibility	Required by the sponsor as a condition of eligibility for an award	Not required by the sponsor as a condition of eligibility for an award	Not required by the sponsor as a condition of eligibility for an award
Proposal	Referenced within the proposal and is a binding, auditable obligation	Referenced within the proposal and becomes a binding, auditable obligation	Not referenced in the proposal and is not a binding, auditable obligation
Budget	Must demonstrate the commitment to meet the required cost sharing	Must demonstrate the commitment to meet the required cost sharing if dollar amount or % is disclosed	Not mentioned in budget
Award	Typically is explicitly referenced in an award document	May or may not be explicitly referenced in an award document	Not referenced in an award document
Doc & Track	Must be properly documented and tracked for cost accounting and compliance purposes	Must be properly documented and tracked for cost accounting and compliance purposes	Does not need to be properly documented and tracked for cost accounting and compliance purposes (outside TEARS)

Cost share obligations can be met by:

- **Cash Contribution:** an actual cash transaction occurs and can be documented in the accounting system. This includes allocation of compensated faculty and staff time to projects (TEARS). Although it is easy to mistake the allocation of compensated faculty/staff time (TEARS) as a donation or as in-kind because the faculty or staff member would be compensated regardless of

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the advent of the sponsored project, the value is the result of a cash transaction and should be treated as a cash contribution (See Effort section). Another example of a cash contribution can include the purchasing of equipment by the institution for the benefit of the project requiring cost sharing.

- **In-Kind Contribution:** This is the computed value of any services and/or resources provided by a university or a third party in support of a sponsored project. Third-party in-kind contributions may be in the form of real property, equipment, supplies, or other goods and services directly benefiting and specifically designated for NC State University's project or program. [2CFR200.306](#) dictates the terms by which in-kind contributions are valued for the purpose of fulfilling cost sharing obligations. A value of the in-kind contribution can be readily determined, verified and justified but there is no actual cash transacted in securing the good or service comprising the contribution. In-kind contributions must be documented with official correspondence from the organization providing the in-kind cost sharing to include appropriate substantive documentation such as published rate schedules, time cards for volunteers, etc.
- Two examples of in-kind contributions are:
 - (1) The donation of volunteer time valued at a rate that would be reasonable for the time devoted had the volunteer been compensated for the time. For example, if you solicit volunteers from the local high school to help run surveys on a research project without compensating the volunteers, it would be appropriate to value the volunteer's time at, say, minimum wage for the number of hours volunteered;
 - (2) The donation of non-institution space where such space would normally carry a fee for purposes other than supporting this particular project (i.e. some negotiation between the PI and the donor, or a benefit will accrue to the donor of the space other than immediate monetary reimbursement for the use of the space). This might be utilization of the local Bank Conference Center without having to pay the pre-defined and published rate.

All Mandatory and Voluntary Committed Cost share must meet the following requirements:

- Cost sharing should be proposed only when mandated by the sponsoring agency.
- Committed cost share that is quantified in a federal proposal is auditable.
- Cost sharing must occur during the period of performance.
- Costs contributed as cost share must be considered "allowable" by the sponsor.
- Costs must be allocable to the project. If cost share benefits more than one project, must pro-rate (allocate) equitably related to each cost/benefit. Must claim cost share only once.
- Lab (or any NC State) space should not be shown as an NC State contribution.
- Be sure you are not committing a person's time beyond 100% effort. If a person is being paid 100% on other projects and that situation will not be changing, do not commit them to this project.

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- Cost share must be **verifiable**. Must provide appropriate Financial System documentation for all NCSU provided cost share. Must obtain Third Party Cost Share Reports/letters from all non-NCSU cost share-including subaward cost share.
- Prior Approval-Cost Share must be approved by the sponsor in advance if unrecovered F&A is used and in other specific situations see pg. 6 for details

Cost Share Categories:

A) **Effort** - defined as work performed by employees on sponsored projects that are not paid by the sponsor. The [Uniform Guidance Subpart E §200.430](#) contains the federal regulatory requirements for internal controls over certifying time expended on sponsored projects.

At NC State University we use the "planned confirmation" method. This means that:

1. Personnel assignments should reflect anticipated work distribution.
2. Assignments (and reallocation of funds) should be updated timely to reflect changes.
3. Effort should be entered at the beginning of an award and updated as needed.
4. Effort report will be certified at the end of the fiscal year.

Federal regulations require that employees engaged in sponsored activities periodically review and certify their effort if they have the following:

1. Direct labor charges to sponsored projects: employees who work on sponsored projects and whose salary is funded by the sponsor.
2. Cost sharing on sponsored projects: employees who work on sponsored projects but whose salary is funded by an entity other than the sponsor (may be another sponsor, the University, or a gift or foundation account).
3. Federal Appropriations: Employees who work in the Colleges of Agricultural and Life Sciences and Natural Resources and are funded from certain federal appropriations that are not sponsored awards.

The survey periods at our University are as follows:

- 12-month EHRA and SHRA employees: Fiscal year - 07/01 through 06/30
- 9-month EHRA employees: Academic year - 08/16 through 05/15
- Supplemental summer period: 05/16 through 08/15*(may change if academic year calendar dates are changed)

NOTE: Because 9-month contract EHRA employees are reimbursed for their academic year work over the 12-month fiscal year (i.e., they receive 12 monthly payroll checks instead of 9), effort percentages for the fiscal year effort report include regular payroll charges for months not indicated by the survey

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period. Payroll charges for the months of May through August are included in the fiscal year effort report.

NOTE: Supplemental payments to faculty incurred in the University's payroll system from May through September and identified by earnings code 601/602 are included on special effort reports that are prepared for 9-month EHRA faculty who work on contracts and grants during the summer months.

Ways we document effort:

TEARS (The Employee Activity Reporting System) - we use the TEARS system to report and certify effort on sponsored projects at the University. Cost shared effort should be included on the effort report as it is a component of the total effort that an employee works.

After the Fact Cost Sharing Memo - method that should be used to document cost sharing situations that cannot be documented within the University's official effort reporting system (TEARS).

The Office of Contracts and Grants has two After the Fact Cost Sharing Memos:

Regular Monthly After the Fact Cost Sharing memo - allows for reporting of cost shared effort for an employee after TEARS for a fiscal year that has been archived (typically done the following January). If the effort report has already been certified, it will need to be recertified after adding the Cost Sharing.

Non-TEARS After the Fact Cost Sharing memo – allows for reporting of hourly employees paid on a bi-weekly basis which are exempt from effort reporting requirements because the timesheet that is completed and signed at the end of each two-week period serves as certification of effort. If there is a change in distribution, the timesheet should reflect the change and be re-signed by the individual. This cost share memo should be used for reporting:

Bi-Weekly Employees Summer Effort - We are required to issue a separate summer effort report to capture and document summer work on sponsored projects from 5/16 through 8/15 that is paid directly (not included in the base salary for 9-month employees).

- B) **Other Direct Costs** (Non-salary MTDC) - project expenses other than effort which are not directly charged to the project but are paid for by the University. Examples include supplies, travel, fixed charges, tuition, and equipment. This documentation comes from the financial system.
- C) **Third Party – project** expenses not paid for by the University. The third party must document the types of cost share and must state the fair market value of each cost or service. The College is responsible for obtaining the documentation and providing to C&G.
- D) **Subcontractors** – project expenses not paid for by the subcontractor. The College is responsible for monitoring cost share commitments of subcontractors and providing subaward cost share documentation to C&G. This can be provided monthly by the subcontractor when they invoice and in the final invoice/report that they send upon the close of their subaward.

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- E) **Contracts & Grants (Ledger 5 to ledger 5)** – prior approval must be obtained by both sponsors; technical relationships must be established and documented; project ID# must be provided by College as part of the confirmation process.
- F) **F&A (under-recovered or waived)** – must be approved in advance by the sponsor and specifically noted in the proposal/budget. Unrecovered indirect costs — also known as, facilities and administrative (F&A) costs — equates to the difference between the amount charged to the federal award and the amount which could have been charged to the federal award under the nonfederal entity’s approved negotiated indirect costs rate.

There may be instances where cost share was neither required nor specifically stated in the proposal. Unless a dollar amount or percentage is stated, implied cost share does not typically need to be reported to the sponsor. Here are a few examples of implied cost share:

- If a sponsor approves an award for a lower budget amount than originally proposed and a revised scope of work was not submitted to the sponsor
- If there is no PI effort budgeted on the project
- Within the proposal it is stated that a piece of equipment will be purchased, but the funding is not requested from the sponsor

Cost Matching

- Cost share as a percentage or dollar equivalency relative to the agency-provided budget. For example, if your total award budget is \$100:
 - A **1:1** match would require the University to contribute \$50 as a match to the \$50 received from the sponsor.
 - A **30%** match would require the University to contribute \$30 as a match to the \$70 received from the sponsor.

Reportable Cost Sharing - Mandatory or voluntary committed cost share that must be documented by the department and reported to the sponsor by Contracts and Grants.

Nonreportable Cost Sharing - Voluntary uncommitted cost sharing that must be documented by the department and is not reported to the sponsor.

3. Procedural Steps

Voluntary uncommitted cost share is **not** provided by the College of Sciences. Voluntary uncommitted cost share is documented in the department records and is handled between the PI and the DH. The College will not be involved in tracking this commitment. It is expected that the department will meet its obligations to its PIs.

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- It is recommended that DBO’s have a tracking sheet for the voluntary uncommitted cost share commitments
- If you are requesting support from the College to meet voluntary uncommitted cost share on the grant, then please follow the COFBM [Request for Financial Support SOP](#) and use the [financial commitment form](#).

Pre-Award Process for Mandatory and Voluntary Committed Cost Share Commitments

- 3.1 – The PI will contact their Department Head for the initial cost share request
- 3.2 – The PI and DH will contact the ADR to set up a meeting to discuss the cost share request.
- 3.3 – The ADR will communicate the final the cost share plan with the CRO pre-award team
- 3.4 – Pre-award will gather the cost share documentation and create the cost share budget.
 - 3.4.1 If a College cost share memo is generated, it will be sent to cos-business-ops@ncsu.edu
- 3.5 – Pre-award will upload all required cost share documentation to proposal and submit. Cost share documents might be in the university submission system (PINS) only or also in the Sponsor submission system depending on proposal requirements. Only Mandatory and Voluntary Committed cost-share will be uploaded in the PINS record.

Post-Award Process for Mandatory and Voluntary Committed Cost Share Commitments

- 3.6 – When there is a new award with cost share, the CRO office will include cos-business-ops@ncsu.edu in the “New Award” email (using the New Award w/ Cost share Template)
- 3.7 – COFBM will confirm the commitment on their cost-share tracking sheet
- 3.8 – The DBO will set up the correct phase for the commitments using 207XXX for personnel costs or 257XXX for operating costs and notify cos-business-ops@ncsu.edu of the phase
- 3.9 – COFBM transfers the funding to the department phase
- 3.10 – The Department will provide backup to the CRO when needed for reports and closeouts
 - 3.10.1 – The CRO recommends reconciling cost share expenses in OMAR
 - 3.10.2 – The backup provided to the CRO must be from WRS/printouts of the phase.
- 3.11 – The CRO will review cost share documentation provided and hold the Department/PI accountable for meeting the cost share commitment
- 3.12 – The CRO will report cost share to the central office of Contracts & Grants as required.

4. CHARTS/GRAPHS/FORMS

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Revision #	Subsection#	Summary of Changes	Approval Date
CRO.03.00	N/A	Original version	11/XX/2020