

New York University

UNIVERSITY POLICIES

Title:	Cost Sharing Policy
Effective Date:	December 1, 2017
Supersedes:	September 1, 2013
Issuing Authority:	Sponsored Programs Administration; Office of Sponsored Programs
Responsible Officer:	Assistant Vice President for Sponsored Programs Administration; Associate Vice Provost for Research Compliance and Administration

Purpose of this Policy

The purpose of this policy is to provide guidance for proposing and administering cost sharing on sponsored projects, in accordance with Federal and other sponsor requirements.

Scope of this Policy

This policy is applicable to all schools, departments, units and personnel of the University involved in administering sponsored awards.

Policy

Cost sharing is that portion of a project or program cost that is not reimbursed by the sponsor (whether Federal or non-Federal) and as such, represents a commitment of institutional resources that would otherwise be devoted to other University purposes. As a matter of longstanding policy, NYU discourages unnecessary and unsupported cost sharing. As described [*in Memoranda 01-06 – Clarification of the Office of Management and Budget \(OMB\) A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs*](#), there are three forms of cost sharing:

- *Mandatory*
- *Voluntary Committed*
- *Voluntary Uncommitted*

Cost sharing may be required by the sponsor as an eligibility criterion of the award (mandatory cost sharing) or it may be offered by NYU (voluntary committed). Mandatory and voluntary committed cost sharing becomes an obligation once an award is made. Federal regulations require that Mandatory or Voluntary Committed Cost Sharing be treated consistently and uniformly in documenting, accounting and reporting. They should comply with NYU's Federally approved cost

accounting practices (DS-2) and be reflected in the University's Time & Effort Certification. The expenses associated with cost sharing or matching contributions must be allowable in accordance with the [OMB Uniform Administrative Requirements, Cost Principles](#), and Audit Requirements for Federal Awards (the Uniform Guidance) and/or University and sponsor policies.

Federal Standards for Acceptable Cost Sharing

Under Federal awards, items committed as cost sharing must meet all of the following criteria in accordance with the OMB Uniform Guidance:

- Are verifiable from the recipient's records.
- Are not included as contributions for any other Federally-award;
- Are necessary and reasonable;
- Are allowable under Subpart E – Cost Principles;
- Are not paid by the Federal Government under another award, except where statutorily authorized by that sponsor;
- Are provided for in the approved budget, when required by the Federal sponsor;
- Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Values for non-Federal entity contributions of services and property by NYU or a subrecipient under a Federal award must be established in accordance with Federal guidelines (200.434).

Appropriate Justification for Cost Sharing

The following are illustrations of when cost sharing may be appropriate in sponsored projects:

- Under the Uniform Guidance, funding opportunity announcements must state whether there is mandatory cost sharing (therefore eligibility is limited to proposals which commit to shared costs, matching or other contributions) and identify any restrictions on the types of cost sharing that are acceptable;
- For Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Vague statements from a Federal agency which encourage cost sharing will not be permitted. If authorized by sponsor regulation or statute, the announcement must also describe how the cost sharing will be considered. Please note that voluntary cost sharing is expressly prohibited by the National Science Foundation and will result in a proposal being returned without review.

Sources of Cost Sharing

The following non-sponsored (and in rare cases sponsored) sources would be considered appropriate sources of funds that the University may use to meet cost sharing commitments:

- Gifts (Fund 22)
- Endowment Spending (Fund 21)
- Startup funds (Fund 20)
- Appropriated school and/or departmental funds (Fund 10 or Fund 20)
- Third Party or In Kind Contribution (cash or donated goods or services)
- Other sponsored awards, when permitted (Fund 24 or 25)
- Program income (UG 200.307e3)

Costs Not Acceptable for Meeting Cost Sharing Commitments

The following costs may *not* be used to meet cost sharing commitments:

- Costs pledged as cost sharing for another funded project (except as specifically approved by all parties);
- Costs under Federal awards funded by another Federally-sponsored program unless authorized by Federal statute;
- Costs funded by the same funding source as the sponsored project, unless specifically approved in the sponsored project;
- Costs of construction or renovation of University buildings, except with express sponsor approval;
- Costs that are included and reimbursed through the indirect cost rate (administrative salaries, office supplies, library expenses and operations and maintenance expenses);
- Salary dollars above the NIH cap (http://grants.nih.gov/grants/policy/salcap_summary.htm);
- Overdrafts or costs deemed unallowable according to award terms and conditions;
- Unfunded salary for effort that extends beyond the contractual appointment period (i.e., unfunded summer months for faculty with nine-month academic appointments);
- Any costs not deemed to be necessary and reasonable for the proper and efficient accomplishment of project or program objectives.

NYU Restrictions on Cost Sharing

As a general rule, the contribution of a Principal Investigator's (PIs) academic year effort as voluntary committed cost sharing is subject to the following NYU restrictions:

- 1% of the academic year salary of the PI is an entitlement, per award, when no other salary is charged. It is the minimum required of all PIs for each project (mandatory for Federal grants only);
- When no summer salary may be requested (if the PI is already fully committed or the sponsor has prohibitions) or for 12-month appointments, up to 5% academic year salary may be cost shared with the approval of the Chair and the Dean;
- Any voluntary cost sharing of PI effort above 5% on a single grant or 10% cumulatively (in the sum total of all awards) requires the written permission of the Chair, Dean and Senior Vice Provost for Research. Categorical or class exceptions of such limitations will be considered by the Senior Vice Provost for Research when sponsor practices can be documented which would make such ad hoc approvals unduly burdensome on the investigator;

These are the methods of calculating cost sharing:

- The faculty effort multiplied by the institutional base salary and associated fringe benefits and F&A rate for the grant;

The difference between the rate for the grant and NYU's negotiated rate may be considered as waived Facilities and Administrative (F&A) rate. See the [*Facilities and Administrative Cost Waivers Policy*](#).

Procedures for Implementation

New York University ("NYU") encourages and supports the efforts of Principal Investigators ("PIs") to obtain external funding for their research endeavors. PIs are therefore given latitude in developing the scientific and financial aspects of their proposals in order to increase their success in the highly competitive arena of sponsored projects.

PIs should discuss cost sharing requests in advance with their Chairs and Deans, and when applicable, the Senior Vice Provost for Research. Every dollar of mandated or voluntary committed cost sharing results in NYU forfeiting not only the recovery of the direct cost but also the recovery of the associated indirect ["Facilities and Administrative" (F&A)] costs. In addition, in accordance with federal requirements, the total amount of all cost sharing must be included in the denominator, or base, of NYU's indirect costs calculation. As such, NYU must put amounts into its research base for which no direct cost reimbursement is received. This results in a decrease in the federally negotiated rate and associated indirect cost recoveries, which has far-reaching, negative implications for NYU's ability to support the research enterprise.

It is thus important to limit the use of cost sharing in order not to overburden University resources or the ability to recover indirect costs. It is also important to recognize the compliance implications

of cost sharing, whether the cost sharing fulfills a sponsor mandate or is offered voluntarily. Cost sharing should only be offered if clearly mandated by the sponsor or if it will be explicitly considered by the sponsor in making an award.

Obtaining Approvals for Cost Sharing

The Office of Sponsored Programs (OSP) is responsible for determining whether proposed cost sharing complies with the requirements of the sponsor guidelines and determines whether it is mandatory or voluntary. The approval of all sources of the cost sharing contributions (e.g., Department Chair, Dean, Provost, third party collaborator) is required at the time of the proposal. Approval is conveyed as part of the Cayuse SP proposal routing process, which captures specific information regarding proposed cost sharing arrangements.

Cost sharing commitments must be specifically quantified in the proposal budget and described in the budget justification. Care should be taken so that statements about unbudgeted key personnel involvement or tasks will not be inadvertently construed as voluntary cost sharing, and any such information that will enhance the likelihood of the success of the project should be restricted to the proposal resources section or project narrative.

Any change in the amount of approved cost sharing provided by the University under a sponsored agreement requires the prior written approval of both the University and the sponsor. If the project is awarded as proposed, no adjustments to the budget or cost sharing commitment will be necessary. If the awarded amount will be less than the proposed amount, any cost sharing commitment should be adjusted accordingly. This is true if the approved budget requires a change in the scope of work.

If the level of PI effort committed to a Federal sponsor drops below re-budgeting limits (generally 25%), as during a no-cost extension, either Sponsor approval must be obtained for the reduced effort commitment, following NYU's OSP's Prior Approval Matrix procedures, or the difference between the committed effort and the effort charged to the sponsor must be documented in a Cost Sharing Project as described below.

Creating Cost Sharing Projects

It is the responsibility of the PI and the department to document the fulfillment of cost sharing. Cost sharing is documented through the creation of a separate project in the University's accounting system which parallels the project established with sponsor funds. The following steps list the process for creating cost sharing projects:

- Upon receipt of a Notice of Award from the sponsor, OSP verifies the types and amounts of any approved cost sharing and distributes it to the PI, school department, SPA and all other affected University parties, under an Award Summary which notes the costs sharing commitment as a condition of the award.

- When notified of an award subject to a cost sharing commitment, SPA instructs the responsible departmental administrator to complete a *Cost Share Form* (see *Appendix 1*) in order to identify the source of all cost sharing (i.e., the FAME chartfield(s) from which the cost sharing will be funded, unrecovered F&A, or third-party contributions). The Cost Share Form should also be uploaded, *along with the Budget Grid for sponsor funding*, in Cayuse under the award tab.
- Upon receipt of the completed Cost Share Form from the PI and/or department, SPA will create a cost-sharing project to parallel the sponsored project.
- Once created, SPA will notify the PI and departmental administrator via an emailed NYU Authorization Form for Sponsored Programs of the chartfield for the sponsored award and parallel cost share chartfield authorizing expenditures for the project.
- If salary is to be cost-shared, the department will need to work with their payroll coordinator to have the accurate payroll distribution set-up for future appointments. If an appointment has already been established, a salary account change must be submitted via the PeopleSync System to re-allocate the salary to the new cost share program.
- For non-salary expenses that have already been charged to a project, it will be necessary to initiate a cost transfer through the Journal Entry Management System (JEMS) to redistribute the correct percentage of the expense to the cost share program code. All related future charges should be expensed directly to the regular and cost-share chartfield.
- The PI and/or DA should inform the department's budget coordinator/officer of cost share commitments to ensure departmental or discretionary funds are budgeted on the cost share program after SPA has created the cost share project.

A sponsored award will require multiple cost sharing programs to be set up when the related cost sharing is coming from multiple funding sources (i.e., more than one school or department or multiple sponsored accounts).

Documenting Third Party Cost Sharing (including Sub-awards / Sub-agreements / Subcontracts)

Cost sharing by a third party does not require the creation of a cost sharing account, but rather the department is required to maintain records identifying the cash contribution (which may arrive in the form of a gift, grant or contract) or non-cash contribution and its fair market value. Documentation sent to SPA should include a letter of intent (available through OSP) or letter of actual completion, which includes documentation of the basis for determining the value of personal services, material, equipment and other direct expenses as well as written acknowledgement of the contribution, including:

- Name & signature of donor (or sub-recipient);
- Date & location of contribution;
- Detailed description of item/service;
- Estimated value of contribution, how value was determined, responsible person making determination;

- Source(s) of contribution;
- Retention of a copy of receipt on file.

For Federal awards, rates should be consistent with those paid by NYU for similar work, or when such skills do not exist at NYU, with market rates, and documented similarly. Third party employee services should be at regular rates of pay plus fringe benefits and indirect costs based on negotiated rates (or in the absence of a negotiated rate, the de minimus 10%). Donations of property and equipment cannot exceed fair market value at the time of the donation.

Monitoring Cost Sharing Accounts

Cost sharing almost always occurs continually over the life of the project. It is the responsibility of the PI to ensure that charges are incurred against the cost-sharing program as it occurs and in a timely manner in order to avoid cost transfers at the close of the project.

Project Closeout and Financial Reporting to Sponsors

At all reporting points in the project, SPA will email the Cost Share Form to the PI and the DA and/or department for confirmation and verification of cost sharing amounts as recorded in the University's general ledger. At project close-out, SPA will resend the Cost Share Form by email to the PI and departmental administrator for final update.

PIs and DA's should work closely with SPA to ensure accurate reporting of cost sharing on financial reports to sponsors. When a financial report is due that requires cost share reporting, SPA verifies that the cost sharing requirement is met. However, SPA only requires that total cost sharing requirements are met upon expiration of the sponsored project. When the project is closed out, SPA completes the cost share tab in FAME to indicate that the cost sharing obligation has been satisfied.

Policy Definitions

Cost Sharing

The portion of a project or program cost that is not reimbursed by the sponsor, including any shared costs or matching funds and all contributions (cash and third-party in-kind). Cost sharing may be mandatory, voluntary committed, or voluntary uncommitted.

- *Mandatory* - may be required by the sponsor as a criterion of eligibility of the award and becomes an obligation once an award is made.
 - *Voluntary Committed* – quantified contributions which are specified in a proposal budget but are not mandated by the sponsor. It may be offered by NYU and becomes
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an obligation once an award is made. Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity.

- *Voluntary Uncommitted* – Personal effort that is donated time, over and above that which is committed and budgeted for in a sponsored agreement. Voluntary uncommitted cost sharing does not require tracking and reporting.

In-Kind

Non-cash donation of goods and services provided by a non-Federal third party. When the basis for an award, in-kind contributions must be documented and may require a certification of fair market value.

Matching

The requirement by some sponsors that funds be matched in specific proportion with funds from NYU or another party.

Related Policies

- Facilities and Administrative Cost Waivers Policy
<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/facilities-and-administrative-costs-waiver-policy.html>

Federal Regulations

- OMB Uniform Guidance
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Memoranda 01-06 – Clarification of the Office of Management and Budget (OMB) A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs
https://obamawhitehouse.archives.gov/omb/memoranda_m01-06/

Appendices

- Appendix 1: Cost Share Form
<http://www.nyu.edu/content/dam/nyu/sponsoredPrgmsAdmin/documents/SPAHdbk-CostShareForm.pdf>