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| <b>UNIVERSITY OF DAYTON RESEARCH INSTITUTE</b><br><b>Maintenance of Procedure:</b> Vice President for Research<br><b>Approved by:</b> John E. Leland, Ph.D.<br>Vice President for Research | <b>EFFECTIVE DATE:</b> 1 July 2016 |
|  | <b>REVISED DATE:</b> N/A           |
| <b>COST SHARING FOR SPONSORED RESEARCH PROCEDURES</b>  |                                    |

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**PURPOSE:**

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The purpose of these procedures is to implement the Cost Sharing for Sponsored Programs Policy.

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**SCOPE:**

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These procedures apply to University of Dayton faculty and staff who participate in, or support sponsored programs.

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**PROCEDURE:**

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**DEFINITIONS:**

The definitions below shall be used in implementing the Cost Sharing for Sponsored Programs Policy and these accompanying procedures. These definitions are in part based on the regulations that govern federal awards (see Office of Management and Budget (OMB) Guidance 2 CFR 200); where appropriate, they apply to federal and nonfederal programs alike.

**Allowable Costs** – In accordance with §200.403 in the Uniform Guidance, to be allowable, costs must:

- (a) Be necessary and reasonable for the performance of the award and be allocable thereto.
- (b) Conform to any limitations or exclusions in the Uniform Guidance or the award.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities.
- (d) Be accorded consistent treatment.
- (e) Be in accordance with generally accepted accounting principles.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program.
- (g) Be adequately documented.

See Policy on Unallowable Costs for more information.

**Cost Sharing** – Cost sharing or matching means the portion of project costs not paid by federal funds, unless otherwise authorized by federal statute (Uniform Guidance §200.29). Cost sharing by the University represents a legally binding financial commitment. 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 (Uniform Guidance §200.306). Cost sharing must be allowable, as defined in these procedures, and provided for in the approved budget. Cost sharing varies from program to program, even within an agency; thus, there is no "standard" amount or percentage. Each program must be carefully examined to determine its specific cost sharing requirements.

## COST SHARING FOR SPONSORED RESEARCH PROCEDURES (CONTINUED)

**Mandatory Cost Sharing** – Mandatory cost sharing is sponsor driven, i.e., cost sharing is required as a condition for proposal submission and award.

**Voluntary Cost Sharing** is investigator driven, i.e., cost sharing is not required as a condition for proposal submission and award.

**Voluntary Committed Cost Sharing** – Voluntary committed cost sharing is voluntary cost sharing included in the proposal and the award. This may include a percentage of faculty or senior researcher effort included in a proposal for which no compensation was requested.

**Voluntary Uncommitted Cost Sharing** – Voluntary uncommitted cost sharing is voluntary cost sharing above the amount of cost sharing agreed to as part of the award, such as cases when the principal investigator contributes more effort than obligated in the proposal and resulting award.

**Matching** – Matching is a form of cost sharing that is generally based on a specified ratio of sponsor to University funds. This type of cost sharing is often an eligibility requirement stated in a request for proposal or other solicitation and is most often provided from institutional resources; however, depending on sponsor guidelines, it may be provided from second program or third party sources. The terms “cost sharing” and “matching” are sometimes used interchangeably.

**Second Program** – Cost sharing based on a separate award, such as a state grant used as match for a federal grant or vice versa.

**Third Party In-Kind** – Third party in-kind cost sharing refers to the value of non-cash contributions provided by non-federal third parties. These contributions may be in the form of real property, equipment, supplies, and other expendable property; the goods and services must directly benefit and be specifically identifiable to the program.

**Discretionary Approval Amount (DAA)** – The maximum amount of cost shared indirect costs per program that may be approved by academic dean(s) of unit(s) performing the sponsored program for which cost sharing is required. Above this amount, approvals of the Provost and Vice President for Research are required. The DAA is established by the Provost and Vice President for Research and is currently \$20,000 per sponsored program for proposals with submission dates after 1 July 2016. Therefore, the academic dean of the unit performing the program can approve cost sharing of indirect costs up to \$20,000 per program; if cost sharing of indirect costs exceeds \$20,000 for a program, the additional approvals of the Provost and Vice President for Research are required. In accordance with the Cost Sharing Policy, the DAA amount will be adjusted on an annual basis as necessary to balance University resources allocated for cost sharing of indirect costs with other resources that support research and scholarship. The DAA does not apply to non-academic units, such as the Research Institute, which are responsible for providing funds to cover all cost sharing.

**Direct Costs** – Those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs (Uniform Guidance §200.413).

**Facilities and Administrative Costs (Indirect Costs)** – Indirect costs must be classified within two broad categories: “Facilities” and “Administrative.” “Facilities” is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. “Administrative” is defined as general administration and general expenses such as contracts and grants, accounting, and purchasing personnel; and all other types of expenditures not listed specifically under one of the subcategories of

## COST SHARING FOR SPONSORED RESEARCH PROCEDURES (CONTINUED)

“Facilities.” Indirect costs are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved (Uniform Guidance §200.56). The University’s F&A rates for research and other sponsored activities are developed in accordance with the Uniform Guidance, are based on actual costs associated with administering research, and negotiated on behalf of all federal agencies with the Office of Naval Research (ONR) on a biannual basis. The F&A rate is applied to Modified Total Direct Costs to calculate indirect costs for each sponsored program.

**Indirect Costs** – See Facilities and Administrative Costs.

**Indirect Cost Recovery** – Revenue recovered by the university when F&A rates are applied to Modified Total Direct Costs (MTDC) charged to sponsored programs.

**Indirect Cost Recovery Distribution and Reinvestment** – The University returns a portion of the indirect cost recovery to the academic units to incentivize research and scholarly activities. See Policy on Distribution of Indirect Cost Recovery to Academic Units from Sponsored Programs.

**Modified Total Direct Costs (MTDC)** – Include all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward. MTDC excludes equipment, 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.

**Principal Investigator (PI)** – Individual responsible for managing a particular sponsored program. This person is commonly identified by name in a grant or contract proposal and award.

**Proposal Processing Form (PPF)** – An internal University form used to route a proposal for sponsored funding through the process of administrative review and approval. A proposal will not be submitted without a completed and approved PPF.

For the academic departments, the form is routed by the PI as follows:

- to the Department Chair for approval,
- to the Dean’s Office for approval, and
- to the Contracts & Grants Office for recording and processing.

For the Research Institute, the form is routed by the PI as follows:

- to the Division Head for approval,
- to the Office of the Director of the Research Institute for approval, and
- to the Office of Contracts and Grants for recording and processing.

For other units, approval will be required, as appropriate.

**Reasonable Costs** – A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost (Uniform Guidance §200.404).

**Sponsored Program** – An externally funded research or scholarly activity for which a written agreement, i.e., a grant or contract, is entered into between the University and the sponsor. The agreement has a defined scope of work or set of objectives, which provide a basis for accountability and sponsor expectations. Sponsored programs may include grants, contracts (including fixed price agreements), and cooperative agreements for research, training, and other public service activities, awarded by federal and non-federal sponsors.

**Unallowable Costs** – Costs that cannot be charged to a program per sponsor guidelines or any other costs incurred by the University that the Uniform Guidance, Subpart E, specifies cannot be included in

## COST SHARING FOR SPONSORED RESEARCH PROCEDURES (CONTINUED)

the development of the indirect cost rate charged, nor as a direct cost to a sponsored program. See Policy on Unallowable Costs.

**Uniform Guidance** – Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200. The regulation establishes uniform administrative requirements, cost principles, and audit requirements for federal awards to non-federal entities. This regulation is applicable to federal awarding agencies which must not impose additional or inconsistent requirements, except as provided therein. (Uniform Guidance §200.100)

**Waived Indirect Costs** – Waived or unrecovered indirect costs means the difference between the amount charged to the award and the amount which could have been charged to the award under the University's approved negotiated indirect cost rate. Waived or unrecovered indirect costs, including indirect costs on direct cost sharing or matching may be included as part of the cost sharing or matching only with the prior approval of the federal awarding agency (Uniform Guidance §200.306 (c)). Excessive or unnecessary waived indirect costs will cause a reduction in the University's indirect cost rate and otherwise negatively impact the University by limiting resources for support of research and scholarship, or causing excessive administrative burden.

### **PROCEDURE:**

The following procedures are established to implement the Cost Sharing for Sponsored Programs Policy. In the event of conflict between these procedures and the policy, the policy will control.

**Step 1.** In order to request approval for cost sharing, the PI must complete a Proposal Processing Form (PPF) and indicate that cost sharing is required.

**Step 2.** The PPF should indicate if the cost sharing is mandatory or voluntary committed. If the cost sharing is mandatory, the PI must attach a copy of the published requirement for cost sharing included in the sponsor's guidelines, i.e., request for proposal, grant application, broad agency announcement, other solicitation, policy or website. Approval requirements will depend on the Discretionary Approval Amount (DAA) established by the Provost and Vice President for Research for the University Fiscal Year in which the grant application is submitted, or if there is an established due date, the approval requirement will be based on the University Fiscal year in which the proposal is due. In accordance with the Cost Sharing Policy for Sponsored Research, specific criteria should be met in determining if cost sharing will be approved. Further, voluntary committed cost sharing is generally discouraged, with the unit being responsible for paying the full amount of any waived indirect costs.

### **Step 3.**

#### Indirect Cost Sharing:

If the indirect cost sharing is below the DAA, the academic Dean(s) of the unit(s) performing the program will have approval authority to waive indirect costs. The PI will be responsible for providing a justification for waived indirect costs to support the Dean's decision. The Provost Office will be responsible for waived indirect costs approved in this manner.

If the indirect cost sharing is above the DAA, approval by the Provost and Vice President for Research is required. The Vice President for Research will make a recommendation to the Provost, who has

## COST SHARING FOR SPONSORED RESEARCH PROCEDURES (CONTINUED)

final approval authority. If approved, the requesting academic unit(s) will be responsible for funding half of any amount of waived indirect costs in excess of the DAA.

The PI will be responsible for providing a justification for waived indirect costs to support the request for approval by the Dean(s), Vice President for Research and Provost.

For cost sharing of indirect costs by a non-academic unit, that unit is responsible for identifying the source(s) of funding for the waived cost sharing.

### Direct Cost Sharing:

The sources of funds, i.e., project numbers, must be provided at the time the proposal is submitted to identify all source(s) of funding for all direct cost sharing.

**Step 4.** For proposals with voluntary committed cost sharing, where there is no sponsor requirement for cost sharing, the unit must fund the full amount of direct cost sharing, and/or indirect cost sharing, also referred to as waived indirect costs. In the case of voluntary cost sharing, only the Dean's or Research Institute Director's approval is required. The sources of funds, i.e., project numbers must be provided at the time the proposal is submitted to identify the source(s) of funding of the direct cost sharing.

**Step 5.** For non-cash cost sharing, such as second program third party in-kind cost sharing, only Dean approval will be required. Non-cash cost sharing commitments must be supported by documentation of the sources of non-cash cost sharing and reported to the sponsor in compliance with the reporting requirements in the award terms and conditions.

**Step 6.** Voluntary uncommitted cost sharing will not require approval as it will not be included in the proposal or award records.

**Step 7.** The Contracts and Grants Office will be responsible for obtaining approvals and documentation for committed cost sharing on all proposals and for maintaining cost sharing information in the proposal records system. In the event of award, the Contracts and Grants Office will finalize the cost sharing information for the award. Research Accounting will work with the PI to ensure that all committed cost sharing is reported and funded appropriately.

**Step 8.** The amount of waived indirect which for which an academic unit is responsible will be treated as an overrun and deducted from the indirect cost return to the academic unit, in accordance with the Distribution of Indirect Cost Recovery to Academic Units from Sponsor Programs Policy.

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### REFERENCE DOCUMENTS:

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**COST SHARING POLICY FOR SPONSORED PROGRAMS  
DISTRIBUTION OF INDIRECT COST RECOVERY TO ACADEMIC UNITS FROM SPONSORED PROGRAMS  
POLICY ON UNALLOWABLE COSTS  
PROPOSAL PROCESSING FORM  
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS, 2 CFR 200**