

Policy for Cost Sharing and Matching Funds on Sponsored Projects
Effective July 1, 1998

INTRODUCTION

This policy rescinds and supersedes the MIT “Guidelines for Cost Sharing and Matching Funds on Sponsored Projects” dated June 25, 1997.

PURPOSE AND SCOPE

The Institute must ensure that cost sharing requirements of sponsored agreements are proposed, accounted for, and reported in a manner consistent with the requirements set forth in federal regulations, primarily the Office of Management and Budget (OMB) Circulars A-110 and A-21. This document clarifies and strengthens the MIT requirements and modifies some of the cost sharing procedures. Specifically, the following details the procedures for monitoring project-by-project cost sharing and reporting such cost sharing to sponsoring agencies and is effective for proposals submitted and awards negotiated on or after July 1, 1998.

The policy is intended to:

- ◆ Help units determine when cost sharing is required and/or permitted by the Institute; including types of expenditures and in-kind contributions that qualify as cost sharing under federal regulations;
- ◆ Provide information regarding the contractual, financial, and administrative requirements that result from cost sharing commitments;
- ◆ Establish procedures for recording cost sharing in the Institute’s accounting system and for the reporting of cost sharing expenditures to ensure that the Institute has fulfilled any cost sharing commitments it has made as a condition of an award;
- ◆ Limit cost sharing commitments to only those instances where cost sharing is required by the sponsor or is necessary to make MIT’s proposal competitive.

DEFINITION OF COST SHARING

Cost sharing is that portion of a project or program cost that is not reimbursed by the sponsor. Cost sharing represents a commitment by the Institute. It may be required by the sponsor as a condition of the award (mandatory) or it may be offered by the Institute in excess of mandatory cost sharing requirements (voluntary). **It is important to realize that whether cost sharing is required by the sponsor or is offered by the Institute or PI voluntarily, once an award is made all cost sharing commitments**

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are considered to be mandatory and as such represent binding obligations of the Institute.

EXAMPLES OF COST SHARING

- ◆ Effort of Principal Investigator and/or employees devoted to sponsored agreements, including employee benefit costs
- ◆ Equipment (total value or depreciation depending on the circumstance)
- ◆ Supplies and services directly associated with the project
- ◆ Volunteer services
- ◆ Subrecipient cost-sharing
- ◆ Unrecovered indirect cost, if approved by the sponsor

REGULATORY REQUIREMENTS FOR COST SHARING

To qualify as cost sharing on a federally sponsored award, the cost must satisfy all of the following criteria:

- ◆ Be allowable and allocable under federal regulations (OMB Circulars A-21; A-110) or the terms of the sponsored agreement
- ◆ Be verifiable from the Institute's records
- ◆ Not be used as cost sharing for any other federal award without prior written approval
- ◆ Be necessary and reasonable for the performance of the project objectives
- ◆ Incurred during the effective date of the award

COST SHARING COMMITMENTS ON RESEARCH PROPOSALS OR AWARDS

Cost sharing should be limited only to those situations where it is mandated by a sponsor or the Institute has determined that such a contribution is necessary to ensure the success of a competitive award or proposal. Where cost sharing is not required by the sponsor or necessary to ensure the competitiveness of a proposal, PIs and departments should refrain from making such commitments voluntarily. In all situations, the use of cost sharing should be kept to a reasonable level because of the burden that cost sharing places on Institute or departmental resources.

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Cost-sharing may include effort of the PI or other personnel committed to the project at no cost to the sponsor. In order to qualify as cost sharing, the effort must be necessary and reasonable for the performance of the project objectives. Cost-shared effort must be directly related to the project's objectives and must not include time spent on administrative or instructional activities (unless directly related to the project's objectives).

A program announcement or application may include a requirement to cost share or the sponsor may insist during the negotiation of an agreement on a specific contribution to the project as a condition of the award. There may also be situations as described above where the Institute has determined that a cost sharing contribution is necessary to ensure the success of a competitive award or proposal. In instances where a contribution is required, the direct cost dollars of such a commitment should be moved from a non-sponsored account under the control of the PI or DLC to a sponsored child account. The F&A costs applicable to the direct cost will be provided by the Institute.

PIs and departments should commit specific cost sharing contributions (i.e. a percentage of effort, dollars of salary, or number of person-months) to sponsored projects only under the following circumstances:

- ◆ Mandatory cost sharing is specified in a program announcement or application package
- ◆ The project sponsor insists on a specific cost sharing contribution to the project during the negotiation of an award
- ◆ An individual expects to contribute 10% or more of his/her total effort to a sponsored project (whether or not the sponsor requires a cost sharing contribution as a condition of award)
- ◆ An individual expects to contribute less than 10% of his/her total effort to a sponsored project which does not require cost sharing as a condition of award, but the Institute has mandated a specific contribution to the project in order to enhance the competitive success of the project proposal

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All explicit commitments of effort referenced in a proposal or award must be treated as mandatory cost sharing, accounted for as a cost of the project, and separately identified, reported and certified in the labor distribution system (i.e. the SANDI/DACCA reports). For more information on accounting for cost sharing effort, please refer to the MIT "Policy on Faculty Effort Reporting."

If a principal investigator offers cost sharing on a project when there is no requirement for such cost-sharing imposed by the sponsor, the PI or the DLC will be responsible for funding both the direct costs and the F&A costs associated with such a commitment. It is not possible to cost share direct costs without also cost sharing associated F&A costs.

In those instances where cost sharing is not required as a condition of award or mandated by the Institute, and less than 10% of an individual's total effort is expected to be contributed to the project, the statement "*MIT fully supports the academic year salaries of Professors, Associate Professors, and Assistant Professors, but makes no specific commitment of time or salary to this particular research project*" should be inserted somewhere in the text of the proposal or on the budget justification. This statement assures the funding agency that the faculty member will make a contribution to the project but that the expected level of effort is not a significant portion of the individual's overall effort.

**COST SHARING EFFORT CHARGED TO GENERAL FUNDS OR
ENDOWED CHAIRS**

When a cost sharing commitment consists of direct effort on a sponsored agreement, federal regulations require that this effort be accounted for in the same manner as the effort charged to sponsored agreements. For new proposals submitted and awards negotiated on or after July 1, 1998 which include cost sharing effort, the department or laboratory and OSP will calculate the amount of cost sharing for the entire period of the award. This amount will be calculated on the basis of salaries and wages at current rates (or at prospective rates, if known) plus employee benefits.

A distinction should be made between cost sharing for research awards versus cost sharing for educational service agreements. Initially, departments should identify to OSP awards that they believe are non-research. If OSP concurs that the purpose of the award is for educational services (fund accounts), and not research, the cost sharing expenses can remain in general fund or endowed chair accounts (which may require the establishment of new or child accounts).

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COST SHARING EFFORT CHARGED TO RESEARCH ACCOUNTS

OSP will create a Notice of Award and will establish cost sharing accounts as child(ren) of the prime award account. The authorized total of the prime account will be increased to include both the sponsor's and the Institute's contribution to the funding. All cost sharing funded either by the DLC or the Institute will be recorded in the child account. The Controller's Accounting Office (CAO) will, after receiving information from OSP, create the journal vouchers necessary to fund the cost sharing and will monitor the cost sharing accounts. Cost sharing expenses will be charged against the cost sharing account (including faculty effort where that constitutes the cost sharing).

Funding for cost-shared faculty effort should be in the child account and faculty effort should be charged against the child account (using the SANDI/ESANDI) for the appropriate effort percentages. During the period of performance, cost-shared effort that was specified in a proposal or award, or contributed effort of 10% or greater should be charged to the appropriate child account(s). The amount initially calculated as cost sharing and added to the project authorization will not be changed during the life of the project unless there is a significant change in the amount of the cost sharing effort. Contributed effort less than 10% which was not specifically identified in a proposal or award should continue to be classified as Instruction and Departmental Research and should not be charged to the child account.¹

Cost sharing will normally be drafted at the beginning of the grant and at the beginning of each Institute fiscal year for future years, although other arrangements can be made for high dollar projects on a case by case basis. A transfer will be made from the departmental general or fund account for the cost sharing salary and associated employee benefits (identified as "Cost in research volume") with a corresponding credit to the sponsored project account (identified as "Cost sharing"). If the cost sharing was not required by the agency but offered voluntarily by the PI, the departmental general or fund account will also fund the applicable F&A cost. If the cost sharing commitment was the result of an agency requirement, an Institute account will be charged for the F&A cost. There may be cases in which the Institute will not compete for a program because funding is not available from central sources for the mandatory cost sharing.

DOCUMENTATION

When cost sharing or matching is accepted by the sponsor, it becomes a commitment of the Institute. Throughout the project's life, the principal investigator and the unit

¹ In accordance with the Institute's Cost Accounting Standards Board disclosure statement, there will be a year-end accounting transfer of such charges from Instruction and Departmental Research to Organized Research.

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must maintain sufficient documentation to substantiate the actual cost sharing contribution and report the cost sharing to the funding agency, if required. The specific type of documentation required is based on the nature of the award, taking into consideration the type of cost sharing, the terms of the sponsored agreement, and other circumstances of the award. Documentation within the Institute's financial accounting system should be provided whenever possible.

For further information, contact your Contract Administrator in the Office of Sponsored Programs.