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**COST SHARING AND MATCHING ON SPONSORED PROJECTS**

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**Scope:** All campuses served by Louisiana State University (LSU) Office of Accounting Services, except those campuses which have in place a written policy with regard to cost sharing and matching on sponsored projects.

**Effective:** July 1, 2018. This FASOP supersedes and replaces all prior versions.

**Purpose:** Cost sharing is a contractual obligation committing the University to share in the costs of a sponsored project. In addition, it is essential data used to support the Facilities and Administrative (F&A) rate proposal.

The following documents LSU's policy on cost sharing including the procedure for monitoring cost sharing and reporting such cost sharing to sponsoring agencies. The purpose for providing the policy is as follows:

- A. To provide guidance regarding the circumstances in which cost sharing is permitted by LSU, including what kind of services, expenditures, or assets may be used as cost sharing.
- B. To provide information to the LSU community regarding the contractual, financial, and administrative implications that result from the commitment to cost share.
- C. To establish procedures, which provide LSU with the ability to provide information to sponsoring agencies, which demonstrates that LSU has fulfilled any cost sharing commitments it has made as a condition of external sponsors.
- D. To establish procedures for recording cost sharing expenditures in the LSU accounting system in order to track, report and certify cost sharing subject to audit under Office of Management and Budget (OMB), Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards (2 CFR 200), sponsor guidelines, or terms of the sponsored agreement.
- E. To reinforce the understanding of the financial commitment represented by cost sharing and discourage its usage if not stipulated as a funding requirement by sponsors.
- F. To comply with the requirement of OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR 200) that all cost sharing and matching on sponsored projects must be properly documented in the University's accounting records.

**Procedure:**

- A. Definitions
  - 1. Cost Sharing or Matching: That portion of sponsored project costs not borne by the project's sponsor.
  - 2. Sponsor Mandated Cost Sharing: Cost sharing that is required as a condition of funding by the sponsor.

- Proposals with mandated cost sharing or matching as a funding stipulation should include an itemized cost sharing or matching budget as part of the proposal. PIs must provide the Office of Sponsored Programs with written evidence of cost sharing or matching requirements when submitting proposals for institutional approvals.
3. Voluntary Uncommitted and Committed Cost Sharing: Voluntary uncommitted cost sharing is cost share committed outside of what has been identified in the proposal's budget or award. Voluntary uncommitted cost sharing need not be documented. Cost sharing discussed in the budget or budget justification of any proposal is considered voluntary committed cost sharing and must be documented for audit purposes. LSU's Principal Investigators will ensure all voluntary committed cost sharing amounts listed in a proposal narrative are included in the proposal budget.
  4. Facilities and Administrative (F&A) Costs: Costs of activities that support or provide service to the various direct functions of the University for common or joint objectives. F&A costs cannot be identified readily and specifically with a particular sponsored project, instructional activity or other institutional activity.
  5. Unrecovered F&A Costs: The difference between the reduced amount of F&A funded due to sponsor restrictions and LSU's approved negotiated F&A cost rate.

B. Requirements for Documenting Cost Sharing

In order to comply with OMB 2 CFR 200.306, cost sharing expenditures must be:

1. Verifiable from recipient's records – there must be a formal record of all cost sharing provided that is supported by LSU's accounting records.
2. Excluded as contributions for any other project or program – the cost sharing being offered cannot be used as cost sharing on another sponsored program.
3. Necessary and reasonable for proper and efficient accomplishment of the project or program objectives.
4. Allowable under the applicable cost principles.
5. Funded by non-Federal sources, except where authorized by Federal statute to be used for cost sharing or matching
6. Provided for in the approved budget when required by the Federal awarding agency

C. The Cost Sharing Commitment

PIs should only commit cost sharing when required by the sponsor or by the competitive nature of the award. Commitments should only be made to the extent necessary to meet the specific requirements of the award. All cost sharing commitments must be included in the proposal's budget and must be approved by the University department/unit responsible for the funds. Voluntary committed cost sharing must be approved by the Vice President for Research and Economic Development and will be documented in the same manner as sponsor mandated cost sharing. Cost sharing commitments are a condition of the award and subject to audit.

## D. Types of Cost Sharing

### 1. Personnel Costs

The PI or other employee can pledge a certain dollar amount or a certain percent of effort on the sponsored agreement at no cost to the sponsor. Documenting cost sharing on the costing sharing grant account creates an auditable record that the employee worked on a sponsored project(s) while paid from departmental funds.

Cost sharing effort is included in the calculation of total committed effort. Although proposals could be in circulation at any given time which exceed 100% of an employee's effort, care must be taken at the time of each award to ensure that the employee does not over commit (>100%) their effort.

Significant decreases (25% or more) in the effort of key personnel to a project require coordination with and/or advance approval by a federal sponsor. Non-federal sponsors may have similar requirements regarding reductions in key personnel. This applies to changes in committed levels of effort to be used as cost sharing on the project as well as to effort that will be charged directly to the project. Only in extenuating circumstances and determined on a case-by-case basis can effort be documented as voluntary committed cost sharing. PIs must provide adequate justification which has to be approved by the College Dean or Center Director, Vice President for Research and Economic Development and the SPA Director.

### 2. Non-Personnel costs

Non-personnel costs used as cost sharing or matching must be documented in a separate grant account created for that purpose. Allowability of costs incurred to meet matching requirements will be determined by the terms and conditions of the award document.

### 3. Equipment

New equipment purchases should not be offered as cost sharing unless receipt of the award is contingent upon such cost sharing. PIs should take care in preparing proposal's budget for sponsored agreements not to commit the use of existing LSU owned equipment as cost sharing, but rather to characterize the equipment as "available for the performance of the sponsored agreement at no direct cost to the project".

Proposals that include the acquisition of special-purpose equipment as a direct cost may include in the budget an offer of LSU funds to pay for all or part of the cost of the equipment. Purchase and receipt must occur during the period of performance. The portion of the purchase price paid by LSU must be charged directly to a non-salary cost sharing account in support of the award.

### 4. Other Awards

Other sponsored agreements may be used as cost sharing or matching if written approvals from each sponsor are obtained. Sponsored projects that are either federal or federal pass through may not be used as matching to any other federally funded award, unless authorized by federal statute.

### 5. In-Kind from Outside Parties

In-kind contributions (e.g., equipment, supplies, personnel) from third parties may also be committed as cost sharing or matching if the value of such contributions can be properly documented. The preferred method of documentation requires the contributor to submit signed and pre-numbered invoices detailing the materials, services, etc. provided during the billing period and indicating the amount due is zero. The PI must approve and forward each invoice to Sponsored Program Accounting (SPA).

#### 6. Unrecovered F&A Costs

F&A costs are real costs of conducting instruction and research. Unrecovered F&A costs may be included as part of cost sharing or matching only with the prior approval of the sponsor.

#### E. Funding Cost Sharing Commitments

Identifying and providing resources for cost sharing is the responsibility of the PI. The PI may not use funds from federal awards as the source of cost sharing, except as authorized by statute. The PI may use funds from non-federal awards as the source of cost sharing, only when specifically allowed by the non-federal sponsor. Cost sharing commitments are typically funded from departmental, gift, and LSU Foundation accounts.

#### F. Expenses NOT eligible for Cost Sharing

The following expenses cannot be offered as cost sharing commitments in sponsored project proposals:

1. Unallowable costs as defined in 2 CFR 200, Subpart E.
2. University facilities such as laboratory space. PI's should take care in preparing proposals for sponsored agreements not to commit use of facilities as cost sharing, but rather to characterize that facilities as "available for the performance of the sponsored agreement at no direct cost to the project".
3. Depreciation on federally funded equipment.
4. Overdrafts may not be considered cost sharing for purposes of fulfilling a cost sharing commitment because overdrafts are considered unallowable under 2 CFR 200.

#### G. Level of Cost Sharing

When sponsored projects are funded at the level outlined in the proposal, the committed cost sharing must be provided at the request amount. Generally, sponsor funds and cost sharing funds should be spent at about the same rate throughout the project period. For example, when 10% of the sponsor funds have been expended, 10% of the cost sharing funds should have also been spent.

#### H. Reporting Cost Sharing

LSU is responsible for providing information to sponsoring agencies that demonstrates fulfillment of the cost sharing commitment that it made as a condition of receiving an award. SPA is responsible for providing cost sharing reports to sponsors when required. In order to accurately report the documented cost sharing expenditures, departments must provide the necessary information at the time of the award and follow the accounting procedures described in this policy.

#### I. Documentation of Cost Sharing

The PI of a sponsored project is responsible for documenting the matching or cost sharing commitment for the project or coordinating such documentation during the project period through his/her department chair.

That portion of a cost sharing commitment which is comprised of personnel costs must be documented on the cost sharing grant established for cost sharing

Effort Certifications are an after-the-fact certification of time and effort that should reasonably reflect the activity of that individual. Effort documented on cost sharing grants are certified on the effort reports

In order to use funds as cost sharing or matching to a sponsored project, their function must match the function of the sponsored project. Thus, sponsored research projects must be matched by research funds (i.e. Unrestricted FD100, FD101, FD102; Restricted FD220, FD221, FD260, FD299, FD3XX Auxiliary, FD600 Unexpended Plant, FD7XX Renewal & Replacement; Foundation)

Cost sharing or matching funds must be expended within the project period of the sponsored agreement which they support. Funds can only be cost shared to one project.