STANDARD OPERATING PROCEDURE

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<th>Cost Share Policy</th>
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<td>Define Cost Share and Institutional Practice</td>
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**Overview**

Cost Share commitments, also known as matching and/or in-kind contributions, are legal obligations of ECU for financial (cost-share) and non-financial (in-kind) support of sponsored projects. These commitments represent support contributed by ECU and/or by non-ECU parties (also known as third-party contributions).

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (2 CFR 200) also known as Uniform Guidance (UG) states that 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. ([§200.306 see Key Terms from Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards below](#))

**Purpose**

ECU is responsible for the performance and legal conduct of all parties engaged for the purpose of collaborating on, or providing services to, sponsored projects conducted by the university. This includes ensuring that costs regardless of the primary source of funding, comply with applicable federal and state laws, and sponsor obligations. In this regard, ECU has established this policy for determining when cost share is appropriate and for managing the obligation throughout the project.

Compliance with federal cost accounting standards requires consistency in estimating, accumulating and reporting all costs including cost share. Cost-shared expenses whether ECU or non-ECU must be treated in a consistent manner in proposal preparation, subaward negotiation; and in the accounting and reporting of expenditures to both federal and non-federal sponsors.
Cost sharing is the responsibility of the PI/PD and department proposing the work. Cost sharing can come from a number of ECU sources including other departments, colleges/schools, central administration, and from third parties. Regardless of the source, at the time of proposal, the PI/PD is responsible for obtaining written commitments. Commitments made by ECU sources require that the specific Fund is identified in the case of financial contributions; and documentation of the specific basis in the case of non-financial (in-kind) contributions. Commitments made by third parties should include specifics as to the expectations, basis and timeline.

As a matter of general practice ECU will approve cost share only when required by the sponsor and only to the extent necessary to meet sponsor requirements. Voluntary cost share should not be included in Federal proposals. Non-federal cost share requires the same diligence to recognize commitments; and significant resources to monitor, report and maintain sufficient evidence that commitments are met through the course of the project. The

All university stakeholders, the PI/PD, department, college, Hubs, ORA and other central offices, share responsibility for this effort. The purpose of this document is to provide guidance and resources to assist stakeholders with understanding cost share concepts and university responsibilities.

### Definition and Key Points

#### Categories of Cost Share

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<th>Category</th>
<th>Definition</th>
<th>Characteristics</th>
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| Mandatory Committed (ECU)    | Resources committed as a condition of the project. It is required by the terms of the project. It must be included or a proposal will receive no consideration by the sponsor. | - **Required** by sponsor  
- Obligation of award  
- Subject to audit  
- Qualitatively described in proposal  
- Quantified in proposal  
- Tracked in eTRACS  
- Included in programmatic reports to sponsor  
- Included in financial reports to sponsor  
- Tracked in Banner |
| Voluntary Committed (ECU)    | Resources that are committed in a proposal and budgeted for in a sponsored agreement when not a specific sponsor requirement. | - **Not required** by sponsor(1)  
- Obligation of award  
- Subject to audit  
- Qualitatively described in proposal  
- Quantified in proposal  
- Tracked in eTRACS  
- Included in programmatic reports to sponsor  
- Included in financial reports to sponsor  
- Tracked in Banner |
Third-Party (Non-ECU) Resources committed by outside entities for the benefit of the project. Regardless of whether it is mandatory or voluntary, when an award is received in which cost sharing was proposed, the cost sharing becomes a binding commitment that the university must provide as part of the performance of the sponsored project.

- Mandatory – if required by sponsor
- Voluntary – if not required by sponsor
- Obligation of award
- Subject to audit
- Qualitatively described in proposal
- Quantified in proposal
- Tracked in eTRACS
- Included in programmatic reports to sponsor
- Included in financial reports to sponsor
- Tracked in Banner

Voluntary Uncommitted Unquantified resources described in the proposal from either university sources or from third party sources.

- Qualitatively described in proposal
- Obligation of award

In-Kind Resources wherein the value can be readily determined, verified, documented, and justified but where no actual cash is transacted in securing the good or service comprising the contribution. The estimated value of the in-kind cost sharing should be determined and documented based on the fair market value at the time of proposal and again at award acceptance.

- Mandatory – if required by sponsor
- Voluntary – if not required by sponsor
- Obligation of award
- Subject to audit
- Qualitatively described in proposal
- Quantified in proposal
- Tracked in eTRACS
- Included in programmatic reports to sponsor
- Included in financial reports to sponsor
- Tracked manually at department level with review by ORA

(1) Voluntary committed cost sharing should not occur. It refers to cost sharing specifically pledged on a voluntary basis in the proposal’s budget and becomes a binding requirement of the award. For all awards, mandatory cost sharing and voluntary committed cost sharing or matching funds and all contributions, including cash and third party in-kind contributions, must be accounted for as part of the university’s cost sharing.

Types of Cost Share

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<th>Type</th>
<th>Definition</th>
<th>Allowability</th>
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| Committed Effort          | Salary and fringe benefits associated with faculty and staff committed effort.                                                                                                                                                                                                                                                          | • Costs are allowable to the extent allowed by the sponsor and necessary for the performance of the project.  
• Calculated on Institutional Base Salary.  
• May require prior approval of the sponsor.                                                                                                                                                                                                 |
| Administrative and Clerical | The salaries of administrative and clerical staff should normally be treated as indirect costs and not appear in the proposed project budget.                                                                                                                                                                       | • Costs are allowable if they meet the requirements of §200.413 which include:  
• The administrative or clerical services are integral to a project or activity;                                                                                                                                                                                                       |
| **Over-the-Cap Salary and Benefits** | This is the portion of a faculty or staff salary and fringe benefits that exceed regulatory maximum imposed by the sponsor (e.g., National Institutes of Health and Department of Defense salary cap). | ▪ Not allowable.  
▪ Cannot be used to meet mandatory or voluntary committed cost share because it is an unallowable cost to sponsor. |
| **Other Costs** | Direct costs that the sponsor does not pay for or amount does not allow, may be considered allowable on a sponsored award as cost share. Examples include: Laboratory supplies Educational program supplies Consulting Travel | ▪ Costs are allowable to the extent allowed by the sponsor and necessary for the performance of the project.  
▪ Subject to §200.306 Cost sharing or matching, which includes all requirements of 2 CFR 200, Subpart E, Cost Principles |
| **Equipment** | Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. Capital equipment includes scientific equipment, fabrications, and software. | ▪ Costs are not allowed without university prior approval. |
| **Unrecovered F&A** | The difference in the amount that would have been recovered if the university’s federally negotiated rate and a lower amount recovered due to sponsor limits. | ▪ Costs are allowable to the extent of the difference.  
▪ May require prior approval of the sponsor. |
| **F&A on Cost Share** | The amount of F&A calculated on cost share committed for the project. | ▪ Requires prior approval  
▪ ORA  
▪ Sponsor |
PIs, Departments, Colleges and Hubs

1. Pre-Proposal
   1.1. Think about the need for, and requirements of cost share.
   1.2. Contact ORA for advice on requirements and responsibilities.
   1.3. Contact ECU Foundation for available resources.
   1.4. Speak with areas on campus that may want to participate in the project and can guarantee resources.
   1.5. When considering cost share from third parties whether funded or not, consult the ORA Subrecipient Policy. Speak with potential third parties often and inform them of the formal process and responsibilities as a requirement of an award.

2. Proposal
   2.1. Contact ORA to conduct a preliminary review of any subrecipient organization being considered for the project.
   2.2. Contact ORA for assistance for the substance of the written commitments that will be required for the proposal.
   2.3. Complete the Cost Share eForm to assess specific cost share requirements. Only mandatory cost share should be included in proposals.
   2.4. Obtain written commitments from internal parties.
   2.5. Obtain written commitments from external parties.
   2.6. Work with the potential subrecipient(s) to clarify all aspects of the statement of work and budget request.

3. Award Negotiation
   3.1. Review the terms and conditions of the statement of work and budget proposed and any additional terms and conditions of the sponsor. The PI/PD is ultimately responsible for the conduct of the project and must review and agree to the terms and conditions. Authority for accepting the terms and conditions is restricted to ORA.
   3.2. Contact ORA to discuss any modifications, additions or subtractions to cost share commitments or changes in parties, that may need to be considered for the award. Verbal agreements between parties will not be honored. All agreements must be in writing, accepted and authorized by ECU.

4. Project Administration
   4.1. Monitor the subrecipients’ performance to progress and ability to meet the objectives of the agreement throughout the period of performance as outlined in the ORA Subrecipient Policy.
   4.2. Review and approve programmatic reports as required by the award.
   4.3. Review and approve cost share documentation with budget and programmatic benchmarks.
4.4. Notify ORA of any legal, financial or programmatic concerns with cost share commitments during the period of performance. ORA will review the matter and assist as needed.

5. Close-out and Record Retention
   5.1. Contact ORA for assistance in close-out and final reports.
   5.2. Archive all information as required by sponsor in accordance with ECU institutional policy for the period prescribed by ECU institutional practice.

Office of Research Administration (formerly Office of Sponsored Programs and Office of Grants and Contracts)

1. Pre-Proposal
   1.1. Advise PI/PD and staff with cost share principles and requirements.
   1.2. Assist PI/PD and staff with resources if available.

2. Proposal
   2.1. Provide assistance to PI/PD and staff for the substance of the written commitments that will be required for the proposal.
   2.2. Assist PI/PD obtain written commitments from internal parties.
   2.3. Prepare cost share information for submission with application.

2. Subaward Preparation and Negotiation – Cost Share
   2.1. Contact ORA to complete a Subrecipient Organization Commitment Form.
   2.2. Complete the Subaward Risk Assessment for subrecipient cost share and assign a risk rating.
   2.3. Review information obtained in subrecipient organization risk assessment. Consult Compliance Officer to discuss organizational risk assessments for additional information if necessary.
       2.3.1. Additional actions for a medium to high risk rating may include:
               i. More frequent invoicing or progress reporting requirements.
               ii. More frequent desk audits.
               iii. Supporting transactional documentation attached to all invoices.
               iv. Site visits.
               v. Payments tied to specific deliverables.
               vi. External award-specific audit required.

   2.4. Review specific requirements related to
       i. The Office of Research Integrity and Compliance (ORIC) on matters concerning Conflict of Interest, Responsible Conduct of Research and Research Misconduct.
       ii. The Institutional Review Board concerning Human Subjects Research.
       iii. The Institutional Animal Care and Use Committee for all matters concerning animals.
iv. Information Technology for matters concerning data management and security.

2.5. Assess the type of subaward required e.g. cost-reimbursement or fixed price.
2.6. Assess the subrecipient commitments.
2.7. Prepare subaward, incorporating the conditions set forth in §200.331 and additional terms if needed, based on information from historical records/assessments, the current Subaward Risk Assessment, the PI/PD, department and college and the Subrecipient Organization Commitment Form.
2.8. Negotiate terms and conditions with subrecipient.
2.9. Approve fully executed subaward and obtain authorized institutional signatures.
2.10. Forward subaward to ORA post-award services for award administration.

3. Award Administration
3.1. Review all written commitments for cost share.
3.2. Establish Funds for internal commitments, and notify internal parties of the requirements required for monitoring and documenting cost share commitments.
3.3. Review risk assessment terms and conditions outlined in subawards for third party cost share.
3.4. Review all special conditions of the subaward including subrecipient commitments for cost share.
3.5. Oversee all financial matters related to subaward including subrecipient cost share commitments.
3.6. Work with PI/PD as necessary to establish a system for managing cost share commitments.
3.7. Review and manage all concerns related to invoices or payment schedules that include special terms for cost share reporting with PI/PD and subrecipient.
3.8. Approve and process invoices.
3.9. Monitor subrecipient cost share expenditures within approved budget.
3.10. Assist PI/PD with reporting requirements of subaward cost share in accordance with sponsor requirements.
3.11. Conduct site visits/audits as necessary in accordance with the terms and conditions of the subaward cost share.
3.12. Request corrective action and/or modification of subaward in the event of non-compliance with cost share requirements.
3.13. Assist PI/PD and staff with close-out reports, record retention audit.

4. Compliance Officer
4.1. Monitor cost share commitments for subrecipient organizations in accordance with ORA Subrecipient Policy.
4.2. Work with ORA Education Coordinator to provide training for university personnel.
4.3. Manage internal and external audits.
1. Review and approve exceptions to policy and projects that may involve excessive or unusual cost share plans or sponsor requirements, at the proposal stage and, as necessary, during the life of the award.

Key Terms from Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200)

§200.306 Cost sharing or matching.
(a) 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. Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity. See also §§200.414 Indirect (F&A) costs, 200.203 Notices of funding opportunities, and Appendix I to Part 200—Full Text of Notice of Funding Opportunity.

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

1. Are verifiable from the non-Federal entity's records;
2. Are not included as contributions for any other Federal award;
3. Are necessary and reasonable for accomplishment of project or program objectives;
4. Are allowable under Subpart E—Cost Principles of this part;
5. Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
6. Are provided for in the approved budget when required by the Federal awarding agency; and
7. Conform to other provisions of this part, as applicable.

(c) Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate.

(d) Values for non-Federal entity contributions of services and property must be established in accordance with the cost principles in Subpart E—Cost Principles. If a Federal awarding agency authorizes the non-Federal entity to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching must be the lesser of paragraphs (d)(1) or (2) of this section.
(1) The value of the remaining life of the property recorded in the non-Federal entity’s accounting records at the time of donation.

(2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the value described in (1) above at the time of donation.

(e) Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.

(f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with §200.414 Indirect (F&A) costs, paragraph (d), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.

(g) Donated property from third parties may include such items as equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost sharing or matching share must not exceed the fair market value of the property at the time of the donation.

(h) The method used for determining cost sharing or matching for third-party-donated equipment, buildings and land for which title passes to the non-Federal entity may differ according to the purpose of the Federal award, if paragraph (h)(1) or (2) of this section applies.

(1) If the purpose of the Federal award is to assist the non-Federal entity in the acquisition of equipment, buildings or land, the aggregate value of the donated property may be claimed as cost sharing or matching.

(2) If the purpose of the Federal award is to support activities that require the use of equipment, buildings or land, normally only depreciation charges for equipment and buildings may be made. However, the fair market value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges. See also §200.420 Considerations for selected items of cost.

(i) The value of donated property must be determined in accordance with the usual accounting policies of the non-Federal entity, with the following qualifications:

(1) The value of donated land and buildings must not exceed its fair market value at the time of donation to the non-Federal entity as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the non-Federal entity as required by the Uniform Relocation Assistance and Real Property

(2) The value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation.

(3) The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

(4) The value of loaned equipment must not exceed its fair rental value.

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.

(k) For IHEs, see also OMB memorandum M-01-06, dated January 5, 2001, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs.


**Additional Guidance**


**Point of Contact**

Office of Research Administration (ORA)
East Carolina University
2200 South Charles Boulevard
Suite 2900
Greenville, NC 27858
ora@ecu.edu

Policy: Compliance Monitoring Officer
Proposal Submission: Pre-Award Services Unit
Subaward Negotiation: Contract Officer
Financial and Subaward Administration: Post-Award Services Unit