

**PROCEDURE NUMBER:** FINA 3.00 Procedure

**SECTION:** Administration and Finance

**SUBJECT:** Sponsored Awards – Cost Share

**DATE:** November 1, 2024

**REVISION:**

**Procedure for:** All Campuses

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**Issued by:** Administration and Finance – Controller’s Office

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**Procedure Statement:**

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 3.00. This procedure is applicable to campuses, units, departments, centers, Principal Investigators (PIs), and administrators at the University who are involved with the initiation, administration, and conduct of sponsored awards. The purpose of this procedure is to supplement the associated policy by providing additional resources, detail, and guidance on cost sharing.

**A. Basics and Definitions**

Cost share is the portion of sponsored award costs not provided/covered by the sponsor. Cost sharing occurs whenever a portion of the project costs are at the University’s expense rather than at the expense of the sponsor. Cost share funds have the same restrictions as sponsored funds and must follow the same guidelines and restrictions included in the award.

Any shared cost, matching, and contributions, including cash and third-party in-kind contributions, can be accepted as part of the cost sharing/matching requirement when the contribution meets all the following criteria:

- Verifiable by University records.
- Not included as contributions for any other sponsored awards.
- Necessary and reasonable for accomplishing the project objectives.
- Allowable under 2 CFR 200 Subpart E (Cost Principles).
- Provided in the approved budget when required by the sponsored awarding agency.
- Conform to other provisions of 2 CFR 200.306.

- Not paid by the federal government under another federal award, except where the federal statute authorizing the program explicitly allows the federal funds to be applied to the cost sharing requirement of other federal programs.

## B. Cost Share Types

Any cost share that is included in an approved Notice of Award must be recorded in the University's financial system. Voluntary committed cost share is strictly prohibited at the University.

Types of cost share include:

- Mandatory: Cost share that is required by the sponsoring agency, which may be in the form of a specific dollar amount or certain percentage of total costs. It is considered a binding commitment to the University, with noncompliance leading to funding loss.
- Voluntary Committed (*strictly prohibited in proposal submissions*): Committing a quantifiable amount of resources to a sponsored award in the proposal even though the sponsor does not explicitly state in the proposal guidelines that cost sharing is required. This practice is prohibited since funds are usually drawn away from other institutional sources, the negotiated indirect cost rate could be affected, and additional audits could be triggered.
- Voluntary Uncommitted: Cost share not mandated by the sponsor or included in the proposal or budget in a quantifiable manner, but necessary to accurately capture the actual effort and expense activity associated with a sponsored award (e.g., salary cap, cost overruns, time and effort).
  - Salary Cap Considerations: A salary cap is a sponsor-imposed limit on the total allowable salary rate to be charged to a sponsored award for an individual. Any amount above the salary cap must be recorded as cost share to properly capture the total expended effort and cannot be used as effort on another sponsored award. While not explicitly detailed in the proposal (uncommitted), as a sponsor-imposed limitation, this is considered mandatory cost share and must be recorded and captured accordingly. The [Salary Cap Calculation Template](#) can be used to help with salary distribution allocations related to salary caps.

## C. Cost Share Methods

The method of meeting cost share requirements is determined at the proposal stage and must be approved by the sponsor. The primary ways of meeting cost share requirements include:

- **Cash Match**: Cash outlay by the University using departmental funds, sponsored award funds specifically designated for cost share, or externally (third-party) provided cash specifically designated for cost share.

*Example: A sponsor awards \$400,000 for research but stipulates in the agreement that the University must also spend \$50,000 toward the project (e.g., salaries, equipment, supplies, etc.).*

- Waived Indirect Cost (IDC): When IDC is waived, the University agrees not to charge its federally negotiated IDC rate to the sponsor. The waived portion is considered “unrecovered IDC” and can be used as cost share if it is allowed by the sponsor. The Post Award Accountant (PAA) is responsible for posting waived IDC monthly.

*Example: The University's federally negotiated rate is 49%, but the sponsor only allows 39%. The difference of 10% on applicable expenses is considered “unrecovered” IDC.*

- In-Kind Match: In-kind match cannot come from internal, University sources. The value of non-cash contributions is provided by a third-party (e.g., services, supplies, real property, equipment, etc.). The value of such contributions should be readily determined, verified, documented, and justified. The department is responsible for providing the PAA with documentation (e.g., memo from the organization outlining the services provided) to support the in-kind match being received. This documentation should be provided quarterly to provide the PAA with the opportunity to post the contributions to the general ledger and report properly. Examples include:
  - Volunteer Services: *A consultant volunteers a portion of his time working on a project. The value of his time can be used to meet cost share.* Rates for third-party volunteer services must be consistent with those paid for similar work by the University and pre-established with the sponsor. Uniform Guidance requires expenditures to be reasonable; as such, the value of volunteer services must be consistent with similar work.
  - Third-Party Employee Services: *An outside firm donates services to fulfill certain project objectives. The value of the services provided can be used to meet cost share.* 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. Any indirect costs included in the valuation must adhere to the third-party organization’s approved federally negotiated rate or a rate that complies with 2 CFR 200.414.
  - Third-Party In-Kind Contributions: *A local organization donates a piece of equipment to be used for the project. The value of the equipment can be used to meet cost share.* The fair market value of in-kind goods and services must be thoroughly documented, and to the extent feasible, supported by the same methods used internally by the University. The [In-Kind Contributions Form](#) (see Appendix A) should be completed and retained to support all third-party in-kind contributions.
- Subrecipient Cost Share: Commitments, expenditures, or in-kind cost sharing made by subrecipients (for sponsored awards where the University is the prime awardee). Cost sharing is included in the subrecipient’s proposal and documented in the subaward agreement.

These types of cost sharing commitments cannot be tracked in the University's financial system without appropriate notification from the subrecipient organization. Subrecipient cost share should be detailed on the subaward invoices submitted by the subrecipient organization, verified by the Compliance Team, and subsequently communicated to Grants and Funds Management to record in the financial system accordingly. USC's PI must review the subrecipient's invoices monthly to ensure they are meeting the required cost share before submitting the invoices for payment.

#### **D. Recording and Monitoring Cost Share**

Cost share can be met in various ways, including through payroll (salaries and fringe), travel expenditures, internal charges, tuition supplements (complete the [Tuition Supplement Form](#), with the applicable project indicated in the Comment box), purchasing card transactions, direct payment requests, requisitions (via purchase orders), journal entries, etc. To be considered acceptable as cost-sharing, contributions to a project must be allowable, allocable, necessary, and reasonable for the proper and efficient accomplishment of project objectives. All mandatory and/or committed cost share, including salary cap requirements, must be tracked in the financial system to substantiate the activity.

For non-payroll expenditures, account codes for cost share are automatically established during the award set-up process in PeopleSoft Finance. For payroll expenditures, cost share account codes or "combo codes", which begin with a "C", must be created in PeopleSoft HCM for cost share to be properly recorded. The [Cost Share Request Form](#) must be completed by the department to request combo codes – see [Cost Share Request Form Instructions](#) for further guidance. Account change forms should be used to update and designate applicable salary charges as cost share on a sponsored award.

Sponsors can and will withhold reimbursement if cost share requirements are not met. Most sponsors expect cost share to be charged in ratio throughout the life of the project. As such, cost share must be recorded in ratio with project spending. It is vital to record cost share promptly throughout the life of project – waiting until the end of the project to record cost share is not an allowable practice.

Departments/Pis are ultimately responsible for monitoring their cost share and ensuring requirements are consistently met in a prompt manner. Pis and Grant Support Staff can use the Grant Dashboard in the Finance Intranet to view what expenditures have posted as cost sharing to a sponsored award. To facilitate regular monitoring of cost share, Pis are emailed Grant Dashboard reports from the Controller's Office on the first day of every month that to show budgeted vs. actual cost share expenditures.

## **E. Internal Charges / Intra-Departmental Activities**

If another unit/department (e.g., service/recharge center) contributes supplies, equipment, services, etc. to a specific sponsored award, the respective expenditures must be based on a published rate and explicitly recorded and tracked in the financial system to qualify as cost share.

These types of internal charges also must be consistently and uniformly applied across sponsored awards and activities – all costs must be treated the same across the University. For example, if equipment is contributed by a department to accomplish objectives on Project A and Project B, the respective expenditures should be accounted for in the same manner for both projects. It would be improper for the contributed equipment to be accounted for at a different rate between projects or tracked as cost share for one project and not the other.

## **F. Roles and Responsibilities**

Cost sharing responsibilities are shared among various parties, as follows:

### Principal Investigator / Department

- Ensure that only mandated cost share commitments are made in sponsored award proposals.
- Attach substantiating documentation for all approved third-party cost share commitments in USCeRA (e.g., signed memo).
- Review the cost share budget at the beginning of the award (using USCeRA and the Grant Dashboard in the Finance Intranet).
- Request cost share chartfields through the [Cost Share Request Form](#).
- Process any needed account change forms to ensure cost share is recorded timely.
- Record and monitor cost share to ensure it is recorded in ratio with spending.
- Coordinate with the appropriate SAM Administrator and follow the proper procedures for any cost share re-budgets.
- Remind third-party contributors of obligations and obtain and submit required documentation to GFM.
- Monitor and comply with sponsor salary caps.

### Grants and Funds Management

- Report cost share on any required financial reports and invoices.
- Review third-party cost share request submissions and record entries.
- Record waived IDC. *Note: GFM is not responsible for ensuring charges other than waived IDC post to sponsored awards.*
- Review items for allowability and compliance with Uniform Guidance.
- GFM will not set up accounts for sponsored awards that have not received explicit approval from the SAM Office.

Office of Sponsored Awards Management

- Developing and enforcing pre-award procedures.
- Identify cost sharing requirements in the Notice of Award.
- Ensure budgets adhere to the award requirements.
- Record cost sharing commitments in USCeRA.

**G. Resources and Forms**

Resources, trainings, and guides can be found on the Controller’s Office website under the Grants and Funds Management and Resource and Training Toolbox sections.

**History of Revisions:**

<b>DATE OF REVISION</b>	<b>REASON FOR REVISION</b>
November 1, 2024	New Procedure
July 1, 2025	Added History of Revisions section