

IV. Accounting for Cost Share Commitments

A. Overview

Cost share commitments are contributions made by RIT or a third party to support the overall costs of a sponsored project. The cost share commitments can be either mandatory or voluntary and can be in the form of cash or in-kind services for expenditures not reimbursed by the primary sponsor that directly benefit the award. Expenditures may be salaries, other direct costs, equipment or facilities and administration charges.

Objectives:

In this chapter you will learn about:

- Criteria for cost sharing
- Monitoring cost share commitments
- Cost share funding and spending rates
- Examples of cost share expenditures

B. Cost Sharing Criteria

1. Both cost sharing and matching achieve a similar objective: to provide funds in addition to the sponsor's award toward the total cost of a project. Typically, cost sharing occurs when the University uses its own funds for this purpose, while matching takes place when the University raises funds from another source. As defined by 2 CFR § 200.306, cost sharing and matching contributions must meet the following standards:
 - a. Necessary and reasonable to accomplish the project objectives
 - b. Allowable under the grant or contract
 - c. Verifiable (i.e., separately tracked in the accounting system and supported by adequate documentation when required)
 - d. Not be paid by the Federal Government under another award, except where authorized by Federal statute
2. When specifically allowed, funds from non-Federal awards may be used to fund cost share commitments. However, contributions from non-Federal sources may be counted only once as cost sharing toward Federal projects.
3. If there is minimal PI effort on a federal award because the award cannot support the full effort being put forth and RIT did not commit the effort in some way to the sponsor, then there is no need to set up a cost share account to track the effort.

C. Types of Cost Share Commitments

1. There are three types of cost share commitments – mandatory, voluntary committed, and voluntary uncommitted. Mandatory commitments are generally specified in the

grant or contract. Voluntary commitments are not required, but are identified in the project proposal.

- a. **Mandatory** – cost sharing either required by the terms and conditions of the award or by federal statute that requires RIT or an approved third party sponsor to contribute toward the project as a condition of receiving the award. These accounts are tracked separately.
 - b. **Voluntary Committed** - a cost associated with a sponsored project, which was specifically identified in the proposal, such as a percentage of faculty effort, but was not required or funded by the sponsor. These accounts are also tracked separately.
 - c. **Voluntary Uncommitted** - a cost associated with a sponsored project and not funded by the sponsor which was not committed in the proposal or in any other communication to the sponsor. These accounts are not quantified.
2. Most federally-funded research programs should have some level of committed faculty (or senior researcher) effort paid by the government or the grantee institution. If a research agreement shows no faculty (or senior researcher) effort, an estimated amount will be calculated and included in the organized research base and a voluntary uncommitted cost share account would be created to track the minimal PI effort.
 3. Some sponsors require a percentage of the project costs be paid by the award recipient as a “match” to their funding. This type of mandatory cost share is called **matching funds**.
 4. Cost share expenses must be approved in advance by the Budget Office if funded by Institute funds or if the cost share amount exceeds \$50,000 of departmental funds. It is helpful to inform the Department and the College Partner in these instances.
 5. Failure by the award recipient to follow the cost share requirements specified in 2 CFR §200.306 may result in audit findings. These findings may include
 - a. Cost sharing not verifiable from the recipient’s accounting system
 - b. Failure to keep adequate source documentation
 - c. Unclear or undocumented valuation of in-kind contributions, and
 - d. Lack of support for cost sharing contributions by subrecipients.

D. Other Cost Sharing Sources – Gifts and Third Party In-Kind Contributions

1. A donor may provide a gift or a tangible item to support a sponsored project. When this occurs, supporting documentation must be forwarded to the department’s Development Office representative and to SPA for placement in the grant file. Refer to “[Accounting for Gifts, Endowment Earnings and Other Projects](#)” on the Controller’s website for additional information on gifts, gifts-in-kind and other non-monetary contributions to RIT.

2. When an **in-kind contribution**, such as effort or services, is made to RIT by a third party that is specifically identifiable and directly benefits the project, SPA staff records the value of these non-cash contributions in the general ledger.
3. Required documentation for third party in-kind contributions includes:
 - information about the in-kind contribution on the letterhead of the company making the contribution
 - a detailed description of the in-kind contribution
 - the value of the contribution and the method used to assign/determine the value
 - the time period covered (i.e. leased equipment)
 - the signature of the appropriate budgetary authority
 - RIT's PI signature
4. The in-kind documentation is maintained by SPA in the grant records.

E. Monitoring Cost Share Commitments

1. When cost share commitments are required by the sponsor, e.g. a mandatory or voluntary committed cost share, SPA establishes a separate project number in the general ledger. The cost share project is used to track and verify the cost share expenditures.
 - a. Cost share project numbers are the same as the funded project except the first character in the project segment begins with a "C" instead of a "3". For example is the funded project number is 30049, the cost share project number is C0049.
2. Cost share expenses, including salaries, are charged directly to the cost share project using the appropriate object code as established in the cost share project budget.
3. Cost share expenses are subject to audit and also held to the same standards and restraints as the main award.

F. Examples of Cost Share Expenditures

1. Personnel Expenses – The effort contributed by RIT employees who work on a sponsored project and are not compensated directly with project funds may be included in cost sharing. Salary expenses, or percentage of effort, are charged directly to the cost share project via the **Employee Action Form (EAF)**. Each quarter, SPA funds cost share commitments via a transfer journal entry that will debit the funds in the funding department (e.g. the operating account), and credit the funds in cost share account. Cost share accounts that are funded from only one internal source may be funded automatically monthly.
 - a. Salaries – The PI must approve all EAFs for salaries charged to his/her grant or contract, including cost share accounts.

Note: when an employee's salary is being distributed to multiple projects, the end date of the EAF should correspond with the earliest project end date. The EAF is electronically routed via Oracle to all relevant departments /colleges to obtain required approvals prior to routing to the SPA rep for approval.

- b. Expenses charged will also include related benefit costs and ITS charges.
2. Other Direct Costs – Other direct costs include expenses such as supplies, travel, equipment, and tuition remission. These expenses are charged directly to the cost share project account, ex- C0049, when required or committed.

Note: For non-salary purchases, it is important to let the college partner or budget officer for your department know that the cost transfer has been completed so that they can anticipate the expenses on their respective awards and plan accordingly.

3. Equipment – When purchasing equipment, charge the cost share project number directly on the requisition.
4. **Graduate Tuition Remission** – Tuition remission is applied consistently to all Graduate Teaching Assistants (GTAs) and Graduate Research Assistants (GRAs) at a rate not to exceed 50% of tuition for a 20-hour appointment on sponsored projects when the cost has been approved in advance by the sponsor. For federally-funded projects, tuition remission and other forms of compensation are allowable when the graduate student is enrolled in an advanced degree program, is conducting activities necessary to the sponsored agreement, and the tuition remission is provided in accordance with established University policy.
 - a. A Graduate Research Assistant (GRA) Payment Request Form and a Graduate Tuition Remission Worksheet are submitted to SPA when a GRA is identified for a sponsored project. Once approved, the forms are sent to the appropriate departments.

The [Graduate Research Assistant \(GRA\) Payment Request](#) Form is located on the Controllers website.

5. Facilities & Administration (F&A) Charges – F&A may generally be applied to the direct costs recorded on the cost share project at the same rate charged to the sponsored award. F&A is charged via a monthly allocation to the cost share account.
 - a. It may also be appropriate, with prior approval of the sponsoring agency, to charge any **unrecovered** or **waived F&A** from the main (3XXXX) award to the cost share project.
6. Gifts – When a department receives a gift of any kind from an outside organization in support of a sponsored project, supporting documentation must be forwarded to the

department's Development Office representative and to SPA for placement in the grant file. SPA will record the gift on the cost share project.

G. Determining Cost Share Spending Rates

1. Prior to requesting reimbursement from the sponsor for a project with a cost share commitment, SPA confirms that the **spending rate** on the cost share project is greater than or equal to the spending rate on the sponsor funded project. SPA will not request funds from the sponsor until the cost share spending is at the same rate as the project spending since failure to meet the cost share commitment on a given project would jeopardize RIT's ability to obtain full reimbursement from the sponsor.
2. This example demonstrates how the cost share spending rate is calculated:

| | Funded Project | Cost Share Project |
|----------------|----------------------------|---------------------------|
| Project Number | 30049 | C0049 |
| Project Budget | \$200,000 | \$50,000 |
| Total Expenses | \$150,000 | \$ 5,000 |
| Spending Rate | $(150,000/200,000) = 75\%$ | $(5,000/50,000) = 10\%$ |

- a. In this example, the spending rate of the cost share project lags behind the spending rate of the sponsor funded project. As a result, SPA would only be able to bill for 10% of the expenses, or \$20,000, even though the total amount spent on the project is \$150,000. The sponsor would not be invoiced for the remaining \$130,000.
- b. The spending rate for an award is located in the right-most column and in the last row of the grant statement. See the example below:

| OBJECT | Total Budget | Encumbrances | Actual SEP-12 | PJTD Actual | Available Balance | Percent Expended |
|--------|--------------|--------------|---------------|-------------|-------------------|------------------|
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ |
| | 75,000.00 | - | - | 43,357.50 | 31,642.50 | 57.81 |

The 57.81% spending rate is calculated as follows:
 $(43,375.50 \text{ PJTD Actual} / 75,000 \text{ Total Budget}) * 100 = \text{Percent Expended or 'spending rate'}$.

- c. Spending rates should be monitored and reviewed at the monthly reconciliation meeting. Any cost share lag should be investigated and addressed timely to ensure that sponsor invoicing is not delayed.

H. Funding Cost Share Commitments

1. Cost share projects may be externally funded (**EC**), internally funded (**IC**), or receive mixed (**MC**) funding support provided partially with University resources. Internal funders can include an area's operating department, the Office of Financial Aid and

Scholarships, or a special project. External funders include private companies and/or other universities.

- a. The cost share type is indicated by the appropriate initials at the top of each cost share grant statement. See the example below of a header at the top of a mixed cost share grant statement.

DEPARTMENT=XX000 (SPA - SPA REP), PROJECT=C3XXX (DEPT#;MC;SPONSOR;AWARD#;PI;StartDate-EndDate)

2. When a cost share project is internally funded from an RIT departmental operating budget, whether fully or partially, SPA processes a **transfer journal entry** each quarter to fund the cost share expenses. The JE charges/debits the department's revenue line and credit a cost share revenue line on the cost share project.
 - a. SPA staff process journal entries in October, January, April, and June to transfer funds from operating, gift, or endowment accounts to cost share projects for internally funded cost share commitments. Cost share accounts that are funded from only one internal source may be funded automatically monthly. Funding transfers must be processed during the same fiscal year in which the expenses are incurred.
 - b. Due to NTID's September year-end close, all cost sharing projects funded from the NTID operating budget are funded in September.
 - i. For employees whose salaries are permanently budgeted in the department's operating account, charging their salaries to the cost share account will result in what appears to be "unused" salary dollars in the department's operating account. The funding journal entry will absorb departmental budget dollars "below-the-line", in the **Other** expenses section of the departmental budget. The net effect of both transactions to the departmental budget is zero (i.e., the department has unused salary dollars available, however, these funds will be used to fund the cost share expense). Contact the Budget Office to re-budget salary dollars from the **Salaries** object code to the transfer object codes so the transaction does not result in a net reduction of departmental budget dollars "below- the-line", in the **Other** expense budget category.
 - ii. Cost share accounts that are funded from only one internal source may be **funded automatically** each quarter. SPA will determine if this can be set up and facilitate the auto-funding. The 'SPA Cost Share Auto-Funding Parents Report' can be run to show the source of the cost share funds for those awards with a single, internal funder.
 - iii. The following is an example of a transfer entry to fund salaries, benefits, and ITS:

Operating account lines:

DR: 01.63100.63031.00.00000.00000 (Salaries)

DR: 01.63100.63032.00.00000.00000 (Benefits)

DR: 01.63100.63033.00.00000.00000 (ITS)

Cost share account line:

CR: 01.63119.63001.00.C0049.0000 (Cost Share)

- iv. The example below shows a transfer entry funding other direct costs of \$2,500 from the Electrical Engineering department's operating account to one of their federal cost share projects.

Operating account line:

DR: 01.63100.63030.00.00000.00000 (Other Direct Costs)

Cost share account line:

CR: 01.63119.63001.00.C0049.00000 (Cost Share)

- v. The example below shows a transfer entry funding capital equipment:

Operating account line:

DR: 01.63100.63030.00.84200.00000 (Capital Equipment)

Cost share account line:

CR: 01.63119.63084.00.C0049.0000 (Cost Share)

3. For the respective quarter being funded, the total amount expended on the cost share account needs to be funded from the cost share funding source via a journal entry. The total of the debited amount on the funding source should equal the total expenses recorded on the cost share project for the quarter.

To learn more about transfer journal entries, see Chapter 6, [When to Use Transfer Journal Entries](#), of the Accounting Practices, Procedures and Protocol Manual.

4. When a third party is funding cost share activity on a project, SPA staff will invoice the third party for the amount due. Revenue received from the third party will be recorded directly on the cost share project.

NOTE: Definitions for each of the key words mentioned throughout this document can be found in the [Glossary](#) on the Sponsored Programs Accounting website.