

University of Central Florida Guidance & Directive	
Guidance & Directive No: ORC-03	Date of Adoption/Revision: July 2006

Subject	Cost Share (Matching) Requirements
Authority	OMB Circulars A-21 and A-110; UCF Policy
Applicability	Administration of Sponsored Projects

1.0 Statement and Purpose

This directive addresses University guidelines associated with pre-award and post-award sponsored projects with cost sharing requirements as directed by the Office of Management and Budget (OMB) Circular A-21 (OMB A-21). The purpose of this directive is to provide guidance in establishing, funding and administering a sponsored project companion cost share account.

2.0 General Information

Under University cost sharing guidance and segregation of duties, the Office of Research & Commercialization (ORC), in conjunction with Finance and Accounting, establishes cost share (match) accounts when required under the terms of the sponsored project. Faculty administers these accounts, and the Finance and Accounting Budget Operations and Contracts and Grants (B/C) Division monitors the accounts. Lack of proper documentation to substantiate cost sharing requirements could result in questioned costs during an audit.

3.0 Definitions

- 3.1 Cost Sharing** – The term “cost sharing” also known as “matching commitment” refers to the portion of the total project cost not paid by the sponsoring agency.
- 3.2 Proposal Transmittal Form (PTF)** – The form is used to input data into the ARGIS system and must be completed when the Principal Investigator (PI) intends to obtain original signatures or if someone other than the PI or Co-PI fills out the ARGIS entry online.
- 3.3 Cost Sharing Memo for Matching Funds for Federal Agencies (MFFA) Only** – This cost sharing memo must be prepared when funds are available for federally funded programs under competitive review.

4.0 Duties and Responsibilities

- 4.1 PI and Co-PIs** – Consider available resources required to complete the project's objectives, which include sources of funds for cost share accounts. Consult with the Department Dean or Chair to verify that adequate financial and staff resources are available. Request that ORC and Finance and Accounting establish an account to accumulate cost sharing requirements. Substantiate cost share/matching requirements, including the percentage of effort related to personnel costs charged to the cost share account. Verify that committed cost sharing requirements are met and that proper documentation exists in accordance with University policies and sponsored agency requirements.
- 4.2 ORC Staff** - Review the Proposal Transmittal Form (PTF) and notify PIs of any incorrect or missing information. Review and approve proposal budgets and budget justification responses. Establish companion cost share accounts (in conjunction with Finance and Accounting) and provide account information to the PI/Co-PI upon award. Resolve discrepancies between the University's proposal and the sponsoring agency's award notice, as necessary. Review terms and conditions of award projects.

5.0 Finance and Accounting B/C Division – *Establish companion cost share accounts (in conjunction with ORC). Review expenses posted to sponsored projects (on a test basis) to ensure compliance with Federal guidance and limitations or exclusions of the grant award. Consolidate sponsored project C&G and match accounts, and invoice the sponsor agency as required by Federal guidance and/or provisions of the grant award. Prepare required financial reports to be submitted to the sponsor, and maintain supporting documentation for such reports. Provide monthly expense reports to PIs, Co-PIs and ORC.*

5.1 Pre-Award Requirements

- 5.1.1** UFC Policy requires that all cost sharing plus any voluntary cost sharing in excess of the requirement must either be specifically identified in the proposal or by a separate form accompanying the proposal during internal routing and approvals. Upon agreement to share the cost of a project, the University is required to identify financial and staff resources to perform the tasks in the agreement, prepare a budget, and identify the sources of funding to be used to meet cost sharing requirements.
- 5.1.2** All Cost Sharing Commitments must be documented on the PTF and signed by the responsible party for the matching commitment (PI, Department Chair, Dean, etc.). Additional proposed cost share must be budgeted and recorded, and substantiated by supporting documentation. The anticipated departmental account number that will be used to fund cost share accounts should be documented in the proposal.

5.1.3 MFFA Only – The maximum ORC will provide without prior approval is 12.5% of the total Facilities & Administration (indirect) cost collected from the project. Matching funds provided by ORC must be matched one-to-one (1:1) each year by the Department. The “Cost Sharing Memo for MFFA Only” form must be completed and signed by the responsible parties of the matching commitment. For additional information see <http://www.research.ucf.edu/SponsoredPrograms/FundingOpportunities/internalprog/mffap.htm>

5.2 Post-Award Requirements

- 5.2.1** When a sponsored award with cost share requirements is received, the cost share account(s) must be funded and expenses incurred in support of those cost sharing activities must be charged to the appropriate account. Timely funding and appropriate use of cost share accounts is critical in substantiating compliance requirements set forth in OMB A-21 and the sponsored agreement.
- 5.2.2** ORC will establish a companion cost share account (in conjunction with Finance and Accounting) to record and document sponsored project “matching” costs allowable by the University. In addition, ORC will submit a “Cost Share Memo” to the PI responsible for the sponsored project detailing procedures on the treatment of costs, informing of next steps to be taken, and how to comply with Federal and State requirements, and UCF Internal Auditors.
- 5.2.3** ORC will send the “Award Funding Report” to the PI and Finance and Accounting B/C Division which lists the accounts created related to the sponsored project (both C&G and cost share) and the approved budget by major object codeward Funding Report” to the PI. ORC will also send “Budget Transfer Form” to Finance and Accounting requesting that funds be transferred from the appropriate Departmental E&G account to the sponsored project cost share account. The Budget Transfer Form must identify the cost share percentages and other requirements that need to be implemented at the time the companion cost share account is funded. For additional information, see Cost Transfer guidance and directives.
- 5.2.4** PIs and Co-PIs should review project financial reports no less frequently than monthly to ensure that direct charges and cost transfers charged to the sponsored project account are appropriate and meet the requirements of OMB A-21 and the sponsored award.
- 5.2.5** Expenditures in excess of F&A administrative cap costs, unallowable costs as specified in OMB Circular A-21, salary amounts that exceed the regulatory cap, and other specified costs as determined in the award are not eligible for cost sharing requirements and should not be charged to sponsored project accounts.

5.2.6 Finance and Accounting should monitor expenses posted to sponsored projects to ensure compliance with Federal guidance and limitations or exclusions of the grant award. This control could help mitigate the potential for disallowed costs during an audit. Monitoring results should be documented and maintained in the appropriate grant file.

6.0 Record Retention

Financial records, supporting documents, statistical records, and all other records for all Federal and State sponsored projects must be retained for at least three (3) years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. Additional records retention requirements must conform to the award and/or policy of the specific sponsoring agency. Where documentation cannot be provided as to the allowability, allocability and reasonableness of any project expense, including but not limited to expenses incurred late in the project period, the sponsor may deny them. In this case, the PI, Department, or College will be expected to cover the expense from unrestricted sources.

Refer to 45 CFR 74.53 and CFR 92.42 for further guidance on records retention requirements.

Cost Share Compliance Reference

1. Risk Identified:

At the aggregate level, there is no formalized process to mitigate over-committing cost share or operating resources, both in committed level of effort or funding requirements, for potential grant awards. Although ORC, in conjunction with Finance & Accounting, establishes the cost sharing account (by project) after the award, there is no enforcement for the PI to move the budget into the match account and charge to that account. It is difficult for ORC and Finance & Accounting to monitor whether cost sharing is being met during the project as match requirements may be documented in the departmental E&G account if the contracts and grants account has not been funded timely. Therefore, cost sharing commitments could be double-counted.

Strategy to Mitigate Risk:

Aggregated co-funding requirements and committed level of effort should be tracked on submitted proposals. Subsequent to award, cost sharing accounts should be funded timely and cost share commitments accumulated in the appropriate accounts so as to reduce the possibility of over commitment of resources. UCF's established "Matching/Cost Share Requirements" procedure describes the process but is not enforced. Additionally, system controls should be in place to ensure all match accounts are considered prior to draw down of funds.

Guidance Addressing Risk:

- *From Effort Reporting guidance:* "University salary is allocated on the basis of a distribution of total effort, or full-time equivalency (FTE), including teaching, research activities, University citizenship, etc. Employees may not commit a total level of effort greater than 100% FTE. The PI for a proposed sponsored project must estimate the amount of FTE required to complete the project at the time of proposal. Estimated FTE requirements must reasonably represent the amount of committed effort to complete a sponsored project. Proposals must accurately represent the amount of time that key personnel are committing to the project. In preparing proposals, PIs must be careful not to overcommit themselves or others. Distribution of effort must take into account the time required for teaching and campus citizenship.
- *From Cost Sharing guidance:* Duties and responsibilities of the PI include "consider available resources required to complete the project's objectives, which include sources of funds for cost share accounts. Consult with the Department Dean or Chair to verify that adequate financial and staff resources are available. Request that ORC and Finance and Accounting establish an account to accumulate cost sharing requirements. Substantiate cost share/matching requirements, including the percentage of effort related to personnel costs charged to the cost share account. Verify that committed cost sharing requirements are met and that proper documentation exists in accordance with University policies and sponsored agency requirements."

- *From Cost Sharing guidance:* “When a sponsored award with cost share requirements is received, the cost share account(s) must be funded and expenditures incurred in support of those cost sharing activities must be charged to the appropriate account. Timely funding and appropriate use of cost share accounts is critical in substantiating compliance requirements set forth in OMB A-21 and the sponsored agreement award share. ORC will send the “Award Funding Report” to the PI and Finance and Accounting B/C Division which lists the accounts created related to the sponsored project (both C&G and cost share) and the approved budget by major object codeward Funding Report” to the PI. ORC will also send “Budget Transfer Form” to Finance and Accounting requesting that funds be transferred from the appropriate Departmental E&G account to the sponsored project cost share account.”

Control(s) Mitigating Risk:

- *Preventative:* ORC to initiate Budget Transfer request to fund cost share account upon receipt of sponsored project award.
- *Detective:* ECRT system will track sponsored project commitments (from PARIS system) and will alert the user if they are at risk of over-committing effort, or have exceeded 100% of an FTE.

2. Risk Identified:

PI's are responsible for determining the appropriateness of costs charged to match accounts. Restrictions on the types of costs chargeable to E&G funds (for example, no food costs) may not be applicable to contracts and grants funds. Inappropriate or unallowable costs charged to match accounts may not be identified unless obvious as there is no compliance verification of direct charges to grant awards.

Strategy to Mitigate Risk:

Strategies related to the monitoring of costs charged to sponsored projects were discussed in *Direct Cost Charging*.

Guidance Addressing Risk:

- *From Direct Cost Charging guidance:* “Only UCF personnel included on the DAL may authorize charges to sponsored projects. Personnel authorizing direct charges to sponsored projects must adhere to the guidance discussed in 5.1 and limitations or restrictions specific to the sponsored award.”
- *From Direct Cost Charging guidance:* “On a monthly basis, PIs (in conjunction with Department Administrators, where applicable) must review and monitor budget and expenditure reports for their sponsored projects. Regular monitoring of sponsored project expenditures is an important internal control element that may assist in mitigating future audit findings.”

Control(s) Mitigating Risk:

- *Preventative:* Restrictions have been established in PeopleSoft to prevent certain types of costs (object codes) from being charged to sponsored projects.
- *Detective:* Department Administrators and/or PI's review and monitor budget and expenditure reports for sponsored projects.

- *Detective:* The Compliance Office should also conduct independent monitoring of sponsored project costs to ensure compliance with Federal guidelines and the provisions of grant agreements.