

SEATTLE CHILDREN'S HOSPITAL RESEARCH INSTITUTE
Seattle, Washington

OPERATING POLICIES / PROCEDURES

DEPARTMENT: Office of Sponsored Research
POLICY NUMBER: OSR- 019
REPLACES: OSR-07
EFFECTIVE DATE: 2/28/08
REVISION DATE: 2/28/08

POLICY TITLE: Cost Sharing

POLICY:

Children's Hospital Research Institute ("Children's") seeks to sponsor and conduct research that will lead to improvements in the health and well-being of children. Competing for and receiving extramural research awards is essential to Children's actualizing its research mission. It is possible that sponsor policies or circumstances dictate that research proposals entail a certain level of contribution of costs not borne by the project sponsor. As part of its mission, and as a responsibility to those outside agencies that fund research here, Children's will implement projects with Cost Sharing components in a compliant manner and will support Cost Sharing consistent with this Policy in projects that advance the research and overall goals of the organization.

The goals of this policy are to:

1. Define the process, pre-award and post-award, to obtain and manage approved cost sharing.
2. Define which costs are appropriate for Cost Sharing.
3. Define criteria for funds to qualify as Cost Sharing.
4. Commit Children's to a Cost Sharing policy that is compliant with all applicable regulations and laws.
5. Provide the necessary central account infrastructure in support of policy compliance.
6. Establishes a requirement that PIs, CBMs and staff are compliant with this policy as a precondition for institutional submission of sponsored project proposals and the project(s)'s implementation upon award.

PROCEDURE:

1.1 Cost Sharing Responsibility

At Children's, the Principal Investigator (PI) has overall responsibility for the technical and fiscal management of a sponsored project. While responsibility for the day-to-day management of project finances may be delegated to the Center Business Manager (CBM) or other approved designee, accountability for compliance with Children's policy and sponsor requirements ultimately rests with the PI. This responsibility includes:

- i. Proper identification of Cost Sharing commitments.
- ii. Securing appropriate institutional approvals for proposed Cost Sharing commitments, and, in the event of award, the implementation of the appropriate actions to effect the Cost Sharing.
- iii. Provision of the documentation supporting the Cost Sharing.

1.1.1 When a Principal Investigator (PI) proposes and Children's agrees to cost share its resources, Children's is required to provide the stated resources in the performance of the sponsored agreement. Considering the administrative requirements and responsibilities inherent in the Cost Sharing commitment, the PI, departmental and divisional administrators should weigh the cost effectiveness and the expected benefits of each Cost Sharing commitment, prior to making such commitments. In addition, Obligatory Cost Sharing included in sponsored research agreements becomes a component of "Organized Research" and, as such, affects the institution's F&A (indirect) cost recovery. This effect on the institution's F&A cost recovery will also contribute to institute's executive staff decisions in approving or disapproving a project proposal containing Cost Sharing commitments.

1.1.2 Faculty members devote a reasonable portion of their time and effort to accomplish their research projects. Therefore, the most likely Cost Sharing contributions are salaries and wages (with associated benefits) of faculty and research staff directly engaged in the project. The percentage of time to be contributed must be reasonable in view of the individual's commitments to other extramural funded research projects and the terms of their appointment. Total effort expended on sponsored projects and other duties may not exceed 100 percent.

2.1 Proposal Preparation and Pre-Award Stage

2.1.1 Identification of Cost Share Commitments: All proposals of Cost Sharing commitments must be identified in the proposal budget and must be appropriately valued. Any cost sharing commitments budgeted for must be included in the proposal budget narrative and justification.

2.1.1.1 Cost Sharing, Types of Costs: Contributions may include the following cost elements used to further project objectives:

- i. Salaries, wages, and associated benefits.
- ii. Other expenses (e.g. real property, equipment, supplies, and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program).

2.1.2 When proposing Cost Sharing for Federal applications, the PI certifies that, to the best of his/her knowledge, the administrative requirements for including Cost Sharing on federal grants and cooperative agreements are met. These requirements are defined in OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations. Both in-kind and cash contributions by a recipient are acceptable as Cost Sharing or matching when all of the following seven criteria are met:

- i. Verifiable from recipient records.
- ii. Not included as contribution for any other federally assisted program.
- iii. Necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- iii. Allowable charges under applicable cost principles.
- iv. Not paid by another federal award (except as authorized by statute).
- v. Provided for in the approved budget when required by the federal awarding agency.
- vi. As required by Federal regulation, Children's will include all cost shared contributions to Organized Research in its F&A cost calculation.
- vii. Conform to other provisions in OMB A-110 as applicable.

2.1.3 When proposing Cost Sharing for non-Federal applications, Children's does not cost share on projects proposed to, or funded by, for-profit sponsors. Children's does not, *without prior approval*, waive or reduce indirect costs in order to meet sponsor Cost Sharing requirements. Children's does not cost share the value of contributions by non-employee volunteers.

2.1.4 Costs not allowed as Cost Sharing are:

- i. Cost included in F&A costs.
- ii. Salary paid in excess of the salary cap.
- iii. Unallowable costs - costs that may not be charged to grants according to federal regulation and/or institutional policy.

2.1.5 PI Cost Share Certification at time of Proposal, Post Award Obligations: When proposing Cost Sharing, the PI certifies that s/he will cooperate in every reasonable manner with the appropriate institutional offices to meet obligations pertaining to the tracking, reporting, and certifying of Cost Sharing, which are subject to audit. The principal investigator's research center generally should demonstrate its support of a proposed project by providing resources of the Cost

Sharing requirement. Central resources shall be committed on a case-by-case basis under the direction of the President of the Research Institute, when Cost Sharing requirements pose unusual hardship on the research center involved. All Cost Sharing commitments may only be met through CUMG-paid faculty effort or from discretionary resources; no Cost Sharing commitments may be met from institutional operating accounts.

- 2.1.6 **Signoff Requirements:** Prior to initiation of institutional signoff of any, the PI is responsible to:
- 2.1.6.1 Secure, and provide with the proposal signoff, all necessary approvals on the Cost Sharing Authorization Form.
- i. Cost Sharing commitments met through CUMG-paid faculty effort require the approval of the Division or Department Head.
 - ii. Those met from discretionary resources require the approval of the individual authorized to approve expenditures on the responsible discretionary account.
 - iii. No Cost Sharing commitments may be met from institutional operating accounts.
 - iv. All Cost Sharing commitments require the approval of the President of the Research Institute or designee.
- 2.1.6.2 Attach the Cost Sharing Authorization Form to the Children's Grants and Contracts Review and Signoff Form.
- 2.1.6.3 Cost criteria: To qualify as Cost Sharing, contributed costs must be:
- i. Directly identifiable with the project.
 - iii. Necessary and reasonable for the achievement of the project objectives directly identifiable with the project.
 - iv. Incurred during the period of performance of the award.
 - v. Financed from non-federal sources.
 - vi. Conform with the requirements of OMB Circular A-110.
 - vii. Allowed by applicable cost principles (45CFR74).
- 2.1.7 **OSR Review:** With regards to Cost Sharing, Children's policy requires that OSR review agency program guidelines and policy requirements to determine whether Cost Sharing is necessary.
- 2.1.7.1 When Children's commits Cost Sharing funds to a project, OSR, in conjunction with the Office of Research Finance (ORF), must verify the availability of such funds before submitting the proposal and proposal signoff will proceed only if funds available are sufficient to meet the Cost Sharing obligation.
- 2.1.7.2 Proposals containing Cost Sharing Commitments will be returned to the PI for corrective action if submitted:

- i. Without a fully-completed, approved Cost Sharing Authorization Form.
 - ii. Containing Cost Sharing commitments in the proposal narrative not reflected in the Project proposal budget.
- 2.1.8 Additional Considerations: In the event that a proposal is submitted for which appropriate Cost Sharing approvals were either not secured during signoff or such approvals are withdrawn after proposal submission, Children's policy requires that OSR notify the prospective sponsor that Children's withdraws the application from further consideration for funding, unless PI supplies the OSR with an approved Cost Sharing Authorization Form, upon notification of pending withdrawal of the application.

3.1 Post Award and Treatment of Obligatory Cost Sharing

- 3.1.1 Award Receipt and Activity Setup: All Cost Sharing included in a proposal becomes an obligatory ("Obligatory Cost Sharing") upon receipt of an award. Upon receipt of an award notice, OSR will forward to ORF copies of:
 - i. Award Notice.
 - ii. Children's Grants and Contracts Review and Signoff Form and Cost Sharing Authorization Form.
 - iii. Proposal budget and justification.
 - iv. Other available documentation, as required.
- 3.1.1.1 Activity Setup: Based on proposal information, ORF will establish two activities for awards with obligatory Cost Sharing:
 - i. Sponsored project activity
 - ii. Associated Cost Sharing activity (which will be noted on the sponsored project activity award screen).
- 3.1.1.2 If the Cost Sharing is Children's-funded, the activity will be tied to the Children's GL Company. When the associated Cost Sharing activity is established, ORF enters the committed Cost Sharing amount as the budget and transfers funds (for Children's-funded cost-sharing) from the activity(s) supporting the Cost Sharing.
- 3.1.1.3 If the Obligatory Cost Sharing consists of CUMG-funded physician researcher time and effort, the Cost Sharing activity will be tied to the effort-only GL company used for physician CUMG time.
- 3.1.2 Once Lawson activities are set up, ORF will distribute setup forms and the PI and CBM are responsible to verify and, if necessary, cause correction of the information on those forms.
- 3.1.3 Additional Considerations pertaining to Project awards that were reduced on award:

- 3.1.3.1 In the event that a proposed project containing Cost Sharing commitments is funded at a funding level that is less than proposed, the PI initiates a re-negotiation of the award. This process must result in documented Sponsor approval of a budget at revised levels of Cost Sharing commitment, thus reducing the level of Obligatory Cost Share.
- 3.1.3.2 Any revised budget proposals must be submitted to the Sponsor through the OSR.
- 3.1.3.3 If a budget re-negotiation is not initiated, the PI remains responsible for meeting the *entire* Cost Share commitment.
- 3.1.4 Allocation of Charges: Consistent with the overall fiscal responsibility of the PI, the PI is responsible for allocating project expenses to the sponsored project activity and associated Cost Sharing activity.
- 3.1.4.1 Upon receipt of the monthly budget reports from ORF, it is the PI's responsibility to review the salary and wage charges on both activities and ensure that they are reasonably accurate approximations of work performed on the project (see policy OSR-17, *Award Management Policy*).
- 3.1.4.2 Other direct costs charged to this project must also be reviewed and be reasonable to the project.
- 3.1.4.3 Where required, the PI and CBM must initiate correction of differences through the accounting system (see policy OSR-18, *Cost Transfers on Sponsored Awards*).
- 3.1.5 Documentation Requirements:
- 3.1.5.1 CUMG-funded Cost Sharing for physician researcher time and effort must be documented in the Level of Effort Certification Form as being charged to the Cost-sharing activity and GL.
- 3.1.5.2 Children's-funded Cost Sharing must be documented in the Associated Cost Sharing activity, which is subject to the same requirements as Sponsored Project activities.
- 3.1.6 Deficits (Overdrafts):
- 3.1.6.1 At no time during the project may the associated Cost Sharing activity be in deficit.
- 3.1.6.2 If a deficit occurs at any time, it is the PI's and CBM's responsibility to initiate the necessary corrective actions (see policy OSR-20, *Deficit Monitoring Policy*).
- 3.1.6.3 Corrections of deficits must be completed in the timeframe established in the Deficit Monitoring Policy, which is within 30 days of notification.

3.1.6.4 If the deficit is not corrected within this timeframe, the associated Cost Sharing activity or both the sponsored project activity and the associated Cost Sharing activity will be closed to further expenditure, at the discretion of the Vice President of Research or designee.

4.1 Activity Closeout


PIs are responsible for overseeing the proper close-out of sponsored projects, including the timely submission of all required reports.

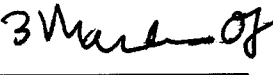
4.1.1 While ORF will prepare and submit final financial and property reports, they do so on the basis of documentation created under the PI's and responsibility. PIs must assure that such documentation is adequate and readily available.

4.1.2 Some financial reports may require the PI's signature (see policy OSR-17, *Award Management Policy*).

Submitting Office: Office of Sponsored Research

Approved by:


James B. Hendricks, President
Seattle Children's Hospital Research Institute


Date

DEFINITIONS:

Cost Sharing: That portion of project or program costs not borne by the Project Sponsor, regardless of whether these costs are contributed on an in-kind or cash basis. Cost sharing, often referred to as "matching," represents a redirection of institutional, departmental, divisional or research center resources from other activities to support sponsored agreements.

Cost Sharing, Types of:

Mandatory Cost Sharing is required by the sponsor as a condition of obtaining an award. It must be included or a proposal will receive no consideration by the sponsor.

Voluntary Cost Sharing represents resources offered by Children's when not a specific sponsor requirement.

Obligatory Cost Sharing: when an award is received in which Cost Sharing (voluntary or mandatory) was proposed, the Cost Sharing becomes a binding commitment which Children's must provide as part of the performance of the sponsored agreement. Therefore, after an award is made, any proposed Cost Sharing becomes obligatory, and no further differentiation between voluntary or mandatory Cost Sharing is made.