Cost Share Case Study 1

Professor Francis in the Chemistry Dept is submitting a research proposal to the Dept of Homeland Security. She is requesting $200,000. The program announcement indicates that the grantee must provide cost sharing equal to 30% of the amount being requested from the sponsor (in this case, $60,000). The proposal budget includes the following:

Cost sharing budget:

Effort contributed to Prof. Francis 2.5% of academic year salary	$ 2,000
Effort of Co-PI on current NSF grant at 5%	$ 2,800
Stipend for Postdoc at 40% of annual fellowship (paid from private foundation)	$14,000
Employee Benefits at 20% (from the three lines above)	$ 3,760
Access to Electron Microscope (10% time) Microscope purchased last year for $125,000	$ 1,250
Refreshments (Pizza and beer) for lab staff meetings	$ 1,000
Travel to meeting paid by Dept to support he co-PI on a NSF and this grant	$ 3,000
Third party contribution of equipment for new lab to support grant	$10,000
Dept. Chair salary and benefits at 1%	$ 2,000
Uncollected F&A on the above at $52.5%, base $39,810	$20,900
Total	**$60,710**

Review Prof. Francis' cost sharing budget. What corrections need to be made?

The underlying principle for cost sharing is that the costs must be allowable, allocable, reasonable, and consistent as if they are direct costs. Here are some comments:

- How does Dr. Francis verify effort to this proposal in the amount of detail proposed?
- You cannot match with other federal funds.
- A stipend is for subsistence and not a wage. It cannot be used as match in this case.
- The electron microscope is acceptable if an authorized re-charge center has been established.
- The refreshments are not allowable.
- You would need documentation as to how both grants benefit from the travel and determine a reasonable distribution of the total cost. (Do not charge airfare to one project and all per diem to another.)
- Contribution of equipment would be an allowable in-kind cost share.
- Does the Dept Chair add any direct benefit to the project?
- Unrecovered F&A is allowed if approved by the funding agency. If allowed, all costs in the base would need to adhere to the F&A agreement.

Cost Share Case Study # 2: The Case of the Matching Funds Game

Scenario:

One professor at State College in the Physics Dept and one at Private Univ. in the Engineering Dept, agree to be subcontractors to MIT for a Multiple University Research Initiative (MURI) 5 year grant administered by the Army Research Office (ARO).

The proposal solicitation requires 10% cost sharing. The Physics Department at State agrees to provide 3/4ths of the $200,000 needed for cost sharing and the Engineering Dept. will cost share using either faculty start-up funds or other nonfederal sponsored accounts for the remaining $50K. Engineering identified a piece of equipment they might purchase.

Questions to consider:

- What are the issues associated with non-specified cost sharing from the Private Univ?
- Are funds from Private Univ. really a part of the budget and do they have a direct impact on the conduct of the research?
  - This could be a question at some time in the future from the auditor.

- What questions would you ask about the purchase of the equipment?
  - Aside from the question above, is the equipment going to be wholly or only partially dedicated to this program? Are the funds available?

- Can you use a non-federal sponsored account for cost share?
  - Yes, if the sponsored agreement meets all the criteria in UG.

Continuation of Scenario:

In the award, MIT specifies that cost sharing must be reported on an annual basis and expects the cost share to be spent approximately 20% per year. However, there is a delay in getting the subcontract issued for the first year and the year is more than half gone before the account is set up at State. Private decided to buy the equipment but not until the 3rd year of the grant.

- What do you do? What are your options?
  - Renegotiate the reporting requirement so that the cost sharing reporting is changed.
  - Replace the cost sharing for the equipment with some other type of cost sharing.

- Can the PI's contribute personnel costs instead of buying the piece of equipment originally specified?
  - Yes, the PI's can contribute effort to meet the original cost share requirement under the same rebudgeteing authority as in the prime contract and subcontract and provided the effort is toward the purposes of the award.

- What if the piece of equipment was ordered and delivered but during the first six months of the award to MIT?
  - Under most circumstances, expenditures must be made within the start date and end date of the prime project. If the equipment was delivered earlier than the start date of the prime, some agencies allowed pre-award spending either in writing or as a matter of policy. It is important to know if pre-award spending is allowed and the subcontractor must ask for pre-award spending authority in the subaward.

Cost Share Case Study #3 The Case of the Justifiable Commitments

Which of the following statements should you use in a budget justification of a research proposal in order to minimize cost sharing?

	Cost Sharing language:		Voluntary, uncommitted cost sharing. No quantifiable parameters. Does not need to be documented.
Scenario 1	Dr. Grace will devote 20% of his effort but is only asking for funds for 10% effort	OR	Dr. Grace as the PI will provide guidance and supervision on this project.
Scenario 2	The department will contribute an electron microscope (cost $100,000) in support of this project.	OR	Our lab has at its disposal, a new electron microscope.
Scenario 3	The department will buy additional lab supplies ($5,000) to support this project if it is funded.	OR	The department will purchase additional lab supplies to support this project if it is funded

Consider this:

- Dr. Star, renowned Nobel laureate, will devote 1% of his time and effort to this project.
    - This could be regarded as voluntary, committed cost sharing since we have a 1% commitment.

- Animal per diem costs in Biology are $2.00/mouse/day. This project will pay $1.00/day for one hundred mice.
    - This is committed cost share because the cost of $1.00 per day is being absorbed some other source of funding.

- Dr. Nelson, our consultant, will charge $100 per day which is a reduced amount from his normal $120 fees.
    - This could be committed cost share if you can <u>verify</u> Dr. Nelson's $120 fee through some objective method.

- Dr. Morris will be the PI on this project. She is not requesting any salary in the budget.
    - This would be cost share because the OMB clarification memo says that a PI must have some effort during a research project (with few exceptions noted in the clarification). Institution policy should help define this percentage.

OFFICE OF RESEARCH AND SPONSORED PROGRAMS
GUIDANCE DOCUMENT

UMASS BOSTON

Subrecipient vs. Contractor Classification

Related Policy: Subrecipient Monitoring Policy

UMB must make case-by-case determinations in classifying each agreement as either a subaward agreement or a procurement contract. When the relationship remains unclear, this guidance document may provide assistance in making an accurate determination. Misclassification may result in delays of subaward processing and/or significant errors in F&A budget calculations.

- Subrecipient - A subaward is issued for the purpose of carrying out a portion of an award and creates an assistance relationship with the subrecipient. UMB collects F&A on the first $25,000 of a subaward.
- Contractor - A contract is awarded for the purpose of obtaining goods and/or services for UMB's own use and creates a procurement relationship with the contractor. UMB collects F&A on the entire amount of the contract.

During the proposal phase or as prospective subrecipients are identified, it is recommended that the **Grants and Contracts Administrator** use the *Subrecipient Determination Checklist* below. Use of this tool is not required, but can help clarify the difference between subrecipients and contractors when establishing a relationship with outside entities for the purposes of developing a grant proposal.

Subrecipient: Characteristics which support the classification of the entity as a subrecipient include when the entity:

☐ Determines who is eligible to receive what Federal assistance

☐ Has its performance measured in relation to whether objectives of the award were achieved (are the specific aims, goals, and/or milestones dependent on the entity's participation?)

☐ Has responsibility for programmatic decision making; participates in interpretation of results and publication authorship

☐ In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity

Entities that include these characteristics are responsible for adherence to applicable Federal program requirements (i.e. Terms and Conditions) specified in the Federal award.

Contractors: Procurement Contracts awarded for the purpose of obtaining goods and services for the entity's own use are not considered subawards for purposes of this guidance. Such a contract creates a procurement relationship between the parties. Characteristics indicative of a procurement relationship are when the entity receiving the Federal funds:

☐ The goods or services are within the outside entity's normal business operations, e.g. manufacturing, data or sample analysis, core services, etc.

☐ Similar goods or services are provided to many different purchasers

☐ Operations are in a competitive environment

☐ The goods or services are ancillary to the operation of the Federal program

Entities that include these characteristics are not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

In determining whether a subrecipient or contractor relationship exists, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases; therefore UMB must use judgment in classifying each agreement as a subaward or a procurement contract.

Explanation of use of judgment determination (use only when the determination cannot clearly be made using the above criteria)

Final Determination ☐ **Subrecipient** ☐ **Contractor**

Dr. Sapp Budgeting Scenario

Case Study: Planning Ahead to Achieve a Smooth Collaboration

#1 Subrecipient vs. Vendor Contract

Junior Faculty, Tiffany Sapp of UMass Boston (UMB) is the Principle Investigator on a large, complex proposal which will study the correlation between sunspots and ocean temperatures. The proposal will be submitted to the Department of Energy (DOE). The project includes collaborations with the following colleagues, Professor Carter at Johnston University (JU) and Dr. Strange from Cambridge National Laboratory (CNL). Further Nixxen Oceanography Company (NOC) will collect multiple samples from around the world.

Dr. Sapp has never directed a research project that includes a subaward to another organization/entity. After multiple conversations Profs. Sapp, Carter, and Doom have reached an agreement about the portions of the project that will be carried out in each of their laboratories, as well as the approximate level of funding required for each investigator- about $400,000 per year (Sapp), $150,000 per year (Carter) and $125,000 per year (Strange) and Nixxen is budgeting $110,000 per year to collect samples.

The deadline for submission is about three weeks away and Dr. Sapp has called you in for assistance and guidance on the proposal development. What do you tell her?

#2 Cost Share

In addition to addressing Dr. Sapp's questions about subrecipients and vendors, she also makes you aware that she has "heard" from colleagues that her proposal will be reviewed favorably if she includes lots of cost share. In fact, she says the DOE will expect to see cost share proposed in the budget. With that expectation in mind, she has already begun drafting a budget where she proposed a 1:1 match composed of direct costs and she would also like to request an F&A waiver because she cannot afford to meet that commitment unless the F&A is waived and the waived F&A can be used towards the meeting the 1:1 cost share, thus gaining a competitive advantage... What do you tell her?

What	**Who From?**	**Why?**	**What Next?**