POLICY STATEMENT

All University of North Dakota (UND) researchers who engage in sponsored projects must comply with UND policies and sponsoring agency regulations regarding proposing, charging, and reporting of committed cost shared funds on those projects. Moreover, it is essential that the use of cost share does not overburden departmental resources or facilities and administrative (F&A or indirect) recoveries.

REASON FOR POLICY

As a research institution, the University must comply with obligations identified within the Federal Office of Management and Budget’s regulations regarding cost share and other relevant sponsor requirements. Clear direction must be provided to faculty and staff for determining cost share in proposals, and for tracking, monitoring, and recording cost share by the University. Moreover, the best possible alignment between faculty and staff activity and funding sources should be promoted to enhance research efforts at UND.

SCOPE OF POLICY

This policy applies to all members of the University community and should be read by:

- President
- Vice Presidents
- Deans, Directors & Department Heads
- Grants and Contracts Administration (GCA)
- Faculty
- Staff
- Students
- Others: Department Administrators

WEB SITE REFERENCES

This policy: [http://UND.edu/research/files/docs/policy/1-5-cost-share.pdf](http://UND.edu/research/files/docs/policy/1-5-cost-share.pdf)
Vice President for Research & Economic Development: [http://UND.edu/research](http://UND.edu/research)
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CONTACTS

Specific questions should be directed to the following:

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<tr>
<th>Subject</th>
<th>Contact</th>
<th>Telephone</th>
<th>E-Mail / Web Address</th>
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DEFINITIONS

**Cost Share**

- The portion of project costs not borne by the sponsor.
- 1. Mandatory. Cost share that is required by the sponsor and must be included in the proposal.
- 2. Voluntary. Cost share that is not required by the sponsor. It may be committed or uncommitted.
  - a) Committed. Cost share that is included in the proposal budget or budget narrative.
  - b) Uncommitted. Cost share in excess of committed. This cost share should not be documented or reported.
- 3. Third Party. An in kind contribution to a sponsored project or program provided by a party other than UND or the primary sponsoring agency.

**Effort**

- 1. Committed Effort. The proportion of time for individuals working on a grant as outlined in the proposal.
- 2. Actual Effort. Actual time an employee devotes to a particular sponsored project (including time pledged to a sponsor as mandatory or voluntary committed cost sharing).

**F&A**

Facilities and administrative costs. Sometimes referred to as indirect costs, overhead, or administrative allowance.

**GCA**

Grants & Contracts Administration

**OMB**

Office of Management and Budget. OMB develops and executes the federal budget, various government-wide management portfolios, and OMB-wide functional responsibilities.
Personnel Activity Confirmation Report (PAC Report)  
This report is used by the University to certify an employee’s effort on each project.

PI  
Principal Investigator. The individual, designated by the awardee, who is responsible for the scientific or technical aspects of the award and for day-to-day management of the project. This individual works closely with designated officials within the grantee organization to create and maintain necessary documentation, including both technical and administrative reports; prepare justifications; appropriately acknowledge federal support of research findings in publications, announcements, new programs, and other media; and ensures compliance with other federal and organizational requirements.

PRINCIPLES

OVERVIEW – All UND researchers who engage in sponsored projects must comply with UND policies and sponsoring agency regulations regarding proposing, charging, and reporting of committed cost shared funds on those projects. Moreover, it is essential that the use of cost share does not overburden departmental resources or facilities and administrative (F&A or indirect) recoveries.

Cost share is the portion of the total project costs not borne by the sponsor. It may be referred to as matching or in-kind. The University must document all committed cost share whether mandatory or voluntary. Cost share can be realized through committed effort without requesting sponsor salary support, cash contributions, noncash contributions, or other sponsored agreements. Cost share should only be offered if clearly mandated by the sponsor, if needed to accurately reflect the resources required to conduct the project, or if doing so is in the best interest of the University.

UND discourages voluntary cost share with UND resources as it may:
1. Reduce the flexibility of researchers to conduct other research by obligating their effort to specific projects for which they are not reimbursed.
2. Decrease the University’s recovery of F&A costs by the addition of cost share to the research base.
3. Redirect departmental, college, or central resources from other mission-critical uses to support sponsored agreements. Every dollar spent on local or appropriated funding of voluntary cost share results in the University forfeiting not only the recovery of a direct cost, but also the recovery of the associated indirect cost, except in the case of cost shared capital equipment or tuition, for which there is no associated F&A.
4. Impose a substantial tracking, monitoring, recording, and documenting burden on the principal investigator (PI) and university administrators for all cost share commitments and expenditures. Cost share requires the PI/University to 1) capture cost share identified with a particular project within the University financial system, 2) maintain adequate source documentation for committed cost share, 3) clearly document the valuation of in-kind donated contributions, and 4) require the subrecipients to provide documents for cost share contributions.
5. Increase the University’s exposure to audit liability as cost share is subject to audit.

PROCEDURES

Proposal Development

If cost share is mandatory, PIs must include it in the proposal budget or narrative and on the proposal transmittal form. The rules and regulations that govern the award also govern the cost share portion of the award. Thus, all cost share must be:
1. Allowable under University and sponsor policies as a direct cost on the project,
2. Allocable as a cost to the project,
3. Necessary and reasonable for performance of the project,
4. Incurred during the period of performance of the project, and
5. Documented and verified by the University’s records.

Cost share may not be paid by the federal government under another award except where authorized by the sponsor.

Award Acceptance

If the project is awarded less funds than proposed, the PI should review the scope of work, cost share commitments and discuss appropriate reductions with the sponsor.

Funds will not be available until the funding source for the cost share has been identified. Exceptions may be permitted with commitment from the dean, director, departmental chair, or designee.

Documentation of Cost Share

Cost share expenditures must occur during the time frame of the sponsored award. Departments are responsible for ensuring that the appropriate chart fields are used in order to verify that funds have been expended. PIs should work with Grants and Contracts Administration (GCA) to ensure that proper documentation is provided for cost share.

UNIVERSITY SALARY OR WAGES – Any committed effort that contains cost share will be captured on the Personnel Activity Confirmation (PAC) report. The funding source of salary or wages used for cost share should be provided to GCA at the time of award set up.

UNIVERSITY UNRECOVERED F&A – There are two types of unrecovered F&A:
1. Waived F&A – A reduction of the allowable F&A rate which may need vice president for finance and operations approval. (See the University’s F&A distribution model summary)
2. Cost Share F&A – F&A on direct costs not paid by the sponsoring agency. This may be used as cost share with agency approval.

THIRD-PARTY LABOR CONTRIBUTIONS – The organization must document the time commitments through its own financial system and this documentation must be retained by that organization for audit purposes. The provider of the cost share must send a letter that identifies the time and value of that time. The letter must be written after the individual has contributed the effort. Estimates will not be accepted. The PI or department administrator must forward the letter to GCA.

THIRD-PARTY NONCASH CONTRIBUTIONS – Noncash third-party contributions may be at fair market value, or at a documented price that the University would have paid. This documentation must be provided to GCA.

Potential Consequences of Not Following Cost Share Policy

Cost share cannot be reported if the expenditures are not tracked or recorded correctly, exposing the University to fines or penalties. The sponsor may:
1. Withhold cash payments pending correction of the situation;
2. Disallow all or part of the cost associated with the noncompliant activity, denying the use of the sponsor’s funds and denying any applicable cost share credit;
3. Suspend or terminate the award;
4. Withhold future awards; or
5. Pursue other legal remedies.

Additionally, any violations of this policy can result in discipline up to and including termination in accordance with North Dakota University System and UND human resource policies.
RESPONSIBILITIES

<table>
<thead>
<tr>
<th>College/Department/Center Admins</th>
<th>▪ Assist PI to ensure cost share requirements have been met.</th>
</tr>
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</table>
| Grants and Contracts Administration | ▪ Provide cost share reports to sponsor.  
▪ Assist PI to ensure cost share requirements have been met. |
| PI | ▪ Provide cost share information to GCA.  
▪ Confirm cost share requirements have been met. |

FORMS


APPENDICES

| Appendix 1 – Memoranda 01-06 – Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs | [https://www.whitehouse.gov/omb/memoranda_m01-06/](https://www.whitehouse.gov/omb/memoranda_m01-06/) |

REVISION RECORD

| 08/26/2015 - Policy Implementation | Signed by President Robert O. Kelley |
Memoranda 01-06 -- Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs

January 5, 2001

M-01-06

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

FROM: Joshua Gotbaum
Executive Associate Director and Controller

SUBJECT: Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs

This memorandum clarifies the treatment of voluntary uncommitted cost sharing effort and tuition remission costs in accordance with OMB Circular A-21, "Cost Principles for Educational Institutions." This clarification is consistent with the recommendation by the National Science and Technology Council (NSTC) to improve the Government-university research partnership.

In two separate sections below, this memorandum discusses the purpose of the clarification, the background, the related issue, and the clarification for the treatment of voluntary uncommitted cost sharing and tuition remission costs in accordance with OMB Circular A-21.

Voluntary Uncommitted Cost Sharing

Purpose. This memorandum clarifies the treatment of voluntary uncommitted cost sharing effort in the computation of facilities and administrative (F&A) rates in accordance with OMB Circular A-21. Voluntary uncommitted cost sharing effort is defined, for the purpose of this memorandum, as university faculty (including senior researchers) effort that is over and above that which is committed and budgeted for in a sponsored agreement.

Background. Circular A-21, section C.4, "Allocable Costs," states that "a cost is allocable to a particular objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship." Most faculty organized research effort is either charged directly to the sponsor, or is considered mandatory or voluntary committed cost sharing (i.e., cost sharing specifically pledged in the proposal’s budget or award) on the part of the recipient. Both mandatory and voluntary committed cost sharings are consistent with the terms and conditions of a sponsored agreement and captured in the accounting system. Voluntary uncommitted cost sharing effort, on the other hand, is faculty-donated additional time above that agreed to as part of the award.
Mandatory and voluntary committed cost sharing must be properly documented for cost accounting purposes. In addition, current Circular A-21 provisions require that, for research projects that are funded by both the Federal Government and a private third party (e.g., a corporation), the faculty should properly document through reporting its compensated effort, including mandatory and voluntary committed effort in order to allocate salaries and associated F&A costs.

**Issue.** Recently adopted Cost Accounting Standards in Circular A-21 have been interpreted by some Federal Government officials to require the assignment of a proportionate share of F&A costs to the voluntary uncommitted cost sharing effort by either including an estimated amount in the organized research base or by adjusting the allocation of facility costs related to this effort.

The reporting burdens on universities and their faculty associated with detailed recording of voluntary uncommitted cost sharing may be providing a disincentive for the universities to contribute additional time to the research effort. In addition, the imprecise nature of the data concerning the amount of voluntary uncommitted cost sharing has made it difficult to compute and use as part of rate negotiations between the Federal Government and the universities.

**Clarification.** Voluntary uncommitted cost sharing should be treated differently from committed effort and should not be included in the organized research base for computing the F&A rate or reflected in any allocation of F&A costs. Furthermore, such faculty effort is excluded from the effort reporting requirement in section J.8. This treatment is consistent with the guidance in section J.8.b (1).c, "Payroll Distribution," that a precise documentation of faculty effort is not always feasible, nor is it expected, because of the inextricably intermingled functions performed by the faculty in an academic setting (i.e., teaching, research, service and administration).

Although voluntary uncommitted cost sharing will no longer be included in the organized research base, it should be noted that current A-21 provisions for payroll distribution (section J.8.b) require that the apportionment of salaries and wages must be supported by a payroll distribution system that "will encompass both the sponsored and all other activities on an integrated basis." The process must also identify significant changes in the corresponding work activity. As such, when an institution reduces a faculty member’s level of activities dedicated to other institutional responsibilities in order to shift his/her activities to organized research activities, the institution must reflect this reduction in the payroll distribution system (as an increase to the research effort component) and in the F&A proposals.

In addition, most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government. This effort can be provided at any time within the fiscal year (summer months, academic year, or both). Such committed faculty effort shall not be excluded from the organized research base by declaring it to be voluntary uncommitted cost sharing. If a research program research sponsored agreement shows no faculty (or senior researchers) effort, paid or unpaid by the Federal Government, an estimated amount must be computed by the university and included in the organized research base. However, some types of research programs, such as programs for equipment and instrumentation, doctoral dissertations, and student augmentation, do not require committed
faculty effort, paid or unpaid by the Federal Government, and consequently would not be subject to such an adjustment.

In the future, OMB and the research agencies will evaluate the impact on committed cost sharing of this clarification memorandum.

This interpretation of the treatment of voluntary uncommitted cost sharing is applicable prospectively to future sponsored agreements and future F&A proposal submissions. It does not require adjustments for current sponsored agreements or affect the negotiated rates that were agreed upon by the Federal Government and the universities based on previous F&A submissions. F&A rates negotiated prior to this clarification will not be renegotiated, nor will this clarification affect the calculation of prior years’ carry-forward amounts.

**Tuition Remission Costs**

**Purpose:** This memorandum provides a clarification for the tuition remission costs of graduate students charged to Federal programs in accordance with OMB Circular A-21, Section J.41, "Scholarships and Student Aid Costs," and Section A.2.c. "Purpose and Scope." Specifically, it clarifies that the Circular’s requirement for a "bona fide employer-employee" relationship does not mean that the tuition remission costs are allowable only if the graduate student is treated as an employee for the purposes of the Internal Revenue Code and the Internal Revenue Service (IRS) regulations.

**Background:** OMB Circular A-21, Section A.2.c, "Purpose and Scope," states: "the dual role of students engaged in research and the resulting benefits to sponsored agreements are fundamental to the research effort and shall be recognized in the application of these principles." Section J.41, "Scholarships and Student Aid Costs," states that tuition remission costs for students are allowable on sponsored awards provided that "there is a bona fide employer-employee relationship between the student and the institution…" This statement has been interpreted incorrectly by some Federal Government officials to mean that, for tuition remission costs to be allowable, students must be treated as employees of the university, for tax purposes, which would mean that students’ tuition remission benefits must be treated as taxable wages. This misunderstanding has recently generated a considerable amount of concern from universities and Federal research agencies. A clarification of the "employer-employee relationship" condition is necessary to correct this misunderstanding about the relationship between Circular A-21 guidelines and the IRS regulations.

**Issue:** The Federal policy on support of graduate students participating in research projects is to provide a reasonable amount of support (tuition remission and other support) on the basis of the individual’s participation in the project. Sponsoring agencies are supporting graduate students who fulfill a vital role both as students and as researchers. This policy is not contingent on there being an employer-employee relationship, for tax purposes, between the institution and the graduate student. Rather, it recognizes the reality that research activities are an essential component of the individual’s educational activities.
Clarification: OMB in the Circular did not intend to tie the allowability of tuition remission costs to how they are treated for tax purposes. However, given the misunderstanding that has arisen, a clarification is needed. In recognition of the dual role of students (as both students and researchers) engaged in research and the resulting benefits to sponsored agreements (as recognized in Section A.2.c of OMB Circular A-21) and research overall, tuition remission and other forms of reasonable support that are associated with student status and provided to individuals participating in the necessary work of a sponsored agreement are allowable provided that:

(1) The individual is conducting activities necessary to the sponsored agreement;

(2) Tuition remission and other support are provided in accordance with established educational institutional policy and consistently provided in a like manner to students in return for similar activities conducted in nonsponsored as well as sponsored activities; and

(3) During the academic period, the student is enrolled in an advanced degree program at a grantee or affiliated institution and the activities of the student in relation to the Federally-sponsored research project are related to the degree program.

Accordingly, tuition remission and other forms of support that satisfy these criteria are allowable, regardless of whether the tuition remission or other form of support qualifies as wages for tax purposes.

Tuition remission and other student support shall be subject to the reporting requirements stipulated in Section J.8, "Compensation for Personal Services," of OMB Circular A-21, or an equivalent method for documenting the individual’s effort on a research project. Tuition remission may be charged on an average basis. In addition, as applicable with other types of costs charged against Federal research projects, total graduate student compensation must still meet Circular A-21 criteria for reasonableness and allowability.