Life Cycle of Cost Share and Program Income

Jennifer Benson
Janet Bruce
Stephanie Jonas
Stacey Wade
Training Credit

• Effective August 2017, employees must use k@te to submit training credit forms

• [https://hr.tennessee.edu/training/](https://hr.tennessee.edu/training/)

• Choose: Register, then login, Learning, View Your Transcript, Options, Add External Training

• An EOD staff member will approve trainings weekly
Cost Principals Governing Funds

• Uniform Guidance (UG) Subpart D, identifies the requirements for managing post-award funds.
• In general, UG requires all costs to be reasonable, allocable, allowable, necessary, and consistently treated.
• Specific training on the cost principles is available. Please contact Jay Taylor @ vtaylor@utk.edu.
Cost Share Types

• **Mandatory** - This type is required either by statute or by administrative regulation. If mandatory cost share is required it will be explicitly set forth in the project announcements or guidelines issued by the sponsor. (This is reported and tracked in IRIS)

• **Voluntary Committed** - This type is not required by the sponsor but included voluntarily in the proposal. Both UT and UG recommends that cost share not be volunteered. Once volunteered, it is then required. (This is reported and tracked in IRIS)

• **Voluntary Uncommitted** - This type is neither mandatory nor voluntary committed. It is the cost share portion that naturally occurs during progress of work. (It is not reported to the sponsor)

• Fiscal policy link FI0210 - [http://policy.tennessee.edu/fiscal_policy/fi0210/](http://policy.tennessee.edu/fiscal_policy/fi0210/)
Uniform Guidance – Cost Sharing

§ 200.306 Cost sharing or matching

• Voluntary committed cost sharing is not expected on federal research proposals

• It cannot be used as a factor during the merit review, unless it is both in accordance with Federal awarding agency regulations and is specified in a notice of funding opportunity

• Criteria for considering voluntary committed cost sharing must be explicitly described in the notice of funding opportunity.
Uniform Guidance – Cost Sharing

Cost sharing on **federal** awards must meet **all** of the following criteria:

- Verifiable from non-federal entity’s records
- Not included as contributions for any other federal award
- Are necessary and reasonable for accomplishment of the project or program objectives
- Are allowable under Sub-part E – Cost Principles
- Are not paid by Federal gov. under another Federal award, except where specifically authorized
- Provided in the approved budget when required by awarding agency
Uniform Guidance – Cost Sharing

• Unrecovered indirect costs, including indirect costs on cost sharing, may be included as part of the cost sharing only with prior approval of the Federal awarding agency. This is typically allowed if the sponsor allows indirect costs to be charged on the budget.

• If the sponsor does not allow indirect costs, you must clarify with sponsor if unrecovered indirect costs are allowed to be counted as cost share.
Third Party Cost Share

• Formal letters of commitment on letterhead from authorized official of the organization
• The department is responsible for monitoring, not central administration
• Still has to be covered in the event the third party does not cover the commitment
  • The department becomes responsible for any short fall
Budgeting for Cost Share

• A detailed budget and justification are required for cost share, even if it’s not required by the sponsor
  • Can be incorporated into sponsor budget or a separate budget
  • Required to ensure all costs are allowable, allocable, and reasonable
  • Required to ensure cost share is tracked and recorded properly
Obtaining Cost Share

• Document cost share in writing
  • Email or letters are fine
  • Cayuse approval when routed with cost share
• Discuss specific amounts tied to specific items
  • GRA tuition (How many hours? Part time/full time? For how long?)
• Who is putting in how much?
  • Each contributor must supply an account number and breakdown of costs being covered
Program Income
What is Program Income?

• Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award during the period of performance

• Fiscal policy link FI0235
  • [http://policy.tennessee.edu/fiscal_policy/fi0235/](http://policy.tennessee.edu/fiscal_policy/fi0235/)

• Uniform Guidance (CFR) Title 2
  • Part 200.80
  • Part 200.307 E
Program Income Budgeting

• Sponsor decides how to treat program income during the life of the project
• PI should discuss potential program income with
  • Proposal coordinator at proposal stage to ensure program income is properly identified to the sponsor
  • Contract coordinator at time of award to ensure program income language is in the award
Spending Program Income

• Program Income
  • Use before expenses are reimbursed by the sponsor
  • Spend in accordance with the terms and conditions of the award
  • Still has to be covered in the event the program income generated does not cover the commitment
  • Expenses charged/Income earned for the project must be:
    • Allowable
    • Allocable
    • Reasonable
    • Consistently treated
Spending Program Income

• Allowable
  • Reasonable and necessary for the project
  • Compliant with laws, regulations, grant terms and fiscal policy
  • Allocable to the grant
  • Adequately documented
  • Consistent with grantee rules that apply to both Federally funded and non-Federally funded activities
  • Not already included as cost sharing or matching requirement
Spending Program Income

• Allocable
  • Assigned directly to an award in accordance with the relative benefit achieved
  • Benefits two or more projects, activities, or programs in proportions that can be determined without undue effort or cost
Spending Program Income

• Reasonable
  • Does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost
  • Supported by sound business practices
Spending Program Income

• Consistently treated
  • Allowable as direct or indirect costs on a regular basis
  • Incurred as direct costs in unlike circumstances (i.e., the actual activities charged to the project as direct cost are not the same as the actual activities normally included in the institution's indirect cost pools)
• Integral to the project
  • Specifically identified with the project
  • Explicitly included in the budget or have prior approval
Program Income Identification

• GL Code
  • Identify and record in the accounting system using cost element 700900
  • Sponsor decides if program income is reportable
Program Income Examples

- Fees for services performed such as laboratory tests
- Use, sale, or rental of equipment purchased with project funds
- Sale of supplies or equipment purchased or fabricated with project funds
- Sale of software, tapes, or publications
- Sale of research materials such as animal models
- From participants at conferences or symposia
- Sale of products with an accompanying material transfer agreement
- Royalties from patents and copyrights (UTRF)
- Honoraria paid to University and not to the PI directly
Program Income Example

• Addition
  • Sponsor awards $100,000
  • Project income generated $30,000
  • Allowable costs are $130,000
  • Invoice sponsor $100,000
Program Income Example

• Deduction
  • Sponsor awards $100,000
  • Project income generated $30,000
  • Allowable costs are $100,000
  • Invoice sponsor $70,000
Program Income Example

• Matching
  • Sponsor awards $100,000
  • University matching commitment is $50,000
  • Allowable costs are $150,000
  • Project income is $30,000
  • Department provides $20,000
  • Invoice sponsor $100,000
Awards
Reductions in proposed budget

- If the proposal budget gets reduced, the cost share amount will be adjusted accordingly.
- If the scope gets reduced, the program amount will be adjusted accordingly.
Verification of inclusion

- Was the proposed cost share included in the award? If not, are you still responsible for it? Depends!!!
  - The award may be silent on the Cost Share; however, the solicitation may have required it for proposals. In this case, yes, you are still responsible for it even if the award does not specify it because it was a stated requirement for proposal submission.
  - If the PI volunteers cost share in the proposal, unless the award states it is not required, the volunteered committed cost share must now be recorded because the PI committed to it in the proposal.
  - PI’s should be mindful that both UG and UT discourages the offer of cost share unless it is a requirement from the sponsor.
Account setup

• Generally, SPA will create a cost share companion WBSE; however, there may be other options to record costs in a sponsored project WBSE.
Monitoring and Reporting

Spending in proportion with the sponsor funds

• PI/Departments should create a budget based on predictions of how funds will need to be spent over the life of the project.

• Re-budget’s may not be necessary each time you over spend a category. Check with your SPA Accountant or OSP Coordinator.

• SPA will bill/draw funds based on the contractual requirements for charges placed on the accounts. In most cases, this is billed on a monthly basis.
Summary

• Have you....
  • Reviewed proposal for potential cost share/program income indicators?
  • Gathered the required cost share/program income documentation?
  • Prepared a budget for the cost share/program income using appropriate cost principles?
  • Confirmed cost share/program income was included in the award?
• Remember to register this training on K@TE
Want More? 😊

• Post Award Accounting Trainings are offered through UT’s Employee and Organizational Development Office that includes both Cost Sharing and Program Income topics.
• You can register at this link!
• [http://hr.tennessee.edu/training/](http://hr.tennessee.edu/training/)
Questions?

• Stacey Wade
  • swade@utk.edu

• Jennifer Benson
  • jennifer.benson@tennessee.edu

• Stephanie Jonas
  • ssmit332@utk.edu

• Janet Bruce
  • jbruce7@utk.edu