

To: Sponsored Award Administrators

Date: June 20, 2003

From: Mary Ellen Sheridan, Associate Vice President for Research and  
Director, University Research Administration  
Casey J. Murray, Associate Comptroller

**Subject: Cost Sharing**

The federal government has clarified the definitions and accounting requirements for three categories of cost sharing as they relate to principal investigator research effort. The government's [clarification](#) impacts both the way the University manages and accounts for cost sharing on federal and nonfederal research awards.

**Definitions:**

The relevant cost sharing definitions are as follows:

1. **Cost Sharing**: Sponsored award costs born by the University.
2. **Mandatory Cost Sharing**: A specific cost sharing amount required as a condition of receiving an award. The amount required is stated in the award notice.
3. **Voluntary Committed Cost Sharing**: Cost sharing committed voluntarily by the University in an award's proposed budget or anywhere else in the award's proposal or renewal application documents.
4. **Voluntary Uncommitted Cost Sharing**: Additional time an investigator *chooses* to devote to a project (occasional nights and weekends). It is never promised to a sponsor, and is never accounted for in our accounting and effort systems.

**Accounting Requirements:**

Prior to the government's clarification, universities had only to account for mandatory cost sharing. With the clarification, universities are now required to also account for the voluntary committed cost sharing that results from principal investigator effort that is voluntarily committed in the proposal without sponsor salary support. Universities are required to account for cost sharing in both their financial accounting and effort reporting systems.

## **University Response:**

The University will implement certain preaward practices to minimize the burden and additional faculty and administrative effort required to document voluntary committed cost sharing.

The clarification indicates that some principal investigator effort, whether paid by the sponsor or paid by the university, is expected on every proposal to a federal agency [this does not apply to programs for equipment and instrumentation, doctoral dissertations, or student augmentation]. In proposals where no sponsor-paid effort is included, investigators must show some minimal effort (the University suggests ½ month -- approximately 5% FTE -- of voluntary committed effort). Additional voluntary commitment of effort should be minimized.

The University will now extend its existing mandatory cost sharing accounting procedures to include voluntary committed cost sharing. These new practices and procedures are described in the proposal and accounting sections of this memorandum and will be effective for all awards with budget periods that begin on or after July 1, 2003.

URA, BSD/ORS and the Comptroller's Office will hold information sessions to answer questions you might have regarding these new practices and procedures. No pre-registration is necessary—just come and learn.

- The BSD information session is scheduled for Wednesday, June 25 from 1-3 pm in P-117.
- The non-BSD information session is scheduled for Thursday, June 26 from 9-10:30 am in the Research Institutes Building, 5640 S. Ellis, Room 480 (enter center door of building and proceed to elevator; conference room is at the north end of the building on the 4<sup>th</sup> floor)

Until then, if you have any questions please contact either one of us.

## Proposal Procedures for Voluntary Committed Cost Sharing

### 1. Proposal Documents

Administrators must now pay additional attention to a proposal in order to determine whether voluntary effort has been committed in it. Voluntary committed cost sharing may appear in the budget, in the budget justification, on the Current & Pending Support page, or in the Progress Report Summary for a Streamlined Non-Competing Award Process (SNAP) application. It may also appear on the NIH Personnel Report for competing continuation and SNAP applications. In addition, the PI may promise effort in the text of the proposal. Remember you are looking for commitments of effort with no associated salary request or reimbursement. Look in the likely spots above, and confirm with the PI that there is no voluntary commitment of time in the text itself. The aim to reduce administrative burden, while remaining in compliance with federal regulations, can be accomplished only by refraining from committing effort which is not sponsor paid.

### 2. Proposal Transmittal Form (PTF)

University Research Administration has revised [Box C](#) and [Attachment 1A](#) of the Proposal Transmittal Form (PTF) to accommodate the new requirement for tracking Voluntary Committed Cost Sharing. In Box C, the cost sharing questions now distinguish between cost sharing that is mandatory and cost sharing that is voluntary. Mandatory cost sharing is committed when the sponsor requires cost sharing as a condition of the application. Voluntary cost sharing arises when the institution elects to commit effort or funds even when there is no requirement. An application may have both mandatory and voluntary committed cost sharing. For example, a research proposal requires 20% cost sharing on equipment, and the Principal Investigator also commits 15% effort during the academic year without sponsor salary recovery. The equipment cost share is mandatory; the effort commitment is voluntary committed cost sharing.

In Box C, you are now asked to check the box(es) if either or both Mandatory and Voluntary Committed Cost Sharing apply to your proposal. On Attachment 1A, the revised form asks that you now show the percentage of cost share effort, if any. See revised PTF [Instructions](#). The revised PTF is posted on the URA website, and you are required to use it as of the date of this memo.

### 3. TRACS

Tracs is being upgraded to accommodate the mandatory and voluntary committed cost share information contained on the PTF.

## Accounting Procedures for Mandatory and Voluntary Cost Sharing

Mandatory and voluntary committed cost sharing will now be accounted for in the University's accounting and effort reporting systems

### Financial Accounting System

If an award has cost sharing that has to be accounted for, then at least three accounts are needed. There is a "regular" award account (usually the master account but sometimes an associate account) that records expenses funded by the award. There is a "cost sharing" award account (always an associate account) that records the expenses that are cost shared. And there is a "cost sharing counterpart" account, which is normally an unrestricted departmental account that provides the funding for the cost sharing expenses.

Normal payroll and non-payroll accounting entries are posted to the "regular" and "cost sharing" accounts. A special accounting entry called the "cost sharing entry" is posted to the "cost sharing" and "counterpart" accounts. The cost sharing entry is generated automatically by the accounting system. The system first totals the gross expenses in the cost sharing account. Then, using that total, the system charges the counterpart account's subaccount 96x0 and credits the cost sharing account's subaccount 97x0.<sup>1</sup> After the cost sharing entry, the cost sharing account's expenses net to zero.

**NOTE:** Only salary and fringe benefits are charged as voluntary committed cost sharing. No indirect cost charges are applied.

### Effort Reporting System

Salaries that are cost shared are also accounted for in the University's [effort reporting system](#).

For each employee's salary, administrators enter account distribution instructions into the payroll system via Payroll Action Forms ( PAFs ). In the past, a principal investigator who had both funded and mandatory cost sharing effort had at least three account distributions. Now, if that same investigator has voluntary committed cost sharing effort, he or she will have at least four account distributions: one for the non-sponsored project activities (teaching, clinical, administrative, etc.), one for the funded sponsored project activity, one for the mandatory cost sharing effort, and another for the voluntary committed cost sharing effort.

In November, [Annual Certification Statements](#) (ACS) are generated for the previous fiscal year for any individual who had at least part of their salary charged either to a "regular" or "cost sharing" sponsored award account. Each individual's ACS reports a salary percentage distribution by account. The individual, or someone with first-hand knowledge of the individual's activities, is then asked to certify that the salary percentage

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<sup>1</sup> The "x" in the 96x0 *charge* subaccount indicates the ledger of the cost sharing account, 5 for federal awards and 6 for nonfederal. The "x" in the 97x0 *credit* subaccount indicates the ledger of the counterpart account, usually ledgers 2 or 4, but in some cases ledger 6 or 7.

distribution to the sponsored award accounts is reasonable in relation to the work performed, which means that the percentage of effort expended on each sponsored award activity is equal to or greater than the percentage of salary charged to that activity.

### **Implementation of Accounting for Voluntary Committed Cost Sharing**

Voluntary committed cost sharing accounting is required for all federal and non-federal research award budget periods that begin on July 1, 2003 or later. Please note that the Form 70 has been revised to accommodate this new accounting requirement.

Below are suggested steps for setting up the voluntary committed cost sharing accounting.

<b><u>Step</u></b>	<b><u>Description</u></b>
1.	If a research award has a budget period begin date of July 1, 2003 or later, review its proposal and renewal application materials to determine if there is P.I. voluntarily committed cost sharing effort (see the attached <u>samples</u> ). Remember, our ultimate objective is to discourage or limit these practices in future proposals.
2.	If there is P.I. voluntary committed cost sharing effort, create an associate account to record the cost sharing expense ( <a href="#">See Form 70</a> ). In line A of the Form 70 (or the appropriate ACCTS account create data entry field), identify the account as a cost sharing account. In line K, identify the type of cost sharing account as “mandatory” or as “voluntary committed” and enter the “cost sharing counterpart” account number.
3.	Budgets for the voluntary cost sharing accounts, though optional, are strongly encouraged. A positive budget amount should be entered against a budget pool or individual subaccount, and a negative budget should be entered against subaccount 97x0, where x designates the ledger that houses the “cost sharing counterpart” account.
4.	For P.I.s who have voluntarily committed cost sharing effort, the account distribution instructions on the PAF should include the voluntary committed cost share account number and the promised percentage of effort.

### **Samples of where voluntary cost share may be committed in a proposal:**

1. In an NIH proposal, the PI shows effort during academic year on the Detailed Budget, but requests no salary (PHS 398-- Form page 4, Sample #1). In our sample, this 20% effort is voluntary committed cost share. Or, on an NIH Progress Report, the effort shown for the year past on the Personnel Report page (PHS 398—Personnel Report Format page, Sample #1.2), may be a combination of sponsor paid effort and voluntary committed effort. Anything above the sponsor-paid effort may be considered voluntary committed cost share.
2. On the Budget Justification page (PHS 398—Modular Budget Format Page, Sample # 2) for a Modular Research Grant Application, the percent of effort shown for Personnel *may* be a combination of sponsor supported effort and voluntary committed cost share.
3. In a Progress Report under the Streamlined Non-Competing Award Process (SNAP), the question is asked on the Progress Report Summary (PHS 2590-- Form page 5, Sample #3) as to whether a significant change in the level of effort for Key Personnel is anticipated for the next budget period. The percent of effort shown *may* include voluntary committed cost share in addition to sponsor paid effort.
4. In an NSF proposal, the PI shows 1 month summer effort on the proposal budget (NSF Form 1030, Sample # 4) and requests funds to cover that effort. On the Current and Pending Support page (NSF Form 1239, Sample # 4.2), however, the PI shows *for this proposal* 1 month of summer effort and 3 months academic year effort. The 3 months of academic year effort become a voluntary committed cost share.
5. In the guidelines for a nonfederal proposal, a sponsor states that the foundation requires some effort commitment on the part of a PI, but does not pay investigator salaries. Or the guidelines may state that X% effort is required from an investigator, but the award amount also may not exceed \$50,000. In both of these examples, all or some of the investigator's effort must be cost shared to meet sponsor requirements.

**Note:** It is a longstanding BSD policy that all sponsored projects must recover salary in direct proportion to the effort committed on the project, unless expressly prohibited in writing by the funding agency. Voluntary committed cost sharing is therefore a somewhat rare occurrence. Any deviation in this procedure would be addressed via a memo from the Departmental Chair, and a copy of this memo would be found in the proposal file.

In other divisions and schools, where appointments are on the academic year, the practice of voluntary committed cost sharing is more common and more difficult to identify because no such approval memo for cost sharing is currently required.

<b>DETAILED BUDGET FOR INITIAL BUDGET PERIOD DIRECT COSTS ONLY</b>					FROM	THROUGH	
<i>PERSONNEL (Applicant organization only)</i>		TYPE APPT. <i>(months)</i>	% EFFORT ON PROJ.	INST. BASE SALARY	<i>DOLLAR AMOUNT REQUESTED (omit cents)</i>		
NAME	ROLE ON PROJECT				SALARY REQUESTED	FRINGE BENEFITS	TOTAL
	Principal Investigator						
<b>SUBTOTALS</b> →							
CONSULTANT COSTS							
EQUIPMENT <i>(Itemize)</i>							
SUPPLIES <i>(Itemize by category)</i>							
TRAVEL							
PATIENT CARE COSTS		INPATIENT					
		OUTPATIENT					
ALTERATIONS AND RENOVATIONS <i>(Itemize by category)</i>							
OTHER EXPENSES <i>(Itemize by category)</i>							
<b>SUBTOTAL DIRECT COSTS FOR INITIAL BUDGET PERIOD</b>							<b>\$</b>
CONSORTIUM/CONTRACTUAL COSTS		DIRECT COSTS					
		FACILITIES AND ADMINISTRATIVE COSTS					
<b>TOTAL DIRECT COSTS FOR INITIAL BUDGET PERIOD</b> <i>(Item 7a, Face Page)</i> →							<b>\$</b>
<b>SBIR/STTR Only: FEE REQUESTED</b>							



Principal Investigator/Program Director:  
(Last, first, middle)

**DO NOT SUBMIT UNLESS REQUESTED**

**Competing Continuation Applications  
PERSONNEL REPORT**

**All Key Personnel for the Current Budget Period**

Name	Degree(s)	SSN	Role on Project (e.g. PI, Res. Assoc.)	Date of Birth (MM/DD/YY)	Annual % Effort



BUDGET JUSTIFICATION PAGE MODULAR RESEARCH GRANT APPLICATION				
Initial Budget Period	Second Year of Support	Third Year of Support	Fourth Year of Support	Fifth Year of Support
\$ 200,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
<b>Total Direct Costs Requested for Entire Project Period</b>				<b>\$ 900,000</b>

**Personnel**

John Smith, M.D., Ph.D., Principal Investigator (30% effort) will be responsible for the overall administration and direction of the project. He will analyze reaction of soluble IV9-HLA-A\*0201 complex with TCR on 68A62 anti-IV9CTL.

Helen Thomas, M.D., (25% effort) will focus on investigating the ability of various SL9-specific CD8 CTL clones from various HIV infected individuals whose T-cell receptors bind with different strength to the cognate pepMHC complex (SL9-HLA-A\*0201) to suppress viral replication in HIV infected cells *in vitro*. In addition, Dr. Thomas will maintain initial preparation of the CTL clones and will characterize them on a regular basis to ensure maintenance of their initial quality.

Thomas Club, Ph.D., PostDoctoral Fellow (100% effort) will be involved in all the measurement of SD50 and SD25 for RT-and *gag*-derived peptides required to induce various responses of anti-HIV CTL. Most of her effort will be direct towards measurement of the intervals of epitope densities on target cells required for various responses of anti-HIV CTL.

Jane Jones, Ph.D., PostDoctoral Fellow (100%) will be responsible for the isolation and characterization of recombinant MHC class I molecules using *Drosophila Melanogaster* and *E. coli* expression systems and measurement of kinetics and affinity of reactions between soluble complex of immunodominant peptide SL9 with HLA-A-\*0201 soluble protein and TCR on various clones of live anti-SL9 CTL. Dr. Jones will also measure level of  $\alpha,\beta$ -TCR and CD8 molecules on anti-SL9 CTL.

Ms. Stephanie Wilson, Technician, (50% effort) is responsible for laboratory animal preparation and some of the biochemical analyses.

To be Appointed Technician, (25% effort) is responsible for the repair and maintenance of the equipment and will run a variety of assays.

Ms. Whitney Johnson, Graduate Student, (50% effort) in Dr. Smith's laboratory will participate in all aspects of the proposed experiments.

**Equipment** (*This additional narrative budget justification is provided because there is a variation in the number of modules requested.*)

Purchase of a Thermocycler (\$10,000) and HPLC Fraction Collector (\$15,000) is requested during the first year. This will increase the requested budget for the first year by one module (\$25,000). The requested equipment is necessary for this project and will be used extensively to analyze IV9-HLA-A\*0201 complex.

Principal Investigator/Program Director (Last, first, middle): Smith, John W.

**Consortium**

Approximately \$25,000 Total Costs per year

Consortium with the University of Virginia    {X} Domestic    { } Foreign

James Livingston, Ph.D., will devote 10%. Dr. Livingston will be responsible for establishing CTL clones from HIV-infected subjects, and propagating previously isolated CTL clones. Dr. Livingston will also be responsible for planning and overseeing all functional cell assays.

Norman Cross, 50% Research Technologist will perform all CTL assays, proliferation assays, ELISA assays and assays designed to measure inhibition of HIV-1 replication by virus-specific CTL clones.

**Fee (SBIR/STTR Only)**

Principal Investigator/Program Director (Last, first, middle):

<b>PROGRESS REPORT SUMMARY</b>	GRANT NUMBER
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PERIOD COVERED BY THIS REPORT		
PRINCIPAL INVESTIGATOR OR PROGRAM DIRECTOR	FROM	THROUGH

APPLICANT ORGANIZATION

TITLE OF PROJECT (Repeat title shown in Item 1 on first page)

A. Human Subjects (Complete Item 6 on the Face Page)

Involvement of Human Subjects     No Change Since Previous Submission     Change

B. Vertebrate Animals (Complete Item 7 on the Face Page)

Use of Vertebrate Animals     No Change Since Previous Submission     Change

SEE PHS 2590 INSTRUCTIONS.

**WOMEN AND MINORITY INCLUSION: See PHS 398 Instructions. Use Inclusion Enrollment Report Format Page and, if necessary, Targeted/Planned Enrollment Format Page.**



**SUMMARY PROPOSAL BUDGET**

**FOR NSF USE ONLY**

ORGANIZATION <b>University of Chicago</b>				PROPOSAL NO.		DURATION (MONTHS)	
PRINCIPAL INVESTIGATOR/PROJECT DIRECTOR				AWARD NO.		Proposed	Granted
A. SENIOR PERSONNEL: PI/PD, Co-PIs, Faculty and Other Senior Associates List each separately with name and title. (A.7. Show number in brackets)				NSF-Funded Person-months		Funds Requested By Proposer	Funds Granted by NSF (If Different)
				CAL	ACAD	SUMR	
1.				0.00	0.00	1.00	\$ 13,900
2.							
3.							
4.							
5.							
6. ( ) OTHERS (LIST INDIVIDUALLY ON BUDGET EXPLANATION PAGE)							
7. ( 1 ) TOTAL SENIOR PERSONNEL (1-6)				0.00	0.00	1.00	13,900
B. OTHER PERSONNEL (SHOW NUMBERS IN BRACKETS)							
1. ( ) POSTDOCTORAL ASSOCIATES							
2. ( ) OTHER PROFESSIONALS (TECHNICIAN, PROGRAMMER, ETC.)							
3. ( ) GRADUATE STUDENTS							
4. ( ) UNDERGRADUATE STUDENTS							
5. ( ) SECRETARIAL - CLERICAL (IF CHARGED DIRECTLY)							
6. ( ) OTHER							
TOTAL SALARIES AND WAGES (A + B)							
C. FRINGE BENEFITS (IF CHARGED AS DIRECT COSTS)							
TOTAL SALARIES, WAGES AND FRINGE BENEFITS (A + B + C)							
D. EQUIPMENT (LIST ITEM AND DOLLAR AMOUNT FOR EACH ITEM EXCEEDING \$5,000.)							
TOTAL EQUIPMENT							
E. TRAVEL 1. DOMESTIC (INCL. CANADA, MEXICO AND U.S. POSSESSIONS)							
2. FOREIGN							
F. PARTICIPANT SUPPORT							
1. STIPENDS \$ _____							
2. TRAVEL _____							
3. SUBSISTENCE _____							
4. OTHER _____							
TOTAL NUMBER OF PARTICIPANTS ( )				TOTAL PARTICIPANT			
G. OTHER DIRECT COSTS							
1. MATERIALS AND SUPPLIES							
2. PUBLICATION/DOCUMENTATION/DISSEMINATION							
3. CONSULTANT SERVICES							
4. COMPUTER SERVICES							
5. SUBAWARDS							
6. OTHER							
TOTAL OTHER DIRECT COSTS							
H. TOTAL DIRECT COSTS (A THROUGH G)							
I. INDIRECT COSTS (F&A) (SPECIFY RATE AND BASE)							
TOTAL INDIRECT COSTS (F&A)							
J. TOTAL DIRECT AND INDIRECT COSTS (H + I)							
K. RESIDUAL FUNDS (IF FOR FURTHER SUPPORT OF CURRENT PROJECT SEE GPG II.D.7.j.)							
L. AMOUNT OF THIS REQUEST (J) OR (J MINUS K)						\$	\$
M. COST SHARING: PROPOSED LEVEL \$				AGREED LEVEL IF DIFFERENT: \$			
PI/PD TYPED NAME AND SIGNATURE*				DATE		<b>FOR NSF USE ONLY</b>	
ORG. REP. TYPED NAME & SIGNATURE*				DATE		INDIRECT COST RATE VERIFICATION	
						Date Checked	Date of Rate Sheet
						Initials-ORG	

