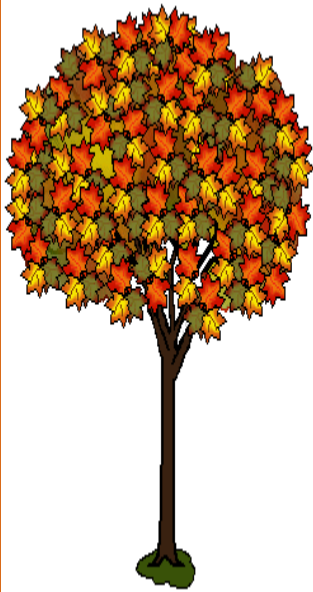


SEPTEMBER 2015

Sponsored Projects Accounting

A Division of Finance and Administration

Campus Question Corner!



INSIDE THIS ISSUE:

Campus Corner 1

Cost Sharing 2

Upcoming Trainings 3

Question: Is it allowable to compensate a student working on a Federal sponsored project through tuition remission rather than wages?

Answer (Provided by SPA Accountant, Mike Hurd): According to the guidance in both OMB Circular A-21 Section J.45.a and the new Uniform Guidance Section 200.466, it is allowable to compensate a student in this way but only when certain criteria are met. Uniform Guidance states “tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:

1. The individual is conducting activities necessary to the Federal award;
2. Tuition remission and other support are provided in accordance with established policy of the IHE (Institution of Higher Education) and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and
3. During the academic period, the student enrolled in an advanced degree program at a non-Federal entity or affiliated institution and the activities of the student in relation to the Federal award are related to the degree program;
4. The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and
5. It is the IHE’s practice to similarly compensate students under Federal awards as well as other activities.”

The key sections of the guidance that address this practice at the University are criteria (2) and (5). Criteria (2) states such support must be provided in “accordance with established policy of the IHE” and Criteria (5) states, “It is the IHE’s practice to similarly compensate students under Federal awards as well as other activities.” Currently the University has no precedent or established practices for compensating students in this way. This precludes a University department from compensating students through tuition remission at this time. There have been preliminary conversations addressing this topic between Sponsored Projects Accounting (SPA) and the Office of Sponsored Programs. However, currently it is still not possible to compensate students through tuition remission at the University. If you would like a copy of the new Uniform Guidance and/or OMB A-21, please e-mail Mike at whurd@utk.edu.

Please keep the questions coming!

Cost Sharing

I included cost sharing in my proposal, but what does all this terminology really mean?

Cost sharing is the portion of total project costs on a sponsored project that is not paid by the sponsoring agency. There are primarily three types of cost sharing: mandatory, voluntary committed, and voluntary uncommitted. Matching is another term commonly used to describe cost sharing.

In a nutshell, these three types are defined as:

Mandatory: Cost sharing that is required by either statute or by administrative regulation. The requirement for such cost participation is explicitly set forth in funding opportunity announcements or guidelines issued by the sponsor, and is a requirement for eligibility to participate in the project and will be specifically identified within UT's proposal.

Voluntary Committed: Cost sharing that is not required by the sponsor, but which is included voluntarily in UT's proposal to the sponsor. Once the sponsor has accepted the proposed cost share, UT is then obligated to meet the cost sharing commitment.

Voluntary Uncommitted: Cost sharing that is neither mandatory nor voluntary committed. It represents contributions by UT to a sponsored project that were not required by the sponsor and were not volunteered in UT's proposal.

Mandatory and voluntary committed cost sharing must be recorded in UT's accounting and effort certification systems and are generally reported to the sponsor. Voluntary uncommitted cost sharing is generally not reported to the sponsor.

Now that my proposal has been awarded, is the cost sharing component really that important?

Yes! Many sponsors strictly enforce compliance with proposed cost share budgets. For example, if F&A was not proposed as part of the cost share commitment, it generally is not allowed when determining whether the commitment was met. In other words, only direct costs may be allowed as cost share if the budget was proposed this way, and even these direct costs must be in the categories proposed. If Dr. Volunteer's salary was proposed as cost share, the department cannot substitute a graduate student's pay and travel as match without prior sponsor approval.

Speaking of prior sponsor approval, if you anticipate not meeting your match in the budget categories initially proposed, please contact the Office of Sponsored Programs well before your project ends to explore whether a budget revision can be obtained from the sponsor to allow you to reallocate your match categories.

In summary, keep in mind that meeting the dollar level of cost share committed may not be enough to satisfy a matching requirement if there are shortfalls in specific, budgeted line-items. Failure to meet cost-sharing obligations or to adequately document cost sharing can result in cost disallowances by sponsors, which become the department's financial responsibility.



I have a third-party external to UT contributing, so I don't need to worry about them, right?

Wrong! Any cost sharing from a third-party source must be included in the proposal. One major difference from previously discussed cost sharing, though, is third-party expenditures will never appear in UT's accounting system. It is the principal investigator's responsibility to obtain after-the-fact, timely documentation of the cost sharing contributed. The cost share documentation should include the date of service, cost of service, and signature from the third-party contributor. It should be on company letterhead signed by an authorized company representative. It should be forwarded to our office and will be kept in the official file and is subject to audit. Again, any unmet cost sharing by a third-party becomes the responsibility of the principal investigator and his/her department.

What can I do to stay out of trouble?

- Know how much cost share has been committed for your project, who is providing the funding, and which specific costs and budget categories are included.
- Monitor the cost share provided each month to ensure you are on-track to meet your overall commitment and in the proper categories. Many sponsors periodically evaluate whether cost share commitments have been met in proportion to the federal funds spent and adjust their payments accordingly.
- Be proactive if you need to request a budget revision. Many sponsors will not even consider revising a budget near the end date or after a project expires.
- Communicate regularly with any third-party contributors to ensure they are doing their part and providing documentation to support this.
- Familiarize yourself with Fiscal Policy FIO210 -- http://policy.tennessee.edu/fiscal_policy/fi0210/ --and ensure you comply.
- Call or e-mail us at spa@utk.edu with any questions. We are here to help!

Don't miss our October edition!

Do you have questions about graduate fee waivers when the cost is part of a cost share commitment? Check out our October edition for an expanded discussion of cost sharing as it relates to graduate students who work on your projects. As you know, the process changed this fall, so we will provide an update on how this affects your projects.

Upcoming Training Opportunities!

There will be two Sponsored Projects related training opportunities in October 2015.

1. Topic: "Cost Sharing"

Date and Time: October, 16th @ 10:00 a.m.

Where: Blount Hall In-House Training

Please RSVP to Jay Taylor, vtaylor@utk.edu

2. Topic: "Understanding F&A Costs"

Date and Time: October, 9th @ 1:30-4:30

Where: HR Training hosted by Mary McDonald, Assistant Controller

Sign up through Employee and Organizational Development's Training Website

http://uthr.admin.utk.edu/TandD/Management_Supervision.shtml#MS37

