



Accounting and Administrative Manual

Section 100: Accounting and Finance

Matching / Cost Sharing Concepts
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General:

For many years both the federal government and most charitable foundations have considered it the role of universities to conduct research, training and other activities. These sponsors will "assist" universities by supporting these activities, but many awards do not fund 100% of the cost of the projects. The difference is "cost sharing". It represents the portion of the allowable project costs not borne by the sponsoring agency and is sometimes a required condition of receiving awards. Cost sharing is also referred to as "matching." Matching is most often used when there is a statutory limit to the federal government's participation in program costs, while cost sharing is used when the non-federal amount is negotiable between the parties.

Cost sharing may be in the form of direct costs or waived facilities and administrative (F&A) cost recovery, or both. If cost sharing is in the form of direct costs, the actual total cost sharing provided by the university also includes unrecovered F&A costs on the university funded direct cost sharing expenses. Cost sharing can also include third-party in-kind (non-cash) contributions.

Compliance with federal cost accounting standards requires that cost sharing expenses be treated in a consistent and uniform manner in proposal preparation, award negotiation and the accounting of these expenses in the financial reports to sponsors. Sponsors also stipulate that any cost sharing included in an award budget is a condition of the award and is subject to audit.

Categories of Cost Sharing:

Cost sharing may be mandatory or voluntary. If mandatory or voluntary committed cost sharing is subsequently accepted by the sponsor as a condition of the award, the university is required to maintain accurate records to verify that these funds have been expended for the project.

1. **Mandatory** - Mandatory cost sharing is required by the sponsor as a condition of obtaining an award. The requirement for such cost participation is set forth in project announcements or guidelines issued by the sponsor. This type of cost sharing is normally required either by federal legislation or by established sponsor policy and may be expressed as a fixed dollar amount or in a fixed ratio to the sponsor funding.

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2. Voluntary (committed) - Voluntary committed cost sharing is that commitment by the university to participate in the cost of a project that is included voluntarily in the university's proposal to the sponsor. This type of cost sharing is not required by federal legislation, established sponsor policy, or is in excess of any such stated requirements. Voluntary (committed) cost sharing proposed by the university or incorporated into a grant or contract award as a required part of the award must be accounted for in the same manner as mandatory cost sharing.
 3. Voluntary (uncommitted) - Voluntary uncommitted cost sharing is not covered by this statement and should not be recorded in the university's accounting system. It is defined as "staff and faculty effort that is over and above that which is committed and explicitly budgeted for in a sponsored agreement." (January 5, 2001 OMB Memorandum M-01-06). Voluntary (uncommitted) cost sharing not required by an award may be used to substantively demonstrate the university's commitment to a project. The major administrative unit's (MAU's) sponsored programs/proposal office should be contacted on how best to demonstrate this effort to the sponsor.

Types of Cost Sharing:

Cost sharing may consist of project costs incurred by the university in the form of cash outlays or non-cash items such as third-party in-kind contributions and unrecovered F&A costs. These types of cost sharing can be described as follows:

1. Cash Contributions - Cash contributions represent the university's cash outlay, including the outlay of money contributed to the university by third parties from non-federal sources. For example, salaries paid to employees by the university from state general funds or a private grant.
2. In-kind Contributions - In-kind contributions represent the value of non-cash contributions provided by the university and non-federal third parties necessary to accomplish the program activities. The costs must be allowable if the university were required to pay for them.

In-kind contributions include the reasonable value of time donated by an employee of the university if (1) the individual is not compensated through regular salary, overtime, or compensatory time by the institution and (2) the



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service and time donated are not within the scope of the individual's paid employment. Employees may not donate services for which they would normally be entitled to compensation from the institution.

Property or depreciation on property purchased with federal funds may only be considered as the university's in-kind contributions when authorized by federal legislation and approved by the university Controller or their designee. Depreciation for property owned by the university and included in the F&A cost rate categories cannot be treated as in-kind contributions. Costs incurred for new capital assets or improvements should not be used as cost sharing. Any exception to this practice must be approved by the Chief Financial Officer at the respective MAU and the university Controller or their designee.

These contributions are valued in the same manner as any other university cost in accordance with OMB Circular A-21 (relocated to 2 CFR, Part 220) cost principles. Acceptable valuation criteria for in-kind contributions are outlined in OMB Circular A-110 (relocated to 2 CFR, Part 215).

In-kind contributions claimed as cost sharing must be supported by documentation. Documentation for volunteer services must be supported, to the extent feasible, by the same methods used by the university for employees. The documentation for personal service, commodities, equipment, buildings, and land must show how the valuation placed on the contribution was determined.

3. F&A Costs - F&A costs may be included as part of cost sharing or matching with the prior approval of the federal awarding agency. These costs may include waived F&A on the federally funded portion of the project and F&A on the university's cost sharing direct contribution to the project.

Qualifications of Federal Cost Sharing:

The university may provide more cost sharing than stipulated in the award for a project, but federal support could be reduced proportionately if the university doesn't provide the required cost sharing. Contributions will be accepted as meeting the university's cost sharing requirement when they meet all of the following criteria:

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1. They are verifiable from the university's records. Customary documentation is required. For example, cost sharing derived from contributed salaries and wages must be documented on time sheets.
 2. They are not included as contributions for any other federally assisted program or project (unless specifically allowed in the terms and conditions of both awards).
 3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
 4. They are allowable under the cost principles delineated in OMB Circular A-21 (relocated to 2 CFR, Part 220).
 5. They are not charged to the federal government directly or indirectly under any other grant or contract, unless authorized by federal statute to be used for cost sharing or matching.
 6. They are provided for in the approved budget when required by the awarding agency, and they conform to other provisions of OMB Circular A-110 (relocated to 2 CFR, Part 215).
 7. They are not charges also claimed as part of the institution's F&A costs (i.e., administrative and support staff salaries and use charges for facilities or equipment already owned by the institution).
 8. They are not costs financed by program income generated by activities of the project, unless the contracting officer or grants officer of the funding agency expressly permits such use in writing.
 9. They are incurred during the same funding/budget period as the sponsored project.
 10. Enabling legislation or specific terms or conditions of any award documents will take precedence over this general procedure.



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Unrecovered F&A costs due to waived F&A may be included as part of cost sharing or matching with the prior approval of the federal awarding agency.

Other Support ("Co-funding"):

Other support consists of cash or in-kind contributions, committed or pledged to support the project or similar projects, but are not cost sharing or matching required by federal legislation or the award document. Such support is sometimes referred to as "co-funding." For example, other support may include separate but similar or parallel projects being conducted with other (including federal) sources of funding. It may also include restricted or unrestricted project funds from separate sources or separate funding from the same source.

Other support does not, nor is it meant to, qualify as cost sharing under the provisions of OMB Circular A-110 (relocated to 2 CFR, Part 215). Therefore, it is critical that other support, or "co-funding," not be characterized as cost sharing in proposals or reports. It is not required that other support be documented and accounted for in the same manner as cost sharing. Proposing other support, or "co-funding," as cost sharing requires that it meet the cost sharing requirements detailed previously. If those requirements are not met, sponsored funding may have to be repaid.