



Accounting and Administrative Manual

Section 100: Accounting and Finance

Cost Sharing or Matching on Sponsored Projects
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Background:

Cost sharing or matching represents the portion of the allowable project costs not borne by a sponsoring agency and is sometimes a required condition of receiving an award. While the individual terms traditionally held distinct meanings, the terms “cost sharing”, “matching”, and even “in-kind” are used interchangeably and sometimes equally by different sponsors.

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 in the accounting of these expenses in financial reports to sponsors. Sponsors also stipulate that any cost sharing included in an award budget is a condition of the award and subject to audit.

Note that this policy applies to all projects, Federal and non-Federal.

Categories of Cost Sharing:

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 or percentage of the sponsor funding.
2. **Voluntary (committed)** – Voluntary committed cost sharing is not required by a sponsor or Federal legislation, but is offered by the university and quantified in the proposal budget. If accepted by the sponsor, voluntary commitments are reflected in the final award budget between the university and the sponsoring agency. As a condition of the award, these commitments must be tracked in the university’s financial system and are subject to audit. As a general rule, UA does not authorize voluntary committed cost sharing. Per 2 CFR §200.306(a), “Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals.”
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



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substantively demonstrate the university's commitment to a project. The university's sponsored programs/proposal office should be contacted on how best to demonstrate this effort to the sponsor.

Allowable Forms 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 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 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 campus and the university Controller or their designee.



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These contributions are valued in the same manner as any other university costs in accordance with 2 CFR § 200, Subpart E. Acceptable valuation criteria for in-kind contributions are also outlined in 2 CFR §200.306.

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. Other Direct Costs - Other direct costs that are paid for from sources other than the sponsor and directly attributable to support of the project may be used as M/CS. Examples include travel directly attributed to the project or supplies purchased for the project.
4. 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.

Unallowable Forms of Cost Sharing

Certain contributions are unallowable forms of cost sharing. Expenses listed in 2 CFR § 200, Subpart E as unallowable costs cannot be listed as cost sharing contributions, either in the proposal or in the award.

Examples of Unallowable Cost Sharing Commitments:

- Costs used to meet a cost sharing commitment on another project. Since these funds have already been committed and likely expended, they cannot be used again.
- Using Federal funds to meet a cost sharing commitment on another Federally-funded project, unless specifically allowed by statute or by the Federal sponsor's program guidelines.

Other unallowable cost sharing includes costs that are part of the university's F&A rate calculations, such as:

- UA-owned space, buildings, and equipment.
- Administrative salaries such as those of a dean, department chair or clerical position.



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- Any cost that duplicates the type of costs in the campus indirect cost rates.

Volunteer Effort: Time donated by an individual cannot be tracked and certified, so the university does not allow the use of time donated by volunteers or employees to meet a cost sharing commitment. Additionally, university employees may not donate services for which they would normally be entitled to compensation from the university or any other entity.

Qualification of Cost Sharing Commitments:

Contributions will be accepted as meeting the university's cost sharing requirements when they meet all of the following criteria:

1. They are verifiable from the university's or other non-Federal entity's records. Documentation is required. For example, cost sharing derived from contributed salaries and wages must be documented on timesheets.
2. They are not included as contributions for any other Federal award.
3. They are necessary and reasonable for accomplishment of project or program objectives.
4. They are allowable under the cost principles delineated in 2 CFR § 200, Subpart E.
5. They are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs.
6. They are provided for in the approved budget when required by the Federal awarding agency.
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.



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9. They are incurred during the same funding/budget period as the sponsored project.

Note that any enabling legislation or specific terms or conditions of any award documents will take precedence over this general procedure.

Other Support/Co-Funding/Leveraging

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" or "leveraging." 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 and is not meant to qualify as cost sharing under the provisions of 2 CFR §200.306. 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, unless included in the award document and/or award budget. Proposing other support 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.

Federal Funds Used as Cost Sharing on Non-Federal Projects

Federal funds can be used as cost sharing on non-Federal projects only with the express written permission from the award authority at the federal agency, or where allowed by statute.