

ADMINISTRATIVE PRACTICE LETTER

SUBJECT: COST SHARING

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Purpose of Guidelines

This document explains administrative requirements and financial procedures for maintaining compliance with government and other regulations regarding cost sharing.

Policy

Cost sharing related to projects financed in whole or in part with Federal funds shall be managed and accounted for in accordance with standards set forth in the Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non Profit Organizations," SUBPART C – Post-Award Requirements, Financial and Program Management, [Section .23 Cost sharing or matching](#); and in applicable sections of OMB [Circular A-133](#), "Audits of States, Local Governments, and Non-Profit Organizations."

Who is Responsible

Responsibility for following these guidelines lies primarily with Principal Investigators or Project Directors, their Department Chairs or other direct supervisors, and unit-level fiscal personnel with the general guidance and oversight of the colleges, schools and divisions.

Applicable University Sponsored Programs Office or other designated personnel are responsible for providing general guidance and technical assistance.

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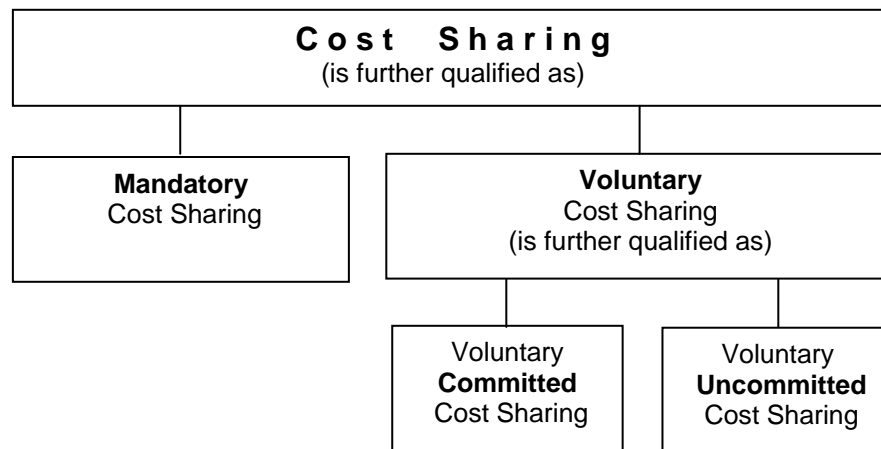
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The University of Maine System administration is responsible for providing guidance through administrative practice letters, business process documents, and coordinating compliance monitoring through periodic internal and external audits.

Definitions and Terms

Cost Sharing and Matching: OMB Circular A-110, SUBPART A - General .2 Definitions (i) states, “**Cost sharing or matching** means that portion of total project or program costs not borne by the Federal Government.” Care should be taken when using these terms because sponsor definitions can vary. The University of Maine System uses “cost sharing” and “matching” synonymously, with “cost sharing” as the preferred term. The umbrella term “cost sharing” describes that portion of total project or program costs not borne by a sponsor. Cost sharing is further qualified, as shown below, to delineate reporting and documentation requirements and for consistency with OMB usage.



Mandatory Cost Sharing occurs when a sponsor’s public announcement of a project *requires* cost sharing as a condition for proposal submission. It is an eligibility factor for applying for the grant. Mandatory cost sharing must be documented and is reportable to the sponsor. It is quantified in the proposal narrative, the proposal budget, or in award documents. It can include:

- Cash or in-kind contributions from the University
- Cash or in-kind contributions from a third party

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Voluntary Committed Cost Sharing is “voluntary” because the University is free to offer it, or not, in its proposal to a sponsor. Once it becomes part of a signed agreement, however, the University is “committed” to providing it, documenting it and reporting it subject to sponsor requirements. Voluntary committed cost sharing is quantified in the proposal narrative, the proposal budget, or in award documents. It can include:

- Cash or in-kind contributions from the University
- Cash or in-kind contributions from a third party

Voluntary Uncommitted Cost Sharing consists of contributions not pledged in the proposal and not subsequently stated in award documents. It occurs, for example, when a Principal Investigator contributes more time and effort than what was committed to the sponsored project in the agreement. It also includes cost overruns the University covers on a sponsor-funded project or on voluntary committed cost sharing. Uncommitted cost sharing does not require documentation or reporting. Uncommitted cost sharing can include:

- Cash or in-kind contributions from the University
- Cash or in-kind contributions from a third party

Third Party: A “third party” is an entity other than the principals—an entity other than the University and other than the sponsor. Contributions from a third-party are generally “in-kind”, but they may also be cash. When a third party makes a cash contribution, the University places it into a restricted, expendable fund. The University can use these funds for cost sharing provided doing so is not contrary to the third party’s restrictions. The University documents the third party’s cash cost sharing by transferring the funds to a project’s Restricted Cost Sharing Fund Code 24.

In-Kind: In-kind contributions are non-cash contributions provided by the University and/or third parties. They are in the form of goods, commodities or services and can include real property, non-expendable personal property, and depreciation expense on previously purchased equipment. They can include volunteer services provided by professional and technical personnel, consultants and other skilled and unskilled labor. In all cases, in-kind contributions must directly benefit and be specifically identifiable to the project or program.

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Responsibilities and Procedures

Proposing Cost Sharing:

When cost sharing is mandatory or voluntary committed, the department responsible for the project must include it in the proposed budget. In both cases, the source of cost sharing funds must be identified in the proposal. University and third party in-kind commitments must be described in detail, have an established value, and be included in the proposal.

Cost sharing may consist of direct costs or unrecovered facilities and administrative (F&A) costs resulting from a waived or reduced F&A rate. OMB Circular A-110, Section .23 Cost sharing or matching, (b) states, "Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. "

Funds designated for proposed cost sharing must be designated for the proposed project only. They cannot be included in a proposal if they have already been earmarked for a different project in another proposal or have been expended in another period.

Sponsor funds, including federal and federal pass-through funds, may not be used for cost sharing unless specifically authorized by the sponsor of those funds.

Before proposing in-kind voluntary committed cost sharing, a department should be aware of and be prepared to meet documenting and reporting requirements outlined below. In-kind mandatory and in-kind voluntary committed cost sharing included in a proposal may, but do not always, appear in the written award document.

Establishing the Value of In-Kind Contributions:

In-kind contributions from the University or a third party must have an established value:

- **Depreciable Personal Property:** The assessed value of donated personal property, e.g., equipment, must not exceed the fair market value of personal property of the same age and condition at the time of donation. The assessed value for loaned equipment must not exceed its fair rental value.
- **Supplies/Materials:** The assessed value must be reasonable and must not exceed the fair market value at the time of the donation.

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- Buildings or land contributed by the University: The assessed value must be the lesser of:
 - the book value as shown in the University's accounting records at the time of donation, or
 - the current fair market value.
- Buildings or land contributed by a third party: The assessed value shall not exceed fair market value at the time of donation as established by an independent appraiser and certified by a responsible official of the University.
- Space contributed by a third party: The assessed value for donated space must not exceed the fair rental value of comparable space as established by an independent appraiser.
- Personal services: When the contribution is in the form of effort, it is valued at the regular rate of compensation. The "regular" rate of compensation is the rate an individual earns when performing comparable work. Fringe benefits that are reasonable, allowable and allocable may be included in the valuation.
 - When an employer other than the University furnishes the services of an employee, the services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable).

Criteria for Acceptable Cost Sharing:

To be accepted as part of the University's cost sharing, contributions must meet these criteria:

- Verifiable from University records
- Not included as contributions for any other Federally-assisted project or program
- Necessary and reasonable for accomplishment of project or program objectives
- Allowable under Federal cost principles in OMB circulars A-21 and A-110 and the terms of the award document

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- Allocable as a cost of the project or program, that is, they are incurred solely to benefit the sponsored project
- Not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- Provided for in the approved budget when required by the Federal awarding agency

Documenting Cost Sharing:

The University must maintain sufficient supporting documentation to substantiate the mandatory and voluntary committed cost sharing contributions to a project.

The documentation is to be retained for the period required by the sponsor, or the retention policy of the University, whichever is longer.

Documenting Cash Contributions

Cash cost sharing is documented through fund codes in the University of Maine System accounting system. Sponsored Programs is responsible for setting up budgets using the appropriate cost sharing fund codes and account codes described below. The department responsible for the project is responsible for monitoring activity in those budgets:

- Unrestricted Cost Sharing, Fund Code 04: This fund code tracks committed cost sharing expenses funded with unrestricted funds. Fund code 04 tracks resources and expenses for each project.
- Restricted Cost Sharing, Fund Code 24: This fund code tracks committed cost sharing expenses funded with money restricted by outside parties. Fund code 24 tracks resources and expenses for each project.
- Facilities and Administrative Cost Sharing, Account 65710: Unrecovered facilities and administrative costs, included as a part of cost sharing with the prior approval of the Federal awarding agency, are tracked with account code 65710, generally in Fund 20.

Documenting In-Kind Contributions

- The department responsible for the project is responsible for keeping detailed, auditable records of in-kind cost sharing and for submitting copies of those records to its Sponsored Programs office, or other responsible department, on an ongoing basis throughout the life of the project.

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- The department is responsible for documenting the basis used to determine the valuation for personal services, materials, depreciable personal property, buildings and land.

Reporting Cost Sharing:

If required by the sponsor, Sponsored Programs reports mandatory cost sharing and voluntary committed cost sharing. Either the terms and conditions of the award, or the sponsor's policies, will indicate whether the cost sharing is reportable. If the sponsor is silent, Sponsored Programs will not report cost sharing, however departments must maintain supporting documentation.

Reporting of voluntary uncommitted cost sharing is not required.

History of Policy

Issue 2: Effective 1/13/1986

Issue 3: Effective 6/15/2006 (defines current cost sharing terminology as described in A-110, replaces FAST terms with PeopleSoft terms, removes policy on percentage distribution of F&A cost recovery)

Issue 4: Effective 04/02/2007 (adds information on in-kind contributions and valuation; adds "Policy" and "History of Policy" sections)

Related Documents

[Accounting for Grants and Contracts](#) – business process document

[APL VIII-B Restricted Expendable Funds Guidelines](#)

APPROVED:

Chief Financial Officer and Treasurer