

Subrecipient Cost-Sharing

“Cost-sharing,” also called “matching,” refers to the resources contributed or allocated to a sponsored project. By accepting a subagreement with mandatory cost-sharing, the subrecipient incurs an obligation to document and report its financial contributions to the sponsored project. Should the awarded amount be reduced from the proposed amount, the committed cost-sharing may need to be adjusted accordingly, particularly if the awarded budget reduction requires a change in the scope of work. Granting agencies may accept several methods of cost-sharing. It is important that the amount of cost-sharing is clearly stated in the written agreement. Any reduced cost-sharing should require a subagreement modification.

Methods of Cost-sharing:

1. **Cash Cost-sharing** is a cash expenditure on a specific sponsored project. These expenditures are separately budgeted and accounted for.
2. **In-Kind Cost-sharing** is described as non-cash contributions, such as volunteer time or donations of goods and services. These may come from the subrecipient and/or third parties.
3. **Third-Party Cost-sharing** may be cash or non-cash. Non-cash contributions are the value of contributed goods and services directly benefiting the project. All non-cash contributions **must be verifiable/documentable**.
4. **Indirect Costs.** Educational institutions may use unrecovered indirect costs as allowable cost-sharing.

Cost-sharing Records:

All subrecipients receiving subagreements from Auburn University must provide information on their cost-sharing contributions to Auburn University. As the prime award institution, Auburn University may not be required to obtain documentation to substantiate all the cost-sharing stated by the subrecipient, but must have a signed document from the subrecipient stating the amount of the cost-sharing provided. The subrecipient is responsible for maintaining the documentation of such costs should auditors require it. Federal auditors may require subrecipients to provide supplementary information and records as practicable to substantiate the cost-sharing contributions certified with the subagreement close-out.

Reporting Cost-share:

For most subagreements, reporting of cash and indirect costs cost-share is done on the *Subagreement Invoice Form* when requesting reimbursement. If more detailed documentation is required it will be explained in the subagreement terms and conditions.

For in-kind and third-party cost-share reporting the subrecipient must provide documentation to support committed activities. For example, the *Cost-Share Documentation Form* can be used to

report volunteer time and mileage. For donations, a letter from the donating party is required explaining the donation and the estimated dollar value, and signed by an authorized representative.

Examples of Cost-share:

1. Volunteer time and mileage (*Note: Convict time is unallowable*)
2. Advisory Committee time and mileage
3. Donations of equipment
4. Salaries and fringe benefits of involved personnel (paid with non-Federal funds) not paid from the subagreement

Federal Regulations on Cost-sharing (per OMB Circular A-110, _____.23):

(a) All contributions, including cash and third-party in-kind, can be accepted as part of the subrecipient's cost-sharing or matching when such contributions meet all the following criteria:

- (1) Are verifiable from the subrecipient's records.
- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Are provided for in the approved budget when required by the Federal awarding agency.
- (7) Conform to other provisions of Circular A-110, as applicable.

(b) Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

(c) Values for subrecipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes subrecipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).

- (1) The certified value of the remaining life of the property recorded in the subrecipient's accounting records at the time of donation.

(2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.

(d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the subrecipient's organization. In those instances in which the required skills are not found in the subrecipient organization, rates shall be consistent with those paid for similar work in the labor market in which the subrecipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.

(e) When an employer other than the subrecipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.

(f) Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

(g) The method used for determining cost sharing or matching for donated equipment, buildings and land for which title passes to the subrecipient may differ according to the purpose of the award, if (1) or (2) apply.

(1) If the purpose of the award is to assist the subrecipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.

(2) If the purpose of the award is to support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges.

(h) The value of donated property shall be determined in accordance with the usual accounting policies of the subrecipient, with the following qualifications.

(1) The value of donated land and buildings shall not exceed its fair market value at the time of donation to the subrecipient as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the subrecipient.

(2) The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.

(3) The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

(4) The value of loaned equipment shall not exceed its fair rental value.

(5) The following requirements pertain to the subrecipient's supporting records for in-kind contributions from third parties.

(i) Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the subrecipient for its own employees.

(ii) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

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