

Northern Michigan University Guidelines on Match/Cost Share of Sponsored Programs

TABLE OF CONTENTS

A. Policy Statement, Description of Process, and Mandatory Requirements

Policy Statement	1
1. Background.....	2
2. Definitions	2
3. Responsibilities.....	3
4. Criteria for M/CS Commitments.....	4
5. Types of M/CS.....	4
6. Allowable Forms of M/CS.....	5
7. Unallowable Forms of M/CS.....	5
8. M/CS Commitment Approval Process.....	5
9. Procedures.....	6
10. Exclusions from this Policy.....	6
11. Related Documents.....	7
12. Policy Approval.....	7

Guideline Statement

This document sets the procedures and standards to oversee and regulate the use of matching funds/cost sharing (M/CS) for all sponsored programs at Northern Michigan University (NMU). This policy for M/CS is in accordance with 2 CFR 220 (OMB Circular A-21) and 2 CFR 215 (OMB Circular A-110), sets guidelines for when M/CS is appropriate and allowable for NMU sponsored programs, and sets procedures for budgeting and approval of M/CS.

NMU will authorize M/CS commitments only when required by the sponsoring agency and only to the extent necessary to meet the sponsor's requirements. All M/CS commitments must be included in the proposal budget and must be approved by the dean or director of the NMU unit or department responsible for these funds, or by the appropriate official of a third party. After that approval, all M/CS commitments must be approved by the Provost, Contracting Official (Vice President of Finance and Administration via his designated review process) and the AOR (Assistant Provost for Graduate Education & Research) before they will be binding. All committed M/CS must conform to NMU and federal guidelines regarding allowability, allocability, and reasonableness (cost accounting standards) and must be verifiable through documentation and NMU's financial accounting system.

NMU authorizes M/CS commitments only to the extent necessary to meet a sponsor's requirements. The university's financial resources are limited, and it is essential that the use of M/CS does not overburden these resources. NMU strives to protect the integrity of the process by which it is reimbursed for F&A costs and maximize the amount of F&A recovery. Excessive or unnecessary M/CS commitments have the effect of reducing the indirect cost rate since committed M/CS must be included in the determination of the negotiated F&A rate. Sponsors and auditors must be able to verify that M/CS funds have been committed and expended toward

a project. This policy has been developed to help faculty and staff properly document and report M/CS commitments.

Background

The terms “matching,” “cost sharing,” and “in-kind contributions” (all referred to here as M/CS) refer to the portion of allowable project costs not paid by the sponsoring agency. These project costs are paid by NMU or through contributions by organizations outside NMU (third parties). There is no distinction between the terms in federal law, 2 CFR 220 (A-21) and 2 CFR 215 (A-110). Historically, “matching” and “cost sharing” are the same principle expressed differently. Matching means to “match” concurrently during expenditure of funds. Cost sharing means that obligation must be met by the end of the project.

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

All NMU sponsored programs involving M/CS commitments must be executed in accordance with university policies and procedures, applicable state and federal laws, regulations, policies and guidelines.

Applicable laws, regulations, policies and guidelines include, but are not limited to, 2 CFR 220 (OMB Circular A-21), 2 CFR 215 (OMB Circular A-110), OMB Circular A-133, OMB Memorandum M-01-06, the federal cost accounting standards, and NMU’s established Disclosure Statement.

Definitions

- **Federal Cost Accounting Standards:** Federally mandated accounting standards intended to ensure uniformity in budgeting and expenditure of funds.
- **Matching Funds/Cost Sharing/In-Kind Contributions (M/CS):** For the purpose of this policy, M/CS is the portion of allowable project costs not paid by a sponsoring agency. These project costs are paid by NMU or through contributions by third parties. M/CS may consist of direct costs and/or unrecovered F&A costs (a cash match) or the value of donated services and real or personal property (in-kind).
- **Matching Funds:** To “match” funds concurrently during the expenditure of federal funds.
- **Cost Sharing:** The obligation to share project costs must be made by the end of the project.
- **In-Kind Contribution:** A non-cash contribution of the fair market value of goods or services provided to a project.
- **Office of Management and Budget (OMB):** A federal office attached to the White House that assists the President in the development and implementation of budgets, programs, management, and regulatory policies.

- **Sponsor/Sponsoring Agency:** An entity, usually external to NMU, which funds a sponsored program.
- **Sponsored Program:** A research, training, or educational project that is funded by a sponsor, generally one outside NMU. Activities funded through grants, contracts, and cooperative agreements are sponsored programs. A sponsored program is traditionally initiated with a proposal to a sponsor and followed by an award with specific terms, objectives, rights, and reporting requirements. The sponsor, whether it is federal, state, or private, holds NMU accountable to meet designated requirements in exchange for project funding.
- **NMU Controller's Office:** This office oversees development of NMU's cost accounting policies and practices to ensure compliance with state, federal, and university rules and regulations.
- **NMU Grants and Contracts Office:** Organized under the Office of Graduate Education and Research, this office manages and monitors all pre- and post-award activities for NMU sponsored programs.

Responsibilities

It is the responsibility of the Grants and Contracts Office and all unit faculty and deans/directors who commit to furnish M/CS to follow all applicable laws, regulations, policies, procedures, and guidelines that govern these funds.

- **Responsible University Officers:** The Grants & Contracts Director is responsible to perform final reviews of M/CS commitments on all sponsored programs to ensure they are compliant with the law and this policy and to grant or deny institutional approval of these commitments. The Assistant Provost for Graduate Education & Research (also the Authorized Organizational Representative or AOR) shares the responsibility for final M/CS review and approval authority; the Contracting Official, whose approval is part of the designated proposal submission process and must review any proposal with M/CS included, has the authority to authorize funds for equipment purchase match. The CO, AOR and NMU Provost are responsible for final certification to the sponsor of approved and allowable charges attributable and verifiable as M/CS.
- **Grants & Contracts Office:** This office is responsible for reviewing M/CS commitments on all sponsored programs to ensure they are compliant with the law and this policy and to advise the AOR about such commitments. The office is responsible for assigning unique fund identifiers (Fund(s) 14) to track university-committed funds and to ensure that unrecovered F&A and certified third party match amounts are recorded in the Banner Finance System.
- **Unit/Department:** The initial responsibility for M/CS commitments rests with the proposing unit/department. The unit dean or director must authorize and approve M/CS commitments if departmental resources are going to be used. Units are responsible for all M/CS commitments, including obtaining third party contributions.
- **Principal Investigator:** It is the responsibility of the Principal Investigator (PI) to seek out and secure sources of all M/CS commitments and obtain necessary approvals before the proposal is submitted to Grants & Contracts. PIs should discuss proposed M/CS

commitments with their unit research administrators well in advance of the submission deadlines to avoid last-minute problems and misunderstandings.

- **Third Parties:** Third parties must certify their M/CS commitments prior to submission of the proposal to the Grants & Contracts Office. Such third parties are subject to audit. The university is held accountable for all committed M/CS funds regardless of the source. If the M/CS cannot be paid or tracked in accordance with federal standards as was originally anticipated, or the third party is unable to meet its obligation, the bottom line value declared in the terms of the award must be met by the proposing unit(s) responsible for the project and award.

Criteria for M/CS Commitments

Federal regulations in 2 CFR 215 (OMB Circular A-110.23.), state that “all contributions, including cash and third party in-kind, shall be accepted...when such contributions meet the following criteria:”

- Are verifiable (through effort reports or other appropriate documentation);
- Are not included as contributions for any other federally assisted program;
- Are not charged to the federal government directly or indirectly under any other grant or contract;
- Are necessary and reasonable for proper and efficient accomplishment of project objectives;
- Are allowable under applicable cost principles defined in OMB Circular A-21 (reasonable, allowable, allocable, consistently treated);
- Are provided for in the approved budget and conform to other provisions of OMB Circular A-110 (or in the terms of the sponsored agreement);
- Are not charges also claimed as part of the institution’s F&A costs (double dipping);
- Are not costs financed by program income generated by activities of the project, unless the funding agency expressly permits such use of such income; and
- Are incurred during the same funding/budget period as the sponsored project.

Types of M/CS

- **Mandatory:** Mandatory M/CS is a committed level of M/CS that is required by the sponsor in its general guidelines or in a specific program announcement.
- **Voluntary Committed:** Voluntary committed M/CS is not required by the sponsor, but would be offered by NMU and quantified in the proposal budget. If accepted by the sponsor, voluntary commitments are reflected in the final budget agreement between NMU and the sponsoring agency. As a condition of the award, these commitments must be tracked in UAF's financial system and are subject to audit. NMU has a strict policy against authorizing voluntary committed M/CS; authorization could happen in extenuating circumstances but is rare.
- **Voluntary Uncommitted:** Voluntary Uncommitted M/CS is defined as “university faculty (including senior researchers) effort that is over and above the effort committed and budgeted for in a sponsored agreement.” (A-21 Memo M-01-06) Voluntary uncommitted M/CS is not required as a condition of the award. These commitments will

not be reflected in the final budget agreement between NMU and the sponsoring agency. This treatment is consistent with 2 CFR 220 (OMB Circular A-21) in that precise documentation of faculty effort is not always feasible and is not expected because of the inextricably intermingled functions performed by the faculty in an academic setting. Applicable and allowable costs in overrun of the allocated budget are also to be recognized as Voluntary Uncommitted M/CS.

Allowable Forms of M/CS

- **Faculty Time:** A faculty member's salary, in which an attributable and verifiable portion of their compensated time is devoted to a sponsored project, with related staff benefits and the associated F&A on the salary and benefits.
- **In-Kind (NMU and Third Party):** In-kind contributions are non-cash contributions in the form of goods or services that can be given a cash value. Examples include the fair market value of project supplies, transportation, and services.
- **Other Direct Costs (NMU and Third Party):** 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 or equipment.
- **Unrecovered Indirect Costs (NMU):** Some sponsors limit the amount of indirect cost recovery NMU can receive on a project. The difference between the NMU's federally negotiated indirect cost rate and the sponsor's limited indirect cost rate (unrecovered indirect costs) may be used as a M/CS commitment, but only **with advance written approval from the sponsor**. A third party's indirect costs may not be used as M/CS.

Unallowable Forms of M/CS

Certain contributions are unallowable forms of M/CS. Expenses listed in 2 CFR 220 (A-21, Section J.) as unallowable costs cannot be listed as M/CS contributions, either in the proposal or in the award.

Examples of Unallowable M/CS Commitments:

- Costs used to meet a M/CS commitment on another project. Since these funds have already been committed and possibly expended, they cannot be used again.
- Using federal funds to meet a M/CS commitment on another federally-funded project unless specifically allowed by statute or by the federal sponsor's program guidelines.

Other unallowable M/CS includes costs that are part of NMU's F&A rate calculations, such as:

- NMU-owned space, buildings, and equipment.
- Administrative salaries such as those of a dean, department chair or clerical position.
- 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 NMU does not allow the use of time donated by volunteers or employees to meet a M/CS commitment.

Additionally, NMU employees may not donate services for which they would normally be entitled to compensation from NMU or any other entity.

M/CS Commitment Approval Process

If the project sponsor requires M/CS, documentation must accompany the proposal when it is submitted to AOR for approval. The Grants & Contracts Director and AOR will evaluate M/CS documentation prior to proposal submission. M/CS documentation must include:

- An Authorization for Matching Funds/Cost Sharing Form signed by the dean or director of the unit which authorized departmental resources to be used as M/CS.
- The sponsor's instructions detailing the terms of the M/CS requirement (commonly found in project guidelines, requests for proposals, and program solicitations or announcements, or in an e-mail from the program manager verifying the M/CS requirement).
- If there are third party M/CS contributions, commitment letters from the third parties describing the resources and fair market value of their contributions. The letters **must be signed by representatives of the organization** with the authority to obligate the resources described. The third party's M/CS commitment must be documented on M/CS form.
- If there is a request for equipment matching funds, the signed written approval of the Assistant Provost for Graduate Education and Research on M/CS form.

Procedures

Procedures to implement this policy are established and set by Grants & Contracts Office in consultation with the Controller's Office and the Office of Finance & Administration. This policy will be reviewed at least annually and modified if necessary to reflect applicable changes in federal and state laws and regulations, and NMU policies, regulations, and business practices.

Exclusions

These exclusions are subject to the procedures specified as to each:

- **Indefinite Match/Cost Share:** Indefinite M/CS occurs when a sponsor does not explicitly state that M/CS is a requirement, but the application guidelines indicate that increased M/CS will enhance a proposal's competitiveness in the funding agency's review process. In such cases, the proposing unit must contact Grants & Contracts immediately and the Director of Grants & Contracts will determine the appropriateness of a M/CS commitment before the proposal is submitted to the sponsor. The office must receive additional information to justify the suggested M/CS commitment. Questions the proposing unit must address include:
 - How did the sponsor indicate or demonstrate that M/CS would be valuable to the proposal?
 - What is the total cost to NMU compared to the gain
 - This information must be included in writing in the proposal packet along with the M/CS form.

Leveraging/Leveraged Resources: Leveraging occurs when a sponsor requests the applicant to demonstrate additional resources, including co-funding, that are available to the applicant for the project. Some sponsors require enumeration of these resources (listing a dollar value), and some sponsors do not require enumeration. When possible, leveraged resources should not be enumerated. While leveraging is not technically M/CS, enumeration requires that NMU track these funds.

- Sponsor-required enumeration of leveraging will be treated the same as regular M/CS in the pre-award and post-award stages. The M/CS form must be submitted with the proposal at the pre-award stage. At the post-award stage, an M/CS fund will be established and expenditures will be tracked in accordance with federal regulations.
- Non-enumerated leveraging (where resources or co-funding are listed without a dollar value) does not constitute a M/CS commitment and does not require either the M/CS form.

Related Documents

- [M/CS FORM](#): Authorization for Matching Funds/Cost Sharing
- 2 CFR 220 – OMB Circular A-21: Cost Principles for Educational Institutions
http://www.whitehouse.gov/omb/circulars_a021_2004
- 2 CFR 215 – OMB Circular A-110: Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations http://www.whitehouse.gov/omb/circulars_a110/
- OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations
http://www.whitehouse.gov/omb/circulars_index-education/