

## Administrative Policy No. 19.50.02

**Subject:** Accounting for Local Match and Cost Sharing Agreements

**Contact:** Office of Accounting Services  
Chief, (360) 664-5716

**Authorizing Source:** [2 CFR Chapter II Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

**Effective Date:** March 1, 2005

**Revised:** November 19, 2021

**Approved By:** Original signed by Judy Fitzgerald  
Assistant Secretary / Chief Financial Officer

---

### Purpose

This policy establishes local match and cost sharing procedures.

### Scope

This policy applies to all Department of Social and Health Services (DSHS) programs that establish matching or cost sharing agreements with local entities.

### Additional Guidance

[DSHS Forms Picker](#)

Form 06-155, Local Funds Match Certification

### Definitions

**Certification Period** is the period of time covered by the Local Fund Match Certification form. A contract may have more than one certification period.

**Certified Public Expenditure (CPE)** is a statutorily recognized Medicaid financing approach by which a governmental entity, including a governmental provider (e.g., county hospital, local education agency), incurs an expenditure eligible for federal financial participation (FFP) under the state's approved Medicaid state plan (§1903(w)(6) of the Social Security Act; 42 CFR 433.51). The governmental entity certifies that the funds expended are public funds used to

support the full cost of providing the Medicaid-covered service or the Medicaid program administrative activity. Based on this certification, the state then claims FFP.

**Cost Objective** is a five-digit code assigned to identify the federal grant, a portion of the federal grant, or a state or local funded program to which costs are charged.

**In-kind Contributions** means third-party non-cash contributions (i.e., volunteer services, donated supplies, loaned equipment, or space). Professional and technical personnel, consultants, and other skilled or unskilled labor may furnish donated supplies or volunteer services to a governmental unit.

**Intergovernmental Transfers (IGT)** refers to a transfer of funds from another governmental entity (e.g., a county, tribe, or other state agency) to the Medicaid agency before a Medicaid payment is made. When these funds are used as the non-federal share of a Medicaid expenditure, they are eligible for federal financial participation (FFP). That is, they can be matched by federal dollars. IGTs are commonly used by counties to contribute the non-federal share for certain governmental providers (e.g., community mental health centers, hospitals) located in those counties. IGTs may also be contributed directly by governmental providers themselves, such as hospitals operated by state or local government. The ability of states to use IGTs to finance their Medicaid programs is recognized in both federal statute and regulation (§1903(w)(6) of the Social Security Act; 42 CFR 433.51).

**Local Entity** refers to any state or local government, tribe, non-profit, or for-profit organization.

**Local Funds Match Certification Form** is the DSHS document required to be used by the local entity to certify the local match was provided for eligible services.

**Local Government** refers to a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments (whether or not incorporated as a non-profit corporation under state law), local or federally recognized Indian tribal government, including any component thereof, and other regional or interstate government entity, or any agency or instrumentality of a local government.

**Local Match** is an allowable cost incurred by a local entity in support of the match requirement of a federal grant. Local match may include cash contributions of non-federal funding and/or in-kind contributions. In many cases, this is a source of revenue provided at the local level by various foundations, non-profits, or local governments (see federal requirements for grant specific regulations).

**Public Funds** refers to moneys under the control of a treasurer or custodian belonging to, or held for the benefit of, the state or any of its political subdivisions, public corporations, municipal corporations, agencies, courts, boards, commissions, or committees, including moneys held as trustee, agent, or bailee.

## Policy

### *I. Local Match Authorization and Certification Process*

- A. If a local match is appropriate, DSHS requires the local entity submit a plan or budget that includes a description and the source of the match (e.g., third party in-kind contributions, tax revenues, allowable donations, etc.) to the Fiscal Program Manager (FPM) for review and approval.
- B. 2 CFR Chapter II Part 200 requires contractors to certify the match. DSHS requires contractors to complete and submit a Local Funds Match Certification form (DSHS Form 06-155) or a form that has equivalent data elements prior to final payment.

### *II. Local Match for Medicaid*

- A. Medicaid does not allow “In-Kind” as a valid source of match ([42 CFR 430.30](#)).
- B. Medicaid requires the source of the local match come from public funds ([42 CFR 433.50](#) and [433.51](#)).
- C. The local government must incur and certify the total cost prior to billing the state for the federal share.
- D. The funding mechanisms for local governments to provide the local match are either a Certified Public Expenditure (CPE) or Intergovernmental Transfer (IGT).

### *III. Third Party In-Kind Contributions (not applicable for Medicaid)*

- A. All in-kind contributions and valuation methods must be documented.

Third party non-cash contributions can include volunteer services, donated supplies, loaned equipment, or space. If an individual’s time or service is treated as in-kind contribution for the match, it must be documented as support for the in-kind contribution. If fair market value (FMV) is used for equipment or facilities, the valuation method must be documented.

In determining the valuation of third party in-kind contributions, you must exclude any portion of items originally procured with or used as match for federal funds.

The following are examples of third party in-kind contributions and the valuation method (for more information, please refer to 2 CFR Chapter II Part 200):

1. Volunteer services provided by individuals. These are based on the FMV of the service provided. The value is not based on the potential or actual earning ability of the volunteer who performed the service.

For Example: If an attorney assists with landscaping, the value of the attorney's in-kind time cannot be based on the attorney's hourly billing rate; it would be valued at the average rate of a landscaper.

2. Donated supplies. These are based on the FMV for the same products. The valuation must take into consideration the volume of the items and the condition of the items.
3. Donated equipment. If the title to the asset transfers to the local entity, the FMV needs to be determined.

If the title of the asset does not transfer, the FMV of renting or leasing such asset may be used as an in-kind contribution.

4. Donated land and buildings. If the deed to the asset transfers to the local entity, the value of the donated land and buildings must not exceed its FMV at the time of donation as established by an independent appraiser. Facility structures may be considered as in-kind contributions if the structure is available to others to rent or lease and is not used as part of the organization's daily operations.

If the deed to the asset does not transfer, the value of the donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities on a privately owned building in the same location.

For example, a non-profit organization owns a conference facility that is rented to the public. If the non-profit donates the conference facility for program events, the FMV rental cost can be considered an in-kind contribution. However, if the non-profit has a meeting room within that facility that they use to discuss program events, the meeting room cannot be considered as an in-kind contribution.

6. DSHS is not a third party and cannot provide in-kind contributions.

## Procedures

### A. Local Match Authorization and Approval

1. Fiscal Program Managers (FPMs) must:
  - a. Obtain a plan or budget from the local entity that includes a description and the source of funds for the local match.
  - b. Review and approve the local entity's plan or budget, as appropriate. FPMs are responsible for knowing the specific federal matching regulations related to their federal funding source.
  - c. Ensure that the entity certifies or reports the total amount they spent and the non-federal share used as the match.
  - d. Determine how to account for the local match at DSHS. Options include:
    - i. By cash receipt. The local entity sends cash to be used as the local match to DSHS. These funds are recorded in DSHS' records as local revenue.
    - ii. In DSHS records. The local entity reports the local match provided and DSHS records the match in AFRS.
    - iii. Off DSHS records. The local entity reports the match provided but the match is not recorded in DSHS records. DSHS includes the local match on the federal financial report based on the entity's invoices and certification.
  - e. Verify the local match was not used to meet match requirements of more than one federal award.
  - f. Verify that federal funds are not used as the local match unless specifically authorized by law and that DSHS receives written approval from the federal agency supplying the match.
  - g. Evaluate and approve only those contracts or interlocal agreements that contain all local matching requirements and forms.
  - h. Coordinate with Office of Accounting Services (OAS) staff to establish the appropriate account coding for the tracking of the local match activity, depending on whether the local match will be accounted for by cash receipt or certification form.

**B. Accounting for Local Match by Cash Receipt**

The local entity sends cash to be used as the local match to DSHS. These funds are recorded in DSHS' records as local revenue.

1. The local entity submits the non-federal matching funds to DSHS in support of its local match requirement and DSHS records the receipt using a local revenue source.

2. The local entity invoices DSHS for the total cost of the services (local and federal) and includes documentation detailing the services provided. DSHS processes payment to the local entity for the total cost of the eligible services.

These services are paid using a local appropriation index (with a federal contra appropriation index), which matches local revenues and local expenditures and allows reporting of the total funds against the grant.

3. For Medicaid, this is the Intergovernmental Transfers (IGT) process. If an encounter rate is used for client services, the IGT process must be used.

**C. Accounting for Local Match by Certification (On DSHS Records)**

The local entity reports the local match provided and DSHS records the match in AFRS.

1. The local entity invoices DSHS for the federal share of the services and reports the amount of the local match provided. The invoice must include documentation detailing the services provided.
2. The fiscal office reviews the invoice and supporting documentation, and processes the payment in two steps:
  - a. The first entry records the total amount to be charged against the federal cost objective (local and federal share = total computable). For Medicaid, programs must communicate with OAS to work with HCA to establish CPE specific coding to ensure correct reporting.
  - b. The second entry backs out the local match using the same program index and the local allocation code (use LOCL whenever possible) that directs cost allocation to a local cost objective (use COB "BLOCL" whenever possible or a specific local cost objective) to record the local match on DSHS records. This allows DSHS to report the total computable on the federal claims, but does not overstate the DSHS state or local expenditures.
3. DSHS must obtain a Local Funds Match Certification form (DSHS Form 06-155), or a form that has equivalent data elements, prior to payment for the final billing.
4. For Medicaid, the match must be a CPE and by definition must be provided by a local government.

**D. Accounting for Local Match by Certification (Off DSHS Records)**

The local entity reports the match provided but the match is not recorded in DSHS records. DSHS includes the local match on the federal financial report based on the entity's invoices and certification.

1. The local entity provides the local match and invoices DSHS for the federal share only. The invoice must reflect both the local match provided and the federal share requested and provide adequate documentation detailing the services. By signing the invoice voucher, the local entity is certifying that the local match was provided.
2. DSHS processes payment using a cost objective that is at 100% federal financial participation. This will record the federal share against the federal grant, without increasing state expenditures. Manual records may be necessary to track the local match for federal reporting.
3. DSHS must obtain a Local Funds Match Certification form (DSHS Form 06-155), or a form that has equivalent data elements, prior to payment for the final billing.
4. For Medicaid, the match must be a CPE and by definition must be provided by a local government. Due to the fact that only the federal share is accounted for on DSHS' books, DSHS must work with HCA to establish CPE cost objectives that will allow them to impute the total computable on the CMS-64.