United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240
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Department of the Interior Guidance Release 2010-05

Subject: **Challenge Cost Share**

References: The Federal Grant and Cooperative Agreement Act of 1977, revised and incorporated in the provisions at Title 31 U.S.C. 6301-6308
The Federal Financial Assistance Management Improvement Act of 1999, Public Law (Pub. L.) 106-107
Department of the Interior, 43 CFR §§12.64, 12.80 and 12.923
Department of the Interior Manual, Procurement Contracts, Grant and Cooperative Agreements, 505 DM 2
Department of the Interior Guidance Release 2009-04, Policy Regarding Federal Financial Reporting Requirement Related to Grants and Cooperative Agreements
2 CFR 215 (OMB Circular A-110)
2 CFR 220 (OMB Circular A-21, Section J)
National Park Service (NPS), 16 USC § 1f.
U.S. Fish and Wildlife Service (FWS) challenge cost share agreement authority provided by Congress in the House Report that accompanies the annual appropriations legislation.
Bureau of Land Management (BLM), Pub. L. 101-512, Title I (Nov. 5, 1990), 104 Stat. 1918.

1. **Purpose:** This guidance release is issued on the use of Challenge Cost Share (CCS) Programs to support the mission of the Department of the Interior. This guidance applies only to those bureaus/offices with CCS authority.

2. **Effective Date:** Effective immediately upon issuance.

3. **Expiration Date:** This policy will remain in effect until cancelled or superseded.

4. **Background and Explanation:** The CCS Program began in 1985 when Congress appropriated funds for partnership conservation projects. The CCS Program is the Department's effort to leverage funding to increase participation by qualified partners in the preservation and improvement of natural, cultural, and recreational resources. Bureau/office staff and partners work together to obtain mutually beneficial, shared outcomes. The Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service participate in the CCS Program, which requires an equal amount of eligible cost-share (minimum 50%) of cash, goods, or services from non-Federal sources.

5. **Definitions:**

A. Certification Addendum – A document completed after a CCS project is finished that certifies that a cooperator, or group of cooperators, has contributed a particular/specified and accurate account of the total cost of a project, group of projects, or agreed upon tasks within a state or region. The Certification Addendum verifies cooperator volunteer hours, in-kind service, and other in-kind contributions. The Certification Addendum must certify that no portion of the calculated cooperator contribution is of Federal origin or has been used to pay for Federal salaries. The Certification Addendum must be part of the CCS project file and must be signed by an agency authorized employee as described in 374 DM 6.5.

B. Challenge Cost Share – A program that facilitates the relationship between an agency and a cooperator where resources are shared to complete a project that benefits land, areas or trails, or administrative units. Cost share value can be derived from labor, material, equipment, land and water, or cash; a monetary expenditure by the cooperator need not be involved.

C. Challenge Cost Share Agreement – A written agreement between the Secretary (or his or her designee) and any cooperator(s) for the purpose of sharing and matching costs to carry out authorized functions and responsibilities of the Department with respect to any agency. This can be, as appropriate, in the form of a contract, grant, cooperative agreement or other signed application tool as required by 505 DM Chapters 1-5 and must become part of the project file.

D. Commitment Document – A tool that confirms and verifies future cooperator participation in a project and outlines the cooperator's and the agency's understanding of resource matching responsibilities. This may be a formal or informal document from the cooperator and will become part of the project file.

E. Cooperator – Any individual or other entity accepted as a willing participant to enter into a CCS Agreement with the Department or its bureaus/offices to achieve a common goal and meet the required Federal to Non-Federal match.

F. Project File – An electronic or paper file that holds all information pertaining to transactions within the specific project and describing the relationship between the agency and the cooperator. The project file will be located at the nearest office location or reporting unit until the project has ended. After the project has ended, all project files will be maintained at a consistent central location that may be the office of the local project manager, line manager, state, regional, or national office. Project files may be requested by the state, regional or national program office as part of a periodic internal management control review.

G. Project Monitoring – Regular observation of project activity to evaluate and ensure that: agency safety and health standards and guidelines are being implemented; project objectives are being achieved; and the cooperator is adhering to agreed upon tasks and funding. Project monitoring documentation will become part of the project file, as applicable.

H. Performance Measures – The process whereby a bureau/office establishes the parameters within which programs, investments, or acquisitions are reaching the desired results.

6. Guidance and Actions Required:

It is the policy of the Department to encourage the use of CCS Programs, where bureaus/offices have such authority and funding, to achieve the mission of the Department.

(1) No bureau/office shall support more than 50% of the cost to complete a project or group of projects by state or region through CCS Agreements.

(2) CCS projects must benefit Federally-managed lands, Federal trust resources, areas or trails, installations, or programs.

(3) All bureaus/offices must follow existing policy at 505 DM 2, Procurement Contracts, Grant and Cooperative Agreements, pertaining to posting funding announcements to Grants.gov using SF-424, Application for Federal Assistance, thereby maintaining transparency consistent with the customer service mandates prescribed in Pub. L. 106-107.

(4) All bureaus/offices must follow existing policy of 31 U.S.C. 6102, Money and Finance, pertaining to reporting awards in the Federal Assistance Award Data System.

(5) If funds are to be transferred outside a bureau/office to a cooperator, a cooperative agreement or a contract must be used consistent with the 505 DM 2 pertaining to appropriate instrument selection.

(6) A cooperator Commitment Document must be submitted with the application package and approved by the bureau/office prior to starting a project.

(7) All bureaus/offices must obtain a cooperator Certification Addendum at the conclusion of a project.

(8) All unspent agency funds allocated to a CCS project must be returned to the reporting unit for reallocation to other approved projects including all unused funds at the end of a project and funds from projects that did not move forward.

(9) All bureaus/offices must perform periodic management control reviews following existing policy OMB Circular A-123 and DOI Integrated Internal Control Program Guidance.

(10) All bureaus/offices must report CCS program accomplishments, including the Federal to Non-Federal matching ratio to Congress, as required.

(11) All bureaus/offices must ensure that performance reports for each grant or cooperative agreement are completed as prescribed by 43 CFR Part 12.80 (b)(2)(i) and (ii).

(12) Whenever there is a change in the funding from a cooperator(s), the bureau/office must issue an amendment via a revised SF-424A, Budget Information for Non-Construction Programs, or SF-424C, Budget Information for Construction Programs, which verifies the cooperator and the amount of the award(s).

7. Documentation

Bureaus/offices are required to document relationships and transactions with cooperators. The required documentation must be part of the project file and include:

A. Challenge Cost Share Agreement per 505 DM 2.10.

B. The agency accounting method or business plan used (if applicable).

C. Notation of compliance with applicable laws, statutory authorities, and Departmental or bureau/office policies and guidelines including 43 C.F.R. 12.64 and 12.923, 2 C.F.R. 215 (OMB Circular A-110.23), and 2 C.F.R. 220 (OMB Circular A-21, Section J).

D. All documents pertaining to and certifying the relationship between the cooperator and the bureau/office including, but not limited to:

1. The Commitment Document
2. The Certification Addendum
3. Verification of cost share amount on the SF-424, Application for Federal Assistance, SF-424A Budget Information for Non-Construction Programs, and SF-424C Budget Information for Construction Programs as applicable.
4. SF-425, Federal Financial Report monitoring of the timely submission of interim and final reports; and verification of cost share amount.
5. SF-270, Request for Advance or Reimbursement verification of cost share amount as applicable.
6. Documentation that appropriate project monitoring was completed.
7. A short narrative describing accomplishments of the project.

8. Additional Information:

Questions regarding this guidance may be directed to Melodee Stith, Associate Director, Acquisition and Financial Assistance, at (202) 208-5830, or via email at melodee_stith@ios.doi.gov.

Debra E. Sonderman

Debra E. Sonderman, Director
Office of Acquisition and Property Management