



Cost Sharing FAQs

Last Revised: June 2024

Responsible Office: Office for Sponsored Programs

Cost Sharing Requirements

Q. #1 – How do I know whether cost sharing is required by the sponsor (i.e., mandatory)?

A. The program guidelines, Request for Proposals, program announcement, sponsor website, etc. will state explicitly that cost sharing is required and will specify the expected level. This information is frequently found in a “Special Instructions” section or in the budget guidelines in the proposal preparation section.

When mandatory cost sharing is required, the amount of cost sharing should be the lowest amount possible, should be for expenses which align with and support Harvard objectives, and should rarely exceed the amount of sponsor funding being offered.

Q. #2 – What happens if I cannot meet my cost sharing commitment as originally proposed?

A. If the project includes a requirement for cost sharing, it is important that the account be monitored closely to ensure that the PI will meet those requirements. If there is a concern that they will be unable to meet the committed amount, it is essential that the sponsor be contacted as soon as possible to request a budget modification or an amendment to the award. The appropriate OSP/ORR/SPA representative should be involved in this communication. If you have not met the cost sharing requirements and the sponsor is unwilling to renegotiate the amount, it is likely that the funds provided by the sponsor will be reduced by the percentage the shortfall represents. Not meeting the cost sharing requirement puts the project at risk of being deemed non-compliant by the sponsor and may force the University to return funding. Every effort should be made to meet the obligated amount using start-up/discretionary funds, unrestricted monies, and/or any appropriate non-federal sponsored awards.

Q. #3 - Do cost shared expenses on non-federal awards have to follow federal guidelines?

A: No. It is not necessary to follow federal regulations for non-federal sponsors and their cost sharing commitments. Cost shared expenses, like those directly funded by the sponsor, must follow the terms and conditions specified by the sponsor, whether federal or non-federal. Mandatory and voluntary cost sharing on non-federal awards do need to be recorded and tracked in GMAS and the general ledger. In addition, all expenses, whether cost shared or directly funded, must comply with University policy.

Voluntary Cost Sharing

Q. #4 - Should I include cost sharing in a proposal if the sponsor/program does not require it (i.e., voluntary committed cost sharing)?

A: No. Harvard strongly discourages cost sharing, unless such a commitment is required by the sponsor/program. Cost sharing increases administrative burden, adversely impacts the research base used in calculating Facilities and Administrative (F&A) cost rates, and adds exposure under audit for disallowed costs. In rare cases when voluntary cost sharing is proposed, senior leadership/dean review and approval may be required.

Q. #5 – Are proposals that include voluntary cost sharing viewed more favorably by funders?

A. For federal sponsors, the Uniform Guidance says (2 CFR 200.306) “Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity.” For federal programs, the Uniform Guidance states that federal grant programs may no longer consider cost sharing during the merit review process unless it is statutorily required. Thus, voluntary cost sharing should not be included in a federal proposal.

For non-federal sponsors, Harvard should not commit as cost sharing amounts budgeted for University priorities or activities because such an offer unnecessarily eliminates organizational flexibility, exposes the University to administrative burdens related to compliance and reporting, and invites review of the utilization of private University resources. Thus, voluntary cost sharing on non-federal proposals should be avoided whenever possible.

Alternatives to Cost Sharing

Q. #5 – Do multi-funder projects always involve cost sharing?

A. Not necessarily. It’s possible to have a project with multiple funders, in which two or more sponsors are funding separate and discrete pieces of the project, but no explicit cost sharing is required as a condition of the award. However, if any sponsor’s funding is contingent upon another sponsor’s financial commitment or if voluntarily committed in the proposal, then it is considered cost sharing.

Q. #6 - When applying for general operating or core support funding, if a sponsor requests an overview of our lab's funding for the current and upcoming fiscal years, does this constitute cost sharing?

A: No, this does not constitute cost sharing. When funders ask for an overview of funding, it is typically to gain a better understanding of the financial landscape of the unit or laboratory. This information is typically collected through an operating budget template or a list of current and pending support, and is intended for informational purposes only. It is not a commitment by the funder to specific expenditures nor considered a requirement for cost sharing. To clarify this, include a statement in your application noting that the financial details provided are solely for informational purposes and do not represent conditions for funding or committed funds.

Q. #7 – Can Harvard offer University support or resources for an event or activity without creating a cost sharing commitment?

A. Yes. You may highlight existing non-quantified resources that are available regardless of whether the proposal is funded. Such existing resources should be described in the facilities and resources section, letters of institutional support, or other similar document.

Since cost sharing is disadvantageous to the University, it is University policy to pledge participation in a non-quantitative way without an explicit offer to share costs. “Harvard will provide twenty microscopes valued at \$3,000 apiece,” constitutes a cost sharing commitment. “Harvard will make available the space and equipment necessary to carry out the work as proposed” does not.

Q #8 - When preparing my proposal budget, can I use the term "as needed" when referring to personnel who may be asked to consult or advise occasionally on the sponsored award?

Yes, because it is difficult to determine the amount of time the personnel will contribute, you may use the term "as needed" when personnel are expected to work an undetermined, incidental amount of time.

In-Kind Cost Sharing

Q. #9 – Can you give an example of cost sharing as an in-kind contribution?

A. In-kind contributions are those wherein a value of the contribution can be readily determined, verified and justified but where no actual cash is transacted in securing the good or service comprising the contribution. Here are two examples of in-kind contributions: (1) The donation of volunteer time valued at a rate that would be reasonable for the time devoted had the volunteer been compensated for the time. For example, if you solicit volunteers from the local high school to help run surveys on a research project without compensating the volunteers, it would be appropriate to value the volunteer's time at, say, minimum wage for the number of hours volunteered; (2) The donation of space at an outside institution where such space would normally carry a fee for purposes other than supporting this particular project. This might be utilization of the local Bank Conference Center without having to pay the pre- defined and published rate.

In-kind cost sharing must be tracked manually by the department/local unit managing the award. In-kind contributions must be documented with official correspondence from the organization providing the contribution and should include appropriate substantive documentation such as published rate schedules, timecards for volunteers, etc.

Coding Cost Sharing

Q. #10 – Could you provide an example of the use of a companion account?

A. Let's assume that your main account is a federal award, fund 123456, activity 234567, subactivity 0001. Your companion account would be a non-sponsored account, fund 000123 with the same sponsored activity-subactivity combination (234567-0001). Your companion account coding would be Tub-Org-000123-234567-0001-Root.

Q. #11 – If I'm cost sharing with University funds using a companion account, do I have to split-code every non-salary transaction?

A. No; if it's more convenient to do so, you can spend the award money on some of the items in the budget and the cost-sharing funds on others, not necessarily simultaneously, as long as the companion expenditures are within the period of performance of the award and fulfill the cost sharing budget requirements as required by the terms and conditions of the award.

Faculty Effort Cost Sharing

Q. #12 – When an award does not provide funding for PI (or other faculty) salary, is there a minimum amount of cost shared effort required for the PI/faculty member?

A. There is no minimum of cost-shared faculty time required by the University policy, however, the sponsor may require a minimum level of effort. Likewise, your school may also have a minimum effort requirement; refer to your local school policy and guidance.

If the sponsor does not fund PI salary and does not require a specified level of effort for the PI, do not include a quantified level of effort (e.g., percentage) for the PI in the proposal. Effort not quantified in the proposal is not tracked as cost sharing. However, if the sponsor does not fund PI salary but requires quantified PI effort be specified in the proposal, this constitutes mandatory cost sharing that must be tracked. In this case, use of a companion account for the cost sharing is required to meet effort commitments.

Q. #13 – Are salaries that are paid over sponsor-specific caps considered cost sharing?

A. At Harvard, salaries over a regulatory cap must be recorded in a companion account to enable complete effort certification and to ensure complete reporting of the indirect cost bases. Salaries that exceed a regulatory cap are considered unallowable regardless of how they are funded. They are not eligible to be used to meet cost sharing commitments, but they do represent certifiable effort.

Q. #14 – If a faculty member under a nine-month appointment budgets and is compensated for two months of salary but reports three months on a progress report submitted to the sponsor, is the extra month considered cost sharing?

A. Uncompensated effort over and above the originally proposed commitment is considered Voluntary Uncommitted Cost Sharing (VUCS) and therefore does not require the use of a companion account. Voluntary Uncommitted Cost Sharing is not tracked in GMAS.

Q. #15 – If a faculty member includes in the proposal budget a commitment of two months of effort with commensurate salary requested, but is only paid for one month directly from the grant, is the remaining one-month effort not compensated by the

grant considered cost sharing?

A. Yes, this is Voluntary Committed Cost Sharing (VCCS). The effort should be tracked as cost sharing in GMAS, reflected in the general ledger and tracked according to the source of the cost sharing (see appendix B of the policy to determine if a cost sharing companion account is required or if it needs to be tracked manually).

Cost Sharing with Equipment

Q. #16 – Can I use existing Harvard-owned equipment to meet my cost sharing requirements?

A. No

Cost-sharing Indirect Costs

Q. #17 – How should unrecovered or under-recovered overhead (indirect costs) be tracked?

A. At the time of reporting cost sharing and at award closeout, the OSP Research Finance Team will use an internal cost sharing indirect cost calculation summary sheet to document the unrecovered or under-recovered overhead amount based on the cost shared direct costs provided by the department/local level managing units, and the IDC rate and basis (TDC or MTDC) as approved by the sponsor.

Note that the use of indirect costs in order to meet a cost sharing commitment always requires sponsor prior approval.

Cost Sharing Documentation

Q. #18 – The Cost Sharing Policy requires that cost sharing commitments must be verifiable from official University records, can you clarify what constitutes “verifiable University records”?

A. Verifiable University records generally refers to the requirement that expenditures must be discernable within our financial records, namely the general ledger. Here are some of the common methodologies:

- Companion Account – the method for tracking cost sharing expenditures, when cost sharing expenditures are charged to a non-sponsored fund using the sponsored activity-subactivity combination. By using a companion account, sponsored expenditures can easily be segregated in the general ledger from the cost sharing expenditures.

- Sponsored Contributions – utilized when there is a separate sponsored funding source being used as cost sharing. This approach requires a separate sponsored fund to be used to track the cost sharing, allowing the “sponsored” cost sharing expenditures to be tracked separately under a different fund in the general ledger from the initial sponsored fund.
- Non-Sponsored Funding – In the event a companion account cannot be used, it is the department’s responsibility to identify a non-sponsored funding source and methodology for tracking the cost sharing expenditures. The department must be able to readily provide OSP Research Finance with a copy of the general ledger backup (HART Transaction Listing), upon request for reporting and closeout purposes.
- In-Kind Contributions – Donated goods or services that have been committed to the project, which must be manually documented with appropriate levels of support, including fair market value of donated goods and services, evidence such as timecards to support volunteer’s fulfilled donated time, etc. These contributions will not appear on the Harvard General Ledger and require a formal letter to be filed with OSP at the time of reporting and closeout to confirm commitments have been met.
- Subrecipient Cost Sharing – These funds are tracked and reported to Harvard by the subrecipient, as part of their invoicing and reporting requirements. These funds will not appear on the Harvard General Ledger.

Q. #19 – When I generate a detail listing, fringe calculates by object code, not by salary expense, making it difficult to tell from the GL which fraction of the fringe is associated with the cost shared salary. Is it okay to provide a manual calculation of fringe for the purposes of reporting the cost shared salary and fringe?

A. A manual calculation of the applicable fringe will suffice for reporting. In order to calculate the fringe associated with a salary charge that you want to cost share, you will first need to identify the salary amount to cost share, then multiply the amount of the salary by the applicable fringe rate for that period. Fringe rates can be found on the OSP website: [Fringe Benefits Rates](#).

Additional Resources

[Cost Sharing Policy](#)

[University Cost Sharing Procedures Guide](#)

Job Aids

[Cost Sharing GMAS Job Aids](#)