HARVARD
UNIVERSITY

Cost Sharing FAQs

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Responsible Office: Office for Sponsored Programs

Cost Sharing Requirements

Q. #1 – How do I know whether cost sharing is required by the sponsor?

A. The program guidelines, Request for Proposals, program announcement, 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.

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/ORA 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.

Non-federal Funds

Q. #3 – Why are we applying federal regulations regarding cost sharing when non-federal sponsors may or may not require such accounting?

A. Since PIs often receive both federal and non-federal funding for research projects, a single cost sharing policy minimizes confusion and reduces the risk of non-compliance with federal regulations, especially in areas of faculty salary cost sharing and effort reporting. A single policy will help provide consistent training and compliance and reduce confusion.

Q. #4 – If non-federal awards are considered "unlike purpose and circumstance" in the A-21 and Uniform Guidance terminology, why do non-federal funds have to obey the same rules as federal funds when used as cost sharing on a federal award?

A. Since we include both federal and non-federal sponsored direct expenses in the "research base" of the University's F&A calculations, we must adhere to the stipulations in our Disclosure Statement (DS-2) to the federal government, where we promise a level of consistency in treatment of all sponsored expenditures.

Alternatives to Cost Sharing

Q. #5 – Do projects with more than one sponsor always involve cost sharing?

A. No; it's occasionally possible to think of a project as a "multi-funder project", in which two or more sponsors are funding separate pieces of the project, but no explicit cost sharing is required as a condition of the award. However, if the additional funding is contingent upon the other sponsor's funding commitment or if voluntarily committed in the proposal, then it is considered cost sharing.

Q. #6 – Can Harvard offer University support or resources for an event or activity without creating a cost sharing commitment?

A. Yes. 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 sharing costs. For example, "Harvard will provide twenty microscopes valued at $3,000 apiece," constitutes a cost sharing commitment.

"Harvard will provide necessary infrastructure and institutional support to ensure that the project moves forward," would not. Harvard should not commit to cost sharing significant portions of the University budget for an event or activity because such an offer unhelpfully eliminates organizational flexibility related to Harvard institutional programming and exposes the University to extensive administrative burdens.

When it is not possible to avoid making a cost sharing commitment upon which the sponsor funding is contingent, 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. #7 – Can you give an example of cost sharing as 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 non-institution space 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 contributions must be documented with official correspondence from the organization providing the in-kind cost sharing to include appropriate substantive documentation such as published rate schedules, time cards for volunteers, etc.

Cost Sharing Form (HUCSF)

Q. #8 – Previously, I used the excel or PDF based Harvard University Cost Sharing Form (HUSCF), do I still use this form?

A. No, all voluntary or mandatory committed cost sharing is recorded in GMAS, for all departments and schools. The excel/PDF form is no longer used.

Coding Cost Sharing

Q. #9 – Why can't the accounting system accommodate cost sharing from another sponsored fund (sponsored cost sharing)?

A. A formal "companion account" requires the use of a sponsored activity-subactivity value with a non-sponsored fund value. Sponsored cost sharing has always been recorded in GMAS as a separate sponsored award using a different activity value. The chart of accounts business rules for sponsored accounts do not allow sharing of activity values across sponsored funds, unless they are segments within a larger project.

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 – Is there a required minimum of cost sharing faculty time if there is no time being paid for from the award?

A. There is no required minimum of cost sharing faculty time unless required by the sponsor. If the PI didn't charge the proposed and committed effort directly to awards, cost sharing will be required to meet effort commitments. Individual schools may be more restrictive; refer to your local school policy and guidance.

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 requests in the proposal budget a commitment of two months of effort 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) and the effort should be reflected in the General Ledger and, when appropriate, in a cost sharing companion account.

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 is unrecovered overhead or under-recovered overhead to be tracked?

A. At the time of reporting of 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 and 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's 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 most common and most recommended method for tracking cost sharing expenditures, whereby charging cost sharing expenditures to a non-sponsored fund using the Sponsored activity-subactivity combination. In doing so, sponsored expenditures can easily be segregated in the general ledger from the cost sharing expenditures.

- Sponsored Contributions (matching funds) – 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 time cards 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 the Office for Sponsored Programs 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 sharing salary. Is it okay to provide a manual calculation of fringe for the purposes of cost sharing reporting the 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

Completing the Cost Sharing Form at Proposal

Reviewing Cost Sharing – Department Administrator

Reviewing Cost Sharing – Central Administrator

Completing a Cost Sharing Request