Harvard Medical School Cost Sharing Procedure Guide

In accordance with the University Cost Sharing Policy, any quantifiable cost sharing (mandatory or voluntary) becomes a legally binding and accountable commitment to the University upon acceptance of an award; therefore, committed cost sharing must be appropriately tracked and managed to ensure the commitments are fulfilled according to the federal regulations, University policy, and the terms and conditions of the sponsored award.

Effective management of cost sharing commitments on sponsored awards requires a collaborative effort with the Principal Investigator (PI), department/s (henceforth referred to as “department”), school level officials, Office for Sponsored Programs (OSP), and Sponsored Programs Administration (SPA). To ensure that cost sharing commitments on sponsored awards are consistently documented and verifiable from the University’s system of records, including the Grants Management Application Suite (GMAS) and the University’s General Ledger (GL) when applicable, this guide outlines the standard business processes for managing cost sharing commitments throughout the life cycle of an award, including proposal submission, award acceptance and revisions, tracking and reporting of cost shared expenditures, and reconciliation and verification of fulfilled cost sharing commitments at the award closeout.

This Guide applies to all parties who are responsible for the management of cost sharing commitments as indicated in the University Cost Sharing Policy.
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I. Cost Sharing at Proposal Submission

A. Department

University policy strongly discourages committing cost sharing unless mandated by the sponsor. Before including a cost sharing commitment in a proposal budget or proposal narrative/scope of work, the department should work with the PI to complete the following steps during the proposal preparation process:

1. Review the sponsor proposal guidelines or program solicitation to determine if cost sharing is required by the sponsor (mandatory committed cost sharing)
2. Determine that any cost sharing commitments in the proposal are allowable, allocable, reasonable, and consistently accounted for in accordance with University and sponsor policies
3. If cost sharing is not required by the sponsor, and the PI includes a quantified cost sharing commitment in the proposal budget and/or proposal narrative (voluntary committed cost sharing), the department must obtain approval from SPA and the HMS Cost Sharing Signatory (Rita Bergemann). See next step.
4. Complete the proposed cost sharing information in GMAS. Refer to the Recording Cost Sharing Commitments in GMAS Job Aid for more detailed instructions for entering proposed cost sharing commitments in GMAS:
   • Complete the “approvals and attributes” screen
   • Select Cost Sharing Type (voluntary or mandatory) on the “Proposed cost sharing” screen
   • Enter the applicable fund value on the “Edit cost sharing form”
   • Add Rita Bergemann as the Cost Share Signatory, then submit to obtain the approval signature in GMAS on the “Request signatures for cost sharing approval”

B. Submitting Office (SPA)

When a proposal includes a cost sharing commitment, SPA is responsible for reviewing the proposal and determining if the proposed cost sharing commitments are appropriate (consistent with sponsor requirements, allowable and eligible as cost sharing) and have been captured accurately in GMAS. Proposals which include cost sharing of any type are not part of the EP (Efficiency Project) list, and must be reviewed and authorized for submission by SPA.
II. Cost Sharing at Award Setup and Revisions during Award

A. Award Setup

SPA & OSP: SPA is responsible for reviewing the terms and conditions of the award to confirm if there are any changes to the proposed cost sharing requirements before acceptance of the award.

1. If there are no changes to the proposed cost sharing requirement in the award notice, SPA will contact the department to confirm whether the proposed cost sharing indicated in GMAS at the proposal stage is still accurate.

2. If there are changes to the original proposed cost sharing or cost sharing is a new requirement and it was not included in the original proposal, SPA will work with the department to complete the required cost sharing documentation and approval in GMAS. If cost share funding is not available, SPA will request sponsor approval of reduced level of cost sharing commitment. This may result in a reduction in the sponsored funding. If the sponsor is unwilling to renegotiate the cost sharing terms of the award, the University may be forced to decline the award.

3. Revisions to cost sharing commitments must be documented and approved in GMAS. Changes made in GMAS serve as the school’s official authorization and documentation for cost sharing commitments and any revisions to those commitments over the life of an award.

4. When issuing an Action Memo for a new award with committed cost sharing, SPA should indicate the total amount of the committed cost sharing in the Action Memo Remarks.

5. Upon receiving the Action Memo, the **OSP Research Finance Team** is responsible for scheduling the required cost sharing reports in GMAS for tracking reporting due dates and for a final review of cost sharing commitment at award closeout.

B. Cost Sharing Commitment Revisions during Award

**Department**: The cost sharing module in GMAS must accurately capture the cost sharing commitments based on the most recently updated terms and conditions of the sponsored award. When there are changes to the approved cost sharing commitments, a revision is required in GMAS. The department must submit the request for changes to their SPA Grants & Contracts Officer (GCO).

SPA & OSP: Once the required documentation is received, SPA will update GMAS and note the changes to cost sharing commitments and reporting requirements in the Action Memo Remarks. Upon receipt of the Action Memo, **OSP Research Finance Team** will update the scheduled cost sharing reports in GMAS accordingly.
The following scenarios would require a revision of the cost sharing commitment in GMAS during the lifecycle of an award. Refer to the Cost Sharing FAQs for more detailed guidance.

1. Cost sharing/matching funds required for an award with incremental funding
2. Increase or decrease in total cost sharing commitments
3. Change in cost sharing funding source
4. Revision of approved cost sharing budget line items

C. Reportable Cost Sharing Commitments in Subawards when Harvard is the prime awardee/pass-through entity (PTE)

For an outgoing subaward with a reportable cost sharing commitment, the subaward cost sharing commitment is not recorded in the GMAS cost sharing module, and actual cost sharing expenses cannot be identified in the Harvard General Ledger (GL). When issuing the Action Memo for the subaward, SPA should clearly note that a cost sharing commitment and reporting requirement is included in the terms and conditions of the subaward agreement.

Department: The department is responsible for processing subrecipient invoices, obtaining reports from the subrecipient confirming cost sharing commitments have been met, and providing subrecipient cost sharing to OSP Research Finance Team for reporting. For a multi-year subaward, the subrecipient is generally required to confirm the actual cost sharing expenses annually on the final invoice or the financial report of each budget period or provide a separate certified cost sharing report if required by the subaward agreement. The subrecipient cost sharing report or certification should be obtained consistently to meet the University’s sponsored financial reporting requirements.

III. Cost Sharing Monitoring, Reporting, and Award Closeout

A. Tracking and Monitoring of Cost Sharing Expenditures

Department: Departments are responsible for ensuring that committed cost sharing expenses are posted to the correct applicable cost sharing account string(s) in the University GL when the cost sharing sources are University funds or sponsored matching funds. The use of a companion account is required for all committed cost sharing of direct expenses on a sponsored award that can be coded using a sponsored activity value with a non-sponsored fund. When the cost sharing source is another non-federal sponsored fund or in-kind contribution, cost sharing must be documented and tracked by the department using alternative methods that are verifiable from University records.
The department should conduct regular reviews and reconciliations of the award expenditures and related committed cost shared expenses to ensure that the costs are allowable, allocable, reasonable, and consistently comply with federal regulations, University policies, and sponsored award terms and conditions.

If the sponsor requires cost sharing reporting, the department is responsible for providing OSP Research Finance Team with cost sharing supporting documentation including a reconciled Detail Transaction Listing of cost shared expenses posted in the GL, and reportable subrecipient cost sharing information when applicable. For in-kind cost sharing, all documentation maintained at the department will be reviewed by OSP Research Finance Team to determine how the cost sharing commitment is reported to the sponsor.

All cost sharing supporting documentation must be retained for audit purposes and uploaded to GMAS.

OSP: The OSP Research Finance Team is responsible for tracking the cost sharing reporting due dates, reviewing and validating cost sharing documentation including cost sharing information in GMAS and the Detail Transaction Listing of cost shared expenses provided by the department, and submitting required cost sharing reports to the sponsor.

In general, cost sharing review is conducted at the time of financial reporting. However, for a multi-year federal award with cost sharing, where a financial report is not required until the end of the award, the OSP Research Finance Team conducts an annual review of the federal award expenditures and related cost sharing status at the end of each budget year and may follow up with the department to clarify potential issues related to the award expenditures and cost sharing commitments.

B. Cost Sharing Reporting and Award Closeout

Frequency of Cost Sharing Reporting

For most federal awards, cost shared expenses are reported as the “Recipient Share of Expenditures” in the Federal Financial Report (FFR) due at the end of the budget period or within 90 days after the end of the award.

One exception to the above is NSF, which does not require the grantees to submit FFRs for individual awards. NSF requires that cost sharing reports must be submitted via the use of Research.gov. The cost sharing reports for NSF awards must be submitted annually within 90 days before the end of the current budget period and within 90 days following the expiration of the award. The submission of cost sharing reports for NSF awards is closely coordinated between the OSP Research Finance Team, who reviews and confirms the actual cost sharing
expenses posted in the GL and other related supporting documentation provided by the department/local level managing unit, and the OSP Grant Contract Specialist/Officer who reviews and submits on behalf of the Authorized Organization Representative (AOR) the cost sharing report to Research.gov.

If cost sharing reporting is required as part of regular invoicing (e.g., monthly or quarterly), the OSP Research Finance Team will coordinate with the department/ to determine the appropriate internal due dates for providing the cost sharing information to OSP to be included in sponsor invoices.

OSP Review of Cost Shared Expenses for Reporting

When a cost sharing report is due to the sponsor, OSP Research Finance Team reviews the cost sharing documentation provided by the department, the cost sharing module in GMAS, and the terms and conditions of the award. This review process generally follows the steps below:

- Review the Detail Transaction Listing of cost shared expenses posted to the companion accounts or the sponsored cost sharing/matching accounts in the GL; confirm the cost shared expenses in the GL are consistent with the approved cost sharing commitments recorded in the GMAS cost sharing module and in the terms and conditions of the sponsored award
- Request the department remove unallowable cost sharing transactions and exclude these transactions from the cost sharing report to be submitted to the sponsor
- If there are sponsor-approved indirect costs as part of the total cost sharing commitments and the cost-shared indirect costs are not captured or under-recorded in the GL (when the cost sharing source is a University fund or the sponsor’s indirect cost rate is lower than the University’s federally negotiated rate), OSP Research Finance will prepare an OSP internal cost sharing indirect cost calculation summary sheet based on the total cost-shared direct costs provided by the department and forward to the department for review and signoff. The certified summary sheet is uploaded in GMAS and serves as verifiable cost sharing information in the University’s official records.
- For in-kind cost sharing commitments that cannot be recorded in the GL, OSP will obtain the supporting documentation from the department and confirm that the cost sharing obligation was fulfilled before submitting the cost sharing report to the sponsor.
- After cost sharing report is submitted to sponsor, OSP Research Finance uploads the submitted report, the OBI Detail Transaction Listing of cost shared expenses, and any other relevant supporting documentation to GMAS.
OSP Cost Sharing Review at Award Closeout

As part of the award closeout process, if the award does not require any financial and cost sharing reporting, the OSP Research Finance conducts a final review of the award expenditures and the cost sharing status, following the same review process for cost sharing reporting as previously mentioned.

In addition, OSP will initiate a discussion with the department, SPA, and the HMS Cost Sharing Signatory (Rita Bergemann) if the cost sharing commitment did not meet the sponsor’s requirement or if cost sharing expenses were not in compliance with University or sponsor’s policy. In the event that cost sharing requirements were not met and the sponsor does not agree to reduce or remove the requirements, the PI, department/, and/or the school will be responsible for any financial loss due to the funding reduction by the sponsor.

Cost Sharing Adjustment for Sponsored Account Disabling

To close a sponsored account in the GL, the sponsored activity-subactivity combination must net to zero. Sometimes a sponsored account may appear fully reconciled with zero balances in GMAS but still fails to disable in the GL because of transactions to a non-sponsored fund with the sponsored “activity-subactivity” combination. This situation could happen when the companion account is used for cost sharing and the cost sharing transactions are posted in the current fiscal year, or if there are prior year deficit balances carried forward at the sponsored activity-subactivity level. To identify the unreconciled cost sharing balances, the school and the department/ should run an OBI Detail Transaction Listing by only entering the sponsored “activity-subactivity” values and sorting by funds for the current fiscal year period.

In preparation for closing the sponsored accounts, the department/ or the school-level office who manages the cost sharing allocation is responsible for reconciling the cost shared expenses and processing the journal to zero out the deficit balances on the companion accounts, using a non-sponsored fund designated as the cost sharing source.

When confirmed by the school or department responsible for reconciling cost sharing, the OSP Research Finance Team can assist in processing the journal using the income object code 5910 to credit the cost sharing companion account string and debit the fund value with an unspecific activity-subactivity combination, as shown in the following example.

Credit: 125.45300.5910.026670.377171.0001.15399 ($15,000)
Debit: 125.45300.5910.026670.00000.0000.15399 $15,000

Once the above journal is processed in the GL, the total balances on the sponsored activity-subactivity combination (377171-0001) will net to zero, and the sponsored account can be closed in the following month of disabling process.