

HARVARD
UNIVERSITY



Cost Sharing Policy

Originally Issued: March 1, 2011
Last Revised: June 2024
Responsible Office: Office for Sponsored Programs

Policy Statement

Harvard University has established the following policy for the management of cost sharing to comply with the requirements of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”) and federal agency policies and procedures. Additionally, cost sharing from non-federal sponsors requires similar diligence to recognize the commitment and maintain appropriate documentation as evidence of a cost sharing commitment. Therefore, all committed cost sharing is subject to this policy.

Cost sharing refers to project costs that are not funded by the sponsor to support the scope of work defined by the federal or non-federal sponsored award. Some of these expenses, as defined by the sponsor and institutional policies, must be tracked and recorded, while other costs may not meet these criteria.

Cost sharing is generally funded by non-sponsored funds. Non-federal sponsored awards can be used to fund cost sharing with the approval from the sponsor whose funding is being committed. Federal funds cannot be used for cost sharing except in unusual circumstances and with explicit sponsor approval.

Harvard strongly discourages cost sharing, unless such a commitment is required by the federal or non-federal sponsor. All committed cost sharing must be tracked and may require reporting.

Reason for Policy

Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and
Page 1 of 13

Audit Requirements for Federal Awards, Sections 2 CFR 200.306 (“Uniform Guidance”) states “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.” Therefore, voluntary cost sharing should not be included in federal proposals.

Cost sharing expenditures must adhere to the same accounting, financial, legal, and regulatory requirements as direct cost expenditures on sponsored awards and must comply with the following:

- Federal or non-federal sponsored award terms and conditions;
- Federal regulations, including restrictions for procurement and airfare;
- University and school/tub-level sponsored policies and guidelines;
- Donor restrictions.

For federally funded sponsored awards, Uniform Guidance Section 200.306 stipulates that cost sharing funds must be:

- a) verifiable from the University's records;
- b) not included as contributions for any other federal award;
- c) necessary and reasonable for the accomplishment of the project or program objectives;
- d) allowable under Subpart E Cost Principles;
- e) not paid from another federal award; and
- f) included in the approved budget when required by the Federal awarding agency.

Failure to appropriately document cost sharing commitments from verifiable official University records could result in audit findings and require the return of funds to the sponsor.

Types of Cost Sharing

Mandatory Committed Cost Sharing

Costs required as a condition of the award which must be tracked and may require reporting. This type of cost sharing is required by the Sponsor and must be included in the proposal. Mandatory committed cost sharing involving labor costs requires identification of the effort to be quantified in the proposal budget

and budget justification.

Voluntary Committed Cost Sharing

Cost sharing pledged by Harvard on a voluntary basis that is quantified anywhere in the submitted proposal and becomes a binding requirement of the award, must be tracked, and may require reporting. Voluntary committed cost sharing involving labor costs requires identification of the effort to be quantified in the proposal budget and budget justification.

Existing institutional resources should not be offered or described as cost sharing, as they are not expenses being incurred to support the scope of work of a specific project. When highlighting existing resources, use language demonstrating that these resources already exist, do not support a specific project, and the availability of such resources is not contingent on this proposal being awarded. Proposal materials (e.g., letters of institutional support, facilities and resources pages, etc.) may demonstrate and assign quantifiable value to existing institutional resources available to faculty.

Note: When a PI uses other funding source(s) to fulfill a proposed and budgeted effort commitment, that effort must be treated as voluntary committed cost sharing for both effort reporting and inclusion in Facilities and Administrative rate calculation purposes; however, reporting to the sponsor is not required.

Voluntary Uncommitted Cost Sharing

Costs incurred to support the scope of work, but not charged to the award and not directly allocated or quantified in the submitted proposal or upon award acceptance. These costs do not need to be tracked or reported.

Over-the-Cap Salary

The portion of a faculty or staff member's salary and associated fringe benefits that exceed regulatory maximums imposed by the sponsor (e.g., National Institutes of Health and Department of Defense salary cap). Over-the-cap salary represents a commitment of effort to the sponsor but cannot be used to meet a mandatory or voluntary committed cost sharing requirement, since it is considered an unallowable cost to the sponsor. Over-the-cap salary should not be entered in GMAS, but must be

tracked via companion account for effort reporting.

In-Kind Cost Sharing

In-kind cost sharing are contributions wherein the value can be readily determined, verified, documented, and justified but where no actual cash is transacted in securing the good or service comprising the contribution. When applicable, an estimated value of the in-kind cost sharing must be identified and documented based on the fair market value determined at the time of accepting the award. In-kind cost sharing must be tracked manually by the department/local unit managing the award.

Refer to Appendix A for sources of cost sharing and types of expenditures which can be cost shared.

Refer to Appendix B for definition and applicable use of a companion account.

Refer to [Cost Sharing Procedure Guide](#) for guidance on managing cost sharing commitments throughout the award's life cycle.

Who Must Comply

All Principal Investigators (PIs) and administrators at Harvard University within all schools, units, divisions, University-wide initiatives, and centers who are involved with the administration and conduct of sponsored awards must comply with this policy, including School/Tub Level Officials and Submitting Offices (OSP/ORR/SPA).

Roles and Responsibilities

The following roles and responsibilities are defined by this University policy. Please consult the [Cost Sharing Procedure Guide](#) for more information. Implementation guidance may vary by school/tub.

PI & Department/Local Level Managing Units are responsible for the following:
At Proposal

- Identifying the type of committed cost sharing; and
- Identifying sources of non-federal funding for cost sharing:

- Obtaining approval from any tub, unit, or PI whose resources are being offered as cost sharing;
- Obtaining approval from the sponsor of any non-federal sponsored awards offered as cost sharing;
- Ensuring the cost share budget includes expenditures that are allowable, allocable, reasonable, and consistently accounted for in accordance with University and sponsor policies;
- Entering the cost sharing commitment in GMAS; and
- Obtaining department/local level managing unit approval and signatures prior to proposal submission to sponsor.

Upon receipt of award and during the award period

- Upon request from the submitting office (Office for Sponsored Programs (OSP), HSPH or HMS Office of Research Administration (ORA)), determining if there have been any changes in the proposed cost sharing commitment (e.g. increased or decreased amount);
- Confirming that funds are available for cost sharing as committed, or providing an alternate source of funding to meet the commitment, if adequate funds are not available;
- Notifying submitting office and updating GMAS when there is a change in total cost sharing amount or in cost sharing source defined as follows:
 - To or from University, Sponsored, In-kind, Sub-recipient;
 - From one sponsored fund to another sponsored fund;
 - From one sub-recipient to another;
 - From one In-kind source and/or Description to another;
- Monitoring the committed cost share through verifiable University records throughout the entire award period;
- Using companion accounts with a sponsored activity and subactivity value with a non-sponsored fund, when required; and
- Providing cost sharing information to OSP Research Finance Team for reporting, if required by the sponsor.

At Closeout

- Providing cost sharing information and confirming the cost sharing commitment has been met (including any In-Kind contributions) and coordinating with OSP Research Finance to resolve any cost sharing discrepancies;
- Reconciling cost share companion accounts; and
- Assuming any financial loss if cost sharing commitments are not met and sponsor does not approve a reduction of cost sharing commitment.

School/Tub Level Officials are responsible for the following:

At Proposal

- Reviewing proposal for cost sharing commitments and obtaining dean's/designee's approval.

Upon receipt of award and during the award period

- Working closely with department/local level managing unit and PI to monitor committed cost share through verifiable University records throughout the entire award period.

At Closeout

Coordinating with the department/local level managing unit and OSP Research Finance Team to resolve any cost sharing discrepancies.

Submitting Offices (OSP/ORR) are responsible for the following:

At Proposal

- Reviewing proposals for cost sharing commitments and determining if the proposed cost sharing is allowable and in compliance with sponsor and University policies and ensuring the appropriate school- level approvals for cost sharing sources are obtained.

Upon receipt of award and during the award period

- Determining whether there have been any changes to the proposed cost sharing commitments;
- Confirming with the department/local level managing unit that committed cost sharing funds are available; and

- Requesting a renegotiation of the cost sharing commitment from the sponsor if cost sharing obligation cannot be fulfilled. (Note: If the sponsor is unwilling to renegotiate the cost sharing terms of the award, the University may be forced to decline the award.)

OSP Research Finance Team is responsible for the following

During the award period and at award closeout

- Confirming that the cost share commitment has been met and complies with University and sponsor policy;
- Coordinating with department/local level managing unit to address and clarify potential cost sharing issues and, if necessary, resolve with school/tub-level officials; and
- Reporting cost share commitment to sponsor, if required.

Related Policies

- [Sponsored Expenditure Guidelines](#)
- [Effort Reporting Policy](#)
- [Sponsored Financial Reporting and Close Out Policy](#)

Related Documents

- [OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- [Memoranda 01-06 -- Clarification of OMB A-21](#)
- [National Institutes of Health \(NIH\) Salary Cap Summary](#)
- [Federal Acquisition Regulation: Limitation on Allowable Government Contractor Employee Compensation Costs \(2016\)](#) - Applies to federal contracts only

Resources

- [Cost Sharing Procedure Guide](#)
- [Cost Sharing FAQ](#)
- [Cost Sharing GMAS Job Aids](#)

Contacts and Subject Matter Experts

Office for Sponsored Programs:

- Pre-award: [Joel Eglund](#), [Lee Zagorski](#)
- Post-award: [Marc Todesco](#)

School and Local Subject Matter Experts:

- FAS Pre-award: [Jennifer Lech](#), [Jimmy Matejek-Morris](#)
- FAS Post-award: [Charlotte Gallant](#)
- HGSE: [Tiffany Blackman](#)
- HMS: [Kelly Evans](#)
- SEAS: [Pamela Baker-Webber](#)
- SPH Pre-award: [Catalina Diaz](#)
- HKS:
- HDS: TBD

Revision History

- 7/25/13 – Added to OSP website in PDF format.
- 12/2/14 – Updated references for the Uniform Guidance.
- 3/8/2017 – Changes represent a major revision.
 - Reason for the Policy updated, Types of Costs Sharing updated, Basic Considerations section deleted, Sources of Cost Sharing moved to new *Appendix A*, Types of Costing moved to new *Appendix A*, Roles and Responsibilities section updated to include life cycle of cost sharing responsibilities, Related Policies removed and new added, Related Documents removed and new added, Resource section added, Forms section removed, Definitions section removed, *Appendix B Decision Chart for Cost Sharing Companion Account Coding* added, *Appendix C Cost Sharing Documentation Decision Chart* added.
- 11/30/2017 - Added clarification that subactivity is part of the cost sharing companion

- account.
- 2/26/2018 – Added clarification to “Reason for Policy” that cost sharing expenditure rules must comply with federal regulations, including purchasing and airfare.
 - 4/27/2020 – Due to the GMAS release of enhancements to the cost sharing module, removed references to the Harvard University Cost Sharing Form (HUSCF) and *Appendix C*. Updated Roles and Responsibilities to reflect that changes to Cost Sharing must be made in GMAS, and updated the types of changes that must be entered. Moved responsibility to confirm funds are available from the school to the department/local level managing unit. Updated department/local level managing unit responsibility to obtain department/local level managing unit approval rather than school approval at proposal. Updated language to consistently use “cost sharing” rather than “cost share.”
 - 6/3/2024 – Clarified the following within the policy, FAQs, and procedures guide:
 - Federal cost sharing requirements do not apply to all sponsored awards.
 - Cost sharing funds should come from non-federal sources unless explicitly allowed by the federal program.
 - Any identified cost sharing in a proposal constitutes a commitment to the sponsor.
 - Committed labor costs must be quantified as a percentage of professional effort in the proposal budget and justification.
 - Quantifying existing university resources in a proposal does not constitute committed cost sharing, nor does inclusion of an operating budget.

Appendix A

Sources of Cost Sharing Contributions

University Contributions

Commitments that are paid from University funds using gift, endowment, or other non-sponsored sources, as represented by the 000001- 054999 and 300000-699999 fund ranges.

Sponsored Contributions

Commitments that are paid from sponsored awards at Harvard, as represented by the fund range 100000-299999, require prior approval or authorization from the sponsor providing the cost sharing commitment. Federal funds are rarely used for cost sharing since such use requires authorization by Federal statutes. These types of commitments must be tracked manually by the department or local unit managing the award.

In-Kind Cost Sharing

In-kind cost sharing are those contributions wherein the value can be readily determined, verified, documented, and justified but where no actual cash is transacted in securing the good or service comprising the contribution. When applicable, an estimated value of the in-kind cost sharing should be determined and documented based on the fair market value at the time of accepting the award. In-kind cost sharing must be tracked manually by the department/local unit managing the award.

Subrecipient Cost Sharing

Commitments, expenses, or in-kind cost sharing made by subrecipients where Harvard is the prime awardee. Cost share is included in the subrecipient's proposal and documented in the subaward agreement. These types of cost sharing commitments cannot be tracked in Harvard's systems; therefore, the commitments must be verified manually by the department or local unit managing the award through subrecipient invoices.

Cost Sharing Expenditures Types

Cost sharing commitments can be met using direct or indirect costs that are allowable, allocable, reasonable, and consistently accounted for in accordance with University and sponsor policies.

A. Direct Costs

1. Committed effort

Salary and fringe benefits associated with faculty and staff committed effort. Note that over-the-cap salary, or salary paid to an individual in excess of a sponsor-designated limit, cannot be used to meet a cost sharing commitment.

2. Other direct costs

Direct costs that are considered allowable on a sponsored award could be cost shared. Some examples include the following:

- Travel expenses (Note: Cost sharing for a federal award must comply with federal travel regulations including lowest economy airfare and the Fly America Act as outlined in the University Travel Policy.)
- Laboratory and other supplies
- Consultant costs and other professional services
- Equipment items that do not meet the capitalization threshold

The purchasing of goods and services as cost sharing expenses must comply with federal procurement requirements including use of the vendor justification form and debarment certification, as outlined in the University Procurement Policy.

3. Equipment

Moveable, tangible personal property with a useful life of one year or more and a per-unit acquisition cost of \$5,000 or more. Capital equipment includes scientific equipment, fabrications, and software. Capital equipment is recorded on the University's General Ledger as a capital asset and expensed to the appropriate capital equipment object code.

Existing capital equipment cannot be offered as cost sharing. Rather than committing the use of existing Harvard-owned equipment as cost sharing, proposals should characterize the equipment as "available for the performance of the project at no direct cost to the sponsored award."

B. Indirect Costs or Facilities and Administrative (F&A) Costs

Indirect costs or F&A are costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, instructional activity, or any other institutional activity.

Indirect costs may be offered in a proposal to meet cost sharing requirements imposed by the sponsor and must be approved by the sponsor in order for the amount to be included as part of a cost sharing commitment.

Specifically, in the case of a federal award, the federal agency's approval can be based on the acceptance of a budget that clearly includes F&A as part of cost share or a specific approval by the agency. Without such approval the indirect costs cannot count toward cost sharing requirements.

1. Unrecovered overhead

The amount of indirect costs not recovered from a sponsor due to a sponsor funding an award with an indirect cost rate below the University's federally negotiated F&A rate. This type of unrecovered overhead cannot be included as part of cost sharing without the prior approval of the sponsor.

2. Overhead on cost shared University resources

When direct costs using the University funds are included as cost sharing commitments, the associated indirect cost is not visible in general ledger. Overhead on cost shared University resources may be included as part of the University cost sharing commitment only if it is approved by the sponsor.

Appendix B

Decision Chart for Cost Sharing Companion Account Coding

A *companion account* is an account that records cost-sharing amounts, often coded using the sponsored activity and subactivity value with a non-sponsored fund value, in the Harvard chart of accounts.

Table 1: Decision Chart for Cost Sharing Companion Account Coding

	Mandatory Committed Cost Sharing	Voluntary Committed Cost Sharing	Voluntary Uncommitted Cost Sharing	Over-the-Cap Salary
University Contributions are: University Funds (gift, endowment, or other unrestricted non-sponsored sources in the fund range of 000001-054999 and 300000-699999)	Required (See Note 1)	Required (See Note 1)	Not required	Required (See Note 1)
Sponsored Contributions are: Sponsored awards (in the fund range of 100000-299999). Note, federal funds (100000-199999 fund range) are seldom used for cost sharing due to Federal authorization requirements.	Not required	Not required	Not required	N/A
In-Kind Cost Sharing is: Non-cash contribution of goods and services	Not required	Not required	Not required	N/A

Note 1: There may be exceptional cases in which a companion account cannot be used to track cost sharing. Therefore, a detailed listing must be provided at interim reporting periods and at award closeout.