Cost Sharing Guidelines

Cost Sharing is defined as any project cost not borne by the sponsor. Federal cost accounting rules, adopted by OMB A-21 in 1996, have made identification of and accounting for cost sharing highly visible audit areas in recent years. Below are links to recent guidelines and identification formats developed by the University.

Guidelines

Cost sharing is defined in the federal regulations as project costs not borne by the sponsor. There are three general categories of cost sharing and the University handles the documentation of them differently.

All cost sharing instances must be documented by the University whether the sponsor requires an accounting of it in a financial report or not.

Note: Individual school cost sharing policies are established at the tub level. If you have any question regarding an individual school's policy, please address that question to that school's financial dean.

University Cost Sharing

First, there is University Cost sharing. Harvard defines University cost sharing as project costs not borne by the sponsor but directly borne by the University itself. The University funds are derived from gift, endowment, and other non-sponsored sources as represented by the 000001-054999 and 300000-699999 ranges in the fund segment of the Chart of Accounts.

When University Cost Sharing is proposed, the Harvard University Cost Sharing Identification and Tub/Org Approval Form must be completed.

Each tub has determined when certain types of expenses are to be documented on the form during the grant and contract proposal and negotiation stages. For example, the Kennedy School of Government requires completion of the form for internal review and approval at the proposal stage for all such expenses. Some tubs do not cost share faculty effort. Others do, but the form is completed only if the proposal is funded. In many situations, OSP cannot establish an account until the form is completed.

For more information about how each school handles the documentation, see the form and the cost sharing matrix that outlines procedures for form completion and briefly overviews the policy and procedures established by each tub/org.

It is important to note that the form must be completed, and/or updated at key points during the life cycle of the award/project to accurately reflect the current status of cost sharing for the award/project. These key points are:
At the proposal stage,
At the award stage,
During the life of the award to reflect any negotiated changes in terms, conditions or scope of project and,
At the end of the award in order to assist with the reporting of actual expenses to the sponsor (if such reporting is required by the sponsor).

Cost Sharing Derived from Existing Sponsored Grants and Contracts

In this category, there are cost sharing/matching funds that are derived from existing sponsored grants and contracts. These existing accounts do not need to be documented on a Cost Sharing Identification Form.

Instead, please provide the existing sponsored account numbers on the school's proposal approval form or in a note attached to the proposal package for OSP's internal review. If an award is made and the terms are such that cost sharing must be reported to the sponsor, OSP will need this information to prepare the required financial reports. If there is no reportable cost sharing, for audit purposes, it would be helpful for OSP to have this information on file, but ultimately is the tub's/org's responsibility to maintain this information in the event of an audit.

Cost Sharing Commitments in Proposal Funds Not Yet Secured

In this category, there are cost sharing/matching commitments made in the proposal, but the funds have not yet been secured. In these cases, the principal investigator has anticipated that income will be secured from other sponsored sources that can be rolled into the particular agreement being proposed.

Although no cost sharing documentation is required at the proposal stage, the tub/org is accepting financial responsibility for the scope of the project proposed and the obtainment of funds in support of it. Should an award be made, regardless of whether or not the sponsor requires the reporting of the cost sharing, an account will not be established at OSP for the project unless the cost sharing/matching commitment is clarified and secured in one of the following ways:

- If the proposal indicates that cost sharing/matching funds would be derived from existing sponsored grants and contracts, the sponsored account(s) identified as cost sharing for the project in the proposal are confirmed.
- If University funds are designated as the cost sharing/matching funds. In this case, a Cost Sharing Identification and Tub/Org Approval Form is completed and submitted to OSP.
- If the cost sharing/matching funds initially indicated in the proposal are renegotiated with the sponsor. In this case, the Principal Investigator prepares a request to the sponsor to revise the scope of work and budget (essentially removing the portion of the cost share for which there is no coverage). This is reviewed and submitted to the sponsor according to standard internal review processes within the tub and OSP and becomes a point of negotiation with the sponsor as part of the award acceptance process.
Additional Guidelines

- Do keep auditable records at the department level for all types of cost sharing.
- Do not match or cost share federal funds from one agency with those of other federal agencies unless the cost sharing/matching is specifically approved by all the federal funding agencies involved.
- If an expense is normally unallowable for reimbursement under federal rules (e.g. entertainment), then it is not allowable as a cost-shared expense.
- Harvard does not normally cost share the indirect costs associated with direct cost-shared expenses.

The preferred form of cost sharing is costs deemed "direct costs" per our DS-2 (faculty salary, lab supplies, etc.); however, with appropriate approvals, we can cost share waived or foregone F&A on the project (the difference between our published F&A rate and the lower F&A rate applicable to the cost-shared project). To share costs deemed "F&A" (rent, equipment depreciation, etc.) with federal funds presents a cost accounting standards inconsistency. However, indirect costs may be offered as cost sharing under the following special circumstances:

- The sponsor requires indirect cost sharing as a condition of the award;
- The sponsor's policy does not allow the University to recover indirect costs at the full federal rate;
- The sponsor will allow the use of waived or foregone indirect costs to satisfy their cost share requirements; and
- Approval of the tub financial dean is indicated on the cost share form.

Matrix

The Cost Sharing Matrix indicates for all schools/programs when in the proposal submission process the Cost Sharing form is required.

Cost Sharing Forms

Cost Sharing Form for University Area

FAQs

(1) Q. What is cost sharing?
A. Cost sharing is defined as project costs not borne by the sponsor.

(2) Q. How is cost sharing accomplished?
A. Cost sharing is accomplished through:

- Project costs funded by the University (faculty salaries, fringe, travel, supplies, etc.)
- Project costs funded from other sponsored agreements
- In-kind contributions donated by third parties (equipment, supplies, etc.)
Q. Why does the University need to track cost sharing?
A. Federal regulations require full accountability for costs committed in the fulfillment of sponsored programs. Cost Accounting Standards require that costs proposed on a sponsored application be accumulated and reported on completely and accurately.

The University's accounting system cannot track costs funded through 000001 - 054999 and 300000 - 699999 funds (often referred to as University funds, e.g., unrestricted operating, endowment accounts, current use gift accounts, special receipt accounts) used as cost sharing in support of sponsored projects. If a sponsor requires financial and/or narrative reports on total project costs (including other sponsored agreements directly related to the project), it is the responsibility of the PI and department to monitor, track, and assist OSP Financial Services with the reporting requirements.

Q. What types of expenditures may be cost shared?
A. Cost sharing may consist of direct expenses such as faculty effort (and thereby related salaries and fringes), lab supplies, equipment, and travel.

Q. What types of expenditures may not be cost shared?
A. Any expense that the University has defined as an indirect cost, such as administrative salaries, office supplies, and operations and maintenance expenses, may not be cost shared. Also, salary dollars in excess of regulatory salary caps, such as the NIH salary cap (even if the effort expended in the support of the sponsored award exceeds the salary cap) may not be cost shared. Unallowable costs as defined in Section J of OMB Circular A-21 may not be cost shared.

Q. What is the difference between "mandatory" and "voluntary" cost sharing?
A. Mandatory cost sharing is required by the sponsor as a condition of the award. Ordinarily this requirement will be indicated in the program announcement. Voluntary cost sharing is not required by the sponsor but is nevertheless offered in the proposal by the investigator; ordinarily this is in the form of contributed effort. Cost sharing that is proposed voluntarily by the investigator becomes mandatory (or also known as 'voluntary committed' cost sharing) once the award is made. One other kind of voluntary cost sharing occurs in the case of overruns or overexpenditures, if the additional costs are covered by University funds. All cost sharing, whether mandatory or voluntary committed, must be tracked and accounted for.

Q. Can you provide some examples of language in a proposal that would or would not be considered cost sharing for accounting and reporting purposes?
A. The following statements in the proposal budget or budget justification would be considered cost sharing:

- Dr. X will devote 20% of her time to the project at no cost to the agency.
- The department will purchase a data frabulator (cost $15,000) for exclusive use in support of Dr. X's project.

The following statements would not be considered cost sharing:

- Dr. X will be providing expert advice and consultation to the project.
• Dr. X's laboratory is 800 square feet. She also has access to the departmental data frabulator.

(8) Q. What should happen if the award is cut?  
A. If the award is cut so that the scope of work cannot be performed with the available funding, and therefore additional funding from University resources is needed to complete the project as described in the original proposal, a cost sharing form is required at the award stage. It remains the responsibility of the Principal Investigator to determine whether and to what extent cost sharing will be required if an award is reduced.

(9) Q. Are other sponsored funds used on a project considered cost sharing and if so, is a form required?  
A. Any cost of the project not borne by the sponsor is cost sharing; however, the purpose of the form is to track costs funded through University funds used in support of sponsored projects. Our system already allows us to identify and account for cost sharing accomplished through other sponsored funds; in such cases a cost sharing form is not required. It remains the responsibility of the individual Principal Investigator and department to ensure that other sponsored funds used as cost sharing on sponsored projects are:

- Allowable,
- Not offered as cost sharing for more than one project,
- Verifiable through auditable documentation, and
- Accumulated at the end of the project and reported to OSP Financial Services for the completion of reports to sponsors.

(10) Q. Do I fill out a cost sharing form for both federal and non-federal sponsored proposals?  
A. Yes.

(11) Q. How should in-kind contributions be shown on the cost sharing form?  
A. Donated or in-kind contributions should be described on the form in the same level of detail as shown in the proposal budget. An attempt should be made to accurately estimate the value of the in-kind services at the time they are offered in the proposal.

(12) Q. How do I know what indirect cost rate (also known as the Facilities and Administrative [F&A] rate) to use to calculate the F&A column on the cost sharing form?  
A. The appropriate federal negotiated rate should be used: organized research, other sponsored activity, or off-campus rate. If you are unsure of the appropriate rate, contact your tub financial officer for the information. The rate is multiplied by the direct costs being cost shared, except for equipment, subcontracts, or internal computer services. These items do not bear indirect costs. Recall that the F&A rate is not what the sponsor will pay, but rather what it costs the University to conduct the project; for this reason, the appropriate federal negotiated rates should be used to complete the form, not the sponsor's rate.

(13) Q. What do I do when I have a proposal with cost sharing of both faculty effort and other costs (equipment, supplies, etc.)? Do I file two cost sharing forms, one at the proposal stage and one at the award stage?
A. The cost sharing form for equipment and supplies is required at the proposal stage; the form for faculty effort is not required until the award stage.

(14) Q. Is a cost sharing form required at the award stage if the form filed with the proposal already included faculty effort?
A. If the award has been revised to the extent that it would alter the faculty member's effort and/or decisions have been made on outstanding proposals altering the faculty member's efforts as originally proposed, a form must be filed indicating the revised amount of the faculty member's effort. If no revision has been made, no additional form is required. It is the responsibility of the PI to determine if a revised form is needed.

From: http://vpf-web.harvard.edu/osp/quick_links/policies/#costsharing