



Business Affairs Office

Policy and Procedures for Federal Grant Allowable/Unallowable Costs

Guidelines for acceptable cost accounting standards for direct and indirect expenditures are determined in OMB Circular A-21 and must be adhered to. Expenditures are considered allowable if they meet the following criteria:

- Reasonable: The purchased item and price is practical.
- Allocable: It can be assigned to an activity on some reasonable basis. The goods or services are assignable in accordance with the relative benefit received and is incurred solely to advance the work under the sponsored agreement.
- Consistently Treated: Like costs must be treated the same in like circumstances, as either direct or indirect costs.
- Permissible by the Institution: A cost is permitted by the institution, as outlined in administrative policies or procedures.
- Allowable by the Awarding Agency: A cost is permitted by the policies of the sponsoring agency or the terms of an award.

Treatment of unallowable costs are as follows:

- When a Request for Check (RFC) or travel report is presented to the Staff Accountant at CUC Financial Services it will be reviewed for allowableness. If the expenditure is questionable, the Staff Accountant will contact the Grants Accountant for guidance.
- The Grants Accountant will contact the P.I. for more detailed information concerning the questionable expenditure and refer to the cost accounting standards of OMB Circular A-21 when making a decision.
- If the expenditure is deemed unallowable, the Grants Accountant will ask the P.I. to provide an alternative account number or have the RFC or travel report returned to the P.I. for correction.
 - In a case where a questionable expenditure has been charged to a purchase card that was discovered during the Grants Accountant review of the monthly purchase card statements; the Grants Accountant will contact the P.I. for an alternative account number.
 - When hourly payroll is being processed by the Grants Accountant, the grant budget and availability of funds will be verified. If the payroll expenditure is unallowable, the Grants Accountant will contact the P.I. for an alternative account number.

Examples of Unallowable Costs:

Unallowable Activities (Something You Do)

- Organized Fund Raising
- Lobbying
- Commencement & Convocation
- General Public Relations & Alumni Activities
- Student Activities
- Managing Investments Solely to Enhance Income
- Prosecuting Claims Against the Federal Government
- Fundraising
- Athletics
- Student Housing
- Campus Bookstore

Unallowable Transactions (Something You Buy, a Line Item)

- Advertising (some types allowed)
- Alcoholic Beverages
- Entertainment (including meals with inadequate substantiation of business purpose)
- Fines & Penalties
- Memorabilia, Promotional Materials
- Moving Costs if Employee Resigns within 12 months
- Certain Recruitment Costs
- Certain Travel (i.e. First Class)
- Cash Donations to other Parties
- Severance Payments
- Interest (Except Interest Paid to Outside Parties for Certain Purposes)
- Memberships in Social, Dining or Country Clubs