


MEMORANDUM

DATE: April 14, 2017 
FROM: Richard MocarSKI, Director Office of Sponsored Programs & Research
Development
RE: Allowable and Unallowable Costs on Federal Awards: OSPRD Supplemental
Guidance

This memo outlines supplemental guidance from the Office of Sponsored Programs and Research Development in regard to charges to federal awards and unallowable costs. It outlines specific federal policies in an effort to make the information more readily available for Principal Investigators on federal grants and does not supersede state or university policies. The memo should be viewed as a clarifying document that outlines the origins of the state and university cost accounting standards.

Charges to the Award

All charges to the award must comply with university and sponsor rules. Charges posted to an award must be for goods or services directly benefiting the award and rendered during the award period.

Charges to federal or federal pass-thru awards must meet the criteria of 2CFR§200. Generally speaking, costs must be reasonable, allocable, allowable, and treated consistently. 2CFR§200 defines reasonable as the actions a prudent person would have taken under similar circumstances to purchase the item for this cost. For a charge to be reasonable, it must be necessary for the performance of this award. If the charge is due to special circumstances, they should be documented in the file. Other factors, such as arm's-length bargaining, federal and state laws and regulations should also be considered. Allocable means that the award directly benefits in the proportion of the expense that was charged to it. The cost must be incurred solely to advance the work under the sponsored agreement or it must benefit the agreement and other work of the university in proportions that can be approximated through the use of a reasonable method. Or it is necessary to the overall operation of the university and it is deemed to be assignable in part to a sponsored project. Allowable means that this expenditure is permitted as a direct cost under the terms and conditions of this specific award or contract. Treated consistently means that like expenses are treated the same in similar circumstances. (i.e. office supplies would generally be considered indirect costs and not directly charged to an award unless there are documented, extenuating circumstances.)

Charges must be allocated to an award in direct proportion to the benefit received by expense. This allocation must be documented and a reasonable method used. Charges for items not in the

approved budget may require prior written sponsor approval. A copy of this approval should be kept in the department's financial files or sent to OSPRD Post-Award. If written sponsor approval is not required, the charge should be documented with the justification for its need.

Unallowable Costs

Federal cost policies dictate that certain expenditures be given special accounting treatment. Even if not directly charged to the federal government or reported as cost sharing (i.e. charged instead to a departmental operating account), expenditures considered to be federal unallowable costs must be separately identified in the accounting records so that they can be excluded from the University's cost in the preparation the Facilities and Administrative Cost Rate Study. Federal unallowable costs fall into two categories, those costs unallowable in and of themselves (such as entertainment) and costs incurred for purposes that are unallowable. These unallowable purposes are as follows: Advertising and public relations costs; Alumni activities; Commencement and convocation costs; Entertainment costs; Fund raising costs; and Lobbying.