



University of New Haven

Policy Title: Unallowable Costs

Date: February 1, 2022

Responsible Office: Office of Grants & Sponsored Programs (OGSP)

Responsible Official: Vice Provost for Research & Associate VP for Finance

1.0 Purpose

The purpose of this policy is to establish guidelines for defining and identifying costs that are unallowable for reimbursement from the Federal government and other external sponsors. It is the policy of the University that all costs proposed or incurred on a sponsored project must comply with the Cost Principles in Subpart E, §200.400-200.475 of the Uniform Guidance and the terms and conditions of the sponsored awards in determining costs that are allowable or unallowable. Proper accounting for unallowable costs is required to maintain the integrity of the University's Facilities and Administrative (F&A) Cost Proposal and compliance with Federal regulations.

2.0 Definition of unallowable costs

Unallowable costs are charges incurred but cannot be charged as a direct cost to federally sponsored projects or used to meet a cost sharing requirement or included in the development of the University's Facilities and Administrative costs.

3.0 Policy

Consistent with the OMB Uniform Guidance 2 CFR 200, Subpart D – 200.300 Statutory and National Policy requirements, 200.309 Period of Performance, and Subpart E Cost Principles, the University defines unallowable costs in the context of either a particular type of activity or a particular type of cost.

A. Direct Costs

a. Costs incurred for the following types of activities are unallowable:

- Alumni activities and relations
- Commencement and convocation ceremonies
- Contingency provisions (reserves)
- Entertainment: amusement, diversion and social activities and any costs directly associated with costs such as tickets to shows or sports events, meals, lodging, rentals, transportation and gratuities
- Fund raising
- Goods and services for personal use such as automobiles

- Investment management
 - Lobbying
 - Public relations unrelated to the performance of a sponsored award
 - Student activities: intramural activities, student publications, student clubs, and other student activities not specifically provided for in the sponsored award
- b. The following types of costs are unallowable:
- Alcoholic beverages
 - Bad debt losses
 - First class travel
 - Fines and penalties
 - Internal interest expense
 - Membership in social, dining or country clubs
 - The allowable compensation for certain employees working on federally funded research is subject to a federal ceiling. Salary charges above the federal salary ceiling are unallowable on federal awards
- c. The University may identify other award costs as unallowable based on the consideration of:
- The sponsor's policies;
 - The award's terms and conditions;
 - University policies and procedures; and
 - Facts and circumstances associated with a particular award

B. Indirect Costs

- a. The following costs are ordinarily unallowable for direct charge to federal sponsors. However, they can qualify as indirect costs unless the item is for non-routine use that can easily and specifically be identified with an award, is required for its completion, and its purpose is justified with written documentation:
- Advertising for goods, services, or personnel essential for a particular award
 - Communications (local calls, postage, freight)
 - General purpose instrumentation or equipment
 - Administrative and clerical support
- b. Costs normally considered indirect costs such as those above (administrative salaries, postage and express mail, telephone, copier expenses, general purpose equipment) may be allowable as direct costs if they meet all three of the following unlike purpose or circumstance criteria:
- An unlike purpose and circumstance exist in which a sponsored award requires resources beyond those normally expected for a typical research award
 - The cost can be associated with the specific sponsored award with a high degree of accuracy
 - Items ordinarily not allowed as direct cost items have been disclosed in the budget narrative submitted to the sponsor for approval, and the awarding agency has approved the costs as a direct expense in the awarded budget
- c. The Uniform Guidance section 200.413(c) states that "salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs." The University usually records administrative and clerical salaries as indirect costs. However, the Uniform Guidance provides criteria that if met, allows for inclusion of administrative and clerical salaries as direct charges on federal awards. The Uniform Guidance criteria includes:

- Administrative services are integral to an award or activity;
- An individual or specific role can be specifically identified with the award or activity;
- Such costs are explicitly included in the budget and/or have the prior written approval of the Federal awarding agency; and
- The costs are not also recovered as indirect costs.

C. Enforcement

If a cost cannot meet the criteria of reasonableness, allowability, allocability, and consistency, it is unallowable. Also, any costs considered inappropriate by the awarding agency are within the category of unallowable costs. See 2 CFR 200.31 (disallowed costs), which states, “Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.”

It is expected that only allowable charges are posted as direct expenses to sponsored projects. Periodic review (at least quarterly) of accounting records will be performed to detect unallowable costs. In the event that unallowable costs are identified on a sponsored project, those costs will be transferred to the home department of the Principal Investigator (PI) or Project Director (PD) by the Office of Grants and Sponsored Programs or the Business Office.

Appendix A contains a table of selected items of cost and their allowability. Keep in mind that depending on the nature of the award and the sponsor specific agreement, some costs that are generally unallowable may be allowable for a specific award.

APPENDIX A - SELECTED ITEMS OF COST

Selected Cost Item	2 CFR Part 200.XXX	Rules
<p>Advertising and public relations costs</p> <p>The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.</p> <p>The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.</p>	§200.421	Allowable with restrictions
Advisory councils	§200.422	Unallowable with exceptions
Alcoholic beverages	§200.423	Unallowable
Alumni/ae activities costs incurred by IHEs (Institutions of Higher Education)	§200.424	Unallowable
Audit costs and related services	§200.425	Allowable with restrictions
Bad debts	§200.426	Unallowable
Bonding costs	§200.427	Allowable with restrictions
Collections of improper payments	§200.428	Allowable with qualifications
Commencement and convocation costs (Institutions of Higher Education/IHEs)	§200.429	Unallowable with exceptions
<p>Compensation for personal services</p> <p>(discussion includes incentive compensation; intra-institution consulting;</p>	§200.430	Allowable, with restrictions and special conditions for Non-profits and IHEs

Selected Cost Item	2 CFR Part 200.XXX	Rules
part-time faculty; sabbatical leave; standards for documentation)		
Compensation—fringe benefits (discussion includes insurance; pension plans; organization-furnished automobile; severance pay; post-retirement health; fringe benefits in terms of tuition)	§200.431	Allowable, with restrictions and special conditions for IHEs
Conferences	§200.432	Allowable with restrictions
Contingency provisions	§200.433	Unallowable with exceptions
Contributions and donations	§200.434	Unallowable with exceptions
Defense and prosecution of criminal and civil proceedings and claims	§200.435	Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)
Depreciation	§200.436	Allowable with qualifications
Employee health and welfare costs	§200.437	Allowable with restrictions
Entertainment costs	§200.438	Unallowable, with exceptions
Equipment and other capital expenditures	§200.439	Allowable based on specific requirements
Exchange rates	§200.440	Allowable based on availability of funding
Fines, penalties, damages and other settlements	§200.441	Unallowable with exception
Fundraising and investment management costs	§200.442	Unallowable with exceptions

Selected Cost Item	2 CFR Part 200.XXX	Rules
Gains and losses on disposition of depreciable assets	§200.443	Allowable with restrictions
General costs of government (applicable to states, local governments, and Indian tribes)	§200.444	Unallowable with exceptions
Goods or services for personal use	§200.445 (a)	Unallowable
Housing, housing allowances, and personal living expenses	§200.445 (b)	Allowable with restrictions and only as direct costs
Idle facilities and idle capacity	§200.446	Idle facilities - unallowable with exceptions; idle - capacity allowable with restrictions
Insurance and indemnification	§200.447	Allowable with restrictions
Intellectual property, including royalties	§200.448	Allowable with restrictions
Interest	§200.449	Allowable with restrictions and additional conditions for states, local governments, Indian Tribes, and IHEs
Lobbying	§200.450	Unallowable with exceptions; additional restrictions on non-profits and IHEs
Losses on other awards or contracts	§200.451	Unallowable
Maintenance and repair costs	§200.452	Allowable with restrictions
Materials and supplies costs, including costs of computing devices	§200.453	Allowable with restrictions

Selected Cost Item	2 CFR Part 200.XXX	Rules
Memberships, subscriptions, and professional activity costs	§200.454	Allowable with exceptions for social organizations
Organization costs	§200.455	Unallowable only with Federal prior approval
Participant support costs Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.	§200.456	Allowable with prior approval of the Federal awarding agency
Plant and security costs	§200.457	Allowable with restrictions
Pre-award costs	§200.458	Unallowable unless approved by the Federal sponsoring agency
Professional services costs	§200.459	Allowable with restrictions
Proposal costs	§200.460	Allowable, with restrictions, as an indirect cost
Publication and printing costs	§200.461	Allowable with restrictions
Rearrangement and reconversion costs	§200.462	Allowable, with restrictions, with Federal prior approval
Recruiting costs	§200.463	Allowable with restrictions
Relocation costs of employees	§200.464	Allowable with restrictions
Rental costs of real buildings and equipment	§200.465	Allowable with restrictions

Selected Cost Item	2 CFR Part 200.XXX	Rules
Scholarships and student aid costs	§200.466	Allowable with restrictions
Selling and marketing	§200.467	Unallowable with exceptions
Specialized service facilities	§200.468	Allowable with restrictions
Student activity costs	§200.469	Unallowable unless specifically provided for in the Federal award
Taxes (including Value Added Tax)	§200.470	Allowable with restrictions; additional conditions by type of award recipient
Termination costs	§200.471	Allowable with restrictions
Training costs	§200.472	Allowable for employee development
Transportation costs	§200.473	Allowable with restrictions
Travel costs	§200.474	Allowable with restrictions
Trustees	§200.475	Allowable for IHEs and non-profits with restrictions