

ALLOWABLE & UNALLOWABLE COSTS

ALLOWABLE & UNALLOWABLE COSTS SECTION J - OMB CIRCULAR A-21

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

ALLOWABLES

1. ADVERTISING AND PUBLIC RELATIONS:
ALLOWABLE IF RELATED TO AND NECESSARY FOR PERFORMANCE OF PROJECT (i.e. disposal of surplus materials or advertising for position)
2. CIVIL DEFENSE:
ALLOWABLE (i.e. costs for planning and protection of life)
3. COMMUNICATIONS:
ALLOWABLE (i.e. long distance service)
ALLOWABLE (i.e. recurring line charges)
*long distance calls are allowable for any function included in the F&A cost groupings; they are allocated to all functions of the institution (i.e. long distance calls for the controller's office)
4. COMPENSATION FOR PERSONNEL SERVICES:
ALLOWABLE: if reasonable and properly accounted for.
UNALLOWABLE: Salaries of administrative and clerical staff should normally be treated as indirect costs. However, the revised OMB language also states that direct charging of these costs to federal awards may be appropriate where the costs are explicitly included in the proposal budget and the individuals involved can be specifically identified with the project.
5. DEANS OF FACULTY AND GRADUATE SCHOOLS:
Generally **ALLOWABLE** as F&A cost but not as a direct cost.
6. EMPLOYEE MORALE, HEALTH AND WELFARE COSTS AND CREDITS:
ALLOWABLE (i.e. house publications, counseling, improvement of working conditions)
7. EQUIPMENT AND OTHER CAPITAL EXPENDITURES:
ALLOWABLE
8. INSURANCE AND INDEMNIFICATION:
ALLOWABLE (i.e. costs required for sponsored agreement)
9. LABOR RELATIONS:
ALLOWABLE (i.e. employee publications)

10. MAINTENANCE AND REPAIR COSTS:
ALLOWABLE (i.e. the upkeep of property cannot be used to add to value)
11. MATERIAL COSTS:
ALLOWABLE (i.e. supplies actually used)
UNALLOWABLE General office supplies may not be directly charged to federal sponsored grants or contracts unless specifically identified and justified in the proposal. The purchase of office supplies requires specific sponsor approval in all cases.
12. MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY:
ALLOWABLE (i.e. business or technical organizations).
UNALLOWABLE (i.e. Country Club, community and Civic organizations)
13. PATENT COSTS:
UNALLOWABLE as direct cost;
*BUT, **ALLOWABLE** if in any way related to pursuing a patent
14. PLANT SECURITY COSTS:
UNALLOWABLE as a direct cost in most cases (i.e. guards, uniforms and equipment); but
ALLOWABLE if required by the sponsored agreement.
15. PROFESSIONAL SERVICES:
ALLOWABLE (i.e. legal services and consulting)
16. REARRANGEMENT AND ALTERATION COSTS:
ALLOWABLE (Note: Special alteration incurred specifically for a project allowable when preapproved)
17. RECONVERSION COSTS:
ALLOWABLE (i.e. restoration of facilities)
18. RECRUITMENT COSTS:
ALLOWABLE (i.e. reasonable relocation costs).
UNALLOWABLE (i.e. color want-ad)
19. RENTAL COST OF BUILDING AND EQUIPMENT:
ALLOWABLE if necessary for operation
20. ROYALTIES AND OTHER COSTS FOR USE OF PATENTS:
Generally **UNALLOWABLE** as direct cost.
ALLOWABLE as indirect expense unless patent is invalid or expired

21. SABBATICAL LEAVE COSTS:
ALLOWABLE (Note: Institution must have uniform policy)
22. SCHOLARSHIPS AND STUDENT AID:
ALLOWABLE When the purpose of the sponsored agreement is to provide training to participants and is approved by the sponsor
23. SEVERANCE PAY:
ALLOWABLE (i.e. costs in excess of regular pay when employment is terminated)
24. SPECIALIZED SERVICES FACILITIES:
ALLOWABLE (i.e. computers, reactors wind tunnels etc.)
25. TAXES:
ALLOWABLE when institution is required to pay
26. TRANSPORTATION COSTS:
ALLOWABLE (i.e. freight, postage, etc.)
27. TRAVEL COSTS:
ALLOWABLE (NOTE: must be lowest commercial airfare but be consistent with Fly America Act)
28. TERMINATION COSTS APPLICABLE TO SPONSORED AGREEMENTS:
ALLOWABLE (i.e. subagreement claims, Costs of unexpired leases, etc.)

UNALLOWABLES

1. ALCOHOLIC BEVERAGES: **UNALLOWABLE**
2. ALUMNI ACTIVITIES: **UNALLOWABLE**
3. BAD DEBTS: **UNALLOWABLE**
4. COMMENCEMENT AND CONVOCATION:
Generally **UNALLOWABLE** (i.e. a portion may be allowable as indirect cost)
5. COMPENSATION FOR PERSONAL SERVICES:
UNALLOWABLE: Salaries of administrative and clerical staff should normally be treated as indirect costs. However, the revised OMB language also states that direct charging of these costs to federal awards may be appropriate where the costs are explicitly included in the proposal budget and the individuals involved can be specifically identified with the project.
ALLOWABLE: if reasonable and properly accounted for.

6. CONTINGENCY PROVISIONS:
UNALLOWABLE (i.e. contingency reserve for bad debts or forecasted loss on a project)
7. DEFENSE AND PROSECUTION OF CRIMINAL AND CIVIL PROCEEDINGS, CLAIMS, APPEALS AND PATENT INFRINGEMENT:
UNALLOWABLE unless commenced by the federal government.
8. DEPRECIATION AND USE CHARGES:
UNALLOWABLE as a direct cost.
9. DONATIONS AND CONTRIBUTIONS:
UNALLOWABLE (NOTE: The value of donated property or services can be used as cost-sharing under Circular A110)
10. ENTERTAINMENT:
UNALLOWABLE (anything remotely connected)
11. EXECUTIVE LOBBYING:
UNALLOWABLE (i.e. attempting to improperly influence the decisions of Officers or employees of the federal government)
12. GOODS OR SERVICES FOR PERSONAL USE:
UNALLOWABLE even if reported as taxable income to the employee
13. HOUSING AND PERSONAL LIVING EXPENSES:
UNALLOWABLE (i.e. housing for Officers)
14. INTEREST, FUND RAISING AND INVESTMENT MANAGEMENT:
UNALLOWABLE *(unless costs are to 3rd party when associated with the acquisition of buildings in support of a sponsored project or related to the cost of custody and control of money (investments))
15. LOBBYING:
UNALLOWABLE attempts to influence the outcome of Federal, state or local: 1) elections, referenda, etc. through endorsements, or 2) legislation
16. LOSSES ON OTHER SPONSORED AGREEMENT:
UNALLOWABLE (i.e. under recovery of F&A costs)

17. MATERIAL COSTS:

UNALLOWABLE General office supplies may not be directly charged to federal sponsored grants or contracts unless specifically identified and justified in the proposal. The purchase of office supplies requires specific sponsor approval in all cases.

ALLOWABLE (i.e. supplies actually used)

18. MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY:

UNALLOWABLE (i.e. Country Club, community and Civic organizations)

ALLOWABLE (i.e. business or technical organizations).

19. PATENT COSTS:

UNALLOWABLE as direct cost; but

ALLOWABLE if in any way related to pursuing a patent

20. PLANT SECURITY COSTS:

UNALLOWABLE as a direct cost in most cases (i.e. guards, uniforms and equipment);

***BUT ALLOWABLE** if required by the sponsored agreement.

21. PRE-AGREEMENT COSTS:

UNALLOWABLE unless pre-approved

22. PROFIT AND LOSSES ON DISPOSITION OF PLANT EQUIPMENT OR OTHER CAPITAL ASSETS:

UNALLOWABLE (NOTE: If acquired with federal funds the property must be disposed of in accordance with Subpart C of Circular A-110)

23. PROPOSAL COSTS:

UNALLOWABLE as a direct cost but allowable as F&A cost.

24. RECRUITMENT COSTS:

ALLOWABLE (i.e. reasonable relocation costs).

UNALLOWABLE (i.e. color want-ad)

25. ROYALTIES AND OTHER COSTS FOR USE OF PATENTS:

Generally **UNALLOWABLE** as direct cost.

ALLOWABLE as indirect expense unless patent is invalid or expired

26. SELLING AND MARKETING COSTS:

UNALLOWABLE unless related to recruitment

27. STUDENT ACTIVITY COSTS:

UNALLOWABLE unless provided for in agreement

28. TRUSTEE COSTS: TRAVEL AND SUBSISTENCE
UNALLOWABLE, but OK as F&A costs