

Allowable/Unallowable Expenditures Guidance

Federal Grants and Cost Share

In order for a cost to be charged to a federal grant or cost share, the cost must meet the following provisions:

- The costs must be necessary, reasonable and allocable to the grant program;
- Must comply with the limitations of the grant agreement as well as other applicable federal and state laws and regulations;
- Must be allocated to the grant on a basis consistent with policies that apply to all activities of the Institution;
- Must be accounted for consistently with generally accepted accounting principles;
- Must not have been used as direct cost or cost share for any other federal award except as leverage;
- Must be adequately documented;
- And must be net of all applicable credits.

Necessary

The cost must be ordinary and necessary to the operation of the grantee or the performance of the federal award.

Reasonable

The cost must meet the prudent person test which means it does not exceed an amount that could be incurred by a prudent person under similar circumstances at the time the decision was made.

Allocable

The cost must be directly incurred solely to advance the work or performance of the award. Costs that benefit both the award and other work at the Institution should be allocated proportionately to the relative benefit received by each area through use of a reasonable method. Cost overruns cannot be shifted to other federal awards to overcome funding deficiencies.

Allowable

A cost must be allowable under federal cost principles, award terms and conditions, awarding agency guidelines and college policy.

Consistency

All costs must be treated the same throughout the Institution. Compensation for an employee working on a federal award cannot exceed the compensation paid to a non-award employee in a similar position. Employee overload payments cannot be charged to the award unless approved in advance in writing by the funding agency.

Applicable Credits

Applicable credits are receipts or reductions in expenditures that offset or reduce cost items such as purchase discounts, rebates, recoveries of losses, insurance proceeds, reimbursement of expense from an individual or other entity, and adjustment of overpayments or erroneous charges. These must be credited to the award as a cost reduction of the original charge.

Treatment of Unallowable Expenditure

Any expenditure that is not allowed to be charged to the award either by the award itself, federal agency regulations, Institution policies, or the OMB Cost Circulars shall not be charged to the award. If any such cost is inadvertently charged to the award, the cost shall be recoded as soon as it is identified to the appropriate cost index unrelated to the award or any match indexes. This is to be done by notifying the grant accountants or the Business Office of the needed correction.

**Figure 1 – Common Cost Items in Federal Cost Principles for Colleges and Universities
(Circular A-21 and 2 C.F.R. Part 220)**

Allowable Expenditures (must be in award budget)		Unallowable Expenditures	
Advertising	Recruitment of personnel Procurement Specific purposes as required by award Public relations when required by award or necessary to keep public informed.	Advertising	Not allowed except as noted under allowable costs
		Alcoholic Beverages	Not allowed
		Alumni/ae Activities	Not allowed
		Bad Debts	Not allowed
		Commencement and Convocation	Not allowed
Communication	Allowable		
Compensation and Personal Services	Salaries and Wages Must meet established policies of Institution Allowable at base salary rate Salaries of Deans is allowable Fringe Benefits		
Capital Expenditures (Equipment etc. exceeding \$5,000)	Allowable if approved in advance by funding agency (DOL considers any computer equipment added to a computer lab to be capital expenditures.)		

**Figure 1 – Common Cost Items in Federal Cost Principles for Colleges and Universities
(Circular A-21 and 2 C.F.R. Part 220)**

Allowable Expenditures (must be in award budget)		Unallowable Expenditures	
		Donations and Contributions	Not allowed
Employee Morale Health and Welfare	Allowable		
		Entertainment Costs	Food, tickets to sports or productions, etc., not allowed
Equipment (non-capital)	Allowable		
		Fines and Penalties	Not allowed
		Food	Generally not allowed. See Meetings and Conferences for exceptions.
		Goods and Services for Personal Use	Not allowed
		Housing and Personal Use Expenses	Not allowed
Insurance	Must be in accordance with institution practice Must be provided for in award		
		Interest and Fund Raising	Not allowed
		Legal Costs	Not allowed unless required by award

**Figure 1 – Common Cost Items in Federal Cost Principles for Colleges and Universities
(Circular A-21 and 2 C.F.R. Part 220)**

Allowable Expenditures (must be in award budget)		Unallowable Expenditures	
Labor Relations	Allowable		
		Lobbying Costs	Not allowed
		Losses or Cost Overruns on Other Sponsored Agreements	Not allowed
Maintenance and Repairs	Generally allowable		
Materials and Supplies	Allowable		
Meetings and Conferences	Allowable if the primary purpose is the dissemination of technical information. However see Entertainment for limitations		
Memberships, Subscriptions and Professional Activities	Institution memberships and subscriptions are allowable Memberships and subscriptions in civic, community or social organizations are not allowable	Memberships, Subscriptions and Professional Activities	Memberships and subscriptions in civic, community or social organizations are not allowable.
Plant Security	Allowable		
		Pre-Award Costs	Not allowed unless approved by awarding agency
Professional Service	Allowable if reasonable and conform to established Policies of Institution		

**Figure 1 – Common Cost Items in Federal Cost Principles for Colleges and Universities
(Circular A-21 and 2 C.F.R. Part 220)**

Allowable Expenditures (must be in award budget)		Unallowable Expenditures	
		Proposal Costs	Not allowed as separate cost. Included as indirect
Recruiting	See Advertising		
Rental of Equipment and Buildings	Allowable		
Scholarships and Student Aid Costs	Allowable when purpose of the sponsored agreement is to provide training and the costs are approved by the sponsoring agency.		
		Student Activity Costs	Not allowed unless specifically provided for in the sponsored agreement
Taxes	Allowable		
Training	Allowable for employee development		
Transportation	Allowable.		
Travel Costs	Allowable for employees and trustees. Restrictions on first-class or noncommercial carrier air travel		