

Unallowable Costs

Purpose

The PI needs to be informed of what constitutes allowable costs charged to his or her grant or contract. The objective is to prevent unallowable expenditures being charged to a grant and to ensure those expenditures are removed from the grant as soon as discovered, should they occur.

Process

Faculty are required to review this policy upon receiving each new grant.

The following steps focus on unallowable expenditures being charged to a grant:

1. Faculty familiarize themselves with the grant's terms and conditions as well as the agency's allowable cost policies.
2. Principal Investigators and administrative staff monitor the grant budget to ensure funds are available to cover expenditures. This includes knowledge of whether grant budget is line specific and funds are budgeted for the appropriate expenses.
3. Sponsored Programs monitors expenditures submitted to be charged to the grant.
 - The PI and/or administrative staff is contacted if a charge is questionable. .
 - The PI works with Sponsored Programs in resolving whether the cost is allowable.
 - For unallowable charges, the PI's administrative staff prepares a journal voucher listing the grant, fund number, description, amount and account, and a statement that it is an unallowable charge to a grant. The journal voucher is forwarded to Sponsored Programs for processing.
4. The PI is responsible for reviewing all charges to the grant inclusive of those expensed on a P-card.

Unallowable Costs

Unallowable costs are defined as costs that cannot be charged to the Federal Government or included in the Facilities and Administrative (indirect) cost rate¹. In the event that unallowable costs are charged to a sponsor, those costs will be transferred to the home department of the Principal Investigator (PI).

The following costs are examples of unallowable on federal grants and contracts unless specifically approved by the funding agency. The source of a complete list is the Federal Office of Management and Budget Circular A-21 (OMB A-21) at:

<https://www.gpo.gov/fdsys/granule/CFR-2012-title2-vol1/CFR-2012-title2-vol1-part220> or the [DCAA FAR Cost Principles Guide](#):

¹ Verbiage from <https://f2.washington.edu/fm/maa/fa/unallow>

- Advertising
- Airfare travel costs in excess of the lowest available option
- Alcoholic beverages
- Alumni activities
- Automobile costs for personal use
- Bad debt expense
- Commencement and convocation costs
- Contingency provisions
- Debt service
- Defense and prosecution of criminal and civil proceedings, claims, appeals, patent infringement
- Depreciation reserve costs
- Donations and/or contributions
- Entertainment (includes amusement and social activities)
- Fines and penalties (including late fees)
- Food costs (except when traveling and abiding by University policy).
- Fund raising
- Goods and services for personal use, including housing and personal living expenses
- Institution furnished automobile costs for personal use
- Insurance costs to protect against defects and medical liability (malpractice) insurance
- Interest
- Investment management
- Lobbying
- Local civil defense project costs not on institution's premises
- Losses on other sponsored agreements or contracts
- Membership, subscriptions and professional activity costs
- Patent costs
- Pre-contract costs
- Public relations
- Relocation costs
- Selling and marketing
- Student activity costs