

FLORIDA STATE UNIVERSITY

POLICY 7A-25

POLICY ON UNALLOWABLE COSTS
ON FEDERALLY SPONSORED AGREEMENTS

Responsible Executive: Gary K. Ostrander, Vice President for Research

Approving Official: Gary K. Ostrander, Vice President for Research

Effective Date: February 4, 2016 (Administrative change to update Federal regulation references only)

Revision History: New: October 1, 2011
Re-adopted: August 1, 2014

I. Introduction

- Federal regulations identify specific categories of costs that cannot be charged, directly or indirectly, to federally sponsored agreements.
- Unallowable costs should be either properly segregated in the University's accounting system or identifiable from departmental records to ensure that they will not be charged to the government.

II. Policy

For awards governed by OMB Circular A-21, the following list covers *unallowable* costs specified in Section J of the circular. This is a quick reference. The specific wording in A-21 should be referred to for greater detail.

- Advertising and public relations: Expenditures to promote the University are not allowable. Advertising for recruitment for employees or human subjects is allowable.
- Alcoholic beverages
- Alumni/ae activities
- Bad debts
- Commencement or convocation costs
- Contingency provisions
- Charitable contributions, donations, remembrances
- Development/fundraising costs
- Entertainment costs: Costs of entertainment, including amusement diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are not allowable.
- Fines and penalties
- Goods or services for personal use of employees (including gifts)

- Housing and personal living expenses of University officers
- Investment management costs
- Lobbying
- Losses on other sponsored agreements or contracts (cost overruns): Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to; the institutions contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect costs.
- Preagreement costs, unless approved by the sponsoring agency or permitted under expanded authorities
- Selling and marketing costs of any products or services of the institution
- Student activity costs incurred for intramural activities, student publications, student clubs, etc. are unallowable
- Travel: Commercial air travel costs in excess of the lowest available commercial discount airfare, Federal government contract airfare (where authorized and available), or customary standard (coach or equivalent) airfare are unallowable.
- Trustee travel
- Interest expense: Interest paid to external parties that is associated with the acquisition of equipment or other capital assets is generally allowable.

For awards governed by the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance or UG) codified at 2 CFR §200, the following list covers *unallowable* costs specified in Subpart E of the Uniform Guidance. This is a quick reference. The specific wording in the Uniform Guidance should be referred to for greater detail, since there are instances where the allowability of an item depends on other factors (e.g., the project's scope of work).

- Advertising and public relations: certain advertising costs are allowed while others are not - UG §200.421
- Advisory councils – UG §200.422
- Alcoholic beverages – UG §200.423
- Alumni/ae activities – UG §200.424
- Bad debts – UG §200.426
- Commencement and convocation costs – UG §200.429
- Contingency provisions – UG §200.433
- Charitable contributions, donations, and remembrances – UG §200.434
- Entertainment costs: Costs of entertainment, including amusement diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are not allowable – UG §200.438
- Fines, penalties, damages, and other settlements – UG §200.441
- Fundraising – UG §200.442
- Goods or services for personal use of employees (including gifts) – UG §200.445
- Housing and personal living expenses of employees – UG §200.445
- Investment management costs – UG §200.442

- Lobbying – UG §200.450
- Losses on other awards or contracts (cost overruns) – UG §200.451
- Pre-award costs, unless approved by the sponsoring agency – UG §200.458
- Selling and marketing costs of any products or services of the institution – UG §200.467
- Student activity costs incurred for intramural activities, student publications, student clubs, etc. are unallowable – UG §200.469
- Travel: Commercial air travel costs in excess of the "basic least expensive unrestricted accommodations class" airfare are unallowable unless certain conditions are present – UG §200.474.

UNALLOWABLE DIRECTLY ASSOCIATED COSTS

In addition to unallowable costs per se, charges to federally sponsored agreements must also exclude costs that are directly associated with the unallowable costs. A directly associated cost is a cost which is generated solely as a result of the incidence of another cost, and which would not have been incurred had the other cost not been incurred. An example of a cost that is directly associated with an unallowable cost is the cost of airfare to go to another city for the purpose of unallowable entertainment of business associates. Since the entertainment costs are unallowable, the directly associated airfare costs would also not be allowable.

III. Legal Support, Justification, and Review of this Policy

OMB Circular A-21

2 CFR §200, OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Fla. Stat. 1004.22.

These policies will be reviewed periodically and updated when necessary.

Gary K. Ostrander, Vice President for Research

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