Policy on Unallowable Costs

Effective Date: January 8, 2015

Approval: January 8, 2015; University President

Maintenance of Policy: Director, Contracts & Grants

PURPOSE: The purpose of this policy is to ensure compliance with federal regulations regarding unallowable costs for sponsored research programs.

SCOPE: This policy applies to the University of Dayton's college, schools, departments, and Research Institute conducting sponsored research.

POLICY: Federal regulations provide principles to be applied in establishing the allowability of certain items involved in determining cost. General provisions for selected items of cost are contained in the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, Section J, to be superseded by the OMB Uniform Guidance, Subpart E – Cost Principles. These principles apply irrespective of whether a particular item of cost is treated as a direct cost or a facility and administrative (F&A or indirect) cost.

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.

In cases of discrepancy between the provisions of a specific sponsored agreement and the provisions of Circular A-21, the agreement should govern.

The following is a quick reference guide for determining "unallowable" costs. It is not intended to replace Circular A-21. Refer to the complete text for establishing allowability of costs.

- Advertising – costs of advertising designed solely to promote the institution are unallowable. Advertising for recruitment of employees or human subjects is allowable.
- Alcoholic Beverages
- Alumni Activities
- Bad Debts
- Commencement or Convocation Costs
- Contingency Provisions
- Charitable Contributions, Donations, Remembrances

REFERENCE DOCUMENTS:
N/A

APPLICABLE REGULATIONS:
Office Of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, Section J, to be superseded by the OMB Uniform Guidance, Subpart E – Cost Principles.

POLICY HISTORY:

Approved in its original form
January 8, 2015

POLICY (continued):

- Entertainment costs, including amusement diversion, social activities, and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities)
- Fines and Penalties
- Fund Raising and Investment Costs
- Goods or Services for Personal Use of Employees (including office gifts)
- Housing and Personal Living Expenses of University Officers
- Interest (with specific exceptions)
- 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.
- Memberships in any civic or community organization, country club, social or dining club
- Patents (with specific exceptions)
- Pre-agreement costs, unless approved by the sponsoring agency or permitted under expanded authorities
- Public Relations costs of meetings, conventions, convocations or other activities of the institution including : (a) costs of displays, demonstrations, and exhibits; (b) costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and (c) salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations and providing briefings. Costs of promotional items and memorabilia, including models, gifts, and souvenirs are also unallowable. See A-21 for specific exceptions, which may include costs specifically required by the award, communicating with the public and press pertaining to specific activities or accomplishments which result from the paerformance of the award, and conducting general liaison with news media and others as necessary to keep the public informed on matters of public concern.
- Selling and marketing of any products or services of the institution, except as direct costs with prior approval of the sponsor.
- Student activity costs incurred for intramural activities, student publications, student clubs, etc.

In addition to unallowable costs, charges to federally sponsored agreements must also exclude costs that are directly associated with the unallowable costs. A directly associated cost is defined in federal regulations as any 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 the cost that is directly associated with an unallowable cost is the cost of airfare to go to another city for the purpose of entertaining business associates, or for fundraising. Since the entertainment and fundraising costs are expressly unallowable under OMB Circular A-21, and the airfare would not have been incurred had the unallowable costs not been incurred, the airfare is an allowable directly associated cost.

RESPONSIBILITY FOR ENFORCEMENT, REMEDIES , SANCTIONS

The Office of Contracts and Grants, UDRI Director's Office, Research Accounting, and Research Purchasing Offices are responsible for enforcement of this policy to ensure that no unallowable costs are charged to sponsored programs.