Unallowable Costs on Federal Funds

General
Unallowable costs are those costs that cannot be charged to a sponsored project due to sponsor and/or ISU policies, regulations and restrictions. Different sponsors have different policies, regulations and restrictions. The same sponsor could also have different restrictions for different awards, depending on the source of the funding, the type of award (e.g. grant, cooperative agreement or contract), or the purpose of the award (e.g. research, equipment, conference, training). Therefore, whether a cost is considered allowable or unallowable for a sponsored project can only be determined through a close review of the award documentation, sponsor regulations and guidelines, and ISU policies and procedures.

Costs on Federal Sourced Sponsored Agreements
Certain types of costs cannot be charged (directly or indirectly) to federally funded sponsored agreements. These costs may be allowable if paid from non-federal funding sources. OMB Circular A-21 (relocated to 2 CFR, Part 220), Cost Principles for Educational Institutions, specifically identifies many costs as unallowable. The following is a list of unallowable costs that are specifically prohibited by the federal government:

- Advertising for general promotion of the University
- Alcoholic beverages
- Alumni or fundraising activities
- Bad debts
- Charitable contributions, donations and gifts
- Commencement and convocation expenses
- Contingency provisions (i.e., reserves for future unanticipated costs)
- Entertainment and social activities
- Fines and penalties
- First class or other non-coach class travel
- Goods and services for personal use
- Legal fees
- Lobbying costs
- Losses (cost overruns) on sponsored agreements
- Membership in any civic or community organization, country club or social club
- Severance costs in excess of institution’s normal severance pay
- Student activity costs

Certain other cost categories are usually unallowable as direct charges to federal sourced awards, and are normally treated as indirect costs for sponsored projects. These costs may be treated as direct costs only under unlike circumstances, as defined in the ISU Sponsored Programs Costing Policy. Please refer to the ISU Sponsored Programs Costing Policy (http://www.controller.iastate.edu/spa/isucostingpolicy.pdf) for additional details. These unallowable costs include:

- Basic telephone line charges
- Cell phone charges
- General purpose equipment
- Office supplies
- Journals and subscriptions
- Memberships in professional and scientific organizations
- Photocopying
- Postage
- Salaries of clerical and administrative personnel

Costs that are unallowable as direct charges to federal sourced awards but have a legitimate University business purpose should be charged to unrestricted sources of funding, such as 70x general fund accounts, 490 incentive accounts, and 290 discretionary accounts. For example, the cost of general office supplies used by graduate students in the lab for federal projects should be charged to unrestricted sources of funding. Additionally, costs that are unallowable as direct charges on federal sourced awards may not be used as cost share. If you have any questions regarding unallowable costs, please contact your Sponsored Programs Accountant.

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