

# BRANDEIS UNIVERSITY POLICY

Policy: Unallowable Cost Policy

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Responsible Office: Office of Financial Affairs and Treasury Services

Responsible Official: Senior Vice President for Finance and Treasurer, Director Sponsored Programs  
Accounting

Effective Date: December 18, 1998

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### **Purpose**

This policy identifies unallowable costs in accordance with federal regulations.

### **Applicability**

This policy applies to all accounts, including federally sponsored agreements, sub-awards under federally sponsored agreements with other organizations, and departmental accounts.

### **Effective Date**

This policy is effective on June 1, 2014. The policy applies to all costs incurred (or sponsored agreement budget periods beginning) on or after that date.

### **Policy Details**

Federal regulations (OMB Circular A-21) prohibit certain types of costs to be charged to federally sponsored agreements. Specific unallowable costs are listed in the attached Exhibit A.

These costs and directly associated costs cannot be charged as a direct cost to federally sponsored projects or used to meet a cost sharing requirement; included in departmental recharge or service center rates; or

included in the development of the Facilities and Administration rate (F & A), (formerly known as indirect costs).

Some types of costs are considered F & A costs, per OMB Circular A-21. Guidelines on whether a cost should be direct or indirect are contained in the University's "Direct & Indirect Costs of Federal Grants and Contract Policy".

OMB Circular A-21 requires segregation of unallowable costs. The University has established object codes to charge categories of costs which are unallowable. Costs charged directly or used to meet cost sharing requirements on federally sponsored agreements may not include unallowable charges. F & A costs must be given special attention because ledger 2 and 3 accounts affect the F & A cost rate. It is important that the correct object code be used for all unallowable costs to insure they are segregated and removed from the F & A cost calculation.

All charges, including unallowable costs, must meet applicable regulations, University policies and procedures, and be reasonable to be reimbursed.

## **Definitions**

### **I. Allowable Costs**

Costs that the federal government allows as direct or indirect charges to federal funds. Per OMB Circular A-21, C.2:

The costs must:

- be reasonable;
- be allocable to sponsored agreements under the principles and methods provided herein;
- be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and
- conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

### **II. Allocable Costs**

A cost is allocable to a particular cost objective if the cost benefits that objective. Per OMB Circular A-21, C.4.a:

A cost is allocable to a sponsored agreement if it:

- is incurred solely to advance the work under the sponsored agreement;
- benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or
- is necessary to the overall operation of the institution and, in light of the principles provided in

OMB Circular A-21, is deemed to be assignable in part to sponsored projects.

### **III. Reasonable Costs**

A cost may be considered reasonable if it is consistent with market conditions and the expenditure reflects what a prudent person would have done considering the circumstances surrounding the transaction at that time. Per OMB Circular A-21, C.3:

Major considerations involved in the determination of the reasonableness of a cost are:

- Whether or not the cost is of a type generally recognized as necessary for the operation of the institution or for the performance of the sponsored agreement;
- The restraints or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions;
- Whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large; and
- The extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

**IV. Directly Associated Costs**

Any cost which is generated solely as a result of the incurrence of another cost, and which would not have been incurred had the other cost not been incurred (Cost Accounting Standard,505).

**Contacts**

If you have any questions about this policy, how to treat a specific cost, or need more information, please contact the Office of Sponsored Programs Accounting at x6-5110.

## Exhibit A.

### SPECIFIC UNALLOWABLE AND ALLOWABLE COSTS

The following is a list of **unallowable costs**, summarized as a quick reference guide from OMB Circular A-21, Section J. Unallowable costs should be charged to the correct account code so that we may segregate them for accounting purposes. OMB Circular A-21, should be consulted for more detailed information.

1. **Advertising and Public Relations**

Allowable Exceptions for Non-Sponsored Agreements

Personnel recruitment, procurement of goods and services, disposal of scrap or surplus material, communicating with the public and press about activities or accomplishments resulting from sponsored agreements and specifically allowed by sponsored agreement. Any advertising or public relations activities that are specifically required by a sponsored agreement. Most allowable advertising and public relations costs are treated as F&A costs.

2. **Advisory Council**

Costs incurred by advisory councils or committees are allowable as direct costs where authorized by Federal awarding agency.

3. **Alcoholic Beverages** (Unallowable expense)

4. **Alumni/ae Activities** (Unallowable expense)

5. **Audit Costs and Related Services**

Costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by A133 are allowable.

6. **Bad Debts** (Unallowable expense)

7. **Bonding Costs**

Allowable. Costs of bonding required pursuant to the terms of the award. Costs of bonding required by the institution in the general conduct of its operations to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

8. **Commencement and Convocation** (Unallowable expense with exception)

All costs of commencement including convocations held by individual schools and colleges and receptions held in conjunction with these events. Allowable exceptions please refer to OMB A-21 section F9.

9. **Communication Costs** (See [Direct and Indirect Costs of Sponsored Agreement Policy](#).)

Allowable costs incurred for telephone services, long distance telephone calls, postage, electronic or computer transmittal services.

10. **Compensation for Personal Services**

The portion of salaries exceeding the NIH salary cap is unallowable as a direct cost on NIH awards. (See [NIH Salary Cap](#))

11. **Institution-Furnished Automobiles** (Unallowable expense)

12. **Contingency Reserves** (General Accounting only)

Contributions to a reserve, or similar provision made for future events.

13. **Defense and Prosecution of Certain Criminal and Civil Proceedings, Claims, Appeals and Patent Infringement**

Circular A-21 outlines complex rules for these types of costs. Please consult with the General Counsel's offices and the offices noted below when costs of this nature are incurred.

14. **Charitable Contributions by Institution** (Unallowable expense)
15. **Entertainment** (Unallowable expense)

Cost of entertainment, amusement, diversion and social activities including tickets to shows or sports events, meals, lodging, parties, receptions, rentals, transportation and gratuities. Examples: football, basketball, theater, and concerts, etc., tickets for Advisory Councils, Boards, and other guests.
16. **Fines and Penalties** (Unallowable expense)
17. **Goods or Services for Personal Use** (Unallowable expense)
18. **Housing and Personal Living Expense of University Officers** (Unallowable expenses)

Cost of housing (depreciation, maintenance, utilities, furnishings, rent, etc.) Housing allowances and personal living expenses of the institution's officers.
19. **Interest, Fundraising, and Investment Management Costs** (Treasury & General Accounting Costs)

**Allowable:** Costs related to physical custody and control of money and securities, and cost of interest on assets used in support of sponsored agreements. Interest associated with the acquisition of equipment costing \$10,000 or more and certain other assets is allowable.

**Unallowable:** Costs of interest on borrowed capital or temporary use of endowment funds, costs of organized fund raising campaigns, and costs of investment counsel and staff used solely to enhance income.
20. **Lobbying** (Unallowable expense)
21. **Losses on Sponsored Agreements (over-runs)** (Unallowable expense)

**Allowable:** Technical and factual presentation on topics directly related to a grant or contract that are in response to a documented government request. Costs to give invited testimony at a congressional hearing.

**Unallowable:** Costs for actions influencing the outcome of a federal, state or local election, referendum or initiative. Costs to establish, administer, or contribute to a political party, campaign, or political action committee whose purpose is to influence the outcome of elections.

Costs to influence the (a) introduction of federal or state legislation; (b) the enactment or modification of any pending federal or state legislation through communication with any member or employee of the Congress or state legislature; or (c) any government official or employee in connection with a decision to sign or veto enrolled legislation.

Costs for attempts to influence introduction, enactment or modification of federal or state legislation by lobbying the general public. Legislative liaison activities which engage in or result in the support of unallowable lobbying.

Costs to improperly influence an employee or officer of the Executive Branch of the Federal Government concerning sponsored agreements or regulatory matters.
22. **Memberships, Subscriptions and Professional Activity Costs** (Unallowable expense)

Membership in any civic, community organization, country club, social or dining clubs. Examples: Chamber of Commerce, Women's Network.

Allowable Exceptions: Costs of institution's membership in business/technical professional organizations, and subscriptions to business, professional and technical periodicals.

**23. Pre-Agreement Costs**

Costs incurred prior to the effective date of the sponsored agreement, unless approved by the sponsoring agency. Unless restricted by the sponsoring agency, pre-agreement costs up to 90 days are permitted for research grants and cooperative agreements.

**24. Recruiting** (Unallowable expense)

Candidate spouse expenses, group meals, receptions, etc. for recruiting purposes: advertising that includes color or material for other than recruitment purposes, fringe benefits and salary allowances that do not meet the test of reasonableness or do not conform to the established practices of the institution. Relocation costs incurred as either a direct or F & A costs, where the employee resigns within 12 months of hire, must be refunded to the federal government.

**25. Scholarships and Student Aid**

Allowable Exceptions: Scholarships and student aid is allowable on training grants to selected participants if the charge is approved by the sponsoring agency. Tuition remission paid as, or in lieu of, wage to students performing necessary work and other forms of compensation to students provided:

- (a) there is a bona fide employer-employee relationship between the student and the institution for the work performed;
- (b) the tuition or other payments are reasonable compensation for work performed and are conditioned explicitly upon the performance of necessary work;
- (c) it is the institution's practice to similarly compensate students in non-sponsored as well as sponsored activities.

**26. Student Activities** (Charged to specific chargelines)

Intramurals, student publications, clubs unless specifically provided for in the sponsored agreement.

**27. Training**

Cost of training provided for employee development related to administration of program is allowable.

**28. Travel** (Unallowable expense)

Costs of travel via institution-owned, leased or chartered aircraft in excess of the cost of allowable commercial air travel. First class or non-coach, air travel and lodging and subsistence costs in excess of our normal policy.

AUTHORIZED SIGNATURE

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Marianne Cwalina  
Senior Vice President for Finance and Treasurer

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Date