



TO: Business Managers and Research Administrators

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DATE: September 2007

SUBJECT: Unallowable Costs on Sponsored Projects – Policies & Procedures ([Revised 9/07](#))

The Sponsored Projects Accounting Department (SPA), in conjunction with Grants and Contracts (G&C) and the Research Office (RO), has revised the policies and procedures for Unallowable Costs on Sponsored Projects. The information noted below was developed from the following sources; Federal Circulars, sponsoring agency guidelines and the University's Direct Charging Guidelines. These policies and procedures should be utilized by all University personnel involved with the financial management of sponsored projects.

POLICY

Certain types of costs cannot be charged (directly or indirectly) to federally funded sponsored agreements. Per Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions (refer to [A-21 Full Text \(click here\)](#)), the items listed below have been deemed unallowable.

Unallowable Costs (per OMB A-21, section J):

- Advertising, public relations and promotional costs – Institutional promotion of Washington University is unallowable. Some types of advertising, such as recruitment of study patients, may be allowable.
- Alcoholic beverages
- Alumni activities
- Bad debts
- Charitable contributions, donations or gifts (cash, services or property)
- Commencement and convocation expenses
- Contingency provisions (i.e., reserve for future unanticipated costs)
- Entertainment
- Fines and penalties (i.e., costs resulting from violations of Federal, State, and local or foreign laws and regulations)
- Food costs for routine operations, [working lunches/dinners](#), staff meals and/or lectures are not allowable.
Meals and/or food costs associated with the following activities may be charged to sponsored projects:
 - [Meals associated with project related travel for University faculty and staff.](#)
 - [Subject and patient meals specifically justified and approved as part of the project activity.](#)
 - [Food provided to participants in formal conferences and seminars when related to the specific needs/requirements of the sponsored project.](#)

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- Fund raising and investment management costs
- First class or other non-coach class travel
- Housing and personal living expenses of University officers
- Legal fees – May be allowable in certain instances; however, you should confer with SPA, RO or G&C, as applicable.
- Lobbying costs
- Losses (overruns) on sponsored agreements
- Marketing and selling of goods
- Malpractice insurance that does not involve human subjects (must be a direct charge)
- Membership in any civic or community organization, country club, social or dining club
- Personal use of goods or services
- Student activity costs

Costs that are directly associated with unallowable costs are also unallowable. Directly associated costs are costs that are generated solely as a result of the incurrence of another cost. For example, if a trip is made to conduct fund raising, the travel expenses for the trip are directly associated with the unallowable fund raising expenses and are also unallowable.

OMB Circular A-21 also prohibits most administrative costs from being directly charged to federally funded projects. Please refer to the [Administrative Cost Policies and Procedures](#) for specific guidance on this issue (see <http://spa.wustl.edu>, then click on “Policies”).

PROCEDURES

Proposal / Award:

The Principal Investigator (PI), co-investigators, project staff and the departmental administrative support staff are responsible for ensuring that:

- The unallowable items noted above should be **excluded** from the calculation and determination of the budget data contained in proposals submitted to Federal agencies.
- Subsequent to the receipt of a Federal award, expenses in these cost categories **may not** be charged to the related sponsored or cost sharing accounts.
- Other cost items specifically restricted or deemed unallowable by the agency in the sponsored agreement are not charged to the project.

Profile Restrictions:

During the account Profile set-up in FIS, G&C / RO will automatically restrict the following budget object (BUOB) codes on federally funded sponsored agreements:

<u>BUOB Code</u>	<u>BUOB Description</u>
3080	Legal Fees
3085	Patent Prosecution Legal Fees
3443	Memorial Contributions
3487	Other Supplies (prohibited)
3550	Entertainment services
3553	Social Purchases
3554	Prizes and Awards
3560	Bad Debt Expense
3569	Gifts
3574	Alcoholic Beverages
3587	Other Dues / Memberships

Transaction Approvals:

SPA will apply this policy to the FIS transaction that route to them for approval. Transactions that appear to involve unallowable and/or questionable items will be “disapproved” and a “traildoc” will be attached that requests the PI/department to provided additional justification/explanation for the item. SPA will make the final allowable/unallowable determination based upon the documentation provided.

Audits/Reviews:

Unallowable cost items charged to sponsored funds that are subsequently identified during a review or audit of the project must be removed by the PI/department as soon as possible. The PI/department is responsible for absorbing these cost(s).

Private (Non-Federal) Projects:

In general, it would not be appropriate or consistent to charge the cost(s) associated with the items noted above to a sponsored agreement awarded from a private and/or non-federal funding agency. The PI or their designee should ensure that these items are excluded from the proposal and any subsequent awards. The appropriate agency guidelines/policies should be consulted for specific cost determination.

Questions regarding the allowability and treatment of costs charged to sponsored funds should be directed to either, Sponsored Projects Accounting (SPA), Grants and Contracts or the Research Office. This memo and other policy and procedure documents can be found on the SPA web site, <http://spa.wustl.edu>. If there are any issues that have not been addressed in this document, please contact Joe Gindhart at 935-7089 / jgindhart@wustl.edu, John Michnowicz 362-6876 john.michnowicz@wustl.edu or Kaaren Downey at 935-8324 / downeyk@wustl.edu. Thank you for your cooperation in this matter.