

Examples of

Allowable and Unallowable Charges

OMB Circular A-21, Cost Principles for Educational Institutions, identifies direct and indirect costs that may be charged to federal research grants and contracts. The cost principles also identify those charges that cannot be charged to grants and are considered unallowable expenses.

OMB Circular A-21 offers four tests to determine the allowability of costs applied to federally sponsored agreements. In addition to conforming to any limitations or exclusions in the sponsored agreement, all expenses charged to sponsored accounts must:

Be allowable.

Allowable expenses are reasonable and necessary, allocable to sponsored projects, given consistent treatment and conform to any limitations or exclusions set forth in the relevant federal regulations (if applicable), the sponsored agreement and the University policy.

Be allocable.

An expense is allocable if it is incurred solely to advance the work under the agreement or if it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

Be reasonable.

A reasonable cost is one that a prudent person would have incurred under the circumstances prevailing when the purchase was made.

Be consistently treated.

Costs incurred for the same purpose, in like circumstances, must be treated consistently as either a direct or indirect (F&A) costs.

Allowable and Unallowable Costs

Accounts	Description	Type of Expense
Alcohol	Unallowable as an entertainment expense.	Unallowable
Animals	Allowable for the acquisition, care, and use of experimental animals, contingent upon	Allowable

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	compliance with the applicable requirements of the <i>PHS Policy on Humane Care and Use of Laboratory Animals</i>	
Books and Journals	If an organization has a library, books and journals generally should be provided as part of normal library services and treated as F&A costs .	Allowable
Consultant Services	A consultant is an individual retained to provide professional advice or services for a fee but usually not as an employee of the requiring organization.	Allowable
Donor Costs	Allowable for payment to volunteers or research subjects who contribute blood, urine samples, and other body fluids or tissues that are specifically project related.	Allowable
Dues or Membership Fees	Generally, allowable as an F&A cost for organizational membership in business, professional, or technical organizations or societies.	Allowable
Entertainment Costs	This includes the cost of amusements, social activities, and related incidental costs.	Unallowable
Equipment	Allowable for purchase of new, used, or replacement equipment as a direct cost or as part of F&A costs, depending on the intended use of the equipment.	Allowable
Fringe Benefits	Allowable as part of overall compensation to employees in proportion to the relative amount of time/effort devoted by the	Allowable

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	employees. Must be consistent with university policy.	
Insurance	Insurance usually is treated as an F&A cost.	Allowable
Sabbatical Leave	Salary may be charged directly to a project for services rendered to the project by individuals while they are on sabbatical leave, provided the salary is proportional to the service rendered and is paid according to established organizational policies applicable to all employees regardless of the source of funds. Sabbatical leave paid by an individual's employer, in combination with other compensation (e.g., partial salary from an NIH grant), may not exceed 100 percent of that individual's regular salary from his or her organization.	Allowable
Salaries and Wages	Compensation for personal services covers all amounts, including fringe benefits, paid currently or accrued by the organization for employee services rendered to the grant-supported project.	Allowable
Stipends	Payments made to an individual under a fellowship or training grant in accordance with pre established levels. Payments are intended for living expenses during training.	Allowable

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Telephone Cost	Basic phone is generally an F&A cost. Toll calls may be a direct cost providing the cost can be specifically identified to a sponsored agreement.	Allowable
Travel	Allowable as a direct cost where such travel will provide direct benefits to the project.	Allowable*

**Foreign travel should be budgeted and justified in the grant/contract proposal. When approval is required by the awarding agency and the expense is not included in the award budget, the request for prior approval must be made through the Office of Research Administration.*

Costs incurred for common or joint objectives which cannot be identified specifically with a particular sponsored project should be treated as indirect costs. Examples include the cost of utilities, maintenance and operation, building and equipment use expenses, administrative costs, library costs, and student service costs. Most sponsored agreements include a percentage of the direct cost to cover these charges. This percentage is known as the Facilities and Administration rate (F&A) or, formerly, the Indirect Cost rate.