

Policy 50.1: Allowable Costs

<i>Effective Date:</i>	July 1, 2012
<i>Last Updated:</i>	August 31, 2022
<i>Responsible Office:</i>	Office of Grants & Contracts Administration (GCA)
<i>Contact:</i>	Post Award Management

Reason for Policy

This policy mandates the University's compliance with the federal requirements defined in 2 CFR 200 (Uniform Guidance) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. It emphasizes the University's use of consistent financial accounting and compliance measures from the beginning to the close of each research project. 2 CFR 200 provides that for a cost to be allowable as either a direct charge to a sponsored agreement or as part of a facilities and administrative (F&A) costs pool, it must be all of the following:

- *Reasonable.* A prudent person would have purchased this item and paid the price.
- *Allocable.* Expenses can be allocated to the federally funded activity based on the benefit derived, cause and effect, or other equitable relationship.
- *Consistently Treated.* Like expenses must be treated the same in like circumstances.
- *Allowable.* Permitted as a direct cost under the specific grant or contract. Adherence to these measures will minimize non-compliance issues and audit disallowances that may impede or detrimentally affect the University research community.

Sponsors require that expenditures are incurred, received, and provide necessary benefit between the start and end date of the applicable Project or Budget Period. In order to comply with sponsor and federal guidelines, UNC Charlotte places restrictions on the type of purchases made on behalf of the sponsored project **within 90 days of the award end date.**

Policy Statement

The University must comply with 2 CFR 200 when determining what kinds of costs are allowed in sponsored research funding. In addition, project costs must comply with the terms and conditions of the proposal/award, the policies of the sponsoring agency, and University policy to be considered "allowable."

Allowable costs that can be identified directly and solely with a particular sponsored project are classified as "direct costs." Allowable costs used for common or joint objectives (i.e., shared with other operations) or those that cannot be readily identified as a cost to a particular sponsored project are classified as F&A costs. Direct costs include both personnel and non-personnel cost elements that may include, but are not necessarily limited to, the following:

1. Personnel Costs
 - Salaries
 -

Fringe Benefits

2. Non-Personnel Costs

- Capitalized Equipment
- Travel
- Subcontracts
- Consultants or Contracted Services
- Other Direct Costs (ODC) (e.g. graduate student tuition, materials and research supplies consumed solely in the research project, recharge unit services, and rental space).

A cost is considered unallowable if either of the following conditions apply:

- The cost is not applied in a consistent manner, allocable, or reasonable under the prescribed conditions in 2 CFR 200.402-411, Basic Considerations.
- The cost is specifically designated as unallowable as defined in 2 CFR 200 or the sponsor's guidelines or the award terms and conditions.

Purchases near the end of a project period, as appropriate, are subject to review as it can be difficult to show how the expenditure benefitted the award in a limited amount of time. All purchases incurred within the last 90 days of a total or budget period will be reviewed by GCA to:

- Ensure the item/service was received during the project or budget Period.
- Determine how the item/service provided benefit in the project or budget period, given that it was purchased close to the applicable end date. Providing benefit means having a reasonable amount of use during the Project Period.

There can be cases where the budget project period has a different end date compared to the project period. In those cases, the policy regarding costs 90 days before the end date can vary:

Budget Project Period Scenarios:

- a. Award has designated Budget Periods and the Sponsor **DOES NOT** allow for Automatic Carry Forward between Budget Periods.

If the award has budget periods and the sponsor does NOT allow for automatic carry forward, then the expenditures must be incurred, received, and provide a majority benefit between the start and end date of the budget period.

Scenario: An Award has an award/total period start/end date of January 1, 2019 – December 31, 2024. The Budget Period is January 1, – December 31, 2019.

Allowable Expense: An airline ticket is purchased (incurred and received) in March 2019 for a conference in June 2019.

Unallowable Expense: An airline ticket is purchased (incurred and received) in November 2019 for a conference (benefit provided) in March 2020.

Unallowable Expense: A piece of equipment was purchased in December 2019 but received in January 2020.

Once the award notice for the next year of the project has been received and fully executed by GCA (if applicable), or if carryforward approval is awarded, then spending can continue after NORM and Banner are updated by GCA.

- b. Award has designated Budget Periods and the Sponsor **DOES** allow for Automatic Carry Forward between Budget Periods.

If the award period has designated budget periods and automatic carry forward, then expenditures must be incurred, received, and provide a necessary benefit between the start and end date of the total period.

Scenario: An award has an award/total period start/end date of January 1, 2019 – December 31, 2024. The budget period is January 1, – December 31, 2019.

Allowable Expense: Lab supplies are incurred and received in late December 2019 and will be used (provide benefit) during the current budget period and the subsequent Budget Period (January 1, 2019 – December 31, 2019).

Allowable Expense: A laptop is purchased (incurred) and received in December 2019. It will be used (provide benefit) in the current and subsequent budget periods.

Allowable Expense: Registration for a conference, held (received, benefit provided) in March 2020, is paid (incurred) in December 2019.

Scenario: An award has an award/total period start/end date of January 1, 2014 – December 31, 2019. The current budget period is January 1, – December 31, 2019, the last budget period of the award.

Unallowable Expense: A laptop is purchased (incurred) and received in late December 2019 so a majority of its use (benefit) will not be received during the award or current budget period.

Procedures

GCA and college sponsored programs officers will assist the faculty if they have questions to determine if costs are allowable for a particular project.

The terms of an individual award take precedence over the general provisions of 2 CFR 200. For example, although travel is identified as an allowable cost in 2 CFR 200, a particular award may designate travel, especially foreign travel, as unallowable. In that case, UNC Charlotte may not charge those travel expenses to that project.

Some awards contain provisions for “pre-approvals” of specified expenses, particularly on contracts. Where required by the terms of the award, UNC Charlotte **must** obtain the written approval of the sponsor’s grant official, or appropriate authorized individual as identified in the contractual document, before charging those expenses.

Unallowable activities and transactions

For costs reimbursed by the federal government and other sponsors, costs are specifically unallowable under two general conditions:

- i. They are for an unallowable *activity*, or
- ii. They are for an unallowable *transaction*.

Unallowable activities as specified in 2 CFR 200 include:

- Alumni activities
- Organized fund raising
- Lobbying
- Commencement and convocation
- General public relations and alumni activities
- Student activities (e.g., intramural activities, student clubs)
- Managing investments solely to enhance income
- Prosecuting claims against the federal government
- Defending or prosecuting certain criminal, civil, or administrative proceedings
- Housing and personal living expenses of University officers
- Selling or marketing of goods and services (does not include selling goods or services internal to the University by its service centers)

All expenses in support of the above activities are unallowable for federal reimbursement. The federal government will not reimburse the University for these costs, even though these activities may be entirely appropriate and permissible University activities.

In addition to the unallowable activities described above, certain costs are always unallowable, regardless of the activity they support, and these are **unallowable transactions**. These “expressly unallowable” costs are listed in 2 CFR 200. These costs are identified as unallowable by general ledger expense codes designed to segregate these costs from allowable costs. Expenses that are unallowable for federal reimbursement include the following:

- Advertising (only certain types of recruitment advertising costs are allowable)
- Alcoholic beverages
- Entertainment
- Fundraising or lobbying costs
- Fines and penalties
- Memorabilia or promotional materials
- Relocation costs if employee resigns within 12 months
- Certain recruitment costs (e.g., color advertising)
- Certain travel costs (e.g., first-class travel)
- Cash donations to other parties, including donations to other universities
- Interest payments, except certain interest specifically coded as paid to outside parties and authorized by the Vice Chancellor for Business Affairs
- Membership in civic, community or social organizations, or dining or country clubs (seldom reimbursable by UNC Charlotte)
- Goods or services for the personal use of employees, including automobiles
- Insurance against defects in UNC Charlotte’s materials or workmanship

Unallowable costs for projects funded by the State of North Carolina are defined in the State Budget Manual.

NOTE: Costs that are unallowable for federal reimbursement purposes may be allowable as a direct cost on a non-federal project with the explicit written approval of the sponsor or when the cost was justified in the proposal. Purchases within 90 days of the award end date are discouraged in order for UNC Charlotte to remain in compliance with Uniform Guidance. However, in some cases expenditure requests can be reviewed by GCA on a case by case basis if the purchase is necessary to complete the project deliverables.

What expenses are allowable ≤ 90 days before the Project End Date?

Salary, fringe, subcontract invoices are allowable costs, participant support cost, and consultant invoices

What expenses are subject to GCA Review on a case-by-case basis?

Supplies, operating expenses, travel, and tuition costs will be reviewed on a case by case basis.

What expenses are not allowable ≤ 90 days before the Project End Date?

Equipment and equipment repairs are not allowed to be purchased within 90 days of the project end date. Equipment purchases charged directly to an award must be necessary for the award's period of performance; therefore, equipment purchases near the end of an award period are not allowable.

Computers follow the same general guidelines as equipment and are not an allowable expense within 90 days of the project end date.

What about Cost Transfers?

Cost transfers within 90 days of the project end date are discouraged but will be reviewed on a case by case basis by GCA.

If an expense requires a review please submit it to GCA using the standard process (49er Mart for Purchase Orders, Financial Transaction Request form for FTRs, through TCP for Travel Reimbursements, etc.) and the GCA Post Award Research Administrator will review the project end date for each project charged. If the expense is within 90 days of the project end date the Post Award RA will forward the request to the Executive and/or Associate Director of Grants and Contracts for their review.

Exclusions/Exceptions

The University is required to follow the mandates set forth in 2 CFR 200 for all federal awards. In some cases non-federal sponsors may provide written approvals for selected costs that are questionable by the federal government.

Failure to Comply

The University is required to follow the mandates set forth in 2 CFR 200 for all federal awards. Failure to account for federal Cost Principles accurately, or to validate unallowable costs, could result in suspension of future grant payments. Charges to a sponsored program award that are not allowable costs must be transferred to a non- appropriated fund. Unallowable costs will be recovered from the departmental or college funds.

Related Information

[2.CFR.200 \(Uniform Guidance\)](#)
[UNC Charlotte Research Administration Policies](#)

