

Policy 50.1: Allowable Costs

<i>Effective Date:</i>	July 1, 2012
<i>Last Updated:</i>	September 11, 2024
<i>Responsible Office:</i>	Office of Sponsored Projects Administration (OSPA)
<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.

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.

Procedures

OSPA and college sponsored programs officers (or ORS) 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:

- 1) They are for an unallowable *activity*, or
- 2) 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.

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

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 \(Uniform Guidance\)](#)