

## Allowable and Unallowable Costs

In accepting a federally-sponsored grant or contract, Manchester University agrees to abide by certain federal rules and regulations regarding the use of the funds. OMB Uniform Guidance sets forth the general criteria that educational institutions must follow in determining whether costs are allowable on federally-funded projects. Many federal agencies also publish additional cost guidelines specific to funds awarded by their agencies, and in certain cases, specific grants or contracts may contain additional allowability guidelines for a particular project. PIs must be familiar with these regulatory requirements in order to appropriately administer federally-funded sponsored projects.

All vendor discounts, credit memos, rebates and other cost adjustments must be applied to the cost of the project.

The following is a companion document to Subpart E of *2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. It does not contain the full language of Subpart E. The complete 2 CFR 200 can be found [here](#).

- **Allowability** - Costs must meet seven general criteria factors to be allowable under Federal awards, as follows: Costs must 1) be necessary and reasonable for the performance of the Federal award, 2) conform to any limitations or exclusions set forth in these principles or the Federal award as to the types or amount of cost items, 3) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the institution, 4) be accorded consistent treatment, 5) be determined in accordance with generally accepted accounting principles (GAAP), 6) not already be included in a cost sharing or matching requirements of any other externally financed program, and 7) be adequately documented.
- **Reasonable** - A cost is reasonable if in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity (institution) is predominantly federally-funded.
- **Allocable** - A cost is allocable to a particular award or other cost objective if the goods or services involved are chargeable or assignable to that award or cost objective in accordance with relative benefits received.
- **Consistent** - Costs that are consistently treated in the same manner under the like circumstances and are either directly charged or included in Facilities & Administrative Expenses (F&A) recovery, not both.

**Unallowable Costs:** There are certain activities and costs that the federal government and most private funders deem inappropriate and will not reimburse. These categories of activities and costs are referred to as unallowable. Below is a partial list of activities and costs that are generally considered unallowable under OMB guidelines. 2 CFR Part 200 section Subpart E Cost Principles, includes a Listing of Costs that are Unallowable either as a Direct or Indirect Charge to Federal Grants and Contracts. Unallowable costs include but are not limited to the following:

- Alcoholic Beverages
- Alumni Activities
- Bad Debt
- Commencement and Convocation Costs
- Contingency Provisions
- Costs of Criminal and Civil Proceedings
- Donations and Contributions
- Entertainment Costs
- Fines and Penalties (failure to comply with federal, state or local laws & regulations)
- Fundraising and Investment Costs
- Goods or services for personal use of college employees
- Housing and personal living expenses
- Interest
- Lobbying
- Meals, other than budgeted travel costs
- Student Activities, unless specifically provided for in the sponsored agreement
- Airfare costs in excess of the customary standard commercial airfare (coach or equivalent) are not allowed except under very specific conditions such as the medical needs of the traveler. These conditions must be documented.

*Adapted with appreciation from Lewis & Clark*