
Sponsored Programs Unallowable and Allowable Cost

Purpose:

The principles of the Uniform Guidance govern costs that may be charged either directly or indirectly to the government by educational institutions. CSU Fullerton (CSUF) Auxiliary Services Corporation (ASC), Office of Sponsored Programs (OSP) generally applies these same cost principles to non-federal funding as well, although in some cases non-federal sponsors define allowable and unallowable costs differently than federal sponsors.

Policy:

Determining whether an expense is allowable or unallowable is the first step in assigning a cost to an award. If an expense is not allowable on an award, do not charge it to that award. You must charge it to an unrestricted funding source.

Each awarding agency has the right to establish its own terms and conditions for its awards. Specific award terms and conditions take precedence over the provisions of the Uniform Guidance (UG). For example, although travel is not defined as unallowable in UG, your particular award may designate travel, or more likely foreign travel, as unallowable. In that case, you may not charge foreign travel to that project.

Allowable costs

OSP conducts a review of all expenditures requests before processing reimbursements. The following guidelines are in accordance with Uniform Guidance Subpart E.

An allowable cost is a cost that can be paid by your grant or contract. CSUF ASC OSP considers a cost to be allowable when it meets the following tests:

- The cost is reasonable; it reflects what a prudent person might pay.
- The cost is allocable; the contract or grant that paid the expense benefits from it. For a cost to be allocable, it must meet one of the following criteria:

It is incurred solely to advance the work under the sponsored agreement.

It benefits the sponsored agreement and the work of the institution in proportions that can be approximated through the use of reasonable methods.

It is necessary to the overall operation of the institution and is deemed to be assignable in part to sponsored projects.

The accounting treatment of the cost is consistent.

The cost is allowable as defined by Uniform Guidance or by the terms of the particular award.

Unallowable costs

An unallowable cost is a cost that cannot be paid by the grant or contract. Such costs may be expressly prohibited by the Uniform Guidance or may be considered unallowable as a result of CSUF ASC OSP policy or by mutual agreement with a governmental agency. A sponsoring agency may state that certain costs are not reimbursable even though they are considered allowable by federal regulations. CSUF ASC OSP has the responsibility to identify such costs and exclude them from any billing, claim, or award proposal.

Hierarchy of Federal Regulations

The figure depicted below represents the order of precedence of the federal regulations for grants and contracts - from the broad-based Uniform Guidance at the base of the triangle through the more specific regulations as one move toward the top of the triangle. All levels of regulations apply; however, when there is a conflict, the regulations that fall higher in the triangle take precedence over those at the lower levels.

