

## Excerpts: Unallowable Costs

**Function:** Cost Accounting  
**Procedure:** [Determining Direct and Facilities & Administration \(F&A\) Costs](#)  
**Contact:** [Chris Wade](#)

### Basis for Procedure

On or after December 26, 2014, 2 CFR Part 200 is effective and applies to all new awards issued. Funding awarded prior to this date and/or incremental funding may still be governed by OMB Circular A-110, A-21, or A-133, depending on the awarding agencies specific terms and conditions. Specifically for sub-awards issued on prime awards subject to A-21, the RF is responsible for determining whether its sub-recipients have met the audit requirement outlined in A-21. This guideline identifies costs that may not be directly or indirectly charged to a federal sponsored project. For complete unallowable cost descriptions please refer to 2 CFR Part 200.

### 2 CFR Part 200

The following is a listing of Costs that are Unallowable either as a Direct or Indirect Charge to Federal Grants and Contracts.

\*Note: These excerpts are a high-level summary. CFR Part 200 section Subpart E Cost Principles should be referred to for specific questions and language.

| 2 CFR Part 200 Section Reference | Description   |
|----------------------------------|---|
| 421                              | <b>Advertising costs</b> are unallowable unless they are necessary to meet the requirements of the sponsored agreement.   |
| 421                              | <b>Public Relations Costs</b> are unallowable except for (1) costs specifically required by sponsored agreements, (2) cost of communicating with the public and press pertaining to specific accomplishments which result from performance of sponsored agreements or (3) costs of conducting communication and liaison necessary to keep the public informed on matters of public concern such as notices of awards, financial matters, etc. |
| 422                              | <b>Advisory councils</b> or committees costs are unallowable unless authorized by statute, the awarding agency or as an indirect cost where allocable to sponsored awards.  |
| 423                              | <b>Alcoholic beverage</b> costs are unallowable.  |
| 424                              | <b>Alumni activity</b> costs are unallowable.   |
| 426                              | <b>Bad debt</b> costs are unallowable.  |
| 429                              | <b>Commencement and convocation</b> costs are unallowable, except, except as provided for in OMB Appendix III to Part 200 section B.9. Student Administration and Services.   |
| 431                              | Institution furnished automobile costs for <b>personal use</b> are unallowable.   |

|     |  |
|-----|--|
|     | <p><b>Severance</b> costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed at the institution upon termination of employment are unallowable.</p> <p><b>Tuition</b> benefits for family members other than the employee are unallowable.</p>   |
| 433 | <b>Contingency provision</b> costs are generally unallowable.  |
| 434 | <b>Contributions and donations</b> made are unallowable.   |
| 435 | <b>Defense and prosecution</b> of criminal and civil proceedings, claims appeals, and patent infringement are generally unallowable.   |
| 438 | <b>Entertainment costs</b> including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable unless they are required for programmatic purposes and either in the approved budget or with prior written approval.  |
| 441 | <b>Fines and penalties</b> costs resulting from violations of, alleged violations of, or failure to comply with federal, state, local or foreign laws and regulations are unallowable unless specifically approved by a federal agency or with prior written approval.   |
| 442 | <p><b>Fundraising costs</b> including financial campaigns, endowment drives, solicitation of gifts and similar expenses incurred to raise capital or obtain contributions are unallowable.</p> <p>Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include federal participation allowed by 2 CFR Part 200 subpart E.</p> |
| 445 | Goods and services costs for <b>personal use</b> are unallowable regardless of whether the cost is reported as taxable income.   |
| 445 | <b>Housing costs, housing allowances and personal living expenses</b> are only allowable as direct costs and must be approved in advance by the federal awarding agency.   |
| 447 | <b>Insurance costs</b> when reasonable and necessary are generally allowable. See section 445 for specifics. Insurance to protect against defects in the institution's materials or workmanship are unallowable. Losses which could have been covered by insurance are unallowable unless expressly allowed by the sponsor.  |
| 448 | <p><b>Intellectual Property</b></p> <p><b>Patent costs, copyrights</b> and related disclosures and filings are generally unallowable unless required by the federal award.</p> <p><b>Royalties</b> on a patent or copyright and related costs are allowable only if necessary for the proper performance of the federal award and if the federal government does not already have a license, the patent is valid and enforceable. Also see section 448 for other details.</p>                  |
| 449 | <b>Interest</b> on borrowed capital, temporary use of endowment funds, or the use of an institutions own funds are unallowable except as an indirect cost provided for in OMB Appendix III to Part 200 section B.3. Interest.  |
| 450 | <b>Lobbying costs</b> are unallowable unless specifically authorized by statute to be undertaken with funds from sponsored agreements.   |
| 451 | <b>Losses</b> on other sponsored agreements or contracts are unallowable.  |

|                     |   |
|---------------------|---|
| 454                 | <b>Membership costs</b> in any civic, community organization, country club or social or dining club or organization are unallowable. Cost of memberships in organizations whose primary purpose is lobbying are unallowable.  |
| 456                 | <b>Participant support costs</b> as defined in 200.75 are allowable with the prior approval of the federal awarding agency.   |
| 458                 | <b>Preaward costs</b> are allowable only when deemed necessary for the performance for the scope of the federal award and only to the extent that they would have been allowable if incurred after the date of the federal award and only with written approval of the federal awarding agency.   |
| 463                 | <b>Recruiting costs</b> for help wanted advertising, special emoluments, fringe benefits and salary allowances incurred to attract professional personnel from other institutions that do not conform with the established practices of the institution are unallowable.  |
| 464                 | <b>Relocation costs</b> related to: fees and costs with acquiring a new home; loss on sale of former home; mortgage payments on a home being sold and income taxes related to relocation costs are unallowable. Allowable costs incurred where an employee resigns within 12 months after hire must be refunded or credited to the federal award. |
| 465                 | <b>Rental costs</b> under "sale and leaseback" arrangements and "less-than-arm's length" leases are only allowable up to the amount that would be allowed had the entity continued to own the property.   |
| 467                 | <b>Selling and marketing</b> costs of products or services of the institution are unallowable except as a direct cost when approved by the awarding agency when necessary for the performance of the award  |
| 469                 | <b>Student activity</b> costs are unallowable unless specifically provided in the sponsored agreements.   |
| Appendix III, B8(a) | Rare books (museum type books) with no value to sponsored agreements are unallowable.   |

### A-21 Excerpts: Unallowable Costs

The following is a list of Costs that are Unallowable either as a Direct or Indirect Charge to Federal Grants and Contracts.

| A-21 Section Reference | Description  |
|------------------------|--|
| J1                     | Advertising costs are unallowable unless they are necessary to meet the requirements of the sponsored agreement.   |
| J1                     | Public Relations Costs are unallowable except for (1) costs specifically required by sponsored agreements, (2) cost of communicating with the public and press pertaining to specific accomplishments which result from performance of sponsored agreements or (3) costs of conducting communication and liaison necessary to keep the public informed on matters of public concern such as notices of awards, financial matters, etc. |
| J3                     | Alcoholic beverage costs are unallowable.  |
| J4                     | Alumni activity costs are unallowable.   |

|     |  |
|-----|--|
| J6  | Bad debt costs are unallowable.  |
| J8  | Commencement and convocation costs are unallowable.  |
| J10 | Institution furnished automobile costs for personal use are unallowable.   |
| J11 | Contingency provision costs are unallowable.   |
| J13 | <p>Defense and prosecution of criminal and civil proceedings, claims appeals, and patent infringement are generally unallowable.</p> <p>Costs incurred by the institution for defense of suits brought by its employees or ex-employees are unallowable if the institution was found liable or settled.</p> <p>Costs of legal, accounting, consultant services, and related costs incurred with defense against government claims or appeals, or the prosecution of claims or appeals against the government are unallowable.</p> <p>Costs of legal, accounting, consultant, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the sponsored agreements.</p> |
| J14 | Depreciation reserves: Institutions shall expend currently, or reserve for expenditure within the next five years, the portion of indirect cost payments made for depreciation under sponsored research agreements, to acquire repair, renovate, or improve buildings or equipment directly used for organized research.   |
| J15 | Donations or contributions made by the institution regardless of the recipient are unallowable.  |
| J17 | Entertainment costs including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable.   |
| J28 | Executive lobbying cost incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the federal government regarding a sponsored agreement are unallowable.  |
| J19 | Fines and penalties costs resulting from failure of the institution to comply with federal, state, local or foreign laws and regulations are unallowable unless specifically approved by a federal agency.   |
| J22 | Goods and services costs for personal use are unallowable.   |
| J23 | Housing and personal living expenses are unallowable.  |
| J25 | Insurance costs to protect against defects in the institution's materials or workmanship are unallowable.  |
| J26 | Interest, fund raising and investment management costs are unallowable except for cost related to the physical custody and control of monies and securities and for interest cost paid to external parties for assets (buildings and equipment) used to support sponsored agreements.  |
| J28 | Lobbying costs are unallowable unless specifically authorized by statute to be undertaken with funds from sponsored agreements.  |
| J29 | Losses on other sponsored agreements or contracts are unallowable.   |

|     |   |
|-----|---|
| J33 | Membership costs in any civic, community organization, country club or social or dining club or organization are unallowable.   |
| J36 | Preagreement costs prior to the effective date of the sponsored agreement are unallowable unless approved by the sponsoring agency.   |
| J42 | Recruiting costs for help wanted advertising, special emoluments, fringe benefits and salary allowances incurred to attract professional personnel from other institutions that do not conform with the established practices of the institution are unallowable. |
| J46 | Selling and marketing costs of products or services of the institution are unallowable.   |
| J10 | Severance costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed at the institution upon termination of employment are unallowable.   |
| J47 | Specialized service facilities charges should be designed to recover not more than the aggregate cost of the services over a long-term period agreed to by the institution and the cognizant federal agency.  |
| J48 | Student activity costs are unallowable unless specifically provided in the sponsored agreements.  |
| J53 | Airfare travel costs in excess of the lowest available commercial discount airfare or customary standard coach airfare are unallowable except in special circumstances.   |
| J54 | Trustees travel and subsistence costs, regardless of the purpose of the trip, are unallowable.  |
| K   | The indirect cost proposal will not be accepted by the federal cognizant agency unless a certificate of indirect cost is signed by an individual no lower than vice president or chief financial officer.   |

## Change History

| Date              | Summary of Change   |
|-------------------|---|
| May 24, 2016      | Updated to the new format and changed Reference #'s 431 and 449.              |
| December 26, 2014 | The document was changed based on the changes in 2 CFR Part 200 Subsection E. |

### Feedback

Was this document clear and easy to follow? Please send your feedback to [webfeedback@fsuny.org](mailto:webfeedback@fsuny.org).