

Uniform Guidance Requirements for Federal Awards Cost Principles
(Allowable and Unallowable Costs)
Calvin University

Scope: This policy outlines the allowability and importance of the proper treatment of costs on federally funded projects.

Guidelines: Sections [200.420-200.475](#) provide principles to be applied in establishing allowance of select costs related to a federal award. OMB cannot address every possible type of cost within these standards. If you question whether a cost is allowable, contact your grants manager. The grants office will make every effort to ensure that grant budgets are in compliance with all cost principles before submission.

In case of discrepancy between the provisions of a specific federal award and the provisions of Uniform Guidance, the **federal award governs**.

Allowable, Reasonable, & Allocable Costs: The concepts of allowability, allocability, and reasonableness of costs help determine whether a cost can be charged to a specific sponsored project.

A cost that is Allowable must also be:

- Necessary and Reasonable for the performance of the award and be Allocable.
- Conform to any award limitations or exclusions.
- Consistent with policies and procedures that apply to both Federal and other non- Federal activities.
- Consistently treated.
- Determined in accordance with generally accepted accounting principles (GAAP).
- Not included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Adequately documented.

Typical tests to determine if a cost is Reasonable:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

A cost is Allocable if the goods or services involved are assignable to that Federal award in accordance with relative benefits received. This standard is met if the cost:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Four Most Common Cost Principle Questions at Calvin University:

1. Equipment

- a. The purchase of **general purpose equipment, buildings, and land** is **unallowable** as direct cost. **
- b. The purchase of **special purpose equipment** is **allowable** as direct cost. (Contact grants office regarding special procurement requirements.)
- c. **Maintenance** to equipment that keeps it in an efficient operating condition is **allowable**.

2. Entertainment

- a. Entertainment costs are **allowable ONLY** when there is a programmatic purpose and is authorized in the approved budget of a federal award.
- b. **Allowable conference costs** that are necessary for the successful performance of a federal award include: facilities, speaker fees, costs of meals and refreshments, local transportation, and other incidental costs.

3. Materials and Supplies – including computing devices

- a. Costs for materials, supplies, and fabricated parts are **allowable** as direct cost. (Contact grants office regarding special procurement requirements.) **
- b. **Computing devices** must be essential and allocable, but do not have to be solely dedicated to the performance of a federal award.

4. Travel

- a. **Reasonable travel costs** (lodging, food, etc.) **are allowable** in accordance with Calvin's written travel reimbursement policies.
- b. **Temporary dependent care costs** that directly result from travel are **allowable ONLY in accordance with Calvin's written policy**. Contact Human Resources for more information.
- c. **Travel costs for dependents** are **unallowable UNLESS** the duration is six months or more with prior approval from the funding agency.
- d. **Air travel** under federal funding must comply with the **Fly America Act**, that is, to use United States air carrier service for all air travel and cargo transportation services.

**** IMPORTANT **** Before purchasing equipment and/or materials and supplies with remaining funds near the end of your grant period: (1) ensure that all grant related payroll payments have been properly allocated to you, (2) ensure that benefits charges during the grant period have been properly charged, (3) contact the grants office.

Strictly Unallowable Costs

1. Alcoholic beverages
2. Alumni/ae activities
3. Bad debts
4. Commencement and convocation costs
5. General costs of government
6. Lobbying
7. Losses on other awards or contracts
8. Organization costs
9. Selling and marketing costs
10. Student activity costs (intramural activities, student publications, clubs, etc.)

Allowable ONLY when specific criteria are met (contact grants office to determine allowability)

1. Advertising and public relations
2. Advisory councils
3. Audit Services
4. Bonding costs
5. Collections of improper payments
6. Compensation – personal services
7. Compensation – fringe benefits
8. Conferences and related expenses
9. Contingency provisions
10. Contributions and donations
11. Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringements
12. Depreciation
13. Employee health and welfare costs
14. Entertainment costs
15. Equipment and other capital expenditures
16. Exchange rates
17. Fines, penalties, damages, and other settlements
18. Fundraising and investment management costs
19. Gains and losses on disposition of depreciable assets
20. Goods or services for personal use
21. Idle facilities and idle capacity
22. Insurance and indemnification
23. Intellectual property
24. Interest
25. Maintenance and repair costs
26. Materials and supplies costs, including costs of computing devices
27. Memberships, subscriptions, and professional activity costs
28. Participant support costs
29. Plant and security costs
30. Pre-award costs
31. Professional service costs
32. Proposal costs (allowable as indirect cost)
33. Publication and printing costs
34. Rearrangement and reconversion costs (allowable as indirect cost)
35. Recruiting costs
36. Relocation costs of employees
37. Rental costs of real property and equipment
38. Scholarships and student aid costs
39. Specialized service facilities
40. Taxes
41. Termination costs
42. Training and education costs
43. Transportation costs
44. Travel costs
45. Trustees