

# NORTHERN KENTUCKY UNIVERSITY

## Federal Costing Guidelines for Grants

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Office of Management and Budget Circular A-21 established the principles for determining costs applicable to grants, contracts and other agreements with educational institutions. Grants awarded after 12/26/2014 now follow the OMB new Uniform Guidance. Both principles are designed to provide that the federal government bear its fair share of the total cost, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. The basic considerations for determining the allowability of costs are:

***Reasonable and necessary:*** The cost must be reasonable and necessary for the performance of the project. This is defined as the action a prudent person would have taken under the circumstances.

***Allocable:*** The cost must have a direct benefit and be directly attributable to the project or activity being performed. Any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements to clear an overdraft or for other reasons of convenience.

***Consistently Treated:*** The cost must be given consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances. All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only. The University cannot double charge the government for similar costs by directly charging a cost to a sponsored project *and* by including the same type of cost in the F&A rate charged to that sponsored project.

***Conform to any limitations (Allowable):*** The cost must be allowed by University policy, sponsor policies, and OMB Circular A-21.

### ***Explicitly Unallowable Costs on Federal Agreements***

Federal regulations identify specific categories of costs that cannot be charged, directly or indirectly, to federally sponsored agreements.

The following list covers costs specifically designated as unallowable in the new Uniform Guidance (old OMB Circular A-21). This is a quick reference. The specific wording in Uniform Guidance should be referred to for greater detail.

<https://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1&rgn=div5>

### **Unallowable Costs**

**Advertising & Public Relations Costs** Costs of promotional items and memorabilia are unallowable. Production & distribution of magazines, newsletters, radio & TV programs, direct mail, exhibits are unallowable, unless directly related to the performance of a sponsored project.

**Alcoholic Beverages** Costs of alcoholic beverages are unallowable.

**Alumni Activities** Costs incurred for, or in support of, alumni activities and similar services are unallowable.

**Bad debts** Any losses, whether actual or estimated, arising from uncollectible accounts and other claims, related collections costs, and related legal costs, are unallowable.

**Commencement and Convocation Costs** All costs related to commencement and convocation are unallowable.

**Contingency Provisions** Contributions to a contingency reserve or any similar provision made for events, the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

**Directly Associated Unallowable Costs** Costs that are directly associated with the unallowable costs are also unallowable. A directly associated cost is defined in federal regulations as any cost which is generated solely as a result of the incidence of another cost, and which would not have been incurred had the other cost not been incurred. An example of a cost that is directly associated with an unallowable cost is the cost of airfare to go to another city for the purpose of entertaining business associates, or for fundraising. Since entertainment and fundraising costs are expressly unallowable under OMB Circular A-21, and the airfare would not have been incurred had the unallowable costs not been incurred, the airfare is an unallowable directly associated cost.

**Donations and Contributions** Contributions or donations, including cash, property, and services, made by the institution, regardless of the recipient, are unallowable.

**Entertainment** Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

**Fines and Penalties** Costs resulting from violations of, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or instructions in writing from the authorized official of the sponsoring agency authorizing in advance such payments.

**Fund raising** Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.

**Goods or services for personal use** Costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

**Lobbying** Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, legislation, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity are unallowable.

**Losses on other sponsored agreements or contracts (Cost Overruns)** Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the institution's contributed portion by reason of

cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.

**Memberships** Cost of membership in any civic or community organization or country club or social or dining club or organization are unallowable.

**Pre-Award Costs** Costs incurred prior to the effective date of the sponsored project, whether or not they would have been allowable thereunder if incurred after such date, are unallowable unless specifically set forth and identified in the sponsored agreement, or approved through prior approval procedures.

**Selling and marketing** Costs of selling and marketing any products or services of the institution are unallowable.

**Student Activity Costs** Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the sponsored agreements.