



**THE GEORGE  
WASHINGTON  
UNIVERSITY**  
WASHINGTON, DC

**Responsible University Official:** Vice President for Research  
**Responsible Office:** Office of the Vice President for Research  
**Last Revised Date:** December 19, 2014

## **IDENTIFICATION AND TREATMENT OF UNALLOWABLE COSTS ON SPONSORED PROJECTS**

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### **Policy Statement**

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It is university policy to charge costs to federal and non-federal sponsored project activities in accordance with applicable laws, regulations, sponsor policies and other requirements. For federal sponsors, the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR §200) or – for funding effective before December 26, 2014 - OMB Circular A-21, Cost Principles for Educational Institutions (2 CFR §220) and/or OMB Circular A-110 (2 CFR § 215), collectively referred to as Federal Guidance, establishes principles for determining costs applicable to grants, contracts and other agreements with educational institutions, including federal flow-through projects. OMB's Federal Guidance also identifies costs that are generally unallowable as charges to federally-sponsored projects (including federal flow-through projects). These costs are termed "unallowable" costs and may not be charged to federally-sponsored projects as either direct costs or as facilities and administrative (F&A) costs. Faculty and staff who are responsible for administering federally funded sponsored projects should be familiar with the categories of costs that are generally unallowable.

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### **Reason for Policy**

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This policy implements and makes the university community aware of the laws, regulations and cost accounting principles that apply in charging only costs that are allowable to sponsored projects.

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### **Who is Governed by this Policy**

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Faculty and staff

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## Policy

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This policy applies to all sponsored projects at the university; however, costs identified as “unallowable” on federally-funded projects may be directly charged to a non-federal project if permitted by both university policy and the non-federal sponsor’s award documents, applicable policies, requirements, and/or written approval.

The university is required to follow OMB’s Federal Guidance when determining whether to charge a cost to any grant, contract, or other agreement between the institution and the federal government or federal flow-through entity (federally-sponsored projects). OMB’s Uniform Guidance (2 CFR §200) requires the university to identify unallowable costs and exclude them from any application, proposal, billing, or claim related to a federally-sponsored project. In addition, the guidance provides principles and standards for determining the costs applicable to research and other work performed by the university under federally-sponsored projects. The Uniform Guidance Subpart E – Cost Principles provides standards for select items of costs to be applied in establishing both allowable and unallowable costs on federally-sponsored projects. These standards apply regardless of whether a particular cost is treated as a direct cost or an indirect cost. In addition, Federal Cost Accounting Standards (CAS) 505 establishes guidelines for identifying and accounting for the unallowable costs as defined in OMB’s Uniform Guidance (2 CFR §200). Unallowable costs are segregated in the university’s accounting system so that they can be easily distinguished from allowable costs charged to the sponsored

project. Appendix A of this policy lists the university's unallowable expense account codes.

### **Allowable Costs**

In addition to meeting the specific standards for allowability under the Uniform Guidance Subpart E – Cost Principles, costs must meet certain general criteria to be allowable for federally-sponsored projects. An allowable cost must be reasonable, allocable to the sponsored project, given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances, and conform to any limitations or exclusions set forth in the Federal Guidance or in the sponsored project agreement as to types or amounts of cost items.

**Reasonable Cost Test:** A cost may be considered reasonable if the nature and amount of the cost reflect actions that a prudent person would have taken under circumstances prevailing at the time. Among other factors, a reasonable cost is one generally recognized as necessary for the operation of the institution or the performance of the sponsored project, and is consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored projects.

**Allocable Cost Test:** Among other factors, a cost is allocable to a sponsored project if it: (1) is incurred specifically to advance the work under the sponsored project; (2) benefits both the sponsored project and other work of the institution in proportions that can be approximated through the use of reasonable methods; or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in the Federal Guidance, specifically Uniform Guidance Subpart E – Cost Principles, is deemed to be assignable in part to sponsored projects.

### **Unallowable Costs**

In accordance with CAS 505, an unallowable cost is defined as any cost which, under the provisions of any pertinent law, regulation, or sponsored project cannot be included in prices, cost reimbursements, or settlements under the federally-sponsored project to which it is allocable. A cost may be either expressly unallowable or directly associated with unallowable activities. "Expressly unallowable" applies to any type of cost which, under the express provisions of an applicable law, regulation, or sponsored project is specifically named and stated to be unallowable.

### **GW Reimbursement Policy and Federal Regulations**

A cost determined to be appropriate under university policies to be incurred directly or otherwise reimbursed may be unallowable as a direct or indirect charge to a federally or non-federally sponsored project. While the federal government or non-

federal sponsor will not reimburse these costs, they may be entirely appropriate and permissible university activities or costs.

### **Applicability and Responsibility**

Principal Investigators are primarily responsible for properly charging costs to sponsored projects in accordance with all applicable sponsor policies and requirements. Department chairs, school finance directors, departmental administrators or other departmental personnel with fiscal responsibility for reviewing costs on sponsored projects for the colleges, schools, divisions, and departments must identify and properly charge unallowable sponsored project costs to the correct expense account code and organization. Questions regarding proper charging practices on sponsored projects should be referred to, or escalated within, the Office of the Vice President for Research, which has responsibility for reviewing and approving costs charged to sponsored projects. See Appendix A for a chart of accounts.

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## **Appendices**

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Appendix A: Unallowable Expense Account Codes

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### **Related Information**

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Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([2 CFR 200](#))  
[Subpart E – Cost Principles of 2 CFR 200](#) – General provisions for selected items of cost  
[Federal Cost Accounting Standard](#) (CAS) 505, Accounting for unallowable costs—  
Educational institutions

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### **Contacts**

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<b>Contact</b>	<b>Telephone</b>	<b>Email</b>
Office of The Vice President for Research	(202) 994-6255	<a href="mailto:askovpr@gwu.edu">askovpr@gwu.edu</a>

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## Document History

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- **Last Reviewed Date:** July 17, 2017
- **Last Revised Date:** December 19, 2014
- **Policy Origination Date:** January 1, 1973

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## Who Approved This Policy

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Leo M. Chalupa, Vice President for Research

Louis H. Katz, Executive Vice President and Treasurer

Steven Lerman, Provost and Executive Vice President for Academic Affairs

Beth Nolan, Senior Vice President and General Counsel

*This policy, as well as all [university policies](#), are located on the [Office of Compliance and Privacy's](#) home page.*

## Appendix A

### Unallowable Expense Account Codes

The following expense account codes relate to federally unallowable costs and must always be excluded from any proposal, billing or claim filed under any federally-funded sponsored project in order to facilitate compliance with federal regulations:

Description and account number

Bad Debt Expense	53911
Collection Fees	55552
Diplomas, Caps and Gowns	54551
Entertainment	52611
Fines, Fees, and Penalties	52442
Lobbying	52616
Metro Area Alumni Activities	52722
Officer's Life Insurance	51861
Over/Short Inventory	54191
Prizes and Awards	57121
Publicity & Promotion	55152
Purchases for Resale	54611
Special Events/Business Relations	52612
Uncollected Returned Checks	52422

The following expense account code should be used when the cost in question is unallowable but is not covered by a specific account code above:

Other Unallowable Costs (including alcoholic beverages)	52614
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Any questions regarding unallowable expenses should be directed to the [Office of the Vice President for Research](#) at (202) 994-6255.