

Unallowable Cost Guidelines

Definition

Unallowable costs are defined by Smith as those expenses which are not reimbursable under the terms and conditions of federally sponsored agreements and/or those specifically identified as unallowable in Section J of [OMB Circular A-21](#). In the event a discrepancy exists between the provisions of OMB Circular A-21 and those specified within the sponsored program, the program provisions will prevail.

Overview

The Office of Management and Budget (OMB) Circular A-21 prohibits the College from charging federally funded agreements or requesting federal reimbursement for certain costs. A-21 refers to these costs as "unallowable costs." However, for some of these costs, specific circumstances or cost attributes, which are described below, are allowable.

Unallowable Costs

The following list covers unallowable costs specified in Section J of OMB Circular A-21. This is a quick reference and a partial listing. The specific wording in A-21 should be referred to for greater detail. Notes that individual sponsor's programs may identify additional unallowable costs.

- **Advertising and public relations:** Expenditures to promote the College are not allowable. Advertising for recruitment for employees or human subjects is allowable.
- **Alcoholic beverages**
- **Alumni/ae activities**
- **Bad debts**
- **Commencement or convocation costs**
- **Contingency provisions**
- **Charitable contributions, donations, remembrances**
- **Development/fundraising costs**
- **Entertainment costs:** Costs of entertainment, including amusement diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are not allowable.
- **Fines and penalties**
- **Goods or services for personal use of employees (including gifts)**
- **Housing and personal living expenses of College officers**
- **Investment management costs**
- **Lobbying**
- **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 indirect costs.
- **Pre-agreement costs,** unless approved by the sponsoring agency or permitted under expanded authorities
- **Selling and marketing costs** of any products or services of the institution
- **Student activity costs** incurred for intramural activities, student publications, student clubs, etc. are unallowable