

## Procedure 1305 PR.04 Unallowable Costs

Revision Date: 05/15/12

### Overview

The purpose of this procedure is to describe the treatment of unallowable costs for all University accounts and sources of funds.

Consistent assignment of charges to specific expense types enables the University to appropriately capture and exclude unallowable costs as a direct cost as well as from the federal Facilities & Administrative (F&A) rate proposal and subsequent reimbursement when the F&A rate is applied to sponsored awards.

### Definition:

**Unallowable costs:** Those expenses incurred by the University which are not reimbursable by the Federal Government and when charged to non sponsored awards must be charged to unallowable cost expenditure types so that they are not included in the F&A rate calculation.

### Procedure Applicability

The following University entities must apply the federal costing regulations contained in [Appendix A to 2 CFR Part 220](#) (OMB Circular A-21) for classifying their expenses:

- schools and departments that have federal awards; and
- departments that charge for goods or services, or are included in the Facilities and Administrative (F&A) cost rate calculation, such as administrative departments, facility departments, computing departments, the library system, health services, and other service departments or internal service providers.

### Common Unallowable Expenses

#### Business Meals, Catering, Food & Beverages and Alcoholic Beverages

In order to comply with Federal Regulations **when charging non-sponsored funds**, the total costs of these types of expenses, including the cost of alcoholic beverages, are to be charged to the following expenditure types:

| Exp Type Number | Expenditure Type Name          |
|-----------------|--------------------------------|
| 820800          | Food & Beverage                |
| 832500          | Catering – External            |
| 832510          | Catering – Internal            |
| 871050          | Domestic Travel - Meals        |
| 872050          | International Travel - Meals   |
| 874000          | Business Meals – Domestic      |
| 874001          | Business Meals – International |

When charging any of the above ETs to a sponsored award, it is necessary to **identify the cost of alcoholic beverage and charge it to a non sponsored award** using ET **873000 (domestic)** or **873001 (international)** *Entertainment & Alcohol – Unallowable* since alcoholic beverages **cannot be directly charged to sponsored awards**,

Travel

Section J.53c of [Appendix A to 2 CFR Part 220](#) (OMB Circular A-21) describes allowable costs for business travel, including commercial air travel and requires the use of the lowest available airfare with only certain [exceptions](#). University [Policy 3301: Travel on University Business](#) sets forth certain instances for International Travel where business class fares are acceptable. In such cases, the excess amount over the coach fare price must be charged to **876001 – International Travel - Unallowable**.

Travelers are encouraged to use the University’s preferred travel supplier [Orbitz for Business](#) by contacting them directly. Travelers and arrangers will be able to take advantage of a complete offering of travel options and discounts; including University negotiated rates and low service fees. If this preferred travel supplier is not used or the lowest available airfare is not obtained, the department will be responsible for substantiating compliance with the federal regulations.

Use expenditure type **876000** or **876001** for all unallowable travel costs, domestic or international, as appropriate.

Other Common Unallowable Costs

Other commonly used Unallowable Cost Expenditure Types that are:

| Expenditure Type | Expenditure Type Name                  |
|------------------|--|
| 712300           | Faculty Salaries—Unallowable           |
| 724500           | Staff—Unallowable                      |
| 831700           | YSM Supplemental Telecom Charge        |
| 832300           | Services--Student                      |
| 833300           | Advertising, Public Relations          |
| 8503xx           | Rare Books                             |
| 8506xx           | Manuscripts                            |
| 850900           | Art and Museum Acquisitions            |
| 894000           | Professional Service Fees--Unallowable |
| 9102xx           | Losses                                 |
| 910300           | Materials for Resale                   |
| 910700           | Prizes & Awards                        |
| 911000           | Commissions                            |
| 911150           | Unallowable Credit Card Losses         |
| 911200           | Subsidies                              |
| 911800           | Parking Tickets                        |
| 915200           | Dues & Membership--Unallowable         |

For unallowable expenses that cannot be appropriately charged to a specific unallowable expenditure type e.g., the costs of flowers or printing (which in certain instances is unallowable) use expenditure type **911100 Other Unallowable Costs**.

**Unallowable Activities**

Certain activities are unallowable both as direct and F&A costs under [2 CFR Part 220 \(OMB Circular A-21\) Appendix A](#), such as alumni activities, investment activities, commencement activities, and fund-raising activities.

Most employees in schools and departments are not involved in these "unallowable" activities. However, for employees who are, such costs can be charged to the appropriate expenditure type for unallowable

salaries and wages. Any travel related to such activities must be coded to expenditure type **876000** or **876001** for all unallowable travel costs, domestic or international, as appropriate.

If a department is involved in "unallowable" activities, **the department must contact the Manager of Cost Analysis in writing** (e-mail: [pauline.fagan@yale.edu](mailto:pauline.fagan@yale.edu)) so that a determination can be made regarding the proper treatment of the costs associated with this activity and excluded from the calculation of the F&A rate.

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## Year-End Closing

Unallowable costs at fiscal yearend that are not identified with the correct unallowable cost expenditure type must be reclassified. This action must be completed by the first close of the June period. (Contact the Controller's office for the current year-end closing schedule.)

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## Related Information

[2 CFR Part 220 \(OMB Circular A-21\) Appendix A](#): The Cost Principles for Institutions of Higher Education

[Policy 3301](#): Travel on University Business

[Policy 3302](#): Business Meals, Entertainment, and Other Social Events

[Policy 1305](#): Cost Transfers Involving Sponsored Projects

[Guide 1305 GD.07](#): Determining Allowability, Reasonableness and Allocability of Costs for Sponsored Projects

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## Contacts

| Subject                                | Contact                     | Contact Information  |
|--|-----------------------------|--|
| Unallowable Expenditures or Activities | GCFA Manager, Cost Analysis | <a href="mailto:pauline.fagan@yale.edu">pauline.fagan@yale.edu</a><br>(203) 785-4954 |