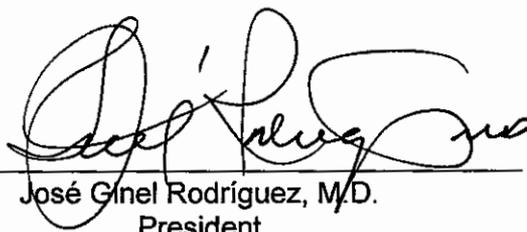


# Universidad Central del Caribe

## Sponsored Projects Unallowable Costs Policy



Handwritten signature of José Ginel Rodríguez, M.D., President.

José Ginel Rodríguez, M.D.  
President

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## **Responsible Office: Fiscal Resources**

### **Background**

2 CFR Part 200 Subpart E (Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards) and 48 CFR Part 9905.505 (Accounting for Unallowable Costs - Educational Institutions) identify "unallowable" costs that may not be charged directly or indirectly to federally sponsored agreements. It is UCC's policy to segregate unallowable costs in the university's accounting system and to charge costs to federal and non-federal sponsored projects in accordance with applicable laws, regulations, sponsor policies and other requirements. Proper accounting for unallowable costs is required to maintain the integrity of the University's ability to recover the sponsored program's expenses as described in the terms of the award.

### **Policy**

#### **1. Basic Principles of Cost Allowability**

Except where otherwise authorized by statute, allowable costs under federal awards must be:

- Necessary for the performance of the award.
- Allocable - The expense is incurred solely to advance the work under the agreement or, if it benefits both the sponsored program and other work of the institution, in proportions that can be approximated through the use of reasonable methods.
- Reasonable - The cost would have been incurred by a prudent person under the circumstances prevailing when the purchase was made.
- Consistently treated - Costs incurred for the same purpose, in like circumstances, must be treated consistently as either direct or indirect (F&A) costs.
- In conformance with any limitations or exclusions set forth in the Code of Federal Regulations or in the federal award.
- Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the recipient.
- In accordance with generally accepted accounting principles.
- Adequately documented.

In addition, federal money cannot be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program unless authorized by statute.

#### **2. Unallowable costs**

##### **A. Partial list of unallowable direct costs**

- Advertisement and public relations unless specifically required by the award. Examples of allowed costs include advertisement costs for recruiting research personnel or human subjects, and public outreach efforts to disseminate the award's results.
- Alcohol for human consumption
- Alumni activities
- Audit services
- Bad debts

- Bonding costs or insurance against defective work
- Commencements and convocations
- Contingency provisions to eliminate future costs
- Charitable contributions, donations and remembrances
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
- Development and fundraising costs
- Entertainment costs, 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)
- Fines and penalties
- Investment management costs
- Goods, services or gifts for personal use of employees
- Memberships in civic or community organizations
- Housing and personal living expenses of University officers
- Lobbying
- Losses on other sponsored agreements or contracts
- Preagreement 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 (e.g., student clubs)
- Travel: Commercial air travel costs in excess of the lowest available commercial discount airfare, Federal government contract airfare (where authorized and available), or customary standard (coach or equivalent) airfare
- Interest paid to external parties that is associated with the acquisition of equipment or other capital assets

**B. Unallowable Directly Associated Costs**

A directly associated cost is a 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. Charges to federally sponsored agreements must exclude costs that are directly associated with unallowable costs (e.g., gratuity and taxes corresponding to the purchase of an alcoholic beverage).

**3. Identification and Treatment of Unallowable Costs on Sponsored Projects**

Principal Investigators are primarily responsible for properly charging costs to sponsored projects in accordance with all applicable sponsor policies and requirements. All charges are reviewed by Fiscal Resources to ensure that unallowable costs are excluded from the amount charged to the award. If an unallowable cost is identified, Fiscal Resources will contact the PI/PD to determine an appropriate way to pay for the cost (e.g., using personal funds to cover the price of alcohol and the associated taxes and gratuity charged as part of a meal).

**4. Roles and Responsibilities**

Dean of Administration

- Identifies and approves alternate payment methods when unallowable costs must be cleared from a sponsored project.

#### Fiscal Resources

- Review all the intended charges to a sponsored program before they are finalized in the accounting system.
- Identify unallowable costs in accordance with the Code of Federal Regulations and sponsor-specific restrictions.
- Inform the PI/PD when unallowable costs are found.
- Assist the PI/PD in the identification of an appropriate way to resolve the cost allocation.

#### Principal Investigator/Project Director

- Charge costs to sponsored projects in accordance with all applicable sponsor policies and requirements.
- Request to the Dean of Administration alternate payment methods when unallowable costs must be cleared from a sponsored project.