

ALLOWABLE & UNALLOWABLE COST CATEGORIES FOR FEDERAL FUNDS

Association of Universities for Research in Astronomy, Inc.

Central Administrative Services

Much of the research AURA conducts is sponsored by the federal government. The government generally supplies the recipient of a federal grant or contract with the funds necessary to cover the expenditures directly associated with a project. In addition, the government will reimburse the organization for the indirect expenditures necessary to create and maintain the environment in which the research is conducted.

There are other expenditures, however, that the federal government will not reimburse; the government refers to these categories of costs as “unallowable.” These categories are identified in 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, known as the “Uniform Guidance.” It is AURA’s responsibility to maintain an accounting system that clearly identifies and segregates unallowable cost categories so that they will be excluded from reimbursement requests. Therefore, all centers and departments should identify unallowable costs by using appropriate Discretionary Fund account codes on Purchase Orders and Travel Reimbursement Vouchers.

Allowable Costs

In order for a cost to be charged to a federal award or allowable cost share pool, the cost must meet the following provisions:

- The costs must be necessary, reasonable and allocable to the program;
- Must comply with the limitations of the agreement as well as other applicable federal and state laws and regulations;
- Must be allocated to the program on a basis consistent with policies that apply to all activities of the association;
- Must be accounted for consistently with generally accepted accounting principles;
- Must not have been used as direct cost or cost share for any other federal award;
- Must be adequately documented; and
- Must be net of all applicable credits.

Necessary

The cost must be ordinary and necessary to the operation of the organization or the performance of the federal award.

Reasonable

The cost must meet the prudent person test which means it does not exceed an amount that could be incurred by a prudent person under similar circumstances at the time the decision was made.

Allocable

The cost must be directly incurred solely to advance the work or performance of the award. Costs that benefit both the award and other work at the organization should be allocated proportionately to the relative benefit received by each area through use of a reasonable method. Cost overruns cannot be shifted to other federal awards to overcome funding deficiencies.

Allowable

A cost must be allowable under federal cost principles, award terms and conditions, awarding agency guidelines and AURA policy.

Consistency

All costs must be treated the same throughout the organization. All costs must be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.

Applicable Credits

Applicable credits are receipts or reductions in expenditures that offset or reduce cost items such as purchase discounts, rebates, recovery of losses, insurance proceeds, reimbursement of expense from an individual or other entity, and adjustment of overpayments or erroneous charges. These must be credited to the award as a cost reduction of the original charge.

Treatment of Unallowable Expenditure

Any expenditure that is not allowed to be charged to the award either due to the terms of the award itself, federal agency regulations, Organization policies, or the Uniform Guidance shall not be charged to the award. If any such cost is inadvertently charged to the award, the cost shall be recoded as soon as it is identified to the appropriate Discretionary Fund account unrelated to the award. This is to be done by notifying CAS Accounting of the needed correction.

Please note that the term “unallowable” is defined by the federal government and is for the purpose of complying with federal costing regulations only. Certain types of expenditures, though not reimbursable by the federal government, are necessary for conducting AURA’s business and will continue to be paid by AURA when approved by a Center Director to be charged as a Discretionary Expense. AURA’s goal is to comply with appropriate federal regulations while supporting departmental management and control of all accounts.

Attached is a listing of certain cost categories that have been classified as unallowable per the Uniform Guidance, which can also be found [here](#). Any questions regarding cost categories should be directed to CAS. The list below is not intended to be all-inclusive. Please contact CAS if you have questions.

Summary of Unallowable Expenses

Expense Type	Explanation
Airline Club Membership Dues	This is a personal expense and therefore not reimbursable.
Baggage Insurance	Any insurance of personal property is not reimbursable, as the traveler is the beneficiary.
Business Class Airfare	Travelers must use economy or coach fares whenever available.
Car Accidents, Car Maintenance, Car Repairs, Car Washes, Locksmith Charges, Oil Changes, Towing Charges	These are not allowable expenditures. The mileage rate is intended to cover the costs of operation and ownership.
Child Care	This is a personal expense and therefore not reimbursable. See 2 CFR 200.474 for exceptions regarding temporary dependent care above and beyond regular care costs as a direct result of travel under a federal award.
Commuting	Travel between an employee's home and his/her AURA office is a personal expense and therefore not reimbursable.
Credit Card Charges	Annual fees, finance charges, and penalties are personal expenses and therefore not reimbursable.
Credits for Bumping or Flight Delays	Credits given by airlines because a traveler was bumped or a flight was delayed are not reimbursable, as there was no out-of-pocket cost to the traveler.
First Class Airfare	Travelers must use economy or coach fares whenever available as explained in the AURA Travel Policy .
Frequent Flyer Credits	See Rewards Programs below.
Frequent Flyer Loyalty	Consistently choosing the same airline to accumulate frequent flyer miles, rather than the lowest travel cost, is not allowable.
Laundry Expenses	Laundry expenses on trips of less than four nights are not reimbursable.
Loss or Theft of a Travel Advance	This is a personal expense and therefore not reimbursable.
Lost Baggage	This is a personal expense and therefore not reimbursable.
Non-U.S. Flag Air Carriers	This restriction only applies when federal funds are being used. Please refer to the AURA Travel Policy for additional information.
Parking Tickets	These are personal expenses and therefore not reimbursable.
Personal Entertainment	Entertainment items such as but not limited to tickets, green fees, movies, personal reading materials, etc. are personal expenses and therefore not reimbursable.

Expense Type	Explanation
Personal Expenses	Personal expenses are not allowable. Examples include as valet service, reading material, in-room movie rentals, personal phone calls, personal grooming services, saunas, massages, use of exercise facilities, and house-sitting fees.
Personal Grooming Items	These are personal expenses and therefore not reimbursable.
Personal Insurance	AURA maintains Travel Insurance for its employees. Insurance purchased by the employee is unallowable.
Pet Boarding	This is a personal expense and therefore not reimbursable.
Rewards Programs	Travelers sometimes earn rewards through programs from vendors that reduce the cost to the traveler. Examples include frequent flier credits, additional nights or credits at hotels, or credits or points earned from using a credit card. Although each of these has a monetary value, they cannot be reimbursed, as reimbursement is limited to the out-of-pocket expenditure for the traveler. Travelers who earn these rewards from personal travel must be careful to not use these towards AURA travel.
Spousal or Family Travel	Extra charges to accommodate the travel of persons not fulfilling a business purpose for AURA are personal expenses.
Ticket Rescheduling Fees for Personal Reasons	Ticket rescheduling fees for personal reasons, rather than business reasons, are not reimbursable. Therefore, the business purpose of the ticket rescheduling fee must be stated on the air ticket requisition or reimbursement. (Exception: A ticket rescheduling fee for a health emergency of the traveler or the traveler's "immediate family" is reimbursable.)
Traffic Violations and Parking Tickets	These are personal expenses and therefore not reimbursable.
Vacation Days	Extra charges for car rental, lodging, meals, parking, etc. for vacation days must be removed from the TER request, as these are personal expenses.