



SAINT LOUIS UNIVERSITY

Direct Costs Policy: Allowable and Unallowable Costs

Policy Number: RA-014

Classification: Research

Responsible University Office:

Vice President for Research and Office of Sponsored Programs Administration

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1.0 INTRODUCTION

Saint Louis University conducts a significant level of research and training that 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 sponsors will reimburse the institution 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 deems inappropriate and will not reimburse; the government refers to these categories of costs as *unallowable*. These categories are identified by the government's Office of Management and Budget Uniform Guidance (2 CFR 200). It is the university's responsibility to maintain an accounting system that clearly identifies and segregates unallowable cost categories so that they will be excluded from the university's proposals for cost reimbursement. In order to accomplish this, schools and departments should identify unallowable costs by using appropriate natural account codes on transactions.

Please note that the term *unallowable* is defined by the federal government and is for the purpose of complying with federal costing regulations only. The University's goal is to comply with appropriate federal regulations while supporting departmental management and control of university accounts.

2.0 PURPOSE

This policy is designed to ensure that costs recorded to sponsored programs at Saint Louis University are compliant with federal regulations and cost accounting standards.

3.0 SCOPE

This policy is applicable to all sponsored programs and clinical trials at all schools/colleges and departments at Saint Louis University.

4.0 DEFINITIONS

See ["Definitions Relating To Sponsored Projects At Saint Louis University."](#)

5.0 POLICY

5.1 To ensure that all costs recorded on an award are allowable, the accounting treatment of costs for sponsored awards must be consistent with generally accepted accounting principles.

The University must use a general ledger account on all transactions that reflects the true nature of the transaction.

5.2 Transactions for sponsored awards should be authorized and recorded by skilled, trained staff with appropriate authorization to record costs to the related funds.

5.3 Only allowable costs are to be charged to the funds of sponsored activities.

5.4 Allowable costs for Saint Louis University are consistent with the allowability rules promulgated in OMB Uniform Guidance (2 CFR 200):

A. For costs to be allowable they must be:

1. Reasonable
 - a. Prudent business person would make the same decision in like circumstances
 - b. Timely
 - c. Can benefit the award in time remaining (costs incurred in the last 90 days can be questioned)
 - d. Necessary
 - e. Arms-length transaction
2. Shows due prudence to all constituencies
3. Allocable
 - a. Assignable in accordance of the relative benefit to the award
 - b. Necessary
 - i. Needed for this specific award
 - c. If the cost is allocable to a specific award
 - i. It cannot be shifted to another
4. Consistent treatment
 - a. As direct or indirect
 - b. Regardless whether the funding source is internal or external
5. Conforms to limitations in the specific agreement, related regulations or Laws.

5.5 PI Approval

For costs to be allowable for a specific award, the Principal Investigator must indicate the allowability consistent with Federal Regulations set out in OMB Uniform Guidance (2 CFR 200):

A. Initial/sign and date the transaction

B. For feeder systems (like payroll, purchasing card and postage),

1. An e-mail from the PI contemporaneously dated to the start of the

- award indicating the specific award as the proper place to charge.
2. Other documentation contemporaneously dated to Saint Louis University personnel requesting the service be started and charged to the specific fund.

5.6 Unallowable Costs (*Direct or Indirect costs*)

Unallowable costs must be identified and excluded from any billing, claim, or proposal submitted to the federal government. Unallowable costs must be classified using the appropriate expense account to meet the federal CAS 505 accounting standard.

The following examples of unallowable costs cannot be charged to federal sponsored agreements either as a direct cost or as part of the F&A rate.

- Alcoholic beverages
- Donations and contributions
- Fines and penalties
- Goods and services for personal use, such as automobiles
- Memberships in any civic or community organization
- Bad debt expense
- Entertainment
- First class travel
- Housing and personal living expenses for officers of the institution
- Sponsor-agreement specific unallowable costs, i.e. salary above a cap
- In addition to the specific costs listed above, the costs associated with certain activities are unallowable on sponsored agreements and must be separately accounted for in the University's Chart of Accounts.

5.7 Charging F & A costs as Direct.

When a sponsored agreement has what is considered an “**unlike circumstance**”, administrative, clerical salaries, and other administrative costs may be an allowable direct cost. An unlike circumstance requires an extensive amount of administrative or clerical support, which is **significantly greater** than the routine level of such service provided by an academic department. Another cost that is normally deemed F & A involves office supplies, unless the burden on a specific award is significantly greater than the normal volume of office supplies used for the academic department.

Departments must petition OSPA for a determination of “unlike circumstance” prior to costs being charged. OSPA and the department will compile documentation that supports the finding and include it in the funds master file.

Departments must complete a “[UG Admin Salary Justification](#)” form and submit it to OSPA for agreement before clerical salary costs may be charged to an award.

Departments also must complete a “[UG Admin cost Justification](#)” form and submit it to OSPA for agreement before other administration costs may be charged to an award.

5.8 Uncertain costs must be submitted to OSPA for a determination of allowability.

5.9 Profit or Fee

A non-Federal entity **may not earn or keep any profit** resulting from Federal financial assistance, unless expressly authorized by the terms and conditions of the Federal award, (OMB Uniform Guidance (2 CFR 200)§ 400 (g)). The guidance in 200.400(g) is intended only to make this long-standing requirement explicit for purposes of accountability and oversight. It has always been true that costs under Federal awards must be reasonable, allocable and allowable. By definition, this has always excluded any additional increment for profit beyond cost.

6.0 Sanctions

Unallowable costs charged to sponsored projects will be removed from the award and charged to a non-sponsored fund in the PI's home department.

APPROVAL SIGNATURES

This policy was developed by:
Division of Research Administration

This policy has been approved by:

Raymond C. Tait /s

July 1, 2015

Date:

Vice President for Research
Saint Louis University

DOCUMENT HISTORY

EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
December 31, 2013	1.0	New Document
July 1, 2014	2.0	Modification/Update
July 1, 2015	2.1	Updated for 2 CFR 200