

## **Allowability Quick Reference Guide**

The attached slides provide a quick reference guide for the most common expenses incurred in operating AURA centers. These slides are intended to be advisory and in many cases a more detailed review of cost items will be necessary.

# ADVERTISING AND ALCOHOL

- **Allowable Advertising**

- Recruitment of personnel required for performance of Federal award
- Procurement of goods & services for the performance of the award
- Disposal of scrap or surplus acquired in the performance of award

- **Allowable Public Relations**

- Costs are specifically required by award
- Costs of communicating with the press pertaining to accomplishments which resulted from the performance of an award
- Cost of keeping the public informed on matters of public concern . . . such as notices of contract/grant awards . . . etc.

- **Specifically unallowable:**

- Costs of promotional items, memorabilia, gifts and souvenirs
- Costs of advertising and public relations designed solely to promote the organization

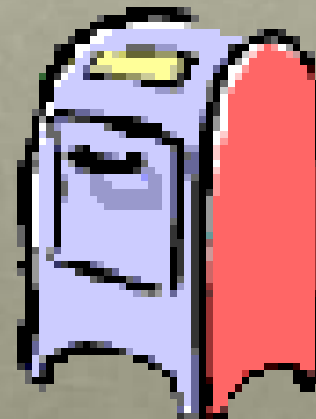
## Costs of alcoholic beverages

**are unallowable!**



# COMMUNICATION

- Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.



# COMPENSATION

- Includes all compensation paid currently or accrued by the organization during the period of the award. Compensation costs are allowable when:
  - Reasonable
  - Consistent/Allocable
  - Adequately documented



- Fringe benefits
  - Generally allowable. They also need to be reasonable.
  - Includes expenses such as, Annual Leave, Sick Leave, Holiday, Social Security, Workers Comp., Pension, UI, etc.
  - Employer contributions are allowable when paid in accord with established written policies.

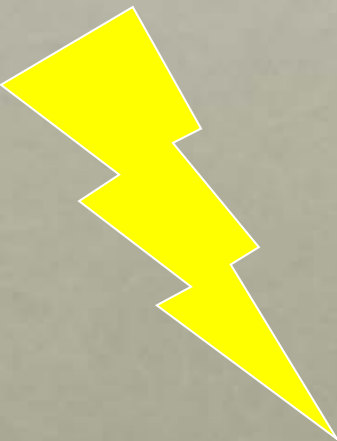




# SUPPORT FOR TIME AND EFFORT

- **Support of salaries and wages**
  - Personnel Activity Reports or Time Distribution Reports
    - **Must** reflect after-the-fact determination of activity (not budget estimates).
    - **Must** account for total activity for which employee is compensated.
    - **Must** be signed by the employee or responsible supervisor.
    - **Must** be prepared at least monthly and coincide with one or more pay periods.

# CONTINGENCY PROVISIONS

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- A large, bright yellow lightning bolt graphic is positioned on the left side of the slide, pointing downwards towards the first bullet point.
- Contributions to a contingency reserve, or any similar provision, made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening are unallowable.
  - Exceptions might be self-insurance, pension funds and reserves for normal severance pay.

# DEPRECIATION AND USE ALLOWANCES

Are Allowable

- A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment)
- Computation of use allowance or depreciation will exclude:
  - Cost of land
  - Any portion donated by Federal Government
  - Any matching portion
- Computation of use allowance or depreciation shall be based on acquisition cost. Acquisition cost of a donated asset shall be the fair market value at the time of donation
- Maximum use allowance
  - Buildings and improvements = 2% of acquisition cost
  - Equipment = 6 2/3% of acquisition cost

# INVENTORY

- Adequate property records must be maintained under either method
- Physical inventories must be taken at least once every two years





# DONATIONS AND CONTRIBUTIONS

**Contributions or donations rendered,  
including cash, property, and services, made  
by the organization, regardless of the  
recipient, are unallowable**



# DONATED SERVICES RECEIVED

- The value of donated services, goods, or space received is not reimbursable either as a direct or indirect cost.
- However, the value of donated services, goods or space may be used to meet cost sharing or matching requirements.

# EMPLOYEE MORALE, HEALTH & WELFARE COSTS

- Examples - In-house publications, health clinics, recreational activities, etc.
- Costs are allowable if:
  - In accord with established practice
  - Reasonable
  - Equitably distributed to all activities
  - Offset by income earned



# ENTERTAINMENT

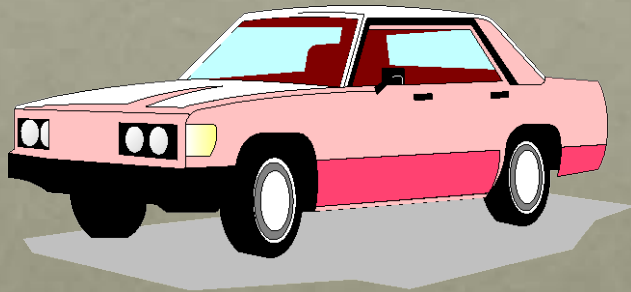
Costs of entertainment, including amusement, diversion and social activities and costs relating to these activities such as tickets, meals, lodging, rentals, transportation and gratuities are unallowable.





# EQUIPMENT & OTHER CAPITAL EXPENDITURES (CONT)

- Equipment and Capital Expenditures are Unallowable as indirect costs.
- Prior approval from the awarding agency must be obtained to direct charge.



**Equipment** - an article of non expendable, tangible personal property having a useful life of more than one year and an acquisition cost equal to or greater than the lesser of:

- The organization's financial statement capitalization level or
- \$5,000

**Capital Expenditures** – expenses for the acquisition cost of capital assets or expenses for improvements that materially increase the value of the capital asset.



# FINES AND PENALTIES

- Costs of failures to comply with Federal, state, or local laws are unallowable.
- Allowable if incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

# FUND RAISING AND INVESTMENT MANAGEMENT COSTS

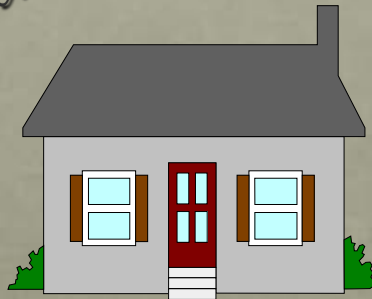
- Fund raising and similar expenses incurred to solely to raise capital or obtain contributions are  
unallowable
- Costs of investment counsel & staff and similar expenses are unallowable
- Fund raising and investment activities shall be  
allocated an appropriate share of indirect costs



# GOODS OR SERVICES FOR PERSONAL USE HOUSING AND IDLE FACILITIES

## Housing and Personal Living Expenses:

- Unallowable as an indirect cost or fringe benefit regardless of whether it is reported by the employee as taxable income.
- Allowable as direct if necessary and approved by the awarding agency.



- Unallowable except to the extent that:
  - They are necessary to meet fluctuations in workload or
  - Were necessary at one point and because of unforeseen changes are no longer necessary (under this exception, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year)
- Goods or Services for Personal Use: Unallowable regardless of whether the cost is reported as taxable income.





# INSURANCE AND INDEMNIFICATION

- Insurance required or approved pursuant to an award is allowable.
- Insurance carried by the organization in general conduct of business is allowable subject to the following limitations:
  - Reasonable coverage
  - Cost of insurance on officers must represent additional compensation and the organization may not be identified as the beneficiary
  - Other miscellaneous items

Continued

# INSURANCE AND INDEMNIFICATION

- Indemnification includes securing the organization against liabilities to third parties and other loss or damage, not compensated by insurance.
- The Federal government is obligated to indemnify the organization only to the extent expressly provided in the award.



# INTEREST

**Generally unallowable. See item #23 of the Circular for more details.**

# LABOR RELATIONS COSTS

Costs of maintaining satisfactory relations with employees, including labor management committees, employee publications and other related activities are allowable.





# LOBBYING (1 OF 3)

- Unallowable:

- Attempts to influence election outcomes
- Contributing to political causes
- Attempts to influence Federal or State legislation through virtually any communicative device
- Legislative liaison activities when performed in support of unallowable lobbying



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# LOBBYING (CONT.)

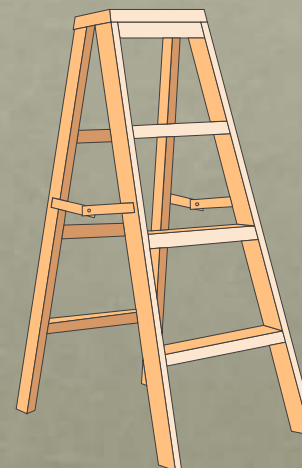
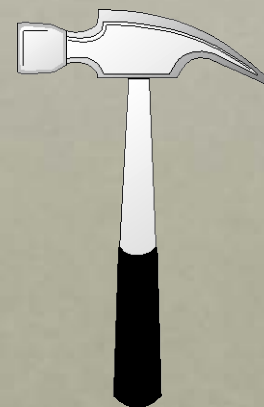
- **Allowable:**

- Providing a technical presentation on a topic directly related to the performance of an award
- Any activity specifically authorized by statute to be accomplished
- Indirect Cost Proposals (ICP) must separately identify lobbying costs and treat them as unallowable
- Nonprofits must provide a “Lobbying Certification” with their annual ICP

Organizations shall maintain adequate records to demonstrate the determination of costs as allowable or unallowable in accord with Circular A-122.

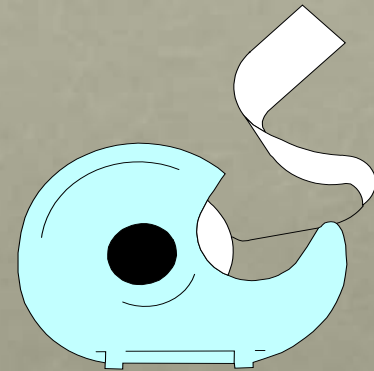
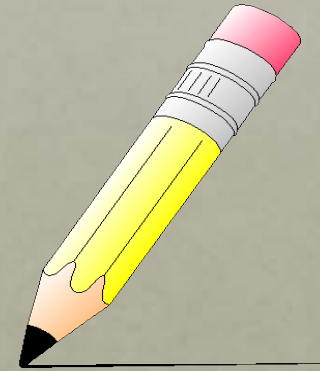
# MAINTENANCE AND REPAIRS

- Costs necessary to keep buildings and equipment in efficient operating condition are allowable.
- Costs which add to the permanent value or appreciably prolong the life of the asset shall be treated as capital expenditures.



# MATERIALS AND SUPPLIES

- M/S costs necessary to carry out a Federal award are allowable
- M/S must be charged at their actual prices, net of applicable credits
- M/S costs may be allowable as direct or indirect



Continued





# MATERIALS AND SUPPLIES (CONT.)

- Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.
- Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

# MEETINGS AND CONFERENCES

- Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable
- Costs include meals, transportation, rental of facilities, speakers' fees, and other items incidental to the meeting or conference
- Caveat – Entertainment & Participant support costs



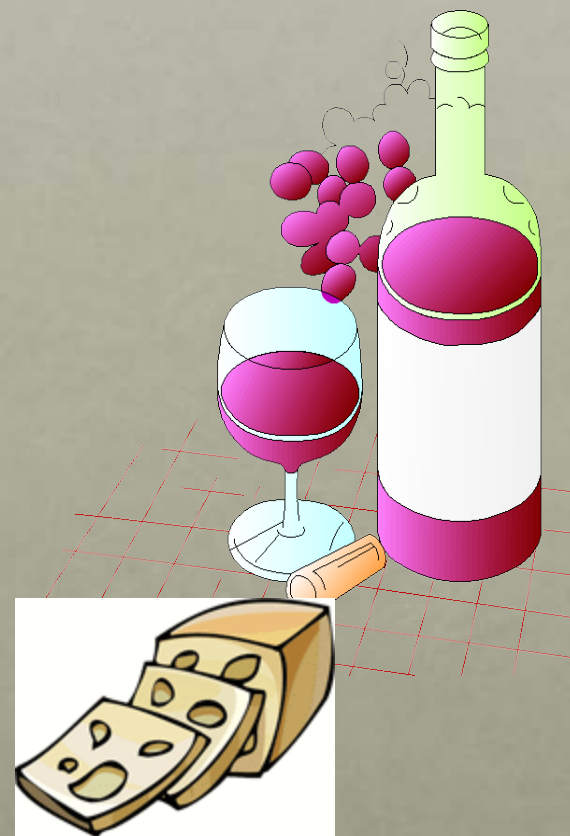
# MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY COSTS

- Membership in business, technical and professional organizations are allowable
- Subscriptions to business, technical and professional periodicals are allowable
- Costs of memberships in civic or community organizations are allowable with prior approval by the cognizant Federal agency.

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# MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY COSTS (2 OF 2)

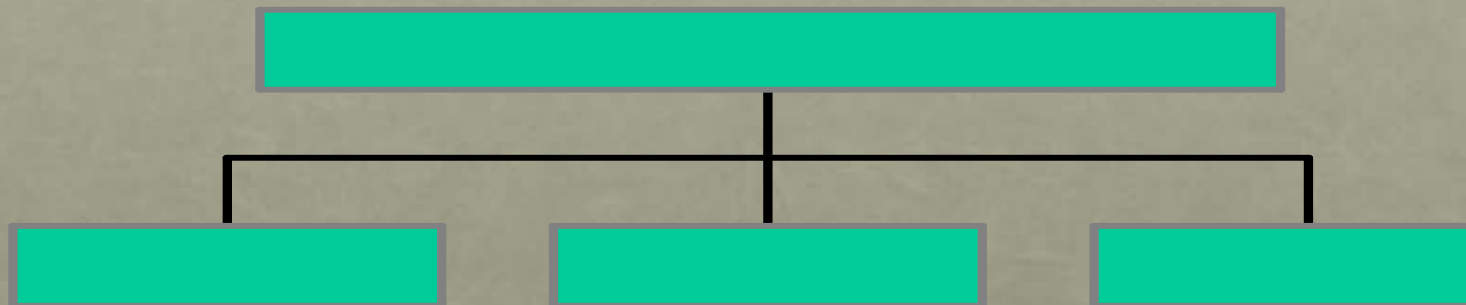
- Memberships in country, social, or dining clubs are unallowable.





# ORGANIZATION COSTS

- All costs of organization or reorganization are unallowable except with prior approval of the awarding agency.





# PARTICIPANT SUPPORT COSTS

These costs include stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects and are allowable as direct costs with the prior approval of the awarding agency.

# PRE-AGREEMENT COSTS

- Pre-award costs are costs incurred prior to the effective date of the award directly pursuant to the negotiation of the award.
- Such costs are allowable only to the extent that they would have been allowable if incurred after the effective date of the award and only with the written approval of the awarding agency.

# PROFESSIONAL SERVICE COSTS



- Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-profit organization, are generally allowable if reasonable and not contingent on recovery of costs from the Federal government.





# PUBLICATION AND PRINTING

- Generally allowable and include page charges in professional publications.

# RECRUITING

- Generally, advertising and associated costs incurred for recruitment of staff are allowable but
  - They must meet the test of reasonableness and
  - They must conform with established practices of the organization

**Help  
Wanted**

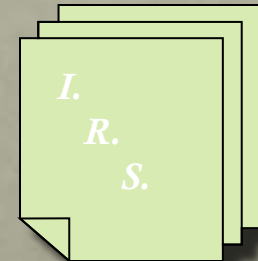
# RENTAL COSTS

- Rental costs are generally allowable if reasonable. See item # 43 of the Circular for more details.

**Office Space  
For Rent  
Phone 634-5789**

# TAXES

- **Taxes are generally allowable except for:**
  - Taxes from which exemptions are available
  - Special assessments on land which represent capital improvements and
  - Federal income taxes
- **Applicable credits (offsets to taxes) must be taken where appropriate.**



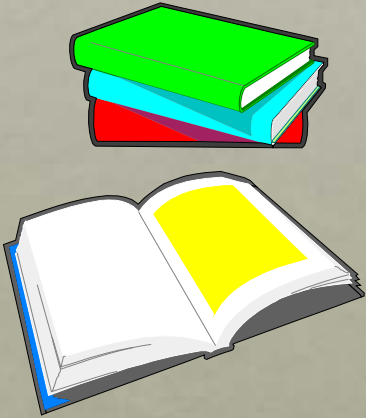




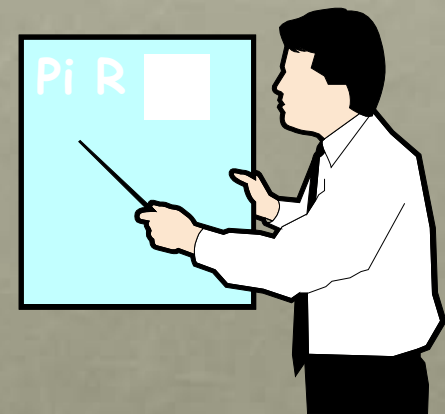
# TERMINATION COSTS APPLICABLE TO SPONSORED AGREEMENTS

- Termination of awards generally give rise to costs which would not have arisen had the award not been terminated.
- Reasonable and customary costs of terminating an award are generally allowable. Review additional details in the Circular # 48.

# TRAINING COSTS

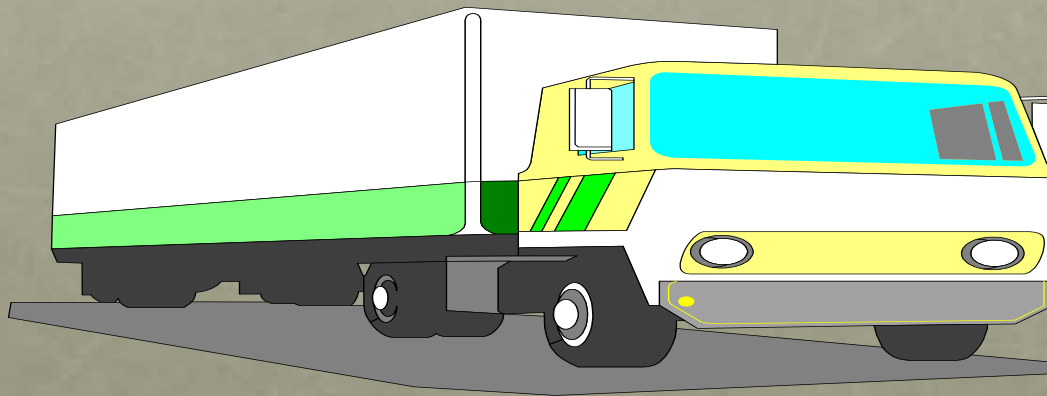


- Generally, training and education costs related to employee development, such as, workshops, textbooks, classes, etc. are allowable

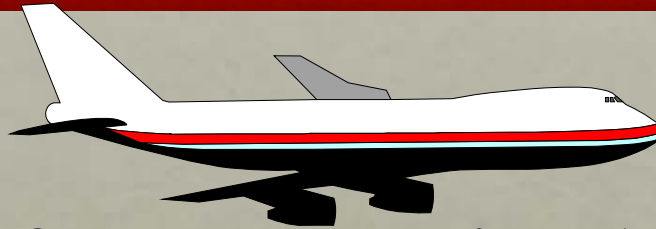


# TRANSPORTATION

- Allowable as direct if provided for in the award
- Allowable as indirect for equitable distribution to all benefiting activities



# TRAVEL



- Expenses for transportation, lodging, subsistence, and related items incurred by employees on official business are allowable.
- Such costs may be charged on an actual basis, per diem or mileage basis or a combination, but must be consistent with those normally allowed by the organization.



# TRUSTEES

Travel and subsistence of trustees (or directors) are allowable, noting restrictions for travel costs (#51).

