

## PROCEDURE – Unallowable Expenses

### Background and Purpose

In order to comply with Uniform Guidance Section 200.302(b)(7) which requires “Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award”, Mississippi State University provides the following guidance:

Direct and indirect costs must be allowable in order to be charged to the Federal Government. Since Service Centers frequently bill Federal Awards, this procedure applies to them as well.

### The hierarchy to determine the allowability of a cost includes:

1. Federal Award Terms and Conditions. If the Federal Award Terms and Conditions does not explicitly state a particular cost, then go to the next step.
2. Uniform Guidance. An itemized list of common costs is located in the table below. Please refer to the specific section in the Uniform Guidance to determine if the cost is allowable or unallowable on the Cost Accounting website at the following link <http://www.controller.msstate.edu/cas/casex/OMB.php>

§200.421	Advertising and public relations
§200.422	Advisory councils
§200.423	Alcoholic beverages
§200.424	Alumni/ae activities
§200.425	Audit services
§200.426	Bad debts
§200.427	Bonding costs
§200.428	Collections of improper payments
§200.429	Commencement and convocation costs
§200.430	Compensation—personal services
§200.431	Compensation—fringe benefits
§200.432	Conferences
§200.433	Contingency provisions
§200.434	Contributions and donations
§200.435	Defense and prosecution of criminal and civil proc
§200.436	Depreciation
§200.437	Employee health and welfare costs
§200.438	Entertainment costs
§200.439	Equipment and other capital expenditures
§200.440	Exchange rates

§200.441	Fines, penalties, damages and other settlements
§200.442	Fund raising and investment management costs
§200.443	Gains and losses on disposition of depreciable assets
§200.444	General costs of government
§200.445	Goods or services for personal use
§200.446	Idle facilities and idle capacity
§200.447	Insurance and indemnification
§200.448	Intellectual property
§200.449	Interest
§200.450	Lobbying
§200.451	Losses on other awards or contracts
§200.452	Maintenance and repair costs
§200.453	Materials and supplies costs, including costs of c
§200.454	Memberships, subscriptions, and professional activities
§200.455	Organization costs
§200.456	Participant support costs
§200.457	Plant and security costs
§200.458	Pre-award costs
§200.459	Professional service costs
§200.460	Proposal costs
§200.461	Publication and printing costs
§200.462	Rearrangement and reconversion costs
§200.463	Recruiting costs
§200.464	Relocation costs of employees
§200.465	Rental costs of real property and equipment
§200.466	Scholarships and student aid costs
§200.467	Selling and marketing costs
§200.468	Specialized service facilities
§200.469	Student activity costs
§200.470	Taxes (including Value Added Tax)
§200.471	Termination costs
§200.472	Training and education costs
§200.473	Transportation costs
§200.474	Travel costs
§200.475	Trustees

## **Responsibilities/Procedures**

### Office of Sponsored Projects (OSP)

OSP reviews the project "...budget for compliance with MSU policies, cost accounting standards and sponsor guidelines" per Faculty and Staff Guide to Office of Sponsored Projects November 2012. ([http://spa.msstate.edu/pdf/FacultyandStaffGuideNovember\\_2012.pdf](http://spa.msstate.edu/pdf/FacultyandStaffGuideNovember_2012.pdf))

### Sponsored Programs Accounting (SPA)

SPA compares the expense with the approved Budget. If an expense is considered unallowable, SPA makes a JV entry reversing the expense from the Restricted Fund and charges the Department.

### Department/Service Center

Departments and Service Centers determine if costs are unallowable or allowable. If unallowable, they ensure the costs are not billed to the Federal government via Restricted Funds.

### Cost Accounting

Cost Accounting removes Unallowable Costs from the F&A Cost Rate Proposal.

### Training

Training on Unallowable Costs is provided by the Office of Sponsored Projects, Sponsored Programs Accounting, and Cost Accounting.

### Questions

Please contact the Office of Sponsored Projects or Sponsored Programs Accounting if you have any questions regarding the allowability of a cost.