**WHAT ARE ALLOWABLE COSTS?**

There are expenditures 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 in Circular A-21.

The term unallowable is defined by the federal government and is for the purpose of complying with federal costing regulations only.

All costs applied to federally sponsored accounts should pass the test of being reasonable, allowable, allocable (specific to the project), and consistently treated. Consider whether you would feel comfortable explaining this cost on a federally funded grant award to an auditor or members of the press. If not, a federal grant account should not be used.

Unless specifically approved in the grant or contract documentation, the following are examples of unallowable costs:

* Advertising
* Public Relations Costs
* Alcohol
* Alumni Activity Costs
* Bad Debts
* Commencement and Convocation Costs
* Entertainment Costs (includes amusement and social activities)
* Lobbying Costs
* Fines and Penalties (including late fees) Goods and Services for Personal Use Housing and Personal Living Costs
* Computers and other technological devices, including cell phones, iPads, printers, etc. (unless demonstrably to be used for the purposes of a grant only and included in proposal budget submitted to federal agency)

Many of the items stated in Circular A-21 as unallowable direct costs are such because that classification of cost has been included in the indirect cost rate determination. You cannot classify one type of cost as both a direct cost and an indirect cost as that would be double charging the government. If a cost is included in the Facilities and Administrative (F&A) rate determination (indirect costs) it cannot be also booked as a direct expense to an account.

A complete copy of Circular A-21 can be found at: [http://www.whitehouse.gov/omb/circulars\_a021\_2004](http://www.whitehouse.gov/omb/circulars_a021_2004%20)

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<http://www.clayton.edu/Grant-Contract-Programs/Links>