CAMPUS CORRESPONDENCE

To: Deans, Directors and Department Heads **Date:** February 18, 2019

From: Donna K. Torres, CPA
Associate Vice President
for Accounting Services

Re: Update to FASOP: AS-21 Unallowable Costs for Sponsored Agreements

Due to the high volume of unallowable costs and cost overruns on sponsored agreements FASOP: AS-21 Unallowable Costs for Sponsored Agreements has been modified. The FASOP

Louisiana State University
Finance and Administrative Services
Operating Procedure

FASOP: AS-21

UNALLOWABLE COSTS FOR SPONSORED AGREEMENTS

Scope: All Background: The Office of Management and Budget (OMB) Uniform Guidance (UG) esta principles for determining costs applicable to grants, contracts and other agre with educational institutions. UG prohibits the University from charging (dire indirectly) federally funded agreements for costs that UG refers to as "unall costs". Additionally, a number of non-federal sponsors also consider these cost unallowable charges to their sponsored agreements (consult agency guidelines/ for this determination). Please note that there are a few exceptions to the cat listed below.

All departmental expenditures, both direct and indirect costs, are a part of the i cost rate calculations; therefore, it is important that all department staff and P Investigators (PIs), as well as the Office of Accounting Services, understa consistently follow the stated guidelines to ensure uniform assignment of costs.

Procedures:

A. **Allowability of Costs**

1. According to UG, "The tests of **Allowability of Costs** under these principles (UG) are:
   a. they must **be reasonable**;
   b. they must be **allocable** to sponsored agreements under the principles and m provided herein;
   c. they must be given **consistent treatment** through application of those ge accepted accounting principles appropriate to the circumstances; and
   d. they must conform to any limitation or exclusions set forth in these principles o sponsored agreement as to types or amounts of costs items."

2. A cost may be considered **reasonable** if the nature of the goods or services acqu applied, and the amount involved reflects the action that a prudent person would have under the circumstances prevailing at the time the decision to incur the cost was made.

3. A cost is **allocable** to a specific sponsored agreement if the goods or services purchased are assignable with a high degree of accuracy to the sponsored agreement in accordance with relative benefits received or other equitable relationship.

B. Unallowable Direct Costs

Unallowable direct costs are those costs which are not allowable under the terms and conditions of federally sponsored agreements and/or those cost specifically identified as unallowable in sections 200.420 of OMB Circular Uniform Guidance. Normally the following expenditures (not all inclusive) are **unallowable** as a direct charge to a federally sponsored agreement without specific written approval.

- Administrative and Clerical Services
- Advertising of position and moving costs – unless the position is included in budget and 100% of the appointment is charged to the agreement
- Alcoholic Beverages
- Alumni and Development Activities
- Automobile Repairs
- Bad Debt Expense
- Commencement and Convocation Costs
- Copier Rental/Maintenance
- Entertainment
- Extra Compensation for Professorial or Professional Employees
- Fines and Penalties
- Fund Raising
- General Purpose Equipment – computers, copying and printing equipment
- Goods and services for personal use
- Lobbying Costs
- Local Telephone Calls (long distance calls are allowable)
- Maintenance & Repair Costs of existing equipment
- Memberships
- Monthly Cell Phone Base Charge
- Office Furniture – file cabinets, chairs, desks, calculators, typewriters
- Office Supplies – pens, paper, toner
- Postage (routine)
- Proposal Development Costs
- Software (Windows, Microsoft Office, Adobe, etc.)
- Subcontracts without Written Approval
- Subscriptions
- Telephone Rental and Line Charges
- Utilities

C. Policy Administration

1. The Primary Investigator (PI) is primarily responsible for the management and administration of his/her individual award within the financial constraints outlined by the individual sponsor in the terms of the award and in accordance with LSU's policy governing unallowable costs. The PI, co-investigators, project staff, and the department administrative support staff are responsible for ensuring that the unallowable items are excluded from the budget data contained in proposals submitted to federal agencies, and that these cost categories are not charged to the federally sponsored agreement or cost sharing grant lines.

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