Uniform Guidance
Subpart E Cost Principles
Lesson 4
Lesson 4: Generally Unallowable Costs or Costs that Require Further Review

At the completion of this lesson, you will have a basic understanding of generally unallowable costs or costs that require further review.
Lesson 4: Generally Unallowable Costs or Costs that Require Further Review

Generally Unallowable Costs

- 200.423 – Alcoholic beverages
- 200.426 – Bad debts
- 200.442 – Fund raising and investment management costs
- 200.444 – General costs of government
- 200.450 – Lobbying
- 200.467 – Selling and marketing

Costs That Require Further Review

- 200.448 – Intellectual property
- 200.454 – Memberships, subscriptions, and professional activity costs
- 200.460 – Proposal costs
- 200.463 – Recruiting costs
- 200.464 – Relocation costs of employees
- 200.465 -- Rental costs of real property and equipment
§ 200.423: Alcoholic Beverages

- Always unallowable: costs of alcoholic beverages
200.426: Bad Debts

- **Allowable**
  - Collection and legal fees related to delinquent debts
  - Debt past due but deemed collectible

- **Unallowable**
  - Debts determined to be uncollectable
  - Losses arising from uncollectable accounts and other claims
  - Related collection costs and legal costs arising after debts determined to be uncollectable
  - Actual or estimated losses
§ 200.442: Fund Raising and Investment Management Costs

Allowable

- Fund raising to meet Federal program objectives, if with prior written approval
- Investments covering pension, self-insurance, or other funds which include Federal participation
- Costs related to the physical custody and control of monies and securities

Unallowable

- Organized fund raising to raise capital or obtain contributions
- Investment counsel, staff, and similar expenses to enhance income from investments
§ 200.444: General Costs of Government

Allowable

- Up to 50% of salaries and expenses of Indian tribes and Councils of Governments
  - Include in the indirect cost calculation (documentation not required)
  - If costs are directly attributable to managing and operating Federal programs

Unallowable

- Salaries and expenses
  - Office of the Governor or chief executive of a local government or Indian tribe
  - State legislature, tribal council, or local government body
- Judicial branch or prosecutorial activities unless treated as a direct cost to a specific program
- Other general services for the public unless charged as a direct cost
§ 200.450: Lobbying

Unallowable

- Certain influencing activities
  - To obtain grants, contracts, cooperative agreements, or loans
  - Governed by relevant statutes

- Executive lobbying
  - To improperly influence an employee or officer of the executive branch of the Federal Government
  - To give consideration or to act regarding a Federal award or a regulatory matter

Limited lobbying costs are allowable. Refer to Section 200.450: Lobbying(c)(2).
§ 200.467: Selling and Marketing

- Generally unallowable unless:
  - Costs allowed under Section 200.421 Advertising and public relations
  - Must be necessary for performance of the award
  - Charged as direct cost with prior approval of the Federal awarding agency
Knowledge Check

Collection fees and legal fees associated with delinquent debt are allowable.

Select the correct response.

- A. True
- B. False
Knowledge Check

Collection fees and legal fees associated with delinquent debt are allowable.

A. True
B. False

Correct!

The costs associated with bad debt are unallowable. A delinquent debt, however, is past due but still deemed collectible. Collection and legal fees related to delinquent debts are allowable.
Knowledge Check

Lobbying costs are allowable if they are charged as indirect costs.

Select the correct response.

○ A. True
○ B. False
Knowledge Check

Lobbying costs are allowable if they are charged as indirect costs.

A. True
B. False

Correct!

Costs associated with lobbying are generally unallowable and may not be charged as an indirect cost.
Costs That Require Further Review

- Do not typically benefit government projects
- Are not generally unallowable
- Must be reviewed against the three criteria
  - Allowable
  - Reasonable
  - Allocable
§ 200.448(a): Intellectual Property (Patent Costs)

- **Allowable**
  - Preparing disclosures, reports, and other documents
  - Searching for information to make such disclosures
  - Cost of filing and pursuing a patent application

- **Unallowable if:**
  - Not required by the award
  - Federal Government does not require a title or royalty-free license
§ 200.448(b): Intellectual Property (Royalties for Use of Patents or Copyright)

Allowable

- Royalties on a patent or copyright
- Amortization of the cost of purchasing a copyright, patent, or the rights

Unallowable if:

- Federal Government has a license or right to free use of the patent or copyright
- Patent or copyright
  - Adjudicated to be invalid
  - Considered to be unenforceable
  - Expired
§ 200.460: Proposal Costs

Allowable

- Preparing bids, proposals, or applications for Federal and non-Federal awards
- Development of data necessary to support bids or proposals

Guidelines

- Treat as an indirect cost
- Applies to costs for the current accounting period
- Costs for past accounting periods not allocable during the current accounting period
§ 200.463: Recruiting Costs

Allowable

- Pursuant to non-Federal entity’s (NFE’s) standard recruitment program
  - “Help wanted” advertising (refer to Section 200.421 (b) (11))
  - Operating costs of an employment office
  - Testing program
  - Recruitment-related travel

- Costs for employment agencies does not exceed standard commercial rates

Unallowable

- Special fees, fringe benefits, or salary allowances

- Relocation costs when employee resigns for reasons within their control within 12 months after hire
  - Refund to Federal government
§ 200.464: Relocation Costs of Employees

Factors to consider

- Is incident to permanent change of duty for existing employee or newly hired employee
- Must be to the benefit of employer
- Must be reimbursed according to NFE’s standard recruitment program or policy
- Must not exceed employee’s actual or reasonably estimated costs
- May be refunded to Federal government if a new employee resigns within 12 months due to reasons within employee’s control

Allowable costs

- Transportation of employee and immediate family
- Transportation of household and personal effects
- Finding a new home
- Closing costs
- Continuing costs of owning a former home (for six months)
§ 200.465: Rental Costs of Real Property and Equipment

Factors to consider

- Are rates reasonable as compared to:
  - Costs of comparable property
  - Alternatives available
  - Type, life expectancy, condition, and value
- Review periodically to determine if circumstances have changed

- Review “less than arms length” lease
  - Between divisions of the NFE
  - Between the NFE and a director, trustee, officer, or key employee
  - Between the NFE and family members or domestic partners of a director, trustee, officer or key employee
Knowledge Check

Which of the following recruitment costs are unallowable?

Select all responses that apply.

☐ Applicant travel
☐ Aptitude and education testing
☐ Employment agency
☐ Employee travel
☐ “Help wanted” advertising
☐ Operating costs of employment office
☐ Relocation costs for existing employees transferred to a new duty assignment
☐ Relocation costs for new employee who resigns within 12 months to take a new position
Knowledge Check

Which of the following recruitment costs are unallowable?

- Applicant travel
- Aptitude and education testing
- Employee agency
- Employee travel
- “Help wanted” advertising
- Operating costs of employment office
- Relocation costs for existing employees transferred to a new duty assignment

 correctamente
- Relocation costs for new employee who resigns within 12 months to take a new position

Incorrect

Unallowable costs include relocation costs for a new employee who resigns within 12 months for reasons under the employee’s control. If these costs have already been charged to the award, they will need to be refunded to the Federal government.