

Unallowable Costs

This section deals in general with unallowability of costs. For specific information, refer to general funding requirements for each specific federal program administered by OJA.

Alcoholic Beverages. Costs of alcoholic beverages are unallowable.

Bad Debts. Any losses arising from uncollectible accounts and other claims, and related collection and legal costs, are unallowable.

Bonuses or Commissions. The recipient is prohibited from paying any bonus or commission to any individual or organization for the purpose of obtaining approval of an application for award assistance. Bonuses to officers or board members of profit or non-profit organizations is determined to be a profit or fee and is unallowable.

Compensation of Federal Employees. Salary payments, consulting fees, or other remuneration of full-time federal employees are unallowable costs.

Conferences and Workshops. Unallowable costs include: entertainment, sports, visas, passport charges, tips, bar charges, beverages, laundry charges, meal service, honorarium, etc.

Contingencies. 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.

Contributions and Donations. Contributions and donations by the organization to others are unallowable.

Dual compensation. In no case is dual compensation allowable. That is, an employee of a unit of government may not receive compensation from their unit or agency of government AND from an award for a single period of time (e.g., 1 p.m. to 5 p.m.) even though such work may benefit both activities.

Entertainment. Costs of entertainment, including amusement, diversion, social activities, ceremonials, and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

Fines and Penalties. Costs of fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the organization to comply with, federal, state, local, or Tribal laws and regulations are unallowable.

Fund Raising. Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, may not be charged either as direct or indirect costs against the award. Neither the salary of persons engaged in such activities nor indirect costs associated with those salaries may be charged to the award.

An organization may accept donations (i.e. goods, space, services) as long as the value of the donations is not charged as a direct or indirect cost to the award.

Nothing in this section should be read to prohibit a recipient from engaging in fund raising activities as long as such activities are not financed by federal or non-federal award funds.

General Government Expenses. The general costs of government are unallowable. These include:

- Salaries and expenses of the Office of the Governor of a State, or the chief executive of a political subdivision, or the chief executive of federally-recognized Tribal governments
- Salaries and other expenses of state legislatures, Tribal councils, or similar local governmental bodies (such as county supervisors, city councils, school boards), whether incurred for purposes of legislation or executive direction.
- Cost of the judiciary branch of government
- Cost of prosecutorial activities unless treated as a direct cost to a specific program when authorized by program regulations
- Other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost in program regulations

For federally-recognized Tribal governments and Councils of Governments (COGs), the portion of salaries and expenses directly attributable to managing and operating federal programs by the chief executive and his staff is allowable.

Honorariums. Payments for services on which no fee is set or legally obtainable are not allowable.

Imputed Interest. Cost of money as an element of the cost of facilities capital, Cost Accounting Standards (CAS) 414, imputed interest, is not allowed.

Interest. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable.

Land Acquisition. The funding legislation specifies that no award involving the renting, leasing, or construction of buildings or other physical facilities shall be used for land acquisition. Accordingly, land acquisition costs are unallowable.

Lobbying. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans shall be governed by the common rule, "New Restrictions on Lobbying" published at 55 FR 6736 (Feb. 26, 1990).

Military Type Equipment. Costs for such items as armored vehicles, explosive devices, and other items typically associated with the military arsenal, excluding automatic weapons, are unallowable.

State and Local Sales Taxes. These are unallowable when the government assesses taxes upon itself or disproportionately to federal programs. An example of an unallowable tax would be if the government levied taxes as a result of federal funding. An example of an allowable sales tax would be user taxes, such as gasoline tax. These provisions became effective as of the government's fiscal year beginning on or after January 1, 1998.

Travel of Federal Employees. Costs of transportation, lodging, subsistence, and related travel expenses of employees are unallowable.

Underrecovery of Costs Under Grant Agreements. Any excess of cost over the federal contribution under one grant agreement are unallowable under other grant agreements.

Unallowable costs are those identified in the circulars mentioned below:

- ❖ [OMB Circular A-87: Cost Principles for State and Local Units of Governments](#)
- ❖ [OMB Circular A-122: Cost Principles for Non-Profit Organizations](#)
- ❖ [OMB Circular A-21: Cost principles for Educational Institutions](#)