

ALLOWABILITY & APPROPRIATENESS: HOW TO KNOW IF EXPENSES ARE ALLOWABLE

Iowa State University
Controller's Department
3607 Administrative Services Building

Training Facilitators:

Bill Cahill
Manager, Accounting Services
Accounting Office
294-5124
[*bpcahil@iastate.edu*](mailto:bpcahil@iastate.edu)

Troy Nichols
Accountant, Sponsored Programs Accounting
294-8945
[*tdnicho@iastate.edu*](mailto:tdnicho@iastate.edu)

Updated December 21, 2016

DEFINITIONS

ALLOWABLE expenditures **CAN be charged.**

- Has an ISU business purpose (exception: agency (206) funds)
- Adequately documented – would hold up to audit scrutiny
- Defined in applicable state and federal laws, regulations, university and sponsor policies, and terms and conditions specified in contractual documents
- Type of account (funding source) affects allowability; payment method does not

APPROPRIATE expenditures **SHOULD be charged.**

- Necessary and beneficial to the University and to the sponsor; if questionable, needs to be well-documented
- Reasonable – Use the Des Moines Register test
- For 4XX accounts, the expenditure must be necessary to perform the work funded by the sponsor

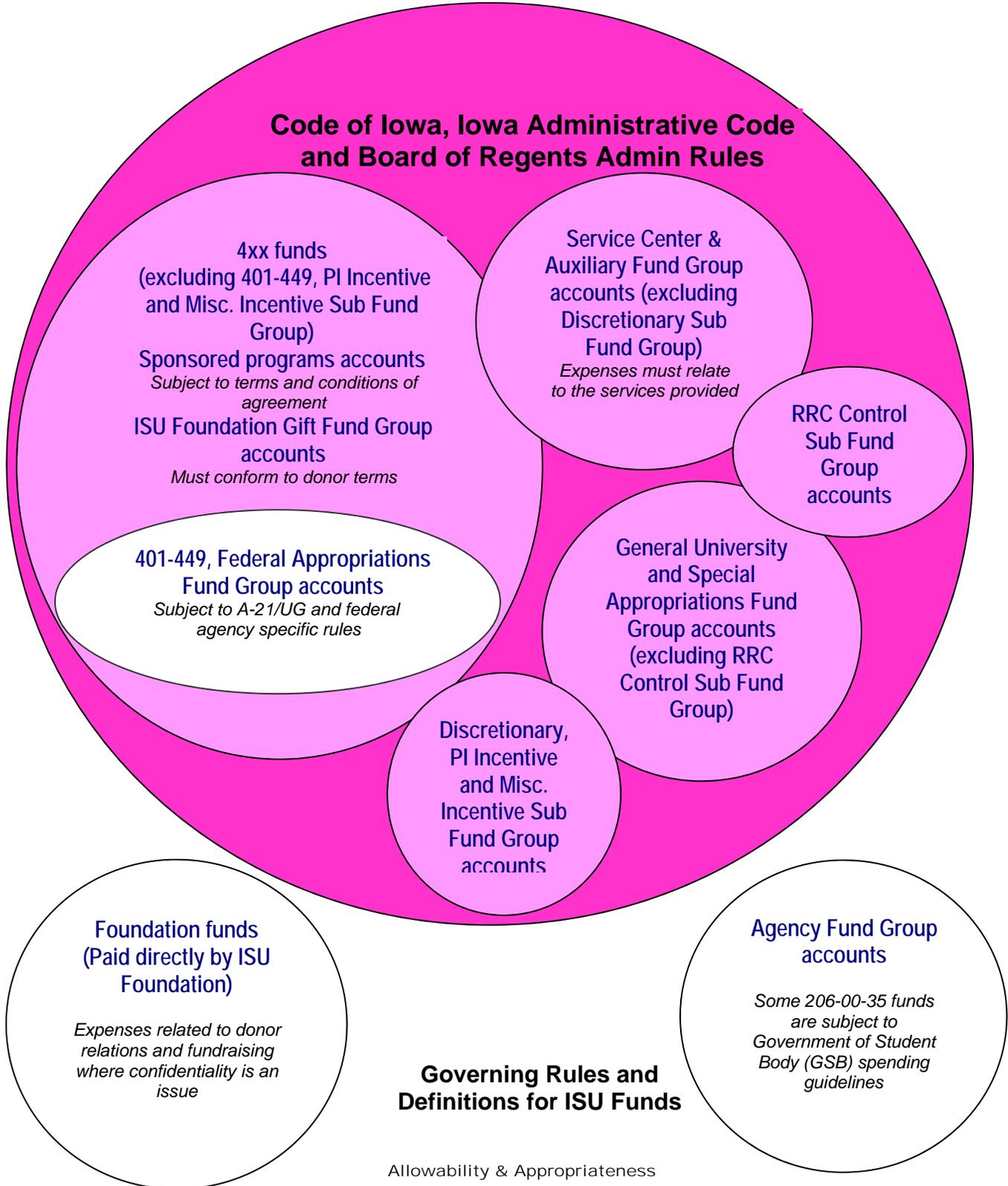
RESPONSIBILITY FOR ALLOWABILITY AND APPROPRIATENESS:

Expenditures charged to all university accounts must be both allowable and appropriate. The department and/or college are ultimately responsible for providing information on the business purpose and determining that an expenditure is allowable and appropriate.

DOCUMENT RETENTION:

In general, most documentation related to accounting transactions is attached to the KFS document, cyBuy, P-Card, or Employee Reimbursement. However, with some payment processes, the department, unit or service center is responsible for the collection, audit of expenditures, and retention of accounting source documents. Some examples of these processes where the department and/or unit retains the source documents are KFS Cash Receipt transactions, and intramural billings generated by service centers. Whenever possible, accounting transaction documentation should be attached and retained within the university's central systems.

GOVERNING RULES FOR ISU FUNDS



Most funds available for ISU spending are subject to three major Iowa governing bodies:

- Iowa Code, which is a composite of all laws passed by the Iowa General Assembly - <https://www.legis.iowa.gov/law/iowaCode>;
- Iowa Administrative Code, which are rules written by the Executive Branch and have the full effect and force of law - <https://www.legis.iowa.gov/law/administrativeRules/agencies>; and
- Board of Regents Policy Manual, a compilation of policies applicable to the Regents institutions that incorporates applicable sections of the Iowa Code and the Iowa Administrative Code - <http://www.regents.iowa.gov/Policies/boardpolicies.html>

Types of ISU Funds:

1XX , 70X, and 721 Funds: Fund accounts beginning with 1XX, 70X and 72X are general state appropriations. Funds in the 1XX series are considered restricted or special state appropriations. Restricted appropriations include funds for the Agricultural Experiment Station and Cooperative Extension. The 70X funds are state appropriations given for general operating and salary expenditures for instruction, research and extension and are not subject to reversion. Any remaining balances at year-end are transferred out of that fund group into 721 accounts. 721 funds are called advance commitment funds. Advance commitment funds represent remaining cash carried forward into a subsequent fiscal year and must have a spending plan per institution policy guidelines from the Office of the Executive Vice President and Provost. These funds are still considered general fund accounts and year end balances automatically carry forward.

71X Funds: Fund accounts beginning with 71X are accounts established for the collection and distribution of revenue and allocated expenses under the Budget Model.

2XX Funds (excluding 206s and 290s): Fund accounts beginning with 2XX, excluding 206 and 290, are called service center accounts or recharge/auxiliary accounts. Service center accounts are established for the sale of goods and services by University departments. Activities are related to the University's primary missions and create goods or services sold to students, staff, and the general public. Expenditures in these accounts must relate to the services provided. Examples of activities in these accounts are greenhouse rentals, central stores, transportation services, meat laboratory, departmental copying services, etc.

206 Funds: 206 fund accounts are called agency accounts. Monies are held by ISU but are "owned" by another party. Agency accounts are established only for organizations meeting specific criteria, such as registered student organizations, departmental vending accounts, affiliated entities (recognized by the Board of Regents), county extension offices, professional organizations related to academic disciplines where an ISU employee is generally the treasurer, editor, etc. An ISU business purpose is not required for expenditures, but agency requirements for expenditures may exist.

290 Funds: 290 fund accounts are accounts established for discretionary funds. Funds deposited into these accounts must be unrestricted and cannot be transferred from other restricted fund accounts. Examples of monies that could be deposited or transferred into a

290 account are residual funds from an expired fixed price sponsored project (4XX account) and payments made for staff consulting services or from teaching for Extension and Continuing Education. Expenses from 290 funds must have an ISU business purpose and comply with Regents and ISU spending policies. Goods or equipment purchased from 290 funds are property of the University and ARE NOT PERSONAL PROPERTY. If the ISU employee leaves their employment at the University, the property remains with ISU.

3XX Funds: The 3XX funds represent endowed gifts, along with their gains, losses, and earnings, given directly to the University as opposed to the ISU Foundation.

4XX Funds: Fund accounts beginning with 4XX are Sponsored Programs accounts originating from contractual agreements between the University and external sponsors. External sponsors include Federal agencies, commodity boards, corporations, individuals, private foundations, and state agencies. A contractual agreement is a written document between the University and sponsor to carry out a specific project and normally entails a scope of work and/or a deliverable of some kind. These agreements are legally binding documents, and generally include administrative terms and conditions restricting the use of the funds. For cost reimbursable agreements, expenditures in these accounts must provide benefit to the sponsored project and comply with applicable terms and conditions.

490 Funds: Accounts established for faculty eligible to receive distribution of Facilities & Administrative (a.k.a. indirect) revenue generated from sponsored projects. Funds can only be used for ISU business purposes and must comply with Regents and ISU spending policies. Goods or equipment purchased from 490 funds are the property of the University and ARE NOT PERSONAL PROPERTY. If the ISU employee leaves his/her employment at the University, the property remains with ISU.

497 Funds: The 497 funds are ISU Foundation parallel accounts. Each 497 account corresponds to a specific ISU Foundation account. The ISU Foundation reimburses the University monthly for all expenditures charged to the 497 accounts. Expenditures charged to 497 accounts must comply with any donor restrictions.

5XX Funds: 5XX fund accounts are commonly referred to as Plant Funds. Plant fund accounts are used to track expenditures for capitalized projects such as buildings, capital improvements such as repairs, replacements, and alterations, revenue bonds for debt associated with capital projects, and the University's equipment lease program.

6XX Funds: Fund accounts beginning with 6XX are direct federal appropriations or federal American Recovery and Reinvestment Act (ARRA) funding received via the State of Iowa.

8XX Funds: The University's student loan programs are administered through the 8XX accounts. These loan funds come from private, state, and federal programs.

907 Funds: 907 accounts are commonly called petty cash funds. These accounts show the outstanding balance of funds being held as petty cash in various University operations by departments.

EXPENDITURES INVOLVING FOUNDATION FUNDS

Effective October 1, 2002, University departments were required to use a University account (497 funds) to expend Foundation funds. Exceptions to this process are:

- Scholarships are processed through the Office of Student Financial Aid, utilizing the Foundation account number on the Student Aid Award Form.
- Capital building projects are managed and billed through the Facilities Planning and Management department.
- Expenses relating to donor relations and fundraising where confidentiality is an issue may be paid directly by the ISU Foundation.

All other expenses are to be processed using a 497 account. Expenses submitted directly to the Foundation will be returned to the department for processing by the University unless they are confidential items related to fundraising. The Foundation automatically reimburses the University monthly for all expenditures and charges the appropriate Foundation account.

ISU procurement policies and ISU business purpose requirements apply to the 497 accounts. Hospitality expenses related to alumni events, employee recruitment, and external relations expenses may be paid from the 497 accounts even if alcohol is served. General support 497 accounts may not be used to purchase alcohol when only ISU employees are attending. Expenditures must comply with restrictions, if any, placed on the funds by the donor. As always, adequate documentation must be provided and the authorizing administrator must be prepared to justify the appropriateness and reasonableness of the expenditure.

The Iowa State University Foundation is a 501(c)(3) organization established solely to benefit Iowa State University. Gifts to the Foundation are to be used to support the mission of the University. Therefore, expenditures from Foundation accounts must relate to a University activity or function, or must support the University's advancement, and are expected to be commensurate with the probable benefit to the University. Foundation funds are not intended for the personal benefit of University employees and are expected to be used prudently. All 497 expenditures are public records.

Compliance with donor intent is the primary test of allowability. The determination of legitimate business purpose, or appropriateness, is the responsibility of the Department Chair, Director or Dean.

Questions about how to handle expenditures from Foundation funds can be directed to Financial Accounting and Reporting/ISU Controller's Department, Accounting Office/ISU Controller's Department, or the ISU Foundation Accounting Office.

Any funds received from donors must be deposited directly to the ISU Foundation, rather than to a university account. This will enable the ISU Foundation to perform the required tax reporting.

General Rules for ISU Funds

ADEQUATE DOCUMENTATION – It is not possible to determine the allowability and appropriateness of an expense unless adequate documentation exists. Adequate documentation includes an invoice or receipt that identifies WHAT was purchased, WHERE it was purchased, WHO purchased it, and WHEN it was purchased. If all of this information is not contained on the receipt or invoice itself, it needs to be added to the explanation on the electronic document or voucher, or written on the receipt/invoice/intramural. The fifth “W,” or WHY it was purchased, must be added to the appropriate section electronic document. On a KFS DV, Simple DV, IB, or SB, this is the Explanation field. On an employee travel reimbursement, this is the Justification/Description/Vacation Days section of the Travel Dates and Purpose screen. On an employee non-travel reimbursement, this is the Business Purpose section of the Update Non-Travel Reimbursement screen.

The department and/or college are ultimately responsible for determining and documenting the allowability and appropriateness of expenditures. The department and/or college are in the position to determine the best way to use their funds. Judgment on reasonableness of all expenditures, and especially in the case of hospitality, is the responsibility of the college and/or department.

When cash or other property is given out to research participants, a Research Participant Receipt Form (RPRF) should be attached in lieu of an invoice. When cash or other property is given out as part of a drawing, door prize, or some other purpose other than research, a Property Receipt Form should be attached in lieu of an invoice. A Property Receipt Form is not required for:

- flowers (or memorial/gift in lieu of flowers) given in connection with an illness, hospitalization, or death of an employee or their immediate family members; or
- gifts to donors or international visitors; or
- milestone recognition, retirement or going-away gifts; or
- token non-cash items or token research incentives (having a value of \$20.00 or less).

UNALLOWABLE EXPENDITURES - Certain types of expenditures are not allowable from any funding source. Examples of unallowable expenditures include:

- **Artwork for individual offices** is considered a personal expense and is not allowable from any funding source. However, artwork in public areas is allowable.
- **Flowers for birthdays, holidays, weddings, wedding anniversaries, or baby showers** are not allowable from any funding source. See the section below for conditionally allowable purchases of flowers.
- **Gifts in lieu of payment for services** are not allowable from any funding source. See the section below for conditionally allowable token non-cash items.

- **Gifts to employees for birthdays, holidays, weddings, wedding anniversaries, or baby showers** are not allowable from any funding source.
- **Home internet** reimbursement is not allowable from any funding source. In addition, cell modems procured from an ISU contracted cellular provider should not be used for personal use in place of home internet access.
- **Home office** expenses (including computer towers, monitors, and printers) are unallowable from any funding source if ISU provides office space in another location. However, if an appropriate business justification is provided for a unique situation, the final decision of allowability and appropriateness of home office expenses can be determined by the department. If an exception is granted, use of ISU-provided resources is to be used strictly for ISU business purposes only.
- **Parking fines, parking permits, library fines, late fees, bus passes for commuting, and finance charges** are the **personal responsibility** of the person who incurs them. They are not allowable from any funding source.

CONDITIONALLY ALLOWABLE EXPENDITURES - Some types of expenditures are only allowable from certain funding sources, or when the expenditures meet other conditions:

- **Alcoholic beverages** usually are only allowable from agency (206) funds, or from general support Foundation (497) funds in appropriate hosting situations. If only ISU employees are attending, only 206 funds may be used. Other funding sources might be allowable if the use is for cooking, research, course study, or catering provided by an ISU department that routinely provides catering services. Approvals and use of alcohol for events in University buildings and on University grounds must comply with the University Policy Library - Alcohol, Drugs, and Intoxicants. If an ISU department puts on a conference, and the fees paid by the conference participants include an event that serves alcohol, the non-sponsored fund account that received the registration fees may also be used to purchase the alcohol for the conference. It should be noted that conferences funded with sponsored funds do not allow the purchase of alcohol, even when funded from participant fees.
- **Clothing Suitable for Street Wear** generally is not allowable. However, shirts that contain the department's logo worn as a uniform, for a specific event, or for program identity purposes would be allowable from sources other than sponsored programs funding. Protective clothing (e.g., hard hats, work gloves, hip waders, or steel-toed boots) may be allowable if required for the performance of an employee's job from sources other than sponsored programs funding. ISU licensed apparel purchased for employees and event volunteers will be considered allowable from appropriate funding sources when the funding department documents the ISU business purpose. Valid business purposes could include event/public recognition, marketing, and employee morale. ISU licensed apparel purchased for non-employees with a valid ISU business purpose would also be considered allowable.

- Coffee, coffee pots, refrigerators, microwave ovens, etc. purchased **exclusively for employee use** are allowable when charged to agency (206) funds or Foundation (497) funds. This does not preclude a unit from initially charging coffee to University funds, except sponsored programs funding sources, and then collecting employee funds to reimburse the University account. Employees should not contribute to a Foundation (497) for the purchase of coffee, as this would be taking a tax deduction for a personal expenditure.
- **Conflict of Interest** payments must be pre-approved by Purchasing.
- **Door prizes**, other than token non-cash items to employees and described below, that are given out during an employee morale event are allowable only from agency (206) funds. Door prizes or raffle prizes given to students or non-employees at ISU events are allowable on all funds except sponsored program funds. If the value of the prize is more than \$20.00, a Property Receipt Form must be signed by the recipient and kept with the expenditure documentation.
- **Flowers** used for public functions, such as retirement parties and convocations, are allowable from sources other than sponsored programs funding. Flowers purchased in connection with the illness or hospitalization (including maternity) of employees are allowable only from agency (206) funds or general support Foundation (497) funds. Flowers purchased in connection with the death of employees, their immediate family members, or key constituents (e.g., donors) are allowable only from agency (206) funds or general support Foundation (497) funds. A memorial or cash gift may be made in lieu of flowers, as long as the amount does not exceed what typically would have been spent for flowers.
- **Gifts** for recognition of employee achievements (such as those presented through formal awards programs), retirements, or going-away functions are allowable, except on sponsored programs funding. However, the cost of the gift must be reasonable. Reasonableness of costs would vary depending on such issues as position level, how many people the employee interacted with, as well as the length of service to the institution. Gifts to international visitors, especially those from certain cultures, are frequently an expected courtesy and are considered an appropriate expenditure, except on sponsored programs funding.
- **Lost keys** will be charged to the employee's department, and it is up to the department to decide whether to recover funds from the employee through Accounts Receivable.
- **Personal use** items are not reimbursable except when allowed from agency (206) funds. Examples of personal use items include parking permits, and bus passes for commuting. Insect repellent or sunscreen are not reimbursable for an individual, although a department that requires its employees to do fieldwork could purchase these items for distribution by the department.
- **Printing and photocopying done off-campus** are only allowable while in travel status, for after-hours emergencies, or for printing that cannot be performed by on-campus sources.
- **Token non-cash items** having a value of \$20.00 or less given to employees or students, such as during an employee morale or appreciation event, are allowable except on sponsored programs funding.

UNALLOWABLE PROCUREMENT METHODS – Please see Purchasing’s website for Restrictions on Delegated Authority. While the expenditure and the funding source may be allowable, for most purchases you must either submit a Web Requisition, use the P-card of cyBuy, as employee reimbursements and payments without a purchase order are not allowed.

- **Cell phones, cordless phones, IP phones, and telephones** must comply with university standards. Cellular devices may only be purchased if the service is provided through a University-owned contract plan. Cellular devices associated with a personally-owned service plan cannot be purchased or reimbursed with any funding source. However, the employee may be eligible for reimbursement of use of the cellular device through the Communication Technology Allowance program (see below).
- **Chemicals, controlled substances, hazardous materials, and radioactive materials** require a Web Requisition to allow tracking of materials.
- **Computers and laptops** must meet compatibility standards. Please contact Purchasing for information about using CyBuy or TechCyte.
- **Furniture and Furnishings** must meet standardized product specifications. Please contact Purchasing about their competitively-bid contracts.
- **Leases, rental agreements, or any other signed agreements** must be pre-approved by Purchasing.
- **Materials** costing \$500.00 or more cannot be processed as non-travel employee reimbursements, and materials costing \$100.00 or more cannot be processed on a KFS DV or Simple DV (non-PO). Procurement alternatives include payments to vendors using a P-card, Web Requisition, or using a university service center.
- **Professional services** expected to be \$2,000.00 or more (including expenses) for the year require both a Professional Services Contractual Agreement and a Web Requisition.
- **Routine services** costing \$100.00 or more cannot be processed on a KFS DV or Simple DV (non-PO), and require using either a P-card or a Web Requisition instead.

SELECT EXPENDITURE CATEGORIES - The following expenditures categories have inherently been subject to more scrutiny, both internally and with the public.

• **Cell Phones**

The University issued a Communication Technology Allowance Policy and Reimbursement Procedures, effective July 1, 2009 –

<http://www.controller.iastate.edu/controller/cta.htm>.

The policy and procedures offer two allowable methods for providing cellular phone services to **eligible** employees:

- Through ISU contracted cellular providers – This method is for employees that use their cellular devices for primarily University business and who carry a personal cellular device for personal calls or do not necessitate the use of a cellular device for personal calls.

- Through the use of a Communication Technology Allowance (CTA) - This method is used primarily by employees who do not want to carry two cellular devices and require the use of a cellular device for personal calls. This method does not allow for reimbursement of the employee's personally-owned cellular devices. The CTA is paid to the employee as a non-travel reimbursement through the Employee Reimbursement System. A copy of the approved CTA form should be imported as a receipt when submitting the non-travel reimbursement. A copy of the cell phone bill is not required to be attached to the reimbursement request.

For employees who do not meet Communication Technology Allowance Policy eligibility requirements, reimbursements may be made for infrequent necessary business calls where the calls are identifiable and justified in writing AND the calls result in additional costs to the employee's personal plan, such as roaming charges, minute overage charges or temporary international access. Neither CTAs nor university-owned communication technology plans may be charged to federally sponsored projects, except where the costs meet the definition of "unlike circumstances" and are allowable in accordance with OMB Circular A-21 and the university's Sponsored Programs Costing Policy. There may be specific restrictions on the use of other non-federal sponsored funds to pay for technology costs.

- **Contributions and Donations**

Donations and contributions are allowable from agency (206) funds. However, a donation or contribution may be allowable from other non-sponsored funding sources if it covers a specific identifiable cost. If ISU is sponsoring a conference where they will be listed in the conference literature as a sponsor of the event, the charge should be described as advertising.

- **Employee business functions**

The greatest uncertainty regarding allowability often occurs for events for which only ISU employees are present. The associated costs must represent a legitimate business expense with a work-related purpose. The following provide examples of meetings attended only by ISU employees. Food and beverages for recurring functions where participants are all from the same department should be kept to a minimum.

- A meal may be served when the function is pre-planned and a number of people are involved. Having food served on campus vs. dining out is generally viewed as more businesslike and less social. Examples:
 - If the most convenient time a *group* of people can schedule a work-related meeting is over the noon hour, providing lunch on campus is generally appropriate. Recurring committee meetings involving employees from many departments would fall into this category. All funding sources, except sponsored programs accounts, would be allowable for this type of expenditure.
 - If two employees meet at a restaurant downtown, even if business is discussed, this is generally not appropriate, since the individuals would normally have lunch. Under some circumstances where it is the only

convenient time, agency (206) funds or general support Foundation (497) funds may be used. For Foundation (497) funds, the business purpose of the meeting must be documented, and no alcohol is permitted.

- The restaurant used must be commensurate with the business purpose of the meeting and expenses must be reasonable. Upscale restaurants are normally only appropriate when outsiders are in attendance and making a positive impression on the guest is part of the business purpose.

- **Employee parties/picnics**

Other gatherings, such as holiday parties or employee picnics, should only be expensed from agency (206) or general support Foundation (497) funds, and the business purpose must be properly documented. The business purpose for these types of events generally is employee morale or appreciation which is not the same thing as milestone recognition, which spotlights a specific achievement of an individual or unit. For example, an annual employee picnic would be employee appreciation, but a picnic to commemorate the 25th anniversary of the department would be considered milestone recognition.

- **Fundraising**

Since building relationships with alumni and fundraising are integral parts of University administration, costs for these types of events can frequently be paid from any source except sponsored programs funding. However, any event where tickets are sold and the proceeds used as fundraising should be coordinated with the Foundation so that appropriate tax reporting to the donors can occur. Without the proper gift receipt, no portion of the payment could be considered tax deductible by the donor.

- **Hospitality documentation**

Hospitality expenses will be processed provided the documentation includes the WHO (specify names and business relationship if not clear), WHAT, WHEN, WHERE and WHY of the event. It is the responsibility of the college and/or department to explicitly state the business purpose on all expenditure transactions authorizing payment of costs, especially for employee-related events.

- **Memberships**

Institutional memberships that are of university-wide nature, such as the American Council on Education, the National Association of State University Land Grant Colleges, and the North Central Accrediting Association, may be funded centrally. Decisions and funding of other association memberships should be made at the college and departmental level. At the discretion of the department, personal memberships in professional organizations may be paid if journals or other professional materials relating to the unit's business purpose are included in the cost of membership. Memberships of a purely social nature are not allowable.

It is the responsibility of the college and/or department to assure that the authorization or expense conforms to university policy as well as with any other sponsoring agency policies.

- **Milestone recognition**

Retirement, going away or other milestone recognition functions are generally considered to be appropriate from sources other than sponsored programs funding as long as the costs are reasonable. Alcohol is allowable from 206 accounts. If non-ISU employees also are attending, general support 497 accounts can be used. These events can be distinguished from a purely social function since the primary purpose of the event is to recognize an employee(s) for extended service to ISU or for specific achievement such as receiving an award.

Reasonableness of costs would vary depending on issues such as how many people the honoree interacted with as well as their length of service to the institution. In addition, the nature of the expense should be considered. Cake at a reception would be an appropriate cost, but greens fees for a golf outing honoring a retiree would not. Recognition of personal events, such as employee birthdays, weddings, wedding anniversaries, or baby showers, is not an appropriate expense from any funding source. If a unit feels this is an important event, the group or administrator involved

should pay the expenses personally, without expectation of reimbursement from ISU. Recognition of personal events for donors or other external constituents may, in unique situations, such as the birthday of a major donor, be an appropriate expense from agency (206) or general support Foundation (497) funds.

- **Spousal/Significant Other attendance**

Meal expenses for an employee's spouse or significant other usually are not allowable. See exceptions below. Expenses of this nature should not be charged to sponsored programs funding.

If the spouse/significant other of an interview candidate is in attendance at an ISU sponsored meal, then the expenses for ISU employees' spouses/significant others would also be allowable. Also, spousal/significant other attendance at staff recognition functions is generally allowable, as is attendance at receptions for campus visitors or fundraising events if such events are typically attended by others from outside ISU. Additionally, spousal/significant other attendance at a meeting with a donor couple is generally allowable.

The travel and associated meal expenses of spouses/significant others/other family members would not be an allowable expense unless a business purpose exists and/or specific administrative approval has been received to include those individuals.

Allowability & Appropriateness for Gifts

Updated 10/27/2016

Gift Purpose (Gifts include cash, gift cards, gift certificates, flowers, plaques)	Funding Restriction	Property Receipt Form Required? #	Tax Reporting Required if for \$100.00 or more?	Remedy if Already Charged or Reimbursed
Donation - for a Charitable Contribution	Only allowable on 206 funds	No	No	Move the charge to a 206 account
Donation - In Support of a Conference, or for Advertising	Allowable on all funds except Sponsored Programs funds	No	Only if to a for-profit enterprise	Move the charge to a non-Sponsored Programs account
Door Prizes *, Poster Prizes, Trophies, Raffles (Given to Students or Non-employees)	Allowable on all funds except Sponsored Programs funds * Employee morale event door prizes are only allowable from 206 funds.	Yes, if more than \$20.00.	Yes	Move the charge to a non-Sponsored Programs account
Employee Baby Showers, Birthdays, Holidays, Weddings, and Wedding Anniversaries	Not allowable from any funding source	N/A	N/A	Charge back to employee who incurred the charge
Illnesses or Hospitalizations - Employees	Only allowable on 206 or General Support 497 funds	No	No	Move the charge to a 206 or 497 account
International Visitors	Allowable on all funds except Sponsored Programs funds	No	No	Move the charge to a non-Sponsored Programs account
Memorials - Employees, Immediate Family, or Key Constituents (e.g., Donors)	Only allowable on 206 or General Support 497 funds	No	No	Move the charge to a 206 or 497 account
Milestone Recognition - Employee Achievement	Allowable on all funds except Sponsored Programs funds	No	No	Move the charge to a non-Sponsored Programs account
Milestone Recognition - Retirement or Going-Away Event	Allowable on all funds except Sponsored Programs funds	No	No	Move the charge to a non-Sponsored Programs account
Services Provided (In Lieu of Payment by Check)	Allowable if \$20.00 or less per recipient as a token non-cash item. Not allowable from any funding source if the item is more than \$20.00 more per recipient.	N/A	N/A	Charge back to employee who incurred the charge or move the charge to a 206, 290, 490, or 497 funding source.
To Donors	Only allowable on 206 or General Support 497 funds	No	No	Move the charge to a 206 or 497 account
Token Incentives (non-cash) to Research Participants (Value of \$20.00 or less)	Allowable on all funding sources.	No	N/A	N/A
Token Non-Cash Items to Employees or Students (Value of \$20.00 or less)	Allowable on all funds except Sponsored Programs funds	No	N/A	Move the charge to a non-Sponsored Programs account

Property Receipt Forms are always required for cash and cash equivalents (gift cards, gift certificates, meal cards).

COST CONSIDERATIONS FOR SPONSORED PROGRAMS
SUBJECT TO A-21 OR UNIFORM GUIDANCE
(Federal or Federal Flow-through Accounts)

The Office of Management and Budget (OMB) is responsible for publishing costing principles applicable to federal funding. OMB Circular **A-21** establishes principles for determining costs applicable to federal grants, contracts, and other agreements with educational institutions. OMB has relocated Circular A-21 to Title 2 in the Code of Federal Regulations (2 CFR), subtitle A, chapter II, part 220. The Circular in its entirety can be obtained from the following website:

<http://www.whitehouse.gov/omb/circulars/>

Federally sourced agreements awarded or incrementally funded on or after December 26, 2014 are subject to **Uniform Guidance** (2 CFR 200). OMB has combined circulars A-21, A-110 and A-133 into a single section of the Federal Register referred to as Uniform Guidance which can be found at

http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

It is the responsibility of the department or research administrative unit to determine whether or not expenditures per Federal Guidelines are reasonable, allocable, and allowable based on the following standards.

REASONABLE COSTS:

A cost may be considered reasonable if the nature of the goods or services acquired, and the amount involved, reflect the action that a prudent person would have taken under the circumstances at the time the decision to incur the cost was made. Major considerations involve determining:

- 1) Whether a cost is the type generally recognized as ordinary and necessary for the operation of the institution or for the proper and efficient performance of the sponsored agreement.
- 2) Does the expense meet the restraints/requirements imposed by federal and state laws and regulations, such as arm's-length bargaining and conflict of interest, as well as the sponsored agreement terms and conditions.
- 3) Were market prices for comparable goods or services for the geographic area considered?
- 4) Did the individuals administering the funds act with prudence, considering their responsibilities to the government, public, institution, employees and students?
- 5) Are the expenses consistent with established ISU policies and practices?

ALLOCABLE COSTS:

A cost is allocable to a sponsored agreement if the goods or services involved can be charged or assigned based on relative benefits received or some other equitable relationship. Subject to this, a cost is allocable if:

- 1) It is incurred solely to advance the work under the sponsored agreement;
- 2) It benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; and
- 3) It is necessary to the overall operation of the institution and it is deemed to be assignable in part to sponsored projects.
- 4) Any costs allocable to other activities may not be shifted to Federally-sponsored agreements.

LIMITATIONS ON ALLOWANCE OF COSTS:

Costs must conform to limitations or exclusions set forth in A-21/UG or the sponsored agreement. When the maximum amount allowable under a sponsored agreement is less than the total amount allowable in accordance with the principles in A-21/UG, the amount that is not recoverable may not be charged to other sponsored agreements.

CONSISTENT APPLICATION:

Costs must be treated consistently in like circumstances under generally accepted accounting principles. This means that all costs incurred for the same purpose, in like circumstances, must be treated as either a direct cost only or as an F&A (indirect) cost only.

ISU Sponsored Programs Costing Policies have been developed to ensure university-wide compliance with A-21 and Uniform Guidance. These policies can be found at <http://www.controller.iastate.edu/spa/isucostingpolicy.html>

Costs incurred on Federal awards should be adequately documented.

When seeking guidance from the sponsor on issues of allowability, it is the Grants Official that will be contacted by SPA. In most instances, Program Officials are not authorized to make administrative decisions regarding a grant.

EXPENDITURE ALLOWABILITY FOR SPONSORED PROGRAMS SUBJECT TO OMB Circular A-21/UG (Federal or Federal Flow-through Projects)

ADVERTISING COSTS: The term advertising costs means the costs of advertising media and associated administrative costs. Advertising media include magazines, newspapers, radio and television programs, direct mail, exhibits, and the like.

The only allowable advertising costs are those which are solely for the following items: 1) The recruitment of personnel required for the performance of a Federal award; 2) The procurement of goods or services for the performance of a Federal award; 3) The disposal of scrap or surplus materials acquired in the performance of the Federal award except when institutions are reimbursed for disposal costs at a predetermined amount; or 4) Other specific purposes necessary to meet the requirements of the Federal award.

Unallowable advertising costs include the following: 1) Costs of ceremonial assemblies or other events related to instruction or other institutional activities; 2) Costs of promotional items and memorabilia; and 3) Costs of advertising designed solely to promote the institution.

ALCOHOLIC BEVERAGES: Costs of alcoholic beverages are unallowable.

COMMUNICATION COSTS: Recurring line charges (local service) are generally unallowable on sponsored projects as they are considered part of F&A (indirect) costs. They are allowable only if specifically justified in the budget as a situation where the line is dedicated to the specific project because of the nature of the work, i.e. telephone surveying, center grant that includes an administrative component, etc. Long distance, fax, and telegraph charges are allowable where they can be identified with a specific project.

COMPENSATION: Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits. These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, is consistently applied, and provided that the charges for work performed relates directly to sponsored agreements.

The distribution of salaries and wages, whether treated as direct or F&A (indirect) costs, will be based on payrolls documented in accordance with generally accepted practices of colleges and universities. The apportionment of an employee's salary and/or and wages which is chargeable to more than one sponsored agreement or other cost objective will be supported by methods that will produce an equitable distribution of charges for an employee's activities and distinguish the employee's direct cost activities from the F&A (indirect) cost activities. A-21 and UG recognize that teaching, research, service and administration are often intermingled in an

academic setting. A precise assessment of factors that contribute to costs is not always feasible, nor expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

Salary rates for an academic year for faculty members with work performed on sponsored agreements will be based on the individual faculty member's regular compensation for the continuous period. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements exceed the proportionate share of the base salary for that period. Consultation services provided by faculty are allowed if it is above and beyond regular departmental load. These charges for overload pay above base salary need to be specifically provided for in the agreement or approved in writing by the sponsoring agency.

Salary rates for faculty members for services provided outside the academic year (summer months) will reflect the employee's base salary for that period. Example: A faculty member earns \$63,000 per year. $\$63,000 / 9 \text{ months} = \$7,000 \text{ per month}$. During the summer months the maximum amount of compensation for this employee would be \$21,000 ($\$7,000 \times 3 \text{ months}$).

Salaries and expenses of Deans of faculty and graduate schools and their staff are unallowable as they are included in F&A (indirect) costs. Salaries of administrative and clerical staff should usually be treated as F&A (indirect) costs and are not allowable as direct charges on sponsored awards. However, direct charging may be appropriate where the nature of the work requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of services provided by academic departments. Refer to Section V of the Sponsored Programs Costing Policy for ISU guidelines.

Some examples of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate **under A-21** are as follows:

- Large, complex programs, such as General Clinical Research Centers, program projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical records studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects where the principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).

- Projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.
- Individual projects requiring significant amounts of project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.

Direct charging the salaries of administrative or clerical staff may be appropriate **under Uniform Guidance** if all of the following conditions are met and justification of the proposed costs have been included in the proposal's budget justification:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the proposal budget and justification or have the prior written approval of the Federal awarding agency; and
- An administrative effort of at least 15 percent FTE is required to complete the specific and distinctive requirements of a particular grant, cooperative agreement or contract.

Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as annual leave, sick leave and military leave are allowable, provided such costs are distributed to all institutional activities based on the employee's efforts.

CONTRIBUTIONS AND DONATIONS: Donations or contributions are not allowable charges to sponsored programs, regardless of the recipient.

However, with proper documentation, the value of donated services or property may be used to meet cost sharing or matching requirements.

ENTERTAINMENT COSTS: Costs of entertainment are unallowable. On rare occasions, specific costs that might otherwise be considered entertainment but have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the awarding agency may be allowed.

EQUIPMENT AND CAPITAL EXPENDITURES: Equipment means nonexpendable tangible personal property having a useful life of one or more years and an acquisition cost of \$5,000 or more. Capital expenditures mean the cost of the asset including the cost to put it in place. For example, attachments, accessories, freight, transit insurance, etc. would be included as part of the cost of equipment. Special purpose equipment means equipment which is used ONLY for research, medical, scientific, or other technical activities. General purpose equipment means equipment which is not limited to these purposes, such as office furnishings, copiers and computers. Special purpose equipment items are allowable if approved by the

sponsoring agency. General purpose equipment items are unallowable, except where approved in advance by the sponsoring agency. If not approved, they are unallowable.

FINES AND PENALTIES: Costs resulting from violations of Federal, State, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or with prior written approval from the sponsoring agency.

GOODS OR SERVICES FOR PERSONAL USE: Costs of goods or services for personal use by the institution's employees are unallowable, regardless of whether the cost is reported as taxable income to the employee.

INSURANCE: Costs of insurance required by or approved in the sponsored agreement are allowable. However, costs of insurance against defects in materials or workmanship are unallowable.

INTEREST: Costs incurred for interest on borrowed capital are unallowable. Financing costs for capital assets are allowable subject to restrictions.

INTELLECTUAL PROPERTY/PATENT COSTS: Costs associated with the preparation of disclosures, reports or other documents required by the sponsored agreement are allowable.

Costs of searches necessary to make invention disclosures required by the sponsored agreement are allowable.

LOBBYING COSTS: Lobbying costs are unallowable.

LOSSES ON OTHER SPONSORED AGREEMENTS OR CONTRACTS: Cost overruns cannot be transferred to sponsored projects.

MAINTENANCE AND REPAIR COSTS: Costs necessary to keep properties in an efficient operating condition are allowable.

MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY COSTS: Costs of membership in business, technical, and professional organizations are allowable only when the benefits are vital to the sponsored project.

Costs of subscriptions to business, professional, and technical periodicals are allowable only when the information is vital to the project.

Costs of meetings and conferences are allowable only where the primary purpose is the dissemination of technical information related to sponsored research. This includes meals, transportation, rental of facilities, and other incidental items.

Costs of membership in any civic or community organization are generally unallowable. Country club, dining club, or social organization memberships are unallowable.

PLANT SECURITY COSTS: Costs incurred for routine security to protect facilities, personnel and work products are allowable, including wages, uniforms, and equipment.

PRE-AWARD COSTS: Pre-award costs are defined as those costs incurred before the effective date of the Federal award, normally up to 90 days before the start date. These costs are unallowable unless approved by the sponsoring agency or, if the sponsor allows, authorized by the ISU Office of Sponsored Programs Administration (OSPA).

PROFESSIONAL SERVICE COSTS: Costs of professional and consulting services, including legal services (per A-21/UG limitations) rendered by the members of a particular profession who are not employees of the institution, are allowable, when reasonable in relation to the services rendered.

PROPOSAL COSTS: Costs incurred in the preparation of bids or proposals for sponsored agreements are unallowable as direct costs. This includes the cost of developing data necessary to support the bid or proposal.

PUBLIC RELATIONS COSTS: The term public relations means those activities dedicated to maintaining the image of the institution or promoting favorable relations with the community or public at large.

The only allowable public relations costs are the following: 1) Costs specifically required by sponsored agreements; 2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored agreements; or 3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

Unallowable public relations costs are the same as unallowable advertising costs: 1) Costs of ceremonial assemblies; 2) Costs of promotional items; or 3) Costs of public relations designed solely to promote the institution.

REARRANGEMENT AND ALTERATION COSTS: Ordinary alteration and rearrangement of facilities are unallowable as direct costs. Special arrangement and alteration costs incurred specifically for the project are allowable when such work has been approved in advance by the sponsoring agency.

RECONVERSION COSTS: Costs necessary to restore the institution's facilities to approximately the same condition existing immediately prior to commencement of a sponsored agreement are allowable, with the exception of normal wear and tear.

RECRUITING COSTS: Costs of "help wanted" advertising, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees are allowable. Where the institution uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

Costs of help wanted advertising that do not meet the test of reasonableness or do not conform to the established practices of the institution, are unallowable. Costs of special fees, perks, fringe benefits, and salary allowances incurred to attract professional personnel from other institutions that do not meet the test of reasonableness or do not conform to the established practices of the institution, are unallowable. When relocation costs incurred incident to the recruitment of a new employee have been allowed and the newly hired employee resigns for reasons within his/her control within 12 months after hire, the institution will be required to refund or credit such relocation costs to the sponsoring agency.

RENTAL COST OF REAL PROPERTY AND EQUIPMENT: Rental costs of buildings and equipment are allowable to the extent that both the decision to rent or lease and the rates charged are reasonable. Rental costs are allowable in "sale and lease back" arrangements only up to the amount that would be allowed had the institution continued to own the property. Rental of property owned by parties affiliated with the institution for purposes such as the home office workspace is unallowable.

ROYALTIES: Royalties and other costs for the use of patents, if necessary for the performance of the sponsored agreement, are allowable. These costs are unallowable when the Federal Government has the right or license to free use of the patent, or the patent is invalid, unenforceable, or has expired.

SABBATICAL LEAVE COSTS: Costs of leave of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable within institutional guidelines if approved by the sponsor. These costs must be allocated on an equitable basis to all institutional activities.

SCHOLARSHIPS, FELLOWSHIPS AND STUDENT AID COSTS: These costs are allowable only when the purpose of the sponsored agreement is to provide training to selected participants AND the charge is approved by the sponsoring agency. However, tuition remission paid as, or in lieu of, wages to students performing necessary work are allowable provided that: 1) the individual is conducting activities necessary to the sponsored agreement, 2) tuition remission is provided in accordance with established institutional policy and is consistently provided in a like manner to students 3) during the academic period, the student is enrolled in an

advanced degree program and the project activities of the student are related to the degree program, 4) tuition payments are reasonable compensation for the work performed; and 5) it is the institution's practice to similarly compensate students in nonsponsored as well as sponsored activities.

Note: Various federal programs do not allow direct charging of tuition.

SELLING AND MARKETING COSTS: Costs of selling or marketing any products or services of the institution are unallowable unless prior approval has been provided by the Federal awarding agency.

SEVERANCE: Severance pay is compensation in addition to regular salary and wages which are paid by an institution to employees whose services are being terminated. Costs of severance pay are allowable only to the extent that these payments are required by law, by employer-employee agreement, by established policy that constitutes in effect an implied agreement on the institution's part, or by circumstances of the particular employment. Costs incurred in excess of the institution's normal severance pay policy are unallowable.

SPECIALIZED SERVICE FACILITIES: The cost of institutional services involving the use of highly complex or specialized facilities, such as computing facilities, wind tunnels, etc., are allowable provided the cost is based on actual use of the services and the rate schedule does not discriminate between federally and non-federally supported activities, including use for internal purposes.

STUDENT ACTIVITY COSTS: Costs of intramural activities, student publications, student clubs, and other student activities are unallowable, unless specifically provided for in the Federal award.

SUPPLY AND MATERIAL COSTS: Costs incurred for materials, supplies, and fabricated parts directly related to the sponsored agreement are allowable. Administrative support costs, such as office supplies (copy paper, envelopes, message pads, pencils, pens, scissors, staplers, etc.) and postage, should not be direct charged and are treated as F&A (indirect) costs unless unlike circumstances exist and is documented. Direct material costs should include only the materials and/or supplies actually used for the performance of the sponsored agreement. Due credit should be given for any excess materials retained or returned to vendors. Due credit should also be given for all proceeds or value received for any scrap resulting from work under the sponsored agreement. Where government-donated or furnished materials are used in performing the sponsored agreement, such material will be used without charge. For agreements under A-21, computing devices (less than \$5,000) must be used solely (100%) on project related activities to be allowable. For agreements under UG, computing devices (less than \$5,000) that are essential, but not solely dedicated to the award, are allowable so long as they can be properly allocated.

TERMINATION COSTS: Termination costs are defined as the costs associated with the termination of a sponsored agreement before the completion date. Termination should not be confused with normal close-out procedures. Termination can occur when the grantee fails to comply with the terms and conditions of an award. Notification of termination by the granting agency cancels the remaining portion of the project prior to the date of completion.

Costs which cannot be discontinued immediately after the effective date of termination, despite all reasonable efforts by the institution, are generally allowable.

Settlement costs, including termination and settlement of subagreements, are generally allowable.

The costs of common items of material that are reasonably usable on other work are unallowable, unless the institution submits evidence that it could not retain such items at cost without sustaining a loss.

TRANSPORTATION COSTS: Transportation costs for freight, express, postage or other transportation services relating to goods purchased, in process, or delivered are allowable.

TRAVEL COSTS: Travel costs are defined as expenses for transportation, lodging, subsistence and related items incurred by employees in travel status. These costs include travel incurred for the performance of the sponsored project. It also includes costs of meetings and conferences where the primary purpose is the dissemination of technical information related to the project and are necessary and reasonable for successful performance under the award. Travel costs incurred must provide benefit to the sponsored project.

There are various methods which may be used: actual charges, per diem or mileage basis in lieu of actual costs, or a combination of the two. The same method must be applied to an entire trip. The method used must be allowed by ISU's travel policy and practices. ISU subjects itself to the Federal Travel Regulations for foreign travel.

Airfare costs in excess of the lowest available commercial discount airfare or customary standard (coach) airfare are generally unallowable. However, the institution can justify airfare costs in excess of the lowest airfare when use of the lowest airfare would; require circuitous routing; require travel during unreasonable hours; excessively prolong travel; result in cost that would offset transportation savings; or not meet the medical needs of the traveler. In order for the higher airfare costs to be allowable, each exception must be justified and documented on a case by case basis.

Costs of travel by institutional aircraft cannot exceed the cost of allowable commercial air travel.

In addition to A-21 and the UG, all federal awards are subject to the Fly American Act. This act mandates that US Flag Carriers be utilized for foreign airfare charged to federal programs.

NOTE: The above list is not all inclusive.

SOURCES: *OMB Circular A-21 (Cost Principles for Educational Institutions)*
Dated 5/10/2004
OMB Uniform Guidance 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) Dated 12/26/13

MEETINGS & CONFERENCES

When a federal sponsor issues sponsored funding (in whole or in part) to ISU to conduct a meeting or conference, there are multiple issues to be aware of. If the grant involves registration fees, these fees will be considered program income and must be handled according to the award terms.

If any expenses for the conference would be deemed unallowable per federal guidelines (entertainment, alcohol), those items should be listed separately on the registration form as an optional fee for payment. These unallowable expenses should be held in a separate account from the federal account established and may not be paid for from the grant or from any related program income generated.

Agencies may also have specific guidelines related to Meetings & Conferences:

National Science Foundation – NSF will insert FL-26 as a special term for awards with funding for meetings & conferences. FL-26 prescribes that program income should be added to the funds committed to the project by NSF. At termination, any unspent funds must be returned to the sponsor. Within NSF's Policies & Procedures Guide, it is stated that meeting and conference costs are only allowable if such costs are specifically and clearly identified in the proposed scope of work and budget. Meals and coffee breaks are allowable only when they are an integral and necessary part of a conference (e.g., working meals where business is transacted).

National Institutes of Health – Direct charges for meals/food and beverages are unallowable on NIH grants where the primary purpose is to support a scientific meeting or conference.

**EXPENDITURE ALLOWABILITY CHART
FOR SPONSORED PROJECTS SUBJECT TO A-21 & UG**

EXPENDITURE TYPE	ALLOWABLE	UNALLOWABLE	PER THE AGREEMENT
Advertising Costs			
Recruitment of personnel	X		
Procurement of goods and services	X		
Ceremonial assemblies		X	
Promotional items		X	
Designed solely to promote institution		X	
Alcoholic Beverages		X	
Communication Costs			
Recurring line charges			
Generally		X	
Long distance, fax and telegraph	X		
Compensation			
Salaries, Wages and Benefits			
Administrative and clerical staff			
Generally		X	
Specified in sponsored agreement	X		
Directly related technical personnel	X		
Deans of faculty and graduate schools		X	
Overload pay for consultation services			
Generally		X	
Specified in sponsored agreement	X		
Sabbatical leave			X
Vacation payouts - proportional share	X		
Donations/Contributions		X	
Entertainment		X	
Equipment/Other Capital Expenditures			X
Fines and Penalties			
Generally		X	
Specified in sponsored agreement	X		

EXPENDITURE TYPE	ALLOWABLE	UNALLOWABLE	PER THE AGREEMENT
Fundraising Costs		X	
Goods and Services for Personal Use		X	
Insurance			
Generally			X
Against defects of materials or workmanship		X	
Interest			
Generally		X	
Related to capital assets			X
Lobbying Costs		X	
Losses on Other Sponsored Agreements		X	
Maintenance and Repair Costs	X		
Memberships, Subscriptions, and Professional Activities			
Business, technical and professional organizations, if vital to the project	X		
Business, technical and professional periodicals, if vital to the project and not available elsewhere, i.e. library	X		
Meetings and conferences -primary purpose must be dissemination of technical information	X		
Civic or community organizations		X	
Country club, social or dining clubs/organizations		X	
Patent Costs	X		
Plant Security Costs	X		
Pre-award Costs			
Generally		X	
Prior approval by sponsor or delegated authority	X		
Professional Service Costs	X		
Proposal Costs		X	

EXPENDITURE TYPE	ALLOWABLE	UNALLOWABLE	PER THE AGREEMENT
Public Relations Costs			
Specifically required by the sponsored agreement	X		
Communicating with public and press about performance results of the sponsored project	X		
Conducting general liaison with news media and government public relations officers	X		
Ceremonial assemblies		X	
Promotional items		X	
Designed solely to promote the institution		X	
Rearrangement and Alteration Costs			
Ordinary rearrangement/alteration as direct costs		X	
Special rearrangement/alteration specifically for the project			X
Recruiting Costs			
Generally	X		
Publication costs of help wanted advertising which are not reasonable or do not conform to ISU practices (excess size, color, etc.)		X	
Rental Costs of Property/Equipment			
Generally	X		
Royalties and Other Costs for Use of Patents			
Necessary for performance of agreement	X		
Federal Government has right to free use patent		X	
Patent is invalid		X	
Patent is unenforceable or expired		X	
Scholarships, Fellowships and Student Aid			
Purpose of sponsored agreement is to provide training	X		
Tuition remission, must be allowable by sponsor	X		
Selling and Marketing Costs			
Generally		X	
Specialized Service Facilities			
Generally	X		
Student Activity Costs			
Specified in sponsored agreement	X		

EXPENDITURE TYPE	ALLOWABLE	UNALLOWABLE	PER THE AGREEMENT
Supply and Material Costs			
Directly Related	X		
Administrative (such as office supplies)			
Generally		X	
Termination Costs			
Settlement costs	X		
Costs which can't be discontinued immediately	X		
Items that would be usable on other work		X	
Costs incurred after termination date		X	
Transportation Costs for Goods	X		
Travel Costs			
Subject to restrictions	X		

NOTE:

*To be allowable, costs must be necessary, reasonable, and allocable to a sponsored agreement.

*This list is not all inclusive.

*More restrictive contract terms would supersede these guidelines.

Source: OMB Circular No. A-21 (Cost Principles for Educational Institutions)
 OMB Uniform Guidance 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)