**Lincoln University of Pennsylvania**

UNIVERSITY POLICIES

Title: Accounting for Unallowable Costs Policy

Effective Date: June 04, 2020

Supersedes: N/A

Issuing Authority: Office of Research and Sponsored Programs

Responsible Officer: Vice President for Finance & Administration

**Policy**

It is the policy of Lincoln University of the Commonwealth of Pennsylvania (“the University”) that all costs proposed or incurred on a sponsored project must comply with the terms and conditions of the sponsored awards in determining costs that are allowable or unallowable. At no time should unallowable costs be charged to the sponsored project. Proper accounting for unallowable costs is required to maintain the integrity of the University’s Facilities and Administrative (F&A) Cost Proposal and compliance with Federal regulations.

**Purpose of this Policy**

The purpose of this policy is to establish guidelines for defining and identifying costs that are unallowable for reimbursement from the Federal government and other external sponsors.  Lincoln University adheres to the Federal Office of Management and Budget Uniform Guidance and other applicable government regulations. The University also follows sponsor terms and conditions in accounting for unallowable costs.

**Scope of this Policy**

This policy is applicable to all schools, departments, units and personnel of the University involved in administering sponsored awards.

**Procedures for Implementation**

The University must adhere to the requirements of the OMB Uniform Guidance, in determining the allowable costs of work performed for sponsored programs and of indirect costs included in the University’s facilities and administrative cost rate calculation. The purpose of this policy, as guided by federal requirements, is to facilitate the negotiation, audit, administration and settlement of Federal awards by establishing guidelines covering:

1. Identification of costs specifically described as unallowable, “at the time such costs first become defined or authoritatively designated as unallowable”; and,
2. The cost accounting treatment to be followed for identifying unallowable costs in order to promote the consistent application of sound cost accounting principles covering all incurred costs.

For the treatment of allowable and unallowable costs with respect to sponsored programs, please refer to the University [Costing Policy](https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/costing-policy.html). This policy summarizes the requirements of OMB Uniform Guidance requirements.

Activities and expenses which are unallowable for reimbursement on a Federally-funded award may still be appropriate, necessary and allowable on a non-Federally funded award. Departments may still incur these activities/expenses but they must be coded as unallowable so they can be readily identified and excluded from the direct cost calculation.

Unallowable costs are identified and segregated using the following methods:

* Separate accounts within the University’s accounting records and general ledger;
* Review of expenses conducted by the cost analysis performed as part of the development of the grant proposal (particularly the budget and budget justification);
* Ongoing review of expenses conducted by sponsored programs personnel.

The Lincoln University Grants and Contract Manual provides the rules prescribed by OMB Uniform Guidance and recommended procedures for selected items of cost. Some of these items are unallowable as direct or indirect costs for sponsored programs (e.g., alumni activities). Others require special treatment (e.g., student administration and services). Therefore, these items must be segregated to ensure compliance with federal rules, regulations, and requirements.