

POLICY FOR UNALLOWABLE COST CATEGORIES

Prepared by

The Office of Cost Studies

Tulane University

Tulane University conducts a significant level of research and training that is sponsored by the federal government. The government generally supplies the recipient of a federal grant or contract with the funds necessary to cover the expenditures directly associated with a project. In addition, the government will reimburse the institution for the indirect expenditures necessary to create and maintain the environment in which the research is conducted.

There are other expenditures, however, that the federal government deems inappropriate and will not reimburse; the government refers to these categories of costs as *unallowable*. These categories are identified by the government's Office of Management and Budget in Circular A-21. It is the university's responsibility to maintain an accounting system that clearly identifies and segregates unallowable cost categories so that they will be excluded from the university's proposals for cost reimbursement. In order to accomplish this, schools and departments should identify unallowable costs by using appropriate natural account codes on Pay-To forms and Travel Reimbursement Vouchers.

Please note that the term *unallowable* is defined by the federal government and is for the purpose of complying with federal costing regulations only. Certain types of expenditures, though not reimbursable by the federal government, are necessary for conducting university business and will continue to be reimbursed by Tulane's Accounts Payable Department. Tulane's goal is to comply with appropriate federal regulations while supporting departmental management and control of university accounts.

Attached is a listing of certain cost categories that have been classified as unallowable per A-21. With each category is a description of the government's guidelines as set forth in Circular A-21 as well as a description of the university's reimbursement policy and natural account codes to be used when requesting reimbursement from Accounts Payable.

A complete copy of Circular A-21 is posted on the Internet at the Office of Management and Budget's Web site: <http://www.whitehouse.gov/OMB/circulars/a021/a021.html> Any questions regarding cost categories should be directed to the Office of Cost Studies.

POLICY FOR UNALLOWABLE COST CATEGORIES

Cost Category: **ALCOHOL**

According to the federal government's Circular A-21, any cost recovery from the federal government for purchases of alcoholic beverages is unallowable.

According to Tulane policy, the purchase of alcohol for personal consumption is not an appropriate charge and therefore not reimbursable by the university. But the purchase of alcohol for events concerned with the interests of the university is appropriate and reimbursable by the university. In such cases, charges for alcohol should be made to the one of the following natural account codes:

7523	Meeting Expenses - Unallowable
7521	Entertainment Expenses
7537	Domestic Room / Meals / Other - Unallowable
7539	Foreign Room / Meals / Other - Unallowable
7852	Other Expenses - Unallowable

This will ensure that the charges for alcohol are segregated in the university accounts and subsequently excluded from a proposal for indirect cost reimbursement from the federal government.

As always, no charges for the purchase of alcoholic beverages should be made as a direct charge to a grant or contract account, regardless of the expense type code used.

Note that the term *unallowable* is used for the purposes of defining what will not be reimbursed to Tulane by the federal government. By identifying these expenditures with certain natural account codes, Tulane's Accounting Department is able to remove them from its request to the federal government for reimbursement. The term *unallowable* has no bearing on Tulane's policy on remittance of funds to departments within the university.

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Cost Category: **ENTERTAINMENT**

According to the federal government's Circular A-21, all charges for entertainment are unallowable, whether or not the purpose of the entertainment concerns university interests. Entertainment includes luncheons, dinners, banquets, receptions, flowers and decorations purchased for an event, etc.

The only exception to the A-21 prohibition would be a meal (generally a luncheon) directly preceded by or followed by business-related activities. Such a meal would be provided for the conservation of time and the convenience of those at work. This one allowable exception should be charged to the natural account code:

7522 Misc. Meeting Expenses

According to Tulane policy, charges for entertainment that are related to the interests of the university are appropriate and reimbursable by the university. These entertainment expenses should be charged to either of the following natural account codes:

7523 Meeting Expenses - Unallowable
7521 Entertainment Expenses

This will ensure that the charges for unallowable lunches, dinners, and entertainment are segregated in the university accounts and subsequently excluded from a proposal for indirect cost reimbursement from the federal government.

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Cost Category: **MEMBERSHIPS, SUBSCRIPTIONS, AND PROFESSIONAL ACTIVITIES**

According to the federal government's Circular A-21, all charges for memberships and professional activities related to one's profession are allowable. It classifies as unallowable, however, memberships in civic and community organizations; memberships in country, social, or dining clubs; and subscriptions, dues, and other fees not related to one's profession. Such unallowable charges should be made to the natural account code:

7852	Other Expense - Unallowable
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All allowable costs under Circular A-21 should be charged to one of the following natural account codes:

6221	Dues and Memberships
6224	Books and Subscriptions

According to Tulane policy, expenditures for memberships, subscriptions, and professional activities are appropriate and reimbursable by the university only in cases in which the university has an interest. Under these procedures, these expenditures should be charged to natural account codes 6221, Dues and Memberships, or 6224, Books and Subscriptions, provided the federal government's restrictions described above are met as well.

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POLICY FOR UNALLOWABLE COST CATEGORIES

Cost Category: **ADVERTISING, PUBLIC RELATIONS, AND FUND RAISING**

According to the federal government's Circular A-21, the majority of costs for advertising, public relations, and fund raising are unallowable. These unallowable expenses include the costs of displays, demonstrations, and exhibits; the costs of promotional items; and the costs of advertising and public relations designed solely to promote the institution.

Expenditures related to public relations may be allowable or unallowable depending upon the purpose of the expenditure. If the activity is promotional in nature it is unallowable; if the activity is informational and/or instructional in nature and thus provides a public service, it is allowable. For example, a publication informing the public of advancements in medical treatments associated with Tulane's School of Medicine would be allowable; a publication promoting Tulane University as an educational institution in light of its research and other achievements would be unallowable. All unallowable expenditures associated with advertising, fund raising, and public relations should be charged to one of the unallowable natural account codes listed below.

Exceptions are as follows:

Advertising is allowable when used for the purposes of recruiting faculty and staff to fill a required position for a research grant. It is also allowable to advertise for the procurement of goods and services for the performance of the grant agreement. Public relations costs are allowable if they are specifically required by the grant agreement or if they are necessary to keep the public informed on matters of public concern.

General Comments concerning Advertising, Fund Raising, & Public Relations Per A-21:

As shown above, the cost categories of advertising, fund raising, and public relations may present unique problems concerning proper coding. Public relations' expenditures are allowable if informational but unallowable if promotional, but the line between the two is not always clear. In addition the activity may be multi-purpose and contain allowable and unallowable expenditures. An example would be a trip (a) to attend a conference in which the university has an interest and (b) to raise funds for the university. In such a case, a judgment must be made as to the time devoted to unallowable activities. If 50% or more of the total time is devoted to unallowable activities, then the entire trip may be deemed unallowable. If less than 50% of the total time is devoted to unallowable activities, then some allocation of costs should be made between allowable and unallowable activities. For help in determining the proper classification of costs contact Tulane's Department of Cost Studies.

According to Tulane policy, expenditures associated with advertising, public relations, and fund raising are appropriate and reimbursable by the university as long as they represent activities related to the interests of the university. Use the appropriate natural codes listed below.

POLICY FOR UNALLOWABLE COST CATEGORIES

Cost Category: **ADVERTISING, PUBLIC RELATIONS, AND FUND RAISING**
(Continued)

If unallowable according to Circular A-21, the expenditures in this cost category should be charged to the following natural account codes:

6142	Postage - Unallowable
6223	Advertising Expenses - Unallowable
6232	Printing - Unallowable
6234	Illustration Services - Unallowable
6236	TV & Audiovisual Exp. - Unallowable
6238	Printing of Forms - Unallowable
7533	Domestic Transportation - Unallowable
7535	Foreign Transportation - Unallowable
7537	Domestic Rooms / Meals / Other - Unallowable
7539	Foreign Rooms / Meals / Other - Unallowable

If allowable according to Circular A-21, expenditures in this cost category should be charged to the following natural account codes:

6141	Postage
6222	Advertising Expenses
6231	Printing
6233	Illustration Services
6235	TV and Audiovisual Services
6237	Printing of Forms
7532	Domestic Transportation
7534	Foreign Transportation
7536	Domestic Rooms / Meals / Other
7538	Foreign Rooms / Meals / Other

Note that the term *unallowable* is used for the purposes of defining what will not be reimbursed to Tulane by the federal government. By identifying these expenditures with certain natural account codes, Tulane's Accounting Department is able to remove them from its request to the federal government for reimbursement. The term *unallowable* has no bearing on Tulane's policy on remittance of funds to departments within the university.

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Cost Category: **COMMENCEMENT AND CONVOCATION COSTS**

According to the federal government's Circular A-21, expenditures related to commencements and convocations are unallowable. Commencements and convocations would encompass all activities associated with the graduation exercises, including those events designed to honor individuals for their achievements. Such expenditures should be charged to:

7852 Other Expense - Unallowable

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Cost Category: **MOVABLE EQUIPMENT**

According to the federal government's Circular A-21, recovery of the cost of capital equipment through depreciation or use allowance is allowable.

According to Tulane policy, movable equipment whose cost exceeds \$2,499.99 per unit and has an expected life of more than one year is considered capital equipment. A unit of capital equipment includes the cost of all integral component parts and the costs for installation and shipping. Capital equipment should be charged to natural account codes 8221 through 8229 to ensure that the requirements of Circular A-21 are met.

8221	Office Equipment
8222	Furniture and Fixtures
8223	Computer Equipment
8224	Educational Equipment
8225	Scientific Equipment
8226	Communications Equipment
8227	Transportation Equipment
8228	Physical Plant Machines and Tools
8229	Athletic Equipment

Minor equipment purchases, not meeting the capital criteria described above, should be charged to natural account code 7511 through 7513 to ensure that the requirements of Circular A-21 are met.

7511	Minor Equipment
7512	Minor Equipment – Computer
7513	Furniture Fixtures Less Than \$2500

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Cost Category: **LOBBYING**

According to the federal government's Circular A-21, all lobbying costs (a) incurred to inform a governmental body of a particular position on a matter subject to that body's decision or review or (b) otherwise intended to influence that body's decision are unallowable. Only costs associated with an appearance before a governmental body at that body's request are allowable.

According to Tulane policy, costs may be incurred in the promotion of views favorable to the interests of the university. Lobbying costs should be charged to:

7523	Meeting Expense - Unallowable
7533	Domestic Transportation - Unallowable
7535	Foreign - Transportation - Unallowable
7537	Domestic Room / Meals / Other - Unallowable
7539	Foreign Room / Meals / Other - Unallowable
7852	Other Expense - Unallowable

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Cost Category: **GOODS OR SERVICES FOR PERSONAL USE**

According to the federal government's Circular A-21, goods and services for personal use are unallowable. The expenditures should be charged to:

7852 Other Expenses - Unallowable

According to Tulane policy, the university may provide for senior officers and trustees certain goods or services such as the following for personal use: housing, automobiles for transportation to and from work, medical exams, and legal advice. Use the natural account code 7852, Other Expenses - Unallowable for these expenditures.

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Cost Category: **DONATIONS OR CONTRIBUTIONS BY THE INSTITUTION**

According to the federal government's Circular A-21, all institutional donations and contributions are unallowable.

According to Tulane policy, the President or Chancellor may authorize donations on behalf of the university.

Donations and contributions should be charged to natural account code:

7845 Institutional Donations

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