



Title: Allowable and Unallowable Costs Policy

Adopted: June 15, 2021

Last Revised: June 15, 2021

Policy Statement

It is the policy of the Institute for Protein Innovation, Inc. (the "Institute") that all costs proposed or incurred on a sponsored award must comply with the sponsor's terms and conditions and Institute policies and procedures in determining costs that are allowable or unallowable. At no time should unallowable costs be charged to a sponsored award.

Proper accounting for unallowable costs is required to maintain the integrity of the Institute's Facilities and Administrative ("F&A") Cost Proposal and compliance with Federal regulations, including the Office of Management and Budget Circular *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E. Cost Principles ("Uniform Guidance")*.

Purpose

The purpose of this policy is to establish guidelines for determining whether a cost is allowable or unallowable on a sponsored award.

Scope

This policy applies to all sponsored awards.

Cost Principles

All costs directly charged to sponsored awards, regardless of funding source, must be:

I. Allocable

A cost is allocable to a particular sponsored award if the cost benefits that award. Per Uniform Guidance, a cost is allocable to a sponsored agreement if it:

- is incurred specifically to advance the work under the sponsored award;
- benefits both the sponsored award and other work of the Institution in proportions that can be approximated through use of reasonable methods; and
- is necessary to the overall operation of the Institute and is assignable in part to the sponsored award.

II. Reasonable

A cost is considered reasonable if it is consistent with market conditions and the cost reflects what a prudent person would pay in a similar circumstance.

III. Consistently Treated

A cost is consistent when like expenses are treated in the same manner under like circumstances. For sponsored awards, consistency means that sponsors pay for costs either as a direct charge or as an F&A cost, not both directly and indirectly.

IV. Allowable

A cost is allowable when it is permitted under Federal regulations (on Federal awards), the terms of the sponsored agreement, and Institute policy. It must be necessary and reasonable for the performance of the award, be allocable, and be given consistent treatment through application of generally accepted accounting principles. The cost must be adequately documented and not included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

Unallowable Costs



Both activities and transactions could be considered unallowable due to regulations put in place by the federal government or other sponsor. Unallowable costs may also be identified in the specific terms and conditions of a sponsored project. These can be more specific than those outlined in the federal regulations. Specific examples of unallowable costs under Uniform Guidance are listed in Appendix A.

Unallowable costs are identified and segregated using the following methods:

- Separate accounts within the Institute's accounting records and general ledger;
- Review of expenses as part of the cost analysis performed in developing the F&A rate proposal;
- Ongoing review of expenses conducted by the Finance department and sponsored award Principal Investigators.

Procedures for Monitoring Sponsored Awards

On a monthly basis, Finance provides financial reports to Principal Investigators, which include a listing of costs charged to sponsored awards and a comparison of expenditures with budget amounts. The PI is responsible for reviewing these costs in a timely manner to ensure allowability of costs in accordance with Uniform Guidance and/or the terms of the specific award.

Appendix A

Unallowable Costs per Uniform Guidance

- Advertising and public relations (only certain types are allowable)
- Alcoholic beverages
- Bad debts
- Certain recruitment costs, such as color advertising
- Certain travel costs, such as first-class travel
- Charitable contributions by the Institute
- Entertainment
- Fines and penalties
- Fundraising
- Goods or services for employee personal use
- Lobbying
- Moving costs if employee resigns within 12 months
- Salaries in excess of the NIH salary cap

Note: This is a partial list of specific costs that have been identified as unallowable on Federal awards.