

Issuing Department	Research Accounting Services
Title	Allowable Costs
Effective Date	December 26, 2014

Policy Statement

Temple University has established the following policy and associated procedures to ensure the costs proposed and charged to sponsored projects by authorized individuals are allowable, properly allocable, treated consistently and are reasonable. For a given cost to be allowable as a charge to a sponsored project, all four of these criteria must be met, plus the cost must be verifiable and supported by source documentation. These criteria apply for both direct, Facilities and Administrative (F&A) costs, and any mandatory cost sharing. Costs incurred in the conduct of sponsored activities, such as salaries and wages, fringe benefits, materials and supplies, travel, subcontracts, equipment, specialized service center charges, cost sharing and other operating expenses are treated as direct costs and identified through specific allocation of the individual costs to the benefiting projects and activities. See Appendix I: “Direct Costing Practices” for guidance on allocability, acceptable direct costing practices, and documentation expectations.

Consistent treatment of costs refers to whether a cost is normally treated as an indirect in Temple University’s F&A Rate proposal. Consistent treatment of costs is necessary to avoid “double charging” sponsors when costs incurred for the same purpose in the same circumstance are included in the F&A Rate applied to the sponsored project. Appendix II: “Treatment of Costs as Direct or Indirect” provides additional guidance on the treatment of costs as either a direct cost or indirect cost on a sponsored project. The costs identified in Appendix III, “Cost Included in the University F&A Cost Proposal” identifies costs which are included in Temple’s approved F&A Rate. Costs identified in Appendix III may be allowable, if an unlike circumstances exists or if sponsor award terms allow for the costs. Appendix IV: “F&A Costs Charged Directly” details the circumstances where a normally indirect costs may be allowable as a direct costs. For Federal awards many of the costs identified as normally indirect costs will require sponsor prior approval. Questions regarding unlike circumstances and the allowability of costs should be directed to Research Accounting Services. Appendix V provides a sample of a budget justification which presents the special circumstance justification which can assist in sponsor approval of normally indirect costs.

Unallowable costs are not only unallowable as a direct cost on a project, but must also be treated consistently by the University when preparing its F&A rate proposal. See Appendix VI, “Unallowable Costs on Sponsored Agreements” for specific guidance, exceptions, and accounting instructions associated with the treatment of these costs.

Facilities and Administrative costs allocable to a project must also be applied consistent with the Temple University’s approved indirect cost rate or in accordance with any sponsor limitations which may be applicable to the specific project. Applicable F&A rates are dependent on Temple’s approved F&A Rate and on the type and location of the activities being carried out. See Appendix VII “Application of F&A Rates” for guidance on the applicable rate for use with a particular sponsored project.

The Temple must ensure that processes for charging costs to sponsored projects are in compliance with the requirements of Office of Management and Budget (OMB) Uniform Guidance 2CFR200, sponsor terms and conditions, and University policies. ^[KR1]

Applicability

This policy applies to all charges made to sponsored projects and to charges which are unallowable for inclusion in the University's F&A Rate Proposal.

Requirements

All costs charged to sponsored projects, unless sponsor award provisions provide otherwise, must be:

1. Allowable;
2. Allocable;
3. Reasonable;
4. Supported by source documentation; and
5. When required by the sponsor¹, treated consistently as either a direct or indirect cost.

Responsibility for allocating costs to sponsored projects, in accordance with Temple University guidelines, rests with the individual designated as the sponsored project's Principal Investigator or if applicable Project Director. In the event of a dispute concerning the allowability of an item of costs Research Accounting Services will be the final authority.

Who Must Comply

All authorized approvers for sponsored projects including Temple's Management, Research Accounting Services, Principal Investigators and designated Business Managers must comply with the requirements of this policy to ensure the University maintains an effective internal control environment.

Definitions

Allowable costs: Allowable costs are those costs that are necessary and reasonable; conform to any limitations or exclusions in the terms of the award, consistently treated, and adequately documented. These general criteria are used to determine whether or not costs can be charged to a sponsored project by an authorized individual. ^[KR2]

Allocability: A cost is allocable to a particular sponsored project, if the goods or services involved are chargeable or assignable in accordance with relative benefits received.

Authorized approvers: The Principal Investigator and their designees, and in extenuating circumstances a university official with knowledge that the cost incurred will benefit the project and is allowable, allocable, and reasonable may authorize the cost

Consistency: A cost is considered to be treated consistently when the expense is treated as either a direct or F&A cost under like circumstances.

Cost^[JWP3] Base, also referred to as Modified Total Direct Cost, is the portion of project direct costs that are charged Facilities and Administrative (F&A) costs.

Cost Share: The portion of project costs not paid by Federal funds or by other external sponsors. Cost share is also referred to as "matching".

Direct costs: Costs that can easily and with a high degree of accuracy be identified with or assigned specifically to one of the following:

- A particular sponsored project,
- An instructional activity,

¹ All Federal awards require the consistent treatment of costs as either a direct or indirect cost (2 CFR 200.403).

- Any other institutional activity.

Facility & Administrative (F&A): Costs that are incurred for common or joint activities of Temple University and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other Temple University activity. F&A costs are also referred to as "indirect costs." Indirect costs generally include administrative and clerical salaries with related fringe benefits, office supplies, general postage, Temple University phone system and local telephone charges, equipment, general building improvements, and other general costs.

Prior Approval: Usually "prior written approval" from a sponsor may be obtained in order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability; the non-Federal entity may seek the prior written approval of the sponsor in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement.

Reasonable costs: Those costs which in nature and amount, do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Total cost: A project's total cost is the sum of allowable direct and allocable indirect costs, less any applicable credits.

Exhibit Listing

- Appendix I: Direct Costing Practices
- Appendix II: Treatment of Costs as Direct or Indirect
- Appendix III: F&A Costs Charged Directly
- Appendix IV: Sample Justifications for Normally Indirect Costs Charge Directly
- Appendix V: Unallowable F&A and Sponsored Agreement Costs
- Appendix VI: Application of F&A Rates

Appendix I: Direct Costing Practices

PROCEDURE APPENDIX I

Proportional Benefit

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

Documentation of Direct Costs

In order to charge a cost directly to a sponsored project, the principal investigator (or his/her designee) must have appropriate documentation for the charge as follows:

1. The cost must be specifically identified with activity in the sponsored project to which the costs is charged.

For example:

- a. Long distance toll charges and fax costs should be linked to the sponsored project by means of a manual log or project-specific access code.
 - b. Purchases for a specific sponsored project must identify the appropriate FOAPAL number on the requisition or other payment request document.
 - c. Costs must be charged to sponsored projects based upon anticipated usage at the time of original purchase. Similarly, supplies subsequently drawn from a central storeroom inventory must be charged directly to a sponsored project based on anticipated usage documented at the time of withdrawal (by means of a manual log, draw sheets, etc.)
 - d. Service center charges should be charged directly to the sponsored project.
2. **Documentation** that links the cost incurred to the sponsored activity should be done **by someone who is in a position to know the sponsored activity**, e.g. the person who is making the telephone call, the person taking supplies from a common storeroom, or a person designated by the principal investigator to purchase goods and services for that particular project.
 3. **Documentation of the project must be maintained for a period of three years** following the date that the final financial report for that project is submitted to the sponsor. For competing awards this period would be for three years following the date that the final financial report for the competing segment is submitted.
 4. Only **actual costs** may be charged to the sponsored project.

Unacceptable Direct Costing Practices

The following direct costing practices are generally unacceptable because they do not meet the standard for a "high degree of accuracy" in the assignment of costs to sponsored projects.

- Rotation of charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored project;
- Assigning charges to the sponsored project with the largest remaining balance;
- **Charging the budgeted amount** (in contrast to charging an amount based on actual usage);
- Assigning charges to a sponsored project in **advance** of the time the actual cost is incurred;
- Describing a cost as something other than what it actually is;
- **Charging expenses exclusively to sponsored projects**, when the expense also supports non-sponsored activities; and
- Assigning charges that are part of normal administrative support (indirect costs) for sponsored projects (e.g. accounting, payroll, departmental administration, etc.).

Appendix II: Treatment of Costs as Direct or Indirect

PROCEDURE APPENDIX II

Examples of Typical Temple University Direct and Indirect cost categories

Direct Costs	Indirect Costs (F&A)
Salaries, Wages, and Fringe benefits, such as: <ul style="list-style-type: none"> ○ principal investigator ○ research associate ○ laboratory technician ○ graduate research assistant 	Administrative and Clerical Salaries, Wages, and Fringe Benefits
Service Center Charges, including: <ul style="list-style-type: none"> ○ animals and animal care ○ laboratory testing services ○ project specific Facilities Management work orders ○ duplicating for project specific mass mailings or other large volume jobs 	Service Center Charges, including: <ul style="list-style-type: none"> ○ see local telephone charges below ○ duplicating for routine copying
Scientific Computer Software	General Purpose Software and Computer Supplies, such as: <ul style="list-style-type: none"> ○ word processing and spreadsheet programs ○ printer paper ○ toner cartridges
Project-Specific Equipment	General Use Equipment (i.e. used for multiple purposes)
Project-Specific Equipment Maintenance Contracts	
Project-Specific Equipment Repair	
Project-Specific Equipment Rental	
Project-Specific Motor Vehicle Expenses	
Participant Costs, such as: <ul style="list-style-type: none"> ○ fellowships on training s ○ research subject payments 	
Project-Specific Space Costs (if rented off-campus from a third party)	Internal Space Cost (if rent paid internally for Temple University space)
Overnight/Express Delivery when needed to transport project material (other than routine reports) in a timely manner, such as: <ul style="list-style-type: none"> ○ Federal Express ○ US Postal Priority Mail ○ UPS ○ <input type="checkbox"/> Freight 	Postage Costs, such as: <ul style="list-style-type: none"> ○ US non-priority mail ○ <input type="checkbox"/> delivering routine reports
Subcontract Costs	
Supplies & Materials <ul style="list-style-type: none"> ○ laboratory supplies and material 	Office Supplies <ul style="list-style-type: none"> ○ pens and pencils

<ul style="list-style-type: none"> ○ educational supplies and materials ○ <input type="checkbox"/> instructional supplies and material 	<ul style="list-style-type: none"> ○ paper ○ file folders ○ <input type="checkbox"/> binders (unless project-dedicated lab notebooks)
<p>Long Distance Telephone Costs</p> <ul style="list-style-type: none"> ○ project-specific toll charges ○ <input type="checkbox"/> project-dedicated field work phones 	<p>Local Telephone Charges</p> <ul style="list-style-type: none"> ○ basic line charges ○ networking service charges ○ local calls ○ pagers ○ <input type="checkbox"/> cellular phones (unless project-dedicated field work phones)
	Membership Dues
Travel Directly Applicable to Project Requirements	Travel Not Directly Applicable to the Projected Requirements
Publication of Project-Specific Research	Publication-General
Patient Care	
Advertising for Research Subjects	Advertising for Personnel (except for unique project specific personnel)
	Reproduction Costs (photocopying)
	Utilities
Project-Specific Consulting	General Consulting

Administrative and clerical salaries, office supplies, postage, local telephone costs (including monthly service charges), and membership dues are **normally** treated as indirect costs. However, for sponsored projects which have special purposes and circumstances, costs that are normally indirect may be directly charged if certain conditions are met. Please see **Procedure Appendix III** for the specific requirements.

Appendix III: F&A Costs Charged Directly

PROCEDURE APPENDIX IV to

Special Circumstances

There may be certain circumstances when costs that are normally treated as F&A can be direct charged to a sponsored project as direct costs if ALL of the following conditions are met:

- The costs are **required by the project scope and are incurred for a different purpose or in unlike circumstances than similar types of costs included in the Temple University indirect cost rate;** and
- The costs can be readily **and specifically identified** with the project with **a high degree of accuracy;** and
- These items of costs were **justified, separately budgeted for, and approved by** the sponsoring agency.

The **special purposes or circumstance** of the sponsored project that necessitates the direct charging of costs that are normally treated as indirect costs should be stated explicitly in the Budget Justification section of the proposal/acceptance document. Also, the budget page should include a footnote that documents the special purpose or circumstance applicable to that sponsored project.

Charging costs directly to a sponsored project that are normally treated as indirect may be appropriate for projects that involve the following special purpose or circumstance:

(1) Indirect functions which are specifically identified with the project, expressly discussed in the award and allowed by the sponsor's guidelines will be charged direct whenever they are a principal part of the deliverable of the award, such as:

- Extensive data accumulation, analysis, and tabulation
- Preparation of large reports, manuals or books
- Extensive travel and meeting arrangements for conferences and seminars

(2) Training s whose project budgets may include costs that are normally indirect. Line items in the budget authorize the direct charging of costs as appropriate when reasonable, specifically identified with the project and budgeted in the award.

(3) Planning s used for preliminary work to determine the feasibility of a proposed line of inquiry, and/or other activities that will facilitate proposal development. Indirect costs these types of agreements are funded by federal agencies at specified percentages. Project budgets for planning s include an allowance for direct charging indirect costs specifically identifiable with the project.

(4) Projects that are geographically inaccessible to normal departmental administrative services.

(5) Agreements for program funding in which the institution's cost recovery on indirect costs is limited by regulations and statutory requirements like United States Department of Agriculture (USDA) appropriations and State sponsored projects. These mandates may, however, authorize the direct reimbursement for indirect expenses.

6) Projects sponsored by other organizations which specifically require that items normally charged indirect are charged direct.

Temple s Management and Sponsoring Agency Approval

In order to meet the above criteria while charging salaries of administrative and clerical staff or other costs normally treated as indirect costs directly to a sponsored project, the project proposal budget is required to specifically identify the administrative and clerical salaries and/or other costs which are requested. **These costs must be justified or explained in the proposal/award narrative and documented in a footnote to the project budget.** By signing off on the proposal TGM concurs with the justification. If TGM does not concur with the justification, the proposal budget and narrative must be amended. Since these items are specifically set forth in the proposal, Temple University will assume that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs if they accept the proposal and subsequently fund the project. It is the principal investigator's responsibility to notify the TGM and Contract Accounting of any changes made to the proposed budget in preaward negotiation with the sponsor in which Temple University did not formally participate.

Appendix IV: Sample Justifications for Normally Indirect Costs Charge Directly

PROCEDURE APPENDIX IV

Normally indirect costs may be charged directly to sponsored agreements, if the cost supports the activity that is **directly related to the special purpose or circumstance of the sponsored project**, and the link between the cost and the activity is **close and clear**. Example costs and justifications are provided below.

Example 1:

1. **Postage Costs** - These costs are allowable as direct costs only when they directly support the special purpose or circumstance of the sponsored agreement. A postage meter or log should be used to document such support. Sponsored projects with such significant postage requirements should have those costs specifically identified and justified in the proposed budget to the sponsor.
2. **Office Supply Costs** - These costs cannot be charged to a sponsored project unless their applicability to the special purpose or circumstance of the sponsored agreement can be clearly established. Only those office supplies whose actual usage can be documented (either directly or through a reasonable allocation between projects) in the performance of the sponsored project may be directly charged.
3. **Local Telephone Charges** - These costs cannot be directly charged to a sponsored project unless their applicability to the special circumstance or purpose of the sponsored project can be clearly established. The basic telephone line charge and local calls should not be directly charged to a sponsored project, except in special circumstances where a separate, dedicated telephone line is necessary solely for the performance of the sponsored project.
4. **General Purpose Software and Computer Supplies** – General purpose computer supplies, including computer diskettes, printer paper for data and reports, and toner cartridges for the printer may not normally be directly charged. Also included in this category is general-purpose office software, such as word processing and spreadsheet programs. These costs cannot be directly charged to a sponsored project unless their applicability to the special circumstance or purpose of the sponsored project can be clearly established. If it can be documented that these types of supplies are used only for project purposes, then the cost(s) may be directly charged. These items must be justified in the budget. When such items are purchased to support multiple activities of project personnel, they may not be directly charged.
5. **Memberships and Subscriptions** - Memberships in professional or scholarly societies or subscriptions to scholarly publications should not be directly charged to sponsored projects unless their applicability to the special circumstance or purpose of the sponsored project can be clearly established. The link between the cost of the subscription and the project activity must be close and clear. If the required conference registration fee for a professional society/organization also happens to automatically include an annual membership in the professional organization, and if the registration fee itself is allowable as a direct cost to the project, then the membership cost is also allowable as a direct cost.

Example 2

Administrative Salaries (Multiple Examples)

(Geographically inaccessible)

Angie Grant, Office Service Specialist II, 100% effort. Ms Grant will provide technical administrative support for this project. The project will be conducted at a remote site in Bosnia, therefore prohibiting access to general administrative support. Her responsibilities to this project will include processing of personnel papers; management of all fiscal transactions; type and filing of correspondence, manuscripts and progress reports;

and data entry at the project site.

(Conference and seminar s)

Angie Grant, Office Associate, 25% effort. Ms. Grant will provide technical administrative support for this project. The purpose of this project is to organize the Comprehensive Comparative Blahblahologist Convention (CCBC), and Ms. Grant will be responsible for making travel arrangements for speakers, scheduling meeting space, receiving and confirming registration of participants, scheduling poster presentations and assigning space, negotiating reduced rate accommodations for participant, coordinating all aspects of the Blahblahologist Executive Committee Members' Local itinerary and travel needs. Ms. Grant will also coordinate the publication and distribution of the proceedings of the CCBC.

(Large, complex programs)

Angie Grant, Administrative Associate, 50 %. Ms. Grant will provide administrative support for the management of the program (Center or Multi-Center Clinical Trial): Her duties will include fiscal administration, personnel administration, preparation and filing of correspondence, manuscripts, and progress reports, make travel arrangement in conjunction with Executive Committee Meetings, and act as a liaison with the appropriate University and program administrative offices.

(Extensive data accumulation)

Angie Grant, Office Service Specialist, 20% effort. Ms. Grant will provide technical administrative support for this project. The purpose of this project is to accumulate data from a large number of participants in the outlying areas of the tri-county area. Ms. Grant will be responsible for photocopying a large number of survey instruments; stuffing, addressing and mailing those instruments to participants; receiving and cataloging incoming completed surveys; and entering the survey information into the survey database in accordance with established protocol.

(Preparation and Production of Manuals)

Angie Grant, Administrative Assistant, 20% effort. Ms. Grant will provide administrative support for this project. The purpose of this project is to organize and publish a comprehensive manual entitled Sponsored Research Proposal Preparation Related Morbidity and Mortality in Academic Institutions within the Continental United States. Ms. Grant will prepare correspondence for the Editor-In-Chief to the selected contributing authors and assisting editors, receive and organize submitted manuscript chapters, act as a liaison with the publisher, format all manuscripts into a contiguous document for submission to publishing house, distribute galleys to editors for proofreading and make necessary editorial corrections, mail copies to published work to contributors and editors; mail ordering information to the large number of participants in the recent conference who requested copies of the manual, receive and process book orders and mail manuals in response to processed orders.

Office/Administrative Supplies

Due to the special purpose and circumstance of this project, we have included Office/Administrative Supplies in the direct costs budgeted in this proposal. These items will not be used for routine administration, but will be dedicated solely to the technical conduct of the research plan. As outlined in Specific Aim 2, we plan to provide extensive training manuals to each of the study participants. These manuals will include detailed instructions for the completion of surveys for each Elvis sighting or UFO contact event and relate how this corresponds to their daytime television talk show viewing schedule and Little Debbie Snack Cake intake. As outlined in the research plan, we plan to recruit 200 participants in the study. Each participant will receive a manual, and will be contacted by postcard 8 times during the study. The manuals will contain 100 pages of printed instructions, 8 sets of 25 pages surveys, 1 set of binder section dividers, 8 large pre-addressed manila envelopes, and all will be inserted in a 2-inch 3-ring binder. Thus each participant cost for each manual will consist of:

<u>Item</u>	<u>Qty/Subject</u>	<u>Cost/Subject</u>	<u>x200 Subjects</u>
Paper	300 sheets	\$3.00	\$600.00
Postcards	8 each	\$4.00	\$800.00
Section Dividers	1 set	\$2.50	\$500.00
Manila Envelopes	8 each	\$4.00	\$800.00
Address Labels	16 each	\$1.00	\$200.00
<u>2-inch Binder</u>	<u>1 each</u>	<u>\$3.50</u>	<u>\$700.00</u>
Total cost for Manuals		\$18.00	\$3,600.00

Membership

Dr. B.A. Stone will present data from this study at the Annual Meeting of the Society of Aquamarine Geologists (SAG). In order to present at this meeting, she must be a member of SAG, therefore, \$200 is budgeted for membership fees.

Books

\$150 has been budgeted for the purchase of a technical manual that describes the protocols for multiple unique experimental methods that will be used in the course of this project. This book is currently unavailable at Paley Library for checkout, and we will utilize this manual on a daily basis in the lab for the conduct of the research outlined in the specific aims of this project.

Postage

\$3,200 has been budgeted for postage in order to provide stamped self-addressed envelopes to study participants to facilitate the return of completed surveys. These surveys are described in the research plan and an example survey is included at Appendix 1.

\$1,000 has been budgeted for postage in order to mail reminder cards to participants for their 6- and 12-month follow-up visits.

Supplies

Note: Supplies may be budgeted in lesser detail than it is tracked through the University system (e.g., you can budget all laboratory supplies as General Lab Supplies then break down the expenditures as requisitions are prepared to denote medical/surgical supplies, chemical/biological supplies, bulk gases, etc.). You may not budget in greater detail than items are tracked, however (i.e. budgeting supplies broken down into four categories, then coding all requisitions as general laboratory supplies). All budget items on the actual budget page must match Temple University account code categories (i.e., budget for chemical/biological supplies rather than radioisotopes.) Please refer to the [Chart of Accounts](#) for the appropriate category titles. You may, of course, elaborate as much as necessary in the budget justification or parenthetical information on the budget pages.

General Laboratory Supplies

\$10,000 has been budgeted for general laboratory supplies. These supplies will consist of the following items:

PCR Supplies:.....\$5,000
 Plastic ware and glassware:.... \$1,000
 Solutions and chemicals:..... \$2,000
 Fetal bovine serum:..... . \$2,000

Personal Computers

Note: Personal computers should only be purchased from sponsored project funds if they will be dedicated to the scientific conduct of the project (i.e., the computer should not be used or used only incidentally for administrative purposes or by administrative personnel). It is the responsibility of the Principal Investigator to ensure that fraudulent purchases of items of equipment that could also be used as general-purpose equipment are not charged to sponsored projects awarded to this institution.

\$3,000 has been budgeted for the purchase of a laptop computer. This computer will be dedicated to the accomplishment of the specific aims of this project as described in the research plan. As participants will be interviewed in selected area hospitals, it is necessary to have a computer on-site in order to enter the data as it is received from the participant, then review the entered data with the study participant to insure accuracy. On-site computer entry facilitates quality control and removes the possibility of human error that could occur while transferring data from a paper survey to the computerized database. Additionally, the added benefit of having the participant perform a review of entered data adds an additional quality control check for accuracy of information.

Appendix VI Unallowable F&A and Sponsored Agreement Costs^[KR4]

PROCEDURE APPENDIX V

Unallowable costs include not only those costs described in sponsor award terms and conditions and/or 2 CFR §200.420 as unallowable, but also include “directly associated costs,” which are those that would not have been incurred if the unallowable cost had not been incurred.

While a cost defined in 2 CFR §200.402 Composition of costs through §200.411 may be determined unallowable as a direct cost to any federally sponsored agreement, it still may be a cost that is reasonable and necessary to the conduct of the business of the University. Such costs may be charged to cost centers that are part of the University’s indirect cost pools (e.g. academic units, dean’ offices and central administration) that may be allocated to federally sponsored agreements. Such costs need to be identified and removed from these cost pools. **As such, the use of appropriate account codes and/or center numbers described below applies to ALL unallowable cost incurred by the University, regardless of the source of funds.**

The university identifies unallowable cost at three levels. If the entire activity is unallowable (e.g. Development Office and Alumni Affairs) its cost is identified to one or more FOAPALs and included in the Other Institutional Activities direct cost base. Unallowable costs in instructional activities and other direct cost functions remain in their respective direct cost bases and unallowable cost of indirect cost functions is eliminated from the F&A cost pools. Such costs are identified at the expense account code level or by a review of transactions.

2 CFR §200.420 and University Account/FOAPAL Numbers & Transactions

Listed below are selected items of cost defined as unallowable under §200.420 and how the University accounts for such cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost.

Unallowable Cost Categories	How Identified
<p>§200.421 Advertising and Public Relations</p> <p>The only allowable advertising costs are:</p> <ul style="list-style-type: none">• Recruitment of personnel• Procurement of goods and services• Disposal of scrap or surplus materials• Program outreach required by a sponsored agreement <p>The only allowable public relations costs are:</p> <ul style="list-style-type: none">• Costs specifically required by the Federal award;• Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or• 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.	<p>Central Administration Use: Advertising: FOAP 100000-47460-06 Public Relations: FOAP 100000-47430-06 Other cost centers established to record special promotional advertising costs.</p> <p>Departmental Units Use: ^[KR5] Promotional Advertising: Account Code 7370</p>
<p>§200.422 Advisory councils^[KR6]</p>	<p>^[KR7]</p>

<p>Are unallowable unless authorized by Federal statute, the federal awarding agency or as an indirect cost where allocable.</p>	
<p>§200.423 Alcoholic beverages</p> <p>Alcoholic beverages are unallowable, including beer, wine, and mixed alcoholic drinks. However, alcohol can be directly charged to a research project if the nature of the research specifically requires the purchase and use of alcohol, and the sponsor explicitly approves the cost.</p>	<p>All Units Use: Entertainment Account 7506</p>
<p>§200.422 Alumni/ae activities</p> <p>Costs incurred for, or in support of, alumni/alumnae activities and similar services are unallowable</p>	<p>Central Administration Use: Alumni Affairs: FOAP 100000-47200-06</p>
<p>§200.426 Bad Debts [KR8]</p> <p>Any losses, whether actual or estimated, arising from uncollectible accounts and other claims, and any related collection and legal costs are unallowable.</p>	<p>All Units Use: Bad Debt Expense Account 7640</p>
<p>§200.429 Commencement and Convocation</p> <p>Costs incurred for commencement and convocations are unallowable.</p>	<p>Central Administration Use: Special Events: FOAP 100000-47100+0+0</p> <p>Departmental Units Use: Commencement Costs Account 7530</p>
<p>§200.433 Contingency Provisions</p> <p>Contingency reserves or similar provision made for events, the occurrence of which cannot be foretold with certainty, is unallowable.</p> <p>Contingency amounts which are explicitly budgeted may be allowable when approved by the sponsor. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation. In order for actual costs incurred to be allowable, they must comply with Temple University's Allowable Cost Policy.</p>	<p>Transaction Review</p>
<p>§200.434 Contributions and Donations</p> <p>All donations and contributions made by the University, regardless of the recipient, are unallowable. Services donated or volunteered to a sponsored project may be used to meet cost sharing requirements.</p>	<p>All Units Use: Contributions, Fines & Penalties Account 7608</p>
<p>§200.435 Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements</p> <p>Generally, these costs are unallowable. The only exception is when the federal government specifically authorizes the condition causing the action.</p>	<p>Transaction Review with University Counsel</p>
<p>§200.438 Entertainment Costs</p> <p>Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable. Entertainment costs are allowable, when the purpose of the</p>	<p>All Units Use: Entertainment Account 7506 [KR9]</p>

<p>entertainment is considered to have a programmatic purpose and the costs are authorized either in the approved budget or with prior written approval of the sponsor.</p>	
<p>§200.441 Fines and Penalties</p> <p>Costs resulting from violations of or failure of the institution to comply with Federal, State, and local or foreign laws and regulations are unallowable. The only exception is when the sponsor authorizes, in advance, such payments.</p>	<p>All Units Use: [Contributions],[KR10] Fines & Penalties Account 7608</p>
<p>§200.442 Fund Raising and investment management costs</p> <p>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 are unallowable. This includes salary, printing, room charges, travel, meals, and supply costs of fund raising. However[KR11], fund raising costs for the purpose of meeting the program objectives are allowable with sponsor prior written approval.</p>	<p>Central Administration Use: Development Office: FOAP 100000-47000-06</p> <p>Departmental Units Use: Fund Raising Account Code 6508 plus related benefits or account 7384</p>
<p>§200.445 Goods or Services for Personal Use</p> <p>Costs for goods or services for personal use by University employees, including housing expenses (e.g. depreciation, rent, maintenance, utilities, furnishings, etc.), housing allowances, and personal living expenses for University officers, are unallowable. When approved in advance by the sponsor, housing costs can be allowable.</p>	<p>Transaction Review</p> <p>Executive Payroll: FOAP 100000-66500-06</p>
<p>§200.449 Interest Expense</p> <p>Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the University's own funds, however represented, are unallowable.</p>	<p>Short Term Debt Interest Account 7580 in FOAP 100000-67150-06</p> <p>Review Long-Term Debt Interest Account 7580 in 85xxxx FOAP's</p>
<p>§200.450 Lobbying</p> <p>In general, lobbying costs are unallowable, except in the case of technical and factual presentations directly related to the performance of a , contract or other agreement in response to a request made by member of congress, legislative body or a subdivision, or a cognizant staff member thereof.</p>	<p>Central Administration Use: Government Relations: FOAP 100000-41000-06</p> <p>Departmental Units Use: 7386</p>
<p>§200.451 Losses on other awards or contracts.</p> <p>Any excess of costs over income for any sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the University's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.</p>	<p>Use Direct Cost Account Codes</p>
<p>§200.454 Memberships, Subscriptions and Professional Activity Costs</p> <p>Memberships in any country club or social or dining club are unallowable. Costs of membership in civic or community organizations are allowable with prior approval of the sponsor.</p>	<p>Dues and Memberships Account 7320</p>

<p>Membership in any organization whose primary purpose is lobbying is unallowable. Membership in business, technical and professional organizations are allowable.</p> <p>[(KR12)]The only allowable subscription costs are for subscriptions to business, professional or technical periodicals.</p>	
<p>§200.467 Selling and Marketing</p> <p>Costs of selling and marketing any services or products of the institution are unallowable, unless necessary for the performance of the award and specifically provided for in the award or by the sponsor.</p>	<p>Auxiliary Enterprise FOAPs</p>
<p>§200.469 Student activity costs</p> <p>Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable.</p>	<p>Student Services FOAPs</p>

Appendix VI Applicable F&A Rates

PROCEDURE APPENDIX VI

Temple University's approved F&A rate is composed of multiple rates and the applicable rate depends on type of activities being carried out and the location of those activities. These requirements apply to all sponsored projects whether sponsored by a federal or non-federal agency, funded by private industry, or funded internally by the University. Any proposed exceptions to this policy must be documented by each unit and approved in advance by Temple's Management.

Temple's federally approved F&A rate is based on the application of the rate to a project's Modified Total Direct Cost. Modified Total Direct Costs (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000.

On-Campus v. Off-Campus Rates. Projects located on-campus are awarded higher F&A rates by sponsors than those located off-campus since on-campus sponsored projects utilize facilities related University resources such as building depreciation, utilities, security and maintenance, in addition to administrative resources such as finance, human resources and information services. Off-campus projects consume only the administrative resources of the University.

On Campus rates are users of facilities directly related to University resources such as building depreciation, utilities, security and maintenance, in addition to administrative resources such as finance, human resources and information services.

Off-campus activities as those "performed in facilities not owned by the institution and to which rent [if necessary] is directly allocated to the project.

Off-Campus Adjacent Rate takes into account the availability of the library in addition to the administrative resources of the University and applies to "locations within the commuting distance of the city of Philadelphia," according to the F&A Rate Agreement

Off-Campus Remote Rate takes into account the consumption of administrative resources only, is lower than the Adjacent Rate and applies to "locations outside of the commuting distance of the city of Philadelphia."

Sponsored Activity Type. Sponsored activities are divided into three different types of activities: Research, Instruction, and Other Sponsored Activity.

Research (Sponsored Research) is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. *Sponsored research* means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities.

Instruction (Sponsored Instruction) means specific instructional or training activity established by , contract, or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution's accounting treatment may include it in the instruction function.

Other sponsored activities mean programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

For the specific rate applicable to a sponsored project see Temple University's current approved F&A rate agreement.

All individuals involved with the administration and conduct of sponsored activities, including Temple's Management (TGM), Research Accounting Services (RAS), Principal Investigators and Business Managers must comply with the requirements to appropriately budget and charge F&A costs to ensure the University maintains an effective internal control environment.

TGM must ensure the proper F&A rate is incorporated into the sponsored project proposal, if applicable, and notify RAS at the time a center number is requested, whether the project is on or off-campus. RAS is responsible for appropriately allocating F&A costs directly to individual sponsored projects.
