Unallowable Costs
Administrative Procedure

Approved By: B. Hofler Milam, Senior Vice President for Finance and Administration & CFO
Effective Date: March 12, 2014
History: Approval Date: March 12, 2014
Revisions: n/a
Type: Administrative Procedure
Finance Policy Number: 3.12.05
Responsible Official: Associate Vice President for Finance and Controller
Financial and Accounting Services
Office of Research and Sponsored Programs
Related Policies: Unallowable Cost Administrative Policy

Procedure Statement
The University conducts research that is sponsored by the federal government as well as private sponsors. Sponsored research grants and contracts are an essential element in creating a collegiate university and providing outside funding to support the academic mission and research function of the University. As a recipient of federally and privately sponsored grants and contracts, the University is required to comply with all policies and regulations set forth by the federal government and private sponsors, including compliance with the Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions (OMB A-21) as well as the University’s Unallowable Cost Policy.

Reason for the Procedure
The purpose of this procedure is to detail the steps taken in the event of noncompliance with the University’s Unallowable Cost Policy.

Responsibilities
Primary Guidance
OMB Circular A-110 “Uniform Administration Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
(http://www.whitehouse.gov/omb/circulars_a110)

Responsible University Offices or Officers and Personnel
Associate Provost for Research
AVP for Finance & Controller
Financial & Accounting Services
Office of Research & Sponsored Programs
Deans and Department Chairs
Principal Investigators
Business Administrators

Who Is Governed By This Policy
All Wake Forest University faculty, staff, and students who administer federally and privately sponsored research agreements/contracts.

Who Should Know This Policy
All Wake Forest University faculty, staff, and students who administer federally and privately sponsored research agreements/contracts.

Exclusions & Special Situations
None

Highlights of Revisions, by Date
None

Related Documents
Business Expense Policy (http://finance.wfu.edu/policies-and-procedures)
Cost Transfer Explanation Form (http://finance.wfu.edu/forms)
Expenditure Voucher Form (http://finance.wfu.edu/forms)
Travel, Meals and Entertainment Policy (http://finance.wfu.edu/policies-and-procedures)
Unallowable Costs Policy

Procedure
All university faculty, staff, and students involved in conducting and administering federally sponsored research must be familiar with unallowable costs defined in OMB A-21 as well as specific guidelines set forth in grant agreements and contracts. The federal government established OMB Circular A-21 Cost Principles for Educational Institutions (OMB Circular A-21) to provide principles for determining the costs applicable to grants, contracts, and other agreements with educational institutions. It is the University’s responsibility to maintain compliance with the directives of OMB Circular A-21 in charging costs to federally funded grants and contracts. Section J of OMB Circular A-21 provides standards to be applied in establishing both allowable and unallowable
Unallowable Costs

It is the University’s responsibility to maintain business processes that clearly identify unallowable costs and segregate them from federally sponsored projects, as established in the University’s Unallowable Cost Policy. This includes identifying unallowable costs and appropriately excluding them for any application, proposal, billing, or claim related to a federally-sponsored agreement. In the event that a University department, with primary responsibility for sponsored projects, has not properly identified and removed all unallowable costs, Financial & Accounting and Services (FAS) or the Office of Research and Sponsored Programs (ORSP) will seek resolution from those individuals with oversight responsibilities.

Specifically, if an unallowable cost is charged to sponsored project fund, the department will be contacted by FAS and asked to prepare a journal entry to transfer the charge from the grant and provide an explanation for the transfer by filling out the University’s Cost Transfer Explanation Form. If an unallowable cost remains on a sponsored project 30 days after identification, Financial & Accounting Services will prepare a journal entry to transfer the unallowable cost in the following order:

1) Principal Investigator’s (PI) 10% indirect return fund (D-fund). A copy of the journal entry will be sent to the PI.

2) Department’s 40% indirect return fund (D-fund). A copy of the journal entry will be sent to the Department Chair and the PI.

3) Departmental operating budget. A copy of the journal entry will be sent to the PI, the Department Chair and the Dean of the College.

Definitions

*Indirect return fund*– reimbursement to the University for indirect expenditures also known as facilities and administrative costs or overhead necessary to create and maintain the environment in which research is conducted. The University accumulates indirect returns from sponsored research grants and projects into “D-funds” which are used to support research efforts.

*Principal Investigator* – individual in charge of a sponsored project and who is responsible for all aspects of the sponsored project including financial management and effort review and certification.

Contact(s)

Grants Accounting & Compliance: grantsaccounting@lists.wfu.edu

Web Address for Policy

http://finance.wfu.edu/faculty-staff/grants-and-awards-management