



THE HENRY M. JACKSON FOUNDATION FOR THE
ADVANCEMENT OF MILITARY MEDICINE, INC.

OFFICE OF SPONSORED PROGRAMS

QUICK REFERENCE GUIDE TO ALLOWABLE COSTS

UNDER FEDERALLY-SPONSORED AWARDS

This **Guide** provides summary information on the allowability of costs charged to Federally-sponsored grants and cooperative agreements. This information is excerpted from Office of Management and Budget Circular A-122, **Cost Principles for Non-Profit Organizations**. Please become familiar with this information. Address any questions regarding the information in this **Guide** or about any of the terms and conditions of your award to your Grants Specialist.

SELECTED ITEMS OF COST

Advertising and Public Relations Costs: The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television programs, direct mail, exhibits, and the like. The only allowable advertising costs are those which are solely for: (1) the recruitment of personnel required for the performance of obligations arising under a sponsored award; (2) the procurement of goods and services for the performance of a sponsored award; and (3) other specific purposes necessary to meet the requirements of the sponsored award.

The term public relations includes community relations and means those activities dedicated to maintaining the image of the organization or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. The only allowable public relations costs are: (1) costs specifically required by sponsored awards; (2) costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored awards (these costs are considered necessary as part of the outreach effort for the sponsored awards); or (3) 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 contract/grant awards, financial matters, etc.

Unallowable advertising and public relations costs include the following: (i) all advertising and public relations costs other than as specified above; (ii) costs of meetings or other events related to fund raising or other organizational activities including costs of displays, demonstrations, and

exhibits; costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and salaries and wages of employees or cost of services engaged in setting up and displaying exhibits, making demonstrations, and providing briefings; (iii) costs of promotional items and memorabilia, including models, gifts, and souvenirs; and (iv) costs of advertising and public relations designed solely to promote the organization.

Alcoholic Beverages: Costs of alcoholic beverages are unallowable.

Communication Costs: Costs incurred for telephone services, local and long distance telephone calls, telegrams, radiograms, postage, and the like are allowable.

Contingency Provisions: Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

Entertainment: Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.

Equipment and Other Capital Expenditures

- a. As used in this paragraph, the following terms have the meanings set forth below:
- (1) **Equipment** means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$500 or more. (NOTE: Effective October 1, 2002, the threshold for equipment becomes \$5,000).
 - (2) **Acquisition cost** means the net invoice unit price of an item of equipment, including **b** cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.
 - (3) **Special purpose equipment** means equipment which is usable only for research, medical, scientific, or technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.
 - (4) **General purpose equipment** means equipment which is usable for other than research, medical, scientific, or technical activities, whether or not special modifications are needed to make them suitable for a particular purpose. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment.
- b. (1) Capital expenditures for general purpose equipment are unallowable as a direct cost except with the prior approval of the awarding agency.
- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior approval of awarding agency.
- c. Capital expenditures for land or buildings are unallowable as a direct cost except with the prior approval of the awarding agency.
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- d. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

Goods or Services for Personal Use: Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

Maintenance and Repair Costs: Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures.

Materials and Supplies: The costs of materials and supplies necessary to carry out an award are allowable. Such costs should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the organization. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges may be a proper part of material cost. Materials and supplies charged as a direct cost should include only the materials and supplies actually used for the performance of the contract or grant, and due credit should be given for any excess materials or supplies retained, or returned to vendors.

Meetings and Conferences

- a. Costs associated with the conduct of meetings and conferences include the cost of renting facilities, meals, speakers' fees, and the like.
- b. To the extent that these costs are identifiable with a particular cost objective, they should be charged to that. These costs are allowable, provided that they meet the general tests of allowability.
- c. Costs of meetings and conferences held to conduct the general administration of the organization are allowable.

Memberships, Subscriptions, and Professional Activity Costs

- a. Costs of the organization's membership in business, technical, and professional organizations are allowable.
- b. Costs of the organization's subscriptions to business, professional, and technical periodicals are allowable.

- c. Costs of meetings and conferences, when the primary purpose is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, and other items incidental to such meetings or conferences.
- d. Costs of membership in any civic or community organization are allowable with prior approval by Federal cognizant agency.
- e. Costs of membership in any country club or social or dining club or organization are unallowable.

Participant Support Costs: Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.

Page Charges in Professional Journals: Page charges for professional journal publications are allowable as a necessary part of research costs, where:

- a. The research papers report work supported by the Federal Government; and
- b. The charges are levied impartially on all research papers published by the journal, whether or not by federally-sponsored authors.

Professional Service Costs

- a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the organization, are allowable.
- b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:
 - (1) The nature and scope of the service rendered in relation to the service required.
 - (2) The necessity of contracting for the service, considering the organization's capability in the particular area.
 - (3) The past pattern of such costs, particularly in the years prior to Federal awards.
 - (4) The impact of Federal awards on the organization's business.
 - (5) Whether the service can be performed more economically by direct employment rather than contracting.
 - (6) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Federal awards.
 - (7) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

Publication and Printing Costs

- a. Publication costs include the costs of printing (including the processes of composition, platemaking, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling.
- b. Publication and printing costs are unallowable as direct costs except with the prior approval of the awarding agency.

Rearrangement and Alteration Costs: Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the awarding agency.

Reconversion Costs: Costs incurred in the restoration or rehabilitation of the organization's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, fair wear and tear excepted, are allowable.

Rental Costs

- a. Subject to the limitations described below, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased.
- b. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the organization continued to own the property.
- c. Rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested in the organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of an organization; (ii) organizations under common control through common officers, directors, or members; and (iii) an organization and a director, trustee, officer, or key employee of the organization or his immediate family either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.

Specialized Service Facilities

- a. The costs of services provided by highly complex or specialized facilities operated by the organization, such as electronic computers and wind tunnels, are allowable.
- b. The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that: (i) does not discriminate against Federally-supported activities of the organization, including usage by the organization for internal purposes; and (ii) is designed to recover only the

aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all indirect costs.

Transportation Costs: Transportation costs include freight, express, cartage, and postage charges relating either to goods purchased, in process, or delivered. These costs are allowable. When such costs can readily be identified with the items involved, they may be directly charged as transportation costs or added to the cost of such items (see Materials and Supplies).

Travel Costs

- a. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the organization. Travel costs are allowable when they are directly attributable to specific work under an award or are incurred in the normal course of administration of the organization.
- b. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used results in charges consistent with those normally allowed by the organization in its regular operations.
- c. The difference in cost between first-class air accommodations and less than first-class air accommodations is unallowable except when less than first-class air accommodations are not reasonably available to meet necessary mission requirements, such as where less than first-class accommodations would: (i) require circuitous routing; (ii) require travel during unreasonable hours; (iii) greatly increase the duration of the flight; (iv) result in additional costs which would offset the transportation savings; or (v) offer accommodations which are not reasonably adequate for the medical needs of the traveler.
- d. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must be approved. For purposes of this provision, foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions.