

Allowable and Unallowable Costs

Cost considerations are critical throughout award life. Award budgets and all post-award changes are reviewed for compliance with the governing cost principles and other requirements and policies applicable to the type of award.

The decision of whether a proposed cost is allowable or unallowable is based on the ability to specifically associate the cost with the project, rather than on the nature of the goods or services.

- **Allowable Expenses** – direct expenses that are project-specific and included in the approved AHW project budget
- **Unallowable Expenses** – expenses that may not be incurred using AHW funds, including any indirect expenses such as expenses related to the normal operating functions of the organization.

The following criteria apply to all expenses:

- Failure to mention a specific cost category does not imply it is either allowable or unallowable
- All purchased materials and supplies must be consumable during the life of the project
- Expenses must be demonstrated to be totally or incrementally incurred as a direct association to the approved project aims and objectives
- Expenses using AHW funds may not supplant (replace) funds or resources that are available from other sources
- Sales Tax - Given the non-profit, tax-exempt status of Medical College of Wisconsin (MCW) and AHW's Endowment's partner organizations, sales tax will generally not be reimbursed. To practice appropriate stewardship and maximize the impact of AHW funds, partners should avoid incurring sales tax on purchases.

ALLOWABLE COSTS		
Cost	Description	Examples / Clarification
Advertising	Advertising for vacant project-related personnel positions, research subjects or publicity of events or meetings Tangible branded promotional materials specifically related to the project	Excludes faculty recruitment
Books, Journals, Licenses and Subscriptions	Books, journals, licenses and subscriptions to professional or technical publications specifically related to the project	Unallowable if benefits education or research in general or the faculty/community member in general
Consultant	Individual/organization not employed by an applicant organization hired to perform professional, short-term services specifically related to the project	MCW PIs must follow MCW Corporate policies governing the use and payment of consultants
Equipment	Special purpose equipment with a useful life of more than one year and a cost greater than \$5,000 used only for project-related technical activities	Unallowable if general purpose equipment such as office equipment and furnishings not limited to research or technical use
Honoraria	Payment for services, such as speaker fees, associated with a project-related conference or symposium	
Internal Service Charge	Operating units that use specialized equipment or technical expertise to provide project-related goods or services for a fee (mass spectrometry, biostatistician, etc.)	
Maintenance and Repair	Costs to keep project-related supplies and equipment in efficient operating condition	
Meals and Meeting Refreshments	Meals associated with a project-related conference or symposium, meeting requirements, site visit meals and guest meals	

ALLOWABLE COSTS		
Cost	Description	Examples / Clarification
Photocopying and Printing	Photocopying and printing of documents for non-routine, project-specific use	
Postage/Messenger Service	Non-routine, project-specific postage costs, overnight delivery service or special shipping services, other than routine postage costs, including shipping of samples, receiving goods for project use or other delivery items	
Professional Memberships and Dues	Memberships and dues to belong to professional or technical organizations that further the aims and objectives of the project	Unallowable if general professional development expenses
Publication Costs	Charges for project-related publication in professional journals, including author fees, if such costs are actual, direct, and reasonable to advance the aims and objectives of the award; are charged consistently by the journal regardless of the source of support; and all other applicable rules on allowability of costs are met	Unallowable if benefits education or research in general or an individual in general
Rent	Cost to lease space or equipment Direct cost treatment must be specifically requested and justified in proposal or in an approved change request	Unallowable if not an incremental cost directly attributable to the project
Research Incentives	Payments that are made to individuals for participating in project-specific research sponsored by AHW	
Supplies – Electronics and Software	Project-related goods with a unit cost of \$5,000 or less, including computers, office equipment, software licenses etc.	

ALLOWABLE COSTS		
Cost	Description	Examples / Clarification
Supplies – Office Supplies	<p>Project-related office supplies maintained for general use by all staff for use on the project</p> <p>Cost to the project should be net of credits, discounts, and rebates; freight costs are part of supply cost; sales tax is not generally part of supply cost - see above criteria section on P.1 of this document</p>	<p>Including, but not limited to, pens, pencils, writing paper, file folders, letterhead, envelopes, staples, staplers, rulers, etc.</p>
Telephone, Fax Lines, Internet Service, and Pagers	<p>Equipment and service costs for telephones, fax service, internet service, and pagers specifically related to the project</p>	<p>Unallowable if benefits education or research in general or an individual in general</p> <p>Must be an incremental cost directly attributable to project</p>
Travel	<p>Transportation, lodging, per diem and related costs, in accordance with MCW travel policy and/or the community partner’s travel policy that further the aims and objectives of the project</p>	<p>Unallowable if general professional development expenses</p>
Tuition	<p>Cost of classes at a non-MCW educational institution; AHW funds cannot be used to pay MCW tuition</p>	<p>Direct cost treatment must be specifically requested and justified in proposal or in an approved change request; classes must provide direct benefit to the project</p> <p>Unallowable if class benefits project personnel in general</p>
Salaries and Fringe Benefit – Program Personnel	<p>Personnel performing project-specific work based on the percentage of effort devoted by the employee</p>	<p>In situations of nepotism, AHW approval is required</p> <p>Medical or non-medical leaves of absence should not be supported by AHW funds</p>

UNALLOWABLE COSTS	
Cost	Description
Alcoholic Beverages	Purchase of alcoholic beverages and associated taxes (includes beverages with approved meeting expenses)
Alterations and Renovations	Rearrangement, alteration or renovation of facilities to expand or improve use
Alumni Activities	Alumni relations and alumni service costs
Audit Fees	Cost of annual financial audit required for community partners to remain in compliance with AHW funding requirements
Bad Debts	Losses from uncollectible accounts, collection costs and related legal costs
Commencement/Convocation	Costs of ceremonies and receptions
Contingency Funds	Provisions made for events that are uncertain as to actual occurrence, timing or extent
Defense, Prosecution, Claims and Appeals	Costs resulting from defense, prosecution, claims and appeals expenses
Depreciation	Cost of an asset (building or equipment) spread over the asset's useful life
Donations/Contributions and Fund Raising	Includes gifts, memorials and purchase of tables at fund raising events; Costs for development activities, including solicitation of gifts and bequests, endowment drives and capital campaigns
Entertainment	Amusement, social activities and related costs (tickets, meals, lodging and gratuities)
Faculty Recruitment Expenses	Includes, but is not limited to: relocation expenses, faculty recruitment search and marketing expenses, visas, bonuses, and entertaining expenses to help secure faculty recruitments
Fines and Penalties	Costs resulting from violations of laws and regulations
Goods or Services for Personal Use by Employees	Items or services providing direct personal benefit to employees
Interest	Interest expenses
Insurance	Insurance coverage for normal business purposes
Investment Management	Costs of investment counsel
Lobbying	Attempts to influence outcomes of elections or other political actions
Losses on Project Agreements	Costs in excess of available funding are unallowable as a direct cost on another project agreement
Patient Care Costs	Payment of expenses directly related to patient care are treated as patient care costs
Pre-Award Costs	Costs incurred prior to the effective date of the project agreement

UNALLOWABLE COSTS

Cost	Description
Proposal Costs	Proposal preparation, including typing, copying and mailing costs, for new and renewal applications
Public Relations and Marketing	Public relations, marketing and related advertising costs intended to promote the organization/department or improve community relations that are not project specific
Salary/Fringe for Administrative Personnel	General administration including professional and clerical staff
Scholarships and Student Stipends	Funds provided to support education or living expenses for students