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## **Unallowable Costs Administrative Procedure**

Approved By:	B. Hofler Milam, Senior Vice President for Finance and Administration & CFO
Effective Date :	June 30, 2015
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:	Cost Principles, Audit and Administrative Requirements for Sponsored Research Unallowable Cost Administrative Policy

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### **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 (OMB) Uniform Guidance.

### **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 Uniform Guidance "OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards"

[www.whitehouse.gov/sites/default/files/omb/financial/grant\\_reform/proposed-omb-uniform-guidance-for](http://www.whitehouse.gov/sites/default/files/omb/financial/grant_reform/proposed-omb-uniform-guidance-for)

## **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**

Account Code Dictionary (<http://finance.wfu.edu/faculty-staff/financial-reporting>)  
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  
Restricted Funds Deficit  
Resolution  
Cost Transfer and Cost  
Allocations

## **Procedure**

All university faculty, staff, and students involved in conducting and administering federally sponsored research must be familiar with unallowable costs defined in OMB Uniform Guidance 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 the Uniform Guidance in charging costs to federally funded grants and contracts.

## **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](mailto:grantsaccounting@lists.wfu.edu)

## **Web Address for Policy**

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