When to Use “Unallowable Cost” Spend Categories

There are two types of “allowability”:

- What we direct-charge to a sponsored award and
- What the government will reimburse us for through the Facilities & Administration (F&A) rate.

When we have an expense that requires charging instructions, we need to ask two questions:

1. Is this expense allowable on my sponsored award?
   - If allowed, use the Grant.
   - If not allowed, must use a non-sponsored Gift or Yale Designated.

2. Is this activity one that the government will reimburse if we use University funds as discussed in Appendix A to 2 CFR Part 220 (formerly OMB Circular A-21)? This determines the spend category (SC) to use.
   - If 2 CFR Part 220 Appendix A says “no”, we use the Unallowable SC [Ex: Professional Services - Unallowable (SC233). This might refer to consulting fees that the University will pay for but the government will not reimburse.]
   - If 2 CFR Part 220 Appendix A says “yes”, we use the regular/allowable SC. [Ex: Professional Services-Mgt Consulting (SC230). This might refer to something like consulting fees, if that were allowed by the government.]

Unallowable spend categories can only be used with a non-sponsored award.

More specific questions on allowability for both direct charging and F&A rate should be directed to the Office of Sponsored Projects.

University Procedure 1305 PR.04 (Unallowable Costs):
https://your.yale.edu/policies-procedures/procedures/1305-pr04-unallowable-costs