



Arecibo Observatory

Office of the Director

SUBJECT: Unallowable Costs for US Government Contracts/Grants	Effective Date: 04-30-2020	Policy Number: AO-POFM04
	Page 1	Of 3
	Responsible Authority: Director of the Arecibo Observatory	

DATE OF INITIAL ADOPTION AND EFFECTIVE DATE: April 30, 2020

APPLICABILITY/ACCOUNTABILITY

Arecibo Observatory personnel involved in the administration of a contract/grant from a US Government Organization will be required to read this Policy and this will be documented in the individual's training record.

GENERAL POLICY

The federal government has determined that certain costs cannot be allowed in prices, cost reimbursements or settlements under contracts/grants with the US Government. The government will not reimburse these costs as direct charges to federal government contracts/grants or through indirect expense pools applied to federal government contracts. An organization is not prohibited from incurring unallowable costs, but they cannot be recovered either directly or indirectly under federal government contracts/grants.

POLICY STATEMENT

To manage unallowable costs, separate accounts must be established for these type of expenses and they must not be priced directly into federal government contracts/grant proposals.

Unallowable Costs Categories:

- a. Advertising Costs are allowable only if they are necessary to meet the requirements of the contract performance.
- b. Public Relations Costs are unallowable except for (1) costs specifically required by government contracts, (2) cost of communicating with the public and press pertaining to specific accomplishments which result from government contracts or (3) costs of conducting communication and liaison necessary to keep the public informed on matters of public concern such as notices of awards, financial matters, etc.
- c. Alcoholic Beverage Costs are unallowable.
- d. Bad Debt Costs are unallowable.
- e. Automobile Costs for Personal Use are unallowable.
- f. Defense and Prosecution of Criminal and Civil Proceedings, Claims Appeals and Patent Infringement are generally unallowable.
- g. Donations and contributions are unallowable.
- h. Entertainment Costs are unallowable.
- i. Executive Lobbying Costs Incurred in attempting to improperly influence either directly or indirectly an employee or officer of the Federal Government regarding a contract are unallowable.
- j. Fines and penalties resulting from failure of the company to comply with federal, state, local or foreign laws and regulations are unallowable.
- k. Goods and Services Cost for Personal Use are unallowable.
- l. Personal Housing and Living Expenses are unallowable. (Not to be confused with direct travel costs which are allowable)
- m. Insurance Costs to protect against defects in materials or workmanship are unallowable.
- n. Interest and Investment Management Costs are unallowable except for cost related to the physical custody and control of monies and securities and for interest cost paid to external parties for assets (buildings and equipment) used to support government contracts.
- o. Losses on Government or Other Contracts are unallowable.

- p. Membership Costs in Civic, Community Organizations, Country Clubs or Social or Dining Clubs are unallowable.
- q. Pre-Contract Costs, unless approved by the Contracting Agency, are unallowable.
- r. Airfare Travel Costs in excess of the lowest available commercial discount or standard coach airfare are unallowable.

CONTACTS

Director of the Arecibo Observatory, ext. 212, Francisco.Cordova@ucf.edu

Principal Investigator/Program Director, Ramon.Lugo@ucf.edu

INITIATING AUTHORITY

Director of the Arecibo Observatory

POLICY APPROVAL	
(For use by the Office of the Director)	
Policy Number: AO-POFM04 Unallowable Costs for US Government Contracts/Grants	
Initiating Authority: _____	Date: _____
Principal Investigator: _____	Date: _____