



# National Science Foundation

## Cost Analysis and Audit Resolution Branch (CAAR) Targeted Review Area: Unallowable Costs



### IMPORTANT LINKS:

National Science Foundation  
[www.nsf.gov](http://www.nsf.gov)

Division of Institution and Award Support  
[www.nsf.gov/bfa/dias](http://www.nsf.gov/bfa/dias)

Cost Analysis and Audit Resolution Branch  
[www.nsf.gov/bfa/dias/caar/index.jsp](http://www.nsf.gov/bfa/dias/caar/index.jsp)

NSF Proposal & Award Policies and Procedures Guide  
[www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=papp](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=papp)

Prospective New Awardee Guide  
[www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=pnag](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=pnag)

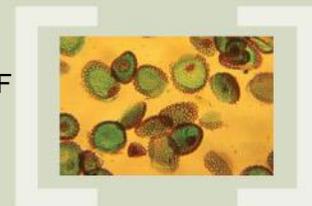
General Federal Requirements  
[www.nsf.gov/bfa/dias/caar/fed.jsp](http://www.nsf.gov/bfa/dias/caar/fed.jsp)

Questions may be directed to CAAR  
Phone: (703) 292-8244



### Overview/Purpose

Expenditures recorded to NSF cost-reimbursable grants are governed by the federal cost principles and must conform to NSF policies, grant special provisions, and awardee internal policies. Awardee organizations must ensure that costs claimed under NSF grants are allocable, allowable, necessary, and reasonable under the applicable cost principles, NSF policy, and/or the program solicitation.



**Federal Acquisition Regulation (FAR) Part 31** documents cost principles applicable to for-profit organizations. Effective December 26, 2014, **2 CFR §200.400 - 475** details federal cost principles applicable to educational institutions, non-profit organizations, and state/local governments. Previous guidance documented cost principles for these awardees as follows:

- Educational Institutions: 2 CFR Part 220 / OMB Circular A-21
- Non-Profit Organizations: 2 CFR Part 230 / OMB Circular A-122
- State/Local Governments: 2 CFR Part 225 / OMB Circular A-87

Awardees must establish internal controls to ensure the adequate segregation of unallowable costs in the accounting system. Additionally, awardees should provide information related to unallowable costs to employees responsible for identifying and processing these costs, including: procedures for the accounting treatment of unallowable costs, a list of expense accounts to which unallowable costs are charged, and examples of unallowable costs applicable to the awardee's operation.

### Additional Information

- **Applicability to Subrecipients:** Awardees are responsible for assuring that costs of all subawards under NSF grants are subject to the appropriate cost principles and procedures for the subaward type and organization involved.
- **Prior Approval Policy:** The funding of items identified in the budget constitutes NSF's authorization for the grantee to incur these costs, provided there are no limitations in the grant language and costs are otherwise allowable under the applicable cost principles. Costs not budgeted in an NSF award may be allowable if prior approval is not required and costs are incurred consistently with the applicable cost principles.
- **Reviews Conducted Using Data Analytics:** Many federal agencies, including NSF's Office of Inspectors General, incorporate advanced data analytics into their review processes. Such reviews typically include automated screenings of a large volume of transactions across an awardee's entire portfolio in lieu of manual screenings of select transactions for select awards. A variety of business rules identify transactions that are potentially questionable or require additional review. Commonly questioned transactions include: pre-award costs, purchases of equipment within 90 days of the award expiration date, purchases of supplies within 30 days of the award expiration date, transactions dated after the period of performance, excessive dining costs, and non-trivial participant support gifts and incentives. Awardees should regularly review their practices and maintain comprehensive supporting documentation to substantiate these types of transactions.

For more information, see the [Award & Administration Guide](#).

### The National Science Foundation

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