

Sponsored Projects Financial Management – FAQs

Welcome to the Research Financial Services LISTSERV series on “Sponsored Projects Financial Management” answering common questions. Sponsored project financial management requires the application of award terms and conditions along with Sponsor, Federal and Institutional policies and procedures. Note underlined sections are hyperlinks for further information.

(Previous FAQ editions [here](#))

Unallowable Expenses



What is an unallowable cost? A cost expressly unallowable in Federal statutes, regulations or the terms and conditions of the award. An expense that does not follow **costing principles (applicable, allowable, necessary and reasonable)** is not eligible for reimbursement and may not post to a grant.

What section of Uniform Guidance discusses unallowable costs? [Uniform Guidance section 200.420](#) provides principles to be applied in establishing allowability of certain costs. UG lists the determination for a cost to be treated as a direct or indirect cost.

Disclaimer: Below is a sampling of scenarios when a cost could be deemed unallowable. Please note exceptions could permit a generally unallowable expense to become allowable. Examples assume the award terms do not restrict the type of cost in the scenario.

Salary:

When can salary charge a grant? Salary costs may charge a grant for work performed within the grant’s budget period. Charging salary based on budget availability is unallowable.

Why would overtime and bonus pay be unallowable? Uniform Guidance states salary costs may not exceed base pay. Therefore, premium and overtime pay on Federal awards are unallowable. The University’s payroll system is unable to allocate overtime costs different than how base pay is allocated. Per [BPM E-8-4](#), overtime hours attributed to sponsored projects should be pre-approved in the budget in order to remain on a sponsored project. Unallowable overtime expenses (including employer paid FICA and benefits) will need to be removed via journal voucher.

Travel:

My travel plans have changed. What do I do? (Updated 1/23/25)

1. If the event or reason for travel has been cancelled, the travel costs no longer benefits the project and becomes unallowable. Previously posted travel expenses need to be removed from the grant(s) by journal voucher (JV), commitments/encumbrances need to be liquidated, and transactions in process need to be funded from a cost center or cancelled.

- a. In the event the traveler received a travel advance, [per BPM E-5-2](#), those funds will need to be reimbursed to the University.
2. If unable to attend in person but attending the event virtually, the transportation and lodging costs no longer benefit the project and becomes unallowable. If there was an event registration fee, it will need to be reviewed to determine if it is allowable and reasonable for the virtual attendance.
3. If the event is rescheduled, the cost to change travel arrangements may be allowable. Consult with CGS and OSPA for allowability.
4. When travel dates are outside the project's budget period (i.e. arrive earlier or stay later), these portions of costs are typically unallowable if the extended travel dates cannot be justified.

Can I upgrade my airfare ticket to first class, business class or row with more leg room? The University reimburses coach class airfare for domestic and international flights. However, with supervisor approval, business class will be reimbursed for eight hours or more of uninterrupted flight service. Reasonable ancillary fees including, but not limited to, expenses for convenient or early boarding, extended legroom, seat location, baggage, in-flight meals, and Wi-Fi service are approved at the supervisor's discretion. Also, flight upgrades for medical needs require pre-approval from the Campus Accessibility Director in the Office of Institutional Equity and Equality.
(Updated 1/23/25)

When is ground transportation/Uber/taxi costs allowable? Ground transportation is allowable to or from airport, hotel and event locations. Ground transportation to or from restaurants, bars, shopping centers, and other unofficial business use locations are unallowable.

I'm attending a conference and meals are not provided. Can I turn in a meal receipt and collect per diem? No. Per diem allowance is a fixed amount paid for subsistence (meals) and incidentals in lieu of actual expenditures. Only business meals are reimbursed at actual cost. Travelers with dietary restrictions should consult University's Travel Services. (Updated 1/23/25)

How do I allocate travel when it benefits more than one project? When the traveler obtains prior approval from their Supervisor, approval should include the purpose, travel plans and how to allocate the costs among the projects receiving benefit. The method of allocating travel costs by the type of expense is not allowable. An example of an unallowable allocation method would be charging project A for lodging and project B the airfare. Acceptable allocation is by benefit to the project and/or by payroll cost distribution. The reasonable allocation method must be documented, applied to all related travel costs and included as supporting documentation. (Updated 1/23/25)

- An example based on benefit: The traveler is presenting at a conference on two research projects. It would be appropriate to split costs evenly between the two projects. If determined the benefit to the projects are not even, justification is needed to explain the allocation used.
- An example based on benefit: The traveler is visiting University A for 2 days to monitor work on project A then visiting University B for 3 days to collaborate on project B. It would be appropriate to allocation costs based on the number of days at each location. It would be appropriate to charge 40% to project A and 60% to project B. (Project A: 2/5 days = 40%; Project B: 3/5 days = 60%)
- An example based on the traveler's project payroll cost distribution: The traveler is presenting at a conference on two research projects. The traveler has 25% payroll cost distribution on project A and 50% payroll cost distribution on project B. It would be appropriate to charge 33% to project A and 67% to project B. (Project A: 25%/75% = 33%; Project B: 50%/75%=67%)

Can I charge travel costs to a grant when salary cost distributions were not charged? Possibly. It is expected that salary cost distributions reflect a person's effort for working on a scope of work. There are times when travel benefits a grant but the salary pay periods charged do not align with the travel dates. In these instances, travel costs on a grant may be allowable. If the traveler does not have any salary charged to the grant at any time, the travel costs could be allowable with adequate justification and benefit to the grant.

The conference I want to attend is scheduled after the project's budget period. Can I still charge travel costs to the grant if I make the purchases before the budget ends? No. Travel outside the budget period does not meet costing principles. Travel must take place within the budget period unless the sponsor has provided specific approval.

General:

Why does it matter which grant supplies are charged to? To be compliant with costing principles, supplies are to be allocated to the grants using the items. Charging the full cost to one grant knowing other grants benefit is not being a prudent steward of sponsor funds. Improper allocation of costs are subject to be deemed unallowable.

There is unspent budget, can I order office or lab supplies? No. Stocking supplies does not meet costing principles. For instance, a project has budget available and the lab could use additional supplies. The purchase of supplies to be used on future projects is unallowable because the items do not benefit the current project and are not necessary to complete the current scope of work. Therefore, restocking of supplies are unallowable. The purchase of supplies near the end of a budget period knowing the items will not be used is also unallowable.

Does it matter which general ledger (GL) account number is used? Yes. Improper use of general ledger (GL) accounts is unallowable. Insufficient budgets preventing the appropriate GL to post must be addressed. The purpose of general ledger accounts is to properly identify expenses based on the type of expense. This is used not only for sponsor budgets but also the University's financial statements and Federal single (SEFA) audit. [BPM E-17-8 General Ledger \(GL\) Accounts](#) should be used for further guidance.

Is Kentucky sales tax unallowable only on travel purchases? No. The University is exempt from sales tax on all purchases subject to Kentucky sales tax (travel and non-travel). When making a purchase, the Kentucky sales tax exempt form/number should be provided to the vendor to exclude sales tax. If the sales tax-exempt form/number was not provided and sales tax charged, refer to the UFS website Procurement Card FAQs for guidance. The sales tax-exempt form can be found on [Purchasing's website](#). Sign in and select department resources for the "UK Tax Exemption Certificate". The University is also exempt from sales tax in select States. A list is also located on Purchasing's website under department resources, the "[State-by-State Summary](#)". (Updated 10/17/24)

How can documentation cause an expense to be unallowable? UG states expenditures must have adequate documentation to support the cost, allocation and costing principles. Itemized receipts must be readily available upon requests. Any expense lacking or has inadequate supporting documentation is unallowable.

1. For payroll expenses, documentation needs to reflect work performed.
2. For travel expenses, documentation must support the individual's participation is necessary, costs are reasonable and consistent with university policies.

3. Documentation not accessible, available or provided is subject to be deemed unallowable.
4. Handwritten documentation is not considered adequate supporting documentation.
5. Documentation that lists one grant but charged to another grant is subject to be deemed unallowable.

How can expenses posted to cost share be unallowable? [Expenses](#) posted to cost share must follow the same costing principles as a direct charge. Unallowable expenses on the grant's sponsor fund is also unallowable on the grant's cost share fund. Expenses (direct or cost share) are unallowable if incurred outside the budget period.

Why can't an expense post to a closing or closed grant account if it meets the costing principles? To aid in fund management, the BPM states [reconciliations](#) are to be completed monthly. It is expected expenses post and corrections are made in a timely manner. Posting expenses after the final invoice and/or report is submitted, is perceived as inadequate financial management and becomes an audit risk.

I signed up for a one year subscription needed for a project. The grant ends 9/30 and the subscription ends 12/31. Can I charge the whole subscription cost to the grant? No. Only the portion of costs within the budget period are allocable on a grant. Any portions of costs for dates of service outside the budget period are unallowable. In this example, the portion of costs from January to September are allowable. The portion of costs from October to December are unallowable.

Can I prepay for services? No. Services must be rendered within the grant's budget period. Posting an invoice for services to be scheduled after the grant ends is unallowable.

If the award says to publish results, how can they become unallowable? Publications must recognize the sponsor according to award terms. Publications lacking adequate recognition can be deemed unallowable. Also, when publications recognize more than one funding source, the cost must be appropriately allocated between grants.

When can I purchase gift cards for research subjects or participants? Depends on how far in advance the gift cards are purchased. Gift cards are to be charged to a cost center until disbursed to the research subject or participant. Until then, the cost for gift cards are unallowable on a grant. If the gift cards are purchased shortly before passing out, the cost could be directly charged to a grant. [BPM-9 Compensation to Research Subjects](#) contains processes for research subject and participant incentives and payments. It states only a month's worth of gift cards are to be purchased. A log should be maintained of the card number, when received, when passed out and subject/participant identification. Appropriate safeguards must be exercised.

Can I pay another department a flat rate or fee to provide training and/or other services? Only units with University approved rates which have been determined to be allowable on grants can be charged, such as some Service Centers, Auxiliary Services, and UK Health Care. If a department provides training and/or services for an established fee, but is not one of the above, it is not an allowable expense. Specifically, UK internal income accounts may not generate revenue from a sponsored project because federal guidelines prohibit grants from engaging in revenue generating activities. The primary purpose of a revenue producing activity is to generate external revenue and does not include accounting practices consistent with sponsored project costing requirements. Only costs that meet the criteria of the cost accounting principles (allowable, allocable, reasonable, with appropriate supporting documentation, et cetera) can be posted to a sponsored project account.