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# 16.1 Sponsored Projects Closeout

[Printer Friendly Version](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-project-closeout/sponsored-project-closeout-print)

## **Policy Statement**

The University of Illinois has a responsibility to close out completed sponsored projects in compliance with federal regulations, sponsor policy, and award terms and conditions. Office of Management and Budget (OMB) Uniform Guidance ([2 CFR 200.344 Closeout](https://www.ecfr.gov/current/title-2/part-200#subject-group-ECFR682eb6fbfabcde2)) requires that final financial, performance, and other reports be submitted no later than 120 calendar days after the project end date. It is the system’s policy that all required closeout deliverables be submitted to the sponsor within this stated timeframe. In the event that sponsor policy or specific award terms and conditions prescribe otherwise, such policy or terms and conditions shall prevail.

## **Reason for the Policy**

This policy alerts the university to the urgency of timely submission of final deliverables and the prompt closeout of expired sponsored projects. Non-compliance with sponsored project closeout requirements has adverse consequences for the system including, but not limited to, forfeiture of final payment, delayed or reduced future funding, less favorable award terms and conditions, and audit finding risks. The submission of final financial, performance, and other reports to the sponsor and the closeout of completed projects within 120 days of expiration help the system mitigate risks and negative consequences.

## **Applicability of the Policy**

In order to maintain consistency in the treatment of sponsored projects, the policy on sponsored project closeout applies to all awards regardless of the funding source. Requirements and considerations for closing out fixed price agreements are subject to the Fixed Price Agreement policy and guidance: UIC—[Section 16.2.2—UIC Disposition of Unexpended Balance on Fixed Price Agreements](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/section-16-5-1); UIUC—[Fixed Price Awards](https://sponsoredprograms.illinois.edu/research-topics/fixed-price-awards) Research Topic ).

**Procedure**

## Before you Begin

Sponsored project closeout is the shared responsibility of the principal investigator (PI), unit business office or department administrator, and central offices. Collectively, they are responsible for the closeout of expired awards by the due date indicated in the specific award terms and conditions.

Administrators of a sponsored project must be mindful of its end date and terms and conditions, and accordingly take the necessary actions leading to a timely closeout.

## Begin

To close a sponsored project, the Principal Investigator (PI) and the Unit Business Office are expected to take actions before and after the project end date, as outlined in this procedure.

**What to do BEFORE Project End Date**

Approximately 90 days before the expiration of a sponsored project, the applicable university sponsored programs post-award office, sends the unit business office a monthly report of its projects that will end in 90 days. Between that time and expiration date, the **Principal Investigator (PI)** and **Unit Business Office** are expected to do the following:

* Inform sponsored programs post-award office immediately if an expiring project should be continued or extended. This will stop the closeout process.
  + Process extension requests as required per sponsor guidelines, or 90 days prior to project end date.
  + Request an anticipation grant/fund or use of an expired or overspent grant/fund (GC70: Request to Establish an Anticipation Grant/Fund—Request to Use Expired or Overdrafted Grant/Fund), if applicable.
* Review accounting statements to date and ensure that all expenses charged to the award thus far are allowable, per the Uniform Guidance and the terms of the award.
* Determine whether the project will end up with an unobligated (or unexpended) balance, and be aware of the award terms regarding treatment of such a balance: Can the unobligated balance be automatically carried forward? Or must it be returned to the sponsor? (Consult the applicable university sponsored programs post-award office contact, for assistance.)
* Review status of subrecipient invoicing to date as to accuracy and timeliness.
* Notify service centers with recurring billings (e.g., animal charges, printing, etc.) of the sponsored project expiration date and provide a new C-FOAP, if applicable.
* Ensure that all project costs, except incidental costs related to the creation of the final report (for example, photocopying or binding) are incurred or obligated by the project end date. For information about cost transfers, consult [Process Current Cost Transfers for Sponsored Projects or Process Non-Current Cost Transfers for Sponsored Projects](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers/process-cost-transfers).
* Promptly remove cost overruns (overdrafts) if no additional funding is expected from the sponsor.
* Notify the applicable university sponsored programs post-award office of issues with the sponsoring agency that would prevent collection of any outstanding accounts receivable.

**What to do AFTER Project End Date**

The closeout process starts with the project end date. Within the next 45 to 60 days, the **Principal Investigator (PI)** and **Unit Business Office** are expected to do the following:

* Remove all costs incurred outside the performance period, except allowable pre-award costs.
  + Generally, “pre-award” costs are allocable to the time period of the forthcoming new or competing continuation award and may be incurred up to 90 days prior to the beginning date of the project or budget period in accordance with the sponsor’s guidelines. Pre-award costs must be adequately justified to indicate that advanced funding is necessary for the effective and economical conduct of the project, and must be allowable under the terms of the forthcoming award.
  + Post-award or after-term charges that are deemed non-applicable or unallowable must be transferred off to an appropriate funding source.
* Remove cost overruns (overdrafts) within 45 days after the project has expired to allow for submission of the federal financial report no later than 120 days after the project end date. Overdrafts must be transferred to an unrestricted funding source.
* Remove costs resulting from sponsor disallowances, or other unallowable costs per the terms of the award—as advised by the applicable university sponsored programs post-award office contact.
* Review open obligations (encumbrances/purchase orders/payroll commitments), and ensure that they are liquidated, cancelled, or moved to other appropriate funding sources.
* Confirm that all subrecipients have completed their scope of work, including all required deliverables, and submitted their final billing according to the terms of their agreement. Refer to the *Final Invoice* section of policies and procedures on [Review and Pay Subrecipient Invoices](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-projects-subawards/review-pay-subrecipient-invoices).
* Ensure that all project costs have been recorded. Process final expenditures per the due date of a final bill or financial report to allow for timely submission of the bill or report, as indicated in the following table.

|  |  |
| --- | --- |
| **If Sponsor Final Billing/Closeout Is Required** | **Then, Final Submission of Expense Transactions Is Due** |
| 30 days after project end date | 15 days after project end date |
| 60 days after project end date | 30 days after project end date |
| 90–120 days after project end date | 60 days after project end date |

* Validate final expenditure report prior to submission of final invoice or federal financial report.
* Prepare and submit the final technical report and/or deliverables to the sponsor.
* Submit form listing invention disclosures, or indicate that there were none.
* Submit a final inventory of federally-funded equipment, if any.
* FOR FEDERAL PROJECTS: Submit an accounting of unused expendable supplies (including expensed equipment) with an aggregate value of $5,000 or more, as applicable.
* Provide the applicable university sponsored programs post-award office an accounting of program income or cost share commitments, as applicable, if these items are not tracked centrally.

## **Related Policies and Procedures**

Urbana—[Fixed Price Award[s](http://s)](https://sponsoredprograms.illinois.edu/research-topics/fixed-price-awards) Research Topic [Section 16.2.2—UIC Disposition of Unexpended Balance on Fixed Price Agreements](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/section-16-5-1)

## **Additional Resources**

16.1.1 [University Central Office Responsibilities](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-project-closeout/campus-central-office-responsibilities)

16.1. 2 [Closeout Documents and Responsibilities](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-project-closeout/closeout-documents-responsibilities)

16.1 [Frequently Asked Questions](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-project-closeout/faqs)

[2 CFR 200.344 Closeout](https://www.ecfr.gov/current/title-2/part-200#subject-group-ECFR682eb6fbfabcde2)

[GC70: Request to Establish an Anticipation Grant/Fund—Request to Use Expired or Overdrafted Grant/Fund](https://gc70.uillinois.edu/)

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**16.1.1 University Central Office Responsibilities**

Sponsored project closeout is the shared responsibility of principal investigator (PI), unit business office or department administrator, and central offices. Collectively, they are responsible for the closeout of expired awards no later than 120 days after the project end date.

The University of Illinois System’s Pre-Award and Post-Award offices are an integral part of the closeout process. These central offices are responsible for the following:

* Sign and/or submit all documents and forms that require institutional certification.
* Inspect select cost items for allowability, and notify PI and/or unit business office of appropriate action to take.
* Confirm with PI and unit business that all expenses are final.
* Submit financial report to the sponsor, based on final expenditures.
* Submit final invoice to the sponsor, if applicable.
* Prepare final cash draw, if necessary.
* Dispose of unexpended cash balance--per award terms and conditions, and university policy.
* Process final project budget and general ledger closing entries.
* Receive confirmation from PI and unit business office that all deliverables for which they are responsible have been met.
* Set termination dates in the financial systems to close award.

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# 16.1.2 Closeout Documents and Responsibilities

Reports required at the end of a project vary by the type of sponsored project and by sponsoring agency. Most federal sponsors will require financial, invention, and programmatic reports. Federal contracts may also require a property report, contractor’s release form, and a contractor’s assignment of refunds, rebates, and credits form. The following table lists the most common reports and the unit(s) responsible for their completion and submission.

|  |  |  |  |
| --- | --- | --- | --- |
| **Document Responsibility Table** | | | |
| **Document/Report Name** | **PI/Unit Business Office** | **Central Office (Pre-Award)** | **Central Office (Post-Award)** |
| Final Financial Report |  |  | X |
| Final Payment Request / Invoice |  |  | X |
| Collection of Outstanding Receivables |  |  | X |
| Final Cost Sharing Certification | X |  | X |
| Property Report | X |  | X |
| Contractor’s Release, Refund, Rebates, and Credits |  |  | X |
| Final Technical/Progress/ Programmatic Report | X | X \* | X \* |
| Final Invention Statement | X | X \* | X \* |
| Final Patent Certification | X | X \* | X \* |

\* Please refer to the applicable university Central Office’s procedures relating to the submission of these documents, when institutional signature is required.

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# 16.1 Additional Resources Frequently Asked Questions

**Q. Why are we submitting final reports and closing awards within 120 days?**

A. The Uniform Guidance requires that all federal award reports be issued within 120 days from the project end date. Sponsor policy and award terms and conditions should be consulted for shorter submission deadlines. In the event that sponsor policy or specific award terms and conditions prescribe otherwise, such policy or terms and conditions shall prevail.

**Q. We always continue to charge salary costs to the expired award until the renewal award is received. Will this be allowed under the Uniform Guidance?**

A. No, this practice is never allowed. An anticipation account should be requested for the renewal award.

**Q. As a service center, we usually allocate charges to sponsored awards on a quarterly basis. Is this procedure still acceptable?**

A. Due to the closeout timeline, service centers are required to allocate costs on a monthly basis. Failure to allocate the charges in accordance with the guidance provided in this policy, will compromise our ability to collect from the sponsor and therefore may result in the charges being transferred against a state, institutional, or gift account due to late posting on the sponsored awards. As a Business Manager, be mindful of service center billing dates to ensure charges are posted by the end of the project and future charges are suspended in a timely manner.

**Q. How can we as a PI and unit business office comply with the policy of closing awards within 120 days?**

A. Monthly review and reconciliation throughout the life of the project facilitate the project closeout within the required timeframe. The PI is responsible for ensuring that all costs charged to a grant are reasonable and allowable with the assistance of the unit business office. The PI should request timely corrections for any cost deemed unallowable for any reason, including posting errors. Be aware that the closeout deadline requires units to finalize costs in Banner well before the last day, and is often at least 30 days prior. Refer to the What To Do AFTER Project End Date section of policies and procedures on [16.1](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-project-closeout/close-sponsored-project) Sponsored Projects Closeout.

**Q. An error was discovered after the final financial reports have been submitted to the sponsor, and the award terminated in Banner. Can we or should we correct this error?**

A. If the sponsor was overcharged due to the error, then the account will be reopened, the credit processed, and a refund issued to the sponsor. If the sponsor was under-charged (i.e., a late subcontractor invoice was received), then sponsor-specific guidelines will be applied. If, and only if, the sponsor allows for the correction and is willing to pay for the costs, sponsored programs post-award office will reopen the project for the business unit to post the costs.

First Published: May 2015 | Last Updated: \_\_\_\_\_\_\_ | Last Reviewed: \_\_\_\_\_\_\_\_\_\_\_

16.2 Sponsored Projects Cost Principles

## **Policy Statement**

The University of Illinois System has a responsibility to ensure proper treatment of select items of costs incurred on sponsored projects and for purposes of the Facilities and Administrative (F&A) Rate Proposal in compliance with federal regulations, sponsor policy, award terms and conditions, and system policy (Federal Uniform Guidance Title 2 CFR Part 200; formerly Office of Management and Budget (OMB) Circular A-21).

For a cost to be allowable as either a direct charge to a sponsored agreement or as part of an indirect cost pool, it must be: —

* Necessary and reasonable.
* Allocable—A cost is allocable to a project if goods or services involved are chargeable or assignable in accordance with the relative benefits received by the projects.
* Accorded consistent treatment appropriate to the circumstances.
* Conform to any limitations or exclusions set forth in federal guidance.
* Be adequately documented.

(See also OMB Uniform Guidance Sections 200.403—200.405)

For certain items of costs to be allowable as direct charges, prior written approval from the sponsor may be required.

There is no universal rule for classifying certain costs as either direct or indirect (i.e., F&A). A cost may be direct with respect to some specific service or function, but indirect with respect to a sponsored award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (i.e., F&A) cost in order to avoid possible double-charging of sponsored awards.

Determining allowability of costs is the primary responsibility of the principal investigator (PI). While PIs may designate unit business office administrative staff to assist, the ultimate responsibility for the oversight and management of the sponsored project remains with the PI.

Inherent in this responsibility is the PI’s obligation to adhere to all terms and conditions of the award, and to ensure that costs charged to the project are allowable and directly benefit the project charged.

For questions related to an award’s requirements, please seek guidance from the appropriate university sponsored programs post-award office contact.

## **Reason for the Policy**

This policy is designed to provide guidance for the treatment of select items of costs to ensure the system complies with the requirements of OMB Circular A-21 for awards issued prior to December 26, 2014, and the Uniform Guidance 2 CFR Part 200 for awards issued thereafter, awarding agency regulations, and the terms and conditions of the underlying award. According to Public Act 098-0706—Grant Accountability and Transparency Act, the State of Illinois has adopted the Uniform Guidance.

## **Applicability of the Policy**

To maintain consistency in the treatment of select items of costs, this policy applies to all sponsored projects. In the event that sponsor policy or specific award terms and conditions prescribe otherwise, such policy or terms and conditions shall prevail. In addition, this policy addresses treatment of costs on non-sponsored funds which flow into the Facilities and Administrative Rate proposal.

**Procedure**

## Order of Precedence to Determine Allowability

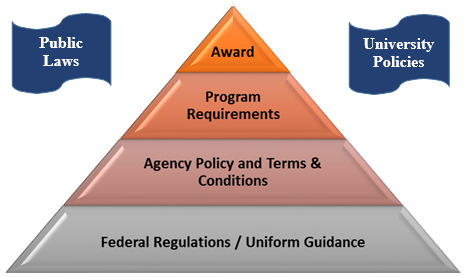
Sponsors may restrict allowability of costs in several ways:

* In the terms and conditions of an individual award.
* In the terms and conditions of an individual funding program.
* In agency grant guidelines, including federal research terms and conditions and agency-specific terms and conditions.
* Uniform Guidance

In addition, costs must abide by public laws and the system policies.

In case of a discrepancy between the provisions of a specific award and this policy, the award shall govern.

Order of Precedence to Determine Allowability



## Responsibility for Compliance

According to Uniform Guidance 2 CFR Part 200 Subpart E—Cost Principles and OMB Circular A-21 Section C.4.d (1) Cost Principles for Educational Institutions, the recipient institution is responsible for ensuring that costs charged to a sponsored project are allowable, allocable, and reasonable under these cost principles. This establishes the system’s responsibility for compliance with these and other cost regulations.

In coordination with their unit business office, PIs are responsible for complying with the applicable sponsor requirements for sponsored projects and for the prudent management of all expenditures and actions affecting the award. Documentation for each expenditure or action affecting an award must reflect appropriate organizational reviews or approvals which should be made in advance of the action. Organizational reviews are intended to help assure that expenditures are allowable, necessary, and reasonable for the conduct of the project, and that the proposed action

* is consistent with award terms and conditions;
* is consistent with sponsor and the system policies;
* represents effective utilization of resources; and
* does not constitute a significant project change.

PIs and their unit business offices are responsible for assuring that costs assigned to federal projects are compliant with sponsor requirements. Restricted cost categories and other inappropriate charges can be readily detected in audits, and resulting disallowances must be reimbursed to the federal government. In most cases, this will be the financial responsibility of the department. Final technical reports, where required, are the responsibility of the PI. Payments withheld because of delinquent technical reports become the responsibility of the department.

## Treatment of Select Items of Cost

The 16.2.1 [Treatment of Selected Items of Cost](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles/treatment-of-select-items-of-cost) page outlines treatment of commonly used costs based on Federal guidelines and regulations and the system policy.

The list is not meant to be all inclusive. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable.

## **Related Policies and Procedures**

16.2.1 [Treatment of Selected Items of Cost](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles/treatment-of-select-items-of-cost)

16.2.2 [Code Unallowable Costs](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles/code-unallowable-costs)

## **Additional Resources**

16.2 [Frequently Asked Questions](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles/faqs)

[OMB Uniform Guidance Sections 200.403—200.405](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#subject-group-ECFRea20080eff2ea53)

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# 16.2.1 Treatment of Select Items of Cost

This policy highlights select items of cost that should be considered in the budget preparation process and post-award management of awards. The list is not meant to be all inclusive. Failure to mention a particular item of costs is not intended to imply that it is either allowable or unallowable. Rather, determination of allowability should be based on the treatment provided for similar items of costs and the principles in Uniform Guidance (UG) A-21.

Below are terms used within the list; specific identification with a sponsored project should be the determining factor in distinguishing direct from indirect costs, rather than the nature of the goods or services. Costs incurred for the same purpose in like circumstances must be treated consistently, as either direct or indirect costs.

**Direct Costs—**Costs that can be identified specifically with a particular sponsored project or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. For more information, see [Uniform Guidance § 200.413](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#200.413).

**Indirect Costs (Facilities and Administrative (F&A) costs)**—Costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to a particular sponsored project. Indirect (F&A) cost components include depreciation, interest, operations and maintenance, and library costs, as well as departmental, sponsored project, general, and student services administration costs, and other similar costs, that benefit many activities. For more information, see [Uniform Guidance § 200.414](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#200.414).

**Restricted Costs**—Federal regulations restrict charging certain types of costs directly to federal sponsored projects, though in some instances they are permitted as direct charges if there is explicit justification. These costs are allowable charges to indirect cost pools. Examples include administrative salaries, memberships, postage, office supplies, and telephone monthly line charges.

**Unallowable Costs**—These are costs that are not allowable as either direct charges to federal sponsored agreements, indirect cost pools, or recharge centers. Examples include expenses associated with alumni relations, fund raising or development, community relations, and investment management. There are also individual unallowable cost items, such as trustees’ travel, fines and penalties, interest expense, etc.

Click on each item for treatment guidelines.

[[**Expand All**](javascript:void(0))] | [[**Collapse All**]](javascript:void(0))

[Administrative Salaries](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Administrative Salaries** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable | The salaries of staff employees in the groups listed below may not be charged as a direct cost to federal Fund Types 4A and 4Y (including other fund types with federal pass-throughs) sponsored project **except** under the following conditions:   1. they are specifically budgeted and approved by the sponsor, or 2. they are secretarial salaries and are rebudgeted by the principal investigator in a manner consistent with the six criteria stated below.   This restriction applies to administrative salaries regardless of appointment method.  Secretaries and similar administrative employees may be charged directly to sponsored projects under circumstances as outlined below:   1. Large, complex programs. 2. Projects that involve extensive data accumulation. 3. Projects that involve meeting arrangement for a large number of participants. 4. Projects whose principal focus is the preparation and production of publications. 5. Projects that are geographically inaccessible. 6. Individual projects requiring project-specific database management, individualized graphics or manuscript preparation, human or animal protocol, IRB 7. preparations and/or other project-specific regulatory protocols, and multiple project-related investigator coordination and communication. | UG § 200.413  (c) The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:  (1) Administrative or clerical services are integral to a project or activity;  (2) Individuals involved can be specifically identified with the project or activity;  (3) Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and  (4) The costs are not also recovered as indirect costs.  Note that it is expected that the university provide administrative and clerical support, which is recovered in the form of indirect costs. Administrative or clerical support costs charged directly would require explicit narrative in the budget justification to explain the need for support over and above normal support. The justification would need to address all four conditions outlined in UG § 200.413(c) as noted above. For condition (4) there must have been a change in the individual’s job duties that differentiate their activities from general administrative support to project-specific administrative support. |

[Advertising](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Advertising** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—code as Unallowable | Direct charges are restricted to recruiting personnel for sponsored agreements, procurement of goods and services for sponsored agreements, solicitations for participants, and disposition of surplus/scrap materials purchased with federal funds.  Advertising should be charged to account 1414XX so that the costs can be identified and properly treated in the indirect F&A cost study. Recruitment of students charged to function 14XX is an allowable student services activity cost. | UG § 200.421  Same  See detailed list in UG |

[Alcoholic Beverages](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Alcoholic beverages** | Sponsored project funds—Unallowable  Gift funds, departmental activity self-supporting funds, and service plan funds—Restricted  All other funds—Do Not Charge | Costs of alcoholic beverages are generally unallowable on sponsored funds. Some sponsors may provide special exceptions.  Special universityapprovals are required for purchasing and serving alcoholic beverages.  See [8.1.1 Business Meals, Refreshments, and Alcohol](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/determine-allowability-business-meals-refreshments) for further guidance. | UG § 200.423  Same |

[Alteration and renovation](javascript:void(0)) (Now called Rearrangement and Reconversion Costs in UG)

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Alteration and renovation**  (Now called Rearrangement and Reconversion Costs in UG) | Federal Funds (including direct and federal pass-through)–Restricted  All other non-federal funds—Allowable | Alteration and renovation (work to change the interior arrangements or other physical characteristics of an existing facility) cannot be charged directly to a federal agreement unless it is included in the approved budget or specifically approved by the sponsor.  If not included in the original budget, specific approval for alteration and renovation must be obtained for these costs to be allowable on sponsored projects. | UG § 200.462  Normally treated as indirect costs.  Special arrangements and alterations costs incurred specifically for a sponsored project are allowable as a direct cost with the prior approval of the sponsor. |

[Alumni activity](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Alumni activity** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other funds—Code as Unallowable | Unallowable as a charge to federal funds, F&A cost pools, or stores and services recharge centers.  For other fund sources, must be recorded in program codes with NACUBO function XX99. | UG § 200.424  Same |

[Animals/Animal Care](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Animals / Animal Care** | All funds—Allowable | Use 1411XX account code in recharge center charge backs and the appropriate account codes where animal costs are charged directly.  Prior to incurring animal costs, the unit business office must obtain approval for Institutional Animal Care and Use Committee (IACUC) protocols for costs to be allowable. | Same |

[Applicable credits](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Applicable credits** | All funds—Restricted to the source of funds that incurred the expenditure | Must be used to offset or reduce direct or indirect cost items. For example, purchase discounts, rebates, allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. Must be applied to the source of funds that incurred the expenditure either as a cost reduction or cash refund, as appropriate. | UG § 200.406  Same |

[Automobile Damage and Insurance](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Automobile Damage and Insurance** | All sponsored project funds—Restricted  All other funds—Allowable | Costs of insurance required or approved and maintained, pursuant to the sponsored project, are allowable.  Damage insurance coverage offered by the university carpool should be elected and charged to an allowable funding source. Any damage incurred that would have been covered by purchasing insurance cannot be charged to sponsored projects.  Any vehicle repair/replacement costs in excess of nominal deductible insurance coverage must be charged to an allowable funding source and recorded in program codes with NACUBO function XX99. | UG § 200.447  Same  See detailed list in UG |

[Automobile furnished by institution for personal use](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Automobile furnished by institution for personal use** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other categories—Code Unallowable | The expense for cars used for the personal benefit of employees is unallowable, regardless of whether or not the cost is reported as taxable income to the employees and is treated in the same way as other goods and services for personal use.  Must be charged to an allowable funding source and recorded in program codes with NACUBO function XX99. | UG § 200.445  Same |

[Bad Debts](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Bad debts** | Federal funds (including direct and federal pass-through)—Do Not Charge  Service Activity Fund Type 3E—Do Not Charge  All other funds—Use account code established for this purpose | Unallowable as a direct charge to a sponsored project for bad debts arising from uncollectible accounts, related collection costs, and related legal costs.  Bad debts charged to Fund Types 1A—3Q are excluded from the F&A cost calculation by virtue of being charged to account codes 186100-186119 “Bad Debt Expense.” | UG § 200.426  Same |

[Books/Reference materials](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Books/Reference materials** | Sponsored project funds—Restricted  All other funds—may be Allowable | Normally not allowable. Typically treated as part of the F&A costs (not charged directly to sponsored projects). | UG § 200—Appendix III—B8a  Same |

[Business meals and meeting costs](javascript:void(0)) (See Luncheon/Receptions)

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Business meals and meeting costs** |  | See Luncheons/Receptions table. | Same |

[Collections of improper payments](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Collections of improper payments** | Sponsored project funds—Restricted  All other funds—may be Allowable |  | UG § 200.428  The costs incurred by a non-federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-federal entity in accordance with cash management standards set forth in UG § 200.305 Payment. |

[Commencement and convocation costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Commencement and convocation costs** | All sponsored project funds and Service Activity Funds 3E—Do Not Charge  All other funds—Code as Unallowable\* | Unallowable as a direct charge to a sponsored project or service activity.  Commencement costs incurred in funds other than student affairs funds with NACUBO function 1400 are unallowable and recorded in program codes with NACUBO function XX99. | UG § 200.429  Same |

[Communication Costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Communication Costs** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable | Normal or routine costs such as fixed, monthly costs of telecommunications (includes bundled service plans, Lync, Voice Over IP Tone/Voice, etc.) services are unallowable as a direct charge to sponsored projects.  The installation and monthly cost of internet service, cellular phones, and other telecommunications services/devices that go beyond normal or routine costs can be charged to federal projects **only** with explicit written sponsor approval.  Charges for business services incurred while in travel status such as computer (Internet) use are not normally allowable on sponsored project funds. They may be allowable with appropriate documentation on departmental funds as reimbursable university business travel expenses. | Typically treated as indirect costs.  Same  Also refer to [8.7 Cell Phone & Data Plan Business Expenses](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/cell-phone-data-plan-business-expenses).  Per UG § 200.216, telecommunications and video surveillance services or equipment costs from entities that use or provide covered telecommunications or surveillance equipment is unallowable. As described in Public Law 115-232, section 889, **covered** telecommunications equipment is telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities). This also includes video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities), services provided by any entities using such equipment, and any telecommunications or video surveillance equipment produced or provided by an entity the Secretary of Defense reasonably believes to be an entity owned or controlled by the government of a covered country. See Public Law 115-232, section 889 for additional information. |

[Compensation for personal services by Academics and Staff Exempt from the Fair Labor Standards Act](javascript:void(0)) (See Administrative Salaries—for administrative and clerical staff; See Overtime—for non-exempt employees.)

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Compensation for personal services by Academics and Staff Exempt from the Fair Labor Standards Act**  (See Administrative Salaries—for administrative and clerical staff)  (See Overtime—for non-exempt employees) | Federal funds (including direct and federal pass-through)—Allowable with special approvals required by university and sponsor for consultation across departmental lines  All other funds—Allowable with special approvals required by university for consultation across departmental lines | Charges for work performed on sponsored agreements during all or any portion of a project period are allowable at the Institutional Base Salary (IBS) rate.  In unusual cases where consultation is across departmental lines or involves a separate or remote operation and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are approved by the university, specifically provided for in the agreement, or approved in writing by the sponsoring agency or the sponsor has provided the university with greater authority to approve.  Refer to the following university policies:  UIUC—Effort and Compensation on Sponsored Projections Section for definition of IBS.  UIC—[Effort Reporting Policies](https://research.uic.edu/sponsoredprograms/managing-an-award/effort-reporting/)  UIS—[Contact UIS Grants, Contracts, and Partnership Office](https://www.uis.edu/opel/grants-contracts-partnerships). | UG § 200.430  Same |

[Computing services](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Computing services** | All sponsored project funds—Do Not Charge\*  All other funds—Allowable | The costs of routine computing services such as desktop support, etc. are considered administrative in nature and are a component of the F&A rate and therefore cannot be charged to federal sponsored projects.  Scientific or technical computing services (such as high performance computing) that are provided to meet a specific project objective may be allowable if charged in accordance with institutional and sponsor policies. | UG § 200.413  Same  In addition, these services must be considered unlike (special) circumstances and directly benefit a specific project for direct charging. |

[Conference Costs or Meeting Registration Fees](javascript:void(0)) (See also Travel Costs)

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Conference costs or meeting registration fees**  (See also Travel Costs) | All sponsored project funds—Restricted | Allowable on sponsored projects under account code 1416XX if reasonable and there is a direct benefit to the project. Additionally, some sponsors may require prior approval. | Same |

[Consultants (Professional Service Costs)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Consultants (professional service costs)** | Federal funds (including direct and federal pass-through)—Governed by system and university policy with additional restrictions by some agencies  All other funds—Governed by system and university policy | [17 Consultants and Independent Contractors](https://www.obfs.uillinois.edu/bfpp/section-17-consultants-contractors/) includes professional and artistic services and governs use of consultants in both sponsored projects and other university funds.  Costs of consultants are allowable when reasonable in relation to the services rendered. Payments should be comparable to the normal or customary fees charged and received by the consultant for comparable services. | UG § 200.459  Same |

[Contingency reserves (not self-insurance)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Contingency reserves (not self-insurance)** | All funds—Unallowable | Unallowable, except for self-insurance reserves (see Insurance Costs in this table). These reserves are recorded in funds monitored by the Office of Risk Management. | UG § 200.433  Contingency provisions may be included in the budget for future costs that experience shows will likely result, in aggregate, in additional costs for the approved activity or project.  Amounts for major project scope changes, unforeseen risks, or extraordinary events are unallowable. |

[Contributions and donations to others](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Contributions and donations to others** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other funds—Code as Unallowable | Unallowable on sponsored projects. Certain private sponsors may allow these types of charges; sponsor approval for these exceptions must be documented.  For all other types of funds, monetary contributions made under an approved exception to this policy should be recorded in program codes with NACUBO function XX99. | UG § 200.434  Same |

[Cost transfers](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Cost transfers** | All funds—Governed by system and university policy | Cost transfers between or to sponsored agreements to eliminate overruns, to avoid restrictions imposed by law, or for other reasons of convenience are not permitted. (For additional information see [16 Grants and Research Contracts—Cost Transfers](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers).) | UG § 200.405  Same |

[Defense and prosecution of criminal and civil proceedings](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Defense and prosecution of criminal and civil proceedings** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other funds—Allowable | Normally unallowable when the outcome is conviction or penalty. These costs are identified through a special study and excluded from the F&A cost pool. | UG § 200.435  Same |

[Development](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Development** |  | See Organized fund raising table |  |

[Donations](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Donations** |  | See Contributions and donations to others table |  |

[Employee morale](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Employee morale** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other funds—Allowable in accordance with system and university policy | Allowable on institutional funds for awards, recognition dinners, and retirement and other such functions to the extent they are incurred in accordance with established system and university practice (see [8 Payments and Reimbursements](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/)). | UG § 200.437  Same |

[Entertainment](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Entertainment** | All sponsored project funds—Do Not Charge  Other funds—Restricted to gift funds and departmental activity self-supporting funds (when it is a non-sponsored project supported conference) | Entertainment, defined as amusement, diversion, social activities, and associated costs such as tickets to shows or sports events, meals, lodging, etc., is unallowable, and system and university policy prohibits such charges to institutional funds. Any event with alcoholic beverages served, available, or present is considered a social event. (See [8 Payments and Reimbursements](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/)).  When a programmatic purpose exists, the awarding agency could grant an exception with prior written approval.  Luncheons and receptions (business meals) are distinguished from entertainment/social events by the fact that they take place in connection with university business. Also see Luncheons/Receptions table. | UG § 200.438  Same |

[Equipment](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Equipment** | All funds—Restricted | Equipment is tangible property (other than land or buildings) of a more or less durable nature that is useful in carrying on the operations of a business. Regardless of cost, equipment is considered system and university property and must be managed according to system and university policies and state law. For additional information on the types of equipment, consult [12.1.2 Classify Equipment and Property](https://www.obfs.uillinois.edu/bfpp/section-12-property-accounting/classify-equipment-and-property).  The system inventories all property and equipment that, in general, have a useful life of more than one year and a unit value equal to or greater than $2,500. The system and university’s capitalization level for equipment is $5,000 or more per unit value and a useful life of more than one year.  General purpose equipment is not normally allowed as a direct charge on sponsored projects unless the equipment is primarily or exclusively used in the actual conduct of the project and with prior written sponsor approval.  **“General purpose equipment”** means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems (e.g., computers and personal communication devices), air conditioning equipment, reproduction and printing equipment, and motor vehicles.  Special purpose equipment is allowable as a direct cost provided that items with a unit cost of $5,000 or more have the prior approval of the awarding sponsor.  **Special purpose equipment** means equipment which is only used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.  Equipment purchased during the last six months of a project are subject to additional scrutiny and approval. | UG § 200.439, § 200.48, § 200.89  Same  In the specific case of computing devices (per UG § 200.453(c)), charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of an award.  Per UG § 200.216, telecommunications and video surveillance services or equipment costs from entities that use or provide **covered** telecommunications or surveillance equipment is unallowable. As described in Public Law 115-232, section 889, covered telecommunications equipment is telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities). This also includes video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities), services provided by any entities using such equipment, and any telecommunications or video surveillance equipment produced or provided by an entity the Secretary of Defense reasonably believes to be an entity owned or controlled by the government of a covered country. See Public Law 115-232, section 889 for additional information. |

[Federal employees expenses while working in their official capacity](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Federal employees’ expenses while working in their official capacity** | All funds—Do Not Charge | Unallowable under federal law. Federal employees working in their official capacity cannot be reimbursed for expenses they incur.  Exceptions for certain agencies may exist. See Sponsor-specific guidance table. | Same |

[Federal and state employees as paid consultants](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Federal and state employees as paid consultants** | All funds—Restricted | Federal or state employees may serve as paid consultants on projects only with prior approval from their agencies and when the services are performed outside their regular working hours or while they are on leave from official duties. Certain federal agencies impose additional restrictions which are embodied in their grant administration manuals. | Same |

[Fines and penalties](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Fines and penalties** | All sponsored project funds—Do Not Charge  All other funds—Code as Unallowable | Unallowable if violations of federal, state, local, or foreign laws. Should any such payments be made, they must be recorded in program codes with NACUBO function XX99.  All late payment penalties are charged to BANNER expense account code 186220 “late payment penalty” to ensure they are excluded from the F&A cost rate calculation. | UG § 200.441  Same |

[Fund raising](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Fund raising** | All sponsored project funds and Service and Storeroom Activities Funds 3E—Do Not Charge  All other funds—Code as Unallowable | Costs of organized fund raising includes financial campaigns, endowment drives, solicitations of gifts and bequests, and similar expenses incurred solely to raise capital or contributions are unallowable. For appropriate costs incurred record in a XX99 NACUBO program code to ensure they are excluded from the F&A cost rate calculation.  If a unit without a formal development office has an individual whose duties formally include some percentage appointment for fund raising:   * For UIC and UIS, that effort must be recorded in program codes with NACUBO function XX99. * For UIUC, that effort must be reported as fund raising in the Activity Reporting System.   The time of department/unit heads, deans, and directors are not charged or recorded as fund raising unless fund raising is an individual’s sole responsibility. | UG § 200.442  Same |

[Gifts/Prizes/Promotional Items](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Gifts/Prizes/Promotional Items** | All sponsored project funds and service and storeroom activities funds 3E—Do Not Charge  All other funds—Allowable in accordance with system and university policy | Unallowable on sponsored projects: costs of “customer appreciation” gifts or items used to express gratitude; costs of promotional items and memorabilia, including models, gifts, and souvenirs; costs of prizes involving “giveaways” in random drawings (i.e., “door prizes”); costs of prizes or awards related to employee performance or morale. Specialty imprinted items (including but not limited to pens/pencils/markers, mugs, folders/binders) that advertise, market, promote or sell university services are classified as promotional items and the costs of these items are not allowable on sponsored projects.  Refer to BFPP [8 Payments and Reimbursements](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/).  See Human subject costs table. | UG § 200.421  Same |

[Goods and services for personal use (of University employees)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Goods and services for personal use (of University employees)** | All funds—Do Not Charge | Expenses of a personal nature are not allowable from university funds.  Refer to BFPP [8 Payments and Reimbursements](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/). | Same |

[Graduate assistant tuition remission](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Graduate assistant tuition remission** | All sponsored projects funds—Allowable where not expressly prohibited by sponsor | A federally-approved tuition remission rate is applied to the salaries of graduate assistants with waivers whose salaries are charged to sponsored projects. Also see [Frequently Asked Questions](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=411874). | UG § 200.466  Same |

[Housing allowances and personal living expenses](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Housing allowances and personal living expenses** | All sponsored projects funds—Restricted  All other funds—Code as Unallowable | May be allowable on specific awards under specific circumstances. | UG § 200.445  May be allowable on specific awards under specific circumstances and must be approved in advance by a federal awarding agency.  For appropriate costs incurred record in a XX99 NACUBO program code to ensure they are excluded from the F&A cost rate calculation. |

[Human subject costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Human subject costs** | All funds—Allowable | Human subject payments are allowable on sponsored projects with specific sponsor and IRB approval. In most cases, these costs must be identified by use of the 1412XX account code for all sources of funds (see note below).  Payments to Non-Resident Alien research subjects must be coded to account code 215985.  For more information refer to the following websites:  UIUC: [Institutional Review Board](http://irb.illinois.edu/)  UIC: [Office of the Vice Chancellor for Research—Human Subjects and IRBs](http://research.uic.edu/compliance/irb)  UIS: [Office of Research and Sponsored Programs | University of Illinois Springfield (uis.edu)](https://www.uis.edu/research) | Same |

[Insurance costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Insurance costs** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Restricted | To the extent shipping insurance is included in freight fees, this insurance cost could be charged directly to federal sponsored projects. Otherwise, direct charges to federal funds are restricted to insurance required or approved, and maintained pursuant to the sponsored agreement.  To ensure proper treatment within the F&A rate study, code the following types of coverage as unallowable: insurance on government-owned property unless specifically required and approved by the federal government, insurance against defects, and insurance on officers’ and trustees’ lives (in excess of the standard fringe benefits package). These costs should be recorded in program codes with NACUBO function XX99.  Other insurance—including casualty, malpractice and liability insurance and self-insurance reserves, is allowable on non-federal funds if the cost and extent of coverage is in accordance with system and university policy. | UG § 200.310, § 200.2, § 200.474, § 200.447  Same |

[Interest](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Interest** | All sponsored project funds—Do Not Charge  All other funds—Restricted and code as Unallowable | Interest related to sponsored funds:  Interest is an allowable cost only when the acquisition or fabrication cost is $10,000 or more from any of the fund sources covered by this policy.  Interest related to Other Types of Funds:  Unallowable for borrowed capital or temporary use of endowment funds. Late payment penalties, though not specifically addressed under A-21, are treated as unallowable. Other kinds of interest expense should be coded as 186200 “interest expense.” In the case of a federal project, interest expense and late payment charges must be assessed against a university unit C-FOPAL. | UG § 200.449  Interest related to Sponsored Funds:  Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-federal entity’s own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions outlined in UG § 200.449.  Interest related to Other Types of Funds:  Other kinds of interest expense should be coded as 186200 “interest expense.” In the case of a federal project, interest expense and late payment charges must be assessed against a university unit C-FOPAL.  Also see Fines & Penalties table. |

[Investment management costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Investment management costs** | All sponsored project funds—Do Not Charge  All other funds—Restricted and code as Unallowable | Do not charge sponsored projects.  Use other funds and record in program codes with NACUBO function XX99, e.g.—the Office of Cash Management and Investments to be excluded from the F&A cost study. | UG § 200.442  Same |

[Lobbying costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Lobbying costs** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other funds—Restricted and code as Unallowable | Lobbying activities are unallowable and are excluded from the F&A cost study.  The Office of Governmental Relations’ expenditures are excluded from the F&A cost calculation.  Use other funds and record in program codes with NACUBO function XX99.  Some activities are not considered lobbying and are allowable such as: testifying before Congress, providing technical and factual presentations, and analyzing the impact of proposed legislation, are allowable. Traditional interactions among investigators and federal agency program officials are allowable. | UG § 200.450  Same |

[Losses on sponsored projects](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Losses on sponsored projects** | Federal funds (including direct and federal pass-through)—cannot be allocated to other sponsored projects  All other funds—Allowable | Cost overruns or overdrafts cannot be transferred to another sponsored project fund. This includes, but is not limited to, the institution’s contributed portion of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs. | UG § 200.451  Same |

[Luncheons/Receptions (formerly business meals and meeting costs)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Luncheons/Receptions (formerly business meals and meeting costs)** | Federal funds (including direct and federal pass-through)—Restricted  Gift funds 2G and 4M—Allowable  All other funds—Restricted | Charges to federal projects are restricted to awards in support of symposia, conferences, or other meetings. In cases where a federal project has routine visits from individuals such as project advisory board members, the cost of meeting expenses for guests only is allowable if provided for in the approved budget. All other meeting costs must be charged to institutional funds.  Charges to all other sources of funds are restricted to meals and/or receptions in situations where “there is a substantial and bona fide business discussion during, directly preceding, or directly following the meal” (from IRS guidelines defining “business meal”).  Use account code 1425XX “Luncheons/Receptions.” | Same |

[Materials and Supplies, including Costs of Computing Devices](javascript:void(0)) (See also Office Supplies)

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Materials and supplies, including costs of computing Devices**  (See also Office Supplies) | All sponsored project funds—Restricted  All other funds—Allowable |  | UG § 200.453  Materials and supplies (e.g., lab & scientific, etc.) used for the performance of an award may be charged as direct costs.  In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of an award. This means the computing device must be:   1. Essential for the purposes of carrying out a specific objective of the sponsored project; 2. Above and beyond what is provided by the department; and 3. Charged to the sponsored project in some reasonable proportion relative to how much it is used for the award.   In addition, devices may not be purchases for reasons of convenience or preference. Computing devices should be itemized in the proposal budget, budget justification and/or scope of work.  Computing devices purchased during the last six months of a project are subject to additional scrutiny and approval. |

[Membership costs in civic or community organizations, social, or dining clubs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Membership costs in civic or community organizations, social, or dining clubs** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Code as Unallowable | Unallowable for a civic or community organization, country club, or social or dining club/organization. They must be recorded in program code with NACUBO function XX99. | UG § 200.454  Costs of membership in any civic or community organization are allowable with prior approval by the federal awarding agency or pass-through entity.  Costs of membership in any country club or social or dining club or organization are unallowable.  Unallowable costs must be recorded in program codes with NACUBO function XX99. |

[Membership costs in professional organizations](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Membership costs in professional organizations** | Sponsored project funds—Restricted  All other funds—Allowable | The costs of the university’s membership in business, technical, and professional organizations, and subscriptions to business, technical, and professional periodicals are allowable when they provide a direct benefit to the project.  Individual membership and subscription costs are unallowable.  Meeting costs that include memberships must be separated. The membership costs for individuals are unallowable and must be excluded.  If the membership costs includes a subscription, see the Subscriptions table. | UG § 200.454  Same |

[Moving Costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Moving costs** |  | See Relocation Costs table |  |

[Office Supplies](javascript:void(0)) (See also Materials and Supplies)

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| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Office supplies**  (See also Materials and Supplies) | All sponsored project funds—Restricted  All other funds—Allowable | Office supplies must normally be treated as indirect (F&A) costs.  To be allowable as a direct charge on a sponsored project office supplies must be used for the performance of the project, and specifically identifiable (allocable) to that project. Allocable means the direct benefit to the project can be demonstrated. | UG Appendix III, 6(b)(2)  Same |

[Operation and Maintenance costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Operation and maintenance costs** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable | Operations and maintenance costs are costs in expenses incurred by departments for repairs, maintenance, utilities, equipment installation, and remodeling. These types of costs must normally be treated as indirect (F&A) costs.  Charges to federal projects for O&M costs are restricted to those that directly benefit sponsored project(s), that do not benefit other departmental activities, and that are necessitated by special requirements of the project. | UG § 200.414  Same |

[Overtime costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Overtime costs** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable | Overtime must be consistent with system and university policy.  Overtime may be charged for activities such as experiments that are continuous in nature and cannot be reasonably interrupted or where such overtime results in lower overall costs to the sponsor. Overtime must be pro-rated to each fund from which an employee is paid unless the overtime is clearly and demonstrably necessitated by demands placed on that employee on behalf of a specific project. | Same |

[Parking](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Parking** | All sponsored project funds—Restricted | Costs to provide parking spaces (includes bagging meters, providing hang tags, or other methods to reserve parking spaces) for participants in a project or parking for guests/visitors attending an event supported by the project are allowable costs.  The need for parking must be associated with a specific event supported by the project charged for the parking costs. The cost to rent a “year-round” space for the convenience of having a parking space available for intermittent project use is not allowable.  It is not allowable to charge the sponsored project for pre-paid parking keys and/or hang tags that will not be quickly consumed (not allowable to charge and hold an “inventory” for convenience; the purchase must be shortly before the expected use date).  Costs to provide parking spaces to university employees are not allowable. This is a personal expense of the employee. | Same |

[Participant Support Costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Participant support costs** | All sponsored project funds—Restricted | N/A | UG § 200.75, § 200.308, § 200.456  Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.  Participant support costs are allowable with the prior approval of the federal awarding agency.  Prior approval is required to re-budget funding for participant support costs to any other budget category.  These participant support costs do not include costs such as payments to individuals involved in human subject testing, etc. |

[Patent costs incurred by non-university entities in preparing invention disclosures](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Patent costs incurred by non-University entities in preparing invention disclosures** | All funds—Allowable | Costs associated with filing disclosures, reports, and other related documents to the extent that they are incurred by non-university entities that deal with patent management, are allowable.  See Patent costs incurred by the Office of Technology Management table. | UG § 200.448  Same |

[Patent costs incurred by the Office of Technology Management](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Patent costs incurred by the Office of Technology Management** | All sponsored project funds—Unallowable  All other funds—Restricted—code as Unallowable | The costs of the university offices are treated as unallowable administrative costs in the F&A cost study.  Use other funds and record in program codes with NACUBO function XX99. | UG § 200.448  Same |

[Postage (including express mail) costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Postage (including express mail) costs** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable | Postage may not generally be charged directly to federal projects. Where explicitly budgeted, postage costs directly related to the conduct of the project, including correspondence with the sponsor and project participants, surveys conducted by mail, and the like may be charged. Postage for continuation or renewal projects may be charged to a project only if a progress report is part of the proposal. | Normally be treated as indirect (F&A) costs. See UG Appendix III, 6(b)(2)  Same |

[Pre-award costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Pre-award costs** | All sponsored project funds—Restricted  Federal appropriations funds 4Y—Unallowable | Unallowable unless provided for in agency regulations or sponsored agreement terms and conditions. Federal agencies have generally authorized the university to incur pre-award costs up to 90 days before the official starting date of a sponsored agreement (see Agreement terms and conditions table). Pre-award costs on contracts must be explicitly approved by the sponsor. Use of anticipation funds is encouraged to collect pre-award costs and reduce the occurrence of cost transfers. | UG § 200.458  Same |

[Prizes](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Prizes** |  | See Gifts/Prizes/Promotional items table | Same |

[Profits and losses on dispositions of capital assets](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Profits and losses on dispositions of capital assets** | All sponsored project funds—Restricted | Not considered in calculating costs to sponsored projects. | Same |

[Program Income](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Program Income** | All funds—Restricted to the source of funds that incurred the expenditure | Program income means gross income earned by the university that is directly generated by a supported activity or earned as a result of the sponsored project during the period of performance. Program income includes, but is not limited to, income from fees for services performed, registration fees and industry sponsorships collected for conferences, the use or rental or real or personal property acquired, the sale of commodities or fabricated items, and repayment of principal and interest on loans under sponsored projects.  See [16 Grants and Research Contracts—Program Income](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income/what-is-program-income) for more information. | UG § 200.80 and § 200.307  Same |

[Proposal costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Proposal costs** | All sponsored project funds—Restricted to continuations and renewals  Federal appropriations funds 4Y—N/A  All other funds—Allowable | Unallowable as a direct charge to sponsored projects except for continuation and renewal proposals that include a technical report from an ongoing sponsored project the proposal seeks to renew or continue.  Allowable if charged to institutional funds. | UG § 200.460  Same |

[Public/Community relations](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Public/Community relations** | All sponsored project funds and service and storeroom activities funds 3E—Do Not Charge  All other funds—Restricted; code as Unallowable | Public relations are efforts dedicated to maintaining the image of the institution or maintaining or promoting understanding and favorable relations with the community or public at large.  Restricted to the costs of communicating accomplishments and results of sponsored activity, including the costs of conducting general liaison with news media.  Unallowable for expenses associated with such activities, which include convocations, open houses, and non-technical displays and exhibits. These costs must be recorded in program codes with NACUBO function XX99. | UG § 200.421  Same  See Advertising table |

[Recruiting costs](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Recruiting costs** | All funds—Allowable | Costs of “help wanted” advertising, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to a well-managed recruitment program. Where the institution uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.  Charges to federal projects are restricted to those associated with employees whose salaries are charged directly to sponsored project(s), and must be pro-rated if the full salary is not charged to a given project. | UG § 200.463  Same |

[Relocation costs for employees who stay less than 12 months](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Relocation costs for employees who stay less than 12 months** | All funds—Code as Unallowable | Relocation costs for employees who stay less than 12 months are unallowable and must be recorded in program codes with NACUBO function XX99. | UG § 200.464  Same |

[Sabbatical and other similar paid leave](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Sabbatical and other similar paid leave** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable to funds where salary when working is charged | Sabbatical leave costs are allowable provided they conform to the system and university’s written policy on sabbatical leave for persons engaged in instruction and research.  A faculty member may combine sabbatical leave salary with salary supported by sponsored project funds administered by the university as long as the combined salary does not exceed the faculty member’s 100% salary for the year in which sabbatical is taken and the contracting or granting agency approves such an arrangement. For example, an eligible faculty member may take sabbatical leave for one appointment year at one-half salary and the remaining half of the salary may be paid from a grant or contract administered by the university. | UG § 200.430 (h)(7)  Same |

[Scholarships and student aid](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Scholarships and student aid** | Federal funds (including direct and federal pass-through)—Restricted  Service and Storeroom Activities Funds 3E—Unallowable  All other funds—Allowable | Restricted to training grants and fellowship awards.  For all other awards, see the Graduate Assistant Tuition Remission table. | UG § 200.466  Same |

[Selling and marketing costs of products sold by the University](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Selling and marketing costs of products sold by the University** | Federal funds (including direct and federal pass-through)—Do not charge  All other funds—Code as Unallowable | Unallowable for costs of any products sold by the University. Should any of these costs be incurred in institutional funds (as contrasted to auxiliary funds), they must be recorded in program codes with NACUBO function XX99. | UG § 200.467  Costs of selling and marketing any products or services of the system or university (unless allowed under § 200.421 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the federal awarding agency when necessary for the performance of the federal award. |

[Service Activities (recharge centers)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Service Activities (recharge centers)** |  | See [22 Self-Supporting/Revenue Generating Activities—Service and Storeroom Activities](https://www.obfs.uillinois.edu/bfpp/section-22-self-supporting-revenue-generating/service-storeroom-activities) | See [22 Self-Supporting/Revenue Generating Activities—Service and Storeroom Activities](https://www.obfs.uillinois.edu/bfpp/section-22-self-supporting-revenue-generating/service-storeroom-activities) |

[Severance pay in excess of regular University practices](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Severance** **pay in excess of regular University practices** | Federal funds (including direct and federal pass-through)—Do Not Charge  All other funds—Code as Unallowable | Severance pay which is in excess of regular University practices is unallowable. If excess severance pay is other than regular salary, the costs must be recorded in program codes with NACUBO function XX99. | UG § 200.431(i)  Same |

[Student activity](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Student activity** | All sponsored project funds—restricted and service and storeroom activities funds 3E—Do not charge  All other funds\*—Code as Unallowable | Costs incurred for intramural activities, student publications, student clubs, and other student activities are unallowable, unless specifically provided for in the sponsored project.  All other funds must be recorded in program codes with NACUBO function XX99 or \*funds with 1400 (Student Services) NACUBO function. | UG § 200.469  Same |

[Subscriptions](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Subscriptions** | Federal funds (including direct and federal pass-through)—Restricted  All other funds—Allowable | Costs of the non-federal entity’s subscriptions to business, professional, and technical periodicals are allowable when it provides a benefit to the project and it is within the project period. When the subscription cost is included as part of a conference registration fee, documentation from the organization showing the breakout of the subscription cost must be provided.  Personal subscriptions are not allowable. | UG § 200.454  Same |

[Telecommunication services (monthly)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Telecommunication services (monthly)** |  | See Communication Costs table | Same |

[Telephone toll (long distance) charges](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Telephone toll (long distance) charges** | All funds—Allowable | Telephone toll (long distance) charges, etc., are allowable as a direct charge only when they can be specifically identified to a particular project. | UG Appendix III—Section B(6)(b)(1)  Same |

[Termination vacation and sick leave payouts](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Termination vacation and sick leave payouts** | All sponsored project funds—Do Not Charge  All other funds—Handle in accordance with system and university policy, and unit practice | Termination payouts are made to compensate employees for accrued but unused vacation and sick leave. They include both lump-sum payments and appointments extended beyond the last date of service for the purpose of extending health insurance benefits. Such payments must be coded as termination vacation and charged accordingly.  The payouts must be charged to institutional funds or the Fund Type 2R termination benefit pool funds in selected colleges as appropriate.  These costs are recovered on sponsored agreements through assessment of the termination salary and sick leave fringe benefit rate, therefore termination vacation and sick leave payouts to terminating employees cannot be charged to sponsored agreements. | Same |

[Termination vacation and sick leave benefit assessment (fringe benefits)](javascript:void(0))

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| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Termination vacation and sick leave benefit assessment (fringe benefits)** | All sponsored project funds—Restricted  All other funds—Do Not Charge | For consistent treatment of costs, termination fringe benefit rates are charged on all employees paid under account code ranges of 211100 through 211599 and 213000 through 213809 regardless of employee classification. Salaries in these account codes are included in the “termination pool” and should be assessed the termination benefit.  For the actual termination “payouts,” refer to the previous section. | Same |

[Training and education](javascript:void(0))

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| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Training and education** | All sponsored project funds—Restricted  All other funds—Allowable | To be allowable as a direct charge to a sponsored project, the project must benefit directly from the employee’s training. If the training benefits multiple projects, the cost of the training must be allocated proportionately. | UG § 200.473  Same |

[Travel costs](javascript:void(0))

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| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective for awards issued prior to December 26, 2014)** | **Treatment of Costs under OMB Uniform Guidance (Effective for awards issued on or after December 26, 2014)** |
| **Travel costs** | All sponsored project funds—Allowable in accordance with agreement and system and university policy  All other funds—Allowable in accordance with system and university policy | Travel costs in excess of the university travel policy applied to state funds are unallowable under A21.  Record in program codes with NACUBO function XX99.  See [15 Travel](https://www.obfs.uillinois.edu/bfpp/section-15-travel/) for types of travel costs reimbursable under system policy. For travel during sabbatical see [8.2.1 Request Reimbursement for Domestic or International Employee Travel and Business Meals](https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/request-reimbursement-travel-business-meals). Costs must meet allocability and allowability criteria to be charged as a direct cost on a sponsored project. Many of the expenditure types listed in the system and university travel policy would normally be considered as indirect costs on sponsored projects (e.g., internet, laundry, etc.) and therefore not allowable as direct costs on sponsored projects.  Also see [Business Travel](https://www.obfs.uillinois.edu/travel/). | Travel costs in excess of the system and university travel policy applied to state funds are unallowable under UG.  Rest is the same |

[Travel for federal projects](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Travel for federal projects** | Travel for federal projects  Federal funds (including direct and federal pass-through)—Allowable in accordance with agreement and system and university policy | For federally sponsored projects:   * Each trip, including those made with a personal car, must be authorized in advance by the head of the unit, and by the college if required by college policy (see [15 Travel](https://www.obfs.uillinois.edu/bfpp/section-15-travel/)). * Domestic travel always includes travel within the United States, its territories, and possessions. Refer to the sponsoring agency policies for possible additional destinations that may be included in domestic travel. * Foreign travel may require prior sponsor approval where specified in agency guidelines or award terms and conditions. If such approval is required, principal investigator must request written permission from the sponsor’s contract and/or grants officer in advance of any foreign trip. To be assured of timely approval, the permission should be requested 60 days in advance. * Reimbursement request for travel expenses should include specific documentation indicating how the travel directly benefited the project. * Business meals reimbursed to the employee while in travel status should be recorded with account code 1425XX (Luncheons and Receptions). * Air transportation to, from, between, or within a country other than the United States must be by a U.S. flag air carrier if such service is available. For travel purchased from a non-U.S. flag air carrier to be allowable (please refer to the sponsoring agency’s grants administration manual or the individual agreement), the justification must be documented on the expense report. Refer to “Fly America Act.” * Travel paid with federal funds cannot exceed the lowest available commercial coach fare, whether the actual mode of transportation is commercial airlines, University aircraft, personal automobile, train, etc. * The above two conditions must be met irrespective of cost, convenience, or personal travel preference. | UG § 200.475 for complete details.  Same |

[Visa/Passport fees](javascript:void(0))

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| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Visa/Passport fees** | All sponsored project funds—Restricted | Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable when issued for a specific period and purpose, and therefore can be clearly identified as directly connected to recruitment of personnel for a sponsored award. For the costs to be directly charged to an award, they must:   * Be critical and necessary for the conduct of the project; * Be allowable under the applicable cost principles; * Be consistent with the system’s cost accounting practices and entity policy; and * Meet the definition of “direct costs” as described in the applicable cost principles.   Long-term immigration visas are still unallowable and cannot be charged to sponsored awards. | UG § 200.463  Same |

[Warranties and Extended Warranties](javascript:void(0))

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost** | **Treatment** | **Treatment of Costs under OMB Circular A-21 (Effective** for awards issued prior to December 26, 2014) | **Treatment of Costs under OMB Uniform Guidance (Effective** for awards issued on or after December 26, 2014) |
| **Warranties and Extended Warranties** | All sponsored project funds—Restricted | Allowability of a warranty will be determined on a case-by-case basis. Equipment warranties on a sponsored project may be allowable, if the pieces of equipment were also purchased on that project. For the cost to be allowable the benefit to the project must be documented and justified. The costs must be prorated based on the percentage the equipment is used on the project and prorated to coincide with the award period. This charge may not be allowed by some sponsors’ terms and conditions. | Allowability of a warranty will be determined on a case-by-case basis. Equipment warranties on a sponsored project may be allowable if the pieces of equipment were purchased on the same project, the equipment is specifically mentioned in the scope of work and budget/budget justification, and/or other documentation can support the essential nature of the equipment for the project. Allocability should be determined in a manner appropriate for the relative benefit to the project (i.e. usage) and prorated to coincide with the award period. This charge may not be allowed by some sponsors per the terms and conditions of specific awards. |

## Additional Resources

[Uniform Guidance § 200.413](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#200.413)

[Uniform Guidance § 200.414](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#200.414)

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# 16.2.2 Code Unallowable Costs

## Before You Begin

Before you begin this procedure, become familiar with the [policies related to this topic](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles).

A cost may be unallowable as both a direct and indirect charge to a sponsored project. However, they may be appropriately charged on other non-sponsored funds in accordance with applicable system and university policies. These costs must be coded as unallowable in Banner when charged to “non-sponsored” funds so that they can be eliminated from the indirect cost rate calculation.

## Begin

**1. Code Unallowable Non-Personnel Expenditures**

Establish and use a separate program code that rolls-up under a NACUBO function of xx99—unallowable:

1099—Instruction

1199—Organized Research

1299—Public Service

1399—Academic Support

1599—Institutional Support

1699—Operations and Maintenance

For example, an instructional unit may elect to establish a program code with a NACUBO function of 1099 to charge the salaries and related expenses of its development or alumni relations staff as well as other unallowable costs.

To request a new program code, refer to the Banner Fund, Program, Index Code Request Form.

**2. Code Unallowable Personnel Expenditures**

**For UIUC:**

**Academic (faculty, academic professionals, and graduate students) personnel**—Expenditures are classified through the Activity Reporting System that identifies unallowable effort for public relations, organized fund raising, alumni relations, and other unallowable activities. This information is captured for all academic employees and is required to be updated by unit business office personnel before the close of the academic year. If the individual’s duties formally include some percentage appointment for one or more unallowable activities, that effort should be reported in the “Alum Dev” category of the Activity Reporting System. Note, however, that the time of unit heads, deans, and directors is not coded in the unallowable activity category unless fundraising is an individual’s sole responsibility.

**Staff (civil service, academic hourly, and student hourly) personnel**—Expenditures in support of unallowable activities must be handled as follows:

1. Individuals whose **entire effort** is in support of one or more unallowable activities must be charged to a program code (which rolls-up under a NACUBO function of xx99—unallowable) that is established for the purpose of segregating unallowable costs. Examples of unallowable activities are: investment management, risk management, fundraising, and alumni activities.
2. For individuals whose **efforts support both allowable and unallowable** activities, the unallowable portion must be charged to an unallowable program code (which rolls-up under a NACUBO function of xx99—unallowable).

**For the UIC and UIS:**

Expenditures for academic and staff personnel in support of unallowable activities must be handled as follows:

1. Individuals whose **entire effort** is in support of one or more unallowable activities must be charged to a program code (which rolls-up under a NACUBO function of xx99—unallowable) that is established for the purpose of segregating unallowable costs. Examples of unallowable activities are: investment management, risk management, fundraising, and alumni activities.
2. For individuals whose **efforts support both allowable and unallowable** activities, the unallowable portion must be charged to an unallowable program code (which rolls-up under a NACUBO function of xx99—unallowable).

## Forms Used in this Procedure

[Banner Fund, Program, Index Code Request Form](https://www.obfs.uillinois.edu/forms/accounting-financial-reporting/)

Last Updated: June 1, 2016 | Approved: Senior Associate Vice President for Business and Finance—June 2016

First Published: June 2016 | Last Updated: \_\_\_\_\_\_\_\_\_ | Last Reviewed: \_\_\_\_\_\_\_\_\_

# 16.2 Additional Resources Frequently Asked Questions

**Q. What costs require prior approval?**

**A.** Consult the terms and conditions of the individual award, the funding program, agency grant guidelines, including Federal Research Terms and Conditions and agency-specific terms and conditions, and the Uniform Guidance.

The full list of costs requiring prior written approval is provided in the Uniform Guidance, § 200.407. Individual agencies participating in the Federal Research Terms and Conditions may have alternative treatments.

**Q. What constitutes prior approval?**

**A.** Some sponsors have deviated from the prior approval requirements specified in the Uniform Guidance, § 200.407 and may have more or less restrictive terms; therefore, refer to sponsor-specific policies to determine prior approval requirements for your sponsored award.

As it pertains to the prior approval requirements specified in the Uniform Guidance, § 200.407, prior approval is **generally** defined as follows:

* **At the proposal stage**, items requiring prior approval must be itemized in the proposal budget and explained in the budget justification. In rare cases, the justification may be documented in the scope of work. Sponsor acceptance of the budget and issuance of the notice of award constitutes prior approval.
  + **Modular budgets** (funding is requested in specific increments, such as modules of $25,000 total direct costs, without specific budget line items), which are most commonly used by the National Institutes of Health (NIH), conflict with the Uniform Guidance’s prior approval requirement for certain costs at the proposal stage. While sponsors such as NIH will not ask for these details, they are important to keep on hand when calculating the F&A costs base and writing the internal budget justification, as well as for audit purposes.
* **After an award has been issued**, if costs were not included in the original budget, prior **written** approval must be received from the federal awarding agency or pass-through entity prior to incurring costs. These requests must include a budget and budget justification, and should be submitted to the appropriate central office at the applicable university:
  + UIUC—Sponsored Programs Administration
  + —Office of Sponsored Programs – Pre-Award
  + UIS—Office of Research Administration

Additional details regarding budget revisions can be found in the Uniform Guidance, § 200.308.

**Q. Can I charge administrative or clerical salaries directly to my sponsored project?**

**A.** The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

* Administrative or clerical services are integral**\*** to a project or activity;
* Individuals involved can be specifically identified with the project or activity;
* Such costs are explicitly included in the budget (by employee name(s) or specific position title(s)) or have the prior written approval of the federal awarding agency; and
* The costs are not also recovered as indirect costs.

**\*Integral** is defined as essential to the completion of the project’s goals and objectives, rather than necessary for the overall operation of the institution. Services are essential when they are vital or fundamental to the project or activity. In general, minimal effort contributions are not likely to be considered essential.

The salaries of administrative personnel conducting activities such as financial reconciliations, general clerical work, and proposal preparation may not be included, as these costs support overall institutional operations and must be treated as indirect (F&A) costs.

Items to consider when determining if direct charging of administrative personnel costs may be appropriate:

* How is this project an exception as opposed to other similar projects?
* What is required that makes this direct charge necessary and how is it above and beyond the normal level of support?
* What specific circumstances is this project experiencing that makes this different?

To directly charge the salaries of administrative and clerical staff, the budget justification in the proposal must include a narrative that explains how the services are integral to the project. If it was not included at the time of the proposal, the costs must still meet the four requirements listed above and you must work with the applicable university central office to obtain prior written approval from the federal awarding agency or pass-through entity before the costs are incurred. Unit business offices must separately identify and charge each individual engaged in supporting a particular grant or contract, and not charge out costs from a clerical pool.

UIUC has implemented a review process for direct charging of administrative or clerical salaries to sponsored projects. As part of the review process, unit business offices must obtain approval from the Cost Accounting Standard Exception Group. For further details, go to the [Office of Sponsored Programs website.](https://sponsoredprograms.illinois.edu/guidance/policy)

**Q. Can I charge books/reference materials to my sponsored project?**

**A.** Books, journals, and reference materials must be justified in order to be treated as a direct cost to the sponsored project. Federal policy, UG Appendix III, Section B8—Library Expenses, indicates if an organization has a library, books and journals generally should be provided as part of normal library services and treated as F&A costs. Books and reference materials are normally found in the university library and are generally treated as part of the F&A costs (not charged directly to sponsored projects). Publications that provide a general benefit to research and teaching activities are not allowable as a direct cost. Purchasing a copy of the publication for convenience (i.e., notes will be written in the book rather than in a lab notebook) or for the purpose of “keeping current” in a research field are not justifications for direct charging of the cost to a specific sponsored project.

**Q. Can I charge food to my sponsored project?**

**A.** In general, food is unallowable on sponsored projects; however, there are some cases where it may be permitted and support must be provided to demonstrate a direct benefit to the project.

Below are examples of situations where food **may be allowable** on the sponsored project:

* **Business Meal**—In general, meals are allowed when the meeting is of a technical nature, not operational. Supporting documentation must include a formal agenda including a program or speakers and a list of participants.
* **Conference Snacks and Refreshments**—Reasonable snacks and refreshments may be served at a training program, meeting, or conference directly related to the sponsored project.

Below are examples of situations where food is **unallowable** on the sponsored project:

* **Social Event/Reception**—A social event is any event with alcoholic beverages served, available, or present. Reception means an informal gathering that is not mandatory for all event participants to obtain necessary information. Social events and receptions are expressly prohibited and are considered to be an unallowable cost.
* **Departmental Snacks and Refreshments**—Snacks and refreshments for general departmental meetings and training are unallowable.

**Q. Can I charge office supplies directly to my sponsored project?**

**A.** In general, office supplies are utilized in support of routine administrative activities and should be treated as F&A costs. The only exceptions are those wherein the purchase of the supplies is extensive in nature and can be specifically identified to the project. Office supplies may be charged directly to the project only when it can be demonstrated the items were (a) consumed completely in the course of the project **and** (b) used only in the conduct of the project and are not used for any other purposes.

Below are examples of situations where office supplies are **allowable** on the sponsored project:

* Office supplies used for large volume surveys.
* Office supplies used as laboratory supplies that should be appropriately classified as laboratory supplies, such as envelopes used for research sample storage.

Below are examples of situations where office supplies are **unallowable** on the sponsored project:

* Items for personal use, such as facial tissues, hand soaps/sanitizers/lotions, disinfectant wipes, first aid products, cups/glasses/tableware/napkins are not allowable on sponsored projects unless unusual and documented circumstances support the direct charging of these items.
* Items that would likely be used for other purposes or not entirely consumed in the course of the project—wall clocks, calendars, waste cans, paper punches, university stationery, staplers, and the like—should not be charged directly to sponsored projects.
* Items to “restock” supplies that were consumed in the course of the project’s work in order to have an inventory of supplies on hand to use for other projects are unallowable.

UIUC has implemented a review process for reviewing and approving exceptions to normal costing treatment for office supplies. For further details, go to the [Office of Sponsored Programs website](https://sponsoredprograms.illinois.edu/guidance/policy)

**Q. Can I charge computers or laptops directly to my sponsored project?**

**A.** Computing devices costing less than $5,000 that are essential and allocable may be charged as direct costs. The Uniform Guidance (Section 200.453) states that it is not necessary for the computing device to be solely dedicated to the performance of an award. Similar to OMB Circular A-21, a computing device will only be allowable as a direct cost if it is necessary, reasonable, consistently treated, and properly allocated. However, this does not mean that a laptop or iPad can be charged to every sponsored project.

This means the computing device must be:

1. Essential for the purposes of carrying out a specific objective of the sponsored project;
2. Above and beyond what is provided by the department; and
3. Charged to the sponsored project in some reasonable proportion relative to how much it is used for the award.

In addition, devices may not be purchased for reasons of convenience or preference. Computing devices must be itemized in the proposal budget and specifically addressed in the budget justification.

Computing devices purchased during the last six months of a project are subject to additional scrutiny and approval.

UIUC has implemented a review process for reviewing and approving exceptions to normal costing treatment for computers or laptops. For further details, go to the [Office of Sponsored Programs website](https://sponsoredprograms.illinois.edu/guidance/policy).

**Q. Can I charge memberships and subscriptions to my sponsored project?**

**A.** The costs of the university’s membership in business, technical, and professional organizations, and subscriptions to business, technical, and professional periodicals are allowable when they provide a direct benefit to the project.

The cost of memberships in any civic or community organization is allowable with the prior approval of the federal awarding agency or pass-through entity. These costs must be itemized in the budget and described in the budget justification, or receive prior-written approval before the incurrence of such costs.

The cost of membership in any social organizations, such as country or dining clubs, or organizations whose primary purpose is lobbying remains unallowable. Individual membership and subscription costs are also unallowable.

**Q. Can I charge costs after the end of the period of performance of my sponsored project?**

**A.** Appropriate costs incurred prior to the end of the period of performance, but not yet posted in Banner are allowable. However, additional costs cannot be incurred after the period of performance except limited final reporting costs, such as the cost of printing and publications or sharing of research results as required by the sponsor. As a reminder, the general closeout period is 90 days after the end of the project, with some sponsors having more or less restrictive closeout periods. See the system’s 16.1 [Sponsored Projects Closeout Policy](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-project-closeout) for more details.

**Q. Can I charge dependent care costs to my sponsored project?**

**A.** The system’s travel policy does not allow for the reimbursement of temporary dependent care costs while traveling. Therefore, these costs remain unallowable on the university’s sponsored awards since the Uniform Guidance requires consistent treatment across all fund types.

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# 16.3 Sponsored Projects Cost Transfers

[Printer Friendly Version](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers/cost-transfers-print)

## **Policy Statement**

It is the policy of the University of Illinois System that costs should be charged to the appropriate sponsored project when first incurred. There are circumstances in which it may be necessary to initiate a cost transfer to reallocate or redistribute expenditures to a sponsored project subsequent to the initial recording of the charge. Sponsored project cost transfers should be initiated promptly and supported by documentation justifying the transfer.

Principal investigators (PIs) are responsible for managing their sponsored projects to minimize the need for cost transfers. PIs are also responsible for ensuring that when cost transfers are necessary, the costs transferred to (or between) their sponsored projects represent appropriate corrections of errors, and that cost transfers are completed as soon as the errors are detected.

All cost transfers must comply with federal and state laws, the system policies, and individual sponsor terms and conditions. Some of the federal requirements are defined by the U.S. Office of Management and Budget (OMB) Uniform Guidance CFR 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (“Uniform Guidance”), applicable for projects funded 12/26/2014 and later.

## **Reason for the Policy**

Proper oversight of sponsored project funds is essential to uphold the system’s fiduciary responsibility to manage the funds in a manner consistent with the conditions specified by external sponsors. Inappropriate cost transfers will result in expenditures being disallowed and may also cause the sponsoring agency to impose additional restrictions or to reduce subsequent funding. Federal agencies and other sponsors regard the following activities as indicative of inadequate control systems:

* Frequent cost transfers
* Late cost transfers
* Inadequately documented or explained transfers, especially those involving sponsored projects with overruns or unexpended balances

## **Applicability of the Policy**

In order to maintain consistency in the treatment of cost transfers, the policy on cost transfers applies to all federal and non-federal sponsored projects. Under this policy, transfers must be submitted within 90 calendar days of the original transaction date in Banner to be considered a current cost transfer. When transfers are not adequately justified, or are made for inappropriate reasons, the university unit is responsible for transferring the expenses to a non-sponsored departmental account.

This policy is not applicable to capacity grants from United States Department of Agriculture (USDA) National Institute of Food and Agriculture (“fed ag appropriation funding” in fund type 4Y).

**Procedure**

## Types of Cost Transfers

A **cost transfer** is a reallocation or redistribution of a previously-charged expenditure transferred from one system fund to another fund after the charge has been posted in Banner. Consult the exceptions below for transactions that are not considered cost transfers by the system.

**Current Cost Transfers** are those initiated during the accounting period in which the charges were originally recorded in Banner, or within 90 calendar days of the original transaction date in Banner.

**Non-Current Cost Transfers** are those processed more than 90 calendar days after the original transaction date in Banner. Non-current transfers require additional documentation.

## Cost Transfers Principles and Expectations

In order for cost transfers to be allowable, the expense must be:

* An allowable charge to the project as defined by the system policy, sponsor’s policy, and the terms and conditions of the award;
* Allocable as a direct charge to the project and provide benefit to the project;
* Incurred during the period of performance;
* Treated consistently across like circumstances; and
* Cost transfers should be completed as soon as the need is detected, and non-current transfers (older than 90 calendar days) should be kept to an absolute minimum.

Examples of cost transfers that may be allowable include:

* Transferring pre-award costs from unit holding funds if pre-award costs are approved by the sponsor.
* Moving costs that were temporarily charged to an unrestricted fund prior to a new or renewal sponsored project being fully executed.
* Correcting clerical or data processing errors.
* Correcting costs charged to the wrong fund due to incorrect posting.
* Correcting **chart or fund** codes of the C-FOAPAL string.
* Transferring costs to distribute effort (i.e., labor redistributions) to reflect actual effort expended.
* Transferring costs for shared goods and services (e.g., laboratory supplies, long distance telephone costs, or printing/photocopying, etc.) that are allocable to more than one sponsored project.

Cost transfers are not allowed if they are done to:

* Move costs that do not directly benefit the project.
* Intentionally charge the wrong C-FOAP (aka “park the charges”).
* Move costs that are incurred outside of the period of performance (unless specifically allowed by the sponsor).
* Transfer expenses from any source, including institutional funds, solely to spend unused sponsored project balances.
* Transfer costs to another sponsored project for one or more of the following:
  + Eliminate an overdraft caused by overruns or other financial considerations, such as budget constraints, project completion date, or early termination;
  + Avoid restrictions imposed by law or by the terms of the sponsored agreement; or
  + For other reasons of convenience.

## 

## **Policy Exceptions**

Some journal vouchers (JVs) and feeder documents are not subject to the same degree of scrutiny by the system. The following transactions **are not considered cost transfers** under this policy when the purpose is to:

* Correct data entry errors in the C-FOAPAL string related to the **org, account, program, or activity code**.
* Reallocate charges between active funds established for the same sponsored project with the **same grant code**.
* Remove expenditures by transferring charges to a non-sponsored fund.
* Post original intra-university billings.
* Process administrative adjustments such as entries by the sponsored programs post-award office or University Accounting and Financial Reporting (UAFR) to correct Facilities and Administration (F&A) assessments, fringe benefit errors, small balance adjustments, cost of education or administrative allowances, etc.

Although these exceptions are not considered cost transfers and do not need [Form GC81: Cost Transfer Justification For Sponsored Projects](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=94607), you should still provide adequate documentation. Consult [Related Policies and Procedures](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers) for additional guidance on documentation.

**Note**: The Form GC81: Cost Transfer Justification For Sponsored Projects is not required to be completed by sponsored programs post-award office and other system Offices units.

## **Related Policies and Procedures**

16.3.1 Process Cost Transfer for Sponsored Projects

## **Additional Resources**

[Frequently Asked Questions](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers/faqs)

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# 16.3.1 Process Cost Transfers for Sponsored Projects

## Before You Begin

Before beginning this procedure, become familiar with the [policies related to this topic](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers).

A cost transfer is a reallocation or redistribution of a previously charged expenditure transferred from one university fund (C-FOAP) to another after the charge has been posted in Banner. Consult [Policy Exceptions](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=446399#exceptions) for transactions that are not considered cost transfers by the University of Illinois System.

## Begin

To process Cost Transfers for sponsored projects:

1. Determine if the transfer is allowable as outlined in [Cost Transfers Principles and Expectations](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=446399#expectations).
2. Determine if processing a current or non-current cost transfer is needed. As a reminder, cost transfers should be completed as soon as the need is detected and non-current transfers (older than 90 calendar days) should be kept to an absolute minimum. Non-current transfers require additional documentation.

**Current Cost Transfers** are those initiated during the accounting period in which the charges were originally recorded in Banner, or within 90 calendar days of the original transaction date in Banner.

**Non-Current Cost Transfers** are those processed more than 90 calendar days after the original transaction date in Banner. Non-current transfers require additional documentation (see step 4 below).

1. Use either a Banner Journal Voucher (JV) or Labor Redistribution form to transfer costs:

**Non-Personnel Expenses**—Use Banner Journal Voucher Form FGAJVCD, FGAJVCM, or FGAJVCQ. Consult the job aid, [Creating a Journal Voucher with FGAJVCD and FGAJVCQ](https://www.obfs.uillinois.edu/training/materials/accounting/creating-journal-voucher-fgajvcd-fgajvcq/), for step-by-step instructions on how to create journal vouchers. The following information should be included in the Text screen (FOATEXT):

* + Explanation, including the reason for initial posting to incorrect C-FOAP, and benefit of the cost being transferred to the project
  + Original date of the service or transaction
  + Original transaction document number
  + Preparer’s name and telephone number
  + If the cost transfer is non-current see step 4 below, and
    - **UIUC and UIS**—complete and submit [Form GC81: Cost Transfer Justification For Sponsored Projects](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=94607) to sponsored programs post-award office
    - **UIC**—note that [Form GC81: Cost Transfer Justification For Sponsored Projects](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=94607) is on file in the unit business office

Vouchers may be rejected by sponsored programs post-award office if sufficient documentation is not provided in the Text screen (FOATEXT).

**Personnel Expenses**—Use Banner Labor Redistributions Form PZAREDS. Consult the job aid [Performing Labor Redistributions (PZAREDS)](https://www.obfs.uillinois.edu/training/materials/payroll/performing-labor-redistributions/) for step-by-step instructions on how to create labor redistributions. The following information should be documented and retained in your unit to support the effort charged to the project:

* + Explanation, including the reason for initial posting to incorrect C-FOAP, and benefit of the cost being transferred to the project
  + Date when the effort was provided, the individual’s name and UIN, and pay period code
  + Contact information for individual requesting the transfer

1. For current transfers, skip to step 5. For non-current transfers (both non-personnel and personnel transfers), complete a [Form GC81: Cost Transfer Justification For Sponsored Projects](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=94607):
   * Have the principal investigator sign the form to confirm that the charges are allowable, proper, and approved by them. If the principal investigator is not available, someone at a higher level, such as a unit (or department) head, dean or center director who:
     + Has knowledge about the project and the work being performed

AND

* + - Can sign the form by acting on behalf of, in the absence of, the principal investigator
  + Route the GC81 Form as described below:
    - Non-Personnel Expenses (Banner Journal Voucher):
      * UIUC and UIS—Submit the Form GC81: Cost Transfer Justification For Sponsored Projects with the Journal Voucher and retain a copy in your unit
      * UIC—Keep the Form GC81: Cost Transfer Justification For Sponsored Projects on file in your unit
    - Personnel Expenses (Labor Redistribution form)—Keep the Form GC81: Cost Transfer Justification For Sponsored Projects with your copy of the Labor Redistribution form in your unit

1. Retain copies of supporting documentation for all cost transfers in your unit:
   * Journal voucher or labor redistribution transferring the costs
   * Documentation for the original expenditure being transferred, including but not limited to vendor (original) receipts or invoices, or internal university service-unit billings
   * Authorization to initiate the cost transfer and any related correspondence documenting the need and justification for the cost transfer; authorization should be from the principal investigator or from the responsible business person for the department
   * Form GC81: Cost Transfer Justification For Sponsored Projects for non-current transfers

The documentation for cost transfers must be retained for the period stipulated in the record retention schedule and be made available for verification during the course of an audit or other review. If a cost transfer does not have adequate supporting documentation, it may be deemed unallowable by the sponsor, auditors, or the applicable university sponsored programs post-award office. If that happens, the unit is responsible for covering the unallowable costs with unrestricted funds from sources such as an indirect cost recovery (ICR) fund or a gift fund.

1. If the expenditures being transferred or redistributed were previously confirmed (UIUC and UIS) or certified (UIC):

**UIUC and UIS**—The unit confirmation contact may be required to submit a request for an updated semi-annual confirmation report (reconfirmation) through the Semi-annual Expenditure Confirmations system.

**UIC**—If the personnel expenditures being transferred were previously certified during the annual effort certification process, the unit business manager should contact the sponsored programs post-award office for guidance.

## Forms Used in this Procedure

[Form GC81: Cost Transfer Justification For Sponsored Projects](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=94607)

## Additional Resources

[Journal Voucher Processing (GL 101)](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=91714#transactionprocessing)

[Labor Redistribution (PR 130)](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=91721#laborredistribution)

[U.S. Office of Management and Budget (OMB) Circular A-21, 2 CFR, Part 220](https://obamawhitehouse.archives.gov/omb/circulars_a021_2004/)

[U.S. Office of Management and Budget (OMB) Circular A-110, 2 CFR, Part 215](https://obamawhitehouse.archives.gov/omb/circulars_a110/)

[CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200)

[Semi-annual Expenditure Confirmations](https://confirmations.uillinois.edu/)

[Effort Reporting System](https://ers.gco.ovcr.uic.edu/)

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# 16.3 Additional Resources Cost Transfers Frequently Asked Questions

**Q. How can cost transfers be avoided and better managed?**

A. The need for cost transfers can be reduced if you are familiar with the terms and conditions of the sponsored project. When the business managers and PIs regularly communicate, keeping each other informed of financial decisions, the number of cost transfers is considerably less.

You can avoid most cost transfers before the expenditure is incurred by following these suggested practices:

* Using the correct C-FOAPAL string or related index code when posting the expenditure
* Requesting an Anticipation Grant/Fund through the GC-70 application
* Ensuring arrangements for recurring charges are set up correctly and terminated in a timely manner
* Ensuring HR appointments are set up correctly

You can better manage the cost transfer process after an expenditure is incurred by:

* Monitoring sponsored project funds
* Reconciling sponsored project funds monthly
* Finalizing cost transfers within 30 days of the project end date

**Q. What steps minimize costs transfers while waiting for fully-executed awards?**

A. If there is a legitimate need to expend funds for a project prior to the receipt of formal notification of an award from a sponsor, the use of an Anticipation Grant and Fund Code is recommended. An Anticipation Grant and Fund Code can minimize the volume of cost transfers for the project and it is another characteristic of good business practice.

When there is a high degree of certainty that an award will be made, units, at their own risk, may incur costs in anticipation of the award. In this situation, a fund code may be requested from the sponsored programs post-award office prior to the formal notification by completing a Request to Establish an Anticipation Grant/Fund Form, with the required approvals.

Use the [GC70: Anticipation, Expired, or Overdrafted Grant/Fund Request web-based application](https://gc70.uillinois.edu/) to request an anticipation grant/fund from the sponsored programs post-award office.

**Q. Can a sponsored project fund be used to accumulate costs for shared goods or services that benefit multiple projects?**

A. A sponsored project fund should not be used as a clearing fund to accumulate costs for shared goods or services that benefit multiple projects or activities. Account for the accumulation and redistribution of these shared goods and services in an appropriate stores and services fund, auxiliary fund, or unrestricted departmental fund.

**Q. What’s the difference between a current and non-current cost transfer?**

A. **Current Cost Transfers** are those initiated during the accounting period in which the charges were originally recorded in Banner, or within 90 calendar days of the original transaction date in Banner.

**Non-Current Cost** Transfers are those processed more than 90 calendar days after the original transaction date in Banner. Non-current transfers require additional documentation.

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# 16.4 Sponsored Projects Program Income

[Printer Friendly Version](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income/program-income-print)

## **Policy Statement**

The University of Illinois System is required to identify, document, and report program income generated on sponsored projects in accordance with the federal administrative requirements, awarding agency regulations and terms and conditions of the awards.

## **Reason for the Policy**

This policy is designed to provide guidance for the treatment of program income generated by sponsored projects to ensure the system complies with the requirements of Office of Management and Budget (OMB) Uniform Guidance 2 CFR Part 200.307 for awards issued after December 26th, 2014, awarding agency regulations, and the terms and conditions of the underlying agreements.

## **Applicability of the Policy**

To maintain consistency in the treatment of program income, this policy applies to all federally-funded projects (both direct and federal pass-through awards). For non-federal sponsors, if the awarding agency does not have an established program income policy, the income is not reportable, but instead treated as revenue generating activity and handled according to [OBFS Policies and Procedures Manual Section 22](https://www.obfs.uillinois.edu/bfpp/section-22-self-supporting-revenue-generating/section-22-3).

**Procedure**

All program income must meet the following core principles:

* The program income must be used for the purposes of the award.
* The program income must be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the award.
* The program income must be used for current costs, unless the awarding agency authorizes otherwise.
* Expenses will be assessed Indirect Costs at the same Facilities and Administration (F&A) rate as the associated sponsored project. Units may request a waiver of Indirect Costs on program income expenses on a case-by-case basis through their university Office of the Vice Chancellor for Research (OVCR) for UIC and UIUC or the Provost’s Office for UIS.
* The program income may be used to fulfill a cost sharing or matching requirement with prior approval of the awarding agency.

When a reporting requirement exists, the system must track program income earned during the project period using one of the following methods, in accordance with the awarding agency regulations or the terms and conditions of the award:

* **Addition**—program income is added to funds committed to the program and used to further program objectives.
* **Deduction**—program income is deducted from total allowable costs of the program to determine the net allowable costs.
* **Cost sharing or matching**—with prior approval of the awarding agency, program income funds may be used to meet the cost sharing or matching requirement of the award.

If the awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, the addition method listed above must be applied.

Although these default treatments usually apply, the system may request prior approval from the awarding agency to treat program income using a specified alternative method.

Income earned after the end of the period of performance is not considered program income and is generally treated as revenue generating activity (see [22—Self-Supporting / Revenue Generating Activities](https://www.obfs.uillinois.edu/bfpp/section-22-self-supporting-revenue-generating)).

## **Related Policies and Procedures**

16.4.1 [Identify, Account, Treat, and Report Program Income](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income/identify-account-treat-report-program-income)

[22—Self-Supporting / Revenue Generating Activities](https://www.obfs.uillinois.edu/bfpp/section-22-self-supporting-revenue-generating)

## **Additional Resources**

16.4.2 [What is Program Income?](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income/what-is-program-income)

16.4.3 [Program Income Responsibilities](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income/responsibilities)

16.4 [Frequently Asked Questions](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income/faqs)

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# 16.4.1 Identify, Account, Treat, and Report Program Income

## Policy Statement

The University of Illinois System is required to identify, document, and report program income generated on sponsored projects in accordance with the federal administrative requirements, awarding agency regulations and terms and conditions of the awards. When a reporting requirement exists, the system must track program income earned during the project period, in accordance with the awarding agency regulations or the terms and conditions of the award. [Read more on the Program Income policy main page.](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/program-income)

## Before You Begin

Office of Management and Budget (OMB) Uniform Guidance 2 CFR Part 200.307 set forth specific requirements for the identification, accounting, treatment, and reporting of income generated from a federal sponsored project during the project period. The system has extended these requirements to income generated on all sponsored projects as noted under Applicability of the Policy, on the Program Income policy main page.

## Begin

Follow these guidelines to identify, account, treat, and report program Income.

|  |  |  |
| --- | --- | --- |
| **Treatment** | **Description** | **Example** |
| Addition Method  (default method unless specified otherwise in the Federal awarding agency regulation or terms and conditions of the award) | Program income is added to funds committed to the program and used to further program objectives. | The initial project budget was $100,000. $10,000 of program income is generated. The total project costs may now be $110,000. ($100,000 expensed on the parent fund and $10,000 expensed on the program income sub-fund.) |
| Deduction Method | Program income is deducted from total allowable costs of the program to determine the net allowable costs attributable to the Federal share. | The initial project budget was $100,000. $10,000 of program income is generated. The adjusted project budget amount from the awarding agency is reduced to $90,000 after gross program income is taken into account. Total project costs remain at $100,000. ($90,000 expensed on the parent fund and $10,000 expensed on the program income sub-fund.) |
| Cost Sharing or Matching Method | With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. | The initial project budget was $100,000 with cost sharing committed at $20,000. $10,000 of program income is generated. The expenditure of the program income may be used to account for $10,000 of the committed cost sharing. |
| Combination | Regardless of the initial method used for program income, any program income in excess of the amount specified at the time of the Federal award must be administered using the Deduction Method. Thus, there may be a combination of methods used for program income generated on the same project. | The initial project budget was $100,000. While only $25,000 of program income was anticipated at the time of award, $35,000 of program income is generated on the project.  If the project was initiated under the Additive Method, only the first $25,000 may be added to the award, bringing the award to $125,000. The amount in excess of $25,000 [$10,000] is deducted from the new award amount. Thus, the award amount is: $100,000 + $35,000—$10,000 = $125,000 ($90,000 agency funds plus $35,000 program income). |

1. **Identify and Communicate Program Income at the Proposal Stage**

The Principal Investigator (PI) or designee is responsible for identifying whether any program income will be generated during the project period, and completing the proposal based on funding agency guidelines. A PI needing further guidance should contact the applicable university pre-award office.

1. **Account for Program Income and Expense**

The system will account for program income in a secondary fund associated with the grant code established for the sponsored award. Both the program income revenue and related expenses must be recorded to the program income fund with the intent of utilizing the income by the end date of the award. If unexpended program income remains at the end of the award, disposition of the funds must follow awarding agency guidelines.

1. **Treat Program Income**

Program income generated with funds from a sponsored project and earned during the project period will be used to support the sponsored project that produced the income.

Regardless of the method that is applied, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the award. The chart above outlines the different methods for the treatment of program income.

1. **Report Program Income**

When required to report program income, the system must do so in accordance with the terms and conditions of the award. The sponsored programs post-award office will work with PIs and unit business managers to complete and submit reports in a timely manner.

## Additional Resources

16.4.2 [What is Program Income?](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=260150)

16.4.3 [Program Income Responsibilities](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=260157)

16.4 [Frequently Asked Questions](https://www.obfs.uillinois.edu/cms/One.aspx?portalId=77176&pageId=260164)

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**16.4.2 What is Program Income?**

Program income is gross income earned by the university that is directly generated by a supported activity or earned as a result of the award during the period of performance.

Following are a few examples of activities that constitute program income:

* Registration fees charged to participants or industry sponsorships to attend a conference or workshop offered under a sponsored award.
* Fees charged for the rental or usage of real or personal property, such as computer or laboratory equipment, purchased with sponsored funds.
* Fees earned for services performed, such as laboratory drug testing services incidental to a sponsored award.
* Third-party patient reimbursement for hospital or other medical services; e.g., payments received from insurance companies for standard care administered to patients enrolled in a federally sponsored study on a sponsored award.
* Revenue generated from the sales of commodities and research materials, such as tissue cultures, cell lines, research animals, publications, books, or supplies produced with sponsored funds.
* Repayment of principal and interest on loans made with grant funds.

Following are a few examples of activities that are NOT considered program income:

* Income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions produced under an award, royalties or license fees for unpatented, but potentially patentable discoveries that are disclosed to the Office of Technology Management (unless it is addressed in the award terms).
* Rebates, credits, discounts, and interest earned on these items.
* Interest earned on advances of federal funds.
* Income earned after the end of the project period.
* Proceeds from the sale of equipment or real property acquired in whole or in part under a sponsored award.
* Revenue generated through programs funded by sources other than sponsored projects, for example, performing arts programs that are funded by private gifts.

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**16.4.3 Program Income Responsibilities**

The identification, tracking, and reporting of program income involves a collaborative effort as outlined below.

**Principal Investigators**

* Identify amount and sources of actual and potential program income at the proposal stage.
* Complete required program income sections in the sponsor’s application forms as necessary.
* Develop plan for using program income.
* Discuss anticipated program income with the sponsored programs post-award office and unit business manager.
* Verify program income on reports.
* Notify the sponsored programs post-award office if unanticipated program income is identified and/or received during the project.
* Address account balance issues at final project termination.

**Unit Business Manager**

* Assist Principal Investigator in estimating program income.
* Bill properly for products or services that produce program income; reconcile revenue invoiced or submitted against financial reports.
* Send program income payment checks to sponsored programs post-award office for deposit.
* Verify program income receipt on financial reports.
* Monitor program income account activity and any restrictions that may be imposed by the awarding agency.

**Sponsored Programs Post-Award Office**

* Set up sub-fund for tracking and verify that program income is recorded correctly.
* Determine whether program income is reportable or non-reportable.
* Advise Principal Investigators and unit business managers on allowable expenditures charged against program income.
* Report program income to awarding agency in accordance with award terms and conditions.
* Advise Principal Investigators and unit business managers on the proper accounting and tracking of program income.

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1. **Are there limitations on what I can pay for with program income?**

Program income must be used only for the purposes of the grant during the grant project period. You can use program income to cover allowable expenditures budgeted under the federal and university shares of the grant.

1. **Is a grantee accountable for income earned after the end of the project period?**

Income earned after the project period ends can be retained by the organization according to the grant provisions or terms and conditions. If the awarding agency is silent on income earned after the project end date, this income is subject to university revenue generating guidelines (see [OBFS Policies and Procedures Manual Section 22](https://www.obfs.uillinois.edu/bfpp/section-22-self-supporting-revenue-generating/)).

1. **Is the use of program income subject to audit?**

Yes. Auditors may sample your revenue sources to identify any funds that would be considered program income under the grant and review your general ledger documentation to ensure you have used the program income as required under your grant provisions or terms and conditions.

1. **Can program income be transferred from one program to another?**

No. Program income cannot be transferred between organizations, grants or subawards. As with the costs incurred under a grant, program income is also only allocable to the grant or subaward funding the programs and activities earning the income.

1. **Do we have to amend our grant if we are earning excess program income?**

It depends on the terms and conditions of the award. Some sponsors may require an amendment to the original award to address the excess amount and its use.

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[Printer Friendly Version](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-projects-subawards/sponsored-projects-subawards-print)

## **Policy Statement**

The University of Illinois System may issue a subaward to a subrecipient for the purpose of performing a portion of the scope of work under an award for a sponsored project. In issuing a subaward, the system assumes responsibility for the oversight of programmatic and financial activities of the subrecipient throughout the life of the subaward, including but not limited to the determination of subrecipient versus contractor, assessing subrecipient’s capacity to perform, and subrecipient’s compliance with award terms. The Principal Investigator (PI) shall be responsible for confirming the subrecipient performs the awarded scope of work and all costs are reasonable and in accordance with the terms of the award.

## **Reason for the Policy**

As a recipient of an award, the system must comply with the requirements outlined in 2 CFR § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards that require the system to manage and monitor each subaward to reasonably ensure that costs are allowable, awards are used for authorized purposes, and performance goals are achieved. Subawards must also be administered in compliance with applicable laws, regulations, and the provisions of the grant or contract agreement.

## **Applicability of the Policy**

This policy applies to all sponsored projects and programs.

## **Related Policies and Procedures**

16.5.1 [Review and Pay Subrecipient Invoices](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-projects-subawards/review-pay-subrecipient-invoices)

16.5.2 [Close a Subaward](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-projects-subawards/close-subaward)

## **Additional Resources**

16.5.3 [Guidelines on Subrecipient Performance](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-projects-subawards/guidelines-on-subrecipient-performance)

16.5.4 [Responsibilities to Monitor a Subrecipient](https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/sponsored-projects-subawards/responsibilities-to-monitor-a-subrecipient)

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# 16.5.1 Review and Pay Subrecipient Invoices

## Policy Statement

The University of Illinois System may issue a subaward to a subrecipient for the purpose of performing a portion of the scope of work under an award for a sponsored project. In issuing a subaward, the university assumes responsibility for the oversight of programmatic and financial activities of the subrecipient throughout the life of the subaward, including but not limited to the determination of subrecipient versus contractor, assessing subrecipient’s capacity to perform, and subrecipient’s compliance with award terms. The Principal Investigator (PI) shall be responsible for confirming the subrecipient performs the awarded scope of work and all costs are reasonable and in accordance with the terms of the award.

## Before you Begin

The Principal Investigator (PI) is responsible for reviewing, certifying, and approving all invoices, in consultation with the business manager as required, with regard to the subrecipient’s performance. In some cases, the PI may delegate this authority to a designee who can attest to the performance of the subrecipient. When this occurs, written documentation must be kept on file. For Urbana and Springfield, notify and provide this documentation to the sponsored programs post-award offices.

Encumbrance Number—An encumbrance must be established in Banner before an invoice can be paid. After a subaward has been fully executed, a copy of the subaward agreement is sent to the PI and the -sponsored programs post-award offices. Additional details for each university are as follows:

**UIC**—Sponsored programs post award office creates the encumbrance number upon receipt of the executed subaward and sends the encumbrance number to the unit business manager upon issuance.

**UIUC**—Sponsored programs post award office creates the encumbrance number upon receipt of the executed subaward. The encumbrance number can be found in Banner or on the sub-invoice cover letter provided with each sub-invoice.

**UIS**—The unit business office manager forwards an Encumbrance Request form to the sponsored programs post award office. Sponsored programs post award office creates an encumbrance for the amount of the subaward. The encumbrance number will be sent to the unit business manager upon issuance.

Final Invoice—In order for the system to comply with its financial reporting requirements, subrecipients are required to submit a final invoice within the timeframe specified in the subaward. The final invoice should not be paid until the subrecipient has met all subaward requirements. In the event that a final invoice is received from the subrecipient after the specified time period has lapsed, payment may be denied. PIs and unit business managers are responsible for obtaining final closeout information, including invoices, from their subrecipients.

## Begin

To review and pay subrecipient invoices, the PI or delegate should:

* Review each invoice with regard to applicable regulations and the terms and conditions of the award.
* Ensure the costs are reasonable (i.e., in line with the amount of work being reported or deliverables submitted), allowable in accordance with the cost principles, and incurred within the project period.
* Ensure any cost sharing commitment has been satisfied and that appropriate documentation is received from the subrecipient. The subrecipient’s cost sharing must meet the criteria specified in the system’s cost sharing policy. If a subaward includes a cost sharing commitment from a subrecipient, this should be reported on the subrecipient’s invoices, including the cumulative cost sharing total.
* Investigate any charges which appear to be unallowable, unusual, or excessive, and resolve them prior to submitting the invoice for payment.
* Submit the approved invoice for payment using the Request a General Encumbrance/Wire Transfer Payment form following instructions found at the Non-Purchase Order Invoices webpage.
* Make sure the final invoice is submitted by the subrecipient within the timeframe specified in the subaward or payment may be denied.

For UIC, the Subrecipient Monitoring—Invoice Checklist may be used to help ensure the invoice meets the criteria for completeness and compliance prior to release of payment.

## Forms Used in this Procedure

[Request a General Encumbrance/Wire Transfer Payment](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=215238)

[Subrecipient Monitoring—Invoice Checklist](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=96447)—UIC

## Additional Resources

[Non-Purchase Order Invoices](https://www.obfs.uillinois.edu/payments-vendors-students/vendor-invoice-payment-process/non-po-invoices/)

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## Policy Statement

The University of Illinois System may issue a subaward to a subrecipient for the purpose of performing a portion of the scope of work under an award for a sponsored project. In issuing a subaward, the system assumes responsibility for the oversight of programmatic and financial activities of subrecipient throughout the life of the subaward, including but not limited to the determination of subrecipient versus contractor, assessing subrecipient’s capacity to perform, and subrecipient’s compliance with award terms. The Principal Investigator shall be responsible for confirming the subrecipient performs the awarded scope of work and all costs are reasonable and in accordance with the terms of the award.

## Before you Begin

An integral component of subrecipient monitoring is closeout of the subaward at the end of the project period. At this point is when the Principal Investigator (PI) determines that the subrecipient has fulfilled all of its responsibilities under the subaward. The final invoice should not be paid until the subrecipient has met all subaward requirements.

## Begin

To close a subaward, the Principal Investigator (PI), unit business manager, and sponsored programs post-award office fulfill the responsibilities described below.

**The Principal Investigator and Unit Business Manager:**

* Ensure that all programmatic or technical reports have been submitted in accordance with the subaward terms and conditions, and performance goals have been achieved.
* Obtain, review, and process a final invoice from the subrecipient within the timeframe specified in the subaward.
* Verify that the subrecipient’s cost sharing commitments have been satisfied, as applicable.

**The Sponsored Programs Post-Award Office:**

* Liquidate any remaining subaward encumbrance.

## Forms Used in this Procedure

(Optional) [Subrecipient Monitoring Checklist](https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=96445)

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16.5.3 Guidelines on Subrecipient Performance

The Principal Investigator (PI) is responsible for ensuring that the progress on the subrecipient’s scope of work is satisfactory. The PI should manage each subrecipient’s work or progress as presented in the subaward proposal, and as awarded by reviewing the subrecipient’s technical reports or other deliverables related to the project.

**Programmatic Reports**

The subrecipient is responsible for completing programmatic reports as stipulated in the terms and conditions of the subaward. Programmatic reports should be submitted by the subrecipient to the PI, as applicable. Programmatic reports serve as official documentation that the stated work has been performed, and substantiate the invoices paid throughout the course of the funding period. These reports should be maintained by the PI and department.

**Unsatisfactory Performance**

The PI determines the validity of the subrecipient invoices based upon the progress of the subawardee. The PI reserves the right to reject or withhold an invoice due to insufficient or unsatisfactory performance. If there are concerns about either the subrecipient’s performance or invoices, contact the applicable university sponsored programs post-award office as quickly as possible for assistance in resolving the issue.

**Early Termination**

If the subrecipient is in violation, breach, or default of any of its obligations under the subaward and fails to remedy such default, the PI has the option to terminate the subaward. The PI or business manager shall notify the pre-award office and sponsored programs post-award office of the intent to terminate the award early so written notification can be provided to the subrecipient.

Upon early termination, the subrecipient will be required to submit a final invoice within 30 days of the termination date unless otherwise stated in the termination notice. The subrecipient will be reimbursed for allowable, non-cancelable costs and commitments incurred in the performance of the subaward up to termination date, not to exceed the maximum reimbursement amount set forth in the agreement. Additionally, the subaward’s PI must submit all necessary progress reports through the date of termination.

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**16.5.4 Responsibilities to Monitor a Subrecipient**

The Principal investigator (PI), the unit business manager, and the university sponsored programs post-award office share the responsibility of monitoring subrecipients.

**The Principal Investigator and Unit Business Manager:**

* Verify that work performed by the subrecipient is conducted in a timely manner and is acceptable.
* Review and compare subrecipient invoices to established budgets to ensure costs are allowable.
* Certify/approve all subrecipient invoices and submit for payment.
* Maintain regular contact with the subrecipient regarding the technical aspects of the project.
* Ensure that all deliverables (e.g. technical, equipment, and invention reports) required under the subaward are being provided and reviewed.
* Participate in audits, site visits, or other monitoring activities (if necessary) to review fiscal and programmatic records and/or observe programmatic activities.
* Facilitate closeout, i.e., final technical/programmatic reports and final invoice. PIs should not approve final payments until all reports have been received.
* Maintain documentation to support monitoring activities.

**The Sponsored Programs Post-Award Office:**

* Verify on an annual basis that the subrecipient has completed an OMB Single Audit (formerly known as A-133 audit), as applicable.
* Follow-up to ensure subrecipient takes timely and appropriate corrective action when deficiencies are detected through audits, on-site reviews, and other means that are related to the federal subaward issued by the university.
  + If the subrecipient does not respond in a timely manner, the sponsored programs post-award office will contact the pre-award office, PI, and business manager. Future and/or final payments on any current agreements may be withheld until the subrecipient satisfactorily responds.
* Issue a management decision for audit findings that are directly related to federally-funded subawards issued by the university.
* Perform audits, desk reviews, and other monitoring activities as determined necessary.
* May establish its own requirements, as necessary, to ensure compliance by foreign or for-profit subrecipients, since the Single Audit provisions in OMB Circular A-133 or the Uniform Guidance do not apply to such subwards;
  + Methods to assess compliance with federal subawards made to foreign or for-profit subawards may include audits, desk reviews, or other monitoring activities.

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16.6.1—UIUC Sponsored Projects Administration (Under Review, Title Change Only)

# 16.6.2—UIC Disposition of Unexpended Balance on Fixed Price Agreements

## 

## Overview

The purpose of this section is to establish the criteria for disposition of funds remaining when a sponsored project has been completed and the funding for the project is in the form of a fixed price award. This policy applies to the disposition of unexpended cash balances on sponsored projects — contracts and grants, and applies to fixed price/fixed rate contracts and non-refundable grants that do not include a designation from the sponsor as to the use of the remaining unexpended balance of funds. The principal investigator (PI) and the unit business office must ensure that the applicable personnel efforts referenced in the award proposal budget and used to determine the rate of reimbursement are appropriately charged to the contract or grant. Once the award is accepted, the PI is obligated to perform the work, whether or not the funding provided is adequate, but is not obligated to return any unused funds.

## Process

Unrestricted residual funds remaining on fixed price type awards as described above will be transferred by the Office of Sponsored Programs (OSP)—Post-Award to a departmental unrestricted residual fund type C-FOAP to facilitate timely project close-out, within 120 days of Banner coded project end date.

* When a fixed price or non-refundable award has reached the Banner indicated project end date, the responsible Grant Specialist prepares and sends a Report of Expenditures (ROE) worksheet and Notice of Unexpended Funds Disposition form to the departmental grants administrator for review and approval. The Notice of Unexpended Funds Disposition form indicates the residual cash balance. Once the ROE is reviewed and approved by the department, no additional charges or transfers can be applied to the terminating grant or contract.
* OSP requests the required program code segment of the allowance type C-FOAP from the Accounting C-FOAP maintenance group. Once the program code has been established, OSP sends notification of the unrestricted residual fund C-FOAP to the department. The residual funds are unrestricted and will be available to the department for expenditure until funds are exhausted. Fiscal year ending balances roll forward and become next fiscal year’s beginning balance.
* The direct cost portion of the residual cash balance is transferred to the department’s unrestricted residual fund established as described above and the applicable Facilities and Administrative (F&A) portion is transferred to the appropriate Indirect Costs Recovered (ICR) C-FOAP based on the distribution code reflected on (see form FZMRFND) the terminating fund, unless the PI working through the Office of Sponsored Programs—Pre-Award has requested and been granted a project extension from the sponsoring agency.
* Fixed price and fixed rate contracts, and non-refundable grants with zero or negative balances are closed out on the same schedule as other sponsored projects.

## Responsibilities

* The PI and the department receiving the award are responsible for ensuring that all expenses charged are appropriate for the award grant and fund code(s).
* The PI and the department ensure that all expenses related to the project have been properly charged to the award grant and fund code(s).
* The PI and the department certify the completion of all required project work and that all required reports and deliverables have been submitted to sponsor.
* The PI will be responsible and held accountable for ensuring that sponsor funds requested accurately reflect the cost of completing the fixed price award. All awards with residual cash balances will be subject to post audit reviews.
* OSP calculates the applicable direct and F&A portion of the residual cash balance and transfers the direct cash balances to the unrestricted residual fund, distributes the F&A to the appropriate ICR fund and terminates the award grant and fund code(s). All entries will be made within 120 days of award project end date.

For additional information, contact the Office of Sponsored Programs at 312-996-3373.

Please send questions regarding this policy manual to [OBFSPolicies@uillinois.edu](mailto:obfspolicies@uillinois.edu?subject=Question/Comment%20regarding%20OBFS%20Policy%20Manual).

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