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**Allowable and Unallowable Costs**

The Advancing a Healthier Wisconsin Endowment (AHW) is governed by a number of unique rules and requirements through the Insurance Commissioner’s Order, the Grant Agreement with the Medical College of Wisconsin, and the Medical College of Wisconsin’s rules and policies. It is within this context that AHW works diligently to ensure the best stewardship of the funds. AHW reserves the right to question or deny any expense whether it is specifically mentioned in this policy or included within the project budget.

Cost considerations are critical throughout award life. Approved award budgets and all project change requests are reviewed for compliance with the governing cost principles and other requirements and policies applicable to the type of award.

The decision of whether a proposed cost is allowable or unallowable is based on the ability to specifically associate the cost with the project, rather than on the nature of the goods or services.

* **Allowable Expenses** – direct expenses that are project-specific and included in the approved AHW project budget.
* **Unallowable Expenses** – expenses that may not be incurred using AHW funds, including any indirect expenses such as expenses related to the normal operating functions of the organization.

Because of non-supplanting requirements, AHW does not allow indirect costs, such as overhead or administrative costs. AHW expects that grant recipients have existing infrastructure in place to provide indirect support for the grant agreement. Grant recipients must indicate their capacity to oversee and manage the project, programmatically and financially, before any funding decisions are made. Overhead is not an allowable expense, even if there is an existing cost allocation model.

The following criteria apply to all expenses:

* Failure to mention a specific cost category does not imply it is either allowable or unallowable
* All purchased materials and supplies must be consumable during the life of the project
* Expenses must be demonstrated to be totally or incrementally incurred as a direct association to the approved project aims and objectives
* Expenses using AHW funds may not supplant (replace) funds or resources that are available from other sources
* Prorating:
* AHW will prorate any equipment purchases requested through a change request within the last 12-months of a project period
* Memberships and subscriptions – any memberships and subscriptions that extend past the project end date must be prorated
* Maintenance/Software/Service agreements – any maintenance, software, and service agreements that extend past the project end date must be prorated
* Computers/Laptops – any computer purchases requested through a change request within the last 12-months of a project period will be prorated

| **ALLOWABLE COSTS** | | |
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| **Cost** | **Description** | **Examples / Clarification** |
| **Advertising** | Advertising for vacant project-related personnel positions, research subjects or publicity of events or meetings  Tangible branded promotional materials specifically related to the project | Excludes faculty recruitment |
| **Books, Journals, Licenses and Subscriptions** | Books, journals, licenses and subscriptions to professional or technical publications specifically related to the project | Unallowable if benefits education or research in general or the faculty/community member in general  \*See prorating policy on page 2 of this document |
| **Consulting and Professional Services** | Individual/organization not employed by an applicant organization hired to perform professional, short-term services specifically related to the project | Unallowable if general costs, such as corporate legal or accounting services, which are considered to be indirect costs and are unallowable.  MCW PIs must follow MCW Corporate policies governing the use and payment of consultants/professional services |
| **Equipment** | Special purpose items with a useful life of more than one year and a cost greater than $5,000 used only for project-related technical activities | Unallowable if general purpose equipment such as office equipment and furnishings not limited to research or technical use  \*See prorating policy on page 2 of this document |
| **Honoraria** | Payment for services, such as speaker fees, associated with a project-related conference or symposium  Honorarium is a one-time or limited payment made to an individual who is not an employee of MCW or the primary community partner for a special and non-recurring activity or event for which a fee is not legally or traditionally required. The intent is to show appreciation for participation in an educational, research or community engagement activity or event.  Examples where Honorariums may be appropriate include guest lectures or presenters, facilitators, external reviewers or ushers at events. | If the individuals are employees of MCW or the primary partner organization, any effort they provide on a project should be allocated under salaries and fringe. Honoraria would only be applicable for individuals outside of the organization.  Honorariums may not be used for a predetermined legally required fees, consultants, independent contractors, or payments to MCW employees or primary community partners (must be paid through Payroll). |
| **Internal Service Charge** | Internal billings – fees associated with sales of goods and services between departments within the same organization. Operating units that use specialized equipment or technical expertise to provide project-related goods or services for a fee (mass spectrometry, biostatistician, tissue bank, etc.) |  |
| **Maintenance and Repair** | Costs to keep project-related supplies and equipment in efficient operating condition | \*See prorating policy on page 2 of this document |
| **Meals and Meeting Refreshments** | Meals associated with a project-related conference or symposium, meeting requirements, site visit meals, guest meals, etc. | Recreational activities, either for entertainment, team building, or celebration are unallowable. Alcoholic beverages are unallowable |
| **Photocopying and Printing** | Photocopying and printing of documents for non-routine, project-specific use |  |
| **Postage/Messenger Service** | Non-routine, project-specific postage costs, overnight delivery service or special shipping services, other than routine postage costs, including shipping of samples, receiving goods for project use or other delivery items |  |
| **Prevention Services** | Support services that involve screening, education, and/or mobilizing resources to promote health. | Providing clinical services related to treatment or follow-up for specific health conditions is unallowable.  Billable health services, such as medical services that are covered by a health insurance plan and can be billed to the insurance company is unallowable. |
| **Professional Memberships and Dues** | Memberships and dues to belong to professional or technical organizations that further the aims and objectives of the project | Unallowable if general professional development expenses  \*See prorating policy on page 2 of this document |
| **Publication Costs** | Charges for project-related publication in professional journals, including author fees, if such costs are actual, direct, and reasonable to advance the aims and objectives of the award; are charged consistently by the journal regardless of the source of support. | Unallowable if benefits education or research in general or an individual in general |
| **Rent** | Incremental cost to lease space or equipment  Direct cost treatment must be specifically requested and justified in proposal or in an approved change request | Unallowable if not an incremental cost directly attributable to the project  General rental costs, such as allocation of preexisting office space, are indirect costs and unallowable |
| **Research/Participant Incentives** | Payments to individuals who participate occasionally in project specific research, education, or community-based programs. This may include compensation to, or on behalf of, participants or trainees (but not employees) in connection with official meetings, training, research activities, etc. |  |
| **Salaries and Fringe Benefit – Program Personnel** | Personnel performing project-specific work based on the percentage of effort devoted by the employee | Medical or non-medical leaves of absence should not be supported by AHW funds |
| **Service Agreements/Vendor Contracts** | Agreements/contracts with 3rd parties to conduct a service or specific scope of work. | Must provide cost methodology (rate/hours/rationale). |
| **Subcontracts** | Subcontracts with 3rd parties to conduct a scientific or programmatic aspect of the award. | Must provide a cost breakdown. |
| **Supplies – Electronics, Software, and Furnishings** | Project-related goods with a unit cost of $5,000 or less, including computers, office equipment, software licenses, furnishings, etc. | \*See prorating policy on page 2 of this document |
| **Supplies – Office Supplies** | Project-related office supplies maintained for general use by all staff for use on the project.  Including, but not limited to, pens, pencils, writing paper, file folders, letterhead, envelopes, staples, staplers, rulers, etc. | General office supplies are considered indirect costs, so unless specifically budgeted, general office supplies should not be charged to the grant. Budgets must specifically list supply items in order for them to be appropriate on a grant. |
| **Telephone, Fax Lines, Internet Service, and Pagers** | Incremental equipment and service costs for telephones, fax service, internet service, and pagers specifically related to the project | Unallowable if benefits education or research in general or an individual in general  Must be an incremental cost directly attributable to the project |
| **Travel** | Transportation, lodging, per diem and related costs, in accordance with MCW travel policy and/or the community partner’s travel policy that further the aims and objectives of the project | Unallowable if general professional development expenses  Cannot pay for any travel or expenses associated with travel that occurs outside of the award period. |
| **Tuition** | Cost of classes at a non-MCW educational institution; AHW funds cannot be used to pay MCW tuition | Direct cost treatment must be specifically requested and justified in proposal or in an approved change request; classes must provide direct benefit to the project  Unallowable if class benefits an individual in general |

| **UNALLOWABLE COSTS** | |
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| **Cost** | **Description** |
| **Alcoholic Beverages** | Purchase of alcoholic beverages and associated taxes (includes beverages with approved meeting expenses) |
| **Alterations and Renovations** | Rearrangement, alteration or renovation of facilities to expand or improve use |
| **Alumni Activities** | Alumni relations and alumni service costs |
| **Audit Fees** | Audit costs including the cost of annual financial audit required for community partners to remain in compliance with AHW funding requirements |
| **Bad Debts** | Losses from uncollectible accounts, collection costs, and related legal costs |
| **Commencement/Convocation** | Costs of ceremonies and receptions |
| **Contingency Funds** | Provisions made for events that are uncertain as to actual occurrence, timing, or extent |
| **Legal Fees, Defense, Prosecution, Claims and Appeals** | Legal fees and costs resulting from defense, prosecution, claims, and appeals expenses |
| **Depreciation** | Cost of an asset (building or equipment) spread over the asset's useful life |
| **Donations/Contributions and Fund Raising** | Includes gifts, memorials and purchase of tables at fund raising events; Costs for development activities, including solicitation of gifts and bequests, endowment drives and capital campaigns |
| **Entertainment** | Recreational activities, either for entertainment, team building, or celebration. General amusement, social activities and related costs (tickets, meals, lodging and gratuities, etc.) |
| **Establishing Independent Organization** | Funds to establish an independent organization, such as a 501(c)(3) or a limited liability corporation, is strictly prohibited. This includes a prohibition of AHW funds being used to support project staff effort to establish an independent organization. |
| **Faculty Recruitment Expenses** | Includes, but is not limited to relocation expenses, faculty recruitment search and marketing expenses, visas, bonuses, and entertaining expenses to help secure faculty recruitments |
| **Fines and Penalties** | Costs resulting from violations of laws and regulations |
| **Goods or Services for Personal Use by Employees** | Items or services providing direct personal benefit to employees |
| **Institutional Review Board (IRB) Fees** | Costs associated with obtaining necessary approvals from research compliance bodies, such as the Institutional Review Board and Reliance, are considered institutional costs and are not allowable. |
| **Insurance** | Insurance coverage for normal business and operational purposes |
| **Interest** | Interest expenses |
| **Investment Management** | Costs of investment counsel |
| **Lobbying** | Attempts to influence outcomes of elections or other political actions.  Costs associated with communicating directly with government officials with the purpose of influencing any legislative action or an administrative decision. |
| **Losses on Project Agreements** | Costs in excess of available funding are unallowable as a direct cost on another project agreement |
| **Patient Care Costs** | Payment of expenses directly related to clinical services are treated as patient care costs. Clinical services related to individual treatment or follow-up for specific health conditions is unallowable, as well as billable health insurance services, such as medical services that are covered by a health insurance plan and can be billed to the insurance company. |
| **Pre-Award Costs** | Costs incurred prior to the effective date of the project agreement; including grant writing, IRB costs, and reliance fees. |
| **Proposal Costs** | Expenses related to the preparation of the proposal prior to the grant award are considered institutional costs and are not allowable. This includes project personnel effort for grant writing and costs associated with proposal preparation. |
| **Public Relations and Marketing** | Public relations, marketing and related advertising costs intended to promote the organization/department or improve community relations that are not project specific |
| **Salary/Fringe for Administrative Personnel** | Salaries and fringe benefits of general corporate or organizational support staff – such as, departmental administration, including professional and clerical staff, finance, human resources, general IT and central administration staff serving the entire organization – are considered an indirect cost and not allowable. |
| **Sales Tax** | Given the non-profit, tax-exempt status of the Medical College of Wisconsin (MCW) and AHW’s Endowment’s partner organizations, sales tax will generally not be reimbursed. To practice appropriate stewardship and maximize the impact of AHW funds, partners should avoid incurring sales tax on purchases. |
| **Scholarships and Student Stipends** | Funds provided to support education or living expenses for students |

AHW Allowable and Unallowable Costs Webpage: <https://info.ahwendowment.org/allowable-and-unallowable-costs>