



National Science Foundation

Division of Institution and Award Support (DIAS)
CAP and RAM Branch
Allowable/Unallowable Costs



Overview

Awardee organizations must ensure that expenditures charged to NSF cost-reimbursable awards are allocable, allowable, necessary, and reasonable in accordance with applicable federal cost principles, NSF policy, program solicitation, and/or award terms and conditions. Cost principles applicable to educational institutions, non-profit organizations, and state/local governments can be found in 2 CFR §200 Subpart E. Cost principles applicable to for-profit organizations can be found in Federal Acquisition Regulation (FAR) Part 31.

Additional Information

- **Applicability to Subrecipients:** Pass-through entities that have approval to transfer portions of project effort to subrecipients are responsible for ensuring that subrecipients follow the applicable federal cost principles based on the organization type, as well as NSF policies and applicable terms and conditions.
- **Prior Approval Policy:** Costs not budgeted in an NSF award may be allowable if prior approval is not required (See Appendix A of Research Terms and Conditions or PAPPG Chapter X.A.3), and costs are incurred consistently with the applicable cost principles and within scope of work.
- **Reviews Conducted Using Data Analytics:** NSF increasingly incorporates advanced data analytics into its review processes that include automated screenings of a large volume of transactions which can quickly identify potentially questionable transactions.

Useful Links:

National Science Foundation

DIAS Resolution and Advanced Monitoring Branch (RAM)

DIAS Cost Analysis and Pre-Award Branch (CAP)

NSF Proposal & Award Policies and Procedures Guide (PAPPG)

Prospective New Awardee Guide (PNAG)

Other NSF Policies and Award Conditions

Uniform Guidance (2 CFR 200)

For additional information consult:

NSF Division of Institution and Award support (DIAS) website
<https://www.nsf.gov/bfa/dias/>

Questions may be directed to CAP or RAM:

Phone (703) 292-8244

Common Concerns

- **Questioned Costs** – This may include costs incurred greater than 90 days prior to award (pre-award costs), purchases of equipment within 90 days of the award end date, large purchases of supplies within 30 days of the award end date (appearance of restocking), transactions outside of the period of performance, unreasonable costs, and participant support costs outside of the 2 CFR 200.01 definition. Organizations are encouraged to regularly review their policies and practices, obtain prior approval where required, and maintain comprehensive supporting documentation to support these types of transactions.
- **Unapproved Subawards** – Subawarding of any work under a federal award requires explicit approval, by subrecipient name, either through the award agreement or subsequent amendment. Unapproved subawards/subrecipients are a common concern that could result in questioned costs/disallowances. Undocumented subawards (e.g., no formal written agreement or inadequate type agreement) can also result in questioned costs/disallowance.
- **Inadequate or Non-existent Guidance for Unallowable Costs** – Organizations sometimes overlook developing and documenting policies and procedures for determining allowability of costs (reasonable, necessary, allocable, and allowable) and their accounting treatment of unallowable costs. Inadequate guidance could result in unallowable costs being charged to NSF awards and/or inconsistent treatment of unallowable costs.