

Unallowable Costs

The following is a list of costs and expenses that are designated as unallowable under your contract with SBS. Your organization cannot use your contract funds to pay for any unallowable costs.

This list is intended as a guide to the most common unallowable costs that apply to SBS contracts. It does not supersede any provisions of your contract. You should always refer to your contract for exact contract requirements. If you have any questions about allowable costs and expenses, please consult with your contract manager.

This list specifies costs that SBS has designated as unallowable based upon the provisions of your contract as well as costs that are unallowable according to regulations established by the United States Office of Management and Budget (OMB). For a complete list of OMB regulations and additional details, please consult OMB Circulars A-133 and A-122, which you can view at: http://www.whitehouse.gov/omb/circulars_default/.

SBS has designated the following as unallowable costs:

1. **Capital Expenditures:** costs of general-purpose equipment, buildings, and land with a lifespan or usefulness beyond your organization's one-year contract term are unallowable.
2. **Capital Improvements:** costs of improvements to equipment, buildings, or land (including streetscape improvements) that materially increase their value or their useful lifespan are unallowable.
3. **Banners and Holiday Lights:** costs of banners and holiday lights and decorations are unallowable.
4. **Food:** costs of food are unallowable.
5. **Prizes and Giveaways:** costs of prizes, giveaways, and raffled items are unallowable, even if these are distributed in conjunction with program activities.
6. **Late Charges and Fees:** costs of late charges and other fees resulting from your organization's failure to make timely payment for rent, utilities, insurance, and other services are unallowable.

The following costs are unallowable according to OMB regulations:

1. **Donations and Contributions:** costs of donations or contributions made by your organization are unallowable. This includes donations/contributions of cash, property, services, facilities, and fellowships or scholarships. Costs of sponsoring events in conjunction with program activities as designated in your contract are allowable if approved by SBS.
2. **Memberships, Subscriptions, and Professional Activities:** costs of your organization's trustees, officers, and employees memberships or subscriptions to private clubs, social clubs, or professional organizations are unallowable. Costs of your organization's membership in business, technical, and professional organizations are allowable.

3. **Entertainment:** costs of personal entertainment for your organization's trustees, officers, and staff are unallowable. Entertainment costs include expenses for amusement, diversion, and social activities as well as any associated costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities).
4. **Alcoholic Beverages:** costs of alcoholic beverages are unallowable.
5. **Lobbying:** costs associated with lobbying activities are unallowable.
6. **Non-Program-Related Advertising and Public Relations:** the following costs related to your organization's advertising and public relations are unallowable:
 - costs of advertising and public relations designed solely to promote your organization (i.e., not specifically to promote program activities as designated in your contract);
 - costs of promotional items and memorabilia, including gifts and souvenirs;
 - costs of non-program-related meetings or conventions held by your organization, including costs of meeting rooms or facilities, displays and exhibits, and salaries or wages for employees to set up, facilitate, or present at the meeting.
7. **Fund Raising:** costs of organized fund raising and any related expenses are unallowable. Fund raising includes financial campaigns, endowment drives, solicitation of gifts and donations, and any activities intended solely to raise capital or to obtain contributions.
8. **Investment Management:** costs of investment management and any related expenses are unallowable. Investment management includes any activities intended solely to enhance income from investments, including costs of investment counsel and staff.
9. **Contingency:** costs of contributions to a contingency reserve or similar provision for uncertain events are unallowable.
10. **Interest:** costs that your organization incurs for interest on the following are unallowable:
 - borrowed capital;
 - temporary use of endowment funds;
 - use of your organization's own funds;
 - fully-depreciated assets.
11. **Bad Debt Expenses:** costs resulting from bad debts owed to your organization are unallowable. This includes losses from uncollectable accounts or claims, related collection costs, and related legal costs.
12. **Goods or Services for Personal Use:** costs of goods or services for personal use by your organization's employees are unallowable, even if these costs are reported as taxable income by the employees.
13. **Housing and Personal Living Expenses:** costs of housing (including rent, furnishings, utilities, maintenance, and depreciation), housing allowances, and personal living expenses for your organization's trustees, officers, and employees are unallowable. Costs for housing and personal living expenses are unallowable even if designated as a fringe benefit or reported as taxable income by your employees.

14. Organization-furnished Automobiles: any portion of the cost of automobiles furnished by your organization for employee use and which relates to personal use by your employees is unallowable. This includes use for transportation to and from work. Costs for personal use of organization-furnished automobiles are unallowable even if designated as a fringe benefit or reported as taxable income by your employees.

15. Certain Pension Plan Costs: the following costs related to your organization's pension plan are unallowable:

- costs resulting from delays in your organization's actuarial liability funding;
- costs of late payment charges on pension plan termination insurance premiums;
- costs of excise taxes and other penalties on accumulated funding deficiencies.

16. Certain Insurance Costs: the following insurance costs are unallowable:

- costs of life insurance for your organization's trustees, officers, and employees where the organization is named as beneficiary;
- costs of insurance related to any expenses that your organization incurs to correct defects in your materials or workmanship;
- costs of actual losses which could have been covered by permissible insurance purchased by your organization.

17. Severance Pay Costs: costs related to employee severance pay and contingent upon a change in management control or ownership of your organization's assets are unallowable.

18. Criminal, Civil, or Administrative Proceedings: costs incurred in connection with the following criminal, civil, or administrative proceedings involving your organization are unallowable:

- costs connected to any proceeding commenced by the Federal, State, local, or a foreign government as a result of your organization's failure to comply with Federal, State, local, or foreign laws and regulations;
- costs of legal, accounting, and consulting services and related costs connected to your organization's defense against Federal Government claims, appeals, or lawsuits;
- costs of legal, accounting, and consulting services and related costs connected to the prosecution of your organization's claims or appeals against the Federal Government;
- costs of legal, accounting, and consulting services and related costs connected to patent infringement litigation;
- costs incurred in connection with your organization's defense or settlement of suits brought by your employees or ex-employees under applicable sections of the Major Fraud Act of 1988.

19. Fines and Penalties: costs of fines and penalties resulting from your organization's violation of or failure to comply with Federal, State, and local laws and regulations are unallowable.