

IOWA DEPARTMENT OF JUSTICE

ATTORNEY GENERAL
BRENN A BIRD



Chapter 17 Unallowable Costs

Crime Victim Assistance Division (CVAD) fund sources pay for varying costs associated with direct service provision to victims of crime. Unallowable costs are those expenses which cannot be charged to a grant nor can they be used for match.

Note: The lists provided in this chapter may not be all-inclusive. Additional information regarding unallowable costs can also be found in the Department of Justice- [DOJ Grants Financial Guide – Unallowable Cost](#) section.

Construction

Use of CVAD grant funds for construction projects is prohibited.

Land Acquisition

Land acquisition costs are unallowable.

Supplanting

Federal funds cannot be used to supplant state or local funds. Supplanting occurs when federal funds are used to replace state or local funds that would, in the absence of such federal aid, be made available for law enforcement, criminal justice, system improvement and victim compensation and assistance. All applicants must certify formula grant money will be used to increase the amount of funds available for the applicable victim service activity or criminal justice system activity.

Compensation of Federal Employees

Salary payments, consulting fees, or other enumeration of full-time federal employees are unallowable costs.

Travel of Federal Employees

Costs of transportation, lodging, subsistence, and related travel expenses of awarding agency employees are unallowable charges. Travel expenses of other federal employees for advisory committee or other program or project duties or assistance are allowable if they have been:

- Approved by the federal employee's department or agency; and
- Included as an identifiable item in the funds budgeted for the project or subsequently submitted for approval.

Bonuses or Commissions

Bonuses to staff, officers or board members of profit or non-profit organizations are unallowable. The recipient or subrecipient is prohibited from paying any bonus or commission to any individual or organization for the purpose of obtaining approval of an application for award assistance. Bonuses to officers or board members of profit or nonprofit organizations are determined to be a profit or fee and are therefore unallowable.

Lobbying

All subrecipients must comply with the provisions of the government-wide Common Rule on Restrictions on Lobbying, as appropriate.

The following lobbying cost prohibitions are applicable to all subrecipients:

- Attempting to influence the outcome of any federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity.
- Establishing, administering, contributing to, or paying for the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcome of elections.
- Attempting to influence: (a) the introduction of federal or state legislation; or (b) the enactment or modification of any pending federal or state legislation through communication with any member or employee of the congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity), or with any government official or employee in connection with a decision to sign or veto any legislation.
- Publicity or propaganda purposes designed to support or defeat legislation pending before legislative bodies.
- Paying, directly or indirectly, for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a member of congress or a state legislature, to favor or oppose, by vote or otherwise, any legislation or appropriation by either congress or a state legislature, whether before or after the introduction of any bill or resolution proposing such legislation or appropriation.
- Engaging in legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried out in support of or in knowing preparation for an effort to engage in unallowable lobbying.
- Paying a publicity expert.
- The Anti-Lobbying Act, 18 U.S.C. § 1913, recently was amended to expand significantly the restriction on use of appropriated funding for lobbying. This expansion also makes the anti-lobbying restrictions enforceable via large civil penalties, with civil fines between \$10,000 and \$100,000 per each individual occurrence of lobbying activity. These restrictions are in addition to the anti-lobbying and lobbying disclosure restrictions imposed by 31 U.S. C. § 1352.

See [28 C.F.R. Part 69](#) for DOJ grantees. However, in the interest of full disclosure, all subrecipients understand that no federally appropriated funding made available under this grant program may be used, either directly or indirectly, to support the enactment, repeal, modification, or adoption of any law, regulation, or policy, at any level of government, without the express approval of CVAD. Any violation of this prohibition is subject to a minimum \$10,000 fine for each occurrence.

Fundraising

Fundraising with federal dollars is prohibited. Fundraising costs include organizing financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions. Neither the salary of persons engaged in fundraising activities, nor indirect costs associated with those salaries may be charged to a federal award. CVAD will allow a program to allocate the equivalent of 20% of one FTE for fundraising from state funds. Programs can also use other non-federal funds to pay for fundraising.

- A program may accept donations (i.e., goods, space, services) as long as the value of the donations is not charged as a direct or indirect cost to the grant.
- A program may also expend funds, in accordance with approved award terms, to seek future funding sources to “institutionalize” the project, but not for the purpose of raising funds to finance related or complementary project activities.

Corporate Formation

The costs for corporate formation are not allowed.

Taxes (including Value Added Tax) §200.470

1. For states, local governments and Indian tribes:

- Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs.
- Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.
- This provision does not restrict the authority of the Federal awarding agency to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency for indirect costs may accept a reasonable approximation thereof.

2. For nonprofit organizations and IHEs:

- (1) In general, taxes which the non-Federal entity is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for:
 - (i) Taxes from which exemptions are available to the non-Federal entity directly or which are available to the non-Federal entity based on an exemption afforded the Federal Government and, in the latter case, when the Federal awarding agency makes available the necessary exemption certificates,
 - (ii) Special assessments on land which represent capital improvements, and
 - (iii) Federal income taxes.
- (2) Any refund of taxes, and any payment to the non-Federal entity of interest thereon, which were allowed as Federal award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal Government. However, any interest actually paid or credited to a non-Federal entity incident to a refund of tax, interest, and penalty will be paid or credited to the Federal Government only to the extent that such interest accrued over the period during which the non-Federal entity has been reimbursed by the Federal Government for the taxes, interest, and penalties.

3. Value Added Tax (VAT):

- Foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country is an allowable expense under Federal awards. Foreign tax refunds or applicable credits under Federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-Federal entity relate to allowable cost, these costs must be credited to the Federal awarding agency either as costs or cash refunds. If the costs are credited back to the Federal award, the non-Federal entity may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where Federal award has not expired, use the foreign government tax refund for approved activities under the Federal award with prior approval of the Federal awarding agency.

Conferences, Meetings, and Training Activities

Unallowable costs include:

- Entertainment
- Sports
- Visas
- Passport Charges
- Bar Charges/Alcoholic Beverages
- Laundry Charges
- Lodging costs in excess of [State per diem](#): For events of 30 or more participants that are funded with a CVAD award, if lodging costs exceed the State per diem, none of the lodging costs are allowable.
- Food and beverage costs are rarely allowable. See [specific Fund Source chapter](#) for more information.
- Gifts/Trinkets/Memorabilia/Commemorative Items: Trinkets (items such as hats, mugs, portfolios, t-shirts, coins, gift bags, etc., regardless of whether they include the conference name or OJP/DOJ or CVAD logo) must not be purchased with DOJ or CVAD funds as giveaways for conferences. Basic supplies that are necessary for use during the conference (e.g., folders, name tags) may be purchased.

Other Unallowable Expenses

- Legal fees
- Cost of applying for grants
- Costs incurred prior to the grant award start date or after the grant end date
- Travel upgrades such as first class, additional leg room, or other unreasonable accommodations
- Management and administrative training
- Sole source contracts (without the prior written approval from the CVAD)
- Depreciation or a use allowance on idle or excess facilities
- Severance packages (compensation an employer provides to an employee who has been laid off, whose job has been eliminated, who through mutual agreement has decided to leave the company, or who has parted ways with the company for other reasons)
- Interest
- Credit Card Fees
- Membership fees to an organization whose primary activity is lobbying
- Bonuses (including, but not limited to employees, board members, volunteers)

Prior Approval

Certain budget items require prior, written approval from your CVAD grant manager before adjusting the budget line-item amount(s). Your grant manager will review the requested changes and notify the subrecipient once a determination has been made. The following budget items must be pre-approved prior to being implemented by the subrecipient:

- Salary adjustments – (including grant funded staff percentages and salary changes) Significant changes to Salaries or Benefits; bonuses are never allowed.
- Overtime
- Staffing Changes – if a position is added or deleted from the budget
- Capital Purchases
- Sensitive Minor Equipment: See [Chapter XII. Property and Equipment](#) of the CVAD Administrative Grant Manual for further details.
- Furniture
- Clothing and/or Uniforms (Exception: Emergency clothing for victims/clients does not require prior approval.)
- Meeting room/audio visual services
- Indirect Cost – Funds may not be moved into or out of Indirect Cost without prior approval. The request must be accompanied by a copy of the organization's approved indirect cost rate or approved Cost Allocation Plan which includes an indirect rate. Typically, the indirect cost rate approved through the grant application process is the rate that will be honored throughout the project period (typically three years). CVAD has the discretion to decline to honor an increased rate if CVAD determines the new rate significantly diminishes the ability of the program to carry out the project service goals and objectives. An increased rate will not result in an increased CVAD award amount.

NOTE: THIS LIST IS NOT ALL-INCLUSIVE. For further clarification, grantees should check the specific [CVAD fund source](#) for additional allowable and unallowable costs.

Additional information regarding unallowable costs can also be found in the Department of Justice's Financial Guide in the [DOJ Grants Financial Guide – Unallowable Cost](#).

