

SELECTED AREAS OF COST

Chapter 2 – Costs of Alcoholic Beverages

Authoritative Sources

[FAR 31.2 05-51](#) Costs of alcoholic beverages

[FAR 31.201-6](#) Accounting for unallowable costs

[FAR 42.709-1](#) Penalties for Unallowable Costs

[2 CFR 200.423](#) Alcoholic beverages

[CAS 405](#) Accounting for unallowable costs

This chapter provides general audit guidelines on the cost of alcoholic beverages and addresses the following topics:

2-1 General Information

2-2 General Audit Guidelines

2-1 General Information

Alcoholic beverages are drinks containing alcohol such as beer, wine, and spirits. The cost principle at FAR 31.205-51 makes the reimbursement costs for alcoholic beverages expressly unallowable. In addition, the uniform guidance for federal grants and awards at 2 CFR 200.423, makes these costs expressly unallowable for nonprofit entities. As expressly unallowable costs, they are subject to the assessment of penalties in accordance with FAR 42.709-1(a)(1). See CAM 6-609 for more information on penalties on expressly unallowable costs.

FAR 31.201-6(a) prescribes that expressly unallowable costs be identified and excluded from any billing, claim, or proposal applicable to a Government contract. Further, any directly associated cost, such as taxes, should also be excluded from any billing, claim, or proposal applicable to a Government contract. For more information on expressly unallowable costs see CAM 6-609.3(a).

2-2 General Audit Guidelines

The audit team should remain alert to the potential existence of any costs for alcoholic beverages in contractor billings, claims, and proposals.