**Section 600.230 Costs Not Allowed for Per Diem Rate Calculation**

This Section lists the costs that shall be considered nonallowable or nonreimbursable costs and therefore shall not be used to calculate the per diem rate.

a) Health services paid by a third party provider or services that are not included in the nonresident student's IEP.

b) Expenses resulting from transactions with related organizations that are greater than the expenses to the related organization.

1) When the School makes rent or lease payments to a related organization, the rent or lease expense is disallowed and the capital costs of the related organization must be used.

2) Interest expense paid to a related organization is disallowed; however, interest expense incurred by the related organization is allowable.

3) The cost of goods and services purchased from a related organization shall be allowable to the extent that the cost to the School does not exceed the cost to the related organization.

4) The School may be required to submit evidence to substantiate or refute any claim of relatedness in determining allowable costs.

5) The School shall identify all transactions with related organizations in their annual filing of the cost report required under Section 600.250(a).

6) Allowable costs of related organizations shall be added to the School's costs for the same cost centers for determination of reasonable cost standards applicable to the School's costs.

c) Research cost, other than costs for program evaluation.

d) Compensation to nonworking administrators and nonworking administrators' salaries.

e) Entertainment expenses.

f) Costs associated with fundraising activities.

g) Costs of production, including wages paid to students, incurred solely for the purpose of generating revenue from the sale of goods and services. Wages paid to students and other services approved by the State Superintendent of Education for vocational training or educational arts and craft activities are allowable, even if they generate revenue.

h) Interest payments related to a School's assets that are unrelated to the School's programs.

i) Costs incurred by administrators or boards of directors for nonprogram activities, including that portion of overhead that should be allocated to these activities.

j) Printing expenses not related to the program.

k) Employee travel, lodging, food and registration expenses to attend conferences, conventions and meetings related to lobbying activities, professional association business (e.g., participation in activities by organizations promoting deaf-blind support) or entertainment. Costs to attend conferences and conventions held in Illinois or, if held out of state, within 50 miles of the borders of Illinois, are allowable under the following conditions:

1) The conference or convention is specifically related to deaf/blind programs, or the conference, convention or meeting was sponsored by the State.

2) Allowable conference and convention expenses shall be grouped under administrative costs.

3) Allowable employee development or training costs incurred to meet Illinois educator licensure requirements may be reported under program costs.

l) Dues to national, State and parent organizations.

m) Scholarships or awards and grants to individuals.

n) Fees for professional, technical, social or other organizations unrelated to the program.

o) Nonclient transportation, including staff transportation to and from work. Program-related staff transportation is an allowable cost.

p) Meals provided to individuals who are not clients.

q) Fines and penalties.

r) Mortgage and loan principal payments.

s) Contributions and donations by the School.

t) Asset acquisition costs, which are the costs of items reported on the School's books when those costs exceed $2,500 for items having a life of one year or more. Depreciation for these items is, however, an allowable expense.

u) Legal expenses incurred on behalf of clients for nonprogram activities or for litigation against governmental agencies.

v) Imputed value of goods and services (in-kind expenses).

w) Severance pay.

x) Sales tax for not-for-profit organizations.

y) Clothing and allowances.

z) Costs of advertising for clients and public relations.