**Section 509.20 Allowable/Unallowable Costs**

Allowable/Unallowable Costs − Costs associated with Department programs are assumed to be allowable unless they are specified as unallowable by other Parts of Department rules, or by federal regulation or by individual program policies or directives of the Department.

a) Expenses reimbursable from Department funds:

1) In general, expenses meeting all of the following criteria are reimbursable from Department funds if the expenses are:

A) Necessary and related to the provision of program services;

B) Reasonable to the extent that a given cost is consistent with the amount paid by similar agencies for similar services;

C) Not specified in subsection (b) of this Section as not reimbursable; and

D) Not illegal.

2) All expenses that can be identified to a specific Department-funded program shall be charged directly to that program. Expenses not directly identifiable to a Department-funded program shall be allocated to all benefitting programs, both Department-funded and other programs. Providers are required to maintain a cost allocation plan, in accordance with Section 509.40(c), if they receive more than one source of funding or operate more than one program.

3) Research expenses, if prior written approval is received from the Department. Program evaluation expenses are not considered research expenses.

b) Expenses not reimbursable from Department funds, unless prior written authorization is received from the Department:

1) Compensation for members of the agency's governing body. This does not include reimbursement for travel or other agency related business expenses incurred by these members;

2) Expenses related to entertainment of persons other than individuals who receive services through a Department program;

3) Individual staff or agency association dues are not reimbursable except for the following situations:

A) Dues for group purchasing relationships for the exclusive purpose of cost saving on purchases.

B) Dues for membership that provide agency staff with professional training and resources necessary to provide services funded by the Department;

4) Costs of attending professional meetings; e.g., association meetings and conventions are not allowable except for the portion of costs related to activities to enhance or improve services funded by the Department. (Costs for staff attendance at in-service training seminars and workshops can be reimbursed.);

5) Fund-raising expenses;

6) Bad debts;

7) Charity and grants (The cost of employee educational assistance can be reimbursed.);

8) The following types of interest expenses:

A) Interest on funds borrowed for investment purpose;

B) Interest on funds borrowed to create more than two months of working capital;

C) Interest on funds borrowed for the personal benefit of any person;

D) Interest on funds borrowed without a prior time-limited written agreement with the Department for the purchase of land, buildings and/or equipment for future expansion, until such assets are actively used in support of program services;

E) Interest in excess of the current market rate paid to individuals or organizations in less than "arm's length" transactions;

F) Interest charges on intra-agency fund loans, e.g., interest recorded in the capital fund on cash loaned to the operating fund;

G) Interest expense to the extent that interest income was realized by investment of excess operating funds i.e., interest expense must first be offset against interest income and any remaining interest expense is eligible for reimbursement from Department grant funds;

9) The use of Department funds to develop commodity or equipment inventories. The usage of commodity inventories and the depreciation on fixed assets are expenses that are eligible for reimbursement from Department funds;

10) Depreciation on fixed assets acquired with Department funds;

11) Cost of production of a work program. When the product of a Department-funded work program is saleable, the expenses of individual's wages and fringe benefits and of material costs are not reimbursable from Department funds;

12) In-kind contributions;

13) Alcoholic beverages;

14) The portion of the cost of automobiles furnished by the organization related to personal use by employees, including transportation to and from work, is unallowable as a fringe benefit or indirect cost;

15) Costs of fines, penalties, legal services, resulting from or in relation to the failure of the provider to comply with federal, state, and local laws and regulations, are unallowable, except when incurred as a result of compliance with specific provisions of a Department award or program or instructions in writing from the Department;

16) Goods or services for personal use or purchased at less than an "arm's length" transaction for an amount greater than the fair market value;

17) The cost associated with lobbying any elected official of local, state or federal government is unallowable, including:

A) Expenses incurred in attempts to influence the outcome of any federal, state, or local election, referendum or initiative;

B) Expenses incurred in attempts to influence the introduction, enactment, or modification of federal or state legislation; and

C) Expenses incurred in connection with legislative liaison activities when such activities are carried on in support of, or in preparation for, unallowable lobbying. Cost associated with providing technical and factual information on a topic directly related to the performance of a program funded by the Department, through hearing testimony, statement or letters to elected officials or representative body, are not considered lobbying cost and are allowable;

18) Relocation cost of provider employees, except in the following situations:

A) The move is for the benefit of the employer;

B) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer; and

C) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses;

19) Gratuities;

20) Political contributions;

21) Related party transactions except for the following situations:

A) When the items for which expenses incurred are consistent with fair market value; and

B) There is evidence of approval in the minutes of the governing body;

22) Costs associated with goods or services paid in a "conflict of interest" situation.

(Source: Amended at 26 Ill. Reg. 8547, effective May 31, 2002)