**Section 871.601 Determination of Allowable Costs**

a) The grantee will be paid, upon request, for the State share of all necessary costs within the scope of the approved project not to exceed the total grant offer and determined to be allowable in accordance with the criteria listed below. Allocable project costs of the grantee which are reasonable and necessary are allowable. Necessary costs may include, but are not limited to:

1) Costs of salaries, benefits, and expendable material incurred by the grantee for the project, except as provided in subsection (b)(7) below;

2) Professional and consultant services;

3) Project feasibility and engineering reports; and

4) Materials acquired, consumed, or expended specifically for the project.

b) Unallowable Costs

Costs which exceed the total amount of the grant offer or which are not necessary for completion of the work required by the Grant Agreement are unallowable. Such costs include, but are not limited to:

1) Area wide planning or enforcement not directly related to the project;

2) Bonus payments not legally required for completion of the project;

3) Personal injury compensation or damages arising out of the project, whether determined by adjudication, arbitration, negotiation, or otherwise;

4) Fines and penalties resulting from violations of, or failure to comply with, federal, State, or local laws;

5) Costs outside the scope of the approved planning or enforcement project;

6) Interest on bonds or any other form of indebtedness required to finance the project costs;

7) Ordinary operating expenses of local government, such as salaries and expenses of a mayor, city council members, or city attorney, except as provided in subsection (d) below;

8) Site acquisition (for example, sanitary landfills and sludge disposal areas);

9) Costs for which payment has been or will be received under another State or federal assistance program;

10) Costs of equipment or material procured in violation of any provisions of these General Conditions;

11) Costs of special funds (i.e., industry advancement funds, funds to reimburse bidding costs to unsuccessful offerors, etc.) financed by contractors, contributions in the industry for methods and materials research, public and industry relations, market development, labor-management matters, wage negotiations, jurisdictional disputes, defraying of all or part of unsuccessful offerors bidding costs, or similar purposes;

12) Costs under contracts that are incurred after the expiration of the applicable contractual completion date, even if the contractual completion date is subsequently extended by the grantee, unless such extension has been approved by the Agency in accordance with Section 871.402;

13) Personal and professional consultant services costs arising under a cost-plus-percentage-of-cost type of agreement (including the multiplier contract where profit is included in the multiplier);

14) Personal and professional consultant services costs when the Agency has been refused access to the books and records of the contractor or the contractor has refused to renegotiate a personal or professional services contract in accordance with the provisions of Section 871.302; and

15) Increases in personal and professional consultant services contract fees which are based solely on a percentage of an increased construction cost notwithstanding the contractual liabilities of the grantee under such contract.

c) Indirect Costs

Indirect costs of the grantee shall be allowable in accordance with an indirect cost agreement negotiated and incorporated in the grant agreement. An indirect cost agreement must identify those cost elements allowable pursuant to subsection (a) above. Where the benefits derived from an applicant's indirect services cannot be readily determined, a lump sum for overhead may be negotiated based upon a determination that such amount will be approximately the same as the actual indirect costs that may be incurred. Procedures for development of an indirect cost agreement are included as Appendix B to this Part.

d) Disputes Concerning Allowable Costs

The grantee shall seek to resolve any questions relating to cost allowability or allocation at its earliest opportunity (if possible, prior to execution of the grant agreement). Final determinations by the Agency concerning the allowability of costs shall be conclusive unless appealed within 30 days in accordance with Section 871.304.

e) Limitation on Project Costs Incurred Prior to Grant Award

Payment will not be authorized for costs incurred prior to the date of the grant award.

(Source: Amended at 19 Ill. Reg. 11871, effective August 3, 1995)