

PRINCIPLES FOR THE ALLOWABILITY OF COSTS UNDER THE EDUCATION OF THE DEAF ACT

INTRODUCTION

Gallaudet University (“the University”) was established by an Act of Congress in 1864. The University is the only accredited university in the world established exclusively for deaf or hard of hearing students.

The University also operates the Laurent Clerc National Deaf Education Center (“the Clerc Center”). This center includes the Kendall Demonstration Elementary School, which is an elementary school for children who are deaf; the Model Secondary School for the Deaf, which is a secondary school for students who are deaf; and a National Mission Program, which provides training, technical assistance, and materials related to education of the deaf.

The University receives a substantial proportion of its annual revenue by direct appropriation from Congress under the authority of the Education of the Deaf Act (the “EDA” or the “Act”). Congress funds the University to provide higher education and training to individuals who are deaf and otherwise to further the education of individuals who are deaf. Additionally, the University is authorized, in accordance with section 104(a) of the EDA, to use the direct appropriation to maintain and operate the Clerc Center to carry out exemplary elementary and secondary education programs, projects, and activities for the primary purpose of developing, evaluating, and disseminating model curricula, instructional techniques and strategies, and materials that can be used in a variety of educational environments serving individuals who are deaf or hard of hearing throughout the nation.

Section 203(C)(2)(A) of the EDA, which requires the University to develop policies for the allowability of its expenditures of funds appropriated under the Act, states:

These policies should reflect the unique nature of [Gallaudet]. The principles established by the Office of Management and Budget for costs of educational institutions may be used as guidance in developing these policies. General principles relating to allowability and reasonableness of all costs associated with the operations of [Gallaudet] shall be addressed.

This document constitutes the University’s policies and principles required under Section 203 of the EDA.

General Policy

All University funds appropriated under the EDA will be expended in a reasonable and prudent manner and only for University-related purposes. Under no circumstance may University funds be expended for goods and services that do not have a clear University-related purpose. In addition:

- Expenditures must be in compliance with University policies and procedures.
- Funds should be available to support the expenditure.
- Requests for reimbursement must be accompanied by the appropriate documentation.

- Expenditures may be subject to review and approval by one level of management above the requestor and/or by the legal department. The approver of expenditures is expected to be prudent and exercise sound judgement. He/she must be satisfied that the expense is reasonable and allowable and conforms to the policies contained in this document.

The University has strong internal controls and it is subject to audit every year by external financial statement auditors.

1. Reasonableness

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

To determine reasonableness of a given cost, the University considers the following:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the University, reflecting the unique nature of the University.
- The restraints or requirements imposed by such factors as sound business practices; arm's-length bargaining; federal, state, and local laws and regulations; and the Act.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the University, its employees, its students, the Federal Government, and the public at large.
- Whether the University acts in accordance with its established practices and policies regarding the incurrence of costs.

2. Allowable

Costs must be allowable under the Act. For a cost to be allowable, it must be necessary and reasonable for the operation or support of the University, its mission, or its activities. Costs also must be adequately documented.

The following expenditures are strictly prohibited by section 203(c)(1) of the Act and are always unallowable:

- a. Alcoholic beverages;
- b. Goods or services for personal use;
- c. Housing and personal living expenses (but only to the extent such expenses are not required by written employment agreement);
- d. Lobbying, except that nothing shall be construed to prohibit the University from educating the Congress, the Secretary, and others regarding programs, projects, and activities conducted at the University; and
- e. Membership in country clubs and, social or dining clubs and organizations.

Specific costs

In accordance with section 203(c)(2)(B) of the EDA, the following expenditures are subject to the above cost principles and all applicable University policies:

- (i) Noninstitutional professional activities
- (ii) Fringe benefits
- (iii) Interest on loans
- (iv) Rental cost of buildings and equipment
- (v) Sabbatical leave
- (vi) Severance pay
- (vii) Travel
- (viii) Royalties and other costs for uses of patents.