

Appendix A: Inappropriate Practices

The following examples are intended to be illustrative of certain practices that can result in a direct cost disallowance during audits of sponsored agreements. They are not all-inclusive.

Inappropriate Practices

- Purchasing goods, supplies, or equipment at the end of the project simply to use up unspent funds.
- Charging 100% of a direct cost item to a sponsored project if part of the item will be used by other projects or non-sponsored activities. [Capital equipment **approved by the sponsor** (or approved internally if allowed by the sponsor) is excluded from this requirement.]
- Replenishing departmental office supplies with grant funds.
- "Rotating" charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each grant.
- Assigning charges to the sponsored project with the largest remaining balance.
- Identifying a cost as something other than what it actually is by using an incorrect account code.

Important Points

- In order to be allowable, direct charges must be assignable to a sponsored project "in accordance with benefits received."
- If the sponsored project could not have reasonably benefited from the items purchased, then the cost would not be allocable to the sponsored project.
 - Facilities and Administrative (F & A or "indirect") costs are costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.
 - The chief aim of the A-21 regulations is to have the federal government pay its "fair share" of the costs of research conducted at the University.
 - Allowability is not simply determined by what an item is, but how it will be used.
 - Identification with the sponsored work (i.e., the scope of work) rather than the nature of the goods or services is the determining factor in determining direct costs.