

Unacceptable Direct Costing Practices

Are purchases at the end of a grant an audit risk? Yes, purchases in the final months of an award are an area of interest to auditors.

Below are examples of **unacceptable direct costing practices**:

- End of award: purchasing items to exhaust unobligated balances.
- Assigning charges on the basis of the remaining balance to resolve availability of funding issues or to avoid loss of carry-forward balances.
- Assign charges to an award before the cost is incurred.
- Charge an expense exclusively to a single award when the expense clearly has supported other activities.
- Rotate charges among sponsored projects without establishing the direct benefit to each project.
- Assign charges to the sponsored projects with the largest remaining balance.
- Assign charges to the sponsored project on the basis of ability to pay (i.e. largest budget).
- Charge the budgeted amount rather than the amount based on actual usage.
- Describe a cost as something other than what it is (e.g. describing office supplies as lab supplies).

Examples of Inappropriately Allocating Purchases Near Grant Expiration that are considered audit risk.

Charging a sponsored award a material amount in expenses associated with purchases near the awards' expiration date when there is little to no time to use the purchases to benefit the award.

Charging a sponsored award a material amount in costs to purchase lab supplies during the final months of a 5-year period of performance.

Charging a sponsored award a material amount in costs to purchase materials for specimen testing during the last days of an award where it appears the university will not have received the materials before the grant's expiration date.