

Practice Case 2

THIRD PARTIES

1. The Beneficiary is leasing an equipment from a service provider. What costs can be declared as eligible for the EU contribution? (The question has ONE correct statement.)
 - a. The costs on leasing contracts include profit element so using equipment for the action on leasing incurs ineligible costs.
 - b. Equipment should be owned by the beneficiary, not rent, or leased.
 - c. The monthly payments paid to the service provider as subcontracting costs.
 - d. The part of the monthly payments to the service provider that corresponds to the portion of the purchasing value of the equipment during the financial year and up to the level of usage for the action.

2. For specific tasks of the action the Beneficiary (A) has an agreement with a linked legal entity (B) for exchange of services by virtue of which the Beneficiary manages certain action tasks of the action and relevant equipment that is being used for the action. What will the auditor look for/question (select all appropriate suggestions).
 - a. The original legal status of the entity.
 - b. The legal entity's financial viability.
 - c. Is the company B mentioned in Annex 1 and 2 of the GA?
 - d. In which country is the legal entity located?
 - e. Have the linked party provided its own CFS?
 - f. Verify that the participation of the third party in the action was not terminated via an amendment.
 - g. The extend to which (A) controls (B) in terms of shareholding.
 - h. All of the above.

3. To start the building of a comprehensive technical solution including establishing a geographic site and building some structures there, the project managers of Company A decided to outsource additional expertise for the feasibility assessment of the construction. Based on a preliminary market survey, and a procurement procedure, Company A concluded a contract with a consulting company. Company A declared these costs under subcontracting costs, but the EC rejected it as not eligible - the feasibility study was rather regarded as work to be performed as part of an action task for which the Company A was responsible.

In the next reporting period, Company A submitted an adjustment to the periodic report moving the contract as service cost to the other direct costs and even corrected the indirect costs respectively.

Which of the following statements is MOST accurate?

 - a. The EC analysis of the financial report will accept the adjustment for the other direct costs (as a service cost category, for feasibility study) ONLY IF the study complements the action tasks in Annex I, PROVIDED that the feasibility report proved to have contributed for critical decisions for the implementation of the work in Annex I (necessity criteria), AND IF all other eligibility criteria could be confirmed, including Value for Money.

- b. The EC analysis will reject the costs, as the feasibility study was mentioned as part of an action in one of the Work Packages, but for which the Annex I described it would be managed by Company A.
 - c. Once rejected, the reported costs are not to be included again as this will provoke the trust established between the parties of the GA.
 - d. The EC analysis will be positive, and the costs will be accepted, as value for money rule was respected.
4. Beneficiary A has been selected for an audit for its last periodic report. Some issues are unclear regarding **subcontracting** costs and the auditors requested information from Beneficiary A, but it has sold its “action-implementing” department to a Beneficiary B. (One correct statement)
- a. Beneficiary A is only responsible for providing access to information, but it is not liable for any eventual recovery of funding.
 - b. Beneficiary A is liable for eventual recovery of funding, but it is not obliged to provide access to information.
 - c. Only Beneficiary B is liable for access to information and eventual recovery of funding because it is keeping all the subcontracting and other costs records.
 - d. Both Beneficiaries A and B are jointly liable for access to information and for recovery of funding.
5. Company C is a beneficiary of a H2020 grant. For the execution of the action tasks, Company C must perform certain laboratory tests. For this, Company C must get access to specific medical premises, with specific technological devices, which are provided as services for free - in-kind contributions - from another legal entity, Company D. Company D records the costs incurred in relation to the use of the specific devices, which are access fees, electricity, consumables and personnel costs of the technician responsible for the maintenance. Which costs can be declared as eligible?
- a. Company D cannot declare any costs, related to usage of in-kind contribution for free.
 - b. Company D is a third party, and the in-kind contribution is a form of receipt - so it may be declared as receipts by Company C.
 - c. Company C can declare the costs of Company D as service costs (ODC), but only the directly measured costs, so the access fees, direct consumables and the hours spent by the technician. In case it can measure the attribution of the indirect costs for the use of that equipment to the EU action, then these indirect costs can also be claimed, as direct costs. Otherwise, it can apply 25% flat rate on these direct costs only and consider them for the reporting of the in-kind contributions (because the equipment is not at the premises of Company C).
 - d. None of the above.

6. Company D assigns some of its staff to the H2020 action managed in Company C as in-kind contribution for free. The staff works in the premises of their employer Company D for some parts of several work packages in the H2020 action management of Company C.

How are the costs of these staff relating to the declaration of their indirect costs?

- a. The indirect costs related to these personnel costs are eligible.
 - b. The indirect costs of Company D should be recorded for this staff (25% of the staff remuneration) by Company D and based on the information provided by Company D including this in the breakdown of costs, Company C may declare all this staff-related costs as part of the other direct costs.
 - c. There are no eligible indirect costs on the staff seconded for free as in-kind contribution costs.
 - d. The indirect costs generated for the work of these persons are eligible up to the extent when they can be directly measured in relation to their contribution to the action.
7. The dissemination and communication programme of the Company C project required two meetings abroad per person per year, for joint work with other partners from the Consortium. Sometimes students were invited in the organisation of the meetings, as assistants, based on a training contract. Can their travel costs be recognised as eligible?
- a. Yes, they can be declared if all eligibility criteria are met, and if the students are in their last year of studies.
 - b. No, their travel costs are not eligible, as they are not fitting the criteria “necessary for the action”. Students’ travel costs can only be recognised as eligible costs (other direct costs, travelling), if they have been contracted with a contract assigning them specific working responsibility on the action tasks, but with the purpose of employing them as human resources, and not with the purpose to teach them for their studies.