

## Common UFA Monitoring Findings

**Missing Documentation.** On March 11, 2020, the World Health Organization declared the outbreak the COVID-19 pandemic. The pandemic has caused most organizations to alter the way they conduct their normal day-to-day business, with large portions of staff working remotely from home. This has caused a number of technical and system access issues which has delayed monitoring selection responses from partners. CSB understands these challenges and encourages partners to submit as much documentation as possible, to remain compliant with HUD monitoring requirements.

Indirect Cost Calculation – For partners that use an Indirect Cost Rate, CSB provided clarification on which items may be included in the calculation of indirect costs, specifically regarding the role and definition of a contractor. See **HUD Continuum of Care Eligible and Ineligible Cost and/or Hud Emergency Solutions Grant Eligible & Ineligible Costs** (<https://www.csb.org/providers/financial-tools>) for additional details.

**Sales tax.** Costs for sales tax are an unallowable expense because exemptions are available for nonprofits. You must request a tax exemption at the time of purchase to be exempt from sales tax on that purchase. This is also occurring with online and credit card purchases.

**Prior year payroll and fringes.** Payroll costs for employees' last pay period of the old fiscal year on the new fiscal year's invoices are unallowable because these costs were incurred prior to the beginning of the contract period. Please make sure all payroll for June and July is recorded in the proper period.

**Prior year purchases/costs.** Costs must be incurred during the contract period. Pre-costs and post-costs are unallowable.

**Miscellaneous expenses.** In some instances, we have seen agencies list costs for items such as haircuts, gift cards, photography, and lodging kits (toiletries, shaving kits, etc.). Through questions submitted to HUD, these costs have been determined to be unallowable and are to be excluded from invoicing. We do allow for school supplies such as paper, pencils, notebooks, and schoolbags because HUD has deemed these costs allowable under 24 CFR 578.53(e)(6)(C) and (D). Refer to the CoC eligible costs reference on CSB's website or ask if you are not sure whether a cost is eligible.

**Payroll issues.** We are seeing instances where agencies are not accounting for the activity for which the employee is being compensated. We must be able to verify what the employee did during the time charged. Therefore, all requests for payroll information during monitoring must include timesheets. The timesheets should show time by activity and be signed by the employee and supervisor. We will accept affidavits from agencies where employees work solely for the HUD program. These affidavits must be updated each year and with any employee additions.

We found cases where the documentation for salaries and fringes was less than what was reported on the invoice. The amounts on the invoice cannot be more than the amounts shown on the payroll reports.

Finally, as a reminder, salaries cannot be allocated by percentages of total time worked. HUD requires agencies to report time by hours. Partners can use a cost allocation plan to calculate salary and benefits of staff whose time is difficult to split between programs. HUD has approved two cost allocation methods – full time equivalents and households served. Contact CSB before starting to use a cost allocation plan. Documentation for cost allocation calculations will be required during monitoring.

**Expense allocation issues.** During the fiscal year, we have seen instances in which expenses have been charged to the wrong budget line item, or in some instances the wrong federal program (for those agencies that have more than one federal program). It is important that only documented and properly allocated costs be charged to the correct program and budget line item. Please review invoices closely before submitting for payment.

**Rent.** During monitoring of invoices, we have noted in some instance's rents exceed rent reasonableness requirements established by HUD. Rent is considered reasonable if it does not exceed the average of three comparable units by more than \$50. Any rent paid for units determined to be not rent reasonable will have to be repaid to HUD.

At times we have also noticed the FMR, rent reasonableness, and utility allowance paperwork is either incorrect or incomplete, or amounts don't match across documents. Please make sure all documentation is accurate, complete, signed and dated before submitting invoices for payment or monitoring.

In a number of instances leasing documentation lacks the required Lead Based Paint documentation.

**Description of expenditures.** Please provide detailed descriptions of expenditures on the disbursement journals. This will eliminate further questions about the eligibility of the expenses and reduce the time needed to process the invoices. When applicable please clarify if the expense is for clients or staff.

**Unit turnout costs.** Repairs for damage done to a unit are allowable; however, per 24 CFR 578.51(4)(j), the cost of repairs charged under the Rental Assistance line item cannot exceed one month's rent and can be charged only once.