

## Common UFA Monitoring Findings

**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 in order to be exempt from sales tax on that purchase. This is occurring mainly 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 are 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're 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. In addition, in some cases, employee timesheets were not provided to CSB when requested during the monitoring process. 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 in which the 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.

We have also noticed payroll charges for employees who are no longer with the agency or for the wrong employee. These costs are unallowable and are to be excluded from the invoices.

**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 instances rents exceed fair market rent (FMR) and rent reasonableness requirements established by HUD. Per 24 CFR 578.49(a)(2), "...the rents may not exceed rents currently being charged for comparable units, and the rent paid may not exceed HUD-determined fair market rents." Rent is considered reasonable if it does not exceed the average of three comparable units by more than \$50. Please make sure the rents are reasonable and do not exceed FMR. FMR can be exceeded for rental assistance programs operated through CMHA. Any rent paid for units determined to be not rent reasonable will have to be repaid to HUD. For rent amounts over the FMR, but within rent reasonableness, agencies may use CoC Program leasing funds for a portion of the rent, not to exceed the FMR, if another resource is available to pay the difference.

At times we have also noticed the FMR, rent reasonableness, and utility allowance paperwork is either incorrect or incomplete. Please make sure all documentation is accurate, complete, signed and dated before submitting invoices for payment or monitoring. If you need additional information, please refer to our website ([www.csb.org/providers/monitoring](http://www.csb.org/providers/monitoring), then select FMR and Rent Reasonableness Instructions and Worksheet).

**Description of expenditures.** Please provide more detailed descriptions of expenditures on the disbursement journals. This will eliminate further questions about the expenses and reduce the time needed to process the invoices.

**Security/police.** Security and oversight of the master-leased units may in the form of contracted personnel who periodically drive around and through the complex to ensure there are no issues or security concerns with our clients.

Section 578.55 of the CoC Program Interim Rule sets forth the costs that are eligible as operating costs and can be paid with CoC Program funds, including building security for a structure where more than 50% of the units or area is paid for with grant funds. Therefore, building security costs would be an eligible operating cost so long as it meets the below criteria:

- When 50% of the building or complex is paid for with grant funds (including supportive services program to program participants even if no other housing costs are involved) then grant funds under operating for building security may be used to pay for 100% of the building or complex's security costs.
- When less than 50% of the building is paid for with grant funds, then the recipient may still use our operating dollars to pay for building security, but they must pro-rate it accordingly. CSB has requested additional guidance from HUD on the method for prorating.

The costs charged to the CoC Program grant must be prorated based on the amount of time used for eligible versus ineligible activities (see section 578.37(c) for more information). Additionally, the costs must be reasonable and appropriate as required by 2 CFR 200.

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