

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 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.

Payroll allocation. In some circumstances, agencies are not accounting for the activity for which the employee is compensated. The department/activity codes must be on the time sheets to document what the employee did during the time charged.

Vacation/sick leave payouts. Only the portion of PTO earned during the current grant period is allowable. PTO earned in prior grant periods cannot be charged to the current year's grant.

As described in 2 CFR 200.431(b)(1-3), "The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job...are allowable if all the following criteria are met:

1. They are provided under established written leave policies;
2. The costs are equitably allocated to all related activities, including federal awards; and
3. The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-federal entity or specified grouping of employees."

Rent. The consensus here is that as long as we can verify 12 rent payments per year per landlord, we will have no issues.

Utilities. Some utilities are billed on a quarterly basis, which creates some difficulties as billings do not occur until well after the new fiscal year has started. Because the costs are not known until well after they are incurred, the costs are allowable during the period they become known. For the utilities that bill monthly however, the fiscal year-end requirements are still in effect, since the cost was incurred and known in time to bill during the current period. In both cases, only 12 months of costs are allowable during each 12 month contract period.

Auditor Selection. Per 2 CFR 200.509, when selecting a new auditor, agencies must ensure that "the objectives and scope of the audit must be made clear and the Agency must

request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS.

Factors to be considered in evaluating each proposal for audit services include:

- The responsiveness to the request for proposal,
- Relevant experience,
- Availability of staff with professional qualifications and technical abilities,
- The results of peer and external quality control reviews,
- And price.

Whenever possible, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises in procuring audit services as stated in 2 CFR §200.321."

PR&C monitoring visits will include a review of the agency's auditing procurement process in order to determine whether these requirements have been met.