

Impact & Action

The chart contains some common oversight and audit findings. As a group, review the findings with two goals:

1. Determine the potential consequences and risks associated with each finding.
2. Develop a plan to prevent each of the findings.

Finding	Consequences and/or Risks	Preventive Action
1. The auditors could not find supporting documentation for an in-kind match of \$100,000 in building supplies you received from a lumber yard.	Match could be disallowed, therefore, may not be able to meet match.	Obtain in-kind contribution form from donor when materials are delivered; do not record the in-kind contribution in your accounting records until you have the appropriate supporting documentation.
2. Your accounting system did not identify expenditures by grant or activity.	This is directly in contrast to the Grant Provisions and OMB Administrative Requirements. Funds have lost their identity, therefore, there is no way to determine actual expenses on the grant, and no way to compare budget vs. actual. Match may be disallowed	Set-up the Chart of Accounts with specific accounts for the grant and budget line items.
3. The auditors could not reconcile your general ledger amounts to the costs claimed on your Federal Financial Report. Your general ledger shows \$850,000 in Federal expenditures and the FFR shows \$880,000.	Funds not able to be traced to source documents may be disallowed.	Prepare the FFR based on actual reports from the general ledger; retain copies of those reports that correspond with the FFR as part of your program's official records.
4. You did not have written policies and procedures in place for managing and accounting for incoming cash.	The auditors may cite an internal control weakness finding. You could mispend funds that were restricted donations. If the finding is not resolved, CNCS could restrict access to funds until corrected.	Develop, in writing, a policy and procedure on managing incoming cash according to the requirements of the OMB Administrative Requirements.

Avoiding Common Issues and Pitfalls
Activity 1

<p>5. Your 1st year Director, a long-term employee of the organization, was seriously ill and took paid leave for 3 months before returning to the project. The leave was charged to the grant.</p>	<p>The benefits being paid were most likely not completely earned under the grant; therefore, they were not chargeable to the grant except for that portion earned.</p>	<p>Ensure the organization's policies are consistent with OMB Cost Principles. OMB Cost Principles state: "Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each."</p> <p>Administration of leave benefits is often a very complicated issue particularly for small nonprofits. You need to have clear policies and strategies for managing fringe benefit expenses. For example, organizations need to charge grants and collect fringe benefits that carry-forward beyond the current grant period. Vacation or annual leave may be due upon an employee's departure and may be a liability carried on the financial statement.</p>
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**Avoiding Common Issues and Pitfalls
Activity 1**

<p>6. You had your accountant also perform the required OMB A-133 audit.</p>	<p>Unallowable activity</p>	<p>OMB A-133 states that an auditor must complete the A-133 audit. Auditor is defined as “an auditor, that is a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of non-profit organizations”</p>
<p>7. For new subgrantees, you use a self-reporting pre-award Financial Management Survey to determine whether the subgrantee’s financial system complies with OMB Circulars and other grant requirements.</p>	<p>With a self-reporting system, the possibility exists that the subgrantee does not have the systems and controls in place to manage the grant award adequately and prevent unallowable costs or undocumented expenditures which could jeopardize the program.</p>	<p>With the survey, have the subgrantee submit copies of reports and policies, current balance sheet, etc. to ensure compliance. Also consider a pre-award site visit or a site visit soon after awarding the subgrant.</p>

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