

**THE CITY OF NEW YORK
DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT**

NAME OF AGENCY: _____
CONTRACT NO/S: _____ **FISCAL YEAR ENDING** _____

AUDIT PROGRAM

BACKGROUND

XYZ LLP was contracted by NYC Department of Youth and Community Development (DYCD) to provide auditing services to ensure that the CBO adheres to the procedures outlined in the Department of Youth and Community Development (DYCD) fiscal manual and the actual signed contracts and the City of New York Comptroller’s Internal Control and Accountability Directive 5:

GENERAL PROCEDURES:

| | Done By | W/P Ref. |
|---|----------------|-----------------|
| 1. Review DYCD Fiscal Manual for CBOs | _____ | _____ |
| 2. Obtain a copy of the contract between DYCD and the agency. The contract documents are comprised of the following: | | |
| a) The contract, including any special conditions and amendments. | _____ | _____ |
| b) The budget, which indicates the amounts by categories of expense and service cost centers, on which DYCD has based its support. | _____ | _____ |
| c) All applicable DYCD documents and conditions referenced in the contract document. | _____ | _____ |
| 3. Obtain a copy of all agency invoices and service reports submitted to DYCD for the audit period, including any annual report (PERS and Close-Outs). | _____ | _____ |
| 4. Schedule an audit entrance conference with the agency, and record the results of the conference, including a list of personnel present and a summary of the items discussed. | _____ | _____ |
| 5. Perform review of internal control structure utilizing procedures delineated in this section of the Fiscal Manual/Audit Guide. | _____ | _____ |
| 6. Review Board of Directors/Trustees minutes for pertinent discussion regarding agency contract and overall agency | | |

operations and financial condition. _____

7. Obtain copies of agency monitoring reports and adjustment/disallowance letter, if applicable, and determine agency's response or plan or action to correct deficiencies cited. _____

**FINANCIAL MANAGEMENT
OBJECTIVES**

To determine if:

1. Financial management controls are adequate to safeguard funds.
2. The accounting system is adequate to ensure that payments received are for services actually rendered.
3. Financial reports accurately and properly reflect all services billed and payments received.
4. Expenditures are within budgetary limitations.

AUDIT PROCEDURES

| | Done By | W/P Ref. |
|--|----------------|-----------------|
| 1. Obtain or prepare trial balance. | _____ | _____ |
| 2. Compare the total expenditures per trial balance vs. total expenditures per the contractor's invoice and PERS as of the audit ending date. Explanation and documentation should be obtained for any discrepancy. | _____ | _____ |
| 3. Review the cost by category and determine that each category was approved in the contract budget by DYCD. | _____ | _____ |
| 4. Obtain or prepare a listing of DYCD cash received by the contract agency relating to DYCD contract being audited. | _____ | _____ |
| 5. Obtain a listing of payments from DYCDD and reconcile to DYCD payments recorded by agency. | _____ | _____ |
| 6. Obtain bank reconciliation and determine propriety as of the audit date. In reviewing, the auditor must ascertain whether there are any checks outstanding six months or longer. Obtain or prepare a listing of such checks which includes the payee, check number, check date, type of expense and amount. | _____ | _____ |
| 7. Cash receipts should be tested to determine that receipts have been: a) Properly recorded in the books of account. | _____ | _____ |

- b) Deposited in the appropriate contract agency's bank account. _____
- 8. Confirm in writing the balance in all bank accounts used during the year. _____
- 9. Determine the adequacy of controls exercised over petty cash. Based upon the materiality of the petty cash fund, perform procedures to determine the propriety of the fund. _____
- 10. Identify any security deposits paid with DYCD funds, determine propriety and confirm, if deemed material. _____
- 11. Any other material asset accounts should be reviewed and/or analyzed as to their propriety. _____
- 12. Perform a cash disbursements cut-off. _____
- 13. Determine amount of any necessary payroll accruals as of the audit date. _____
- 14. Prepare a detailed listing of all unpaid items as of audit date (for inclusion in the audit report).
 - a) Identify any unpaid balance not liquidated. The City of New York requires that amounts be liquidated within 75 days after the balance sheet date. Violation of the 75 day rule requires disclosure in the Auditor's Report on Compliance. _____
 - b) Any unpaid items as of audit date should be summarized, and any necessary adjusting journal entry made. _____
- 15. Determine propriety of any payroll taxes payable.
 - a) Determine if payroll tax returns (941's, state withholding and unemployment insurance and city withholding) were filed timely and payments were made in accordance with the taxing authorities regulations. _____
 - b) Determine if the contract agency has any delinquent outstanding liabilities relating to payroll taxes. _____
 - c) All deficiencies/delinquencies must be disclosed in the Auditor's Report on Compliance including any penalties or interest resulting from the delinquency. _____
 - d) Determine if contract agency has filed all required Federal and State tax returns on a timely basis. _____

16. Any other material liability accounts should be reviewed and/or analyzed as to their propriety. _____

AUDIT OF COSTS

OBJECTIVES

1. Determine that the costs charged to DYCD conform to DYCD cost principles.
2. Review financial operations and report any non-compliance with applicable contract provisions or DYCD regulations and/or instructions; and based upon the audit, provide recommendations for improvement.
3. Determine whether costs reported as being incurred under the contract are allowable and to report any exception.

PAYROLL AND FRINGE BENEFITS

To determine whether total payroll and benefit costs charged to the contract are applicable, allocable and reasonable and employee pay rates and benefits are in accordance with the DYCD contract budget.

AUDIT PROCEDURES

| | Done By | W/P Ref. |
|---|----------------|-----------------|
| 1. Selectively trace amounts posted in the general ledger to the payroll register or other supporting document. | _____ | _____ |
| 2. Select a representative number of payroll items and determine for each individual whose pay is tested that: | | |
| a) The salary rate for DYCD funded personnel does not exceed the pay rate specified in the contract budget. | _____ | _____ |
| b) Job position of employee is in accordance with the contract budget | _____ | _____ |
| c) Payroll deductions are in accordance with applicable tax rates and other appropriate supporting documents, such as, W-4s, etc. | _____ | _____ |
| d) The hours recorded are based upon time sheets prepared by individual employees and approved by authorized supervisors. | _____ | _____ |
| e) Payroll amounts were properly computed. | _____ | _____ |
| f) Salary or wages charged to DYCD program which | | |

were less than 100% of an individual's time were allocated correctly.

g) Payee and net amount per cancelled payroll check agrees with payroll register.

h) Endorsement per check agrees with employee's signature on withholding exemption form or with personnel records. Investigate all unusual second endorsements.

i) Accrued sick or vacation pay has been earned and is in accordance with personnel policies.

3. If the auditor is performing an audit of the DYCD contract, the auditor must perform a payroll distribution. However, if the audit is being performed subsequent to the contract ending date, then the auditor would only be required to perform a payroll distribution (in order to test payroll controls) where payroll testing procedures on the salaries and wages during the contract period revealed material internal control structure and compliance deficiencies.

4. When an organization charges fringe benefits by use of a rate, the auditor should identify the basis used in computing the rate and determine that the elements making up the fringe benefit pool have not been included as a part of the direct labor charges and that the rate has been applied to direct labor charges consistent with the computation method.

5. Audit steps for fringe benefit costs charged to a contract program are:

a) Examine employee fringe benefit costs charged to the contract and determine their nature.

b) Review the personnel policies and determine the types of fringe benefits authorized.

c) Verify that the Agency incurred the actual expense claimed

d) Ensure that the expenses claimed for fringe benefits do not exceed the budgeted amount for the category of fringe benefits.

e) Amount claimed should not exceed the twelve-month

period between July 1, and June 30 of the fiscal year audited.

- f) If the fringe benefit item is a “self-insurance” plan, payments in settlement of actual expenses can be claimed. In addition, payments to the “self-insurance” plan may be claimed as well. _____
- g) Delinquent taxes at the end of the fiscal period (especially those long overdue) should be reported. _____
- h) Determine whether the fringe benefit costs charged:
 - 1) Are allowable under applicable costs principles. _____
 - 2) Are not for items which would not normally be considered fringe benefits. _____
 - 3) Are for items which would not duplicate indirect labor charges such as annual leave, sick leave, or holiday pay. _____
 - 4) Are properly supported by appropriate documentation. _____
- i) Test that payroll deductions were remitted on a timely basis to appropriate Federal, state or local authorities. _____
- j) Perform a test of employee annual and sick leave records to determine adherence to the Agency’s personnel policies. _____
- k) Verify that the Board of Directors authorized any pension expense claimed to DYCD and pension payments were appropriately put into a pension fund. Verify that the agency filed all required tax forms related to pension plans. _____

CONSULTANTS

To determine whether appropriate controls were exercised to assure that the services were necessary and obtained at a reasonable price.

AUDIT PROCEDURES

| | Done By | A/W Ref. |
|--|----------------|-----------------|
| The auditor should obtain or prepare a detailed listing of consultants (name, services provided, method of payment, and amount paid) and selectively review consultant services costs claimed under the contract to determine that the following minimum standards for documentation were met: | | |
| 1. Evidence that the services of the consultant are needed and the need cannot be met by personnel budgeted in the contract. | _____ | _____ |
| 2. Suggested audit steps for examining consultant services costs: | | |
| a Trace amounts posted to the general ledger for consulting services to the supporting documentation. | _____ | _____ |
| b Select a representative sample of consultant service agreements, if any, and determine that there is evidence the consultant services were: | | |
| ▪ Actually provided; and | _____ | _____ |
| ▪ Appropriate to the DYCD contract and/or were received timely to benefit the DYCD program. | _____ | _____ |
| c Determine that consulting costs are specified in the contract budget and are allowable. Determine that the individuals receiving funds meet the criteria for independent contractor tax status. | _____ | _____ |

RENT EXPENSE – SPACE RENTAL

To determine whether such costs were supported by a lease agreement and allowable per the DYCD contract budget.

AUDIT PROCEDURES:

Done By A/W Ref.

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|----|---|-------|-------|
| 1. | Determine what items are allowable in accordance with the DYCD contract. | _____ | _____ |
| 2. | Obtain or prepare a schedule of expenditures charged to DYCD and determine their propriety. | _____ | _____ |
| 3. | Verify that the agency incurred actual expenses claimed. | _____ | _____ |
| 4. | Determine if rent expense is based on a lease agreement and determine that the allocation plan on the budget schedule is reasonable. | _____ | _____ |
| 5. | Verify that rent expense is for only the period (between July 1 and June 30 of the fiscal year) being audited. | _____ | _____ |
| 6. | Determine if rent has been paid as stipulated in the lease agreement. | _____ | _____ |
| 7. | Obtain copy of all leases and determine adherence to DYCD regulations. | | |
| | <ul style="list-style-type: none"> ▪ Determine that no renovation or construction projects were budgeted or paid for with DYCD program funds. ▪ Determine that rent relates only to all other rent paid for sites utilized by the program. ▪ Determine if it includes all related charges associated with the use of the site such as minor repairs and maintenance costs. | _____ | _____ |

EQUIPMENT/RENOVATIONS, SUPPLIES AND MATERIALS

To determine whether such items were (i) purchased under the contract; (ii) used on the sponsored project; and (iii) obtained on a competitive basis, where required. In addition, to determine the contract agency’s compliance with all applicable procurement standards contained in the DYCD contract.

AUDIT PROCEDURES:

Done By A/W Ref.

1. Verify that contract providers maintained an inventory listing of all equipment items purchased under the contract having a value of \$250 or more and having a useful life in excess of one year. Records should include the vendor, date of acquisition, cost, description, useful life, location and date of disposition of each equipment item. All equipment items purchased under

the contract must be labeled, indicating that the equipment purchased is the property of the City of New York.

2. For selected items, the auditor should determine:

a) Procurement was made in accordance with contract agency's normal procedures, along with the requirements of DYCD, and that appropriate supporting documentation was maintained.

b) CBOs must utilize competitive bidding when making purchases of good/services.

c) CBOs must secure three (3) written bids for the purchase of goods of like items whose cost can reasonably be expected to range from \$1,000 to \$2,500.

CBOs must secure a minimum of five (5) written bids for the purchase of goods of like items whose cost can reasonably be expected not to exceed \$25,000.

CBOs must conduct a public solicitation of a minimum of five (5) sealed bids for purchases of goods of like items whose cost can reasonably be expected to exceed \$25,000.

d) CBOs received all equipment purchased under the contract by June 30th. Receipt by June 30th, is required in order for it to be reimbursable in the fiscal year ending that June 30th.

e) Items charged to the program were used for the program.

f) Schedule all equipment purchases and determine their propriety.

g) Determine that the equipment/renovations charged to the DYCD program agrees with those items listed in the DYCD contract.

h) From the property records, select sample of equipment items purchased under the contract and verify their physical existence and location.

3. Verify that the agency incurred actual expenses claimed.

4. Ensure that equipment purchased does not exceed the amounts

specified in the modified budget.

- 5. Ascertain that all equipment that still has a useful life, purchased with DYCD funds remains the property of the City of New York and must be returned.
- 6. Ascertain that if the equipment is fully depreciated and has no further value, CBO must make arrangement to dispose the equipment at DCA's Salvage Warehouse.

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TRAVEL

To determine (i) that the contract agency has established and applied travel policies; and (ii) that costs for travel are applicable, allowable and allocable to the program.

AUDIT PROCEDURES:

The auditor should obtain and review the organization's travel policies. In addition, the auditor should test travel charges to determine:

Done By A/W Ref.

- 1) Travel costs are allowable and consistent with the approved budget and with the DYCD travel policy. Travel costs are allowable where such travel provides direct benefits to the CBOs program. Travel costs usually include the costs of transportation, (bus and subway fares) and in some instances, participants, of the agency to conduct official business pursuant to Department of Youth and Community Development grant. Included in this category are expenditures for a vehicle owned or leased by the CBO whose use is deemed necessary to conduct the DYCD funded program. Also included in this category are expenditures for personal automobile use for Agency related business. Cost for the use of a personal automobile will be reimbursed at a maximum rate of 35 cents per miles plus tolls. A Mileage Log must be maintained for both personal and business owned vehicles used to conduct agency business related to the funded program.
- 2) Travel expenses are supported by appropriate travel documents (i.e., expense reports, receipts, etc.), and are properly approved by an appropriate official.
- 3) Verify that the agency incurred actual expense claimed.
- 4) Ensure that amounts claimed for staff travel and client travel do not exceed respective budget amounts.

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- 5) Ascertain that travel occurred no later than June 30th of the year being audited. _____
- 6) Expense reports indicate whether travel costs charged were related to the program and necessary for the performance of the program. _____
- 7) Reimbursements for travel were limited to travel authorized under the organization's approved travel policy, but not in excess of the limitations set by any special provisions of the contract, if applicable. _____

REVENUES/EXPENSES

To determine if revenues/expenses are properly segregated, documented and accounted for by the agency.

AUDIT PROCEDURES:

- | | Done By | A/W Ref. |
|--|----------------|-----------------|
| 1. Determine if agency is reporting revenues on cash basis. | _____ | _____ |
| 2. Perform all necessary audit tests to ensure that all applicable income received or earned by the agency is reported correctly on the monthly and quarterly claims. | _____ | _____ |
| 3. Determine if the CBO has income generating funds acquired as a result of utilization of any resources/assets obtained through the Department of Youth and Community Development Funds. (This is not limited to the use of budgeted funds, but also includes the use of CBO's employees labor and/or other assets such as premises, equipments, etc. to generate income | _____ | _____ |
| 4. Verify if the Income Generating Bookkeeping procedures are done as follows: | _____ | _____ |
| a. A separate bank accounts must be established. | _____ | _____ |
| b. All bank documents, such as deposit slips, reconciliations, statements, cancelled checks, signature cards, etc. must be properly maintained on file. | _____ | _____ |

- c. A separate cash receipts journal must be established to record cash receipts generated. _____
- d. A separate cash disbursement journal must be maintained to record cash expenditures. The cash disbursement journal must be established in a form that reflects the nature of the expense. _____
- e. Supporting documentation for each disbursement recorded in the cash disbursement journal must be properly maintained on file. _____
- f. Where applicable, a general ledger must be maintained in order to summarize monthly transactions. _____
- g. A monthly trial balance must be taken. _____
- h. The CBO's monthly reports reflecting income-generating activities must be properly maintained on file. _____
- 5. An Income Generating Questionnaire should be maintained and made available upon audit at the CBO site. The questionnaire must be fully completed, signed and dated by both the Executive Director and the Chairperson. _____
- 6. A monthly report must be maintained and made available for review upon demand. _____

COMPLIANCE AUDITS

To perform compliance examination to ensure that, for the tested operations and records, the delegate Agency/Hospital has complied with the contractual requirements and limitations as contained in the DYCD fiscal manual and Agency contract agreement.

AUDIT PROCEDURE:

- | | Done By | A/W Ref. |
|--|----------------|-----------------|
| 1. <u>General.</u> | | |
| On a test basis, determine whether reports were accurately prepared. | | |
| Auditors are expected to examine internal controls relative to these reporting requirements to make certain that the reports are accurate. | | |

2. **Program Expense Report Summary (PERS)**

a. **Background**

DYCD utilizes a financial document called PERS to detail and track the CBO expenditures for goods and services. The CBO is required to list all expenses for program related goods and services on the PERS form. DYCD then evaluates the information listed on the PERS form to determine whether the expenses submitted are appropriate for its contracted services as well as are within the approved budget. From this evaluation, DYCD determines the amount of funds that it will reimburse to the CBO for appropriate, contract-related expenses.
