

# **Auditing Procedures for Nonprofits**

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# AGENDA

- Audit
- The Goal of Auditing
- Internal Controls
- Preparing for an Audit or a Fiscal Field Review/Documentation Needed
- Findings and Recommendations
- Follow up
- Questions

# WHAT IS AUDITING?

- An audit is an evaluation of a person, organization, system, process, enterprise, project or product.
- Audits are performed to ascertain the validity and reliability of information.
- To provide an assessment of a system's internal control.

# The Goal of an Audit

- An audit is to express an opinion on the person / organization/system, under evaluation based on work done on a test basis.
- An audit seeks to provide only reasonable assurance that the statements are free from material error.

# Internal Controls

- Internal control is the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.

# Internal Controls

- affects every aspect of an organization;
- incorporates the qualities of good management;
- is dependent upon people and will succeed or fail depending on the attention people give to it;
- is effective when all of the people work together;
- provides a level of comfort regarding the likelihood of achieving organizational objectives; and
- helps an organization achieve its mission.

# **Preparing for an Audit or a Fiscal Field Review**

# **Selection of the Organization**

- Audit all contracts over \$75,000.00
- Fiscal Field Review 50% of the all contracts

**Audit and Fiscal Field Review Preparation  
what documentation do you need?**

# Audit and Fiscal Field Review Preparation

- Current executed contract, indicating date of contract registration, any modification, and approved budget.
- Accounting/Finance personnel job duties and qualifications.
- Itemized revenue source other than from DYCD.
- Itemized other financial resources, such as real estate, investments, etc.
- Payroll registers, timesheets/cards, sign-in and out attendance sheets, and vacation and sick leave records for all employees who are paid under DYCD contracts under review.

# Audit and Fiscal Field Review Preparation

- Access to personnel folders, including employee data and educational and professional experience documentation, for all employees who are paid under DYCD contracts under review.
- Time and attendance policies and procedures.
- Percentage of the Executive Director's salary funded by DYCD.
- Payroll tax returns (Federal 941, NYS-45, NYS Unemployment Insurance) for the last two quarters, evidence of payment of tax liabilities shown on the tax returns, and payroll tax deposits for the last payroll (cancelled checks or bank statements).
- IRS determination letter for exemption of federal income taxes under IRC §501(c); if none, federal and state income tax returns for the preceding year.
- Consultant contract agreements for all consultant costs charged to DYCD contract.

# **Audit and Fiscal Field Review Preparation**

- Bank account information, indicating the one registered with New York City Electronic Fund Transfer.
- Most recent bank reconciliations, and bank statements for all bank accounts.
- List of authorized check signors for operating, payroll, and program bank accounts.
- PERS submitted to DYCD during the last eight months, and cancelled checks for all checks recorded in each of the PERS.
- Purchasing and petty cash policies and procedures.

# Audit and Fiscal Field Review Preparation

- Consultant folder containing credentials, qualifications, type of service/product to be provided by the consultant, an evaluation of the service/product provided, and bidding documentation.
- Documentation to support the payment of stipends to participants.
- Most recent agency wide financial audit report, including A-133 Audits; latest DYCD audit report.
- General ledger chart of accounts and Cash receipts and cash disbursements journal.
- Monthly trial balance and general ledger details to support the most recent Program Expenditure Report Summary (PERS) submitted to DYCD.

# **Audit and Fiscal Field Review Preparation**

- A list of fixed assets (equipment, furniture, computers) purchased and charged to DYCD contracts.
- Inventory list of fixed assets purchased with DYCD funds.
- Documentation to support all interagency or inter-program loans and transfers that affect DYCD's funds.
- Details of security deposits established using DYCD funds.

# Findings and Recommendations

- Findings
- Conditions
- Criteria
- Effects (Risk)
- Cause
- Recommendations

# Follow-up

- Audit response
- Management's follow-up
- Auditor's review

# Questions