ACS Division of Financial Services
&
New York City Council

Discretionary Contracts Audit Guidelines

Effective Fiscal Year 2013
for the period covering
October 1, 2012 through June 30, 2013

Information for
Certified Public Accountants (CPA) Audit Firms
and
Discretionary Contract Organizations

Administration for Children's Services

Division of Financial Services

Discretionary Child Care Program

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Discretionary Contracts
Audit Guidelines
Fiscal Year 2013

TABLE OF CONTENTS

INFORMATION FOR CPA AUDIT FIRMS & DISCRETIONARY CONTRACT ORGANIZATIONS

Discretionary Contracts
Audit Guidelines
Fiscal Year 2013

T A B L E O F C O N T E N T S

INFORMATION FOR CPA AUDIT FIRMS & CONTRACT ORGANIZATION

ATTACHMENTS

EXHIBITS

SCHEDULES

Fiscal Year 2013
Audit Guidelines
For
Discretionary Contract Organizations

INFORMATION FOR CPA AUDIT FIRMS AND CONTRACT ORGANIZATIONS

Section 1: Objective Of The Audit

The purpose of the audit is to determine and report whether:

- Effective control and proper accounting is maintained for revenues, expenditures, assets and liabilities;
- Financial statements are presented fairly in accordance with Nonprofit Generally Accepted Accounting Principles (GAAS);
- The contract organization has complied with the relevant laws and regulations affecting the program;
- The contract organization has complied with specific quantified contractual requirements and limitations; and
- Financial reports (including status reports, cash reports, and claims for advances and reimbursements) reflect the amounts recorded in the accounting system; and books and records of the organization are presented fairly and in accordance with the terms of ACS contract.

Section 2: Required Audits

All ACS contractors with discretionary contracts, funded by the New York City Council ("City Council") are required to submit an audit that covers the accounting period of October 1, 2012 through June 30, 2013. These contracts are funded by City Council funds which are 100% City Tax Levy. There are no federal funds in these contracts, and an A-133 audit is not required.

A. New York City Audit

The ACS audit guidelines for discretionary contracts provide the set of rules required for an audit of the ACS contractor's financial statements. The audit will be performed in accordance with the American Institute of Certified Public Accountants' (AICPA) Nonprofit Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), U.S. Government Auditing Standards (GAO) / Yellow Book and the contractor's ACS contract.

The audit for all discretionary contracted programs <u>must</u> <u>include</u>:

i. Auditor's Report on Financial Statements including Auditor's opinion on the ACS schedules attached hereto;

ii. Financial Statements:
   a. Statement of Financial Position
   b. Statement of Activities
   c. Statement of Functional Expenses
   d. Statement of Cash Flow
   e. Notes to Financial Statements

iii. ACS schedules are set forth in Section B (below);

iv. Auditor's Report on Compliance with major and non-major findings;

v. Auditor's Report on Internal Controls with major and non-major findings; and

vi. Payroll Distribution.

B. The attached ACS schedules, schedules 1 through 6, must be included in the audit for each ACS contracted program.

Section 3: Schedules Required By ACS For Fiscal Year 2013 Audit

All ACS schedules below are part of the Audit Report and will be subject to all audit procedures and requirements.

ACS needs the required schedules for discretionary contractors to fully identify and account for City Council funds for each and every program. These schedules are also needed for the close-out of each contract and to determine balance due, if any, to "City Council" at the end of the fiscal year.

Each of the following schedules must be prepared separately for each program.

Statement of Revenues and Expenditures Budgeted & Actual : Consolidated	Schedule 1
Statement of Revenues and Expenditures Budgeted & Actual : Site Specific	Schedule 2
Detailed Expenditures Voucher Report	Schedule 3
Schedule of Consultants	Schedule 4
Fixed Assets Inventory	Schedule 5
Quantitative Program Results	Schedule 6

Section 4: Choosing an Auditor

Auditors are an important resource for any organization. A cooperative working relationship with an auditor will provide the organization an opportunity to learn about its financial condition i.e., from a financial perspective on how its program is performing. Also, the information provided by the auditor will assist the contractor in making adjustments and developing corrective action strategies to improve financial accounting and control systems, when necessary. The requirements in the selection of an auditor are as follows:

a. Follow the procurement standards prescribed by OMB Circular A-133 which requires that small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in contracts awarded.

b. **The audit firm must be independent and licensed to practice in New York State. The audit firm must be on the New York City Comptroller's "Pre-Qualified CPA List".** The current "Pre-Qualified CPA List" can be located on the New York City Comptroller's website.

c. To avoid a conflict of interest in selecting an auditor, the contract organization may not select a CPA audit firm that is currently working with the contract organization or that was engaged in consulting or any business management undertaking with the contract organization in the Fiscal Year 2013.

   It is strongly recommended that the term of an audit contract not exceed four (4) years including renewals. When agencies enter into multi-year contracts, the price of each year of the contract must be established in advance and set forth in the agreement.

d. **The contract organization may <u>not</u> choose the same audit firm for more than four (4) consecutive years.**

e. The contract organization shall secure at least three (3) bids for audit contracts and choose the lowest bid. If you are not sure of the cost of any audit, please contact ACS for assistance on this matter.

Section 5: Notifying ACS Upon the Selection of An Auditor

The contract organization shall inform ACS of the selected audit firm by sending one signed copy of an Engagement Letter (Exhibit I), and one signed copy of Audit Firm’s Profile (Exhibit II), both on the CPA firm’s letterhead.

Only an Audit Engagement Letter and Audit Firm's Profile as presented in Exhibit I and II will be accepted. Under no circumstances will another version be accepted. Audit fees agreed upon must be shown in the Audit Engagement Letter.

Section 6: Engagement Letter

Should a contract organization sign a formal agreement or an engagement letter with the auditor?

Briefly, an audit engagement letter sets forth the terms, conditions and objectives of the audit engagement, the nature and scope of the services to be provided and related timeframes for report delivery and fee arrangements. Refer to the attachments on pages 24 through 29 for additional information.

The Discretionary Contract Organization Audit Guidelines must be shared with the Auditor(s) hired to perform an audit for Fiscal Year 2013, before signing the formal audit engagement letter.

All audit engagement letters are due **Tuesday, September 3, 2013.** Please forward a copy of this letter to Manohar Malhotra via email. His email address is: manohar.malhotra@dfa.state.ny.us

Section 7: Audit Firm’s Profile

Should an audit firm's profile be retained by the organization?

It is strongly recommended that each contract organization retain a profile of the audit firm that is contracted for the Fiscal Year 2013 audit on file.

All audit firm’s profile are due **Tuesday, September 3, 2013.** Please forward a copy of this letter to Manohar Malhotra via email. His email address is: manohar.malhotra@dfa.state.ny.us

Section 8: Timely Audit Submissions

What can a contract organization do to ensure that the audit is completed on time?

Each contract organization is expected to extend full cooperation to the auditors and be clear about what to expect from an auditor as specified in the audit engagement letter.

In order to ensure timely completion of the audit, each contract organization should ensure that its books, records, expense schedule and schedule of consultant services are ready for audit. Specifically, these items should be current, complete and contain all known and documented adjustments, and are available for the auditors' review and inspection. Refer to the following attachments for additional information.

Attachment #1 Entitled "**Preparing For An Audit**", and
Attachment #2 Entitled "**Documents Your Auditor May Want To Review**".

Section 9: Due Dates For Audit Reports

All Audits are due by the close of business on Monday, December 2, 2013.

The auditor must submit audit(s) to the contract organization within thirty (30) days after fieldwork is completed.

If the audit deadline cannot be met, the contract organization must submit a written explanation to ACS along with the expected audit completion date, 30 days prior to December 2, 2013. Please forward this correspondence to Manohar Malhotra at his email address:
manohar.malhotra@dfa.state.ny.us

Organizations will not receive a satisfactory fiscal evaluation of its program if the audit is submitted after the due date. It is very important to note that late or non-submission of an audit will have an adverse impact on the provider organization’s VENDEX score.

Section 10: Audit Report Submissions

Where should copies of the audit reports be sent?

The following are the distribution requirements:

a. Two (2) bound copies and one (1) PDF copy (sent by email) of the audit report shall be sent to the address below:

Child Care Discretionary Audit Review
Administration for Children’s Services
150 William Street, 10th Floor
Attention: Manohar Malhotra
Email: acs.sm.FSChildCareAuditReports@dfa.state.ny.us

Section 11: Audit Report – Record Retention

How long should copies of the audit report be retained?

The contract organization should retain copies of the audit report(s) on file for six (6) years with an understanding that there is **NO** statute of limitation on ACS's financial recoveries resulting from illegal acts or irregularities on the part of the contract organization.

Section 12: Revenue And Expense Report

When will the revenue and the expense reports be sent to the auditor?

Upon receipt of one (1) signed copy of the audit engagement letter and the audit firm's profile, ACS will transmit these documents directly to the CPA firm hired by the contract organization:
Cash advances for the current fiscal year and any amounts paid in the current year for prior years;

Section 13: Review And Acceptance Of Audit Reports

All audit reports must be reviewed and approved by the Board of Directors prior to being sent to ACS. Audit reports not in compliance will **not** be accepted until all audit requirements are met. **There should be a footnote that identifies who attended the meeting to review the audit.**

The auditor is responsible for making any and all corrections identified by the organization or by ACS. **Underno circumstances, will additional audit fees be allowed for amending, revising or correcting the audit report.**

Section 14: Audit Fees

How much should the organization pay for an audit?

It is the responsibility of the contract organization's Board of Directors to negotiate a fee which the organization can afford.

How will audit fees be paid?

It is the responsibility of the contract organization's Board of Directors to pay all audit fees once the audit report has been finalized as per the terms and conditions of the audit engagement letter.

Section 15: Work Papers

The audit firm shall retain its work papers for a period of six (6) years after delivery of the final audit report for the fiscal year(s) mentioned in the audit engagement letter, and shall make the work papers available to ACS, City Council and the New York City Comptroller's Office upon request.

Section 16: Insurance

ACS strongly recommends that provider organizations contract with CPA firms that demonstrate the CPA firm carry liability insurance not less than one million dollars per occurrence to protect the organization, ACS, and the City of New York against any and all claims, loss or damage, whether in contract or tort, including claims for injuries to, or death of persons, or damage of property.

Section 17: Incomplete / Unacceptable Audit Reports

Audit reports which do not contain the following required Statements and Schedules, will be classified as "INCOMPLETE/UNACCEPTABLE", and will not be used for VENDEX and fiscal evaluation purposes:

Statements

(a) Statement of Financial Position

(b) Statement of Activities

(c) Statement of Functional Expenses

(d) Statement of Cash Flows

(e) Notes to Financial Statements

Schedules

(f) Schedule 1: Statement of Revenues and Expenditures Budgeted and Actual : Consolidated

(g) Schedule 2: Statement of Revenues and Expenditures Budgeted and Actual : Site Specific

(h) Schedule 3: Detailed Expenditures Voucher Report

(i) Schedule 4: Schedule of Consultants

(j) Schedule 5: Fixed Assets Inventory

(k) Schedule 6: Quantitative Program Results

Section 18: Provider Organization – Audit Report Responsibilities

What are the main responsibilities of a contract organization in providing an audit report?

The contract organization is responsible for familiarizing itself, and the audit firm, with ACS' audit requirements. Any contract organization administering Child Care Discretionary Program(s) as designated by the New York City Council shall be responsible for:

a. Establishing a system of accounting and reporting that segregates and identifies financial assistance received by the organization, demonstrating how that assistance was used with the appropriate supporting documentation.

b. Complying with laws, regulations and contractual requirements by establishing effective internal controls, such as:

i. Identifying fiscal year in its accounts, all revenue received and expended, and the program under which they were received.

ii. Maintaining internal control over programs to provide reasonable assurance that the contract organization is managing awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

iii. Complying with laws, regulations, and provisions of contracts or grant agreements related to each of its programs.

iv. Preparing appropriate Financial Statements as required by Nonprofit Generally Accepted Accounting Principles (GAAP) including (but not limited to) the required Financial Statements below:

- Statement of Financial Position
- Statement of Activities
- Statement of Functional Expenses
- Statement of Cash Flows
- Notes to Financial Statements
- ACS Schedules

vi. Preparing a summary schedule of prior audit findings and a corrective action plan.

c. Sending one (1) copy of the executed Audit Engagement Letter and the Audit Firm's Profile to ACS within ten (10) days from the date of signing said Audit Engagement Letter.

d. Distributing the <u>requisite number of bound copies of the audit reports</u> to ACS (see Section 8 "Audit Report Submissions".

e. Sharing the Information for Certified Public Accountants (CPA) Audit Firms and Discretionary Contract Organization Audit Guidelines with the Auditor(s) hired to perform an audit for Fiscal Year 2013, before signing the formal audit engagement letter.

f. Submitting a Corrective Action Plan along with relevant supporting documentation for successful resolution of any fiscal deficiencies noted in the audit.

Section 19: Financial Statements of Nonprofits

The Financial Statements should enable organizations to evaluate their financial performance, financial position, and changes in financial position of the organization. The following are the main financial statements required by Nonprofit Generally Accepted Accounting Principles (GAAP), which will be required to be audited.

Section 19.1: Statement of Financial Position

The Statement of Financial Position helps the organization assess its financial soundness in terms of liquidity, financial, credit and business risks. The Statement of Financial Position, also referred to as the "balance sheet," summarizes the assets, liabilities and net assets of the organization at a specified date.

Section 19.2: Statement of Activities (SOA)

A Statement of Activity, also referred to as the "income statement," provides relevant information on how the organization's resources are used in the provision of services. In addition, the SOA reflects the changes to an organization's net assets resulting from income and expenses that occur during the current fiscal year.

Section 19.3: Statement of Functional Expenses

A Statement of Functional Expenses divides the expenses of the nonprofit during the fiscal year into three categories: program, fundraising and management. The purpose of this statement is to permit external users to determine how much of a nonprofit's finances are devoted to programming, management and fundraising.

Section 19.4: Statement of Cash Flow

A Statement of Cash Flow tracks cash by demonstrating where the nonprofit has received and spent its cash. Cash flow has three categories: operating cash flow, financing cash flow, and investing cash flow.

a. Operating Cash Flow or "cash flow from operations": An item on the cash flow statement that reports cash generated by the day-to-day operation of the program, such as collective accounts receivable, buying inventory, or generating income. The cash generated from the operations of an organization, generally defined as revenues less all operating expenses, but calculated through a series of adjustments to net income.

b. Financing Cash Flow or "cash flow from financing": An item on the cash flow statement that reports cash generated or used in the issuing or paying of debt or the payment. A form of financing in which the loan is backed by an organization's expected cash flows.

   The schedules or repayments for cash-flow loans are based on the organization's projected future cash flows. Cash flows from financing activities arise from the borrowing, repaying, or raising of money.

c. Investing Cash Flow or "cash flow from investing": An item on the cash flow statement that reports cash generated or, more commonly, used in investments of the organization or program. Includes such things as capital expenditures and the purchase or sale of short- and long-term investments.

Section 19.5: Notes to Financial Statements

Notes to the financial statements are additional information added to the end of financial statements and help explain specific items as well as provide a more comprehensive assessment of the contractor's financial condition.

Section 19.6: ACS Schedules

These schedules are information that assists ACS in determining how well your organization is performing financially.

Section 20: Budget

a. The New York City Council and ACS approve the budget for each program.

b. The auditor is to ascertain that the contract organization has provided him/her with the original budget and all modifications to the original budget. The audit should not be placed on hold when a budget modification(s) is pending.

c. The contracted organizations have the flexibility to shift budget amounts between certain budget lines or categories without prior ACS approval, provided there are sufficient funds within other lines or categories.

d. The following budget shifts are allowed without prior ACS approval:

- Funds can be shifted between line items within the "Total Personnel" category.
- Funds can be shifted between the "Total Personnel" category and the "Total Other Non-Itemized OTPS."
- Categories that have been blocked in the organization's budget cannot be moved without ACS approval.

Section 21: Cost Allocating Plans And Cost Allocation Plans

a. ACS reserves the right to require the contract organization to fairly and accurately allocate costs which are attributable to the operation of two (2) or more programs with distinct funding sources by a method which represents the benefit of such costs to each program. In the event that ACS determines the cost allocation plan is advisable, the organization shall, within thirty (30) days of notification by ACS, develop and deliver a cost allocation plan for ACSs' approval.

b. In the "Notes to Financial Statements," the auditor shall indicate if the contract organization has a *cost allocating plan* or a *cost allocation plan* and if the plan was implemented.

- Cost Allocating is the process of allocating costs between direct/ programmatic and indirect/administrative costs which taken together equal the total cost of the program. Cost allocating:

  - Ensures costs are reasonable;

  - Identifies each component of the budget as either direct or indirect;

  - Identifies how money is spent in connection with a program and how much is spent to administer it; and

  - Ensures funds are correctly spent by funding source.

- A Cost Allocation Plan is a written account of the methods used by an agency to allocate costs to its various funding sources.

  - A cost allocation plan is the process of assigning two (2) or more programs the costs of an item shared by the program.

  - The goal is to ensure that each program bears its fair share and only its fair share, of the total cost of the item.

c. Notwithstanding any provision in this section to the contrary, ACS further reserves the right to withhold any payments to the contract organization for allocating costs in the event that ACS deems the Cost Allocation Plan and/or Cost Allocating Plan unsatisfactory in whole or in part; or determines that such allocated costs have been incorrectly determined, are not allowable or necessary, or are not properly allocated pursuant to this agreement and/or approved cost allocation/cost allocating plan.

d. All books, general ledger, and records regarding allocated costs are subject to audit pursuant to this section of this agreement as are all other costs, and with regard to the maintenance of separate and accurate books and records, and with regard to the retention period of books and records.

Section 22: Reporting Parents' Fees In The Audit Reports

Due to the importance of parents' fee revenue to the program, all fees are considered by ACS to be collectible from the parents. This includes parents' fees that were due but that "remain unpaid" for children no longer in the program. Therefore, the parents' fees receivable should always remain on the Statement of Financial Position of the contract organization as "Due from Provider Organization". The auditor should review the system of internal control surrounding the collections of parents' fees and report any weaknesses in the audit report on internal control. The auditor should also determine if the organization has a debt write-off policy for revenue not collected.

Parents' fees receivable must be shown in the Statement of Financial Position showing balances outstanding for the current year and be separately detailed in the Notes to Financial Statements.

Section 23: Reporting Private Tuition Fees In The Audit Reports

(a) It is MANDATORY to include private tuition funds in the audit report. ACS will not accept an audit report in which there is no accounting for private tuition funds.

(b) The private tuition funds, if they exist, must be audited. Revenues and expenditures must be included in the audit report. The audit report will be considered "INCOMPLETE" without the required accounting or relevant statement.

(c) The auditor should receive written representation from the contract organization that the contract organization has provided the auditor with all the private tuition bank accounts and books or that there is **NO** private tuition funds and make a note thereof in the audit report.

(d) Private tuition funds must be segregated from ACS contracted funds, and may be expended for any of the expenditures by the ACS budget categories.

Section 24: Other Funds Used For Day Care

Reporting and auditing of all funds used to administer the discretionary contracts is essential in order to understand how the program is operating financially. These funds can be from fundraising, grants from state and the federal governments and/or foundations.

Section 25: Footnotes

The following footnotes should be included in the audit(s) to the extent that they are applicable for the contractor's organization under audit.

1 **Summary of Significant Accounting Policies:** The first footnote should be the summary of significant accounting policies. The discussion of significant accounting policies should include the following:

- **Basis of Accounting:** The financial statements are prepared on an accrual basis of accounting, as interpreted for nonprofit organizations.

- **Capital Expenditures:** The reporting of capital additions as expenditures is in accordance with Generally Accepted Accounting Principles for nonprofit units.

- **Inventory:** If significant amounts of inventory are on hand as the accounting period ended, the amounts should be determined and included in the Statement of Financial Position.

- **Vacation and Sick Leave:** Accrued vacation and sick leave must be included in the Statement of Financial Position as of June 30, 2013. The same holds true for all unearned revenue. Funds must exist to support accrued vacation liabilities. **If these funds do not exist it is the responsibility of the Board of Directors to assume this liability.**

2 **Cash:** The *cash footnote* includes an itemized, detailed list of the bank accounts. The name and address of the bank along with the account number should be listed for each account. The list should also include each petty cash fund maintained for the organization along with a description of the purpose of each fund. For bank accounts that are interest bearing' the interest earned on each account during the audit period should be disclosed by account in the footnotes. The footnote should also indicate whether the cash amounts include the interest earned to date. In addition, the footnote should contain a list of all checks outstanding for all bank accounts for six (6) months or longer. The auditor, to the extent possible, should determine and disclose the reasons for significant checks outstanding for extended periods. If the list is excessive in length, the list can be provided as a schedule.

3 **Receivables:** The *receivables footnotes* contain an analysis of each individual receivable balance contained in the Statement of Financial Position. All accounts receivable are to be fully disclosed in the Notes to Financial Statements. Each receivable balance should be separated into current year or the year the receivable balance was incurred.

4 **Prepaid Expenses:** The *prepaid expenses footnote* contains an analysis of the prepaid expenses balance shown in the Statement of Financial Position. The analysis should contain a description of the nature and purpose of each individual prepaid expense.

5 **Security Deposits:** The *security deposits footnote* contains an analysis of the security deposits balance shown in the Statement of Financial Position. The analysis should contain a description of the nature and purpose of each security deposit.

6 **Accounts Payable:** All accounts payable are to be fully disclosed in the "Notes to Financial Statements." The accounts payable footnote should include an itemized detailed list of each accounts payable containing the vendor's name, date when subsequently paid, the amount that was payable as of the period ended, and the amount paid as of the end of field work. ACS requires that accounts payable be paid within ninety (90) days after the balance sheet date. If the auditor becomes aware that the ninety (90) days rule is being violated, the auditor should disclose the violation in the Compliance Report.

7 **Accrued Expenditures:** The *accrued expenditures footnote* contains an analysis of the accrued expenditures balance shown in the "Statement of Financial Position." The analysis should contain a description of the nature and purpose of each accrued expenditure and should be divided between current-year program and prior-year program. Payroll taxes withheld and accrued payroll taxes should be shown separately.

8 **Other Payables:** The *other payables footnote* contains an analysis of each "Due To" account balance contained in the Statement of Financial Position. Each "Due To" balance should be divided into current-year and prior-year programs. For prior-year program "Due To," the description should identify the Fiscal Year for which the "Due To" relates. For both the current and prior-year, "Due To" amounts an appropriate description of the nature of the "Due To" is to be provided. The analysis of the "Due To ACS" balance consists of beginning balance, revenues received, expenditures, adjustments, and ending balance. The ending balance "Due To ACS" should be divided into its components (i.e., the amount represented by cash and the amount represented by inventory).

9 **Lease Commitments:** The *lease commitments footnote* should be prepared in accordance with the Statement of Financial Accounting Standards (SFAS) NO.13, the related amendments and interpretations. At a minimum, the following should be disclosed for operating leases:

- Future minimum rental payments required, for all sites, as of the date of the latest Statement of Financial Position, in the aggregate and for each of the five succeeding fiscal years.
- The total of minimum rentals to be received in the future under non-cancelable sub-leases as of the date of the latest Statement of Financial Position.
- Rental expense, with separate amounts for minimum rentals, contingent rentals, and sub-lease rentals.

10 A general description of the leasing arrangements, at a minimum, should include:

- The basis on which contingent rental payments are determined;
- The existence and terms of renewal or purchase options and escalation clauses;
- Restrictions imposed by lease agreements;
- The existence of related parties in the lease transactions; and
- Costs per square foot and/or rental rate as described in the lease agreement.

11 **Contractual Agreements:** The *contractual agreements footnote* contains a description of the significant contractual agreements that pertain to the organization under audit (excluding those leases included in the *lease footnote*). Between the *lease footnote* and *contractual agreements* footnote, no significant leases and/or contracts should be omitted, regardless of the duration of the agreements. Typical contractual agreements include:

- Month-to–Month leases for postage meters, copy machines, equipment rental, and maintenance contracts; and
- Other contracts not included in the *lease footnote.*

12 **Cost Allocation:** The *cost allocation footnote* contains a description of the cost allocation plan and cost allocating plan.

13 **Centrally Paid Costs for Discretionary Contractors:** The *centrally paid footnote* contains the description and amount of the discretionary contractor's insurance. ACS pays for the organization through the Central Insurance Program. ACS currently pays a total of $3,400 per classroom for the following insurance coverage: Workers' Compensation and Disability, Commercial General Liability, and Fidelity/Crime Insurance.

14 **Contingent Liabilities:** The *contingent liabilities* footnote contains a description of all contingent liabilities affecting the contract organization. Typical contingent liabilities include:

- Litigation employment related to EEOC, workers' compensation, and liability; and
- Compliance with contract terms.

The disclosure of the litigation should include a description of the litigation, including parties involved, and an estimate of the possible loss or range of loss, or else state that such an estimate could not be made.

Refer to Statement On Accounting Standards (SAS) NO. 12 Inquiry of a Client's Lawyer Concerning Litigation Claims, and Assessments and Statement of Financial Accounting Standards (SFAS) NO. 5, Accounting for Contingencies for additional guidance.

15 **Depreciation:** The *depreciation footnote* describes the annual record of depreciation in the accounts on long lived assets.

Refer to Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC 958-360-35, Not-for-Profit Entities: Depreciation Financial Accounting Standards (FAS-93, Recognition of Depreciation by Not-for-Profit Organizations) which requires all not- for-profit organizations to recognize depreciation in the financial statements and to disclose the depreciation expense, the balances of major classes of depreciable assets and the accumulated depreciation at the balance sheet date, and a description of the Depreciation method used.

Refer to 2 CFR 230, Appendix B Item 43.d, which states that rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the organization purchased the property on the date that the lease agreement was executed. This amount would include depreciation or use allowance, and expenses such as maintenance, taxes, and insurance.

Refer to 2 ASC 958-605-05-3, Not-for-Profit Entities: Revenue Recognition (FAS-116, Accounting for Contributions Received and Contributions Made) establishes standards of accounting and reporting for contributions. It applies to all organizations that receive or make contributions.

16 **Related Parties:** The *related parties footnote* should contain a description of all significant related-party transactions. Typical related parties include:

- Loans to officers, directors, and employees or their family members of the contract organization; and
- Services obtained from a business that is controlled by officers, directors, or their family members of the organization (e.g., such as rent). .
  Refer to SAS NO. 45, "Related Party Transactions" and SFAS NO. 57, "Related Parties" for additional guidance.

17 **Possible Additional Footnote Disclosure:** In addition to the above suggested footnotes, any infrequent or unusual items and/or misleading items should be disclosed in the footnotes. Some examples include:

- Subsequent Events
- Ongoing Concerns
- Liquidity
- In-Kind
- Program and Administrative Allocation
- Payroll Taxes

18 **<u>Governance and Management Policies Footnotes:</u>** Although the Internal Revenue Code (IRC) does not require organizations to have governance and management policies, the Internal Revenue Service (IRS) will review an organization's application for exemption and annual information returns to determine whether the organization has implemented policies relating to executive compensation, conflicts of interest, investments, fundraising, documenting governance decisions, document retention and destruction, and whistleblower claims. Please indicate in the footnotes if the organization has these policies.

A. *Executive Compensation:* An organization may not pay more than reasonable compensation for services rendered. Although the IRC does not require organizations to follow a particular process in determining the amount of compensation to pay, the compensation of officers, directors, trustees, key employees, and others in a position to exercise substantial influence over the affairs of the organization should be determined by persons who are knowledgeable in compensation matters and who have no financial interest in the determination. The footnote should indicate if the contract organization has a policy in place for determining compensation for management staff.

B. *Conflicts of Interest:* This footnote should indicate if the contract organization has a *conflict of interest policy.* The directors of an organization owe it a duty of loyalty. The duty of loyalty requires a director to act in the interest of the organization rather than in the personal interest of the director or some other person or organization. In particular, the duty of loyalty requires a director to avoid conflicts of interest that are detrimental to the organization. Many organizations have adopted a written conflict of interest policy to address potential conflicts of interest involving their directors, trustees, officers, and other employees.

C. *Investment:* The *investment* footnote should indicate if the contract organization has an investment policy. The governing body or certain other persons may be required either by state law or by the organizational documents to oversee or approve major investments made by the organization. Increasingly, organizations are investing in joint ventures, for-profit entities, and complicated and sophisticated financial products or investments that require financial and investment expertise and, in some cases, the advice of outside investment advisors.

D. *Fundraising:* The *fundraising* footnote should indicate if the contract organization has a fundraising policy. Charitable fundraising is an important source of financial support for many organizations. The IRS encourages organizations to adopt and monitor policies to ensure that fundraising solicitations meet federal and state law requirements and solicitation materials are accurate, truthful, and candid. Organizations are encouraged to keep their fundraising costs reasonable and to provide information about fundraising costs and practices to donors and the public.

E. *Governing Body Minutes and Records:* This footnote should indicate if the contract organization has Board of Director's minutes of their meetings and records, how often does it meet and whether the minutes are available. The IRS encourages the governing bodies and authorized sub-committees to take steps to ensure that minutes of their meetings, and actions taken by written action or outside of meetings, are contemporaneously documented.

F. *Document Retention and Destruction:* This footnote should indicate if the contract organization has a document retention and destruction policy. The IRS encourages organizations to adopt a written policy establishing standards for document integrity, retention, and destruction. The document retention policy should include guidelines for handling electronic files. The policy should cover backup procedures, archiving of documents, and regular review of the reliability of the system.

G. *Whistleblower Policy:* This footnote should indicate if the contract organization has a whistleblower policy. The public expects an organization to abide by ethical standards that promote the public good. The contract organization's governing body bears the ultimate responsibility for setting ethical standards and ensuring they permeate the organization and inform its practices.

H. *Ethics Policy:* The *ethics policy* footnote should indicate if the contract organization has an ethics policy. The IRS encourages an organization's board of trustees to consider adopting and regularly evaluating a code of ethics that describes behavior it wants to encourage and behavior it wants to discourage. A code of ethics will serve to communicate and further a strong culture of legal compliance and ethical integrity to all persons associated with the organization.

ATTACHMENT # I

Preparing For An Audit

Attachment I: <u>Preparing For An Audit</u>

1. Hire an auditor as early as possible.

2. Understand that the auditor should be trying to help the contract organization.

3. Be cooperative with the auditor and answer questions fully and truthfully.

4. Be familiar with the audit guidelines, regulations, etc.

5. Furnish the auditor with copies of the following:

- **a.** Grants, budgets, etc.
- **b.** Financial reports.
- **c.** Books of original entry.
- **d.** Listing of bank accounts and investment, if any.
- **e.** Organization chart.
- **f.** Contracts, leases, insurance policies etc.
- **g.** Board and committee minutes.
- **h.** Listing of administrative and financial staff and their functions.
- **i.** Policies, personnel files, payroll records etc.
- **j.** Correspondence relating to prior audits and other financial matters.
- **k.** Bank reconciliations.
- **1.** Documentation for receipts, disbursements, accruals etc.
- **m.** Listing of Schedules accounts payable, accounts receivable and accruals as of the end of the audit period.
- **n.** Inventory of equipment with cost.
- **o.** Regulations, manuals, etc.
- **p.** Other information requested by the auditor.
- **q.** Copies of prior years' Cash Closeout Reconciliations received from ACS along with any correspondence.
- **r.** Cost Allocation Plan and Cost Allocating Plan.

Attachment I: **Preparing For An Audit (Cont'd)**

6. Have a planning discussion or meeting with the auditor.

7. Be sure the books are ready for audit (current and complete), and contain all known and documented adjustments.

8. Be sure bank reconciliation is updated.

9. Be sure documentation is readily available and complete.

10. Have workspace available.

11. Prepare schedules for the auditor, if possible.

12. Have auditor brief you and your staff on the audit.

13. Assign a staff person to assist the auditor.

14. Be available to answer questions and find information or documentation.

ATTACHMENT # II

Documents Your Auditor May Want to Review

Attachment II: Documents The Auditor May Want To Review
(Arranged alphabetically)

1. Accounts Payable Journal - Schedule
2. Application - Staff
3. Bank Reconciliations
4. Bank Accounts and Statements
5. Blank Checks
6. Board Minutes
7. Budgets and budgetary information or summaries
8. Cancelled Checks
9. Cancelled Payroll Checks
10. Cash Disbursements Journal
11. Cash Receipts Journal
12. Charities 500
13. Check Registers, if any
14. Cost Allocation Plan and Cost Allocating Plans
15. Earnings Records
16. Employees' Evaluations
17. Expense Reports
18. Financial Procedures Manual
19. Form 990 – Internal Revenue Service
20. Form 1099 – Internal Revenue Service
21. General Ledger
22. Insurance Policies
23. Job Descriptions
24. Leases
25. Leave Records
26. Loans between Programs, if any

Attachment II: Documents Your Auditor May Want To Review (Cont'd)

27. Schedule of Consultants
28. Service Contracts
29. Monitoring Reports
30. Organization Chart
31. Other Deduction Authorizations
32. Paid Invoices
33. Payroll Registers
34. Payroll Taxes
35. Personnel Policies
36. Prior Audit Reports
37. Program Income Records
38. Property Records - List of Equipment Inventory with cost
39. Purchase Orders
40. Records of Services Provided
41. Request for Proposals, if applicable
42. Subcontracts
43. Time and Attendance Reports
44. Transfers/Termination Forms
45. Travel Authorizations
46. Travel Reimbursements
47. Trial Balances
48. Union Contracts
49. Voided Checks
50. Vouchers and Invoices Supporting Payments
51. W-4s, W-3s and W-2s
52. Working papers supporting Financial Statements

<u>Exhibit I</u>

AUDIT ENGAGEMENT LETTER

Exhibit I

CPA FIRM'S LETTERHEAD

AUDIT ENGAGEMENT LETTER
(Model Letter)

1. This letter sets forth our understanding of the terms and objectives of our engagement, the nature and scope of the services we will provide, including the various reports and schedules required, the related fee arrangement, and timetable for delivery of the audit reports.

2. We will audit the organization's financial statements as of and for the year ended (date), in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (January 2012 Revision).

3. As part of our audit, we will consider the organization's internal control structure and assess control risk, as required by generally accepted auditing standards, for the purpose of establishing a basis for determining the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements, and not to provide assurance on the internal control structure. The management of (NAME OF ORGANIZATION) is responsible for establishing and maintaining an internal control structure. To fulfill this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs for internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against authorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent nature, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure of future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

4. We will prepare a separate written report on our understanding of the organization's internal control structure and the assessment of control risk made as part of the financial statement audit. Our report will include:

a. The scope of our work in obtaining an understanding of the internal control structure and in assessing the control risk;

b. The organization's significant internal controls or control structure, including the controls established to ensure compliance with laws and regulations that have a material impact on the financial statements; and

c. The reportable conditions, including the identification of material weaknesses found as a result of our work in understanding and assessing the control risk. As required by OMB Circular A-133, we will also prepare a written report on our understanding, assessment, and testing of the internal control structure as it relates to major federal award programs.

5. Our audit will include procedures designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements. As you are aware, however, there are inherent limitations in the auditing process. For example, audits are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that such matters, if they exist, may not be detected. Also, because of the characteristics of irregularities, including attempts at concealment through collusion and forgery, a properly designed and executed audit may not detect a material irregularity.

6. Similarly, in performing our audit, we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts having a direct and material effect on the determination of financial statements amounts will be detected.

7. Compliance with laws, regulations, contracts, and grants applicable to (NAME OF ORGANIZATION) is the responsibility of (NAME OF ORGANIZATION'S) management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of (NAME OF ORGANIZATION'S) compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective is not to provide an opinion on overall compliance with such provisions.

The auditor's report on Compliance which shall state that the auditor has performed tests of the agency's compliance with certain provisions by laws, regulations and the contract, non-compliance with which could have a direct material effect on the determination of financial statement amounts.

8. As required by Government Auditing Standards, we will prepare a separate written report on our tests of compliance with applicable laws and regulations. This report will contain a statement of positive assurance on those items not tested, and a description of all material instances of noncompliance.

9. At the conclusion of the engagement, (NAME OF ORGANIZATION'S MANAGEMENT) will provide to us a representation letter that, among other things, will confirm management's responsibility for the preparation of the financial statements in conformity with generally accepted accounting principles; the availability of financial records and related data, compliance with provision of laws, regulations, contracts, and grants that govern federal programs; the completeness and availability of all minutes of board of directors (and committee) meetings; and the absence of irregularities involving management or those employees who have significant roles in the control structure.

10. We understand that our reports on the internal control structure as part of the financial audit and on compliance with laws and regulations are intended for the information of the audit committee, management, and other within (NAME OF ORGANIZATION) and (specify Fiscal Year legislative or regulatory body).

11. All ACS required schedules will be completed and submitted with the audit.

12. Our fees for the audit will be (DESCRIBE FEE ARRANGEMENT). Final cost will be based upon the actual work performed, by number of hours and rate for each level of staff. We anticipate completing the engagement by (DESCRIBE TIMETABLE), unless unexpected factors are encountered. This timetable has been discussed with and agreed to by your (NAME OF ORGANIZATION), which will provide assistance to us in the audit. Should circumstances prevent (NAME OF ORGANIZATION) from providing this assistance, our timetable and fee are likely to be affected. (On fixed-fee engagements), the auditor may include wording indicating that he or she may have to revise the fee estimate and timetable for unexpected factors of which he or she becomes aware of after the engagement has begun.

13. We shall retain our work papers for a period of six (6) years after delivery of the final audit report for the Fiscal Year(s) mentioned in this Audit Engagement Letter, and shall make the work papers available or submit them to the organization, the Administration for Children's Services (ACS), New York City Council/Discretionary Funds and the New York City Comptroller's Office upon request.

14. All Audit Reports required by this engagement shall be subject to the review and approval of the NAME OF ORGANIZATION). Audit reports not in compliance will not be accepted until all audit requirements are met. We will be required to correct or otherwise revise or adjust any report that the organization or ACS deems necessary within the terms of the signed Audit Engagement Letter. Under no circumstances will additional audit fees be allowed for amending, revising or correcting the audit report. **<u>Acceptance of all audit reports shall be a prerequisite to final payment of audit fees by the Organization</u>**.

15. We can demonstrate that we carry liability insurance not less than one million ($1,000,000) dollars per occurrence to protect the Organization, ACS, and the City of New York against any and all claims, loss or damage, whether in contract or tort, including claims for injuries to, or death of persons, or damage of property.

16. All audit engagement letters should be in by **Tuesday, September 3, 2013.**

17. All audit reports are due by **Monday, December 2, 2013.**

Exhibit I: Audit Engagement Letter (Cont'd)

____

N A M E O F C P A A U D I T F I R M

____________________ ______________________________________

Date **Signature**

____

Print Name and Title

ACCEPTED BY:

____

Signature

______________________________________ ____________________

Print Name and Title **Date**

____

Name of Organization

Exhibit II

AUDIT FIRM PROFILE

Exhibit II

CPA FIRM'S LETTERHEAD

AUDIT FIRM PROFILE

To: ____

(Sponsoring Organization)

Re: ____ **Fiscal No.** __________

(Child Care Discretionary Program, if more than one, attach a listing)

Dear Sir(s):

In connection with the proposal to perform an audit for year ended June 30, 2014
Of the "Discretionary" program (s) above, we are submitting the following data about our firm:

1. Name, Address and Telephone Number of Contact Person:

____

____

____

2. **Indicate "Yes" or "No"**

If 2a or 2b is "Yes" go to #4. If 2c is "Yes" go to #3.

a. I am a Sole Proprietor ____________________

b. We are a Partnership ____________________

c. We are a Corporation ____________________

3. a. Type of Corporation: ______________________________________

b. Date and State of Incorporation Date __________________________

State __________________________

c. If not a Domestic Corporation, attach a copy of a Certificate of Authority issued by the Secretary of State of New York.

Attached: ___________________

d. The name, business address and signature of each officer of the Corporation authorized to act on behalf of the Corporation in connection with this Proposal is as follows:

Name and Title ____

Business Address ____

Signature ____

4. The name, business address and signature of the Sole Proprietor, Managing Partner or a Partner authorized to act on behalf of the Firm in connection with this Proposal is as follows:

Name and Title ____

Business Address ____

Signature ____

5. I/We (do) ___________ (do not) ____________ conduct business under a trade name. Our Certificate of Business is filed in __________________________, County of ______________________, State ________________________.

If Certificate of Business is filed outside New York City, attach a certified copy thereof.

Attached _____________

6. I/We employ a total of ______________ persons, including _____________ Professional Staff (CPAs).

7. I/We (have) _______ (have never) ________ submitted a bid or proposal to do business with the City of New York (or one of its contracting entities such as a "Discretionary" sponsoring organization) under a different name. If "have" is checked, attach list of contracts or subcontracts and name under which it was submitted.

____

____

____

<u>Exhibit II:</u> **Audit Firm Profile (Cont'd)**

8. I/We (have) _______ (do not have) _______ an outstanding bid or proposal for contracts with the City of New York (or one of its contracting entitles such as a "Discretionary" sponsoring organization). If "have" is checked, attach a list of the bids and/or proposals.

____

____

____

9. I/We (have) _______, (do not have) _______ a current contract award from the City of New York or one of its contracting entities such as a "Discretionary" sponsoring organization. If "have" is checked, list contract (s).

____

____

____

10. Is your firm on the list of New York City Comptroller's "Pre-qualified CPA List"?
Yes ______ No _______

11. I/We do hereby certify fiscal year that this engagement will present NO conflict of interest for our organization and that there are no adverse ethical concerns connected with same.

12. If I/we am/are selected by your Organization as Auditor (s) for the aforementioned "Discretionary" Program and audit period, I/we will immediately notify your Organization and of any development, prior to the date that a *Contract to Perform a Discretionary Audit* is to be executed, or during the term of the contract, which makes untrue or incomplete any of the above statements.

<u>Exhibit II:</u> **Audit Firm Profile (Cont'd)**

13. I affirm under penalty of perjury that the information provided above is to the best of my knowledge, complete, accurate and true.

For Corporation Signature

By ____

____

(Name and Title of Authorized Officer)

For Sole Proprietorship/ Partnership

By ____

____

(Name of Owner or Authorized Partner)

Dated: ____________________, 201 ____.

(Please make sure that this Profile is duly signed and dated)

Send One (1) copy to: Child Care Discretionary Audit Review
Administration for Children's Services
150 William Street, 10th Floor
New York, New York 10038
Email: acs.sm.FSChildCareAuditReports@dfa.state.ny.us

Attention: Manohar Malhotra
Email: manohar.malhotra@dfa.state.ny.us

Schedule 1

STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED & ACTUAL

CONSOLIDATED

Schedule 1

DISCRETIONARY PROGRAM NAME ____________________

CONSOLIDATED

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETED & ACTUAL
FOR YEAR ENDED _____________

	Organization Annual Budget	Discretionary Funds	Name of Funding Source (1)	Name of Funding Source (2)	Name of Funding Source (3)	TOTAL	Favorable (Unfavorable)	Questioned Costs
REVENUE	*****	**$ XXX,XXX**	**XXX**	**XXX**	**$ XX,XXX**	**$ XX,XXX**		
Discretionary Source	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Revenue Source (1)	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Revenue Source (2)	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Other	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Total Revenue		$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
EXPENSES *								
PERSONNEL COST:								
ACS Regular Salaries	XX,XXX	XX,XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Employer's FICA	X, XXX	X,XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Unemployment Insurance	XXX	XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Welfare Fund	XXX	XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Employer's FICA NYSUI	XXX	XXX	XXX	XXX			(XXX)	
Total Personnel Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
FACILITIES COST:								
Rent	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Maintenance and Repair	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Renovations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Other Facilities Category Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Total Facilities Costs:	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Provider Parents Stipends								
Total Stipends Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Classroom Supplies/Equipment	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Household/Office Supplies	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Services	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Services (**UPK Supplement**)	XXX	XXX				XXX	XXX	
Other	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Total OTPS Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Other CACFP Costs								
Food		XXX	XXX	XXX	XXX	XXX	XXX	
Non-Food Related Costs		XXX	XXX	XXX	XXX	XXX	XXX	
Total Expenditures		XXX	XXX	XXX	XXX	XXX	XXX	
Excess (deficiency) of Revenue Over or Under Expenditures	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	

***Expenditures should reflect Discretionary Budget of the Provider.**

Schedule 2

STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED & ACTUAL

SITE SPECIFIC

One For Each Site

Schedule 2

DISCRETIONARY PROGRAM NAME ____________________

SITE ADDRESS: ____

SITE SPECIFIC

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETED & ACTUAL
FOR YEAR ENDED _____________

	Organization Annual Budget	Discretionary Funds	Name of Funding Source (1)	Name of Funding Source (2)	Name of Funding Source (3)	TOTAL	Favorable (Unfavorable)	Questioned Costs
REVENUE	*****	**$ XXX,XXX**	**XXX**	**XXX**	**$ XX,XXX**	**$ XX,XXX**		
Discretionary Source	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Revenue Source (1)	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Revenue Source (2)	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Other	*	$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
Total Revenue		$ XXX,	XXX	XXX	XX,XXX	XX,XXX		
EXPENSES *								
PERSONNEL COST:								
ACS Regular Salaries	XX,XXX	XX,XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Employer's FICA	X, XXX	X,XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Unemployment Insurance	XXX	XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Welfare Fund	XXX	XXX	XXX	XXX	XX,XXX	XX,XXX	XXX	
Employer's FICA NYSUI	XXX	XXX	XXX	XXX			(XXX)	
Total Personnel Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
FACILITIES COST:								
Rent	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Maintenance and Repair	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Renovations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Other Facilities Category Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Total Facilities Costs:	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Provider Parents Stipends								
Total Stipends Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Classroom Supplies/Equipment	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Household/Office Supplies	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Services	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Services **(UPK Supplement**)	XXX	XXX				XXX	XXX	
Other	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Total OTPS Costs	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Other CACFP Costs								
Food		XXX	XXX	XXX	XXX	XXX	XXX	
Non-Food Related Costs		XXX	XXX	XXX	XXX	XXX	XXX	
Total Expenditures		XXX	XXX	XXX	XXX	XXX	XXX	
Excess (deficiency) of Revenue Over or Under Expenditures	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	

***Expenditures should reflect Discretionary Budget of the Provider.**

Schedule 3

DETAILED EXPENDITURES VOUCHER REPORT

Schedule 3

DETAILED EXPENDITURES VOUCHER REPORT

Child Care Discretionary Program Name ___________________

CONTRACT AGENCY PAYMENT SYSTEM
FOR YEAR ENDED __________________________

YEAR-TO-DATE REPORT DATE

12 CAPS RECEIVED PAGE

NAME OF PROGRAM (CONTRACT AGENCY OR CENTER)
TYPE OF PROGRAM
ADDRESS 30 MAIN STREET BROOKLYN NY 112016

BUDGET PERIOD
BUDGET ID XXX-XXX-XX-XXX-XXXX-X
REPORT PERIOD

SCHEDULE OF ADVANCES (2 = REGULAR, 3 = IN KIND, 4 = THIRD PARTY, 5 = OTHER INCOME)

CONTRIBUTED GOODS AND SERVICES

LINE	BUDGET CATEGORIES	CODE	A APPROVED BUDGET	B PROVIDER REPORTED EXPENSES	C AUDITORS ADJUSTMENTS	D EXPENDITURES PER AUDIT	E ACCRUED EXPENSES PER AUDIT	F TOTAL EXPENSES PER AUDIT	G QUESTIONED COSTS	H QUESTIONED COSTS CODE	I AMOUNT DUE ACS	J AMOUNT DUE PROVIDER
	PERSONNEL SERVICES (PS)											
1.	**PERSONNEL SERVICES (PS)**	**1**		*		*	*	*	*	*	*	*
2.	**FRINGE BENEFITS1**	**2**		*		*	*	*	*	*	*	*
3.	**HEALTH INSURANCE**			*		*	*	*	*	*	*	*
4.	**PENSION**			*		*	*	*	*	*	*	*
	PHYSICAL FACILITIES (PF)											
5.	**RENT**	**3**		*		*	*	*	*	*	*	*
6.	**UTILITIES**	**4**		*		*	*	*	*	*	*	*
7.	**MAINTENANCE AND REPAIRS**	**5**		*		*	*	*	*	*	*	*
	OTHER THAN PERSONNEL SERVICES (OTPS)											
8.	**SUPPLIES AND EQUIPMENT**	**6**		*		*	*	*	*	*	*	*
9.	**OTHER SERVICES**	**7**		*		*	*	*	*	*	*	*
10.	**OTHER OTPS**	**8**		*		*	*	*	*	*	*	*
11.	**FCC STIPENDS**			*		*	*	*	*	*	*	*
12.	**ACS PAID INSURANCES**			*		*	*	*	*	*	*	*

Schedule 4

SCHEDULE OF CONSULTANTS

Schedule 4

NAME OF CONTRACT ORGANIZATION

SCHEDULE OF CONSULTANTS

YEAR ENDED JUNE 30, 20xx

Provide the following information:

Name of consultant

Service provided

Basis for charge (i.e., contract, retainer, or hourly or daily basis)

Amount paid and accrued in the financial statements

Program consultant provided services to

Note: If there are no consultants, state so.

Schedule 5

SCHEDULE OF FIXED ASSETS INVENTORY

<u>Exhibit 5</u>

NAME OF CONTRACT ORGANIZATION

SCHEDULE OF FIXED ASSETS INVENTORY

JUNE 30, 20xx

Description	Date Purchased	Cost

Schedule 6

SCHEDULE OF QUANTITATIVE PROGRAM RESULTS

YEAR ENDED JUNE 30, 20XX

Schedule 6

NAME OF CONTRACT ORGANIZATION

SCHEDULE OF QUANTITATIVE PROGRAM RESULTS

YEAR ENDED JUNE 30, 20XX

EXAMPLE

ENROLLMENT

1. **Contracted Slots per site.**
   a) **Name of sites; slots**
   b)
   c)
   d)

2. **Number of classrooms per site.**
   a)
   b)
   c)
   d)

3. **Number of children enrolled by site.**
   a)
   b)
   c)
   d)

4. **Number of children who actually attend by site.**
   a)
   b)
   c)
   d)

5. **The average attendance by site. (number 3 divided by number 4)**
   a)
   b)
   c)
   d)

COST

1. **Budget for each site.**

2. **Actual cost for each site. (number 2 divided by number 4)**
   (This should reflect actual cost of site divided by actual children who attended.)