

## **Department of Youth and Community Development**

### **Requirements for Audits of CBOs**

The vendor would audit the financial accounts and records of CBOs, as assigned by DYCD that received \$75,000 or more annually in aggregate DYCD funding during the assigned fiscal year.

- For each fiscal year, the vendor would submit one consolidated audit report per CBO. Prior to conducting the audit and when notified by DYCD, the vendor would obtain from DYCD the revenue statements, disbursement confirmations, and other relevant documents, which relate to each CBO's program(s) for the fiscal year.
- The vendor would submit its work schedule to DYCD for review and approval. This schedule would conform to the Deliverables Schedule for Service Option II, include specific dates for the delivery of final reports, and prioritize audits of CBOs that have had findings in prior years.
- The vendor would conduct the audits at the offices of the CBOs. To ensure the confidentiality of participants in the program, audits would be performed on a no-name basis and in the presence of the CBO's representative. The location of the program and participant records may differ from the location of the CBO's administrative and fiscal records.
- The vendor would reproduce any documentation necessary for audit working papers. Reproduction would not be the responsibility of the CBO.
- For each CBO's annual budget period, the vendor would conduct universal tests in the following areas: salaries, fringe benefits, other than personnel services (OTPS), compliance with contract requirements, purchasing, and funding. DYCD will provide specific guidelines for universal testing at contract negotiations. The vendor would also review findings of past audit reports. The degree of testing would support a high-assumed level of control risk.
- A minimum of 10 percent of the total dollar value of fiscal transactions would be tested, notwithstanding testing performed in the evaluation of the CBO's internal control structure.
- For contracts for which payment is based partly or wholly on performance, the vendor would also test outcomes pursuant to DYCD standards.
- Each final audit report would be reviewed and signed by a principal (partner or executive officer) of the vendor prior to submission to DYCD.
- All audit reports would be subject to the review and approval of DYCD prior to acceptance. The vendor would be required to revise any report DYCD deemed necessary, without additional cost or expense to DYCD. Approval of all audit reports would be a prerequisite to final payment.

- The vendor, as requested by DYCD, would make all audit reports and work papers available for review by DYCD or its designees. DYCD's right to reject the audit reports would extend throughout the term of the contract and continue for one year after the receipt of the final report.
- If an audit report contains any findings, an exit conference would be mandatory. If an exit conference is required, it would be conducted in person, with appropriate officials of the CBO, DYCD, and at least one authorized representative from the vendor. The vendor would give at least five days advance notice to the CBO and DYCD prior to the exit conference, which would be scheduled by the vendor and held at DYCD, unless otherwise advised by DYCD. A conference summary would be included in the audit report, indicating the individuals present and the CBO's response to the audit report findings. The CBO's corrective action plan would also be obtained and included in the final audit report.

### **Contents of Examinations**

For each CBO audited, the vendor would examine, assess, and report on:

- The adequacy of the cost accounting system
- Sample of contract expenditures and revenues
- Financial records, as reflected in the required monthly expenditure reports, in a cumulative fashion.
- The cost allocation plan for all expenses
- Outcomes for contracts where payment is based on performance (for example, the attainment of required service levels), as well as the proper documentation, classification, and reporting of these outcomes
- Mechanisms for managing all receivables and payables, including taxes
- The filing and timely payment of all federal, state, and local payroll taxes
- The accounting for any related party transactions
- The classification and accounting for individuals receiving funds as consultants, employees, or stipend workers
- The adequacy of internal controls
- The participation of the CBO's Board of Directors in the management of programs
- The authorization of actions by the CBO's Board of Directors as evidenced in the Board meeting minutes for the fiscal year being audited. If the CBO is required to file a federal OMB Circular A-133 audit, the content of that audit report and the status of any reported findings

### **Format of Audit Reports**

All audit reports would conform to the format outlined below.

Part I: Combining Financial Statements for Individual Program Areas

- Combining Statements of Assets and Liabilities
- Combining Statements of Revenues and Expenditures
- Notes to Combining Financial Statements

## **Part II: Schedules**

- Accounts Payable and Accrued Expenses by Program Area
- Fixed Assets
- Consultant Fees
- Detailed Schedule of Budgeted, Incurred, and Questioned Costs for Each Contract
- Detailed Explanation of Questioned Costs
- Schedule of Audit Adjustments
- Equipment Inventory Schedule
- Schedule of Consultants, Contract Services, and Stipends

## **Part III: Compliance and Internal Control**

- Report on Compliance
- Report on Internal Control Structure
- Schedule of Findings and Recommendations
- Observations
- Responses to the Audit Findings

## **Deliverables Schedule**

- The vendor would attend progress meetings as requested by DYCD.
- The vendor would e-mail progress status reports on the fifteenth and thirtieth of each month to DYCD.
- For audit reports that contain findings, the vendor would deliver two bound copies of the draft audit report to DYCD and one copy to the CBO at least five days prior to the exit conference.
- For audit reports that contain no findings, the vendor would deliver five bound copies of the final audit reports.
- If the CBO were required to file an OMB Circular A-133 audit, the vendor would secure a copy of the most recent audit from the CBO and provide it to DYCD. In addition, the vendor would obtain the corrective action plan related to any reported findings. The vendor would follow up on all prior years' audit report findings.