

ADMINISTRATION AND OVERVIEW

Section 1010

The HRA Audit Guide

.01 The HRA Audit Guide is to be used by all public accounting firms (auditors) conducting audits of delegate agencies under contract with the Human Resources Administration (HRA) of the City of New York. The Audit Guide is comprised of the following sections:

- o **Section 1000 - Administration and Overview**
- o **Section 2000 - General Audit Standards and Requirements** (requirements applicable to all audits)
- o **Section 3000 through Section 6000 - Specific Audit Requirements** (requirements applicable only to the specific program areas under audit)

.02 This Audit Guide supersedes previous HRA Audit Guides and all previous constituent agency audit guides unless otherwise referred to herein. The Audit Guide will be updated by HRA as the need arises.

OVERVIEW OF HRA

.01 HRA is an "umbrella" agency providing income support, medical assistance, and a multitude of varied employment and community services to the residents of New York City. (See organization chart on next page for overall organization structure of HRA.) HRA and the constituent agencies - the latter of which are mandated by Federal, state, and city regulations - provide social services, such as home care, HIV/AIDS scattered site housing for clients and legal assistance to qualified individuals residing in New York City (the "City").

.02 The constituent agencies may provide these services themselves, using their own resources, or they may enter into an agreement with a "contractor" (delegate agency) to provide these services. The agreement with the delegate agency is called a Purchase of Service (POS) contract.

.03 When a constituent agency enters into a POS contract with a delegate agency, the City of New York Comptroller's Office is responsible for the proper conduct of the audit of the delegate agency. While the Comptroller may delegate this responsibility to others, the Comptroller remains responsible for the competency of the auditor and the standards to which the audit must conform. To this end, the Comptroller's Office maintains a list of eligible auditors who can provide audit services to the City. By completing an application, the auditor may request to be placed on the list of eligible auditors and, if certain minimum requirements are met, to propose on audit contracts.

.04 The Comptroller has delegated to HRA, under certain conditions, the responsibility for the audit process. By resolution of the City Council, HRA is authorized to enter into audit contracts with independent public accountants to audit delegate agencies. These contracts are subject to the rules and directives of the Comptroller, as explained in Appendix B of this Audit Guide as well as to quality control audits performed on behalf of the Comptroller. The process is described in Comptroller's Directive 5, which is included in the appendix to the Guide.

Bureau of Audit Review and Contracting (BARC)

.01 The auditor's main contact with HRA is through the Bureau of Audit Review and Contracting (BARC), which is part of the Office of Audit Services. BARC's audit responsibilities include:

- o Assisting in the selection of auditors from the Comptroller's list;
- o Providing input to the Comptroller's list of eligible audit firms;
- o Reviewing and approving audit guidelines prepared by constituent agencies;
- o Maintaining a list of delegate agencies to be audited;
- o Developing audit lots;
- o Negotiating the terms of the audit contract and formulating the audit contract documents;
- o Resolving problems raised by auditors in consultation with the constituent agency;
- o Monitoring and evaluating the auditor's performance for the audit process from the date the audit contract is awarded until the final audit report is submitted;
- o Performing technical reviews and approving audit reports submitted by auditors;
- o Approving payment for audit services rendered; and
- o Performing annual evaluations of auditors under the requirements of local law 94.

.02 Annually, BARC contracts for audits of approximately 150 POS contracts entered into by HRA. It does so by soliciting proposals for more than 20 audit contracts. The processing and administration of these contracts require the cooperation and coordinated efforts of the following:

o HRA organizations

- . Finance office
- . Constituent agencies and other offices that initiate POS contracts;
- . Office of Equal Employment Opportunity;
- . Office of Legal Affairs (OLA);
- . Office of Financial Management (OFM); and
- . Office of Contracts & Procurement (OCP)

o **City organizations**

- . Financial Information System Agency (FISA);
- . Office of the Comptroller;
- . Office of Management and Budget (OMB);
- . Mayor's Office of Contracts; and
- . Department of Investigation, including the Office of the Inspector General for HRA.

.03 The various functions and responsibilities of these organizations include:

- o Audit guideline preparation;
- o Audit contract development, contract signing, and registration;
- o Maintenance of the list of eligible auditors;
- o Audit contract committee representation;
- o Liaison with delegate agency;
- o Audit contract payment;
- o Annual auditor evaluation; and
- o Maintenance of the City's Vendex system.

.04 BARC consists of three main units (see organization chart on next page for the organization structure of BARC); the Audit Contracting Unit, the Tracking and Management Information Unit, and the Technical Review Unit.

Audit Contracting Unit

.05 This unit is responsible for the audit contracting process, which includes the preparation and issuance of requests for proposals or bids, evaluation of or bids proposals submitted, and the awarding of the contracts.

Tracking and Management Information Unit

.06 This unit monitors the auditor's progress from the date the audit contract is awarded until the final audit report is approved. It serves as the liaison between HRA, constituent agencies, and the auditing firms during the course of the audit engagement. This Unit provides timely and accurate information concerning the status of audits to HRA executive management, constituent agencies, and the other units within BARC. It is responsible for receiving the audit reports and distributing them to the Technical Review Unit, the constituent agencies and other responsibility areas. In addition, this unit is responsible for reviewing invoices submitted by auditors for completeness and mathematical accuracy, calculating audit payments including any penalty deductions, preparing a voucher to authorize payment to the auditor, and responding to auditor inquiries on disputed payments of invoices.

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Technical Review Unit

.07 This unit is responsible for comprehensive, technical reviews of the delegate agency audit reports submitted by auditing firms. The technical reviewer determines if the audit reports are prepared in accordance with HRA guidelines as contained in this Audit Guide, including all publications incorporated by reference. It is also responsible for ascertaining report payment approval.

Audit Contracting Unit

.01 Procurement Policy Board Rules (PPB) must be followed when contracting for goods or services. The PPB telephone number is (212) 788-7820. BARC uses three solicitation methods to obtain service contracts. The methods are Request for Proposal (RFP), Invitation For Bids (IFB) and Small Purchases.

.02 In soliciting audit services for programs involving numerous delegate agencies, the Audit Contracting Unit (ACU) groups a predetermined number of delegate agencies into "lots." In determining the composition of a lot, ACU takes the following into consideration:

- o Single prime sponsor (single audit concept);
- o Common geographic location;
- o Provision of similar services; and
- o Total budget dollars.

.03 The Audit Contracting Committee (ACC) which typically consists of staff from BARC, the Office of Audit Services, the Office of Financial Management, and representatives of the appropriate constituent agencies, meets and performs the following:

- o Defines all special requirements for the audit of the delegate agencies; and
- o Selects from the Comptroller's list of eligible firms (grouped according to size by ACU), the appropriate number of CPA firms the ACC considers qualified to propose on each lot under consideration. ACC considers the size of the audit in relation to the audit firm's staff and HRA's commitment to provide smaller audit firms with the opportunity to obtain City audit contracts.

Request for Proposals:

.04 Potential auditors are sent a Request for Proposal (RFP) by the ACU. This invites the potential auditor to submit a proposal for a specific lot. The RFP package includes:

- o The RFP;
- o The Bid Submission Form – Appendix B, listing types of HRA programs to be audited and specific information on each program in the lot; and
- o The audit contract.

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.05 The auditing firm must also obtain a copy of the HRA Audit Guide if the firm does not have a copy. The Guide is provided upon request, to all firms when each firm is approved by the Comptroller's Office.

.06 In addition, during the solicitation period, the auditor has the opportunity to review prior-year audit reports, filed at BARC.

.07 The Bid Submission Form (Appendix B) contains (by lot) the delegate agencies to be audited, the audit period, budget amount, program description termination date(s) (audit report due date). The proposer is required to submit a bid for each delegate agency in the lot.

.08 All proposals are submitted to BARC. On receipt of the proposals the ACU:

- o Determines the number of proposals per lot; and
- o Schedules a meeting of the ACC.

.09 At this meeting, ACC, prior to opening the proposals:

- o Reviews HRA policy on the acceptance of proposals; and
- o Establishes procedures for action on lots according to selection criteria determined to produce the best result at the most advantageous price.

.10 Having made the above decisions, ACC:

- o Opens the technical proposals for each vendor, evaluates and ranks them according to highest technical score;
- o Prepares a price evaluation score sheet that lists potential auditors for each lot; and
- o Selects the auditor for each lot according to the pre-determined selection criteria.

To assist in its evaluation process, the ACC utilizes both quantifiable and non-quantifiable factors. The quantifiable factors are written standards, which delineate, by program type and budget size, the minimum/maximum ranges of required audit effort. The ranges are based on prior years' actual audit hours, as reflected on invoices submitted by the firms performing the audits.

.11 When ACC selects an apparent successful proposer, the ACU:

- o Sends the apparent successful proposer a Letter of Intent informing the firm that it has been tentatively selected as the contractor. The Letter of Intent advises the firm to comply with all pre-award issuance requirements;
- o Sends notification to the apparent successful proposer to file a supply and service employment report (only required for contracts that exceed \$50,000); and

.12 The selected auditor is sent the formal contract from Office of Contract & Procurement(OCP) for signature, generally within twenty working days after the Letter of Intent.

.13 The ACU begins the actual development of the audit contract by:

- o Requesting the issuance of an advice of award, including the budget code;
- o Completing Part 1 of the contract inserting:
 - . The auditor's name, address, and the audit fee;
 - . Information about the auditing firm's staff level and the pay rates of its employees v who will be involved in the audit;
- o Requesting a form from finance Office Budget Administration;
- o Sending copies of Bid Submission Form - Appendix B to the Tracking and
- o Management Information Unit.

.14 All audit contracts must be approved by the Mayor's Office of Contracts. ACU forwards the contract package to OCP. The contract package consists of:

- o Transmittal letter;
- o Contract (five copies);
- o Bid Submission Form - Appendix B (five copies); and
- o Form 5 [HRA's Office of Budget Administration statement (OBA) attesting to the availability of funds for the contract].

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.15 The contract is transmitted to the OCP for submission for review and approval by HRA's Contract Review Committee, and the Mayor's Office of Contracts. This process takes approximately thirty working days. For contracts over \$100,000, a Public Hearing is also required.

For Invitation For Bids:

.16 Potential auditors are sent an Invitation For Bids (IFB) by the OPMM. This invites the potential auditor to submit a price proposal for a specific lot. The IFB package includes:

- o The Invitations;
- o A listing of qualifications required to perform the work;
- o The Bid Submission Form - Appendix B, listing types of HRA programs to be audited and specific information on each program in the lot; and
- o The audit contract.

.17 The auditing firm must also obtain a copy of the HRA Audit Guide if the firm does not have a copy. The Guide is provided to all firms, upon request, that are on the Comptroller's Office Prequalified List. In addition, during the solicitation period, the auditor has the opportunity to review prior-year audit reports, filed at BARC, prior to submitting a bid.

.18 A Pre-Bid Conference will be scheduled after IFB is sent. The Conference is to inform potential bidders of the work to be performed. If clarification of IFB is necessary clarifying addenda will be sent to all the potential bidders that picked up an IFB.

The Bid Submission Form (Appendix B) contains the delegate agencies to be audited, the audit period, budget amount, the program type and the audit report due date for each lot. The Bidder is required to submit a bid for each delegate agency in the lot.

.19 All bid packages are to be submitted to the Office of Purchase and Material Management (OPMM). On receipt of the bid packages OPMM:

- o Opens bid packages at the scheduled time.

.20 OPMM, prior to opening the bids:

- o Reviews HRA policy on the acceptance of bids;
- o Establishes procedures for action on lots that may receive only one bid submission; and
- o Decides whether to accept bid(s) submitted after the deadline time.

.21 Having made the above decisions, OPMM:

- o Opens the bids for each lot;
- o Ranks them from lowest price to highest, and
- o Prepares a report of bids reviewed and their ranking.

.22 OPMM then records the information submitted by each bidder and assembles a package which also contains Bid Submission Forms and the Bid Report (proof of qualifications submitted by each bidder) and forwards package to BARC.

- o BARC refers the package to the ACC.

.23 The ACC reviews the lowest price bidders information and/or proof of qualification required for the work.

- o If anything is missing or unclear, the ACC determines to either eliminate the bidder or request further information from bidder.
- o If a bidder has submitted all required information, ACC will determine the firms capacity to handle the lot or lots for which it bids.

.24 The ACC forwards the results of its determination to OPMM. OPMM completes the contract process through registration by the Comptroller.

Small Purchase:

.25 Potential auditors are sent a written bid solicitation by the ACU. This invites the potential auditor to submit a price proposal for a specific lot. The small purchase package includes:

- o The written bid solicitation;
- o The Bid Submission Form - Appendix B, listing types of HRA programs to be audited and specific information on each program in the lot; and
- o The audit contract terms.

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.26 The auditing firm must also obtain a copy of the HRA Audit Guide if the firm does not have a copy. The Guide is provided to all firms, upon request, that are on the Comptroller's Office Prequalified List.

.27 In addition, during the solicitation period, the auditor has the opportunity to review prior-year audit reports, filed at BARC, prior to submitting the a bid.

.28 The Bid Submission Form (Appendix B) contains the delegate agencies to be audited, the audit period, budget amount, the program type and the audit report due date for each lot. The bidder is required to submit a bid for each delegate agency in the lot.

.29 All bid packages are to be submitted to BARC. On receipt of the bid packages:

- o Opens bid packages at the scheduled time.

.30 At this meeting, BARC, prior to opening the bids:

- o Reviews HRA policy on the acceptance of bids; and
- o Establishes procedures according to selection criteria determined to produce the best result at the most advantageous price for action on lots; and

.31 Having made the above decisions, BARC:

- o Opens the bids for each lot;
- o Ranks them according to the pre-determined selection criteria; and
- o Prepares a report on the results.

.32 The ACC forwards the results to BARC's contract manager who completes the contract process.

.33 Vendex Requirements

For any Invitation for Bid and Request for Proposal, the contractor is required to submit a Business Entity and Principal Questionnaire.

.34 In summary, the actual audit process begins after:

- o BARC receives information from the constituent agencies of the POS contracts to be audited;

- o The POS contracts are grouped in lots for audit contract proposing;
- o ACC has selected auditors to propose/bid and has selected the winning proposal/bid from those proposals/bids submitted; and
- o Audit contracts have been negotiated and awarded to the audit firms and funds for payment are encumbered.

Independence Requirements

.35 In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, should be free both in fact and appearance from personal external and organizational impairments to independence. Auditors should not perform management functions or make management decisions and should not audit own work or provide non-audit services that are significant/material to the subject matter of the audit.

.36 No person may receive a contract from BARC to audit any agency or program in which the auditor, audit firm member or any member of his or her immediate family, as hereinafter defined, is a member of the Board of Directors, is an officer or employee or has any other direct or indirect interest in the agency or program to be audited. No audit contract may be awarded to any auditor or firm of auditors that is acting in the capacity of an independent public auditor for said agency or program to be audited.

.37 No auditor or firm of auditors that has contracted with BARC to audit an agency or program or any member of his or her immediate family, as defined below, may engage in any business transactions or serve as a member of the Board or serve as an officer or employee of the agency or program during the period of performance and for a period of one (1) year after completion of the contract.

.38 "Immediate family" shall include a husband, wife, father, father-in-law, mother, mother-in-law, brother, brother-in-law, sister, sister-in-law, son, son-in-law, daughter, daughter-in-law, separated spouse, grandparent, and grandchild.

Timetable for Audit Process

.39 See next page for graphic illustrations of the typical timetables for the audit process. A timetable is presented for final audits under Section 2600.

Typical Timetable for the Audit Process
For Final Audit Period Ending June 30

<u>Phases</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>
YEAR-END AUDIT					
o Entrance conference – Notify delegate agency five days in advance of meeting	<u>X</u>				
o Issuance of "management letter" (preliminary status report)	<u>X</u>	<u>X</u>			
o Performance of financial and compliance audit procedures (see payroll requirement in Section 2200)	<u>X</u>	<u>X</u>	<u>X</u>		
o Notify BARC if extension will be required (twenty days prior to audit report due date)					<u>X</u>
o Completion of fieldwork		<u>X</u>	<u>X</u>		
o Exit conference - Notify delegate and constituent agency five days in advance of meeting				<u>X</u>	
o Issue audit report, including invoice of payment				<u>X</u>	<u>X</u>

Tracking and Management Information Unit

.01 As stated earlier, the responsibility of the Tracking and Management Information (T&M) Unit is to monitor and report on the status of all audit contracts. Specifically, their responsibilities include:

- o Tracking and monitoring the auditors' progress in conducting the audits;
- o Serving as liaison between the constituent agency and the auditor to resolve problems that may delay the progress of the audit;
- o Monitoring the receipt of audit reports;
- o Preparing requests for extension referrals to constituent agencies;
- o Preparing monthly status reports on the progress of the audits and audit report submissions; and
- o Approves invoices for payment.

.02 The Contracting Unit initiates its tracking activity of the audit process upon receipt of a copy of the Bid Submission Form - Exhibit 1, from the ACU. The following information is placed in the "Master" file folder for each audit firm:

- o Audit lot number;
- o Name, address, and telephone number of the audit firm;
- o Audit firm contact;
- o Audit report(s) due date(s); and
- o Delegate agency and budget I.D. number.

.03 In addition to the above, copies of all written communications between the auditor and BARC during the course of the audit are placed in the master file as they are generated or received.

.04 The Contracting Unit requests from the auditor:

- o The expected date of the preliminary visit to the field site; and
- o The expected date that the fieldwork will begin.

The auditor is required to submit a preliminary status letter to BARC for each full scope audit, following each entrance conference, including the status of the agency's books and records and any problems that might delay the audit.

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.05 On the day following the anticipated completion of the fieldwork, the Contracting Unit contacts the auditor to:

- o Confirm the completion of the fieldwork;
- o Confirm that the exit conference will be held with the constituent agency and the delegate agency on scheduled at an approximate date; and
- o Request the date of the expected submission of the draft audit report

.06 If a problem delays the start of the audit or if a problem occurs at any time during the audit, the auditor must notify the Contracting Unit in writing at least 20 days prior to the date the audit report is due. Fieldwork by the auditor should be continued to the extent possible. Acting on the auditor's notification, the Contracting Unit:

- o Informs the constituent agency of the auditor's problem(s);
- o Requests the constituent agency responsible for the delegate agency to provide any necessary assistance; and
- o Requests that the constituent agency make a recommendation for granting an extension, if appropriate.

.07 When the problem(s) has been resolved, the Contracting Unit:

- o Informs the auditor of the resolution of the problem, allowing the auditor to resume the audit;
- o The Contracting Unit prepares a contract amendment reflecting the revised audit report delivery due date.

.08 With the above information gathered, the Contracting Unit is responsible for producing and distributing to the constituent agency and HRA management a monthly Status Report on all active audit contracts.

The Technical Review Unit

.09 Upon receipt of the report and use of a comprehensive report review checklist, a Technical Review Unit reviewer determines whether the report has been prepared in accordance with the HRA audit guidelines.

.10 The reviewer classifies each report into one of the following categories:

- o **Report acceptable** - payment to the auditor is authorized.
- o **Report acceptable, but deficiencies exist** - payment to the auditor is authorized with a letter to the auditor specifying the deficiencies.
- o **Report unacceptable due to major deficiencies** - the auditor is given a time schedule for correcting the deficiencies before payment is authorized.

.11 If auditor negligence is suspected, the auditor will be referred to Dennis Hochbaum, Director, Support Services, Bureau of Audit, the New York City Comptroller's Office for further action.

.12 Additionally, on a random basis, auditors are required to submit their working papers when requested, to BARC and/or to the Director, Support Services, Bureau of Audit, the New York City Comptroller's Office for review. This review is performed on a regular basis and not only in cases when auditor negligence is suspected. Also, the auditors may be called to appear before the committee to explain their actions.

.13 When the report is determined to be acceptable, the Technical Review Unit advises the Payment Approval Unit that the payment approval process can begin.

.14 Having previously received the Bid Submission Form - Appendix B, the advice of award, and two copies of the Billing Package, the Payment Approval Unit:

- o Reviews the Technical Review Unit's authorization for payment;
- o Computes the fee submitted by the auditor and ensures that it does not exceed the total contract fee applicable to the program under audit; and
- o Assesses, where applicable, liquidated damages (fee penalty) to the audit fee payable.

.15 If any of the Billing Package information is incorrect, the auditor is contacted to resolve any deficiencies.

.16 When the auditor's invoice is cleared for payment by the Payment Approval Unit, which is a part of the Tracking and Monitoring (T&M) Unit, the Unit:

If the solicitation was by RFP:

- o Prepares a payment voucher for processing by OFM's Contract Agency Financing (CAF) group for payment of the approved audit fee;
- o Sends two copies of the Billing Package, while retaining one copy, with transmittal forms to CAF for processing; and
- o Notifies the T&M Unit of the amount and percentage of the audit fee approved and the date of transmission to OFM for payment processing.

For IFB and Small Purchase solicitation:

- o Prepares a payment voucher for processing by OPMM for payment of the approved audit fee;
- o Sends two copies of the Billing Package (invoice authorized for payment by BARC), while retaining one copy, with transmittal forms to OPMM for processing; and
- o Notifies the T&M Unit of the amount and percentage of the audit fee approved and the date of transmission to OPMM for payment processing.

.17 In the event the auditor questions or expresses concerns about the method used to calculate the amount of the audit fee payment, the Payment Approval Unit is responsible for responding to the auditor's concerns and questions. If the invoice payment has been transmitted to CAF/OPMM for processing, questions or concerns about delay in audit fee payments are referred by BARC to CAF/OPMM CAF's Audit Fee Group/OPMM Audit Fee Group for determination.

CPA Annual Evaluation

.01 In accordance with Local Law No. 94, BARC evaluates, on an annual basis, all work performed by each CPA firm under contract with HRA, with respect to both quality and timeliness. All firms are given the opportunity to respond to the evaluation. All evaluations are sent to the Mayor's Office of Contracts, for input into the Vendex System. A copy of the Contractor Performance Evaluation is included as Appendix B. In addition, Director, Support Services, Bureau of Audit, the New York City Comptroller's Office is notified of any firm that receives an unsatisfactory or marginal rating. BARC will review contractor's workpapers as part of the annual evaluation. BARC's procedures are included in the Guide as Appendix F.

CONDUCTING THE AUDIT

Pre-audit Phase

Entrance Conference

.01 The auditor must hold an "entrance conference" with personnel from the delegate agency before beginning the audit work or Section 2600 special purpose procedures. Both the auditor and agency personnel should be flexible in the scheduling of the conference. (The auditing firm must give the agency at least five working days advance notice of the intent to hold the entrance conference.) The entrance conference can be arranged by telephone.

.02 The purpose of the entrance conference is to:

- o Introduce the members of the auditing firm to the delegate agency;
- o Review the timing of the audit with the delegate agency;
- o Agree on assistance to be provided by the delegate agency;
- o Review and ascertain condition/status of accounting records;
- o Review the documents that will be required by the auditor; and
- o Review the audit plan.

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Interim Phase

Preliminary Status Letters

.01 All full scope audits require preliminary status reports ("preliminary status letters") which are to be prepared and issued by the auditor during the interim phases of the audit after the entrance conference. Preliminary status letter format is included as Appendix BI. Each letter should be sent to the following address 20 days after the start of the audit:

Human Resources Administration
Office of Audit Services
Bureau of Audit Review and Contracting
180 Water Street, 22nd Floor
New York, New York 10038-4923
Attention: Director

In situations where a contract or amendment is signed after the audit period begins, the management letters are due 30 days after the signing of the contract or amendment.

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.02 Each management letter should include the status of the agency's books and records and should inform BARC of currently known problems that may necessitate an extension of the deadline for submitting the audit report. The letters should be received by BARC at the beginning of the fieldwork. A management letter is required even if no problems are anticipated.

Progress Reports

.03 If awarded an agreement to audit, the auditor is required to submit a work schedule to BARC and file biweekly status reports once the audit work begins (see example section 1220.08 and Appendix BII). This report shall include the status of each audit to be performed under the contract. The initial report shall cover the period from the effective date of the contract to the end of the reporting period.

Extensions

.04 If the auditor believes that an extension of the deadline for submission of the report is necessary, the request must be in writing and specific in nature. (Extension request letter format is included as Appendix BV) The reasons for the request must be explicitly stated, such as:

- o The agency books have not been posted for two months and the delegate agency estimates it will be six weeks before the books can be brought up-to-date; or
- o The bookkeeper of the agency is out due to illness and has requested that the audit be delayed two weeks.

.05 In addition, the request for extension should be received by BARC at least 20 days prior to the date the report is due, not the day or week before the report is due, otherwise the extension request will be denied.

.06 The receipt of the report on a timely basis is critical because the lack of an acceptable report could potentially jeopardize the continued funding of a delegate agency. This condition exists because an acceptable report must accompany the constituent agency's request for funding, which is submitted to the City Council.

.07 A penalty consisting of 2 percent of the audit fee will be assessed against the audit firm as a reduction in the amount payable for audit services for every working day past the deadline that an acceptable report has not been received. (There is no maximum penalty.) This penalty is also assessed for days that are required to correct any major deficiencies. For example, see Section 1220.09.

**Semi-Monthly Status Report
As of 1st and 16th of each month**

<u>Lot #</u>	<u>I.D. Number</u>	<u>Date of Survey</u>	<u>Date Field-Work Starts</u>	<u>Percentage of Work Completed</u>	<u>Date of Exit Conference</u>	<u>Expected Delivery Date</u>	<u>Comments</u>
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o **Example One**

<u>Report Due</u>	<u>Report Submitted</u>	<u>Number of Days Used To Correct Major Deficiencies</u>
8/31	8/29	2*

*No penalty will be assessed, because an audit report addendum was submitted by the auditor two days after notification by BARC of the major deficiency.

o **Example Two**

<u>Report Due</u>	<u>Report Submitted</u>	<u>Number of Days Used To Correct Major Deficiencies</u>
8/31	8/29	5*

*A penalty equal to 6 percent (3 days x 2 percent) of the fee would be assessed. There were two "free" days because the report was submitted two days prior to the report due date.

Required Reports

.09 For each audit conducted, as required by Government Auditing Standards (Yellow Book), the following three reports are required from the auditing firm:

- o Independent Auditor's Report on the accompanying financial statements;
- o Independent Auditor's Report on Compliance; and
- o Independent Auditor's Report on Internal Control Structure.

The Report on Compliance and Report on Internal Control Structure can be combined into one report as recommended by SOP 98-3.

Examples of the above three reports are in Section 2440.

Working Papers

.11 Auditing firms are expected to comply with the requirements of Statement on Auditing Standards (SAS) No. 41 and emphasized in SAS No. 96, "working papers." The working papers should be prepared and maintained by the auditor. The form and content of the working papers depends on the circumstances of the particular engagement. The information contained therein constitutes the supporting documentation of the auditor's work and of the conclusions reached. In addition to the requirements of SAS No. 41, the working paper supplementary standards described in paragraph 22 on page 4-6 of the Government Auditing Standards (GAO Yellow Book), promulgated by the Comptroller General of the United States, stipulates that working papers should:

- o Contain a written audit program cross-referenced to the working papers;
- o Contain the objective, scope, methodology, and results of the audit;
- o Contain sufficient information so that supplementary oral explanations are not required;
- o Be legible with adequate indexing and cross-referencing, and include summaries and lead schedules, as appropriate;
- o Restrict information included to matters that are materially important and relevant to the objectives of the audit; and
- o Contain evidence of supervisory reviews of the work conducted.

The working papers are the property of the auditor; however, the working papers are subject to review by the following groups:

- o City Comptroller's CPA Support Services, Bureau of Audit (including the budget and time summary);
- o BARC personnel;
- o Constituent agency personnel;
- o Federal auditors; and/or State auditors;
- o Successor auditors; and
- o CPA firms relying on the work of the auditor.

- .12** In performing the working paper review, the CPA Quality Control Review Committee will ascertain if, for example, the following items are documented in the working papers:
- o Indexing and cross-referencing;
 - o Explanation of tick (audit) marks;
 - o Evidence of supervisory review;
 - o Current-year audit procedures, including evidence of the evaluation of the system of internal control structure; and
 - o Permanent file, including copies of, or excerpts from, the contract, budget, leases, union and other contracts, and minutes of meetings of the Board of Directors.
- .13** See Appendix B to Directive 5 for additional areas covered by the working paper review.
- .14** The auditor is required by contract to retain the working papers for a period of six years.

Expansion of Audit Work

.15 The auditor is not authorized to extend the audit scope beyond what is required under the audit contract, auditing standards generally accepted in the United States of America, and this Audit Guide without the prior written permission of BARC. No payment will be made for unauthorized work performed by the auditor.

Final Phase

Exit Conference

.01 An "exit conference" should be held upon completion of the fieldwork of a full scope audit. If the auditor is experiencing difficulties in arranging for an exit conference, BARC's tracking unit should be notified. The auditing firm must be represented by at least a manager or a partner. The partner or manager must conduct and attend the entire exit conference. The purpose of the conference is to meet with the delegate agency personnel and discuss the results of the audit. The auditor has the responsibility to ensure that the delegate agency is aware of all findings, including questioned costs, prior to the exit conference. This requirement can be satisfied by providing a pencil draft of the audit report to the delegate agency two working days prior to the exit conference.

The auditor must contact the constituent agency at least five working days in advance of the meeting and inform them of the date of the conference. The lack of questioned costs does not relieve the auditor of this responsibility. At this time, the auditor should communicate to the constituent agency the highlights of the audit, such as material weaknesses in internal control structure, significant compliance exceptions and/or a disclaimer, qualified or adverse independent auditor's opinion. This will allow the constituent agency to ascertain if they should be in attendance at the exit conference. The auditor must maintain a record of who he or she communicated with at the constituent agency. At the exit conference, a copy of all adjusting and closing entries to the books and accounting records should be given and explained to the delegate agency. The delegate agency should be directed to record the entries in its accounting records. In addition, the delegate agency should be provided, in writing, the details of all exceptions.

Submission of Reports

- .03** For most delegate agencies, auditors are required to submit an audit report.
- o **A year-end (final) audit report** covering the second (final) fiscal period and the total fiscal period of the program (usually as of June 30).

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.04 The auditor must submit the final audit report in an established timeframe, which requires that:

- o An acceptable annual (final) report be received by BARC no later than 90 days following the close of the contract year.

.05 At the same time the report is submitted, the auditor should also submit one original and two copies of a billing package, which includes:

- o Invoices for time worked;
- o A copy of Part I of the contract;
- o Bid Submission Form - Appendix B;
- o Amendments to the contract, including all time extensions granted by the constituent agency; and
- o Cover page of the audit report. (If the billing package is submitted at a time other than with the audit report, the auditor should submit a copy of the receipted cover page.)

.06 The above procedure must not affect the timely delivery of the reports. In those situations where simultaneous delivery is not practical, the auditor is required to submit the billing package within five days of the delivery of the reports.

.07 A sample of the required billing package is available from BARC's Payment Approval Unit.

.08 The invoice submitted by the auditor should identify the lot number, program and budget I.D. number, audit period, and fee. In addition, the invoice should contain a detailed breakdown of the fee as follows:

- o Full names of auditors performing the audit work by staff level;
- o Hours worked by each auditor;
- o Hourly rate of auditors performing the audit work; and
- o Extended fee per auditor (rate x hours = fee). (Not to exceed the contracted amount).
- o A certification that the services described have been performed in accordance with the contract and signed by a responsible official of the firm (Partner in charged of audit engagement)

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The Auditor shall certify that the principals and employees are performing work at the classification levels specified in paragraph 5 of Part I of the Agreement. In the event that a principal or employee is performing work at a lower classification level, then the Department shall be billed at the lower classification hourly rate for such work.

.09 The following certification should be placed at the bottom of the invoice and signed by the auditor:

We (I) certify that the services described and the number of staff-hours stated in this invoice have been performed in accordance with the agreement between the Human Resources Administration of the City of New York and (name of audit organization).

Signature

GENERAL AUDIT STANDARDS AND REQUIREMENTS

Introduction

.01 This Section of the Audit Guide provides guidance with respect to the minimum standard requirements that are to be performed in every audit, unless modified by Section 3000.

Section 2010

Objectives of the Audit

.01 The purpose of each audit is to determine and report whether:

- o effective control and proper accounting are maintained for revenues, expenditures, assets, liabilities and any appropriate fund balances;
- o financial statements are presented fairly in accordance with generally accepted accounting principles;
- o the delegate agency has complied with the relevant laws and regulations affecting the program;
- o the delegate agency has complied with specific quantified contractual requirements and limitations; and
- o financial reports (including status reports, cash reports, and claims for advances and reimbursements) are complete, reflect the amounts recorded in the books and records of the organization, and are presented fairly and in accordance with the terms of applicable agreements.

Segments of the Audit

.01 The preceding objectives result in an audit divided into three segments that are performed concurrently - the financial audit, a report on compliance, and a report on internal control over financial reporting. The audit report must address all segments. (The report on compliance and the report on internal control over financial reporting can be included as one report).

Financial Audit

.02 Financial audits are required for the fiscal year-end period (usually June 30). Each audit report must contain an expression of an opinion concerning whether the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles except as modified by the Audit Guide. If an unqualified opinion cannot be expressed, the nature of the qualification or the reasons for a disclaimer should be stated.

The opinion should also state that the audit was performed in accordance with auditing standards generally accepted in the United States of America (GAAS), Government Auditing Standards (GAO Yellow Book) 2007 revision, and the provisions of the Audit Guide.

Report on Compliance

.03 All audit reports must contain a report on compliance in accordance with the requirements of the Government Auditing Standards and SAS No. 74. Auditors are to prepare a written report on their tests of compliance with applicable laws and regulations. It should include all instances of noncompliance, and all instances or indications of illegal acts which could result in criminal prosecution. The auditor must make a sufficient examination to report on the delegate agency's compliance with the applicable laws and regulations and specified quantified contractual requirements. General compliance testing requirements are specified in Section 2200.05 and specific compliance area for each program is delineated in Section 3000. The auditor is to communicate the results of the compliance testing in the report on compliance.

Report on Internal Control Over Financial Reporting

.04 All audit reports must contain a report on the delegate agency's internal control over financial reporting. This report is to be based on the understanding of the internal control over financial reporting made as part of the audit of the delegate agency's financial statements under the requirements of SAS No's. 55, 78 and 112 and Government Auditing Standards. Auditors are to prepare a written report on their understanding of the delegate agency's internal control over financial reporting.

Steps Taken Prior to Beginning the Fieldwork

.01 Prior to commencing the fieldwork procedures, the auditor should:

- Review the following documents, noting items that will require follow-up during the audit (such as questioned costs, amounts due to HRA, audit findings, weaknesses in internal control structure, and standards for the audit):
 - o prior-year audit report;
 - o contract between HRA and the delegate agency;
 - o approved budget, including all modifications;
 - o latest monitoring reports and the resulting delegate agency response or plan of action to correct deficiencies cited;
 - o the literature and pronouncements outlined in the following Section; and
 - o This Audit Guide.
- Auditors shall be required, upon commencement of an audit, to perform a preliminary survey of the contract agency's operations and books of account and notify HRA-BARC, in the form of a letter report (Preliminary Report Survey), whether there exist problems that could potentially delay the audit process and the timely submission of the audit report. The Preliminary Report Survey must specify the problems identified during this survey. This letter is required, even if there are no existing problems. In the latter case, the letter would be issued stating that there are no existing problems.

Who to Contact for Assistance

.01 In conducting audits of the delegate agencies, questions may arise concerning the required HRA audit procedures and HRA audit report format and contents. These questions should be directed to the Deputy Director of BARC at (212) 331-6056.

SECTION 2100

SUMMARY OF APPLICABLE LITERATURE

.01 In performing governmental audits, the Statements on Auditing Standards (SAS) are applicable. Therefore, the auditor should perform the examination, at a minimum, in accordance with auditing standards generally accepted in the United States of America. However, in governmental audits, there are numerous other official publications of which the auditor must be knowledgeable, and the auditor must perform the examination in accordance with the provisions of these additional regulations. The AICPA recognized these additional standards and/or procedures and concluded the following in Ethics Ruling 501-3:

Failure to follow standards and/or procedures or other requirements in governmental audits. Engagements for audits of government grants, government units or other recipients of government monies typically require that such audits be in compliance with government audit standards, guides, procedures, statutes, rules, and regulations, in addition to auditing standards generally accepted in the United States of America. If a member has accepted such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules, and regulations, in addition to auditing standards generally accepted in the United States of America, he is obligated to follow such requirements. Failure to do so is an act discreditable to the profession in violation of Rule 501, unless the member discloses in his report the fact that such requirements were not followed and the reasons therefore.

.02 Therefore, failure to follow the standards and/or procedures contained in the following publications, without disclosure in the accountants' report, will be a violation of Ethics Rule 501. In addition, a reference in the accountants' report that the audit was conducted in accordance with the provisions of the Audit Guide incorporates the applicable provisions of the following publications, as well as the other applicable GASB, FASB, and AICPA pronouncements. (Note: The federal funding source determines the applicability of the federal publications.)

- **AICPA**

- In addition to the above, the following statements on auditing standards are critical in the performance of audits on HRA funded programs.
 - **SAS No. 54 - Illegal Acts by Clients (Issued April 1988)**
 - **SAS No. 55 - Consideration of the Internal Control Structure in a Financial Statement Audit (Issued April 1988)**
 - **SAS No. 74 - Compliance Auditing Considerations in Audits of Government Entities and Recipients of Governmental Financial Assistance (Issued)**
 - **SAS No. 99 – Consideration of Fraud in Financial Statement Audit**

- **Federal Government**

- Government Auditing Standards 2007 Revision (Comptroller General of the United States, General Accounting Office. The appendix of the Audit Guide contains summary information of this document.)
- The Single Audit Act of 1984.
- United States General Accounting Office, Reports to the Chairman, Legislation and National Security Subcommittee, Committee on Government Operations, House of Representatives, "CPA Audit Quality - Inspectors General Find Significant Problems" (December 1985) and "CPA Audit Quality - Many Governmental Audits Do Not Comply with Professional Standards" (March 1986).
- Office of Management and Budget Circular A-102, "Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments."
- Office of Management and Budget Circular A-110, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations."
- Office of Management and Budget Circular A-122, "Cost Principles for Nonprofit Organizations."
- Office of Management and Budget, "Compliance Supplement for Single Audits of State and Local Governments." (Revised March 2001)
- Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

- o Department of Health and Human Services, "Guidelines for Audits of Federal Awards to Nonprofit Organizations," dated April 1989.
- o Office of the Federal Register, "Code of Federal Regulations (CFR)."

- **City of New York**
 - o Comptroller's Internal Control and Accountability Directive 5, "Use of Public Accounting Firms for Audits of Delegate Agencies and Programs."
 - o Comptroller's Internal Control and Accountability Directive 2, "Guidelines for Audit of Vouchers Submitted Under Cost Reimbursable Contractual Agreements."

GENERAL REQUIREMENTS

.01 This Section contains (1) requirements imposed by the City of New York, (2) procedures unique to governmental audits, and (3) items requiring emphasis. The following requirements are not all-inclusive and do not represent an audit program for conducting delegate agency audits. To assist the auditor in conducting the audit, a summary of the significant mandatory requirements follows. The working papers should clearly document adherence with these audit requirements and the testing of the applicable specific contract compliance requirements contained in Section 3000. (Note: This list is not all-inclusive and should be read in conjunction with the applicable Sections of this Audit Guide):

- o planning the audit engagement;
- o developing audit programs;
- o observing the distribution of payroll checks and surprise floor checks during the period under audit;
- o determining compliance with contracts, laws, and regulations;
- o determining compliance with the budget;
- o determining compliance with contracts;
- o observing and recording significant amounts of inventory;
- o verifying the accuracy of annual year-end physical inventory of equipment and/or fixed assets;
- o confirming advances and payments from HRA;
- o auditing insurance charges;
- o confirming security deposits;
- o disclosing interagency, interprogram, and interyear loans;
- o determining compliance with and the reporting of quantified program objectives;
- o reviewing Board of Director minutes;
- o obtaining a written representation letter from the management of the delegate agency;
- o determining and reporting questioned costs;

- o reviewing prior-year balances;
- o determining status of prior-year audit reports and findings;
- o reporting errors and irregularities;
- o being aware of excessive compensation;
- o determining compliance with competitive bidding procedures;
- o being aware of additional audit concerns;
- o determining third-party income;
- o testing of indirect costs; and
- o attending entrance and exit conferences with representatives from the delegate and constituent agencies.

.02 Audits must be performed in accordance with auditing standards generally accepted in the United States of America, generally accepted government auditing standards, and the standards contained in this Section and Section 3000. Statistical or non-statistical sampling methods may be used in conducting the audit, if they are applied in accordance with auditing standards, generally accepted in the United States of America, promulgated by the AICPA. See SAS No. 39 “Audit Sampling,” for further guidance.

Planning

.03 Auditing standards generally accepted in the United States of America require that audit engagements be adequately planned. The auditor should also be aware of government auditing standards as they apply to planning an audit. The AICPA has issued SAS No. 47, “Audit Risk and Materiality in Conducting an Audit,” which should also be considered (AU Sections 311 and 312).

In accordance with Government Auditing Standards, the auditor should consider materiality and/or significance in planning the audit, in selecting the methodology and designing audit tests and procedures, and in deciding whether a matter requires disclosure in an audit report. One of the criteria to be considered in determining materiality includes the monetary value of the item. However, materiality and significance often depend on qualitative as well as quantitative factors.

Qualitative factors include, but are not limited to, the cumulative effect and impact of immaterial items, the objectives of the work undertaken, and the use of information by the users of the information.

Decisions on these criteria are based on the auditor's professional judgment. In government audits the materiality level and/or threshold of acceptable risk may be lower than in similar-type audits in the private sector because of the public accountability of the entity, the various legal and regulatory requirements, and the visibility and sensitivity of government programs, activities, and functions.

.04 The following highlights some planning considerations that would be particularly important in performing audits in accordance with this Audit Guide. In conducting an audit of a delegate agency, the auditor should:

- o identify the engagement's reporting objectives (see Section 2010 for statement of audit objectives);
- o consider the audit focus of delegate agency financial statements;
- o obtain an understanding of the delegate agency's internal control structure and assess the control risk for the assertions embodied in the account balance, transaction class, and disclosure components of the financial statements;
- o evaluate factors affecting the scope of testing;
- o establish the type of audit tests to be performed (audit approach); and
- o establish the general nature and content of audit programs.

The planning process continues throughout the examination. Early planning is useful in establishing the probable level and type of effort necessary to conduct the engagement.

.05 When planning the audit, supplemental fieldwork standards as required by Government Auditing Standards (GAO Yellow Book) should be taken into consideration by the auditor. Listed below are those standards, along with explanatory highlights of the standard. (For a more complete and detailed explanation, the auditor should refer to pages 32 through 46 of the Yellow Book.)

- **Planning should include consideration of the audit requirements of all levels of government.**
 - In many instances, audits of the same organizations, programs, activities or functions may be required by federal, state, and local laws, regulations, and ordinances. When this situation exists, the auditor should ascertain what governments are to be served by the audit, and, to the maximum extent practicable, plan the audit so that it will help fulfill the legal and regulatory needs of identified potential users.

- **A test should be made of compliance with applicable laws and regulations.**
 - In government auditing, compliance with laws and regulations is important because government organizations, programs, activities, and functions are usually created by law and subject to more specific rules and regulations than the private sector.
 - An entity's management is responsible for establishing an internal control structure to assure compliance with laws and regulations.
 - In planning and conducting the tests of compliance, the auditor should identify the pertinent laws and regulations and determine which of those laws and regulations could, if not observed, have a direct and material effect on the financial statements.
 - In determining compliance with laws and regulations, the auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement amounts. The auditor should also be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements.

- **A record of the auditor's work should be retained in the form of working papers.**

(The auditor should refer to Section 1220.11 of the Audit Guide for appropriate working paper requirements.)

- **A sufficient understanding of the internal control structure is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.**

.06 As part of the planning process, the auditor should take into consideration that assessing the internal control over financial reporting is expected to be performed as part of the audit. Obtaining an understanding of the internal control without assessing control risk is acceptable only in certain exceptional situations as described in a footnote to the “Independent Auditor's Report on Internal Control.”

.07 Before starting fieldwork, the auditor normally analyzes certain key organizational and environmental factors that may affect the scope of the engagement. Some of the factors that should be considered are:

- o the effectiveness of the overall financial controls, including, among other factors, the ability to operate within approved budgets and issue timely and accurate financial reports;
- o the appropriate segregation of duties and responsibilities;
- o the dependence of the delegate agency on one or more individuals to operate key programs or manage the budget or financial reporting function;
- o the effectiveness of any internal audit function;
- o turnover of key personnel;
- o qualifications of key personnel;
- o federal or state requirements for expanded audit scope;
- o qualifications in prior-period auditor's reports and material internal control weaknesses and compliance exceptions reported;
- o the ability of key subsidiary accounting systems to produce data necessary to support financial statements; and
- o decentralized or centralized records.

.08 As part of gaining an understanding of the control structure, the auditor should consider the following:

- o the ability to demonstrate compliance with HRA, state and city statutes, charters, and ordinances as applicable;
- o the accuracy and comprehensiveness of internal financial reporting,
- o the existence of adequate policy and procedure manuals; and
- o the documentation of manual and automated systems.

.09 The preliminary planning phase includes:

- o reviewing prior-year working papers where the auditor has performed the previous year audit of the delegate agency program;
- o reviewing prior-years' audit reports;
- o reviewing current accounting and auditing pronouncements;
- o discussing the nature, timing, and extent of the auditing procedures with the delegate agency;
- o determining the need for special assistance (e.g., computer expertise); and
- o reviewing minutes, important agreements, and contracts.

Audit Programs

.10 The auditor should develop an audit program and, be aware that in the course of the audit, the audit program may need to be changed because of, for example, unexpected results of testing internal control structure, substantially changed facts, or unanticipated activities of the delegate agency. SAS No's. 22 and 103, among other pronouncements, provide guidance on audit programs and other working paper documentation.

Payroll

.11 Since payroll is generally the single largest item of expenditure for a given delegate agency, HRA requires that during the course of the audit (in addition to the usual payroll audit procedures) the auditor must:

- o Select a sample and witness the distribution of the payroll checks on a surprise basis. For delegate agencies with 20 employees or less, the distribution and/or alternative procedures should include all employees (see Section 2540).
- o Select a sample and make surprise “floor checks” of persons on the payroll to ascertain that persons charged to the program are physically accounted for. For delegate agencies with 20 employees or less, the floor checks and/or alternative procedures should include all employees (see Section 2540). (Payroll distribution and floor checks should not be conducted on the same day.)
- o Coordinate the distribution of payroll checks and floor checks with the work schedule of the delegate agency. If the delegate agency has employees reporting for work at different times of the day, the auditor must be present at the delegate agencies at the various times that the employees are scheduled to work.

.12 The above procedures must be performed during the period under audit. It is not acceptable to perform the above procedures in the period after year-end. The report on internal control must contain a positive assertion that the above procedures were performed, including the date performed. If the above procedures cannot be performed, the report on internal control must contain a description of the alternative procedures performed. Some typical alternative procedures (not all-inclusive) include:

- o Determining the existence of employees by physically meeting such individuals. The auditor should obtain a copy of the most recent payroll, review proper identification for all employees, and have said employees sign the register in an appropriate location to signify that the amount of the paycheck listed was the amount of pay as received by employee.
- o For payroll checks mailed directly to employees - Mail the payroll checks to the employee in the auditor's envelope. Checks should remain under the auditor's control at all times and should not be returned to the delegate agency for mailing or any other purposes. Post Office returns would then be received directly by the auditor for follow-up. [When the canceled checks are returned by the bank, compare the endorsements on the checks to signatures in the personnel files.]
- o For direct deposit – Along with the payroll stub (summary), mail the employee a letter, which confirms that he or she is a bonafide employee of the delegate agency and that the amount shown on the check stub was deposited into his or her account. Have the employee sign the letter and returns it, in a postage-paid envelope, to the auditor. The signatures on the letters should then be compared to signatures in the personnel files.

.13 In addition, the auditor should determine that all quarterly and annual payroll tax returns (941s, state and city withholding taxes and state unemployment insurance forms) were properly filed and that amounts due were paid on a timely basis. Delinquency in filing or paying of payroll taxes for the sponsor (regardless of the program involved) must be disclosed in the report on compliance, along with the amounts of any penalties or interest resulting from the delinquency.

.14 The auditor should determine adherence with the provisions of any collective bargaining agreements and HRA guidelines for staff salary adjustments. The amounts paid should be in accordance with the agreements, and the individuals being paid should meet the criteria contained in the agreements.

Collective Bargaining Agreements and/or Salary Increases

.15 The auditor should determine that the provisions of collective bargaining agreements and salary increases are being adhered to by the delegate agency. In auditing payroll costs, the auditor should ascertain that the payroll amount paid is in accordance with the collective bargaining agreement and/or salary increase effective when the payroll was actually paid.

.16 Retroactive salary adjustments, including amounts related to current and prior periods, should be reported as a separate line in the current-year financial statements. Retroactive salary increases should also be itemized in a footnote to the financial statements indicating the amount paid, including appropriate fringe benefits and the retroactive period covered. This should be on an actual cost basis. Estimates should not be made for retroactive salary adjustments.

Compliance with Contracts, Laws, and Regulations

.17 In a nongovernmental setting, the term "compliance testing" usually refers to testing for compliance with internal control procedures. Though such tests are also appropriate in a governmental environment, references to compliance testing also include tests performed to determine whether the agency is complying with the provisions of laws, regulations, and contractual grant, loan, and other assistance agreements. In government auditing, compliance with laws and regulations is important because government organizations, programs, activities, and functions are usually created by law and are subject to more specific rules and regulations than the private sector.

.18 In determining the nature, timing, and extent of the audit steps and procedures to test for compliance, the auditor should assess the risk of noncompliance with laws and regulations occurring and having a direct and material effect on the financial statements. The auditor should assess the risk that the entity did not comply with those laws and regulations, as well as the risk that the entity's control to ensure compliance with laws and regulations might not prevent or detect that noncompliance.

.19 Regarding compliance, Government Auditing Standards requires that the auditor, in planning and conducting tests of compliance, should:

- o identify the pertinent laws and regulations and determine which of those laws and regulations could, if not observed, have a direct and material effect on the financial statements;
- o assess, for each material requirement, the risks that material noncompliance could occur. This includes consideration and assessment of the internal control in place to assure compliance with laws and regulations; and
- o based on that assessment, design steps and procedures to test compliance with laws and regulations to provide reasonable assurance of detecting both unintentional instances of noncompliance and intentional instances of noncompliance that could have a material effect on the financial statements.

.20 In determining compliance with laws and regulations, the auditor should design audit steps and procedures to provide an evaluation of audit risk that could have a direct and material effect on the financial statement amounts.

More specific guidance on the above requirement is provided in Section 2200.56 of this Audit Guide.

.21 In performing compliance testing on an HRA-funded program, the auditor must follow the requirements of compliance auditing as specified in AICPA SAS No. 74, “Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance.” SAS No. 74 states that the designing the audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts, are to be followed when required by law, regulation, agreement, contract or policy.

Budget Compliance

.22 The auditor is to ascertain that the delegate agency has provided him or her with the original budget and all modifications to the original budget. Any excess of expenditures over the annual budget, by budget category, must be a questioned cost and explained in detail in a schedule in the audit report.

.23 Some programs allow for percentage overages or offsetting overages. Section 3000 provides the exceptions to the above general rule, where applicable.

.24 If copies of the budget and/or contract are not available from the delegate agency, contact BARC for copies. The auditor should not conduct an audit without obtaining these documents. If the delegate agency does not have copies of the program budget and/or contract, this fact should be disclosed in the compliance report.

.25 The auditor should ensure that a fully-executed copy of the contract between HRA and the delegate agency is on file at the delegate agency. The contract is a standardized preprinted contract.

The auditor should determine that the contract contains:

- o the Commissioner's or the Deputy's signature, acknowledged by a Notary;
- o the authorized signature of a delegate agency board member (preferably the Chairman of the Board) or an authorized designee;
- o the impressed corporate seal, also acknowledged by a Notary; and
- o a complete copy of the delegate agency budget.

Consultant and Contract Services

.26 All significant contracts should be reviewed to determine compliance with the terms of the contract by the delegate agency or other party to the contract. If it appears that there is significant noncompliance with the contract terms, without justification, the compliance report should contain an explanation of the noncompliance. The auditor should determine that the individuals receiving funds meet the criteria for independent contractor tax status. In addition, the auditor should be aware of the possibility of related parties.

Equipment/Fixed Assets

.27 Since federal, state, and/or city monies provide the funding to obtain the equipment and fixed assets, they are the property of the City of New York. The auditor is required to verify the accuracy of the delegate-agency-prepared annual physical inventory of all equipment and/or fixed assets of the delegate agency during the year-end (final) audit. The inventory listing is to be provided in a schedule to the financial statements. Dollar amounts are required in the schedule for at least current-year acquisitions and prior-year acquisitions (if provided in previous audit reports). The auditor should compare the list contained in the previous audit report and ascertain the disposition of items not included in the current-year listing. For programs that require prior approval for dispositions or acquisitions, the auditor should ascertain that the approvals were obtained and required bidding procedures, if any, were followed. If significant amounts of equipment or fixed assets were purchased at the end of the program year, the auditor should consider questioning the expenditures as unreasonable.

28 In addition, the auditor should select a sample of current-year, fixed-asset purchases and:

- o Trace the purchased item to the inventory listing, thus ensuring its inclusion in the physical inventory per Section 2200.27.

Advances and Payments

.29 Material amounts of advances and payments received by the delegate agency must be confirmed. For most programs, the most significant amount of program funding will be advances and payments from HRA. The auditor is required to confirm advances or payments with HRA.

.30 The auditor is required to confirm amounts of advances and payments received from other sources. These additional confirmations of advances and payments, when appropriate, are specified in Sections 3000 of this Audit Guide. Confirmations should be sent to the appropriate address accompanied with a self-addressed, stamped envelope.

.31 As with any receivable (prior-year or current-year), the collectibility should be evaluated and determined.

.32 In addition, the auditor should be aware of billings submitted to both HRA and other funding sources for the same services rendered. On a test basis, the auditor should determine if the billings submitted by the delegate agency for services required under the contract to HRA for payment are also submitted to another funding source for the same services rendered. Any such double billings should be disclosed in the compliance report.

Security Deposits

.33 Due to the significance in some delegate agencies of security deposits, the related interest income thereon and the potential for losing accountability for the asset, for all delegate agencies, the auditor should confirm, with the holder of the deposit, all original deposit amounts, any additional deposit amounts, and the interest earned on the deposit(s). The amount of the deposit and related interest income should be reflected in the financial statements of the delegate agency.

Insurance Charges

.34 Most delegate agencies' insurance is paid by the City of New York. Each delegate agency maintains a premium registry, which gives the number of employers covered and the type of coverage provided. The reports contain the names of employees, social security numbers, and amounts paid for which insurance costs are paid on behalf of the delegate agency. The auditor should use this breakdown in conjunction with the delegate agency's records to calculate the actual insurance cost to be allocated to the delegate agency. The information should be included as a footnote to the financial statements, in the final audit report.

.35 The auditor should determine, on a test basis, that the employees of the delegate agency listed as being covered by central insurance are current eligible employees. Exceptions should be reported in the compliance report. The auditor should also comment in the compliance report if the delegate agency is not receiving coverage in the following areas or if the indicated insurance coverage is obviously inadequate.

Blue Cross	Accidents, Death and Dismemberment
Blue Shield	HIP
Blue Cross Dental	GHI
Special Accidents	Workers' Compensation
New York State Disability	General Liability
Major Medical	Property Insurance
Life	Fatality Policy

For programs funded via the Office of Home Care Services, the delegate agency health insurance coverage may be purchased from an outside vendor. The auditing requirements relating to this health insurance coverage is different than specified above; therefore, the auditor should refer to "Health Insurance Coverage" requirements in Sections 3110 and 3120.

Interagency, Interprogram, and Interyear Loans

.36 Interagency, interprogram, and interyear loans are prohibited. If the delegate agency has any loans outstanding as of the audit date or made and liquidated loans during the audit period, the auditor should ascertain the nature and purpose of the transaction(s) and include an explanation of the transaction(s) in the compliance report.

.37 Disclosure of the loans in the financial statements alone is not sufficient. In addition, even if the loan is made and paid back during the audit period, it should be disclosed in the compliance report.

Compliance With Quantified Program Objectives

.38 As part of the audit process, the auditor is expected to perform testing of compliance. Prior to performing any requirements under this Section, the auditor should be aware of the AICPA and Government Auditing Standards requirements as previously discussed in Sections 2200.17 to 2200.21 of this Audit Guide.

.39 In addition to performing the compliance testing referred to above, the auditor is also required to perform the general compliance testing based upon the Office of Management and Budget (OMB) Compliance Supplement for Single Audits of States Local Governments and Non Profit Organizations.

The following are those requirements that which failure to comply could have a material impact on a delegate agency's financial statements.

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, earmarking
- H. Period of availability of federal funds
- I. Procurement and suspension and debarment
- J. Program income
- K. Real property acquisition and relocation assistance
- L. Reporting
- M. Subrecipient monitoring

Minutes

.40 The minutes of the agency's Board of Directors should be reviewed to ascertain if there are any significant contingent liabilities and/or litigation and that the Board has approved the contract between the delegate and constituent agencies. The Board should give authorization to make other major expenditures. Significant contingent liabilities and/or litigation should be disclosed in the notes to the financial statements. If minutes are not maintained or available, this situation should be disclosed in the compliance report.

Representation Letter

.41 The auditor should obtain a written representation letter from the delegate agency, signed by the executive director and chief financial officer. In accordance with SAS No. 74, the auditor should obtain representations from delegate agency management which cover appropriate compliance with laws and regulations. As normally required by SAS No. 85, the auditor would ordinarily include in those representations "violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency." In audits in accordance with SAS No. 74, the auditor should consider obtaining additional representations from delegate agency management acknowledging that:

- o management is responsible for the entity's compliance with laws and regulations applicable to it; and
- o management has identified and disclosed to the auditor all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

The delegate agency management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to require a qualified opinion or disclaimer of opinion on compliance. Further, the auditor should consider the effects of management's refusal on his or her ability to rely on other management representations.

An example of a representation letter is contained in Section 2210.

Questioned Costs

.42 One result of the audit is questioned costs, which represent those expenditures that are not in accordance with the contract agreement, HRA guidelines, or OMB Circular A-122. The auditor should develop an understanding of the requirements of these documents. The criteria (not all-inclusive) for questioned costs include the following:

- Specific Disallowable Costs. These costs are specifically identified by law, rule, or regulation, or the terms and conditions of the contract as disallowable. Items usually included in this category are:
 - .bad debts;
 - .most advertising costs, except those related to the recruitment of staff;
 - .contingencies;
 - .cost of options to employees to purchase stock of the delegate agency;
 - .entertainment;
 - .fines and penalties;
 - .contributions and donations;

- .interest;
- .dividend payments to stockholders, partners, or sole proprietors of the delegate agency;
- .under-recovery of costs from prior or other grants; and
- .organization costs.

Note: Discussions of the above unallowable costs are contained in OMB A-122 and the Comptroller's Directive 2.

- Unreasonable Costs. Costs that are not specifically disallowable or insupportable, but not reflecting an action a prudent person would have taken under the conditions that existed at the time the decision to incur the cost was made, are unreasonable costs. Some examples are:
 - . purchasing a six-month supply of materials during the last month of the grant;
 - . renting luxury automobiles rather than lower-priced models; and
 - . purchasing expensive equipment needed for a short period instead of leasing it.
- Allocability. When allocating costs, the costs should be assigned to a particular object or class of program according to the benefits received or some other equitable relationship. Indirect costs allocated to the contract should:
 - . be incurred specifically for the contract;
 - . be necessary to the overall operations of the delegate agency even if a direct relationship to any particular class or program cannot be shown;
 - . benefit the contract and other programs;
 - . be distributed in reasonable proportion to the benefits received;
 - . not be matched to another funded program; and
 - . not be allocated in total to the grant when the costs also directly benefit other grant programs.

(For additional information see Section 2300, "Requirements for Testing Cost Allocation Charges and/or Systems.")

- Documentation. The documentation should support all costs, as appropriate. Typically, deficient documentation occurs because of a lack of:

- . time and attendance records, invoices, etc.;
 - . written contracts with consultants and/or subcontractors; and/or
 - . proper authorization to incur costs or to disburse monies.
- Unapproved costs. Costs that did not receive prior approval, were over the approved budget, or were not included in the approved budget are unapproved costs. Some examples of unapproved costs are:
 - . costs incurred before or after the grant period; and
 - . in some cases, the purchase of capital assets.
 - Conformity with GAAS. The delegate agency should prepare its financial statements in accordance with auditing standards generally accepted in the United States of America.
 - Propriety. The federal government and City of New York do not want to support violations of public policy. The following costs are considered unallowable:
 - . Kickbacks
 - . Fines and penalties resulting from violations of the law
 - . Personal injury compensation

.43 In addition to the above:

- o The auditor should determine other costs that, in his or her judgment, were incurred with the intention to defraud HRA.
- o The auditor should limit the reporting of questioned costs to those items that actually resulted from the audit tests. The auditor should only question costs that exceed the annual approved budget. The auditor should not question costs that exceed the interim budget. For reporting purposes, the auditor should not project questioned costs to the population under audit.
- o For every period under audit, the audit report should contain a schedule of questioned costs, which should contain a detailed explanation of the questioned costs.

Note: Bank charges, excluding any interest, are allowable expenditures and should not be questioned if properly supported. The total amount of bank charges for the period under audit should be disclosed in the footnotes.

.44 All questioned costs should be reported in the audit report.

Follow-up on Prior-Period Audit Reports

.45 The auditor should review the prior-period audit report and determine the status of implementation and/or correction of prior compliance and internal control over financial reporting reported findings. Resolution of all prior-period audit findings should be determined and commented on in the appropriate compliance or internal control over financial reporting Section of the audit report. If previously missing documentation is subsequently provided by the delegate agency, this fact should be stated in the audit report. For findings corrected, the auditor should state the finding and that the situation was corrected. For prior-period findings not corrected or partially implemented, the auditor should repeat the finding in the current period report on compliance or internal control over financial reporting and any progress toward implementation. In addition, unresolved prior-period findings should be specifically identified in the prior-period Section of the reports on compliance and internal control over financial reporting. Therefore, the reports on compliance and internal control over financial reporting should be divided into "current-period" and "prior-period" comments.

.46 The resolution of prior-period questioned costs should be determined and reported upon in the "prior period" follow-up Section of the compliance report.

.47 Any unresolved prior-year questioned costs should be recorded as a receivable from the contractor and as "Due to HRA," unless such questioned costs were recorded as "Due to HRA" in the prior year, such as when expenditures in that year exceeded the total budget. In the footnote on "Due to HRA," the amount attributable to questioned costs should be disclosed separately from cash and inventory.

Prior-Year Balances

.48 The auditor should ascertain that the prior-year adjusting entries were properly recorded by the delegate agency in their books of account and that the beginning balances are in agreement with the prior-year audit report.

.49 The auditor should ascertain and substantiate the details of all prior-year balances as of the beginning and end of the current period.

.50 The auditor should audit changes in prior-year balances during the current period and vouch any additions or deletions to supporting documentation. Prior-year balances remaining at the end of the current year must be included in the current-year financial statements and are covered by the auditor's opinion on the financial statements.

.51 The collectibility of prior-year accounts receivable should be reviewed and the efforts to collect them determined. A lack of effort by the delegate agency to collect significant receivables should be disclosed in the compliance report.

.52 The auditor should determine the status of the previous-year accounts payable as of the end of the current-year fieldwork. Previous-year accounts payable that are still outstanding as of the end of the current-year fieldwork should be indicated in the accounts payable footnote.

Reporting Errors, Irregularities and Illegal Acts

.53 Government Auditing Standards, Chapter 6 (under Errors, Irregularities, and Illegal Acts) states that in determining compliance with laws and regulations:

- o When laws, regulations, and other compliance requirements are significant to audit objectives, the auditors should design the audit to provide reasonable assurance about compliance with them.
- o The auditors should also be alert to situations or transactions that could be indicative of illegal acts or abuse.

.54 In fulfilling the above requirements relating to errors, irregularities, and illegal acts, the auditor should follow the guidance contained in SAS No. 99, “Consideration of Fraud in Financial Statement Audit,” and SAS No. 54, “Illegal Acts by Clients.” If the auditor becomes aware of illegal acts or other irregularities, prompt notice should be given to HRA-BARC.

.55 Illegal acts and irregularities include such matters as conflicts of interest, falsification of records or reports, and misappropriation of funds or other assets. Government auditing standards indicate that while illegal acts or indications of such acts need not be included in the required audit reports, they may be covered in a separate written report. Auditors should not release information or reports containing information of such acts or reports with references that such acts were omitted from reports without consulting with appropriate legal counsel.

Excessive Compensation

.56 The auditor should be aware of instances of excessive compensation being charged by the delegate agency. The testing of excessive compensation should not only be performed on costs directly charged to HRA, but should also encompass the testing of allocation of compensation amongst various programs when the delegate agency utilizes a cost-allocation plan. If in using the prudent person test, the auditor concludes that the compensation appears excessive and if, after discussion with the delegate agency, the auditor is not convinced that it is not excessive, the excessive costs should be questioned and the circumstances disclosed in the compliance report.

Competitive Bidding

.57 The auditor should ascertain that the competitive bidding requirements, as required by the contract, are being followed by the delegate agency. These requirements usually apply to major purchases of equipment or rentals and major food supplies.

Registration and Reporting Requirements

.58 Ascertain whether the agency has complied with federal and state reporting requirements contained in Appendix F (as well as the payroll reports in paragraph 2200.13). Such federal and state reporting requirements include the timely filing of the following forms, where appropriate (see Appendix E):

- o Federal Form 990, Return of Organization Exempt From Income Tax
- o New York State Form 497, Annual Report - Charitable Organization

In addition, the auditor should determine if the delegate agency is in compliance with the New York State Abandoned Property Law with regard to undelivered disbursement checks (payroll as well as all other checks).

Any exceptions to the above should be reported in the auditor's report on compliance.

Additional Audit Considerations

.59 While no quantifiable or objective standards are being provided, the auditor is requested to use the prudent person test in reviewing transactions or conditions existing at the delegate agency. Examples of unreasonable and excessive expenditures or conditions include (not all-inclusive):

- o obvious underutilization of lease space;
- o excessive inventory build-up without reasonable explanation;
- o excessive idle equipment;
- o inventory and/or storage facility in obvious poor condition;
- o obvious health and safety hazards;
- o obvious purchases at the end of the year to use up budget;

- o lack of follow-up procedures for checks outstanding for long time-periods; and
- o lack of accounts payable and accruals.

Third-Party Income

.60 The auditor should determine whether the delegate agency is receiving fees from third parties to whom they are providing services. These instances arise when a client's income level exceeds a ceiling amount, and the client is assessed a fee for receiving the service. The auditor is required to determine whether the delegate agency has a system of recording and collecting such income and has made the appropriate efforts to collect outstanding fees. The auditor should report any exceptions to these requirements in the report on compliance and obtain appropriate delegate agency written representation regarding disclosure of all third-party income. (See representation letter, Section 2210.)

Representation Letter

.01 The auditor should obtain a written representation letter from the management of the delegate agency for all audits. The following example representation letter should be used as a guide.

(Letterhead of Delegate Agency)

[Date]

[CPA Firm's Name and Address]

We are providing this letter in connection with your audit of the statement of financial position of [Name of Delegate Agency] as of June 30, 20xx, and the related statements of activities and cash flows for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of [Name of Delegate Agency] in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of (date of auditor's report), the following representations made to you during your audit(s).

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles, and include all assets and liabilities under the organization's control.
2. We have made available to you all:
 - a. financial records and related data;
 - b. minutes of the meetings of [Name of Governing Body, such as Board of Directors or Trustees] or summaries of actions of recent meetings for which minutes have not yet been prepared; and
 - c. the most current HRA program budget.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. There has been no:
 - a. fraud involving management or employees who have significant roles in internal control
 - b. fraud involving others that could have a material effect on the financial statements.
7. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
8. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. related-party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties, and/or
 - b. guarantees, whether written or oral, under which the Organization is contingently liable.
9. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
11. [Name of Nonprofit Organization] is an exempt organization under Section ___ of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, which have been disclosed to you. All required filings with tax authorities are up-to-date.

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12. There are no:
- a. violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency;
 - b. unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*;
 - c. other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5; and
 - d. designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
13. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged. [If the organization has pledged assets, add “except as made known to you (optional and disclosed in the notes to the financial statements).”]
14. We have complied with all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.

No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: _____

Signed: _____

Title: _____

Title: _____

REQUIREMENTS FOR TESTING COST ALLOCATION CHARGES AND/OR SYSTEMS

.01 Cost allocation plans are used by sponsors of delegate agencies to allocate incurred delegate-agency costs that benefit more than one delegate agency and that are not directly assignable to one delegate agency (also called "indirect costs"). Not all sponsors charge indirect costs to their delegate agencies. The auditor should determine if the delegate agency charges indirect costs to the contract. If indirect costs are not charged to the delegate agency being audited, no audit procedures for indirect costs are required.

.02 However, if indirect costs are charged to the delegate agency being audited, then the auditor has some unique responsibilities concerning the reasonableness of the indirect costs. The main purpose in allocating indirect costs is to ensure that the delegate agencies bear their fair share of costs compared to other delegate agencies. There is no rule for classifying items as either direct or indirect. The method in which items are captured by and accounted for in the accounting system dictates if an item will be a direct charge or an indirect cost, not necessarily the type of cost. Therefore, what may be a direct cost for one delegate agency may be an indirect cost for another delegate agency. Indirect costs are charged through a cost-allocation plan. A cost-allocation plan should ensure that:

- o its costs are consistent and logical;
- o it includes only costs incurred for a common or joint purpose that benefit more than one delegate agency and are not readily assignable to one delegate agency;
- o the delegate agencies bear their fair share of costs compared to other delegate agencies;
- o all costs of the delegate agency are properly identifiable; and
- o indirect costs are not charged as both direct and indirect costs.

.03 See Appendix D, "HRA Policy - Purchase of Service Vendors' Cost Allocation Plan" for HRA policy guidelines on cost-allocation plans.

.04 In addition, the criteria used to determine the allowability of indirect costs are the same as those used for direct costs. That is, the costs must be in accordance with the terms of the grant agreement and HRA guidelines, including OMB A-122.

.05 A cost-allocation plan usually consists of:

- o a description of the nature and extent of services provided and their relevance to the delegate agencies;
- o items of expenditure to be included;
- o methods of distributing the costs; and
- o a description of allocation bases.

.06 The auditor is responsible for auditing the indirect costs charged to the delegate agency under audit. The extent of the audit procedures depends on how material the indirect costs are to the total costs of the delegate agency. At a minimum, the auditor must review the amounts and methods in which indirect costs are charged to the delegate agency. If an indirect-cost-allocation plan is used by the sponsor of the delegate agency, it is not acceptable for the auditor to disclaim an opinion on the financial statements for not attempting to audit the indirect costs; the auditor must perform procedures to become satisfied as to the total costs accumulated in the pool, as well as to the reasonableness of the indirect costs charged to the delegate agency under audit.

.07 If the sponsor of the delegate agency has a cost-allocation plan, it will either be an approved plan or a nonapproved plan. The audit procedures required for each type of plan are different.

.08 Where the cost-allocation plan was negotiated, approved, and/or audited by a federal agency, the auditor should determine whether:

- o the rate(s) and base(s) used in computing charges for indirect costs Conform to the provisions of the approved plan;
- o the costs accumulated in the pool are in conformity with the approved plan;
- o the costs charged to the pool are not also charged directly to the delegate agency;
- o the same indirect costs amounts were not charged to different delegate agencies; and
- o all components of the plan approved by a federal agency are applicable to the delegate agency under audit.

.09 Where the cost-allocation plan was not negotiated, approved, and/or audited by a federal agency, the auditor should review the plan and determine whether:

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- o indirect costs are allocable and allowable, in conformity with the guidelines of the contract award and OMB A-122, and were incurred in the period being audited;
- o costs are treated consistently as either direct or indirect costs and are not duplicated between the two classifications;
- o indirect costs are distributed on a basis that takes into account the proportion of goods and/or services received by the applicable cost objective and, as such, is up-to-date;
- o indirect costs are applied consistently under generally accepted accounting principles and can be reconciled to the books and records; and
- o the same indirect cost amounts were not charged to different delegate agencies.

.10 In either instance, the auditor, on a test basis, should determine that the same costs are not being charged to different programs or contracts.

.11 Regardless of the method used to allocate indirect costs, the amount specified in the contract is the maximum amount allowed under the contract and should be properly supported. Indirect costs charged to programs in excess of the supportable amounts should be questioned, even if the total amount charged to the program is less than or equal to the maximum indirect cost rate per the contract. In other words, the indirect cost rate or amount specified in the contract is the maximum allowed, not a guaranteed minimum.

.12 In cases where a cost-allocation plan does not exist, problems usually arise because of the distribution of indirect costs on a judgmental basis (e.g., estimates of usage, use of approximations). In these cases, the auditor would normally question the allowability of the indirect costs.

.13 Where the delegate agency occupies common facilities with other Purchase Service Contractors doing business with the City, the auditor should cite this fact in his or her report, citing the specific name of the program, the program I.D. number, the description of the program, its purpose, and the relationship with the delegate agency, which may involve cooperative exchanges such as employees, facilities, equipment, supplies, and costs.

.14 For additional guidance on auditing cost allocations the auditor should refer to OMB Circular A-122, "Cost Principles for Nonprofit Organizations."

FULL SCOPE AUDIT REPORTING REQUIREMENTS

.01 The audit report is divided into two Sections. The first Section is the financial Section and contains the independent auditors' report, financial statements, footnotes, and schedules. The second Section is the compliance and internal control over financial reporting Section, which contains the introduction and exit conference information, along with the independent auditors' reports on compliance and on internal control over financial reporting. The overall organization of the audit report is as follows:

- **Financial Section**

- . independent auditor's report on the financial statements
- . financial statements, including footnotes
- . supplementary schedules

- **Compliance and Internal Control Section**

- . introduction and exit conference information
- . independent auditor's report on compliance and internal control

.02 This overall organization format should always be followed. The auditor's reports should be prepared on stationery indicating the auditors' firm name and address. SOP 98-3 recommends combining the reports on compliance and on internal control required by Government Auditing Standards into a single report. Accordingly, the examples in Section 2440.28 illustrate combined reports.

.03 The auditor is required to prepare an audit report at the end of the respective audit period. Audits shall be performed annually, or for such other period as may be set forth in Exhibit I to the CPA Firm Bid Submission, in keeping with the fiscal year for each such program. Final reports shall be due 90 days after (1) the end of the fiscal year, or (2) such other period as specified. (See Section 1220.04 for discussion of the extension process.)

Independent Auditor's Reports

- .01** The auditor will issue reports as a result of the audit. The reports include:
- o Independent auditor's report on the financial statements;
 - o Independent auditor's report on compliance and internal control over financial reporting.

Independent Auditor's Report on the Financial Statements

.02 The auditor's report is prepared in accordance with auditing standards generally accepted in the United States of America, particularly SAS No. 58, "Reports on Audited Financial Statements" and SAS No. 29, "Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents."

.03 Depending on the program, the auditor will be reporting on either the:

- o Statement of assets, liabilities, and fund balance; and
- o Statement of revenues, expenditures, and changes in fund balance.

or

- o Statement of assets and liabilities; and
- o Statement of revenues and expenditures.

.04 The difference being the presence or absence of a fund balance. Most programs do not have fund balances. The illustrative auditors' report should be modified accordingly to reflect the statements being issued.

.05 Refer to Note 2 in the illustrative auditors' report (Section 2440.06) as to the need for adding our explanatory paragraph regarding the uncertainty of the allowability of questioned costs.

.06 The third paragraph of the auditors' report relates to the additional information (schedules) contained in the financial Section of the audit report. The third paragraph in the illustrative auditors' report was prepared in accordance with SAS No. 29. For additional information concerning the auditor's reporting responsibility, refer to SAS No. 29.

Independent Auditor's Report on Compliance

.07 The auditors' report on compliance is to be prepared in accordance with SAS No. 74, "Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance," as required by SAS No. 63 and Government Auditing Standards, page 52.

- "The report on the financial statements should either (1) describe the scope of the auditors' testing of compliance with laws and regulations and internal controls and present the results of those tests or (2) refer to separate reports containing that information. In presenting the results of those tests, auditors should report irregularities, illegal acts, other material noncompliance, and reportable conditions in internal controls. In some circumstances, auditors should report irregularities and illegal acts directly to parties external to the audited entity."

.08 The auditors' report on compliance is based upon the results of procedures performed in accordance with Sections 2200.17 to 2200.21, Sections 2200.39 to 2200.42 and appropriate requirements as detailed in Sections 3000 of this Audit Guide.

.09 As specified in paragraphs .03-.07 of SAS No. 74, the basic elements of a report on compliance are:

- a. a statement that the auditor has audited the financial statements and a reference to the auditor's report on the financial statements;
- b. a statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and with Government Auditing Standards issued by the Comptroller General of the United States;
- c. a statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement;
- d. a statement that management is responsible for compliance with laws, regulations, contracts, and grants;
- e. a statement that, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws, regulations, contracts, and grants;
- f. a statement that the auditor's objective was not to provide an opinion on overall compliance with such provisions; and

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- g. generally, the auditor is required to determine whether the recipient has complied with the general and specific requirements. The form of the report and the required level of assurance to be provided in the report may vary, depending on the requirements of a particular agency or program. For example, if reporting on compliance requirements, the auditor may be required to report findings relating to compliance with those requirements. Or the auditor may be required to express an opinion on whether the recipient has complied with the requirements applicable to its major federal financial assistance programs.

.10 For purposes of reporting noncompliance, Chapter 5 on pages 53-54 of Government Auditing Standards states:

- "When auditors conclude, based on evidence obtained, that an irregularity or illegal act either has occurred or is likely to have occurred, they should report relevant information. Auditors need not report information about an irregularity or illegal act that is clearly inconsequential. Thus, auditors should present in a report the same irregularities and illegal acts that they report to audit committees under AICPA standards. Auditors should also report other noncompliance (for example, a violation of a contract provision) that is material to the financial statements."

- "In reporting material irregularities, illegal acts, or other noncompliance, the auditors should place their findings in proper perspective. To give the reader a basis for judging the prevalence and consequences of these conditions, the instances identified should be related to the universe or the number of cases examined and is quantified in terms of dollar value, if appropriate. In presenting material irregularities, illegal acts, or other noncompliance, auditors should follow chapter 7's report contents standards for objectives, scope, and methodology; audit results; views of responsible officials; and its report presentation standards, as appropriate. Auditors may provide less extensive disclosure of irregularities and illegal acts that are not material in either a quantitative or qualitative sense."

- "When auditors detect irregularities, illegal acts, or other noncompliance that do not meet paragraph 5.18's criteria for reporting, they should communicate those findings to the auditee, preferably in writing. If auditors have communicated those findings in a management letter to top management, they should refer to that management letter when they report on compliance. Auditors should document in their working papers all communications to the auditee about irregularities, illegal acts, and other noncompliance."

HRA requires the auditors' report to include all instances of noncompliance.

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In addition, Government Auditing Standards, Chapter 5 paragraph 5.20, discusses instances that do not require reporting. For purposes of HRA audits, both material and nonmaterial instances of noncompliance must be disclosed and reported upon in the independent auditor's report on compliance, and not issued in a separate letter. The compliance report should separately identify all instances of noncompliance.

.11 If instances of noncompliance are noted, a detailed description of the noncompliance is to be included in the report. The description of the noncompliance should include the following components as required by Government Auditing Standards:

- **The report should include a full discussion of the audit findings, and, where applicable, the auditor's conclusions.**
 - Auditors should report the significant findings developed in response to the audit objective. In reporting the findings, auditors should include sufficient, competent, and relevant information to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective. Appropriate background information that readers need to understand the findings should also be included.
 - Audit findings have often been regarded as containing the elements of criteria, condition, effect, and cause when problems are found. However, the elements needed for a complete finding depend entirely on the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are satisfied and the report clearly relates those objectives to the finding's elements.
 - The report should contain conclusions when called for by the audit objectives. Conclusions are logical inferences about the program based on the auditors' findings. Conclusions should be specified, not left to be inferred by readers. The strength of the auditors' conclusions depend on the persuasiveness of the evidence supporting the finding and the convincingness of the logic used to formulate the conclusion.

- **The report should include recommendations for actions to correct the problem areas and to improve operations.**

- Auditors should report recommendations when the potential for significant improvement in operations and performance is substantiated by the reported findings. Recommendations to effect compliance with laws and regulations and improve management control should also be made when [significant instances of noncompliance is noted or significant weaknesses in controls are found.] Auditors should also report the status of uncorrected significant findings and recommendations from prior audits that affect the objectives of the current audit.

- Constructive recommendations can encourage improvements in the conduct of government programs. Recommendations are most constructive when they are directed at resolving the cause of identified problems, are action oriented and specific, are addressed to parties that have the authority to act, are feasible, and, to the extent practical, are cost-effective.

.12 In reporting noncompliance, the auditors should place their findings in proper perspective. The extent of noncompliance should be related to the number of cases examined to give the reader a basis for judging the prevalence of noncompliance.

The compliance report should indicate that:

- o Quarterly tax returns, including 941s, state, city and unemployment returns have been filed, and
- o The minutes of the Board of Director's meetings were reviewed.

Independent Auditor's Report on Internal Control Over Financial Reporting

.13 The auditor's report on internal control over financial reporting is prepared in accordance with auditing standards generally accepted in the United States of America, particularly SAS No. 112, SAS No. 74, and the reporting requirements of Government Auditing Standards. Only reportable conditions as defined by SAS No.112, "Communication of Internal Control Structure Related Matters Noted in an Audit," are required to be included in this report. However, HRA strongly urges that all reportable conditions be discussed in the report.

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.14 Government Auditing Standards, third supplemental reporting standard, relating to reporting on internal controls, requires the following:

The auditors should prepare a written report on their testing of internal control and the assessed control risk. This report may be included in either the auditor's report on the financial audit or a separate report. The auditor's report should include as a minimum: (1) the scope of the auditor's work in obtaining an understanding of the internal control and in assessing the control risk and (2) the reportable conditions, including the identification of material weaknesses, identified as a result of the auditor's work in understanding and assessing the control risk.

.15 SAS No. 74, consistent with the above Government Auditing Standards requirement, states that the auditor should communicate any reportable conditions noted during the audit. Government Auditing Standards requires the auditor to issue a report on internal controls even if there are no reportable conditions.

.16 The auditor may report the weaknesses that are not considered reportable conditions in a SAS No.112 report. However, if such weaknesses are included in the report, the comments "should be clearly distinguished" from the comments on reportable conditions. Therefore, the comment Section must be divided into two Sections to distinguish the weaknesses identified as reportable conditions, one Section reporting on material weaknesses and the other Section reporting nonmaterial weaknesses. (Illustrative Report on Internal Control Over Financial Reporting for guidance in structuring the comment Section in the report.)

.17 When the auditor has noted reportable conditions in a financial statement audit conducted in accordance with Government Auditing Standards, the auditor's report on internal control over financial reporting should contain:

- a. a statement that the auditor has audited the financial statements and a reference to the auditor's report on the financial statements;
- b. a statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and with Government Auditing Standards issued by the Comptroller General of the United States;

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- c. a statement that, in planning and performing the audit of the financial statements, the auditor considered the entity's internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the financial statements, and not to provide assurance on the internal control structure;
- d. an explanation of the broad objective and inherent limitations of any internal control structure;
- e. a description of the scope of the auditors' work;
- f. the definition of reportable conditions;
- g. a description of the reportable conditions noted;
- h. the definition of material weakness;
- i. a statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses, and, if they are, identifies the material weaknesses noted; and
- j. a statement that the report is intended for the information of the audit committee, management, and specific legislative or regulatory bodies, but that this restriction is not intended to limit the distribution of the report, if a matter of public record.

.18 The auditor, when reporting on conditions which warrant disclosure in the report on internal control over financial reporting is to follow the following requirements of Government Auditing Standards:

- **The report should include a full discussion of the audit findings, and, where applicable, the auditor's conclusions.**
 - The report should express the significant findings developed in response to the audit objective. In reporting the findings, auditors should include sufficient, competent, and relevant information to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective. Auditors should also report appropriate background information that readers need to understand the findings.

- Audit findings have often been regarded as containing the elements of criteria, condition, and effect, plus cause when problems are found. However, the elements needed for a complete finding depend entirely on the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are satisfied and the report clearly relates those objectives to the finding's elements.
- **Auditors should report recommendations for actions to correct problem areas and to improve operations.**
 - Auditors should report recommendations when the potential for significant improvement in operations and performance is substantiated by the reported findings. Recommendations to effect compliance with laws and regulations and improve management controls should also be made when significant instances of noncompliance are noted or significant weaknesses in controls are found. Auditors should also report the status of uncorrected significant findings and recommendations from prior audits that affect the objectives of the current audit.
 - Constructive recommendations can encourage improvements in the conduct of government programs. Recommendations are most constructive when they are directed at resolving the cause of identified problems, are action-oriented and specific, are addressed to parties that have the authority to act, are feasible, and to the extent practical, are cost-effective.

.19 One of the requirements of the Comptroller's Directive 5 and HRA is that the auditor is to perform a payroll distribution and floor check on a surprise basis. There must be a positive assertion in the report on internal control concerning the performance of the above procedures, including the date performed. If the procedures cannot be performed, the reason(s) that the procedures could not be performed should be stated in the report, along with a description of the alternative procedures actually performed. This assurance is provided in the comment Section of the report on internal control structure. Note 7 (Section 2540.51) to the Illustrative Independent Auditor's Report on Internal Control Over Financial Reporting provides alternate wording.

.20 Refer to SAS No.112 for further guidance in preparing the previously discussed auditor's report on internal control structure.

Audited Financial Statements

.01 The following is a discussion of the general financial statements that are applicable to all programs. They are to be modified for each program as directed in Sections 3000. Because they are general financial statements, they may contain accounts, account titles, and footnotes that are not appropriate to the particular delegate agency under audit, in which case they should not be included in the audit report. Only information appropriate to the delegate agency under audit should be included.

.02 The basic financial statements include the following:

- o Statement of Assets and Liabilities
- o Statement of Revenues and Expenditures - Budget and Actual
- o Footnotes to Financial Statements
- o Supplementary Schedules

.03 A discussion of each element follows.

Statement of Assets and Liabilities

.04 If the delegate agency has a fund balance, the title to the financial statement would be statement of assets, liabilities, and net assets (separated by type). See the following discussion on revenue recognition for additional information concerning fund balance.

.05 Some delegate agencies require more than one column for different funding sources of the delegate agency.

.06 See the appropriate specific audit requirement Section for required information.

.07 The delegate agency should maintain separate records for each program, thus allowing for the preparation of this statement. If separate records are not maintained, a "best efforts" attempt should be made to include a statement. The statement should include, at minimum, cash, accounts receivable, due to/from HRA, and accounts payable.

.08 The account titles should include references to the footnotes.

.09 The statement should be referenced in the footnotes.

Statement of Revenues and Expenditures - Budget and Actual

.10 If the delegate agency has a net asset, the title to the financial statement would be “statement of revenues, expenditures, and changes in net assets - budget and actual.” See the following discussion on revenue recognition for additional information concerning fund balance.

.11 Some delegate agencies require more than one column for different funding sources of the delegate agency.

.12 See the appropriate specific audit requirement Section for required information.

.13 The independent auditor, prior to the preparation of any statement of revenues and expenditures - budget and actual, should refer to any special requirements for the HRA program being reported upon as specified in Sections 3000 to 9000.

.14 The revenues and expenditures account classifications are unique for each delegate agency. See the appropriate specific audit requirement Section for the captions applicable for each delegate agency.

.15 Unless specified in the program description, the contracts provided by HRA are expenditure-driven. That is, the delegate agency "earns" revenue only to the extent of expenditures. Therefore, the excess of advances over expenditures, including accruals, is a liability to HRA and not a net asset. Likewise, the excess of expenditures over advances, up to the contract amount, is a receivable from HRA and not a net asset deficit. For excess of expenditures over advances that exceed the contract amount, the excess should be reported as "Due From Sponsor," and not "Due From HRA." For these reasons, in most delegate agencies, the excess/deficiency line will be zero, and the program will not have net assets from current operations. For those delegate agencies that have net assets, the net assets results from one or both of the following: (1) revenue sources outside HRA providing support to the program** and/or (2) net assets carried forward from previous HRA grants (before HRA required that excess monies be returned). Net assets (as well as the assets and liabilities) related to prior programs should be reported in the statement of assets and liabilities. Activity related to prior-year contracts is not reported in the current-year operating statement, but reflected in the prior-year asset and liability accounts, with the details of any transactions provided in the analysis of prior-year balances contained in the footnotes. As stated in Section 2200.39 contracts may be performance based. In that case the effect on net assets will be the same.

For rate based programs the excess of revenue over expenditures is recorded as due to HRA.

.16 Often revenues are not budgeted. If no budget is available (prepared) for revenues, insert a dash or zero in the approved budget and variance columns.

.17 The approved budget column is the latest annual budget after all modifications.

.18 Questioned costs are reported by budget line category and supported by a schedule of "Detailed Explanation of Current and Cumulative Questioned Costs." (See discussion of schedule in paragraph 2520.

.19 The variance column is the difference between the approved budget column and the actual column.

.20 The statement should be referenced to the footnotes.

**For certain delegate agencies, the Contract Agreement require that outside sources of revenues be spent before HRA monies. Therefore, any remaining monies are due to HRA and do not represent fund balance.

Footnotes

.21 The following footnotes should be included to the extent that they are applicable for the delegate agency under audit.

.22 Summaries 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 Presentation – The report is prepared in accordance with the City of New York, Human Resources Administration Audit Guide) and how the reports differs from generally accepted accounting principles in both the method of presentation and in the recognition of revenues and expenses.
- Equity - This description is not included if the delegate agency does not have net assets.
- Capital expenditures - The reporting of capital additions as expenditures is in accordance with generally accepted accounting principles for governmental units. Therefore, a qualification of the auditor's opinion for this accounting treatment is not justified.
- Basis of accounting - The financial statements are prepared on the modified accrual basis of accounting. The description of major revenue sources contained in the Illustrative Financial Statements should be modified to reflect the actual significant revenues of the delegate agency.
- Inventory - If significant amounts of inventory are on hand as of the period ended, the amounts should be determined and included in the statement of assets and liabilities.
- Vacation and sick leave. The description in the Illustrative Financial Statements should be modified to reflect the actual policies of the delegate agency. See Sections 3110 and 3120 for the treatment of vacation and sick leave for the home care workers in the Home Attendant and Housekeeper Programs. The estimated amount of unaccrued vacation and sick leave is to be disclosed in the footnote.

.23 Cash. The cash footnote includes an itemized, detailed list of the bank accounts segregated by program year. The name and address of the bank and the account number should be listed for each account. The list should also include each petty cash fund maintained for the delegate agency, 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 six months or longer for all bank accounts. 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 in a schedule to the financial statements.

The exposure to risk of maintaining funds in a bank in excess of FDIC limits must be disclosed.

.24 Receivables. The receivables footnote contains an analysis of each individual receivable balance contained in the statement of assets and liabilities. Each receivable balance should be divided into current-year and prior-year programs. For prior-year program receivables, the description should identify the program year to which the receivable relates. For both current- and prior-year program receivables, an appropriate description of the nature of the receivable is to be provided. The analysis of the “Due from HRA” balance consists of beginning balance, advances, expenditures, adjustments, and ending balance. See the Illustrative Financial Statements for examples.

.25 Prepaid Expenses. The prepaid expenses footnote contains an analysis of the prepaid expenses balance shown in the statement of assets and liabilities. The analysis should contain a description of the nature and purpose of each individual prepaid expense.

.26 Security Deposits. The security deposits footnote contains an analysis of the security deposits balance shown in the statement of assets and liabilities. The analysis should contain a description of the nature and purpose of each security deposit. Interest accrued, but not collected, should be recognized in the current period, with the total amount accrued on the deposit disclosed in the footnote.

.27 Accounts Payable. The accounts payable footnote is to include an itemized detailed list of each accounts payable containing the vendor name, date when subsequently paid, the amount that was payable as of the period ended, and the amount unliquidated as of the end of field work. The City of New York requires that accounts payable be liquidated within 75 days after the balance sheet date. If the auditor becomes aware that the 75-day rule is being violated, the auditor should disclose the violation in the compliance report. Accounts payable should be divided between current-year program and prior-year program.

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.28 Accrued Expenditures. The accrued expenditures footnote contains an analysis of the accrued expenditures balance shown in the statement of assets and liabilities. The analysis should contain a description of the nature and purpose of each of the accrued expenditures and should be divided between current-year program and prior-year program. Payroll taxes withheld and accrued payroll taxes should be shown separately.

.29 Other Payables. The other payables footnote contains an analysis of each "Due to" account balance contained in the statement of assets and liabilities. Each "Due to" balance should be divided into current-year and prior-year programs. For a prior-year program "Due to," the description should identify the program year for which the "Due to" relates. For both current- and prior-year "Due to," an appropriate description of the nature of the "Due to" is to be provided. The analysis of the "Due to HRA" balance consists of beginning balance, advances, expenditures, adjustments, and ending balance. The ending balance due to HRA should be divided into its components (i.e., the amount represented by cash and the amount represented by inventory). See the Illustrative Financial Statements for examples.

Most programs prohibit loans between delegate agencies. Therefore, in most cases, loans disclosed in the financial statements will result in an audit finding in the compliance report and/or questioned costs.

.30 Lease Commitments. The lease commitments footnote should be prepared in accordance with SFAS No. 13 and the related amendments and interpretations. At a minimum, the following should be disclosed for operating leases:

- o Future minimum rental payments required as of the date of the latest statement of assets and liabilities, in the aggregate and for each of the five succeeding fiscal years.
- o The total of minimum rentals to be received in the future under noncancelable subleases as of the date of the latest statement of assets and liabilities.
- o Rental expense, with separate amounts for minimum rentals, contingent rentals, and sublease rentals.

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

- o the basis on which contingent rental payments is determined;
- o the existence and terms of renewal or purchase options and escalation clauses;
- o restrictions imposed by lease agreements;

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- o the existence of related parties in the lease transactions (see footnote on related-party transactions); and
- o cost per square foot and/or rental rate as described in the lease agreement.

.32 Contractual Agreements. The contractual agreements footnote contains a description of the significant contractual agreements that pertain to the delegate agency under audit (excluding those leases included in the lease footnote). Between the lease footnote and this footnote, no significant leases and/or contracts should be omitted, regardless of the duration of the agreements. See disclosure requirements contained in Illustrative Financial Statements. Typical contractual agreements include:

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

.33 Cost Allocation. The cost allocation footnote contains a description of the cost-allocation plan, the basis of allocation, composition of the cost pool, and the total indirect costs charged to the delegate agency.

.34 Contingent Liabilities. The contingent liabilities footnote contains a description of all contingent liabilities affecting the delegate agency. Typical contingent liabilities include:

- o litigation - employment related (EEOC), workers' compensation, and liability; and
- o compliance with contract terms.

.35 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.

.36 Refer to SAS No. 12, "Inquiry of a Client's Lawyer Concerning Litigation Claims, and Assessments," and SFAS No. 5, "Accounting for Contingencies," for additional guidance.

.37 Related Parties. The related parties footnote should contain a description of all significant related-party transactions. See disclosure requirements contained in the Illustrative Financial Statements. Typical related parties include:

- o loans to officers, directors, and employees of the delegate agency or their family members; and

- o services obtained from a business that is controlled by officers, directors, or their family members of the delegate agency (e.g., such as rent).

Refer to SAS No. 45, “Omnibus Statement On Auditing Standards,” and SFAS No. 57, “Related Parties,” for additional guidance.

.38 Centrally Paid Insurance Costs. The Insurance Cost schedule detailing the average cost per employee by type of coverage is appended as Exhibit I.

The amounts in this schedule should be multiplied by the number of employees, in the delegate agency program. The footnote schedule should list the pertinent category, the account by category and the total amount, in the footnote.

.39 Possible Additional Footnote Disclosure. In addition to the above suggested footnotes, any infrequent or unusual items and/or items requiring disclosure to ensure that the financial statements are not misleading should be disclosed in the footnotes. Some examples include:

- o subsequent events;
- o going concern;
- o liquidity; and
- o noncompliance with contracts.

Supplementary Schedules

.40 There are two types of supplementary schedules: (1) the standard schedules usually required for all delegate agencies, unless specifically excluded in Sections 3000, and (2) schedules unique to each program as required in Sections 3000. The following standard schedules should be included.

.41 Detailed Explanations of Questioned Costs. If there are no current or cumulative questioned costs, the schedule is included with the word “none” placed in the body of the schedule. Include the following information:

- o A breakdown of questioned costs by budget line category.

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- o A detailed explanation of the questioned costs, including why the cost is questioned, the amount being questioned, and details of the questioned cost (such as vendor name, authority or regulation for questioning the cost, and how the questioned costs were determined). Note: In no circumstance should the questioned costs, based on the sample tested, be projected to the entire population.

Note: Unresolved questioned costs from the previous audit contract should not be shown in this schedule but should be included in the statement of assets and liabilities as “Due to HRA.” The footnotes should contain an explanation of what constitutes the balance. The footnotes should clearly describe the portion of the “Due to HRA” attributable to questioned costs.

.42 Schedules of Consultants. Include the following information:

- o name of consultant;
- o service provided;
- o basis for fees charged (hourly, daily, contract, retainer, etc.); and
- o amount paid and accrued in the financial statements.

.43 Schedule of Fixed Assets Inventory. Include the following information:

- o description of item;
- o date purchased; and
- o cost. At a minimum, costs must be included for items acquired during the current audit period and for prior acquisition costs as reflected in prior audit reports.
- o only items that cost \$200 or more per item should be listed.

.44 List of Checks Outstanding Six Months or Longer. Include the following information:

- o payee;
- o check number; and
- o amount.

.45 Miscellaneous Expenditures in Excess of \$100. Include the following information:

- o vendor;
- o nature of expenditure;
- o date of check; and
- o amount.

.46 Schedules of Quantitative Program Results. Include the following information:

- o where applicable, percentage of administrative expenditures to total expenditures; and
- o information required by Sections 3000, as applicable, of the Audit Guide.

Other Information

.01 In addition to the preceding requirements, the audit report should contain:

- o a title page;
- o a table of contents; and
- o a compliance and internal controls Section.

Title Page

.02 The audit report should contain the following information on the cover or title page:

- o name of delegate agency;
- o address and phone number of the delegate agency;
- o program under audit;
- o delegate agency's budget I.D. number;
- o grant number, where applicable;

- o beginning and ending dates of the budget period;
- o starting and ending dates of the audit;
- o name of audit firm; and
- o lot number of the audit contract.

.03 See the Illustrative Audit Report for example. Where Sections 3000 require the auditor to include a Schedule of Quantified Program Results, the auditor should report not only actual program results, but also the program results objectives specified in the delegate agencies' contract with HRA.

Table of Contents

.04 The audit report should contain a table of contents, including page numbers and the information as presented in the Illustrative Audit Report.

Compliance and Internal Control Structure

.05 The Compliance and Internal Control Section, in addition to the Auditor's Reports on Compliance and Internal Control Over Financial Reporting (previously discussed), contains an introduction and exit conference Section. The introduction Section should contain a brief description of the purpose of the program, what organization determines eligibility, and funding information, including any matching requirements and the breakdown between federal, state, and city funding.

.06 The exit conference Section include a list of all individuals who attended the exit conference, their titles, the date the meeting was held, and the location. The organizations that should attend the exit conference, in addition to the delegate agency, include the audit firm and representative(s) from the constituent agency.

.07 All parties should be given at least five days notice of the meeting prior to the day of the exit conference. If, after being contacted, the **HRA** representative from the constituent agency does not attend the meeting, the report should include a statement that the representative was contacted but did not attend.

.08 A draft audit report should be received by the delegate agency two working days before the exit conference.

.09 Any disputes or disagreements pertaining to the audit report that cannot be resolved to all parties' satisfaction should be noted and described in the exit conference Section of the audit report.

Illustrative Audit Report

.01 The following Illustrative Auditor's Report demonstrates most of the reporting requirements described in the previous subsections of Section 2000. The Illustrative Auditor's Report should be read in conjunction with the discussion of each Section of the audit report (Sections 2000 through 9000) to fully understand the reporting requirements of the Audit Guide.

.02 The auditor must use judgment in modifying the Illustrative Auditor's Report to meet the unique requirements of each program.

**DELEGATE AGENCY PROGRAM
ADDRESS
PHONE NUMBER**

**BUDGET ID #XXXX
GRANT NUMBER***

FINANCIAL STATEMENTS

BUDGET PERIOD - JULY 1, 20XX TO JUNE 30, 20XX

AUDIT PERIOD - JULY 1, 20XX TO JUNE 30, 20XX

STARTING DATE OF AUDIT - June 19, 20XX

ENDING DATE OF AUDIT - September 15, 20XX

Audit Firm

Lot #XXXX

* Where applicable.

DELEGATE AGENCY PROGRAM

BUDGET I.D. #XXXX

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<u>Financial Section</u>	<u>Page</u>
Independent Auditors' Report	
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Statement of Revenues and Expenditures - Budget and Actual	
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Supplementary Schedules	
(List Schedules)	
<u>Compliance and Internal Control Structure Section</u>	
Introduction	
Exit Conference	
Independent Auditors' Report on Compliance	
Independent Auditors' Report on Internal Control Structure	

(Letterhead of Audit Firm)

INDEPENDENT AUDITORS' REPORT

Human Resources Administration
180 Water Street, 22nd Floor
New York, New York 10038-4923

We have audited the accompanying statement of assets and liabilities of [*Delegate Agency Program*] [*Budget I.D.#_____*] as of June 30, 20XX, and the related statements of revenues and expenditures-budget and actual for the year then ended. These financial statements are the responsibility of the [*Delegate Agency Program*]'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Government Auditing Standards, issued by the Comptroller General of the United States; and the Audit Guide (January 2010). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the financial statements were prepared on the basis of accounting prescribed by the HRA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of [*Delegate Agency Program*]'s as of June 30, 20XX, and its revenues and expenditures for the year then ended, in conformity with the basis of accounting described in Note 1 to the financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated September 30, 20XX, on our consideration of [*Delegate Agency Program*]'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, and the HRA contract.

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Our audit was made for the purpose of forming an opinion on the basic financial statements referred to above taken as a whole. The schedules listed in the accompanying Table of Contents are presented for purposes of additional analysis, and are not a required part of the basic financial statements of [*Delegate Agency Program*]. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of (Delegate Agency) and the Human Resources Administration and is not intended to be and should not be used by anyone other than the specified parties.

[Signature of Audit Firm]

September 30, 20XX

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Notes:

1. If the financial statements do not present the entire operations of the not-for-profit corporation of which the delegate agency program is a part, the following paragraph should be added after the scope paragraph:

The financial statements present only [*Delegate Agency Program*] and are not intended to present fairly the financial position and results of operations of [*name of not-for-profit corporation or sponsor*] in conformity with generally accepted accounting principles.

2. An explanatory paragraph should be added to the opinion for the presence of current-year questioned costs that, in the opinion of the auditor, have a material impact on the financial operations of the Delegate Agency Program.

If the report is to be modified because of an uncertainty, it should be modified with the addition of a paragraph following the opinion paragraph similar to the following:

The statement of revenues and expenditures – budget and actual contains costs in the amounts of \$XX, XXX that are questioned as to their allowability under the grant agreement. The final determination as to whether such costs are allowable will be made by the HRA constituent agency (and applicable federal agency for direct federal programs). The ultimate outcome of this determination cannot presently be determined. Accordingly, no provision for any disallowance has been made in the accompanying financial statements.

DELEGATE AGENCY PROGRAM

STATEMENT OF ASSETS AND LIABILITIES*
JUNE 30, 20XX

Assets

Cash (Note 2):

Cash in banks \$

Petty cash

Receivables (Note 3):

Due from HRA

Due from other governmental agencies or units

Due from other programs/agencies

Accounts receivable

Prepaid expenses (Note 4)

Security deposits (Note 5)

Inventory

\$____

Liabilities*

Accounts payable (Note 6)

\$

Accrued expenditures (Note 7)

Accrued payroll taxes

Payroll taxes withheld

Due to HRA (Note 8)

Due to other governmental agencies or units (Note 8)

Due to other programs/agencies (Note 8)

Total liabilities

Commitments and contingent liabilities

(Notes 9, 10, and 12)

\$____

See notes to financial statements.

*If the Delegate Agency has a net asset, the above format and titles should be appropriately modified to reflect a fund balance.

DELEGATE AGENCY PROGRAM

**STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL*
FOR THE YEAR ENDED JUNE 30, 20XX**

	<u>Annual Approved Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Questioned Costs</u>
Revenues:				
Grant revenues:	\$	\$	\$	\$
HRA (Note 3)				
Other				
Client fees				
Interest income				
Other (specify)	_____	_____	_____	_____
	_____	_____	_____	_____
Expenditures (Note 11)				
Personnel				
Facilities				
Consultants				
General operating costs				
Equipment				
Other	_____	_____	_____	_____
	_____	_____	_____	_____
Excess (deficiency) of revenues over (under) expenditures**	\$ _____	\$ _____	\$ _____	\$ _____

See notes to financial statements.

*If the Delegate Agency has net assets, the above format and titles should be modified to reflect a reconciliation of net asset at the beginning of the period to net assets at the end of the period.

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**For programs funded only with HRA funds, the excess (deficiency) should be zero. See Section 2420 for revenue recognition principles.

DELEGATE AGENCY PROGRAM

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in accordance with the City of New York Human Resources Administration Audit Guide (January 2010). The accounting practices prescribed in the Audit Guide differ from generally accepted accounting principles in both the method of presentation and in the recognition of revenues and expenses. A summary of the major differences follows:

a. Capital Expenditures

Under the terms of the grant agreement, purchases of equipment, furniture, leasehold improvements, and other capital items are charged as expenditures as incurred and are not capitalized and depreciated over the useful life of the asset.

b. Vacation and Sick Leave

Employees are granted vacation leave at the rate of one day each month and sick pay at the rate of two days each month, and are paid at the employee's salary rate at the time taken or when they leave the agency. However, vacation time and sick leave not taken within two years after it is earned is lost. No provision for these possible future liabilities has been made in the balance sheet. The Agency recognizes both vacation and sick pay as expenditure at the time it is used during the year.

At year-end, the unrecorded and unfunded liability for vacation and sick leave approximated \$XX, XXX and \$XX, XXX, respectively.

c. Receivables

Receivables are stated at gross amounts no collected as of June 30, 20XX without regard to potential collectability.

d. Prior year Adjustments

As directed by HRA, corrections of prior year revenues and expenditures, with the exception of retroactive revenues and expenditures, are reported through net assets.

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

e. Net Assets

The financial statement reflects the accumulated excess of revenues over expenditures as net assets. The net assets are refundable to the City of New York.

f. Centrally Paid Insurance Costs

Insurance costs centrally paid by the City of New York on behalf of this contract are not reflected in the accompanying financial statements.

Other Accounting Policies

B. Inventory

Inventory costs are charged to expense during the period purchased.

C. Equity

Under the terms of the grant, all monies not spent according to the grant agreement and budget and any tangible assets remaining at the end of the grant period are to be returned to the City of New York. Therefore, the Agency does not maintain any equity in the grant, and any excess of assets over liabilities is shown as due to the City of New York, Human Resources Administration.

D. Basis of Accounting

The Agency follows the modified accrual basis of accounting. Under the modified accrual basis of accounting for governmental units, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than vacation and sick leave, are recorded when the liability is incurred, if measurable.

In applying the susceptible-to-accrual concept to grant revenues, the legal and contractual requirements of the individual program is used as guidance. Monies that must be expended on the specific purpose or project before any amounts will be paid to the Agency are recognized as revenue based on the expenditures recorded. Client fees and investment earnings are recorded as earned since they are measurable and available.*

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DELEGATE AGENCY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX**

NOTE 2. CASH

At June 30, 20XX, cash consisted of:

<u>Cash in banks</u>	<u>Cash Balance</u>	<u>Interest Earned*</u>
<u>Current programs</u>		
The ABC National Bank Anywhere, New York 10000 Account number 000-00-0000	\$ X, XXX	\$ XXX
<u>Prior programs</u> (specify program years)		
The DEF National Bank Anywhere, New York 10000 Account number 000-00-0000	<u>X, XXX</u>	<u>- XXX</u>
	<u>\$XX, XXX</u>	<u>\$ XXX</u>
<u>Petty cash</u>		
(specify name and balance of each petty cash fund)	<u>\$ XXX</u>	

If cash balances exceed the FDIC insurance limit, the amount of the exposure should be disclosed.

Bank charges aggregating \$XXX were incurred during the period and are reflected in the office supplies financial statement caption.

*Includes interest earned to date.

DELEGATE AGENCY PROGRAM

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 20XX

NOTE 2. CASH (CONTINUED)

The following is a list of checks outstanding for a period of six months or longer:

<u>Payee</u>	<u>Check Number</u>	<u>Amount</u>
--------------	---------------------	---------------

Note: If this list is excessive in length, the list can be provided as a schedule to the financial statements using the above format.

NOTE 3. RECEIVABLES

Due from HRA consists of:

Current-year program:

Funds available:

Cash received from HRA	\$(XX, XXX)
Other revenues*	(XX, XXX)
Expenditures (including accruals)	XX, XXX
Adjustments (provide explanation)	<u>X, XXX</u>
Ending balance	<u>X, XXX</u>

Prior-year programs:

Beginning balance	X, XXX
Cash received	(X, XXX)
Expenditures (including accruals)	X, XXX
Adjustments (provide explanation)	<u>XXX</u>
Ending balance	<u>XXX</u>

Inventory**	<u>(X, XXX)</u>
-------------	-----------------

\$ XX, XXX

Due from other governmental agencies or units
 consists of:

Current-year program expenditures over
 revenues

\$ XXX

* Agrees with amounts reported in Statement of Revenues and Expenditures.

**Memorandum entry only, where applicable.

DELEGATE AGENCY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX

NOTE 3. RECEIVABLES (CONTINUED)

Prior-year program (identify program year) expenditures over revenues	\$ <u>XXX</u>
	\$ <u>XXX</u>
Due from other programs/agencies consists of:	
Loan to XYZ program (identify program year and purpose of loan)	\$ X, XXX
Loan to ADY agency (identify program year and purpose of loan)	<u>X, XXX</u>
	<u>\$ XX, XXX</u>
Accounts receivable consists of:	
Due from employees (identify employee and program year)	\$ X, XXX
Fees collected in month subsequent to year-end	<u>X, XXX</u>
	<u>\$ X, XXX</u>

NOTE 4. PREPAID EXPENSES

Prepaid expenses consist of the following at June 30, 20XX:

Prepaid insurance (specify type of insurance, (excluding amounts centrally paid by HRA, total premium, and period of coverage)	\$ XXX
Prepaid rent (specify type of rent, total rent, and period of rental)	<u>XXX</u>
	<u>\$ XXX</u>

DELEGATE AGENCY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX

NOTE 5. SECURITY DEPOSITS

Security deposits consist of the following at June 30, 20XX:

Rental deposit on main office located at 000
125th Street, including accrued interest of \$XX. \$XXX

NOTE 6. ACCOUNTS PAYABLE

Accounts payable consist of the following at June 30, 20XX:

<u>Vendor</u>	<u>Invoice</u> <u>Amount</u>	<u>Date</u>	<u>Unliquidated</u> <u>Date Paid</u>	<u>Balance</u>
---------------	---------------------------------	-------------	---	----------------

Current-year program:

(LIST EACH PAYABLE)

Prior-year program:

(LIST EACH PAYABLE)

NOTE 7. ACCRUED EXPENDITURES

Accrued expenditures consist of the following at June 30, 20XX:

Current-year program:

Accrued salaries for period 6-21-XX to 6-30-XX \$XXX

Prior-year program:

NONE

DELEGATE AGENCY PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 20XX

NOTE 8. OTHER PAYABLES

Due to HRA consists of:

Current-year program:

Funds available:

Cash received from HRA	\$ XX, XXX
Other revenues*	XX, XXX
Expenditures (including accruals)	(XX, XXX)
Adjustments (provide explanation)	<u>(X, XXX)</u>
Ending balance:	<u>XX, XXX</u>

Prior-year programs:

Beginning balance	X,XXX
Cash received	X,XXX
Expenditures (including accruals)	X,XXX
Adjustments (provide explanation)	X,XXX
Prior-year questioned costs**	<u>X,XXX</u>
Ending balance:	<u>X,XXX</u>

Inventory***	<u>X,XXX</u>
	<u>\$ XX,XXX</u>

Due to other governmental agencies or units consists of:

Current-year program revenues over expenditures	\$ X,XXX
--	----------

Prior-year program (identify program year) revenues over expenditures	<u>XXX</u>
	<u>\$ XXX</u>

Due to other programs/agencies consists of:

Loan from XYZ program (identify program and purpose of loan)	\$ X,XXX
---	----------

Loan from ADY agency (identify program year and purpose of loan)	<u>X,XXX</u>
	<u>\$ X,XXX</u>

* Agrees with amount reported in Statement of Revenues and Expenditures.

** Prior-year questioned costs are recorded as a receivable from the contractor and a payable to HRA.

*** Memorandum entry only, where applicable.

**DELEGATE AGENCY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX**

NOTE 9. LEASE COMMITMENTS

The Agency leases the main office under an operating lease that expires in 20XX and equipment (specify type) that expires over the next X years.

Commitments under operating lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

<u>For the year ending</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
20XX	\$ 5,000	\$ 2,500	\$ 7,500
20XY	5,000	2,500	7,500
20XZ	5,000	2,500	7,500
20YA	5,000	2,500	7,500
20YB	5,000	2,500	7,500
Thereafter	<u>13,500</u>	—	<u>13,500</u>
Total	<u>\$38,500</u>	<u>\$12,500</u>	<u>\$51,000</u>

20XX rent expense was \$7,500. The cost per square foot for the facilities was \$10.50.

(If the lease agreement contains minimum rentals, contingent rentals, and/or sublease rentals, see SFAS No. 13, Appendix D for disclosure guidance.)

NOTE 10. CONTRACTUAL AGREEMENTS

The contractual agreements disclosure should include those significant contractual agreements (excluding the leases reported in the lease footnote) related to the delegate agency (e.g., month-to-month leases or maintenance contracts). The disclosures, at a minimum, should include:

- A. nature of agreements;
- B. future commitments under the agreements, including amounts committed and period of time; and
- C. any involvement with related parties.

DELEGATE AGENCY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX

NOTE 11. COST ALLOCATION

Some of the administrative expenditures charged to the Agency consist of indirect costs that were allocated by a cost-allocation plan from the general administrative expenditures of the Sponsor. The indirect costs were allocated on the following basis:

- o Rent - Square footage
- o Utilities - Square footage
- o Payroll - Number of personnel
- o Accounting - Number of transactions

Indirect costs charged to the delegate agency totaled \$XX,XXX and consists of the following components:

Utilities	\$
Rent	\$
Administrative salaries	\$
Accounting	\$

NOTE 12. CONTINGENT LIABILITIES*

The Agency participates in a number of federal, state, or locally assisted grant programs, of which the principal items are (describe each program). These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of the (se) program(s) for or including the year ended June 30, 20XX, have not yet been conducted. Accordingly, the Agency's compliance with applicable grant requirements will be established at some future date. The amount, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the agency expects such amounts, if any, to be immaterial.

*This footnote should be appropriately modified to reflect contingency-related current-and prior-year questioned costs.

DELEGATE AGENCY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 20XX

NOTE 13. RELATED PARTIES

Related-party disclosures should include as a minimum:

- A. the nature of the relationship(s) involved;
- B. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which statements of revenues and expenditures are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements;
- C. the dollar amounts of transactions for each of the periods for which statements of revenues and expenditures are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and
- D. amounts due from or to related parties as of the date of each statement of assets and liabilities presented and, if not otherwise apparent, the terms and manner of settlement.

See SFAS No. 57, "Related Parties" for additional information.

NOTE 14. INSURANCE COSTS

Insurance costs aggregating \$XX,XXX were paid by the City of New York on behalf of the delegate agency program and are not reflected in the financial statements. The components of the centrally-paid insurance costs include:

Health	\$XX,XXX
Disability	XX,XXX
Life	XX,XXX
Accident, death, and dismemberment	XX,XXX
Workers' compensation	XX,XXX
General liability	XX,XXX
Property insurance	XX,XXX
Fatality policy	<u>XX,XXX</u>
	<u>\$XX,XXX</u>

FOR THE YEAR ENDED JUNE 30, 20XX

Salaries:

Current-period questioned costs:

The program exceeded the fringe benefit budget line for the year \$ X,XXX

Mr. John Doe was paid in excess of the amount budgeted for his position during the year X,XXX
\$XX,XXX

Consumable Supplies:

Current-period questioned costs:

Invoice number 1263 dated 11-2-XX from No Good Supply Company contained a credit for returned merchandise that was originally charged to the consumable supplies budget line, and the delegate agency did not record the credit \$ XXX

No supporting documentation was available for the following disbursements:

<u>Check Number</u>	
1125	\$ XXX
1368	X,XXX
1572	X,XXX
1574	X,XXX
2143	<u>X,XXX</u>
<u>\$ X,XXX</u>	

Cumulative questioned costs (annual audit only):

No support documentation was available for a cash disbursement with check number 982

Schedule B

**DELEGATE AGENCY PROGRAM
SCHEDULE OF CONSULTANTS
FOR THE 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

Note: This schedule is not required if there are no consultants.

Schedule C

DELEGATE AGENCY PROGRAM

**SCHEDULE OF FIXED ASSETS INVENTORY
JUNE 30, 20XX**

<u>Quantity</u>	<u>Description*</u>	<u>Date Purchased</u>	<u>Cost</u>
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*Include serial or tag number, if available.

Schedule D

DELEGATE AGENCY PROGRAM

**LIST OF CHECKS OUTSTANDING SIX MONTHS OR LONGER
JUNE 30, 20XX**

<u>Payee</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
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Note: This information may be presented in the notes. The auditor should determine compliance with New York State escheat laws (see Section 2200.65).

This schedule is not required if there are no checks outstanding six months or longer.

Schedule E

DELEGATE AGENCY PROGRAM

**MISCELLANEOUS EXPENDITURES IN EXCESS OF \$100
FOR THE YEAR ENDED JUNE 30, 20XX**

<u>Vendor</u>	<u>Nature of Expenditure</u>	<u>Date of Check</u>	<u>Amount</u>
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Note: This schedule is not required if there are no miscellaneous expenditures.

Schedule F

DELEGATE AGENCY PROGRAM

SCHEDULE OF QUANTITATIVE PROGRAM RESULTS FOR THE YEAR ENDED JUNE 30, 20XX

This schedule is only an example and is not required for all programs. See Sections 3000 to 9000 of this Audit Guide for those quantitative program requirements provided for some grant contracts.

If applicable to the program under audit, this schedule should include the percentage or administrative expenditures to total expenditures.

EXAMPLE

1. Average Daily Attendance
 - A. The average daily attendance at this center for the year under audit was 140 seniors.
 - B. This center is contracted to service at least 150 seniors a day.
2. Average Number of Meals Served
 - A. The average number of meals served daily at this center for the year under audit was 136 seniors.
 - B. This center is contracted to serve an average of 150 meals per day.
3. Average "Raw Food" Cost Per Meal
 - A. The average raw food costs per meal for the year under audit was \$.97.
 - B. This center's contract specifies that raw food costs per meal should not exceed \$1.00.

COMPLIANCE AND INTERNAL CONTROL SECTION

Introduction

The Agency, contracted by the City of New York, Human Resources Administration, [*Department of Name*], provides the following services under the contract: (description of services).

The contract was received for the year ending June 30, 20XX, and totals \$XXX,XXX for the period. The grant is being matched with funds from local services (describe sources). The local funds represent XX% of the total program.

Exit Conference

An exit conference was held on September 15, 20XX, at (location). In attendance were:

Delegate Agency Program:

Audit Firm:

(One member must be at least a manager.)

Human Resources Administration:

(If not in attendance, so state.)

The name and title of each person in attendance should be included.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING (CONTAINING NO FINDINGS)

To the Board of Trustees of
Delegate Agency Program

We have audited the financial statements of [*Delegate Agency Program*] as of and for the year ended June 30, 20XX, and have issued our report thereon dated September 30, 20XX. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and those contained in the Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether [*Delegate Agency Program*]'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered [*Delegate Agency Program*]'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**HRA AUDIT GUIDE
REVISED 2010
Section 2440.27**

In addition, as required by Section 2510.15 of this Audit Guide, we determined that quarterly payroll tax returns have been properly filed, and minutes of the Board of Directors have been reviewed to determine any effects they may have upon the audit.

This report is intended solely for the information and use of (Delegate Agency) and the Human Resources Administration and is not intended to be and should not be used by anyone other than the specified parties.

[Signature of Audit Firm]

September 30, 20XX

Notes:

1. The auditor, when considering whether he or she has a reportable condition, should consider materiality as defined by Governing Auditing Standards, as follows:

The auditor should consider materiality in planning the audit and in selecting the methodology and designing audit tests and procedures, as well as in deciding whether a matter requires disclosure in an audit report. One of the criteria to be considered in determining the materiality includes the monetary value of the item. However, materiality and significance often depend on qualitative as well as quantitative factors. Qualitative factors include, but are not limited to, the cumulative effect and impact of immaterial items, the objectives of the work undertaken, and the use of the reported information by the user or groups of users of the information. Decisions on these criteria are based on the auditor's professional judgment. In government audits, the materiality level and/or threshold of acceptable risk may be lower than in similar-type audits in the private sector because of the public accountability of the entity, the various legal and regulatory requirements, and the visibility and sensitivity of government programs, activities, and functions.

2. If the independent auditor's report on the financial statements is other than unqualified, the nature of the qualification should be set forth. The effect of the qualification on items in the financial statements that are used to determine compliance should be considered in rendering negative assurance as to compliance.
3. The auditor is required to perform a follow-up of prior-period reported compliance deficiencies. The follow-up is to be divided between follow-up of prior-period administrative compliance findings and prior-period questioned costs. This follow-up should be in all reports, and if there were no prior findings, the auditor's report should contain a positive statement to that effect.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING (WITH NO MATERIAL WEKANESSES OR REPORTABLE CONDITIONS)**

Human Resources Administration
180 Water Street, 22nd Floor
New York, New York 10038-4923

We have audited the financial statements of [*Delegate Agency Program*] as of and for the year ended June 30, 20XX, and have issued our report thereon dated September 30, 20XX. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and those contained in this Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether [*Delegate Agency Program*]'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as items (list finding reference numbers, for example, X1-1 and X1-2). [We also noted certain immaterial instances of noncompliance, which we have included as X2-1 and X2-2.]

Internal Control over Financial Reporting

In planning and performing our audit, we considered [*Delegate Agency Program*]'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect [*Delegate Agency Program*]'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items [List finding reference numbers, for example, X3-3 and X3-4].

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. [We also noted other matters involving the internal control over financial reporting, which we have included as X4-1 and X4-2.]

In addition, as required by Section 2510.15 of this Audit Guide, we determined that quarterly payroll tax returns have been properly filed, and minutes of the Board of Directors have been reviewed to determine any effects they may have upon the audit.

This report is intended solely for the information and use of (Delegate Agency) and the Human Resources Administration and is not intended to be and should not be used by anyone other than the specified parties.

[Signature of Audit Firm]

September 30, 20XX

Report With Reportable Conditions When Some Are Material Weaknesses. Government Auditing Standards requires identification of any conditions that are material weaknesses. When the auditor believes that some reportable conditions noted are of such magnitude as to be considered material weaknesses, the report is the same as the report illustrated in Section 2440.28, except that the next to the last sentence of the fourth paragraph would be replaced with the following:

However, of the reportable conditions described above, we consider items (list finding reference numbers, for example X1-3 and X1-X) to be material weaknesses.

Notes:

1. The auditor, when considering whether he or she has a reportable condition, should consider materiality as defined by Governing Auditing Standards, as follows:

The auditor should consider materiality and/or significance in planning the audit and in selecting the methodology and designing audit tests and procedures, as well as in deciding whether a matter requires disclosure in an audit report. One of the criteria to be considered in determining the materiality includes the monetary value of the item. However, materiality and significance often depend on qualitative as well as quantitative factors. Qualitative factors include, but are not limited to, the cumulative effect and impact of immaterial items, the objectives of the work undertaken, and the use of the reported information by the user or groups of users of the information. Decisions on these criteria are based on the auditor's professional judgment. In government audits, the materiality level and/or threshold of acceptable risk may be lower than in similar-type audits in the private sector because of the public accountability of the entity, the various legal and regulatory requirements, and the visibility and sensitivity of government programs, activities, and functions.

2. If the independent auditor's report on the financial statements is other than unqualified, the nature of the qualification should be set forth. The effect of the qualification on items in the financial statements that are used to determine compliance should be considered in rendering negative assurance as to compliance.
3. Government Auditing Standards (GAO Yellow Book), issued by the Comptroller General of the United States, requires the following regarding presentation of audit findings:

- o **The report should include a full discussion of the audit findings and, where applicable, the auditor's conclusions.**
 - The report should present the significant findings developed in response to the audit objective. Sufficient, competent, and relevant information about findings should be included to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective. Appropriate background information that readers need to understand the findings should also be included.
 - Audit findings have often been regarded as containing the elements of criteria, condition, and effect, plus cause when problems are found. However, the elements needed for a complete finding depend entirely on the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are satisfied and the report clearly relates those objectives to the finding's elements.
 - The report should contain conclusions when called for by the audit objectives. Conclusions should be specified and not left to be inferred by readers. The report should not be written on the basis that a bare recital of facts makes the conclusions inescapable.
- o **The report should include the cause of problem areas noted in the audit and recommendations for actions to correct the problem areas and to improve operations.**
 - The report should include a discussion of cause when problems are reported and the audit objectives call for development of the reasons for the problems. In some audits, the objectives may be limited to identifying whether a problem exists, with no requirement for identifying the cause, even if a problem is found.
 - Identifying the underlying cause of problems found is helpful in making constructive recommendations to achieve corrective action. When auditors know why something happened, they can more readily determine what action is needed to prevent its recurrence.
 - Because problems can result from a number of plausible factors, auditors need to clearly demonstrate and explain, with applicable evidence and reasoning, the link between the problem and the factor or factors identified as the cause. In some cases, the auditors may need to describe how they isolated the stated cause or causes from other plausible factors. This is not a requirement for proof of a casual relationship, but a requirement for a reasonable, persuasive argument.

- The report should contain recommendations when the potential for significant improvement in operations and performance is substantiated by the reported findings and recommendations are called for by the audit objectives. Recommendations to effect compliance with laws and regulations and to improve internal control should also be made when significant instances of noncompliance are noted or significant weaknesses in control are found.
 - Reports that contain constructive recommendations can encourage improvements in the conduct of government programs and activities. Recommendations are most constructive when they are directed at resolving the cause of identified problems, are action-oriented and specific, and are addressed to parties that need to act. Recommendations also need to be feasible and cost-effective.
5. The auditor should place his or her findings in proper perspective. The extent of noncompliance should be related to the number of cases examined to give the reader a basis for judging the prevalence of noncompliance.
 6. The findings Sections should be appropriately segregated between current period and prior period findings. The auditor is required to perform a follow-up of prior reported compliance deficiencies. The follow-up is to be divided between follow-up of prior period administrative compliance findings and prior period questioned costs. This follow-up should be in all reports and if there were no prior findings, the auditor's report should contain a positive statement to that effect.
 7. In the event exceptions are reported as a result of tests performed, the auditor should consider the extent to which the pervasiveness of reported exceptions may affect the auditor's ability to express negative assurance with respect to items not tested.

MEDICAL INSURANCE AND COMMUNITY SERVICE ADMINISTRATION

.01 The Medical Insurance and Community Service Administration (MICSA) is responsible for the administration of the Medicaid and the home care programs.

**SECTION 3100
HOME CARE SERVICES**

Program Background

.01 The Home Care Services Program (HCSP) is responsible for the determination of Medicaid recipient eligibility, recipient services, payment of provider bills, submission of claims for state and federal reimbursement, and auditing Medicaid-related contracts. HCSP provides the aged and disabled with personal care, which enables recipients to live independently in their homes for as long as possible. The HCSP contracts with vendor agencies to provide Housekeeper and Home Attendant services to eligible clients.

.02 This section is organized by program as follows:

- Home Attendant Vendor Program
 - Home Attendant Program
 - Difficult to Serve Home Attendant (DTS)
 - Home Attendant - Housekeeper (Dual Service Contract in the Bronx effective July 2008)
- Housekeeper Vendor Program
- Consumer Directed Personal Assistant Program (CDPAP)
- Home Attendant Vendor Training Program

Home Attendant Vendor Program

Program Description

.01 Home Attendant Service is one of the home care services offered by HRA to individuals who are medically disabled and/or handicapped. A primary goal of the program is to retain clients in the community who are incapacitated and might otherwise be institutionalized. As such, the program provides a variety of personal care services. The home attendant is responsible for assisting the client with feeding, ambulation, bathing, toileting, personal grooming, dressing, money management, general cleaning, marketing, laundry, ironing, meal preparation, and errands, as required to maintain the client in his or her own home. Under the vendor process, HRA authorizes service for clients, and the client's case is then referred to a vendor agency (delegate agency). The delegate agency then secures a home attendant to provide the service. It is the delegate agency's responsibility to continue providing the services authorized by HRA (i.e., number of hours of service per week and the tasks to be performed) until such services are terminated by HRA. The authorization and the termination of the service are the sole responsibility of HRA. HRA is also charged with the responsibility of monitoring the delegate agency's managerial control, fiscal accountability, and cost-effectiveness of service delivery. The Difficult to Serve (DTS) Home Attendant contract provides home care services to clients, whom "non-DTS" vendors have had difficulty with and who have been identified as needing additional social service supports.

.02 The delegate agencies are reimbursed through the New York State Department of Social Services' Medicaid Management Information System (MMIS). The reimbursement is based on a unit rate, which includes: direct costs of home attendant wages and fringe benefits, indirect costs of administrative staff wages and fringe benefits, and general administration costs of other than personnel services. In addition, Not-for-profit delegate agencies that have held contracts continuously since 1996 have been provided an advance equal to approximately four weeks of their authorized service hours in their fund balance.

.03 The process for obtaining reimbursement is as follows: home attendants assigned to provide services to clients record their time through a computerized Automated Time and Leave (ATL) system. The ATL system provides payroll and service information directly to the delegate agency's computer service bureau. Two ATL systems are currently approved by HRA: Santrax by Sandata Technologies and Celltrak by Celltrak Technologies. Home Attendant time records are the source data for claims billing and reimbursement.

The computer service bureau matches the Home Attendant time records and service provided against HRA's Prior Approval File. Weekly updates of the HRA Prior Approval File are sent to the computer service bureaus. The computer service bureaus prepare a listing of all time records that match HRA's Prior Approval File. This billing file is sent to MMIS weekly and matched against the MMIS Prior Approval File, which generates the following:

- MMIS Remittance Statement, which lists valid, pending, and denied claims. The surplus income due is the difference between the amount billed and paid on the Remittance Statement. The Remittance Statement is forwarded to the computer service bureaus and HRA. Computer service bureau hard and electronic report copies for the delegate agencies contain the same information but are not necessarily in the same report format. There are report layout variations among the different service bureaus.
- A statement that shows the gross amount of the reimbursement (less surplus income due) based on the valid bills, the amount being withheld to repay the advance, if applicable, and a net amount based on the gross billings less the recoveries, if any.
- A check in the amount of the net valid billings (gross reimbursement less surplus income due).

.04 The auditor should also calculate the claims for the audit period, in terms of the number of service hours and their dollar value, that have been submitted to MMIS. Those claims that have been determined valid by MMIS will be captioned in the financial statements under revenues as “Authorized and Validated Claims”.

Those claims that are open, on hold, pending, or denied and are still outstanding at the end of field work should be captioned in the financial statements under revenues as “Authorized but not yet Validated Claims”. Open claims are claims that have been submitted to MMIS but have not been processed. Hold claims are claims that have not been submitted to MMIS for processing by the computer service bureau due to discrepancies between the claim billing data and the HRA Prior Approval file. Pending and denied claims are claims that have not been paid by MMIS due to discrepancies between the claims billing information and the MMIS Prior Approval data. All claims on hold, pending, or denied must be researched by the delegate agency. The delegate agency is responsible to make all necessary billing corrections and/or obtain prior approval corrections to ensure that every reimbursable claim is submitted to MMIS for processing and payment.

.05 HRA Contracts Fiscal Operations will determine and designate the specific Remittance Statement Weekending date to be used to maintain system-wide delegate agency Audit conformity and consistency. The footnote should disclose these MMIS Remittance Statement Weekending date used in determining the total revenue for the period under audit. Additionally, the note should include a listing of all documents (with corresponding dates) used to obtain the above information. For example, MMIS Accounts Receivable Report, Directors Management Analysis of Billable hours, Submission Reports, Remittance Reports, Hold, Open, Pending, Denied, etc.

.06 Certain clients receiving Home Care Services have monthly incomes above the Medicaid ceiling. These clients are required to spend their surplus funds to the extent they exceed the Medicaid ceiling. They are eligible for Medicaid coverage because their cost of medical care (including Home Attendant Service) is greater than the amount by which their monthly income exceeds the Medicaid ceiling. The monthly surplus amount (surplus income) is determined by HRA when home attendant applicants apply for Medicaid eligibility.

.07 Each delegate agency is responsible for: maintaining a surplus income collection system that must be approved by HRA, maintaining a subsidiary ledger for surplus income receivables with a receivable control account in the general ledger, billing its clients monthly for surplus income amounts, and collecting funds. The MMIS billings are reduced by the client's surplus income liability, whether or not collected. The surplus income amount must be subtracted from the billings to the MMIS system. The auditor must test the surplus income collection system and include material weaknesses in the report on internal accounting control.

.08 Time records. Weekly time records from an Automated Time and Leave (ATL) system must be generated for the home attendant.

Review procedures should include:

- reconciling the hours listed as worked on the time record with the hours authorized by HRA;
- determining that records are maintained in a readily accessible system;
- determining that manual adjustments to the ATL system have supervisor approval and documented reasons.

.09 Administrative staff must have weekly timesheets or timecards. The weekly timesheets and/or timecards must be approved by staff members' supervisors. In the case of Director, timesheets must be approved by the Board of Directors or Board designated non-delegate agency employee representative.

Review procedures should include:

- tracing the timesheets/timecards to time and leave records of individuals;
- determining that copies of the timesheets/timecards are maintained in a readily accessible filing system;
- determining that the entries are posted from the timesheets/timecards on a current basis to the time and leave records; and
- determining that the time and leave balance records are accurate and current.

The personnel file for each individual should contain the date hired and amount of leave to be earned (e.g.: one day for every 26 days of work and the amount carried over from prior periods). The auditor should determine that the calculations are correct and that carryovers of leave from prior periods conform to HRA maximum leave allowances (HRA Memorandum). Administrative staff can only carryover two years of accrued annual leave to the next fiscal year. Accrued leave in excess of the maximum carryover limit must be subtracted from the balance at Fiscal Year-End.

Audit Requirements

.10 Claim Process Review. The objective of this review is to evaluate the adequacy of the delegate agency's procedures to process claims to MMIS and to determine if the total valid claims for the audit period are supported by the delegate agency's books and records.

.11 The filing system for time records, HRA Prior Approval File non-matches, MMIS submission report (listing of claim prepared by the delegate agency's computer service bureau and submitted to MMIS), and MMIS Remittance Statement should be reviewed and evaluated as to the accessibility and effectiveness of the system. The above-mentioned items should be filed by service week, and the filing system should include a log that lists the agency's billings by service week.

.12 From the representative sample MMIS submission reports, select a representative sample number of billing claims for testing.

.13 For all claims selected for testing:

- trace the recipient's Social Security number, authorization period, and authorized hours to Form M-11a;
- trace hours worked and billed for the recipient to the respective home attendant time records;
- on a test basis and in conjunction with the above procedures, the auditor should determine that the delegate agency bills MMIS for only the hours actually worked. Hours not worked (such as holiday pay) should be charged to the fringe benefits account and not billed to MMIS as hours worked; and
- trace hours billed to an MMIS Remittance Statement for valid, pending, or denied claims or to the HRA Prior Approval File for non-matches.

.14 For pending, denied, and HRA Prior Approval File non-match claims:

- verify that the cause for the claims being pending or denied, or non-matches on the HRA Prior Approval File (e.g., wrong Social Security number, authorization periods, and/or authorized hours) were corrected; and
- verify that a corrected claim was determined valid and resubmitted for payment.

.15 For total valid claims:

- deduct, for each week in the audit period, prior fiscal-year valid hours from total valid hours on each MMIS Remittance Statement;
- summarize total adjusted valid hours per the MMIS Remittance Statement reports for the audit period; and
- reconcile total adjusted valid hours for audit period with the delegate agency's books and records.

Accounts Receivable Authorized and Validated/Not Yet Validated Claims

.16 The receivables footnote should contain an analysis of each individual receivable balance, divided into current-year, and past year. An appropriate description of the nature of the receivable is to be provided. Subsequent collections for current, past and prior years, as applicable, should be appropriately disclosed.

The accounts receivable - authorized and validated, and accounts receivable -authorized and not yet validated footnotes should contain the following:

- Accounts receivable - authorized and validated claims:
The \$XXX,XXX represents billings paid through remittance date August XX, 20XX, for which the MMIS reimbursement was received subsequent to June 30, 20XX.

- Accounts receivable - authorized but not yet validated claims separated by current year and past years:
Schedule of claims that are open, on hold, pended, or denied in detailed dollar amount and are still Outstanding through remittance date August XX, 20XX.

.17 The auditor should include an internal accounting control material weakness finding for delegate agency billing system deficiencies when the total fiscal year receivables exceed ten (10) days of billings.

.18 Reconciliation of Payroll Hours to Serviced Hours. Delegate agencies are required to maintain a Reconciliation of Payroll Work Hours to Service Hours Processed. Include the Reconciliation of Payroll Hours and Billed service hours processed (validated and not yet validated) for the audit period in the notes to the financial statements. The note should state total payroll work hours and method of computation and total service hours and method of computation (should agree with schedule of MMIS revenue). The difference between the total payroll hours and the total service hours should be reconciled by the delegate agency and the reasons for the differences should be delineated in detail and stated. A difference exceeding 1/10 of 1% of payroll work hours to total serviced hours is an internal accounting control non-material weakness finding. Any service hours deemed as non-billable or non-reimbursable in writing by HRA Contracts or HRA Fiscal Operations is not to be counted in calculating this threshold.

.19 Other The auditor should determine whether the delegate agency has obtained and maintained all contract required insurance coverage (i.e.: workers' compensation, disability, general liability, and bonding insurance). Failure to obtain the required insurances should be disclosed in the compliance report. Professional Liability Insurance (home care worker and Administrative staff) and Directors' Liability Insurance are not required insurances but may be purchased only as a GAIL expense within the approved GAIL budget. HRA will determine and provide the maximum allowable limit for Direct Labor insurance expenditures in each delegate agency's HRA issued Direct Labor Rate Calculation sheet. Insurance expenditures exceeding established maximums are to be listed as disallowed costs and a material finding in the audit report. HRA continues to purchase workers' compensation, disability, general liability, and bonding insurance on behalf of the Not-for-Profit Home Attendant agencies.

.20 Health Insurance Coverage. The NYS approved MMIS rate for each vendor includes a rate component per reimbursed work hour to accommodate home care worker health insurance payments. It is the responsibility of each vendor to pay the appropriate union trust fund the agreed-upon premium for health insurance on a monthly basis. However, since this component of the Home Attendant rate must be used exclusively to cover insurance costs, the auditor should determine whether the delegate agency has obtained all the insurance coverage required by the contract and has made correct Health Insurance liability calculation based on total service hours. The Health Insurance Liability is the remittances to the union trust fund based on paid service hours and an accrued payable balance based on receivables (not yet validated). Failure to obtain the required insurance should be disclosed in the compliance report.

A few delegate agencies that are not unionized may have escrow accounts or benefit trust funds or have taken out private insurance policies for their employees, and will make periodic premium payments. Payments must not exceed the total reimbursed and allowable health insurance component of their rate. Payments in excess of a delegate agency's total reimbursed and allowable health insurance rate component of are to be categorized as disallowed costs and a material finding. Additionally, home attendants working for a non-union employer may waive health insurance and receive an hourly pay rate differential of \$1.50 in lieu of coverage. A home care worker may not receive the differential and also receive health coverage. The auditor should obtain a listing of home care workers receiving the \$1.50 differential and cross check names against the names on the health insurance invoice.

Surplus Income System Review

.21 Each delegate agency is responsible for: maintaining a surplus income collection system, an aged subsidiary ledger for surplus income receivables with a receivable control account in the general ledger, bill its clients monthly for surplus income amounts and collect payments. The MMIS billings are reduced by the client's surplus income billed, whether collected or not. The monthly surplus income amount must be subtracted from the claims billed to MMIS.

The objective of this review is to evaluate the adequacy of the delegate agency's surplus income collection system and to determine if the surplus income billed and amount collected in the audit period is supported by the agency's books and records. In addition to the test work performed on the income collection system, the auditor is required to test the validity of the receivables.

.22 The auditor should perform the following tests of the surplus income collection system and should report any weaknesses in the report on internal control structure:

- From the population of MMIS client billings during the audit period, select a representative sample for testing, taking into consideration that surplus income is required to be reported to MMIS at the beginning of the month. The sample should include both clients who are billed and who are not billed for surplus income.
- For all items selected for testing:
 - trace the recipient's Social Security number and monthly surplus reported to MMIS to the surplus indicated on the HRA Prior Authorization File;

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- trace, if applicable, that a bill was prepared and sent to the recipient;
- trace that the receipt of the funds was properly recorded in the appropriate books and records of the agency; and
- verify that the next month's bill includes the surplus previously billed, less amounts collected.
- For bills not paid, determine that the delegate agency adheres to all HRA requirements and standards for a surplus income collection system as it pertains to nonpayment of bills.
- trace client surplus income billing to the MMIS client billed hours to ensure net billing to NYS EMedNY. Non-compliance (or duplicate billing) is a material finding.

.23 The statement of assets, liabilities, and fund balance must separately disclose the client surplus income receivable balance as of the audit date. The footnote disclosure should contain the following:

The \$XXX,XXX represents client surplus income billed but not collected as of June 30, 20XX, as follows:

Beginning balance July 1, 20XX		\$XXX,XXX
Client surplus income billed for the period July 1, 20XX to June 30, 20XX	\$XXX,XXX	
Less: cash collected July 1, 20XX to June 30, 20XX	<u>\$XXX,XXX</u>	
Less: HRA authorized Write-offs and adjustments	<u>\$XXX,XXX</u>	\$XXX,XXX
Receivable, as of June 30, 20XX		<u>\$XXX,XXX</u>

The aging of the client surplus income receivable, as of June 30, 20XX, is as follows:

Amounts owed 0-90 days		\$XXX,XXX
Amounts owed 91 days and over		<u>\$XXX,XXX</u>
Total receivable		<u>\$XXX,XXX</u>
Current FY Surplus Income Collected ÷ Current FY Surplus Income Billed as %		XX%

Annual Leave, Sick Leave and Holiday Pay

.24 Home attendant unused annual leave should be calculated and accrued in the financial statements (only vested annual leave should be accrued in the financial statements). The maximum earned annual and

sick leave is the lesser of 10 days or 120 hours. The maximum carryover of unused annual and sick leave accrual is specified in each respective delegate agency's union collective bargaining agreement. For instance, the 1199 union agreement limits accrued annual leave carryover to 5 days or 60 hours; accrued sick leave carryover is limited to 10 days or 120 hours. The 32B-J/1199 sick leave carryover maximum is 20 days or 240 hours. All paid holidays and applicable holiday pay rates are also delineated in union agreements.

Note: the auditor must ensure that annual leave is not charged to the program as both earned accrued leave and paid leave.

Home attendants' unused sick leave should also be calculated but it should be presented only in the footnotes to the financial statements. Sick leave is not payable upon termination of employment whether voluntary or non-voluntary.

Auditors must ensure that the maximum carryover limits are reflected in the delegate agency's financials as well as in each Home Attendant's accrued leave record. At the end of each fiscal year-end, accrued annual leave and sick leave hours in excess of the carryover maximums must be deducted from home attendant accrued leave balances. Delegate agencies should provide the Auditor with written documentation from their computer service bureau that programming had been implemented to adjust year-end balances to the allowable carryover maximums for the audit year.

Non-union delegate agencies must adhere to the same earned leave and carryover maximums as union agencies. Further guidance can be obtained from BARC and Home Care Contracts. Failure to adhere to the applicable allowable carryover maximums should be an internal accounting control finding.

.25 For administrative staff, the dollar amount of unused annual leave and sick leave should be calculated and reported in the summary of significant accounting policies footnote. The maximum fiscal year-end annual leave carryover is two years of earned annual leave. Auditors should obtain each delegate agency's administrative personnel policy for earned annual leave and sick leave. For example, if the earned annual leave is three (3) weeks per year, the maximum unused annual leave carryover is six (6) weeks. Fiscal year-end carryover accrued annual leave balances must be adjusted to the maximum two year limit. There is no limit to sick leave carryover and accrued sick leave can not be paid upon termination.

Collective Bargaining Agreements/Retroactive Salary Increases

.26 Audit requirements as stipulated in Section 2200.14-.16 must be adhered to. Revenues received (not accrued) for reimbursement of retroactive salaries should be reflected separately in the statement of revenues and expenditures.

Cost Allocation

.27 The charges for an agency's cost-allocated staff must have HRA written prior approval and are usually determined as a percentage of the work time and total salary a person receives from sponsoring agency, by that employee's salary from the records of the sponsoring agency, and by examining the delegate agency's records of the time spent and work performed by the cost-allocated staff. The delegate agency's cost-allocation methodologies and bases and the budget should be examined to determine the percentage of work time, salary, and expenditures that may be allocated to the delegate agency. All cost allocations must be necessary, reasonable and program related to the direct or indirect provision of home attendant services. Discrepancies should be questioned and listed as disallowed costs.

The auditor should review the cost-allocation methodologies and bases for determining the direct and indirect budget items and state in the report:

- whether the budget cost-allocation methodologies and expenses have HRA prior approval;
- a description of the allocation bases used for the expenditures in the budget;
- the appropriateness of the cost-allocation methodologies and allocation bases used for expenditures in the budget;
- whether or not the same allocated costs were charged to agencies other than the delegate agency or as direct costs to the delegate agency.
- for each expense the % of the allocated portion compared to the total expense.
- if a particular cost-allocation method and/or base was deemed inappropriate, the auditor should state the reasons and the cost-allocation methodology and allocation base used in computing expenditures per audit.
- if a particular cost allocated expense is deemed not necessary, excessive or non-program related, the auditor should list the expense as "questioned and disallowed" and state the specific reason for disallowance.

See Section 2300 for additional requirements and guidance.

Questioned and Recommended Disallowed Costs

.28 Questioned costs consists of expenditures that are not documented or not adequately documented and/or, in the opinion of the auditor, are questionable as to their benefit to the program (e.g., an unreasonable expenditure). This would include any expense deemed unnecessary, excessive or not program related to the provision of Home Attendant services. Questioned costs would also include, but are not limited to, prohibited expenditures delineated in the Home Attendant Services Contract or Agreement and expenditures exceeding the approved GAIL budget. All questioned costs are to be listed as recommended disallowed costs and categorized as a separate item under Due from Sponsor. Due from Sponsor items should be listed separately with detailed explanations.

.29 The Schedule of Questioned and Recommended Disallowed Costs for the Home Attendant Program should list, but are not limited to, the following:

- o any expense not actually incurred in the performance of this agreement;
- o severance pay upon termination of employment; payments for accrued unused sick leave;
- o payments or investment in any manner in real property;
- o travel, outside New York State, except as approved by Home Care Services Program;
- o financing, distributing, and publishing materials of a partisan political nature;
- o board stipends exceeding \$25 per director, per meeting.
- o operating expenses or costs exceeding the approved GAIL Budget
- o allocated expenses prohibited by regulations, not necessary, excessive or not program related
- o Direct Labor expenses not approved by HRA or in violation of NYC or NYS or Federal Regulations

Budgets

.30 The home attendant budget consists of 1) a Direct Rate for direct home attendant wages and fringe benefits; 2) an Indirect bottom line budget for general administration (other than personal service costs) and indirect administrative staff salaries and fringe benefits (a.k.a. GAIL budget).

For-profit delegate agencies and some not-for-profit delegated agencies with centralized or shared administrative operations are permitted to allocate expenses. Allocated expenses are to be listed as a component of the GAIL budget. All GAIL expenses, including allocated costs, must be necessary, reasonable and program related to the direct or indirect provision of home attendant services to clients. Any expenditure deemed to be not necessary, reasonable or program related is to be questioned and disallowed. Total operating costs including allocated expenses can not exceed the approved GAIL budget. Expenses exceeding the approved budgeted amounts are to be listed on the Schedule of Questioned and Disallowed Costs.

Unclaimed Wages

.31 In order to comply with the New York State Abandoned Property Law, the Accounting Practice Guideline (APG 86-1) establishes its application to Purchase of Services Contractors doing business and having contracts with HRA. This guideline applies to employee wages and annual leave that were not picked up, did not clear the bank, or outstanding payroll checks that remained un-cashed for an extended period and subsequently voided. The respective amount is to be considered abandoned property when the individual transaction is not settled within three (3) years. Those unclaimed wages should be properly classified and disclosed in the financial statements and, once considered abandoned property, should be paid over to the New York State Comptroller in accordance with NYS regulations. The payment should be made by check drawn from an account established for unclaimed checks.

The auditor should review agency compliance with the above procedures and should determine whether the general ledger control account is supported by a detailed subsidiary, record. Any deficiencies should be disclosed a finding in the Independent Auditors Report on Compliance.

Fund Balance

.32 If revenues exceed allowable expenditures, the excess should be reflected in the restricted fund balance as Due to HRA. Each disallowed expense, if any, should be listed on separate lines with a description under Due from Sponsor.

If allowable total expenditures exceed revenues, the deficiency should be absorbed by the previously established restricted fund balance. If the restricted fund balance is exhausted, the excess deficit should be reflected as Due from HRA. A fund deficit is not to be established.

The following restricted fund balance analysis should be included in the notes to the financial statements:

Fund balance, restricted - beginning of period	\$XXX,XXX
Adjustments to beginning fund balance*	
Prior period revenues received during current FY	\$ XX,XXX
Prior period expenditures expensed during current FY	(\$ XX,XXX)
Fund balance, restricted - beginning of period, as restated ¹	<u>\$XXX,XXX</u>
Less: HRA Approved Write-Off of Receivables	\$XXX
FY ^{xxxx} Excess (deficiency) of revenues over (under) expenditures	<u>\$XX,XXX</u>
Due from Sponsor	<u>\$X,XXX</u>
Fund balance, restricted - end of period	<u>\$XXX,XXX</u>

“*Adjustments to beginning fund balance” are items that occurred during the current period that apply to a prior fiscal period, including retroactive salary adjustments, rate adjustments applicable to a prior year, payment and/or settlement of all prior year accruals, and corrections of erroneous opening balances due to errors in prior period. Details describing each adjustment must be disclosed in this footnote.

Revenues

.33 The auditor should obtain from the vendor agency, and must verify their accuracy, the claims for the audit period, in terms of the number of service hours and their dollar value, that have been submitted to MMIS. Those claims that have been determined valid by MMIS will be captioned in the financial statements under Revenues as "Authorized and Validated Claims." Those claims that are open, on hold, pended or denied and are still outstanding at the end of field work should be captioned in the financial statements under Revenues as "Authorized but not yet Validated Claims." The footnote should also disclose the week-ending date of the last MMIS Remittance Statement used in determining revenue for the period under audit. Include all documents (with dates) used to obtain the above information; for example: MMIS Accounts Receivable Reports, Directors Management Analysis of Billable Hours, Submission Reports, Remittance Reports, Hold, Open, Pend, Denied, etc.

Bank Accounts

.34 Bank Accounts. Delegate agencies are required to establish and maintain within the City of New York separate insured bank accounts (e.g.: FDIC, etc.) for all funds received pursuant to their contract. Delegate agencies must not commingle the funds with monies received from any other source or under any other agreement *except* a prior HRA Home Attendant or Housekeeper Services agreement. Any changes to bank accounts must be provided in writing to HRA within thirty (30) days of change, including but not limited to change of names, signatories, locations and bank account numbers. Auditors must verify all banking requirements are followed by examining bank statements and testing that funds received from MMIS are appropriately deposited, maintained in segregated accounts and cash transfers

between accounts are appropriate. Delegate agencies with more than one HRA Home Care contract are not required to have separate bank accounts for each HRA contract. However, the revenues and expenditures for each contract must be clearly delineated, detailed and segregated in the financials so that separate audits can be conducted and separate audit reports can be issued. Failure to maintain the books, records and financials with proper detail and segregation is a material finding.

In addition to regular bank accounts, many if not all delegate agencies maintain a Line of Credit. Delegate agencies that access their Line of Credit must provide a schedule of activity that includes dates, amount accessed, repayments and outstanding balance at the end of the fiscal year. The utilization of the Line of Credit should be reviewed for appropriateness including but not limited to funding needs, interest charged, activity and transfer of funds. A summary of the Line of Credit activity (total annual amount accessed, total interest paid, and balance at year end) should be disclosed in a foot note of the Statement of Assets, Liabilities and Fund Balance.

Interest Income

.35 All vendors are required to keep excess revenues not needed for the immediate funding of program expenses in an interest bearing account. Interest income should be reported in the Statement of Revenues and Expenditures. Necessary, reasonable and direct program related bank charges can be charged against bank interest. If, however, bank charges are greater than interest earned for the current period, then the excess amount should be reflected in the bank charges category of OTPS. The cash footnote must disclose total gross interest income and total bank charges to arrive at the net interest amount. Bank charges must be necessary, reasonable and directly program related.

Reporting Requirements

Financial Statements

.36 The statement of assets, liabilities, and fund balance and the statement of revenues and expenditures presented in Section 3110.39 should be used.

.37 The statement of revenues and expenditures contains one column that requires additional explanation. The recommended disallowances and questioned costs column consists of the following:

- Recommended Disallowances. Consists of those expenditures clearly in violation of the grant agreement (e.g., prohibited expenditures, expenditures exceeding the approved budget, etc.). The recommended disallowances should be indicated with an asterisk (*) on the statement.
- Questioned Costs. Consists of those expenditures that are not documented and/or, in the opinion of the auditor, are questionable as to their benefit to the program (e.g., an unreasonable expenditure). See Appendix E for the HRA policy on cost-allocation plan for additional guidance on determining questioned costs.

Section 3110.38

- A detailed Schedule of Questioned Costs and Recommended Disallowances is to be provided containing an explanation of the recommended disallowances and questioned costs for each budget category.
- Bank charges, excluding interest, are allowable and should not be questioned if properly supported.

.38 The statement of assets, liabilities and fund balance should contain a separate liability category that shows the remaining outstanding advance funding, if any, at the end of the audit period.

Schedules

.39 The following supplementary financial schedules are required, where applicable, in addition to those enumerated in Section 2440:

- A. Schedule of Auditor's Adjustments
- B. Detailed Explanation of Questioned Costs and Recommended Disallowance
- C. Schedule of Per Hour Revenues and Costs
- C1. Schedule of HCRA revenues and expenditures
- D. Schedule of MMIS Revenue
- E. Schedule of Administrative Salaries
- F. Schedule of Lease and Contractual Agreements
- G. Schedule of Consultants
- H. Schedule of Administrative Pensions
- I. Schedule of Medical Provider Rates
- J. Schedule of Due to HRA
 - a. Include Profit Calculation (the For-Profit Agencies only)
- K. Schedule of Outstanding Checks Six (6) Months or Longer
- L. Schedule of Fixed Inventory
- M. Schedule of Quantitative Program Results (Not-for-Profit vendors only). The following information should be contained in the quantitative results schedule:
 - a. percentage of administrative expenditures to total expenditures;
 - b. total cost per audit, total number of hours serviced (validated and not yet validated), total cost per serviced hour, direct cost per serviced hour, indirect cost per serviced hour, and general administration cost per serviced hour. These items should be divided into the respective dollar amounts and percentages to one decimal point.
- N. Schedule of Allocated Salaries
- O. Schedule of Surplus Income Billed and Collected

HOME ATTENDANT VENDOR PROGRAM
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 20XX

Assets

Cash (Note 2):	
Cash in banks	\$
Petty cash	
Receivables:	
Due from Sponsor (Note 3)	
Authorized and validated claims (Note 4)	
Authorized but not yet validated claims (Note 5)	
Client surplus income (Note 6)	
Other Receivables	
Prepaid expenses (Note 7)	
Security deposits (Note 8)	_____
	\$_____

Liabilities and Fund Balance

Accounts payable (Note 10)	\$
Accrued expenditures (Note 11)	
Accrued payroll taxes	
Payroll taxes withheld	
Due to HRA (Note 12)	
Due to Sponsor (Note)	
Due to MMIS (Note 14)	
Unclaimed wages (Note 15)	_____
Total liabilities	
Commitments and contingent liabilities (Notes 16 and 17)	
Fund balance, restricted (Note 18)	_____
	\$_____

See notes to financial statements.

HOME ATTENDANT VENDOR PROGRAM
DETAILED EXPLANATION OF QUESTIONED COSTS
AND RECOMMENDED DISALLOWANCES
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

Auditor's Questioned Costs:

<u>Budget Category</u>	<u>Explanation</u>	<u>Amount</u>
GAIL Budget	The program exceeded the budget for the year.	<u>\$ X,XXX</u>
Allocated Expenses	Lacking Prior Approval or Excessive or Not necessary or Not program related.	<u>\$ X,XXX</u>

Auditor's Recommended Disallowances:

Bank charges	Interest on a loan to sponsor.	<u>\$ X,XXX</u>
GAIL Expenses	Excessive, Not Needed or Not Program related	<u>\$ X,XXX</u>
Excessive Wages	In excess of approved maximums	<u>\$ X,XXX</u>

HOME ATTENDANT VENDOR PROGRAM

EXPLANATION OF AUDITOR'S ADJUSTMENTS AND RECLASSIFICATIONS
 FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

Auditor's adjustments and reclassifications:*

<u>Debit</u>	<u>Account</u>	<u>Credit</u>	<u>Explanation</u>	<u>Amount</u>
Accrued liability	Wages		To reverse prior-year program vacation pay	\$XX,XXX
Accrued liability	Fringe benefits		To reverse prior-year program vacation FICA	X,XXX
Maintenance	Office supplies		To correct misposting	X,XXX
Contract services	Equipment rental		To reclassify supplies	XX
Accrued liability	Professional fees		To reverse prior-year program professional fee	<u>XX</u>
				<u>\$XX,XXX</u>

*Adjustment and reclassification entries should clearly reflect both the debit and credit sides of each entry.

HOME ATTENDANT VENDOR PROGRAM
 SCHEDULE OF ADMINISTRATIVE PENSION
 FOR THE YEAR ENDED JUNE 30, 20XX

<u>Employee</u>	<u>Title</u>	<u>Budget</u>	Salary <u>Actual</u>	<u>Pension Contributions</u>
	Program			
	Director	\$ XX,XXX	\$ XX,XXX	\$ X,XXX
	Fiscal Officer	XX,XXX	XX,XXX	X,XXX
	Supr. Client Service	XX,XXX	XX,XXX	X,XXX
	Exec. Secretary	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Coordinator	XX,XXX	XX,XXX	X,XXX
	Bookkeeper I	XX,XXX	XX,XXX	X,XXX
	Bookkeeper II	XX,XXX	XX,XXX	X,XXX
	Reconciliation Clerk	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	File Clerk	XX,XXX	XX,XXX	X,XXX
	Reconciliation Clerk	XX,XXX	XX,XXX	X,XXX
	Reconciliation Clerk	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	Custodian	XX,XXX	XX,XXX	X,XXX
	Trainer	XX,XXX	XX,XXX	<u>X,XXX</u>
				<u>\$XX,XXX</u>

HOME ATTENDANT VENDOR PROGRAM

SCHEDULE OF PER HOUR REVENUE AND COSTS
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

	<u>Total Revenues</u> <u>Per Audit (B)</u>	<u>Per Hour</u> <u>Revenue (A)</u>	<u>Percentage</u> <u>of</u> <u>Total Revenues</u>	
<u>Revenues:</u>				
Revenue – MMIS:				
Validated	\$ X	\$ X	\$ X	
Not yet validated	X	X	X	
Surplus income	X	X	X	
Interest	X	X	X	
CHRC (Fingerprinting)	X	X	X	
Other	<u>X</u>	<u>X</u>	<u>X</u>	
Total Revenues	<u>\$ X</u>	<u>\$ X</u>	<u>\$ X</u>	
Less : Health Assess Tax*	<u>X</u>	<u>X</u>	<u>X</u>	*(effective 4/1/08)
Net Revenues	<u>\$ X</u>	<u>\$ X</u>	<u>\$ X</u>	
	<u>Total Expenses</u> <u>Per Audit(B)</u>	<u>Per Hour</u> <u>Cost (A)</u>	<u>Percentage of</u> <u>Total Expenditures</u>	
<u>Expenditures:</u>				
<u>Direct Expenditures:</u>				
Home Attendant wages	\$ X	\$ X	\$ X	
FICA	X	X	X	
UIB	X	X	X	
Annual leave	X	X	X	
Sick leave	X	X	X	
Holiday leave	X	X	X	
Training leave	X	X	X	
Sleep-in Differential	X	X	X	
Workers compensation	X	X	X	(if applicable)
Disability	X	X	X	(if applicable)
Health Insurance	X	X	X	
Pension	X	X	X	
Education Fund	X	X	X	
Other (Jury Duty, No Entry,...)	X	X	X	
Metropolitan Mobility Tax**	<u>X</u>	<u>X</u>	<u>X</u>	**(effective 4/1/09)
Total Direct Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	
<u>Indirect Expenditures:</u>				
Administrative costs:				
Salaries	X	X	X	
FICA	X	X	X	
UIB	X	X	X	
Medical insurance	X	X	X	

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Other fringe benefits (list each item separately)	X	X	X	
Allocated costs (HRA approved only)	X	X	X	
Salaries	X	X	X	
Fringe benefits (list each item separately)	X	X	X	
Metropolitan Mobility Tax**	X	X	X	**(effective 4/1/09)
Other (list each item separately)	<u>X</u>	<u>X</u>	<u>X</u>	
Total Indirect Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	

General Administrative

Expenditures:

Rent	X	X	X	
Utilities/maintenance	X	X	X	
Office supplies	X	X	X	
Training supplies	X	X	X	
Cleaning	X	X	X	
Equipment	X	X	X	
Equipment Leases	X	X	X	
Postage	X	X	X	
Telephone	X	X	X	
Printing/duplication	X	X	X	
Computer services	X	X	X	
Automated Time & Leave (ATL)	X	X	X	
Advertising	X	X	X	
Emerg. answ. service	X	X	X	
Admin. staff carfare	X	X	X	
Home attend. carfare	X	X	X	
Home attend. med exam	X	X	X	
Prof. organ. dues	X	X	X	
Messenger services	X	X	X	
Board stipends	X	X	X	
Professional fees	X	X	X	
Bank charges	X	X	X	
Prof. Journal / Conf.	X	X	X	
Emergency H.A. staff	X	X	X	
Insurance	X	X	X	
CHRC - Fingerprinting	X	X	X	
Fiscal Monitor	<u>X</u>	<u>X</u>	<u>X</u>	

Total General Administrative Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	
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Total Expenditures	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	
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Notes: (A) Based on X,XXX,XXX total hours serviced (validated and not yet validated) for the year ended June 30, 20XX.

(B) Retroactive amounts for prior periods are not included.

If per hour cost is less than \$.01 per hour or percentage is less than .01% of total, place * in appropriate column.

HOME ATTENDANT VENDOR PROGRAM
SCHEDULE OF MMIS REVENUE
FOR PERIOD JULY 1, 20XX TO JUNE 30, 20XX

NOT YET VALIDATED

<u>Single Rate</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Open	XXXX	\$XXXX	\$XXXX
On hold	XXXX	XXXX	XXXX
Pending	XXXX	XXXX	XXXX
Denied	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
<u>Mutual Rate</u>			
Open	XXXX	XXXX	XXXX
On hold	XXXX	XXXX	XXXX
Pending	XXXX	XXXX	XXXX
Denied	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>

VALIDATED (Paid through completion of audit field work)

Single rate	XXXX	XXXX	XXXX
Mutual rate	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total - Validated and Not Yet Validated - Single Rate Equivalent			
	<u>XXXX</u>	<u>\$XXXX</u>	<u>\$XXXX</u>

MMIS Reimbursement Rates:

<u>Period</u>	<u>Single Rate</u>	<u>Mutual Rate</u>
07/01/XX-08/31/XX	\$ X.XX	\$ X.XX
09/01/XX-06/30/XX	\$ X.XX	\$ X.XX

Include all documents (with dates) used to obtain the above information, for example, MMIS Accounts Receivable Report, Directors Management Analysis of Billable hours, Submission Reports, Remittance Reports, Hold, Open, Pend, Denied, etc.

HOME ATTENDANT VENDOR PROGRAM

STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

	Revenues/ Expenditures (Cash Basis)	Accruals	Total Revenues/ Expenditures	Auditor's Adjustments/ Reclassifications	Total Revenues/ Expenditures	Budget Amount	Favorable (Unfavorable) Balances	Questioned Costs And Recommended Disallowances
Revenues:								
Revenue - MMIS:								
Validated	X	X	X	X	X			
Not yet validated	X	X	X	X	X			
Surplus Income	X	X	X	X	X			
Interest income**	X	X	X	X	X			
Other (list each item separately)	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>			
Total Revenues	X	X	X	X	X			
Less Health Assessment :	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>			
Net Revenues	X	X	X	X	X			
Expenditures:								
<u>Direct Expenditures:</u>								
Home Attendant wages	X	X	X	X	X	X	X	X
FICA	X	X	X	X	X	X	X	X
UIB	X	X	X	X	X	X	X	X
Annual leave	X	X	X	X	X	X	X	X
Sick leave	X	X	X	X	X	X	X	X
Holiday leave	X	X	X	X	X	X	X	X
Training leave	X	X	X	X	X	X	X	X
Health insurance	X	X	X	X	X	X	X	X
Other fringe benefits (list each item separately)	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total Direct Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>		<u>X</u>	<u>X</u>
<u>Indirect Expenditures:</u>								
Administrative Costs:								
Salaries	X	X	X	X	X		X	X
FICA	X	X	X	X	X		X	X
UIB	X	X	X	X	X		X	X
Medical insurance	X	X	X	X	X		X	X
Other fringe benefits (list each item separately)	X	X	X	X	X		X	X

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Allocated Costs (HRA Approved only):									
Salaries and fringe benefits	X	X	X	X	X	X	X	X	X
Other costs (list each item separately)	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total Indirect Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
General Administrative Expenditures:									
Rent	X	X	X	X	X	X	X	X	X
Utilities/maintenance	X	X	X	X	X	X	X	X	X
Office supplies	X	X	X	X	X	X	X	X	X
Training supplies	X	X	X	X	X	X	X	X	X
Cleaning	X	X	X	X	X	X	X	X	X
Equipment	X	X	X	X	X	X	X	X	X
Postage	X	X	X	X	X	X	X	X	X
Telephone	X	X	X	X	X	X	X	X	X
Printing/duplication	X	X	X	X	X	X	X	X	X
Computer services	X	X	X	X	X	X	X	X	X
Advertising	X	X	X	X	X	X	X	X	X
Emergency answering service	X	X	X	X	X	X	X	X	X
Administrative staff carfare	X	X	X	X	X	X	X	X	X
Home Attendant carfare	X	X	X	X	X	X	X	X	X
Professional organization dues	X	X	X	X	X	X	X	X	X
Messenger services	X	X	X	X	X	X	X	X	X
Board stipends	X	X	X	X	X	X	X	X	X
Professional fees	X	X	X	X	X	X	X	X	X
Bank charges**	X	X	X	X	X	X	X	X	X
Professional journal conference	X	X	X	X	X	X	X	X	X
Emergency H.A. staff	X	X	X	X	X	X	X	X	X
Insurance	X	X	X	X	X	X	X	X	X
Miscellaneous/other***	<u>X</u>	<u>X</u>	<u>X</u>	<u>(X)</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total General Administrative Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

The amounts in the first three columns should be the actual amounts from the agency's books, even if they are incorrect. Any auditor's adjustments or auditor's accruals should be reflected in the auditors' Adjustment/Reclassification column. Any deficiency should be eliminated by charging it to the "Due to Sponsor" account.

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* The retroactive revenues and retroactive payroll and related expenditures should be the actual revenue and expenditures amounts, not estimated amounts. Retroactive payments should be itemized by period in a footnote as stated in Section 2200.15. Any retroactive amounts relating to prior periods should not be included in the Schedule of Per Hour Revenue and Costs.

**For accounting treatment of interest income and bank charges, see Section 3210.61.

*** If vendor has miscellaneous / other expenses, auditor must reclassify via auditor's adjustments / reclassification entries.

Housekeeper Vendor Program

Program Description

- .01** Housekeeper Service is one of the home care services offered by HRA primarily to individuals who are medically disabled and/or handicapped. A primary goal of the program is to retain in the community clients who are incapacitated and might otherwise be institutionalized. As such, the program provides a variety of services. The housekeeper is responsible for general cleaning, marketing, laundry, ironing, meal preparation, and errands, as required to maintain the client in his or her own home. HRA authorizes service for clients, and the client's case is then referred to a vendor agency (delegate agency). The delegate agency then secures a housekeeper to provide the service. It is the delegate agency's responsibility to continue providing services authorized by HRA (i.e., number of hours of service per week and the tasks to be performed) until such services are terminated by HRA. The authorization and the termination of the service are the sole responsibility of HRA. HRA is also charged with the responsibility of monitoring the delegate agency's managerial control, fiscal accountability, and cost-effectiveness of service delivery.
- .02** The delegate agencies are reimbursed through the New York State Department of Social Services' Medicaid Management Information System (MMIS). The reimbursement is based on a unit rate, which includes: direct costs of housekeeper wages and fringe benefits, indirect costs of administrative staff wages and fringe benefits, and general administration costs of other than personnel services. Each delegate agency will have a unique rate developed by HRA and approved by NYSDOH. Reimbursement to the delegate agencies are comprise for regular Medicaid and Health Care Reform Act (HCRA) Medicaid funds appropriated by the NYS Department of Budget for the Medicaid Personal Care Program. In addition, Not-for-profit delegate agencies that have held contracts continuously since 1996 have been provided an advance equal to approximately four weeks of their authorized service hours in their fund balance. Currently, For-Profit delegate agencies are eligible to receive up to a 3% profit margin on allowable expenses less disallowances, less HCRA expenses and less any expenses exceeding the HRA approved operating budget (GAIL budget).
- .03** The process for obtaining reimbursement is as follows: housekeepers assigned to provide services to clients record their time through paper timesheets or a computerized Automated Time and Leave (ATL) system. The ATL system provides payroll and service information directly to the delegate agency's computer service bureau. Two ATL systems are currently approved by HRA: Santrax by Sandata Technologies and Celltrak by Celltrak Technologies. The time records are the source data for claims billing and reimbursement.

The computer service bureau matches the Housekeeper time records and service provided against HRA's Prior Approval File. Weekly updates of the HRA Prior Approval File are sent to the computer service bureaus. The computer service bureaus prepare a listing of all time records that match HRA's Prior Approval File. This billing file is sent to MMIS weekly and matched against the MMIS Prior Approval File, which generates the following:

- MMIS Remittance Statement, which lists valid, pending, and denied claims. The surplus income due is the difference between the amount billed and paid on the Remittance Statement. The Remittance Statement is forwarded to the computer service bureaus and HRA. Computer service bureau hard and electronic report copies for the delegate agencies contain the same information but are not necessarily in the same report format. There are report layout variations among the different service bureaus.
- A statement that shows the gross amount of the reimbursement (less surplus income due) based on the valid bills, the amount being withheld to repay the advance, if applicable, and a net amount based on the gross billings less the recoveries, if any.
- A check in the amount of the net valid billings (gross reimbursement less surplus income due).

.04 The auditor should also calculate the claims for the audit period, in terms of the number of service hours and their dollar value, that have been submitted to MMIS. Those claims that have been determined valid by MMIS will be captioned in the financial statements under revenues as “Authorized and Validated Claims”.

Those claims that are open, on hold, pending, or denied and are still outstanding at the end of field work should be captioned in the financial statements under revenues as “Authorized but not yet Validated Claims”. Open claims are claims that have been submitted to MMIS but have not been processed. Hold claims are claims that have not been submitted to MMIS for processing by the computer service bureau due to discrepancies between the claim billing data and the HRA Prior Approval file. Pending and denied claims are claims that have not been paid by MMIS due to discrepancies between the claims billing information and the MMIS Prior Approval data. All claims on hold, pending, or denied must be researched by the delegate agency. The delegate agency is responsible to make all necessary billing corrections and / or obtain prior approval corrections to ensure that every reimbursable claim is submitted to MMIS for processing and payment.

.05 HRA Contracts Fiscal Operations will determine and designate the specific Remittance Statement Weekending date to be used to maintain system-wide delegate agency Audit conformity and consistency. The footnote should disclose this MMIS Remittance Statement Weekending date used in determining the total revenue for the period under audit. Additionally, the note should include a listing of all documents (with corresponding dates) used to obtain the above information. For example, MMIS Accounts Receivable Report, Directors Management Analysis of Billable hours, Submission Reports, Remittance Reports, Hold, Open, Pending, Denied, etc.

.06 Certain clients receiving Home Care Services have monthly incomes above the Medicaid ceiling. These clients are required to spend their surplus funds to the extent they exceed the Medicaid ceiling. They are eligible for Medicaid coverage because their cost of medical care (including Housekeeping Services) is greater than the amount by which their monthly income exceeds the Medicaid ceiling. The monthly surplus amount (surplus income) is determined by HRA when housekeeper applicants apply for Medicaid eligibility.

.07 Each delegate agency is responsible for: maintaining a surplus income collection system that must be approved by HRA, maintaining a subsidiary ledger for surplus income receivables with a receivable control account in the general ledger, billing its clients monthly for surplus income amounts, and collecting funds. The MMIS billings are reduced by the client's surplus income liability, whether or not collected. The surplus income amount must be subtracted from the billings to the MMIS system. The auditor must test the surplus income collection system and include material weaknesses in the report on internal accounting control.

.08 Time records. Weekly time records from manual timesheets or an Automated Time and Leave (ATL) system must be generated for the housekeeper.

Review procedures should include:

- reconciling the hours listed as worked on the time record with the hours authorized by HRA;
- determining that records are maintained in a readily accessible system;
- determining that manual adjustments to manual or to the ATL system have supervisor approval and documented reasons.

.09 Administrative staff must have weekly timesheets or timecards. The weekly timesheets and/or timecards must be approved by staff members' supervisors. In the case of Director, timesheets must be approved by the Board of Directors or Board designated non-delegate agency employee representative.

Review procedures should include:

- tracing the timesheets/timecards to time and leave records of individuals;
- determining that copies of the timesheets/timecards are maintained in a readily accessible filing system;
- determining that the entries are posted from the timesheets/timecards on a current basis to the time and leave records; and
- determining that the time and leave balance records are accurate and current.

The personnel file for each individual should contain the date hired and amount of leave to be earned (e.g.: one day for every 26 days of work and the amount carried over from prior periods). The auditor should determine that the calculations are correct and that carryovers of leave from prior periods conform to HRA maximum leave allowances (HRA Memorandum). Administrative staff can only carryover two years of accrued annual leave to the next fiscal year. Accrued leave in excess of the maximum carryover limit must be subtracted from the balance at Fiscal Year-End.

Audit Requirements

.10 Claim Process Review. The objective of this review is to evaluate the adequacy of the delegate agency's procedures to process claims to MMIS and to determine if the total valid claims for the audit period are supported by the delegate agency's books and records.

.11 The filing system for time records, HRA Prior Approval File non-matches, MMIS submission report (listing of claim prepared by the delegate agency's computer service bureau and submitted to MMIS), and MMIS Remittance Statement should be reviewed and evaluated as to the accessibility and effectiveness of the system. The above-mentioned items should be filed by service week, and the filing system should include a log that lists the agency's billings by service week.

.12 From the representative sample MMIS submission reports, select a representative sample number of billing claims for testing.

.13 For all claims selected for testing:

- trace the recipient's Social Security number, authorization period, and authorized hours to Form M-11a;
- trace hours worked and billed for the recipient to the respective housekeeper time records;
- on a test basis and in conjunction with the above procedures, the auditor should determine that the delegate agency bills MMIS for only the hours actually worked. Hours not worked (such as holiday pay) should be charged to the fringe benefits account and not billed to MMIS as hours worked; and
- trace hours billed to an MMIS Remittance Statement for valid, pending, or denied claims or to the HRA Prior Approval File for non-matches.

.14 For pending, denied, and HRA Prior Approval File non-match claims:

- verify that the cause for the claims being pending or denied, or non-matches on the HRA Prior Approval File (e.g., wrong Social Security number, authorization periods, and/or authorized hours) were corrected; and
- verify that a corrected claim was determined valid and resubmitted for payment.

.15 For total valid claims:

- deduct, for each week in the audit period, prior fiscal-year valid hours from total valid hours on each MMIS Remittance Statement;
- summarize total adjusted valid hours per the MMIS Remittance Statement reports for the audit period; and
- reconcile total adjusted valid hours for audit period with the delegate agency's books and records.

Accounts Receivable Authorized and Validated/Not Yet Validated Claims

.16 The receivables footnote should contain an analysis of each individual receivable balance, divided into current-year, and past year. An appropriate description of the nature of the receivable is to be provided. Subsequent collections for current, past and prior years, as applicable, should be appropriately disclosed.

The accounts receivable - authorized and validated, and accounts receivable -authorized and not yet validated footnotes should contain the following:

- o Accounts receivable - authorized and validated claims:

The \$XXX,XXX represents billings paid through remittance date August XX, 20XX, for which the MMIS reimbursement was received subsequent to June 30, 20XX.

- o Accounts receivable - authorized but not yet validated claims separated by current year and past years:

Schedule of claims that are open, on hold, pending, or denied in detailed dollar amount and are still outstanding through remittance date August XX, 20XX.

.17 The auditor should include an internal accounting control material weakness finding for delegate agency billing system deficiencies when the total fiscal year receivables exceed ten (10) days of billings.

.18 Reconciliation of Payroll Hours to Serviced Hours. Delegate agencies are required to maintain a Reconciliation of Payroll Work Hours to Service Hours Processed. Include the Reconciliation of Payroll Hours and Billed service hours processed (validated and not yet validated) for the audit period in the notes to the financial statements. The note should state total payroll work hours and method of computation and total service hours and method of computation (should agree with schedule of MMIS revenue). The difference between the total payroll hours and the total service hours should be reconciled by the delegate agency and the reasons for the differences should be delineated in detail and stated. A difference exceeding 1/10 of 1% of payroll work hours to total serviced hours is an internal accounting control non-material weakness finding. Any service hours deemed as non-billable or non-reimbursable in writing by HRA Contracts or HRA Fiscal Operations are not to be counted in calculating this threshold.

.19 Insurance Coverage. The auditor should determine whether the delegate agency has obtained and maintained all contract required insurance coverage (i.e.: workers' compensation, disability, general liability, and bonding insurance). Failure to obtain the required insurances should be disclosed in the compliance report. Professional Liability Insurance (home care worker and Administrative staff) and Directors' Liability Insurance are not required insurances but may be purchased only as a GAIL expense within the approved GAIL budget. HRA will determine and provide the maximum allowable limit for Direct Labor insurance expenditures in each delegate agency's HRA issued Direct Labor Rate

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Calculation Sheet. Insurance expenditures exceeding established maximums are to be listed as disallowed costs and a material finding in the audit report. HRA reserves the right to purchase workers' compensation, disability, general liability, and bonding insurance on behalf of the Not-for-Profit delegate Housekeeper agencies and Not-for Profit Housekeeping contracts operating under a HRA Not-for-Profit delegate Housekeeper agency's NYS Department of Health License.

.20 Health Insurance Coverage. The NYS approved MMIS rate for each vendor includes a rate component per reimbursed work hour to accommodate home care worker health insurance payments. It is the responsibility of each vendor to pay the appropriate union trust fund the agreed-upon premium for health insurance on a monthly basis. However, since this component of the Housekeeper rate must be used exclusively to cover insurance costs, the auditor should determine whether the delegate agency has obtained all the insurance coverage required by the contract and has made correct Health Insurance liability calculation based on total service hours. The Health Insurance Liability is the remittances to the union trust fund based on paid service hours and an accrued payable balance based on receivables (not yet validated). Failure to obtain the required insurance should be disclosed in the compliance report.

A few delegate agencies that are not unionized may have escrow accounts or benefit trust funds or have taken out private insurance policies for their employees, and will make periodic premium payments. Payments must not exceed the total reimbursed and allowable health insurance component of their rate. Payments in excess of a delegate agency's total reimbursed and allowable health insurance rate component of are to be categorized as disallowed costs and a material finding. Additionally, housekeepers working for a non-union employer may waive health insurance and receive an hourly pay rate differential of \$1.50 in lieu of coverage in accordance with the NYC Living Wage Law. A home care worker may not receive the differential and also receive health coverage. The auditor should obtain a listing of home care workers receiving the \$1.50 differential and cross check names against the names on the health insurance invoice.

Surplus Income System Review

.21 Each delegate agency is responsible for: maintaining a surplus income collection system, an aged subsidiary ledger for surplus income receivables with a receivable control account in the general ledger, bill its clients monthly for surplus income amounts and collect payments. The MMIS billings are reduced by the client's surplus income billed, whether collected or not. The monthly surplus income amount must be subtracted from the claims billed to MMIS.

The objective of this review is to evaluate the adequacy of the delegate agency's surplus income collection system and to determine if the surplus income billed and amount collected in the audit period is supported by the agency's books and records. In addition to the test work performed on the income collection system, the auditor is required to test the validity of the receivables.

.22 The auditor should perform the following tests of the surplus income collection system and should report any weaknesses in the report on internal control structure:

- From the population of MMIS client billings during the audit period, select a representative sample for testing, taking into consideration that surplus income is required to be reported to MMIS at the beginning of the month. The sample should include both clients who are billed and who are not billed for surplus income.

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- For all items selected for testing:
 - trace the recipient's Social Security number and monthly surplus reported to MMIS to the surplus indicated on the HRA Prior Authorization File;
 - trace, if applicable, that a bill was prepared and sent to the recipient;
 - trace that the receipt of the funds was properly recorded in the appropriate books and records of the agency; and
 - trace that the next month's bill includes the surplus previously billed, less amounts collected.
 - For bills not paid, determine that the delegate agency adheres to all HRA requirements and standards for a surplus income collection system as it pertains to nonpayment of bills.
 - trace client surplus income billing to the MMIS client billed hours to ensure net billing to NYS EMedNY. Non-compliance (or duplicate billing) is a material finding.

.23 The statement of assets, liabilities, and fund balance must separately disclose the client surplus income receivable balance as of the audit date. The footnote disclosure should contain the following:

The \$XXX,XXX represents client surplus income billed but not collected as of June 30, 20XX, as follows:

Beginning balance July 1, 20XX		\$XXX,XXX
Client surplus income billed for the period July 1, 20XX to June 30, 20XX	\$XXX,XXX	
Less: cash collected July 1, 20XX to June 30, 20XX	<u>\$XXX,XXX</u>	
Less: HRA authorized Write-offs and adjustments	<u>\$XXX,XXX</u>	\$XXX,XXX
Receivable, as of June 30, 20XX		<u>\$XXX,XXX</u>

The aging of the client surplus income receivable, as of June 30, 20XX, is as follows:

Amounts owed 0-90 days		\$XXX,XXX
Amounts owed 91 days and over		<u>\$XXX,XXX</u>
Total receivable		<u>\$XXX,XXX</u>
Current FY Surplus Income Collected ÷ Current FY Surplus Income Billed as %		XX%

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Annual Leave, Sick Leave and Holiday Pay

.24 Housekeeper unused annual leave should be calculated and accrued in the financial statements (only vested annual leave should be accrued in the financial statements). The maximum earned annual and sick leave is the lesser of 10 days or 120 hours. The maximum carryover of unused annual and sick leave accrual is specified in each respective delegate agency's union collective bargaining agreement. For instance, the 1199 union agreement limits accrued annual leave carryover to 5 days or 60 hours; accrued sick leave carryover is limited to 10 days or 120 hours. The 32B-J/1199 sick leave carryover maximum is 20 days or 240 hours. All paid holidays and applicable holiday pay rates are also delineated in union agreements.

Note: the auditor must ensure that annual leave is not charged to the program as both earned accrued leave and paid leave.

Housekeepers' unused sick leave should also be calculated but it should be presented only in the footnotes to the financial statements. Sick leave is not payable upon termination of employment whether voluntary or non-voluntary.

Auditors must ensure that the maximum carryover limits are reflected in the delegate agency's financials as well as in each Housekeeper's accrued leave record. At the end of each fiscal year-end, accrued annual leave and sick leave hours in excess of the carryover maximums must be deducted from housekeeper accrued leave balances. Delegate agencies should provide the Auditor with written documentation from their computer service bureau that programming had been implemented to adjust year-end balances to the allowable carryover maximums for the audit year.

Non-union delegate agencies must adhere to the same earned leave and carryover maximums as union agencies. Further guidance can be obtained from BARC and Home Care Contracts. Failure to adhere to the applicable allowable carryover maximums should be an internal accounting control finding.

.25 For administrative staff, the dollar amount of unused annual leave and sick leave should be calculated and reported in the summary of significant accounting policies footnote. The maximum fiscal year-end annual leave carryover is two years of earned annual leave. Auditors should obtain each delegate agency's administrative personnel policy for earned annual leave and sick leave. For example, if the earned annual leave is three (3) weeks per year, the maximum unused annual leave carryover is six (6) weeks. Fiscal year-end carryover accrued annual leave balances must be adjusted to the maximum two year limit. There is no limit to sick leave carryover and accrued sick leave can not be paid upon termination.

Collective Bargaining Agreements/Retroactive Salary Increases

.26 Audit requirements as stipulated in Section 2200.14-.16 must be adhered to. Revenues received (not accrued) for reimbursement of retroactive salaries should be reflected separately in the statement of revenues and expenditures.

Cost Allocation

.27 The charges for an agency's cost-allocated staff must have HRA written prior approval and are usually determined as a percentage of the work time and total salary a person receives from sponsoring agency, by that employee's salary from the records of the sponsoring agency, and by examining the delegate agency's records of the time spent and work performed by the cost-allocated staff. The delegate agency's cost-allocation methodologies and bases and the budget should be examined to determine the percentage of work time, salary, and expenditures that may be allocated to the delegate agency. All cost allocations must be necessary, reasonable and program related to the direct or indirect provision of housekeeper services. Discrepancies should be questioned and listed as disallowed costs.

The auditor should review the cost-allocation methodologies and bases for determining the direct and indirect budget items and state in the report:

- whether the budget cost-allocation methodologies and expenses have HRA prior approval;
- a description of the allocation bases used for the expenditures in the budget;
- the appropriateness of the cost-allocation methodologies and allocation bases used for expenditures in the budget;
- whether or not the same allocated costs were charged to agencies other than the delegate agency or as direct costs to the delegate agency.
- for each expense the % of the allocated portion compared to the total expense.
- if a particular cost-allocation method and/or base was deemed inappropriate, the auditor should state the reasons and the cost-allocation methodology and allocation base used in computing expenditures per audit.
- if a particular cost allocated expense is deemed not necessary, excessive or non-program related, the auditor should list the expense as "questioned and disallowed" and state the specific reason for disallowance.

See Section 2300 for additional requirements and guidance.

Questioned and Recommended Disallowed Costs

.28 Questioned costs consists of expenditures that are not documented or not adequately documented and/or, in the opinion of the auditor, are questionable as to their benefit to the program (e.g., an unreasonable expenditure). This would include any expense deemed unnecessary, excessive or not program related to the provision of Housekeeper services. Questioned costs would also include, but are not limited to, prohibited expenditures delineated in the Housekeeper Services Contract or Agreement and expenditures exceeding the approved GAIL budget. All questioned costs are to be listed as recommended disallowed costs and categorized as a separate item under Due from Sponsor. Due from Sponsor items should be listed separately with detailed explanations.

.29 The Schedule of Questioned and Recommended Disallowed Costs for the Housekeeper Program should list, but are not limited to, the following:

- o any expense not actually incurred in the performance of this agreement;
- o severance pay upon termination of employment; payments for accrued unused sick leave;
- o payments or investment in any manner in real property;
- o travel, outside New York State, except as approved by Home Care Services Program;
- o financing, distributing, and publishing materials of a partisan political nature;
- o board stipends exceeding \$25 per director, per meeting.
- o operating expenses or costs exceeding the approved GAIL Budget
- o allocated expenses prohibited by regulations, not necessary, excessive or not program related

Direct Labor expenses not approved by HRA or in violation of NYC or NYS or Federal Regulations

Expenditures and Budgets

.30 The housekeeper expenditures consists of 1) Direct Labor - housekeeper wages and fringe benefits; 2) an Indirect bottom line budget for general administration (other than personal service costs) and indirect administrative staff salaries and fringe benefits (a.k.a. GAIL budget).

For-profit delegate agencies and some not-for-profit delegated agencies with centralized or shared administrative operations are permitted to allocate expenses. Allocated expenses are to be listed as a component of the GAIL budget. All GAIL expenses, including allocated costs, must be necessary, reasonable and program related to the direct or indirect provision of housekeeper services to clients. Any expenditure deemed to be not necessary, reasonable or program related is to be questioned and disallowed. Total operating costs including allocated expenses can not exceed the approved GAIL budget. Expenses exceeding the approved budgeted amounts are to be listed on the Schedule of Questioned and Disallowed Costs and listed as a finding.

Criminal History Record Check (CHRC) and Fingerprint of Home Care Workers: Effective April 1, 2005, NYS regulations required Licensed Home Care agencies to fingerprint and obtain a F.B.I. criminal history record check of newly hired home care workers. This requirement applies to all housekeepers and housekeepers working for Licensed Home Care agencies. Fingerprints are sent to the NYSDOH for processing and cost of processing the fingerprints for a history record check report is fully reimbursed by NYS. Delegate agencies pay a fee for each CHRC request set by NYSDOH to cover the F.B.I. processing fee. NYS then reimburses the delegate agency for the entire fee. Thus, delegate agencies are to set up an account titled CHRC to capture these fees and revenues. All other incidental associated administrative costs (fingerprint cards, ink pads, outside vendor fees, etc.) are to be charge to the GAIL budget. Delegate agencies must also set up a CHRC receivables account to capture the pending reimbursements for the processing fees that were not received by fiscal year-end.

Unclaimed Wages

.31 In order to comply with the New York State Abandoned Property Law, the Accounting Practice Guideline (APG 86-1) establishes its application to Purchase of Services Contractors doing business and having contracts with HRA. This guideline applies to employee wages and annual leave that were not picked up, did not clear the bank, or outstanding payroll checks that remained un-cashed for an extended period and subsequently voided. The respective amount is to be considered abandoned

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property when the individual transaction is not settled within three (3) years. Those unclaimed wages should be properly classified and disclosed in the financial statements and, once considered abandoned property, should be paid over to the New York State Comptroller in accordance with NYS regulations. The payment should be made by check drawn from an account established for unclaimed checks.

The auditor should review agency compliance with the above procedures and should determine whether the general ledger control account is supported by a detailed subsidiary, record. Any deficiencies should be disclosed a finding in the Independent Auditors Report on Compliance.

Fund Balance

.32 If revenues exceed allowable expenditures, the excess should be reflected in the restricted fund balance as Due to HRA. Each disallowed expense, if any, should be listed on separate lines with a description under Due from Sponsor.

If allowable total expenditures exceed revenues, the deficiency should be absorbed by the previously established restricted fund balance. If the restricted fund balance is exhausted, the excess deficit should be reflected as Due from HRA. A fund deficit is not to be established.

The following restricted fund balance analysis should be included in the notes to the financial statements:

Fund balance, restricted - beginning of period	\$XXX,XXX
Adjustments to beginning fund balance*	
Prior period revenues received during current FY	\$ XX,XXX
Prior period expenditures expensed during current FY	(\$ XX,XXX)
Fund balance, restricted - beginning of period, as restated ¹	<u>\$XXX,XXX</u>
Less: HRA Approved Write-Off of Receivables	\$XXX
FY ^{xxxx} Excess (deficiency) of revenues over (under) expenditures	<u>\$XX,XXX</u>
Due from Sponsor	<u>\$X,XXX</u>
Fund balance, restricted - end of period	<u><u>\$XXX,XXX</u></u>

“*Adjustments to beginning fund balance” are items that occurred during the current period that apply to a prior fiscal period, including retroactive salary adjustments, rate adjustments applicable to a prior year, payment and/or settlement of all prior year accruals, and corrections of erroneous opening balances due to errors in prior period. Details describing each adjustment must be disclosed in this footnote.

Revenues

.33 The auditor should obtain from the vendor agency, and must verify their accuracy, the claims for the audit period, in terms of the number of service hours and their dollar value, that have been submitted to MMIS. Those claims that have been determined valid by MMIS will be captioned in the financial statements under Revenues as "Authorized and Validated Claims." Those claims that are open, on hold, pending or denied and are still outstanding at the end of field work should be captioned in the financial statements under Revenues as "Authorized but not yet Validated Claims." The footnote should also disclose the week-ending date of the last MMIS Remittance Statement used in determining revenue for the period under audit. Include all documents (with dates) used to obtain the above information; for example: MMIS Accounts Receivable Reports, Directors Management Analysis of Billable Hours, Submission Reports, Remittance Reports, Hold, Open, Pend, Denied, etc.

Bank Accounts

.34 Bank Accounts. Delegate agencies are required to establish and maintain within the City of New York separate insured bank accounts (e.g.: FDIC, etc.) for all funds received pursuant their contract. Delegate agencies must not commingle the funds with monies received from any other source or under any other agreement *except* a prior HRA Home Attendant or Housekeeper Services agreement. Any changes to bank accounts must be provided in writing to HRA within thirty (30) days of change, including but not limited to change of names, signatories, locations and bank account numbers. Auditors must verify all banking requirements are followed by examining bank statements and testing that funds received from MMIS are appropriately deposited, maintained in segregated accounts and cash transfers between accounts are appropriate. Delegate agencies with more than one HRA Home Care contract are not required to have separate bank accounts for each HRA contract. However, the revenues and expenditures for each contract must be clearly delineated, detailed and segregated in the financials so that separate audits can be conducted and separate audit reports can be issued. Failure to maintain the books, records and financials with proper detail and segregation is a material finding.

In addition to regular bank accounts, many if not all delegate agencies maintain a Line of Credit. Delegate agencies that access their Line of Credit must provide a schedule of activity that includes dates, amount accessed, repayments and outstanding balance at the end of the fiscal year. The utilization of the Line of Credit should be reviewed for appropriateness including but not limited to funding needs, interest charged, activity and transfer of funds. A summary of the Line of Credit activity (total annual amount accessed, total interest paid, and balance at year end) should be disclosed in a foot note of the Statement of Assets, Liabilities and Fund Balance.

Interest Income

.35 All vendors are required to keep excess revenues not needed for the immediate funding of program expenses in an interest bearing account. Interest income should be reported in the Statement of Revenues and Expenditures. Necessary, reasonable and direct program related bank charges can be charged against bank interest. If, however, bank charges are greater than interest earned for the current period, then the excess amount should be reflected in the bank charges category of OTPS. The cash footnote must disclose total gross interest income and total bank charges to arrive at the net interest amount. Bank charges must be necessary, reasonable and directly program related.

Reporting Requirements

Financial Statements

.36 The statement of assets, liabilities, and fund balance and the statement of revenues and expenditures presented in Section 3110.39 should be used.

.37 The statement of revenues and expenditures contains one column that requires additional explanation. The recommended disallowances and questioned costs column consists of the following:

- Recommended Disallowances. Consists of those expenditures clearly in violation of the grant agreement (e.g., prohibited expenditures, expenditures exceeding the approved budget, etc.). The recommended disallowances should be indicated with an asterisk (*) on the statement.
- Questioned Costs. Consists of those expenditures that are not documented and/or, in the opinion of the auditor, are questionable as to their benefit to the program (e.g., an unreasonable expenditure). See Appendix E for the HRA policy on cost-allocation plan for additional guidance on determining questioned costs.
- A detailed Schedule of Questioned Costs and Recommended Disallowances is to be provided containing an explanation of the recommended disallowances and questioned costs for each budget category.
- Bank charges, excluding interest, are allowable and should not be questioned if properly supported.

.38 The statement of assets, liabilities and fund balance should contain a separate liability category that shows the remaining outstanding advance funding, if any, at the end of the audit period.

Schedules

.39 The following supplementary financial schedules are required, where applicable, in addition to those enumerated in Section 2440:

- A. Schedule of Auditor's Adjustments
- B. Detailed Explanation of Questioned Costs and Recommended Disallowance
- C. Schedule of Per Hour Revenues and Costs
- C1. Schedule of HCRA revenues and expenditures
- D. Schedule of MMIS Revenue
- E. Schedule of Administrative Salaries
- F. Schedule of Lease and Contractual Agreements
- G. Schedule of Consultants
- H. Schedule of Administrative Pensions
- I. Schedule of Medical Provider Rates
- J. Schedule of Due to HRA
 - a. Include Profit Calculation (the For-Profit Agencies only)

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- K. Schedule of Outstanding Checks Six (6) Months or Longer
- L. Schedule of Fixed Inventory
- M. Schedule of Quantitative Program Results (Not-for-Profit vendors only). The following information should be contained in the quantitative results schedule:
 - a. percentage of administrative expenditures to total expenditures;
 - b. total cost per audit, total number of hours serviced (validated and not yet validated), total cost per serviced hour, direct cost per serviced hour, indirect cost per serviced hour, and general administration cost per serviced hour. These items should be divided into the respective dollar amounts and percentages to one decimal point.
- N. Schedule of Allocated Salaries (Requires HRA Prior Approval)
- O. Schedule of Surplus Income Billed and Collected

HOUSEKEEPER VENDOR PROGRAM

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 20XX

Assets

Cash (Note 2):	
Cash in banks	\$
Petty cash	
Receivables:	
Due from Sponsor (Note 3)	
Authorized and validated claims (Note 4)	
Authorized but not yet validated claims (Note 5)	
Client surplus income (Note 6)	
CHRC Reimbursement	
Other Receivables (Note 7)	
Prepaid expenses (Note 8)	
Security deposits (Note 9)	_____
	\$_____

Liabilities and Fund Balance

Accounts payable (Note 10)	\$
Accrued expenditures (Note 11)	
Accrued payroll taxes	
Payroll taxes withheld	
Due to HRA (Note 12)	
Due to Sponsor (Note)	
Due to MMIS (Note 14)	
Unclaimed wages (Note 15)	_____
Total liabilities	
Commitments and contingent liabilities (Notes 16 and 17)	
Fund balance, restricted (Note 18)	_____
	\$_____

See notes to financial statements.

HOUSEKEEPER VENDOR PROGRAM

**DETAILED EXPLANATION OF QUESTIONED COSTS
AND RECOMMENDED DISALLOWANCES
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX**

Auditor's Questioned Costs:

<u>Budget Category</u>	<u>Explanation</u>	<u>Amount</u>
GAIL Budget	The program exceeded the budget for the year.	<u>\$ X,XXX</u>
Allocated Expenses	Lacking Prior Approval or Excessive or Not necessary or Not program related.	<u>\$ X,XXX</u>

Auditor's Recommended Disallowances:

Bank charges	Interest on a loan to sponsor.	<u>\$ X,XXX</u>
GAIL Expenses	Excessive, Not Needed or Not Program related	<u>\$ X,XXX</u>
Excessive Wages	In excess of approved maximums	<u>\$ X,XXX</u>

HOUSEKEEPER VENDOR PROGRAM

EXPLANATION OF AUDITOR'S ADJUSTMENTS AND RECLASSIFICATIONS
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

Auditor's adjustments and reclassifications:*

<u>Debit</u>	<u>Account</u>	<u>Credit</u>	<u>Explanation</u>	<u>Amount</u>
Accrued liability		Wages	To reverse prior-year program vacation pay	\$XX,XXX
Accrued liability		Fringe benefits	To reverse prior-year program vacation FICA	X,XXX
Maintenance		Office supplies	To correct misposting	X,XXX
Contract services		Equipment rental	To reclassify supplies	XX
Accrued liability		Professional fees	To reverse prior-year program professional fee	<u>XX</u>
				<u>\$XX,XXX</u>

*Adjustment and reclassification entries should clearly reflect both the debit and credit sides of each entry.

HOUSEKEEPER VENDOR PROGRAM

**SCHEDULE OF ADMINISTRATIVE SALARIES
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX**

Employee Name	Title	Budgeted Salary	Paid Salary	Cost Containment Differential*	Emerg. On-call Salary	Overtime Salary**	Total Compensation	Questioned Costs***
Program Director		\$ X,XXX	\$ X,XXX	\$ X,XXX	N/A	N/A	\$ X,XXX	\$ XX
Ass't Director-	Field Operations	X,XXX	X,XXX	X,XXX	N/A	N/A	X,XXX	XX
Ass't Director-	Admin. Services	X,XXX	X,XXX	X,XXX	N/A	N/A	X,XXX	XX
Reg. Nurse		X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	XX
Reg. Nurse		X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	XX
Reg. Nurse		X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	XX
Personnel Spec.		X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	XX
“ “		X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	XX
Emerg. Staff		X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	XX
Supervising-	Bookkeeper	X,XXX	X,XXX	X,XXX	N/A	X,XXX	X,XXX	XX
“ “								
Bookkeeper		X,XXX	X,XXX	X,XXX	N/A	X,XXX	X,XXX	XX
“		X,XXX	X,XXX	X,XXX	N/A	X,XXX	X,XXX	XX
Clerk/Typist		X,XXX	X,XXX	X,XXX	N/A	X,XXX	X,XXX	XX
Sec./Receptionist		X,XXX	X,XXX	X,XXX	N/A	X,XXX	X,XXX	XX
	Total	\$ X,XXX	\$ X,XXX	\$ X,XXX	\$ X,XXX	\$ X,XXX	\$X,XXX	\$ XX

**SCHEDULE OF ADMINISTRATIVE PENSION
FOR THE YEAR ENDED JUNE 30, 20XX**

<u>Employee</u>	<u>Title</u>	<u>Budget</u>	Salary <u>Actual</u>	<u>Pension Contributions</u>
	Program			
	Director	\$ XX,XXX	\$ XX,XXX	\$ X,XXX
	Fiscal Officer	XX,XXX	XX,XXX	X,XXX
	Supr. Client Service	XX,XXX	XX,XXX	X,XXX
	Exec. Secretary	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Coordinator	XX,XXX	XX,XXX	X,XXX
	Bookkeeper I	XX,XXX	XX,XXX	X,XXX
	Bookkeeper II	XX,XXX	XX,XXX	X,XXX
	Reconciliation Clerk	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Personnel			
	Specialist	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	File Clerk	XX,XXX	XX,XXX	X,XXX
	Reconciliation Clerk	XX,XXX	XX,XXX	X,XXX
	Reconciliation Clerk	XX,XXX	XX,XXX	X,XXX
	Field Worker	XX,XXX	XX,XXX	X,XXX
	Custodian	XX,XXX	XX,XXX	X,XXX
	Trainer	XX,XXX	XX,XXX	X,XXX
				<u>\$XX,XXX</u>

HOUSEKEEPER VENDOR PROGRAM

SCHEDULE OF PER HOUR REVENUE AND COSTS
FOR THE PERIOD JULY 1, 20XX TO JUNE 30, 20XX

	<u>Total Revenues</u> <u>Per Audit (B)</u>	<u>Per Hour</u> <u>Revenue (A)</u>	<u>Percentage</u> <u>of</u> <u>Total Revenues</u>	
<u>Revenues:</u>				
Revenue – MMIS:				
Validated	\$ X	\$ X	\$ X	
Not yet validated	X	X	X	
Surplus income	X	X	X	
Interest	X	X	X	
CHRC (Fingerprinting)	X	X	X	
Other	<u>X</u>	<u>X</u>	<u>X</u>	
Total Revenues	<u>\$ X</u>	<u>\$ X</u>	<u>\$ X</u>	
Less : Health Assess Tax*	<u>X</u>	<u>X</u>	<u>X</u>	*(effective
4/1/08)				
Net Revenues	<u>\$ X</u>	<u>\$ X</u>	<u>\$ X</u>	
	<u>Total Expenses</u> <u>Per Audit(B)</u>	<u>Per Hour</u> <u>Cost (A)</u>	<u>Percentage of</u> <u>Total Expenditures</u>	
<u>Expenditures:</u>				
<u>Direct Expenditures:</u>				
Housekeeper wages	\$ X	\$ X	\$ X	
FICA	X	X	X	
UIB	X	X	X	
Annual leave	X	X	X	
Sick leave	X	X	X	
Holiday leave	X	X	X	
Training leave	X	X	X	
Workers compensation	X	X	X	(if applicable)
Disability	X	X	X	(if applicable)
Health Insurance	X	X	X	
Pension	X	X	X	
Education Fund	X	X	X	
Other (Jury Duty, No Entry,...)	X	X	X	
Metropolitan Mobility Tax**	<u>X</u>	<u>X</u>	<u>X</u>	** (effective
4/1/09)				
Total Direct Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	
<u>Indirect Expenditures:</u>				
Administrative costs:				
Salaries X	X	X		
FICA	X	X	X	
UIB	X	X	X	
Medical insurance	X	X	X	
Other fringe benefits				

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(list each item separately)	X	X	X	
Allocated costs (HRA approved only)	X	X	X	
Salaries	X	X	X	
Fringe benefits (list each item separately)	X	X	X	
Metropolitan Mobility Tax**	X	X	X	**(effective 4/1/09)
Other (list each item separately)	<u>X</u>	<u>X</u>	<u>X</u>	
Total Indirect Expenditures	<u>X</u>	<u>X</u>	<u>X</u>	

General Administrative

Expenditures:

Rent	X	X	X
Utilities/maintenance	X	X	X
Office supplies	X	X	X
Training supplies	X	X	X
Cleaning	X	X	X
Equipment	X	X	X
Equipment Leases	X	X	X
Postage	X	X	X
Telephone	X	X	X
Printing/duplication	X	X	X
Computer services	X	X	X
Automated Time & Leave (ATL)	X	X	X
Advertising	X	X	X
Emerg. answ. service	X	X	X
Admin. staff carfare	X	X	X
Home attend. carfare	X	X	X
Home attend. med exam	X	X	X
Prof. organ. dues	X	X	X
Messenger services	X	X	X
Board stipends	X	X	X
Professional fees	X	X	X
Bank charges	X	X	X
Prof. Journal / Conf.	X	X	X
Emergency H.A. staff	X	X	X
Insurance	X	X	X
CHRC - Fingerprinting	X	X	X
Fiscal Monitor	<u>X</u>	<u>X</u>	<u>X</u>

Total General Administrative Expenditures	<u>X</u>	<u>X</u>	<u>X</u>
---	----------	----------	----------

Total Expenditures	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>
--------------------	-----------------	-----------------	-----------------

Notes: (A) Based on X,XXX,XXX total hours serviced (validated and not yet validated) for the year ended June 30, 20XX.

(B) Retroactive amounts for prior periods are not included.

If per hour cost is less than \$.01 per hour or percentage is less than .01% of total, place * in appropriate column.

HOUSEKEEPER VENDOR PROGRAM

SCHEDULE OF MMIS REVENUE
FOR PERIOD JULY 1, 20XX TO JUNE 30, 20XX

NOT YET VALIDATED

<u>Single Rate</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Open	XXXX	\$XXXX	\$XXXX
On hold	XXXX	XXXX	XXXX
Pending	XXXX	XXXX	XXXX
Denied	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>

Mutual Rate

Open	XXXX	XXXX	XXXX
On hold	XXXX	XXXX	XXXX
Pending	XXXX	XXXX	XXXX
Denied	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>

VALIDATED (Paid through completion of audit field work)

Single rate	XXXX	XXXX	XXXX
Mutual rate	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
Total	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>

Total - Validated and Not Yet Validated - Single Rate Equivalent	<u>XXXX</u>	<u>\$XXXX</u>	<u>\$XXXX</u>
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MMIS Reimbursement Rates:

<u>Period</u>	<u>Single Rate</u>	<u>Mutual Rate</u>
07/01/XX-08/31/XX	\$ X.XX	\$ X.XX
09/01/XX-06/30/XX	\$ X.XX	\$ X.XX

Include all documents (with dates) used to obtain the above information, for example, MMIS Accounts Receivable Report, Directors Management Analysis of Billable hours, Submission Reports, Remittance Reports, Hold, Open, Pend, Denied, etc.

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Administrative staff carfare X	X	X	X	X	X	X	X	X
Housekeeper carfare X	X	X	X	X	X	X	X	X
Professional organization dues X	X	X	X	X	X	X	X	X
Messenger services X	X	X	X	X	X	X	X	X
Board stipends X	X	X	X	X	X	X	X	X
Professional fees X	X	X	X	X	X	X	X	X
Bank charges** X	X	X	X	X	X	X	X	X
Professional journal conference X	X	X	X	X	X	X	X	X
Emergency H.A. staff X	X	X	X	X	X	X	X	X
Insurance X	X	X	X	X	X	X	X	X
Miscellaneous/other*** <u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>(X)</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
 Total General Admini- strative Expenditures <u>X</u>	 <u>X</u>							
 Excess (Deficiency) of Revenues Over (Under) Expenditures <u>X</u>	 <u>X</u>							

The amounts in the first three columns should be the actual amounts from the agency's books, even if they are incorrect. Any auditor's adjustments or auditor's accruals should be reflected in the auditors' Adjustment/Reclassification column. Any deficiency should be eliminated by charging it to the "Due to Sponsor" account.

HOME ATTENDANT VENDOR TRAINING PROGRAM

Program Background

- .01** Home attendants must meet the training requirements for personal care service providers mandated by New York State Department of Social Services Regulations 505.14. Pursuant to these regulations, the HRA has established an evaluation, training, and certification plan through contracts with training vendors.
- .02** The delegate agencies that provide home attendant service are required to screen prospective home attendants for completion of Certificate Training from a NYSDOH approved training facility as stated in Regulations 505.14. Not-for-profit delegate agencies refer non-certified prospective home attendants to the training vendors.
- .03** The training vendors are reimbursed on the basis of an all-inclusive per-capita rate for authorized Basic Training/Assessment. Payment Request forms and transmittals are prepared monthly and are submitted to HRA's Division of Accounts Payable for payment. Based on annual audits, the training vendors excessive revenue is recouped by HRA.

Compliance

General

- .04** Training delegate agencies provide training to eligible trainees referred from Not-for-Profit delegate home attendant agencies.
- .05** The HCSP delegate agencies provide the training delegate agency with written referral for training.
- .06** The auditor should select a representative sample to review training delegate agency data and perform tests on the sample data to ensure training delegate agency compliance with the following contractual requirements.

Training Authorizations

- .07** The objective of this review is to determine whether the training delegate agency's records are properly maintained and whether there is contractual compliance.

- .08** Review procedures should include a review of documents for agreement to records:
- o review Daily Assessment/Training Registry for training;
 - o review sign-in sheet for Home Attendant Training for training; and
 - o compare sign-in sheet for home attendant training Registry Form to Assessment/Training Vendor Referral to verify appropriate referral and training.

Training Certification

- .09** The objective of this review is to determine whether the training delegate agency's training records are properly maintained and whether there is contractual compliance regarding certification.
- .10** Review procedures should include:
- o comparing test results, written reports, evaluation, and other training data to Assessment/Training Vendor Referral Forms; and
 - o reviewing certificates issued to home attendant trainees indicating successful completion of the appropriate training.
 - o reviewing documentation of registration of home attendant certificate training completion on the NYSDOH Home Care Worker Registry

Training Vendor Billing

- .11** The objective of this review is to evaluate the adequacy of the training vendor agency's procedures to process billings to HRA and to determine if the total billings for the audit period are supported by this training delegate's books and records.
- .12** The filing system for training request forms, time records, Voucher Payment Requests and Transmittals of Training Vouchers should be reviewed and evaluated as to accessibility and effectiveness of the system. The above-mentioned items should be filed by service week.
- .13** From the population of payment voucher requests, select a representative sample of home attendant trainee names for testing.

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.14 From the trainee names selected:

- o check for service vendor certification on Voucher Payment Request; and
- o check for reviewer's signature on Transmittal of Training Vouchers for Home Attendant Training.

Audit Requirements

.15 No additional audit requirements are necessary for the Home Attendant Vendor Training Program.

Reporting Requirements

.16 The financial statements (including footnotes) and schedules should be prepared in accordance with the guidelines set forth in Sections 2000 and 3000.

Schedules

.17 The following financial statements are required where applicable:

No additional financial statements are required.

.18 The following additional information should be contained in the quantitative results schedule:

No additional information is required.

WARNING

AUDIT REQUIREMENTS VARY ACCORDING TO SPECIFIC PROGRAMS AND PARTICULAR CIRCUMSTANCES. AUDIT REQUIREMENTS CAN CHANGE ACCORDING TO PROGRAM MODIFICATIONS AND DEVELOPMENTS. THIS GUIDE IS PUBLISHED TO PROVIDE GENERAL INFORMATION AND INSTRUCTION AS TO AUDIT PROCESSES FOR PARTICULAR PROGRAMS.

IT IS NOT INTENDED TO BE EXHAUSTIVE OR EXCLUSIVE AS TO THE SUFFICIENCY OF AUDIT REPORT CONTENTS AND METHODS. HRA RESERVES THE RIGHT TO MODIFY THIS GUIDE AS IT MAY DEEM ADVISABLE. ANY QUESTION THAT MAY ARISE IN THE PERFORMANCE OF AN AUDIT SHOULD BE REFERRED TO THE OFFICE OF AUDIT SERVICES FOR FINAL DETERMINATION.