



Mayor's Office of  
Contract Services

## Standard Audit Process Guide

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*\*Only applicable to city agencies participating in the Shared Audit Services master contract.*

*For City Agencies participating in the Shared Audit Services contract the process guide begins here. For those not participating please proceed to the **Planning** section of this guide.*

### **Certified Public Accounting (CPA) Firm Assignments\***

- At the start of each audit cycle, the Mayor’s Office of Contract Services (MOCS), or other designee specified in the master contract, requests a list of planned audits from participating Human Services City Agencies.
- Participating Human Services City Agencies send MOCS their list of planned audits.
  - *Current participating agencies are:*
    - *Administration for Children’s Services (ACS)*
    - *Department for the Aging (DFTA)*
    - *Department of Homeless Services (DHS)*
    - *Department of Health & Mental Hygiene (DOHMH)*
    - *Department of Probation (DOP)*
  - *Department of Youth and Community Development (DYCD) and Human Resources Administration (HRA) do not participate, as they have preexisting contracts with CPA firms.*
  - *Mayor’s Office of Criminal Justice (MOCJ) has internal staff conduct audits, and does not contract CPA firms.*
- MOCS staff determine which providers are scheduled for unique or shared audit.
  - *Shared audit occurs when multiple contracts, under the same provider, are scheduled for an audit by different city agencies.*
- MOCS staff then assigns a CPA firm to each unique / shared audit, from list under the master contract.
  - *Assignments are based on ranked order of CPA firms; and rotation starts over once the end of list is reached.*
- All audit assignments are aggregated on to one spreadsheet, which MOCS then distributes to the participating city agencies.

- The assignment list is reviewed by each agency for completeness; and returns to MOCS with corrections, if necessary.
  - *Upon review by agencies, additional audits may be scheduled, or audits previously assigned may be removed.*
- The process detailed above may repeat, until the assignment list is finalized.

**Timeline: Up to 40 business days**

## **Task Orders**\*

- Audit Firms must respond to initial notice of audit task order assignments within 10 business days, or the audits will be reassigned to another firm.
  - *Fee structure is detailed in each CPA firm's contract.*
  - *Where applicable, upon receipt of the final audit assignment list, participating city agencies begin price negotiations with their CPA firms.*
  - *Negotiations are based on the number of audits an agency has assigned with a CPA firm. (If an agency has a large number of audits assigned to one CPA firm, they may negotiate a larger discount.)*
  - *Failure to respond will also result in the Audit Firm's suspension from the task order rotation the following year.*
- If the audit firm fails to respond within 10 business days for 2 consecutive years, said Audit Firm's contract may be subject to termination for cause.
- Once audit fees are set, the agency ACCO department completes Task Orders for each CPA firm.
- Completed task orders are sent to the Comptroller's Office for registration.

**Timeline: Up to 45 business days** *(The number of days may increase, due to varying factors for either the CPA firm, City Agency, registration of task orders and / or Comptroller.)*

*\*Only applicable to city agencies participating in the Shared Audit Services master contract.*

*[City agencies not participating in the Shared Audit Services Contract process will begin here.]*

## **Planning**

- The City Agency provides the CPA firm their Audit Guide and / or Fiscal Manual for review and guidance.
  - *If required by the city agency, the CPA firm signs agreements attesting to keeping records confidential, and their computer system maintains sufficient safeguards to protect confidential documents.*
- The City Agency emails the Audit Announcement Letter along with the Internal Control Questionnaire (ICQ) *(where applied)* to the auditee and requests receipt confirmation.
  - *If the Auditee does not confirm receipt, the City Agency follows up and confirms receipt of both documents.*
  - *The announcement letter includes:*
    - *The Digital Audit Policy;*
    - *The list of documents needed for review; and*
    - *Instructions on how to upload and share documents through the auditee's HHS Accelerator account.*
- The CPA firm also sends a letter to the auditee, which includes the above-referenced items, and confirms an entrance conference date / time. (See **Appendix A** – Sample CPA Firm Audit Announcement Letter.)
  - *If the suggested date / time is inconvenient for the auditee, both parties will confer and determine a better occasion.*
- The auditee uploads all documents requested in the notification letter, and the ICQ to HHS Accelerator Document Vault; and shares those files with their contracting agency and auditor.
- The CPA firm assigns an auditor, who reviews the uploaded documents and completed ICQ, in order to finalize the Preliminary Audit Survey and the Audit Plan.

**Timeline: Up to 45 business days**

## **Field Work**

- The auditor visits the provider's office, where the entrance conference takes place, and the field work begins.
- The auditor will examine, assess, and report on:
  - *The adequacy of the provider's accounting system*
  - *Schedule of contract expenditures and revenue*
  - *Financial records, as reflected in monthly expenditure reports*
  - *The cost allocation plan for all expenses, across programs and funding sources*
  - *Outcomes for contract where payment is based on performance (ex: attainment of required service levels)*
  - *Proper documentation, classification, and reporting of outcomes, for contract where payment is based on performance*
  - *Mechanisms for managing all receivables and payables, including taxes*
  - *The filing and timely payment of all federal, state, and local payroll taxes*
  - *The accounting for any related party transactions*
  - *The classification and accounting of individuals receiving funds as consultants, employees, or stipend workers*
  - *The adequacy of internal controls*
  - *Compliance (as applicable to each City Agency)*
  - *The participation of the provider's Board of Directors in program management*
  - *The actions authorized by the provider's Board of Directors, as detailed in the meeting minutes for audited fiscal year*
  - *If applicable, the content of the provider's most recent Single Audit or audited financial statements, and the status of any reported findings*
- The auditor conducts tests in the following areas:
  - *Salaries*
  - *Fringe Benefits*
  - *Other Than Personnel Services (OTPS)*
  - *Contract Compliance*

- *Purchasing*
- *Funding*
- Fiscal Transaction Testing (minimum)
  - **ACS** 10%
  - **DFTA** 10%
  - **DHS** 10%
  - **DOHMH** 25%
  - **DOP** 10%
  - *Based on preliminary findings, the City Agency may request additional testing.*
- For contracts where payment is based solely or wholly on performance, the CPA firm will also test outcomes pursuant to agency standards.
- As the field work progresses, observations are shared with the provider, and minor issues are discussed.
  - *Should major concerns (material weaknesses) arise, the auditor promptly informs the city agency.*
- Upon fieldwork completion, the auditor discusses preliminary findings and recommendations with the provider. (If required by the agency.)
  - *The purpose of this informal meeting is to highlight the major findings and ensure that recommendations presented in the draft report are feasible.*
  - *Audit findings will not be removed at this point.*
  - *Provide checklist to auditee of outstanding documents.*
    - *Auditee is given opportunity to provide outstanding items to CPA firm before findings if available.*

**Timeline: Up to 25 business days**

### **Progress Reports**

- The CPA firm must provide the contracting agency and MOCS the status of all audits on a bi-weekly basis.
- Failure to submit progress reports on time may be construed as failure to satisfactorily progress under the contract.

### **Extension Requests**

- The CPA firm may request extension time for completing the following deliverables: field work, draft report, final report.
- Extension requests must be submitted in writing, and state in detail:
  - *Each cause for delay;*
  - *The date of each cause for delay; and*
  - *The total number of days attributable to each cause for delay.*
- Acceptable reasons for extension requests include:
  - *Unsatisfactory condition of auditee's books and records, preventing timely completion of audit.*
  - *Other reasonable grounds*
    - *The CPA firm's other engagements is not considered a reasonable justification for an extension.*
- The contracting agency will review each request, and make a determination.
- Extensions will be granted, including additional allowable days, at the discretion of the contracting agency.

### **Preliminary Draft Audit Reports**

- The preliminary draft audit report must be submitted to the contracting agency within 50 days of the entrance conference.
- The contracting agency reviews and corresponds with the CPA firm, each providing feedback until both parties are satisfied with the report.

**Timeline: Up to 10 business days**

## Draft and Final Reports

- The draft audit report must be submitted to the contracting agency no less than seven days before the exit conference.
  - *The CPA may request extension time for submitting a draft report no later than twenty days prior to the due date.*
- The CPA firm uploads the draft audit report to their HHS Accelerator Document Vault, and shares it with their contracting city agency.
  - *If requested, working papers are also uploaded and shared.*
- The City Agency reviews the draft report, and working papers (if requested).
  - *Both documents are matched with the ICQ for accuracy and completeness*
  - *Agency staff also reviews to ensure findings based on audit testing are transferred to the report.*
- The City Agency provides feedback to the auditor on whether corrections are required before finalizing the draft report.
  - *Reporting errors are documented by the city agency, and may be referenced in the CPA firm's performance evaluation.*
- The auditor completes the requested edits, uploads the revised draft report to their HHS Accelerator Vault, and shares with the auditee and the contracting City Agency
- During the exit conference, the auditor, auditee and City Agency discuss findings and other audit concerns.
  - *All participants must sign the attendance sheet.*
  - *An exit conference may occur via conference call, except when major findings are identified, or the City Agency requests to meet in person.*
  - *When findings are listed in the report, the auditee is required to supply an explanation and additional documentation, which the auditor will incorporate into the final report.*
- Following the exit conference, the CPA firm revises and uploads the final audit report to their HHS Accelerator Document Vault; and shares with the City Agency and MOCS.
  - *The City Agency reviews the final report to verify it is complete and error-free.*

- *If not, it is returned to the CPA firm for revisions.*
- *Once approved, the City Agency shares the final report with the Auditee.*
- Should the agency cause a delay in the completion of the final report, the following contract stipulation may take effect:
  - *An additional 5% of the audit price may be added to the rate, per audit, if the agency returns the final audit reports to the audit firm with a request for changes after the deadline previously established in the contract; inclusive of any extension periods granted by the agency. To be eligible for the additional 5% cost, such changes must necessitate a new exit conference and must either be corrections to errors not made by the audit firm or changes the agency requested that the audit firm failed to make prior to the final audit report. The audit firm may request the additional 5% payment and it may be granted at the discretion of the agency.*
- If reports and working papers do not pass quality control examination by the master contract holder, the contracting agency, or Comptroller, the City is not liable for payment until the reports and working papers are revised to their satisfaction.
- The contracting agency has the right to reject audit reports throughout the term of the contract, and continues one year after receipt of the final report.

**Timeline: Up to 65 days** *(Not including any extension periods granted by the agency)*

#### **Follow-up**

- If applicable, the City Agency follows up on the resolution of findings and questioned costs, presented in the final report.
  - *This includes the submission and successful completion of a Corrective Action Plan.*

**Timeline: Up to 60 days**

## Appendix A

### [Sample CPA Firm Audit Announcement Letter]

[DATE]

[TITLE, FIRST NAME LAST NAME]

[JOB TITLE]

[AGENCY NAME]

[ADDRESS 1]

[ADDRESS 1]

Re: **Audit of Contract(s): #[Contract Number(s)]  
Fiscal Year 201X**

Dear [TITLE. LAST NAME]:

The New York City [full agency name] has engaged [Name of CPA Firm] to conduct an audit of the fiscal operations of your [agency abbreviation]-funded program(s) for the [audit period] ended [mm/dd/yyyy].

Be advised, [Name of CPA Firm] will contact you to schedule the entrance conference to occur within 2 weeks from the date of this letter.

To expedite the audit process, please extend full support and cooperation to [Name of CPA Firm]. In anticipation of this audit, please upload the documents listed in the attachment to your HHS Accelerator Document Vault. *This requires your organization to have an account in HHS Accelerator – the City portal, designed to streamline the procurement process for Human Service agency vendors.* For ease of locating and viewing, please create folders to better organize the requested documents; and share this folder structure with this agency and [Name of CPA Firm]. (See next page.)

A video on uploading and sharing the listed documents, for the relevant audit period, to your HHS Accelerator Document Vault is available by accessing the following link: <http://on.nyc.gov/2w3EhML>.

Please complete this task by [insert date here]. (Suggested deadline: 2 weeks.)

Also, please confirm receipt of this letter by [insert date here]. (Suggested deadline: 2 days.)

Lastly, should you have any questions please feel free to contact your city agency audit representative:

- [Name / title / [email address](#) / telephone number of your staff member].

Thank you.

Sincerely,

[Title]

[Department]

**Document List Required for Audit**

To expedite the audit process, please extend full support and cooperation to your assigned CPA firm. In anticipation of this audit, please upload the following documents to your HHS accelerator Document Vault, and share the items below with our agency and your assigned CPA firm. For ease of locating and viewing, please create folders to better organize the requested documents:

[Folder 1] **Char 500 - 990 - Audit**

1. Please move the file containing the **most recent** Char 500 + 990 + Audit; which your organization uploads annually.
  - a. **Note: This document is already uploaded. Be sure to inform your staff of the new protocol, as this document should only be uploaded once annually.**

[Folder 2] **Organizational Documents and Policies**

List of Documents:

1. Certificate of Incorporation.
2. Corporate by-laws.
3. IRS determination letter (501c3).
4. All correspondence with the IRS regarding tax exempt status from the last 3 years.
5. New York State sales tax exemption certificate.
6. Organizational charts for the Organization and for accounting department.
7. Personnel policy manual
8. Accounting manual or procedure manual for the accounting department. If too voluminous, copy of table of contents only.
9. Board of Directors List (showing titles if they are officers).
10. Conflict of Interest policy.
11. Board Minutes
12. Anti-Nepotism policy

[Sample CPA Firm Audit Announcement Letter – Page 3]

[Folder 3] **[Agency - Program - Audit Period]** *(Please specify for each audit)*

List of Documents:

1. Agreements / policies in effect for fringe benefits claimed to the contract (i.1. Retirement benefit, health insurance etc.)
2. Insurance policies in effect (top sheets only showing the summary of coverage).
3. All required payroll tax returns
4. Consulting agreements
5. Lease Agreements and mortgages
6. Claiming Billing Reports if reimbursement-based
7. Budget and budget modifications if reimbursement-based
8. Bank reconciliation statements

[Folder 4] **Financial Statements and Tax Returns**

List of Documents:

1. Copies of any audits from: IRS, NYS Charities Bureau or other government sources conducted in the last 3 years.
2. Check signatories / staff authorized to conduct banking.
3. Chart of accounts including funds maintained (restricted, etc.) and cost centers; final trial balance from previous fiscal year.
4. A list of who has an Organization credit card, and type of card (Amex, etc.).
5. Copies of audited Independent CPA audit reports
6. Latest A-133 and management letter
7. Cost allocation methodology for PS and OTPS

### Standard Audit Process Tracking Tool

Audit Phase	Step #	Step Conducted by	Audit Step	Timeline (Calendar Days)	Start Date	End Date	Total Days	Comments						
			Task Order Assignment											
<b>Planning Phase</b>														
	1	City Agency	The City Agency emails the Audit Announcement Letter along with the Internal Control Questionnaire to the Auditee and requests a confirmation email or Outlook read receipt.	10 Days			0							
	2	City Agency	If the Auditee didn't confirm receipt, the City Agency follows up to confirm the receipt of the Audit Announcement Letter and the Internal Control Questionnaire.	5 Days			0							
	3	Auditee	The Auditee uploads the documents requested in the Audit Announcement Letter along with the Internal Control Questionnaire to HHS Accelerator Vault and shares with the City Agency and the Auditor -- Auditor schedules Entrance Conference.	15 Days			0							
	4	Auditor	The Auditor reviews the uploaded documents and the Internal Control Questionnaire to finalize the Audit Preliminary Survey and the Audit Plan.	15 Days			0							
<b>Field Work Phase</b>														
	5	Auditor	<b>Entrance Conference:</b> Auditor and Auditee discuss the Audit scope and objectives -- Auditor Starts the field work.	15 Days			0							
	6	Auditor	The Auditor conducts tests of controls, claims testing, staff interviews and other necessary procedures and discusses audit observations with the Auditee as they are identified -- Should material weaknesses occur, the Auditor promptly informs the City Agency.	10 Days			0							
	7	Auditor	Discussion of Preliminary Findings and Recommendations -- Once the audit fieldwork is substantially complete, the Auditor meets with the Auditee to discuss the audit findings and recommendations. Audit findings will not be removed at this point, the purpose of this informal meeting is to highlight the major findings and ensure that recommendations presented in the Draft report are feasible.	N / A			N / A							
<b>Reporting Phase</b>														
	8	Auditor	The preliminary draft audit report must be submitted to the contracting agency within 50 days of the entrance conference. <i>(If applicable.)</i>	5 Days			0							
	9	City Agency	The contracting agency reviews and corresponds with the CPA firm, each providing feedback until both parties are satisfied with the report. <i>(If applicable.)</i>	5 Days			0							
	10	Auditor	The Auditor uploads the Draft Audit Report and working papers (if requested) to HHS Accelerator Vault and shares with the City Agency.	30 Days			0							
	11	City Agency	The City Agency reviews the Draft Report and ICQ for accuracy and completeness and make sure that findings based on audit testing are transferred to the report. The City Agency provides feedback to the Auditor on whether any corrections are required before finalizing the Draft Report. <b>Errors to be documented by the City Agency.</b>	30 Days	Draft Report & ICQ to be reviewed	Draft Report, ICQ & working papers to be reviewed	60 Days	0						
	12	Auditor	The Auditor completes the necessary changes requested by the City Agency, uploads the Draft Report to HHS Accelerator Vault and shares with the Auditee and the City Agency -- Auditor schedules Exit Conference.	20 Days	20 Days		0							
	13	Auditor	<b>Exit Conference:</b> Auditor, Auditee and City Agency discuss findings and other audit concerns. Exit Conference to be done through a conference call unless major findings occur and the City Agency requests in person meeting.	10 Days	10 Days		0							
	14	Auditee	Should findings occur, the Auditee provides additional documentation/explanations to the Auditor to finalize the findings and incorporate the Auditee's responses into the Final Report.	10 Days	10 Days		0							
	15	Auditor	The Auditor uploads the Final Audit Report to HHS Accelerator Vault and shares with the City Agency and MOCS.	20 Days	20 Days		0							
	16	City Agency	The City Agency reviews the Final Audit Report to verify whether the Report is complete and error-free then shares with the Auditee -- <b>If additional corrections to be made, the City Agency may request the Auditor to make further edits before sharing the Final Report with the Auditee as explained in steps # 17 &amp; 18.</b>	20 Days	20 Days		0							
	17	Auditor	The Auditor completes additional edits and corrections requested by the City Agency, uploads the Final Audit Report to HHS Accelerator Vault and shares with the City Agency and MOCS. <i>(If applicable.)</i>	10 Days	10 Days		0							
	18	City Agency	The City Agency reviews the Final Audit Report, then shares with the Auditee. <i>(If applicable.)</i>	20 Days	20 Days		0							
<b>Follow-up Phase</b>														
	19	City Agency	The City Agency follows up on the resolution of the findings and questioned costs presented in the Final Audit Report.	60 Days	60 Days		0							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Calendar days up to step # 14:</td> </tr> <tr> <td>City Agency</td> <td style="text-align: center;">65 - 95</td> </tr> <tr> <td>Auditor</td> <td style="text-align: center;">120</td> </tr> </table>									Calendar days up to step # 14:		City Agency	65 - 95	Auditor	120
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