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TO: Executive Directors and Fiscal Officers
Preventive Service Contract Agencies

FROM: Marcia Gilliard, Assistant Commissioner, Division of
Financial Services, Audit and Banking

DATE: August 31, 2015

SUBJECTS: I. Fiscal Year 2015 Office of Management and Budget
(OMB) Circular A-133 Audits and Completion of
Preventive Schedules including Child Success NY

II. Homemaking Schedules

I. Fiscal Year 2015 Office of Management and Budget (OMB) Circular
A-133 Audits and Completion of Preventive Schedules including Child
Success NY.

All contractors who meet the threshold for completing an A133 audit are required to submit their Financial Statements and Fiscal Year 2015 Federal OMB Circular A-133 audit by March 31, 2016. The threshold is \$500,000 for Fiscal Year 2015. Please note the following:

- 1. The Administration for Children's Services (ACS) does not give filing extensions.**
- 2. Audits arriving after March 31, 2016 and incomplete audits are considered late.**
- 3. Late submissions may affect a contractor's VENDEX scores.**

If you are unable to meet this deadline, please notify ACS in writing by February 29, 2016.

ACS requires the completion of the following 6* supplemental preventive schedules for each preventive program administered by ACS for Fiscal Year 2015:

1. Statement of Revenues and Expenditures,
2. Schedule of Salaries,
3. Schedule of Fringe Benefits,
4. Schedule of Fixed Assets Inventory,

5. Schedule of Questioned Costs, and
6. Schedule of Quantitative Program Results) for the following preventive programs:
 - General Preventive (GP)
 - Intensive Preventive,
 - Specialized Preventive,
 - Homemaking,
 - Family Assessment Program (FAP),
 - Stability Initiatives,
 - Juvenile Justice Initiative/Juvenile Delinquency (JJI/JD),
 - Family Treatment /Rehabilitation (FTR),
 - Preparing Youth for Adulthood (PYA),
 - Young Fathers,
 - Community Partnership Program (CPP).

For contractors with Child Success New York City (CSNYC) funding, please be advised that:

1. The Preventive portion of Child Success New York City (CSNYC) is part of your close out.
2. CSNYC Preventive allocation is 62% State funded and 38% City funded. Therefore, it should **not** be combined with the Federal funding for fiscal year 2015 A-133.
3. ***The auditor should complete Schedule #7 for fiscal year 2015 Preventive portion of CSNYC.**
4. This schedule must be submitted to ACS along with your A-133 Audit.

Preventive Schedule templates are provided in the enclosed package along with the A-133 audit instructions. Contractors must advise the Certified Public Accounting (CPA) firm that is contracted to perform the A-133 audit that **these six (seven for Child Success) schedules are required for each preventive program administered and are also due to ACS by March 31, 2016.**

Providers that are not subject to the A-133 audit are also required to prepare the six preventive schedules for each preventive program for final reconciliation of the fiscal year as well as submit financial statements to ACS by March 31, 2016. A signed attestation from the Chief Financial Officer stating that the agency received less than \$500,000 in federal funds and is therefore not required to do an A-133

audit is required to be submitted with schedules and financial statements. Attached you will find a sample attestation.

II. Homemaking Schedules

ACS requires the completion of 12 supplemental preventive schedules for homemaking programs administered by ACS for Fiscal Year 2015:

1. Independent Auditor Report on Schedules;
2. Statement of Revenues and Expenditures;
3. Notes to Financial Statements Due To/From ACS;
4. Notes to Financial Statements Cash;
5. Notes to Financial Statements Allocated Costs;
6. Schedule of Questionable Costs and Recommended Disallowances;
7. Schedule of Consultants;
8. Schedule of Administrative Staff and Social Work Salaries;
9. Schedule of Fixed Assets;
10. Schedule of Quantitative Program Results;
11. Schedule of Fringe Benefits;
12. Independent Auditor's Comments on Internal Control Structure.

Completion of the schedules will serve to provide accurate information to complete a final closeout process for the fiscal year and comply with New York State monitoring requirements. The auditor is to be instructed to complete the Children's Services required schedules for each program with a separate Budget ID Number.

This memorandum must be shared with the CPA conducting the A-133 audit report. The CPA's work will be guided by this memorandum and the ACS Financial Services Fiscal Manual. To access the site, go to:

http://www.nyc.gov/html/acs/html/staff/resources_fiscal.shtml

The manuals that should be utilized are:

1. Preventive Services Guide,
2. Stability for Teens and Permanency Initiative, and
3. Guide to Preparing Youth for Adulthood and Housing Subsidy

Please note that the payment confirmations will continue to be sent to Preventive agencies instead of CPA firms. Please ensure that the CPA firm contracted to perform the A-133 audit reports receives all appropriate documentation including payment confirmation.

Please submit 2 copies of the audit report to:

Marcia Gilliard, Assistant Commissioner, Finance Audit and Banking
150 William Street
Room 10-Q3
New York, NY 10038

and a PDF to: Cheryl.Braithwaite@acs.nyc.gov

Please review the attached material. If you have any questions, please call your audit liaison or Jenny Nakas at (212) 442-1619.

Thank you for your cooperation.

CC: D. Brandwein, R. Beck, J. Nakas, P. Lapierre, Audit Liaisons

THE CITY OF NEW YORK
ADMINISTRATION FOR CHILDREN'S SERVICES
FINANCIAL SERVICES
CHILD WELFARE CONTRACT AUDIT

INSTRUCTIONS FOR COMPLIANCE WITH
OFFICE OF MANAGEMENT AND BUDGET (OMB)
CIRCULAR A-133 and A-122
for FY 2015

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Attachments:

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- Attachment #2: Schedule of Salaries
- Attachment #3: Schedule of Fringe Benefits
- Attachment #4: Schedule of Fixed Assets Inventory
- Attachment #5: Schedule of Questioned Costs
- Attachment #6: Schedule of Quantitative Program Results
- Attachment #7: Schedule for Child Success New York City Preventive Funding (not part of A-133)
- Attachment #8: Attestation (Sample)

I. **OMB Circular A-133 Provisions**

The Single Audit Act Amendments of 1996 and OMB Circular A-133 provide that non-Federal entities that expend \$500,000 or more in a year in Federal awards must have either a single or a program-specific audit conducted for that year. The Circular's definitions of single and program-specific audits are the following: a single audit is an agency-wide audit that includes both the financial statements and the Federal awards; whereas the program-specific audit is an audit of one particular Federal program performed in accordance with program-specific guidelines.

A. Responsibilities of Non-Profit Agencies Operating a Federal Program

OMB Circular A-133 requires certain responsibilities of the non-profit agency operating a program that includes a Federal award. These responsibilities are outlined in subpart D of the Circular.

If an agency expends \$500,000 or more it is subject to the audit requirements under the Circular; however, even if expenditures are less than the threshold the agency is subject to the following obligations:

1. Identify in the agency's accounts all Federal awards received and expended and the Federal program where the awards originate. Identify as applicable the Catalogue of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency and name of the pass-through entity.
2. Maintain internal control over Federal programs that provides reasonable assurance that the agency is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on the Federal programs.
3. Comply with laws, regulations, and the provisions of contracts or grant agreements related to the programs.
4. Prepare appropriate financial statements, including the schedule of expenditures of Federal awards.
5. Ensure that the audits required by Circular A-133 are properly performed and submitted on the due date.
6. Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.

If an agency spends less than \$500,000 in Federal awards, it is not subject to the A-133 Audit. CWCA then requires that an attestation to that fact be sent to our office attention: Assistant Commissioner. However, agencies are still required to complete a financial statement and required schedules.

An agency is subject to the requirements for auditor selection if its Federal expenditures are \$500,000 or more. However, only Children's Services, a pass-through entity, is responsible for procuring services to perform agreed-upon procedures to monitor the program.

If an agency's expenditures are less than \$500,000, the requirements for financial statements are less extensive. It is required to prepare only the information for the schedule of expenditures of Federal awards.

II. OMB Circular A-122- General Costs Principles for Non-Profit Agencies

Delegate agencies must comply with Circular A-122 which establishes principles for determining costs of grants, contracts and other agreements with Non-Profit organizations. The Principles are designed to provide that the Federal Government bear a fair share of costs except where restricted or prohibited by laws. The circular contains a detailed explanation of what constitutes allowable costs of an award allocation between direct and indirect cost.

III. How to Determine if an Agency is Subject to OMB Circular A-133 Audit

To determine if an agency is subject to a single audit, the total expenditures made for the year should be multiplied by the Federal percentage for the Federal program. If the result for any of the Federal programs operated by an agency is \$500,000 or more, that agency must contract for an A-133 audit.

The funding breakdown and CFDA numbers for Fiscal Year 2015 are as follows:

PREVENTIVE	CFDA #	CTL	State	Federal
All Prevention	93.667	19%	37%	44%
Homemaking	93.714	10%	0%	90%

An agency may have one or more than one Federal program. If in Fiscal Year 2015 an agency has only one Federal program and the Federal Expenditures are less than \$500,000, the agency is not required to have an A-133 Audit (See III A Example 1). However, if all program Federal Expenditures equal \$500,000 or more, the agency must hire a CPA to conduct an A-133 Audit (See III A, Example 2).

A Federal program is defined as all Federal awards assigned a single CFDA number. Programs with the same CFDA numbers are considered one Federal program, for example, an Intensive Prevention program and a General Preventive Program with the same CFDA number are considered one Federal program. Their totals must be combined to determine if the Federal Expenditures have reached the \$500,000 threshold (See III A, Example 3).

When an agency has more than one Federal program, all the Federal expenditures should be added together to determine if the agency is subject to the A-133 Audit (See III A Example 4).

A. Schedule of Expenditures of Federal Awards for FY Ended June 30, 2015

The Schedule of Expenditures of Federal Awards should include a list of Federal programs by Federal agency, Children's Services name and pass-through number, the total amount provided by Children's Services and the total amount expended for the Federal award from that total. In a note to the schedule, the following should be included:

- Value of Federal awards expended in the form of non-cash assistance, if any;
- Amount of insurance in effect during the year;
- Loans or loan guarantees outstanding at year-end.

Example 1

<u>Program Name</u>	<u>CFDA Federal Number</u>	<u>Agency Number</u>	<u>Total Expenditures</u>	<u>Federal Expenditures</u>
Expenditures U.S. Department of Health & Human Services				
Pass-through from NYC Admin. For Children's Services Social Services Block Grant General Prevention (GP)	93.667	99F2356	\$1,101,136	\$484,500
<u>Total</u>			<u>\$1,101,136</u>	<u>\$484,500</u>

An A-133 Audit is not required because the Federal Expenditures are less than \$500,000 and the agency has no other Federal program.

Example 2

<u>Program Name</u>	<u>CFDA Federal Number</u>	<u>Agency Number</u>	<u>Total Expenditures</u>	<u>Federal Expenditures</u>
Expenditures U.S. Department of Health & Human Services				
Pass-through from NYC Admin. for Children's Services Specialized Prevention	93.667	99C1232	\$1,159,432	\$510,150
<u>Total</u>			<u>\$1,159,432</u>	<u>\$510,150</u>

An A-133 Audit is required because the Federal Expenditures are more than the \$500,000 threshold. In addition, since the agency has only one Federal program, it may elect to conduct a Program-Specific Audit.

Example 3

<u>Program Name</u>	<u>CFDA Federal Number</u>	<u>Agency Number</u>	<u>Total Expenditures</u>	<u>Federal Expenditures</u>
Expenditures U.S. Department of Health & Human Services				
Pass-through from NYC Admin. For Children's Services Social Services Block Grant				

FAP	93.667	99F2356	\$582,955	\$256,500
CPP	93.667	99F2356	\$690,909	\$304,000

Total **\$1,273,864** **\$560,500**

The Intensive Prevention and the Family Day Care are considered one Federal Program. An A-133 Audit is required because the combined Federal Expenditures are over the \$500,000 threshold. Also, the agency may conduct a Program-Specific Audit since both the Intensive Prevention and Family Day Care are one Federal program.

B. Audit Exemption

If an agency spends less than \$500,000 in Federal awards in a year, it is not required to have a single or a program-specific audit but it is recommend that an audit be done. However, the agency must comply with the program’s rules, regulations and contract or grant agreements. In addition, the agency may be monitored for compliance with these requirements by appropriate officials of the Federal Agency, the General Accounting Office (GAO) and ACS.

IV. Procurement of Audit

Circular A-133 requires the sub-recipient to contract for audit services. In doing so, an agency must follow the standards prescribed by the “Grant Management Common Rule” also called A-102 Common Rule, and Circular A-110, “Uniform Administrative Requirements for Grant Agreement with Non-Profit Organizations.” These documents require the non-profit agency to use, whenever possible, small businesses and firms owned by minorities and women.

Circular, A-102 Common Rule and Circular A-110 require agencies to clarify the objectives and scope of the audit when they request proposals for audit services. Also, to evaluate the audit proposals, they must take into consideration the following factors: responsiveness to the request for proposals, relevant experience, availability of staff with professional qualifications and technical abilities, the result of the firm’s external quality control review, and the price. **In addition, ACS requires that each agency reach out to 3 CPA firms when submitting request proposals for audit services.**

Circular A-133, subpart “C” requires the sub recipient to procure audit services that follow the procurement standard prescribed by “Grant Management Common Rule.”

V. Single and Program-Specific Audits

A. Single Audit

Single Audit as defined in the Single Audit Act Amendments of 1996 is an audit of an entire agency’s operations performed in accordance with Government Auditing Standards (GAS). The program-specific audit is referred to in the OMB Circular A-133 as an audit conducted in accordance with GAS and the program-specific guide issued by the Federal agency administering the program.

B. Program Specific Audit

An agency can elect to have a program-specific audit conducted as opposed to a single audit, providing that it has only one program (excluding Research and Development) and the Federal Program’s Laws, Regulations, or Grant Agreements do not require otherwise. Circular A-133 states that in many cases, a program-specific audit guide will be available

to provide specific guidance to the auditor with respect to internal control, compliance requirements, suggested audit procedures, and audit reporting requirements. The auditor should contact the Office of Inspector General of the Federal agency to determine whether such a guide is available. When a current program-specific audit guide is available, the auditor shall follow GAS and the guide when performing a program-specific audit.

- C. Financial Statement Audit (when program specific audit guide not available) When a program-specific audit guide is not available, the auditor shall perform an audit of the financial statements for the Federal program in accordance with GAS; obtain an understanding of internal control and perform tests of internal control over the Federal program; perform procedures to determine whether the agency has complied with laws, regulations and the provisions of contracts or grant agreements; follow up on prior audit findings, and perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the agency.

The auditor's report may be in the form of either combined or separate reports. The report shall include: an opinion (or a disclaimer of opinion) as to whether the financial statements of the Federal program are presented fairly in all material respects in conformity with stated accounting policies; a report on internal control related to the Federal program; a report on compliance with laws, regulations, and the provisions of contracts or grant agreements; and a schedule of findings and questioned costs for the Federal program.

VI. Government Auditing Standards (GAS)

In conducting a single or program-specific audit, the auditors must follow GAS, which is promulgated by the Comptroller General of the United States. GAS includes general standards, fieldwork standards, and reporting standards.

- A. General Standards contain the following requirements:
1. The audit firm and staff must be proficient and independent when performing A-133 or other government audits;
 2. The audit staff must maintain their proficiency by enrolling in a program of continuing education;
 3. The audit organization must have a system of quality control in place and have undergone a recent peer review.
- B. Field Work Standards
Under GAS, these are the same as the American Institute of Certified Public Accountants (AICPA) standards. They require the auditors performing financial statement audits to plan the audits, supervise the staff, and review the auditee's internal control. In addition, the auditors must gather sufficient and competent evidence to support their findings.
- C. Reporting Standards On Financial Statements
When auditors issue a financial report on an agency, they must prepare the report in accordance with GAS, which incorporates the AICPA standards. GAS requires the auditors to state in the report whether or not the agency's financial statements are presented fairly in all material respects in accordance with Generally Accepted Accounting Principles (GAAP). For an A-133 audit, the auditors must determine whether

the schedule of expenditures of Federal awards are presented fairly in all material respects in relation to the financial statements taken as a whole.

D. AICPA Statements on Auditing Standards

The AICPA issues the Statements on Auditing Standards (SAS) to provide clarification on the application of the standards of field work and reporting. The auditors must refer to them when they are conducting audits.

E. Internal Control and Compliance

In addition to the requirements of GAS the auditors conducting A-133 audits must evaluate the internal control over the agency's Federal awards and assess the level of control risk for the major programs. Likewise, the auditors must determine if the agency complied with laws, regulations and the provisions of contracts, or grant agreements.

VII. Children's Services Requirements Applicable to an Agency's Programs

Children's Services Audit Services has included with these instructions (see Attachments #1 - #6) some schedules to agencies with Preventive programs to help in the reporting of information that is necessary for Children's Services monitoring responsibility. As part of the A-133 audit, the auditors must ensure that the agencies complied with Children's Services fiscal requirements.

When contracting for audit services, agencies must request that the auditors complete these schedules as part of the A-133 Audit. These schedules must be included in the audit report whether or not the Preventive program and other Children's Services Federal Awarded programs are audited as a major program. These schedules can be shown in a separate section of the audit report as supplementary information to the report.

Agencies that are not subject to the A-133 Audit are required to prepare Preventive schedules for final reconciliation of their fiscal year as well as submit their financial statements to Children's Services. The additional requirements will serve to provide accurate information to complete a final closeout process for the fiscal year and comply with New York State monitoring requirements. Also required is a signed attestation from the Chief Financial Officer stating that the agency received less than \$500,000 in federal funds and is therefore not required to do an A133 audit.

The schedules are as follows:

1. Revenue and Expenditures;
2. Salaries;
3. Fringe Benefits;
4. Fixed Assets;
5. Detailed Explanation of Questioned Costs;
6. Quantitative Program Results;
7. Child Success New York City Preventive Funding (not part of A-133);

8. Attestation (Sample).

The schedules of expenditures, salaries, and fringe benefits identify actual expenses. The final closeout will be computed from the schedule of revenue and expenditures comparing the revenue to the total budget amount and actual expenditures. In addition, an analysis of the program results should be provided and the percentage of private share, if any, should be disclosed. **When a Preventive contract has more than one budget code, it is required that the schedules be presented by budget code to facilitate the close out process.**

For Fiscal Year ended June 30, 2015 these schedules should be covered by an Auditor's report on Supplementary Information concluding that "such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole."

VIII. Follow-up: Summary Schedule of Prior Audit Findings and Corrective Action Plan

The A-133 Circular requires agencies to follow-up and prepares a corrective action plan for all audit findings. The agency must prepare a summary schedule of prior audit findings and a corrective action plan for the current audit findings. The summary schedule and the corrective action plan should include reference numbers auditors assign to the audit findings.

A. Summary Schedule of Prior Audit Findings

The summary schedule of prior audit findings should report the status of all audit findings and questioned costs related to the Federal awards. It should also include audit findings and questioned costs reported in prior summary schedules of audit findings and questioned costs, except findings that have been corrected.

If there are monitoring findings, they should also be included in the corrective action plan and summary schedule of prior audit findings and questioned costs. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, the summary schedule should provide an explanation.

B. Corrective Action Plan

At the completion of the audit the sub-recipient should prepare the corrective action plan to address each finding. The corrective action plan should provide the name and title of the contact person responsible for the corrective action, the corrective action planned and the anticipated completion date. If an agency's officials do not agree with the findings or believe the corrective action is not required or warranted they should include an explanation and specific reasons for their belief.

IX. Circular A-133 Compliance Supplement

The Compliance Supplement of the Circular A-133 identifies the compliance requirements that should be considered by the auditors when they are performing audits of Federal awards. The Supplement provides guidelines for determining audit objectives and procedures. For single audits, this Supplement replaces any other audit guide and other audit requirement documents for individual Federal programs that existed before the 1996 revision. However, the A-133

Supplement states in subpart E, (d) that in addition to the compliance requirements identified in the Supplement, auditors should consider whether or not there are other provisions of contracts, or grant agreements that are unique to a particular entity.

Therefore, in performing audits of an agency's Federal awards, the auditors must consider the specific requirements applicable to the agency's program in addition to the Compliance Supplement requirements.

X. Report Submission

The Circular provides that the reporting package including a data collection form shall be submitted the Federal Clearing House designated by OMB within thirty (30) days of the receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The reporting package as described in subpart "C" of the OMB Circular comprises:

- Financial Statements and Schedules of Expenditures of Federal Awards
- Summary Schedule of Prior Audit Findings
- Auditor's Reports
- Corrective Action Plan

The Circular also provides for the sub-recipient to send, upon request, copies of the reporting package described above to the Pass-Through entity.

Two- (2) Bound copies and one (1) PDF of the Audit Report must be sent to Child Welfare Contract Audit. The two copies must be addressed to:

Marcia Gilliard, Assistant Commissioner
Finance Audit and Banking
150 William Street
Room 10-Q3
New York, NY 10038

Please send the PDF to Cheryl.Brathwaite@acs.nyc.gov

If an agency does not comply with the requirements, there will be a negative impact on the yearly Fiscal Administration rating.
