

**CITY OF NEW YORK,  
DEPARTMENT FOR THE AGING**



**AUDIT GUIDE**

**Issued by:**

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**CITY OF NEW YORK, DEPARTMENT FOR THE AGING  
AUDIT GUIDE**

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## **SECTION 100**

### **ADMINISTRATION AND OVERVIEW**

#### **SECTION 101 - PURPOSE AND EFFECTIVE DATE OF AUDIT GUIDE**

**.01** The purpose of the City of New York, Department for the Aging Audit Guide is to implement the Department for the Aging (DFTA) audit requirements to be utilized by independent auditors in preparing for and performing audits of contract agencies which receive contracts from DFTA. The Audit Guide is intended to be a reference source for the independent auditor. The Audit Guide is comprised of the following sections:

- Section 100 - Administration and Overview
- Section 200 - Summary of Applicable Literature
- Section 300 - General Auditing Standards and Requirements
- Section 400 - Specific Auditing Requirements
- Section 500 - Audit Reporting Standards and Requirements
- Section 600 - Agreed-Upon Procedures and Reporting
- Section 700 - DFTA Report Review Checklist

**.02** This Audit Guide supersedes any previous audit guides issued by DFTA.

**.03** This Audit Guide is not a complete manual of procedures nor should it supplant the auditor's judgment of the audit work required in a particular situation. Because of the variety of DFTA programs and the associated types of funding and the complexity of the regulations that govern them, the procedures contained in this Audit Guide cannot cover all circumstances or conditions that would be encountered in an audit of every contract agency. The auditor should use professional judgment to tailor their procedures to meet the conditions of the particular engagement so that the audit objectives may be achieved.

**.04** The provisions of this Audit Guide are effective upon publication and shall apply to audits of contract agencies which DFTA has selected for audit.

#### **SECTION 102 - AUDIT REPORT DELIVERY**

**.01** Six copies of the completed audit report (as required under Section 500 of this Audit Guide) is due to DFTA within 90 days after the auditor's receipt of the DFTA prepared revenue statement and associated contract closeout data or the registration of the audit firm's contract, whichever is later.

**.02** Six copies of an agreed-upon procedures report (Section 600 of this Audit Guide) are to be delivered in accordance with the time frame established by DFTA.

## **SECTION 102 - (CONT.)**

- .03** In addition to the previously mentioned reports, for common sponsor lot audits, (i.e., audits of DFTA agencies administered by one sponsor), the auditor is required to prepare and submit a report which summarizes all internal control structure and compliance findings common to two or more of the agencies administered by that sponsor. The summary report on internal control structure and compliance must be submitted at the time the final reports are submitted. If there are no common deficiencies, the summary report must contain a positive statement to that effect. This requirement is in addition to the reports on internal control structure and compliance submitted with the required audit reports on each agency. The form of the report is provided in Section 506.
- .04** The copies of the reports are to be delivered by the close of business to the:

Office of Contract Accounting  
Department for the Aging  
City of New York  
2 Lafayette Street – 9<sup>th</sup> Floor  
New York, New York 10007-1392

### **Report Delivery Extensions**

- .05** If the auditor believes that an extension of the deadline for submission of the report is necessary, the request must be in writing and be specific in nature. The reasons for the request and the expected delivery date must be stated.
- .06** The request for extension should be received by DFTA as soon as the auditor becomes aware of the need for an extension and at least 45 calendar days prior to the date the report is due.

## **SECTION 103 - AUDIT REPORT CORRECTIONS**

- .01** Auditors must address all issues transmitted by DFTA on its deficiency letters by either making appropriate corrections or stating reason(s) why a correction(s) was not made.

### **Audit Report Corrections Delivery**

- .02** Six copies of the completed audit report or page are due to DFTA within seven (7) calendar days or as specified on DFTA's correspondence, which is transmitted either via e-mail or fax and U.S. mail.

## **SECTION 104 - WHO TO CONTACT FOR ASSISTANCE**

- .01** In preparing for or conducting an audit, the independent auditor may have questions which arise concerning the implementation of the requirements of this Audit Guide. These questions should be directed to the Director of Contract Accounting at DFTA or his/her designee.



## **SECTION 105 - AUDITOR INDEPENDENCE REQUIREMENTS**

- .01** In all matters relating to the audit work, the audit firm and the individual auditors should be free from personal and external impairments to independence, and should maintain an independent attitude and appearance.
- .02** No person may audit any organization in which the auditor, audit firm member or any member of his or her immediate family, is a member of the Board of Directors, is an officer or employee or has any other direct or indirect interest in the organization or program to be audited.
- .03** No auditor or firm of auditors that has been engaged to audit an organization or program or any member of his or her immediate family, may engage in any business transactions or serve as a member of the Board of Directors or serve as an officer or employee of the organization or program during the period of audit performance.

## **SECTION 106 - CPE AND EXTERNAL QUALITY CONTROL REVIEW**

- .01** Audits performed in accordance with the DFTA Audit Guide are to conform to the requirements established in Government Auditing Standards. Those standards in part require the auditor and the audit firm to possess adequate competence and have appropriate quality assurance systems. Specifically:
  - Section 3.39 requires: “The staff assigned to perform the audit or attestation engagement should collectively possess adequate professional competence for the tasks required.”
  - Section 3.45 requires: “Auditors perform work under GAGAS, including planning, directing, performing fieldwork, or reporting on an audit or attestation engagement under GAGAS, need to maintain their professional competence through continuing professional education (CPE). Therefore, each auditor performing work under GAGAS should complete, every 2 years, at least 80 hours of CPE that directly enhance the auditor’s professional proficiency to perform audits and/or attestation engagements. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any 1 year of the 2-year period.”
  - Section 3.49 requires: “Each audit organization performing audits and/or attestation engagements in accordance with GAGAS should have an appropriate internal quality control system in place and should undergo an external peer review.”
  - Section 3.52 requires: “Audit organizations performing audits and attestation engagements in accordance with GAGAS should have an external peer review of their auditing and attestation

engagement practices at least once every 3 years by reviewers independent of the audit organization being reviewed. The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was adequate and whether quality control policies procedures were being complied with to provide the audit organization with reasonable assurance of conforming with applicable professional standards. Audit organizations should take remedial, corrective actions as needed based on the results of the peer review."

- .02** Auditors or audit firms which do not meet Government Auditing Standards, such as continuing professional education or external quality control review, need to disclose in the auditor's reports those audit standards are not met. These auditor's reports will not be accepted by DFTA.

**SECTION 107 - AUDITOR REFERRAL - INADEQUATE WORK**

- .01 Where a review of the audit report or the working papers, as performed by any representatives of DFTA and/or City of New York, discloses an inadequacy, the audit firm will be contacted. Where such inadequacies are deemed significant and the associated working papers are deemed substandard, the City of New York may proceed with further action against the particular auditor and/or audit firm.
- .02 In those instances where the audit was performed by a certified public accountant and the work was determined to be substandard by the City of New York, the matter may be submitted to the City of New York, Controllers Office and/or the New York State Education Department, Office of the Professions, Professional Licensing Services and the New York State Society of Certified Public Accountants.

**SECTION 108 - AUDITOR INVOICING TO DFTA**

- .01 The independent auditor is to invoice DFTA separately for each DFTA audit, monitoring visit, or agreed-upon procedures. The invoice must specify the following:
  - Type of work performed
  - Name of the DFTA agency
  - DFTA I.D. number, contract number and lot number
  - Period of audit, monitoring or agreed-upon procedures
  - Billing information/summary:
    - a. Name of auditor
    - b. Staffing category
    - c. Actual hours expended
    - d. Contracted hourly rate
    - e. Amount of labor cost (c. x .d)
    - f. Total amount invoiced to DFTA (not to exceed bid maximum)
- .02 Each invoice to DFTA must include the certification specified below and signed and dated by an authorized individual of the accounting firm (partner/principal/officer).

We (I) certify that the services described and the number of hours stated in this invoice have been performed in accordance with the agreement between the Department For the Aging of the City of New York and (*Name of Accounting Firm*).

\_\_\_\_\_  
(Print name)

\_\_\_\_\_  
(Signature)

Date \_\_\_\_\_

- .03 The management/supervisory and staff personnel listed on the auditor’s invoice to DFTA must agree to the names and staffing categories of the individuals whose resumes were submitted to DFTA in the auditor’s proposal. Any additions or staffing category changes to that proposal would require a resume to be submitted to DFTA for approval prior to the processing of an invoice for payment.

## SECTION 109 - AUDITOR PROGRESS REPORTS TO DFTA

**.01** A status report must be submitted by each auditor/firm to DFTA on a bi-weekly basis, beginning two weeks after the start of the contract with DFTA. This status report, which would cover audits or monitoring visits and must be submitted until the completion and delivery of all audit reports, is required to have the following information on each lot and each agency in the lot.

- Name of accounting firm
- Reporting period
- Lot number
- DFTA ID number
- Sponsor name
- Program name
- Audit or monitoring period
- Contract registration date
- Date DFTA Revenue Statement (RS) package received
- Audit or monitoring scheduled start date
- Date audit or monitoring started
- % of work completed as of date of progress report
- Report due date
- DFTA approved report extension due date
- Exit conference date
- Date report delivered to DFTA
- Comment, if any, regarding delays in report submission. This comment(s) cannot be used as an extension request. (Refer to **Report Delivery Extensions**, Section 102.05 when such request may deem necessary).

A sample of the above status report is provided in Section 108.3.

**.02** The above status report must cover a two-week period ending on a Friday and is to be submitted to DFTA **no later than 3:00 p.m. on the following Wednesday**. This report may be transmitted to DFTA as follows:

Via facsimile (FAX) at (212) 442-1027 and followed by hard copy.

**or**

E-mail: [gcampbell@aging.nyc.gov](mailto:gcampbell@aging.nyc.gov)

[jpierre@aging.nyc.gov](mailto:jpierre@aging.nyc.gov)

XYZ Accounting Firm  
 Audit (1) Status Report as of July XX, 19XX  
 Lot Number XX

<u>DFTA ID Number</u>	<u>Sponsor/ Program Name</u>	<u>Audit (1) Period</u>	<u>Contract Registration Date</u>	<u>DFTA RS Received</u>	<u>Scheduled Start Date</u>	<u>Date Work Commenced</u>	<u>% of Work Completed</u>	<u>Report Due Date</u>	<u>DFTA Approved Ext. Date on</u>	<u>Exit Conference Date</u>	<u>Date Report Delivered to DFTA</u>	<u>Comments</u>
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(1) If monitoring visits are to be reported for a specific lot, then amend appropriately to include audit and/or monitoring.

## SECTION 200

### SUMMARY OF APPLICABLE LITERATURE

#### SECTION 201 - GENERAL INFORMATION

- .01** In performing a DFTA contract type audit at a not-for-profit or for-profit organization, the Statements on Auditing Standards (SAS's) are applicable. Therefore, the auditor should perform the audit, at a minimum, in accordance with generally accepted auditing standards. However, in audits for the City of New York, Department for the Aging, there are numerous other official publications of which the auditor must be knowledgeable, and the auditor must perform the audit 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 audit. 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 generally accepted auditing standards. 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 generally accepted auditing standards, 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** Failure to follow the standards and/or procedures contained in the publications listed in Sections 202 to 205 of this Audit Guide, without disclosure in the auditor's report, will be a violation of Ethics Rule 501. In addition, reference in the auditor's report that the audit was conducted in accordance with the provisions of the City of New York, Department for the Aging Audit Guide incorporates the applicable provisions of the publications cited in Sections 202 to 205 as well as the other applicable pronouncements promulgated by the Financial Accounting Standards Board (FASB) and the AICPA.
- .03** The auditor should obtain and become familiar with the following publications prior to auditing the programs of the DFTA contract agency. The following is a summary of each publication. This summary is provided for informational purposes only. The auditor should refer to the actual publication for guidance.

#### SECTION 202 - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

- .01** Statements on Auditing Standards (SAS). Issued by the Auditing Standards Board and represents generally accepted auditing standards. "Rule 202 of the AICPA's Code of Professional Ethics requires adherence to generally accepted auditing standards, recognizes Statements on Auditing Standards as interpretations of those standards, and requires that members be prepared to justify departures." In addition, the following statements on auditing standards are critical in the performance of a DFTA audit and must be understood and utilized by the auditor.

## SECTION 202 (CONT.)

### **.02**    SAS No. 53 - The Auditor's Responsibility to Detect and Report Errors and Irregularities

This Statement provides guidance on the independent auditor's responsibility for the detection of errors and irregularities in an audit of financial statements in accordance with generally accepted auditing standards. It describes factors that influence the auditor's ability to detect errors and irregularities and explains how the exercise of due care should give appropriate consideration to the possibility of errors or irregularities. It also provides guidance on the auditor's responsibility to communicate detected matters both within and outside the entity whose financial statements are under audit.

### **.03**    SAS No. 54 - Illegal Acts by Clients

This Statement prescribes the nature and extent of the consideration an independent auditor should give to the possibility of illegal acts by a client in an audit of financial statements in accordance with generally accepted auditing standards. The Statement also provides guidance on the auditor's responsibilities when a possible illegal act is detected.

### **.04**    SAS No. 55 - Consideration of the Internal Control Structure in a Financial Statement Audit (As amended by SAS No. 78)

This Statement provides guidance on the independent auditor's consideration of an entity's internal control structure in an audit of financial statements in accordance with generally accepted auditing standards. It describes the elements of an internal control structure and explains how an auditor should consider the internal control structure in planning and performing an audit.

### **.05**    SAS No. 74 - Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance

This Statement is applicable when an auditor is engaged to audit a governmental entity under generally accepted auditing standards (GAAS), and engaged to test and report on compliance with laws and regulations under Government Auditing Standards (the Yellow Book) or in certain other circumstances involving governmental financial assistance, such as single or organization-wide audits or program-specific audits under certain federal or state audit regulations.

The SAS provides general guidance to the auditor to:

- a. Apply the provisions of AU Section 317, Illegal Acts by Clients, relative to detecting misstatements resulting from illegal acts related to laws and regulations that have a direct and material effect on the determination of financial statement amounts in audits of the financial statements of governmental entities and other recipients of governmental financial assistance.

## **SECTION 202 (CONT.)**

- b. Perform a financial audit in accordance with Governmental Auditing Standards, issued by the Comptroller General of the United States.
- c. Perform a single or organization-wide audit or a program-specific audit in accordance with federal audit requirements.
- d. Communicate with management if the auditor becomes aware that the entity is subject to an audit requirement that may not be encompassed in the terms of his or her engagement.

### **.06 SAS No. 99 - Consideration of Fraud in a Financial Statement Audit**

This statement provides guidance to auditors in fulfilling that responsibility, as it relates to fraud, in an audit of financial statements conducted in accordance with generally accepted auditing standards. Specifically, this statement:

- Describes fraud and its characteristics.
- Requires the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- Describes the importance of exercising professional skepticism including a discussion among engagement personnel regarding the risks of material misstatement due to fraud.
- Provides guidance on how the auditor obtains the information needed to identify risks of material misstatement due to fraud.
- Requires that in considering fraud risk factors the auditor should conduct inquiries of management and others within the organization.
- Provides guidance on the evaluation of audit test results as they relate to the risk of material misstatement due to fraud.
- Describes the auditor's requirement to assess the identified risks after taking into account the organization's controls.
- Provides guidance regarding the auditor's communication about fraud to management, the audit committee, and others.

SAS No. 99 is effective for audits of financial statements for periods ending on or after December 15, 2002.

### **.07 SAS No. 112 – Communicating internal control related matters identified in an audit.**

- a. SAS 112 requires the auditor to communicate, in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in



an audit.

## SECTION 202 (CONT.)

b. The following definitions are provided in the SAS:

- Control deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements (not necessarily material misstatements) on a timely basis.
- Significant deficiency – A control deficiency or combination of control deficiencies that adversely affects the entity’s ability to initiate, authorize, record, process or report financial data reliably in accordance with GAAP, such that there is more than a remote likelihood that a misstatement of the financial statements that is more than consequential will not be prevented or detected.
- Material weakness – A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be detected or prevented.

The standard used to measure the difference between a significant deficiency and a material weakness is clearly subjective and up to the judgment of the auditor and is based on a consideration of both quantitative and qualitative factors. The term “more than inconsequential” relates to the magnitude of the error but is not the equivalent of materiality determinations or tolerable error rates.

The significance of a control deficiency depends upon the potential for misstatement and not on whether or not a misstatement actually occurred.

SAS 112 is effective for years ending on or after December 15, 2006.

**.08** All future pronouncements that will be issued by the AICPA that are applicable to auditing (as they relate to DFTA programs) are to be adhered to by the auditor.

## **SECTION 203 - GENERAL ACCOUNTING OFFICE (GAO)**

### **.01 Government Auditing Standards (2003 Revision)**

The standards and guidance in this document apply to audits and attestation engagements of government entities, programs, activities, and functions, and of government assistance administered by contractors, nonprofit entities, and other nongovernmental entities. A number of statutes and other mandates require that auditors follow GAGAS. Where a statute or other mandate does not exist, auditors will find it useful to follow GAGAS in work regarding the use of government funds. If auditors hold themselves out as following GAGAS, regardless of whether the auditors are required to follow such standards, the auditors need to justify any departures from GAGAS.

### **.02 Interpretation of Continuing Education and Training Requirements**

This interpretation guides audit organizations and individual auditors on implementing the CPE requirements by answering the most frequently asked questions from the audit community.

### **.03 Assessing Compliance With Applicable Laws and Regulations**

The guide is designed to assist the auditor in implementing the requirement for detecting noncompliance. The guide provides a general overview of compliance testing, discusses how audit assignment objectives influence compliance testing, and explains how to identify applicable laws and regulations. It also explains how to perform a vulnerability assessment, compliance testing and reporting requirements for performance audits, and the requirements for financial audits.

## **SECTION 204 - OFFICE OF MANAGEMENT AND BUDGET (OMB)**

### **.01 OMB Circulars**

The Office of Management and Budget has developed and published a series of financial circulars which establish uniform policies and regulations to be observed by all executive branch agencies of the Federal Government. The following lists some of those circulars the independent auditor should consider during the conduct of the audit.

### **.02 Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions Issued May 8, 1996, Revised May 10, 2004**

The Circular establishes principles for determining costs applicable to grants, contracts and other agreements with educational institutions. The significant areas covered by the Circular include:

- Principles for determining costs applicable to grants, contracts, and other agreements, including definition of direct and indirect costs along with the requirements for cost allocation plans; and
- Standards for selected items of cost.

## **SECTION 204 (CONT.)**

### **.03 "Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations Revised November 29, 1993, Amended September 30, 1999**

This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other nonprofit organizations.

The provisions of the sections of this Circular shall be applied by Federal agencies to recipients. Recipients shall apply the provisions of this Circular to subrecipients performing substantive work under grants and agreements that are passed through or awarded by the primary recipient. This Circular does not apply to grants, contracts, or other agreements between the Federal Government and units of State or local governments covered by OMB Circular A-102, "Grants and Cooperative Agreements with State and Local Governments," and the Federal agencies' grants management common rule which standardized and codified the administrative requirements Federal agencies impose on State and local grantees. In addition, subawards and contracts to State or local governments are not covered by this Circular. However, this Circular applies to subawards made by State and local governments to organizations covered by this Circular.

### **.04 Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (With revisions up to May 10, 2004)**

The Circular establishes principles for determining costs of grants, contracts and other agreements with not-for-profit organizations. It does not apply to state and local governments, which are covered by Circular A-87. The significant areas covered by the Circular include:

- Principles for determining costs applicable to grants, cooperative agreements, cost reimbursement contracts, including definition of direct and indirect costs along with the requirements for cost allocation plans; and
- Standards for selected items of cost, including allowable costs and unallowable costs.

## **SECTION 205 - CITY OF NEW YORK, DEPARTMENT FOR THE AGING**

### **.01 Fiscal Management Manual**

The City of New York, Department for the Aging Contract Agency Fiscal Management Manual (revised August 2005) is a reference document. The purpose of this manual is to assist personnel in properly carrying out their duties and fulfilling their responsibilities. The manual provides an overview of the major financial management practices of the contract agency and describes the policies, procedures, forms and other tools which are required for effective operations.

## **SECTION 205 (CONT.)**

The manual contains chapters on the following areas:

- Budget Management
- Accounting and Internal Control
- Bookkeeping Procedures
- Processing of Claims to DFTA
- Procurement and Purchasing
- Taxes
- Indirect Cost Rate
- Audit
- Homecare
- Other Performance Based Contracts

## SECTION 300

### GENERAL AUDITING STANDARDS AND REQUIREMENTS

#### SECTION 301 - INTRODUCTION

- .01 This section contains the general auditing standards and requirements for all audits to be performed in accordance with this Audit Guide. (The auditing requirements for a DFTA contract audit are specified in Section 400 of this Audit Guide).
- .02 The requirements of this section are not all-inclusive and may not be relevant in every DFTA audit. The auditor must determine applicability and justify exclusion of an item. The working papers should clearly document adherence with all audit requirements in this Section and the specific requirements contained in Section 400.

#### Objectives of the Audit

- .03 The objective of each audit is to determine and report whether:
- Financial reports prepared by the contract agency present fairly the financial condition of the DFTA contract;
  - The system of internal control structure was adequate to safeguard DFTA funds;
  - The contract agency has adequate procedures and controls to ensure compliance with Federal, State and City laws, DFTA regulations and contract conditions;
  - The contract costs reported to DFTA were documented and allowable in accordance with the contract terms and conditions and the DFTA Fiscal Management Manual;
  - Units of service reported to DFTA were supported by adequate program records; and
  - The indirect cost rate proposed by the contract agency, as applicable to DFTA funded programs, is adequately documented and provides for a fair and proper basis for indirect costs.

#### SECTION 302 - WORKING PAPERS

- .01 Auditing firms are expected to comply with the requirements of Statement on Auditing Standards (SAS) No. 41, "working papers." The working papers must 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. The working papers are the property of the auditor; however, the working papers are subject to review by the Department for the Aging, the City of New York, Comptroller's Office and Federal or State agencies as may be appropriate.

When working papers are requested by DFTA for review such working papers are to be delivered by the auditor within seven working days.

## SECTION 302 (CONT.)

- .02** In addition to the requirements of SAS No. 41, the Audit Documentation standards described in, paragraph 4.24, of the Government Auditing Standards (GAO Yellow Book) stipulate that working papers should contain:
- The objective, scope, and methodology, including any sampling criteria used;
  - Documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records; and
  - Evidence of supervisory reviews of the work performed.
- .03** The auditor should develop an audit program utilizing the auditing requirements covered in this Section and those procedures specified in Section 400 of this Audit Guide. In addition, during the course of the audit, the auditor should be aware the audit program may require modification due to, for example, unexpected results of testing internal control structure, substantially changed facts, or unanticipated activities of the organization.
- .04** The auditor is required to retain all original working papers and associated reports for a minimum of six years from the date of the auditor's report unless the auditor is notified in writing by DFTA to extend the retention period.

## SECTION 303 - AUDIT PLANNING

- .01** Generally accepted auditing standards require that audit engagements be adequately planned. The AICPA has issued SAS No. 47 "Audit Risk and Materiality in Conducting an Audit" which should also be considered (AICPA Statement on Auditing Standards AU Sections 311 and 312). The auditor should also be aware of Government Auditing Standards as they apply to planning an audit.
- .02** In accordance with Government Auditing Standards, paragraph 4.03 the work should be adequately planned, and Assistants, if any, are to be properly supervised specifically, paragraphs 4.09 and 4.10 state that:

**4.09** "In situations in which auditors are performing the audit under a contract with a party other than the officials of the audited entity, or pursuant to a third-party request, auditors should also communicate with the individuals contracting for or requesting the audit, such as contracting officials or members or staff of legislative committees. When auditors are performing the audit pursuant to a law or regulation, auditors should communicate with the members or staff of legislative committees who have oversight of the auditee. Auditors should coordinate communications with the responsible government audit organization and/or management of the audited entity and may use the engagement letter to keep interested parties informed. If an audit is terminated before it is completed, auditors should write a memorandum for the record that summarizes the results of the work and explains the reasons why the audit was terminated. In addition, auditors should communicate the reason for terminating the audit to management of the audited entity, the entity requesting the audit, and other appropriate officials, preferably in writing. This communication should be documented."

## SECTION 302 (CONT.)

**4.10** “In communicating the nature of services and level of assurance provided, auditors should specifically address their planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. During the planning stages of an audit, auditors should communicate their responsibilities for testing and reporting on internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. Such communication should include the nature of any additional testing of internal control and compliance required by laws, regulations, and provisions of contracts or grant agreements, or otherwise requested, and whether the auditors are planning on providing opinions on internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements.”

**.03** The following highlight some planning considerations that would be particularly important in performing a DFTA contract audit:

- Identify the engagement's reporting objectives (See Section 500 of this Audit Guide);
- Evaluate factors affecting the scope of testing;
- Consider anticipated reliance on internal control structure;
- Establish the type of audit tests to be performed (audit approach).

**.04** As part of the planning process, the auditor is to take into consideration that performing a study and evaluation of internal control is to be performed as part of the audit. The auditor's working papers must include documentation as to his/her understanding of the contract agency's internal control structure. To assist the auditor, certain questions are included in Section 400 of this Audit Guide identifying specific functions which the auditor is expected to cover. These are in addition to those aspects which are normally covered during a financial statement audit. The matters covered in these questions relate to expressed or implied conditions and desired management practices. It is recognized that all questions may not be applicable under all circumstances. The questions are not intended to supplant the auditor's judgment, nor do they relieve the auditor of the responsibility for being familiar with the general and specific contract conditions and any other DFTA requirements. The questions have been worded to obtain yes answers for satisfactory conditions for which no additional action is necessary. Negative answers may indicate an adverse condition which should be examined during the course of the audit. All negative answers must be explained by the auditor. If the auditor determines that the adverse condition is such as to materially affect the system, the auditor should comment on the condition in the Internal Control Section of the audit report. Not applicable (N/A) answers indicate the contract agency is not bound by the provision of the question.



## **SECTION 304 - TESTING OF COMPLIANCE WITH LAWS AND REGULATIONS**

- .01** In performing an audit 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 DFTA audit, references to compliance testing also include tests performed to determine whether the contract agency is complying with the provisions of laws, regulations, the DFTA contract, the DFTA Fiscal Management Manual and the compliance procedures delineated in Section 417 of this Audit Guide.
- .02** 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 contract agency did not comply with those laws and regulations and the risk that the contract agency's control structure to ensure compliance with laws and regulations might not prevent or detect that noncompliance.
- .03** Government Auditing Standards, paragraphs 4.17a. and b. stipulate that:
- ”Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. If specific information comes to the auditors’ attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the determination of financial statement amounts or other financial data significant to the audit objectives, auditors should apply audit procedures specifically directed to ascertain whether violations of provisions of contracts or grant agreements have occurred or are likely to have occurred.”
- “Auditors should be alert to situations or transactions that could be indicative of abuse, and if indications of abuse exist that could significantly affect the financial statement amounts or other financial data, auditors should apply audit procedures specifically directed to ascertain whether abuse has occurred and the effect on the financial statement amounts or other financial data.”
- .04** In performing compliance testing, the auditor should be guided by the auditing standards specified by the AICPA SAS No. 74, Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance.

### **Compliance With Program Objectives**

- .05** All Department for the Aging contracts contain specific program objectives designed to be achieved with the specific contract funds. The specific audit objectives would encompass the units of service reported by the Agency to DFTA.
- .06** Auditors should, as part of the audit, review contracts and perform audit procedures to ascertain that the specific quantified program objectives (units of service) have been achieved. They should also examine the internal controls over the data gathered by the contract agency relative to units of service to ensure that required reports submitted to the DFTA are supported by the adequate supporting documentation and are fairly presented. Audit working papers should reflect the scope and actual testing performed of such audit.

## **SECTION 305 - AUDIT SAMPLING**

- .01** Sampling is a process used by auditors to draw inferences about large populations by examining or reviewing a limited number of elements in the population. The sampling process includes the determination of the sample size, the method to be used in selecting the sample, and the evaluation of the test results. The final phase of the sampling process is used to draw conclusions about the entire population from which the sample was selected.
- .02** Statistical sampling is a scientific method of calculating sample size, selecting the sample and evaluating test results. It enables the auditor to determine mathematically the degree of uncertainty that results from drawing conclusions about an entire population from the examination of only a part of the population.
- .03** Where sampling (whether non-statistical or statistical) is utilized in testing of transactions relating to a DFTA contract audit, the auditor should be following the requirements of AICPA Statement on Auditing Standards (SAS) No. 39 - Audit Sampling. This SAS provides the auditor guidance in planning of sampling, sampling risk, sample selection and evaluation of sample results. While the use of statistical sampling is encouraged, it should not be used blindly. Statistical sampling should not be stretched to include instances where application of statistical sampling may not be warranted because: (a) the size of the population is too small, (b) all records are not available or records are inadequate, or (c) other reasons that would make its use impractical.
- .04** When statistical sampling is impractical the auditor should employ nonstatistical sampling. When using nonstatistical sampling it is important that there be no confusion with a statistical test.
- .05** In all circumstances, audit working papers should describe conclusions reached, exceptions, unusual situations and the resolution of questions or problems resulting from the performance of the indicated tests or procedures.

## **SECTION 306 - QUESTIONING OF COSTS**

- .01** When performing an audit in accordance with this DFTA Audit Guide and Government Auditing Standards, the auditor is required to issue a report on the results of the auditor's testing of compliance with laws and regulations. In performing tests of compliance in accordance with this Audit Guide, the auditor may determine that a particular cost does not adhere to prescribed standards, rules or regulations. These costs would be disclosed in the auditor's report as questioned costs.
- .02** SAS No. 74, paragraph 18, regarding questioned costs states:

The criteria for classifying a cost as a questioned cost vary from one federal agency to another. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned for each major federal financial assistance program (hereafter referred to as likely questioned costs), not just the questioned costs specifically identified (hereafter referred to as known questioned costs). When using audit sampling, as defined in section 350, Audit Sampling, in testing compliance, the auditor should project the amount of known questioned costs identified in the sample to the items in the major federal financial assistance program from which the sample was selected.

## **SECTION 306 (CONT.)**

**.03** Generally, the criteria for classifying a cost as questioned relate to the following:

- Unallowable Costs. Certain costs are specifically unallowable under the general and special award conditions or agency instructions.
- Undocumented Costs. These costs are charged to the contract, for example, to demonstrate their relationship to the contract or the amounts involved, but they lack adequate, detailed documentation.
- Unapproved Costs. These costs are not provided for in the approved contract budget, or they require DFTA's approval due to the contract provisions or applicable cost principles, but no evidence of such approval can be found.
- Unreasonable Costs. These are costs incurred that may not be consistent with the actions that a prudent person would take in the circumstances.

**.04** Examples of costs that are specifically identified by federal, state or city law, rule, or regulation as unallowable (unless specifically allowed by DFTA under the contract agreement) usually include but are not limited to:

- Bad debts;
- Most advertising costs, except those related to the recruitment of staff;
- Contingencies;
- Cost of options to employees to purchase stock of the agency;
- Entertainment;
- Bond costs, unless specifically required;
- Fines and penalties;
- Contributions and donations;
- Interest;
- Dividend payments to stockholders, partners, or sole proprietors of the agency;
- Under-recovery of costs from prior or other contracts; and
- Organization costs.

**.05** All questioned costs must be reported in detail as presented in Section 500 of this Audit Guide.

## SECTION 307- DETECTING MATERIAL MISSTATEMENTS

- .01 Government Auditing Standards, Chapter 4, paragraph 4.17 states that in determining compliance with laws and regulations:
- The auditor should design the audit to provide reasonable assurance of detecting material misstatements, resulting from violations of provisions of contracts or grant agreements, that have a direct and material effect on the financial statements.
  - Auditors should be aware of the possibility that indirect illegal acts may have occurred. If specific information comes to the auditor's attention that provides evidence concerning the existence of possible illegal acts that could have a material indirect effect on the financial statements, the auditors should apply audit procedures specifically directed to ascertaining whether an illegal act has occurred.
- .02 In fulfilling the above requirements relating to material misstatements, errors, irregularities and illegal acts, the auditor should follow the guidance contained in SAS No. 53 "The Auditor's Responsibility to Detect and Report Errors and Irregularities" and SAS No. 54 "Illegal Acts by Clients."
- .03 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.
- .04 Chapter 5, paragraph 5.17 through 5.25 of Government Auditing Standards requires the following relating to reporting of irregularities or illegal acts:
- 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.
  - GAGAS require auditors to report irregularities or illegal acts directly to parties outside the audits in two circumstances, as discussed below. These requirements are in addition to any legal requirements for direct reporting of irregularities or illegal acts. Auditors should meet these requirements even if they have resigned or been dismissed from the audit.
  - The audit's may be required by law or regulation to report certain irregularities or illegal acts to specified external parties (for example, to a federal inspector general or a state attorney general). If auditors have communicated such irregularities or illegal acts to the audits, and it fails to report them, then the auditors should communicate their awareness of that failure to the audit's governing body. If the audit's does not make the required report as soon as practicable after the auditor's communication with its governing body, then the auditors should report the irregularities or illegal acts directly to the external party specified in the law or regulation.

## **SECTION 307 - (CONT.)**

- Management is responsible for taking timely and appropriate steps to remedy irregularities or illegal acts that auditors report to it. When an irregularity or illegal act involves assistance received directly or indirectly from a government agency, auditors may have a duty to report it directly if management fails to take remedial steps. If auditors conclude that such failure is likely to cause them to depart from the standard report on the financial statements or resign from the audit, then they should communicate that conclusion to the audit's governing body. Then, if the audit's does not report the irregularity or illegal act as soon as practicable to the entity that provided the government assistance, the auditors should report the irregularity or illegal act directly to that entity.
- .05** Reporting of any potential illegal act or irregularity under a DFTA contract audit would include appropriate officials at the Department for the Aging, Office of Contract Accounting.

## **SECTION 308 - FOLLOW-UP ON PRIOR AUDIT REPORT FINDINGS**

- .01** In accordance with Government Auditing Standards (Chapter 4, paragraph 4.14) the auditor is to follow up on findings and recommendations from the previous audit. They should do this to determine whether the contract agency has taken timely and appropriate corrective actions. Auditors should report the current status of findings and recommendations from the prior audit. (Refer to Section 500 of this Audit Guide for the report presentation of audit follow-up.)

## **SECTION 309 - WRITTEN REPRESENTATIONS FROM MANAGEMENT**

- .01** The auditor is required by SAS No. 85, Management Representations, to obtain a representation letter from the contract agency's management. The representation letter provides written evidence that the auditor has made certain inquiries of management; ordinarily it documents oral responses given to the auditor, thus reducing the possibility of errors or misunderstandings.
- .02** Such a written representations, however, does not relieve the auditor of responsibility for properly planning and performing the audit. Information may be unintentionally overlooked or intentionally withheld from the auditor. Accordingly, the auditor must still perform all the usual tests to corroborate the accuracy and reliability of representations made by management.
- .03** When obtaining a letter of representation on an audit in accordance with the provisions of this Audit Guide, the auditor should consider the following additional representations:
- Management has complied, in all material respects, with the requirements in connection with the DFTA contract agreement except as disclosed to the auditor.
  - Management has identified and disclosed to the auditor all known noncompliance with DFTA requirements that could have a material effect on the financial statements.
  - Management is responsible for complying with requirements in the Fiscal Management Manual issued by the Department for the Aging.

## SECTION 309 - (CONT.)

- Management has allocated expenses administrative costs and/or indirect costs on a reasonable basis.
  - Management has disclosed whether, subsequent to the date of the audit, there were any changes in the internal control structure or other factors that might significantly affect the internal control structure, including any corrective action taken by management with regard to reportable conditions (including material weaknesses), have occurred.
- .04 The representation letter should be addressed to the auditor and should be dated as of the date of the auditor's report. Representation letters should ordinarily be signed by both the chief executive and chief financial officers.
- .05 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 the auditor's reports. Further, the auditor should consider the effects of management's refusal on their ability to rely on other management representations.

## SECTION 310 - EXIT CONFERENCE

- .01 An exit conference should be held with senior management (i.e. Executive Director, Program Director, Chief Financial Officer) upon completion of the audit. Discussing the audit report only with the bookkeeper at the exit conference is not allowed by DFTA unless the contract agency's management requests in writing that the exit conference be held only with the bookkeeper. This must be disclosed in the exit conference section of the audit report along with the authorized personnel name and title. The auditing firm must be represented by at least a partner and/or a manager. The partner or manager must conduct and attend the entire exit conference. The purpose of the conference is to meet with the contract agency personnel and discuss the results of the audit. Phone exit conferences must be approved by DFTA and also approved by the Agency's management (1) in writing. This letter should state that the program waives an on-site conference and this must be disclosed in the exit conference section of the audit report along with the authorized personnel name and title. The auditor has the responsibility to ensure that the contract agency is aware of all findings, including questioned costs, prior to the exit conference. This requirement is to be satisfied by providing a draft of the audit report to the contract agency at least ten calendar days prior to the exit conference.

In addition, the contractor's written approval to waive an on-site exit conference must be made available to DFTA upon request.

- .02 The auditor is required to notify the Department for the Aging, Office of Contract Accounting of the exit conference date (concurrently with establishing the date with the DFTA contract agency) if the following circumstances occur:
- The auditor's report on the financial statements is other than unqualified.
  - The total questioned cost is 10% or more of the final audited expenditures.

### Note

(1) If a contractor chooses not to waive an on-site exit conference, the conference must be held at the contractor's designated location.

**SECTION 311 - DFTA AUDIT ON CURRENT YEAR CONTRACT WHEN PRIOR CONTRACT(S) NOT AUDITED**

- .01** DFTA, in certain instances may not be auditing each DFTA contract with each Agency for each contract year. Under these circumstances, the auditor may encounter certain reporting requirements which cannot be met due to the lack of a prior audit. When these circumstances occur, the auditor should contact the DFTA Office of Contract Accounting. Presented below is one such circumstance with the DFTA recommended solution:

Equipment Inventory:

Where there were equipment purchases listed on the Agency's equipment inventory for contract year(s) not audited, the auditor must obtain copies of the vendor invoices from DFTA prior to the commencement of the audit. Based upon obtaining these vendor invoices from DFTA, the auditor would then be able to audit the equipment inventory.

## **SECTION 400**

### **SPECIFIC AUDITING REQUIREMENTS**

- .01** The audit procedures detailed in this section are the minimum required auditing procedures for performing DFTA contract audits.
  
- .02** The auditor is required to prepare an audit program utilizing the audit procedures detailed in this section. In addition, the auditor should be aware of additional conditions which warrant inclusion in the audit program.



**SECTION 401 – PRELIMINARY WORK**

**Objective**

The objective of this section is to obtain appropriate background information on the contract agency to be audited in order to provide a frame of reference as to the individual steps to be performed during the audit.

**General Information**

1. Contract Agency: \_\_\_\_\_

2. Contract Agency Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Telephone Number: \_\_\_\_\_

4. Form of Entity (Not-for-Profit or For Profit): \_\_\_\_\_

5. Contract Agency Accounting Year End: \_\_\_\_\_

6. Principal Officials of Contract Agency: \_\_\_\_\_

Name	Title
_____	_____
_____	_____
_____	_____

7. Books of Account Maintained by the Contract Agency:

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

8. Accounting system is maintained on a: Cash Basis ( ) Accrual Basis ( )

9. The accounting records are maintained:  
Manually ( ) Mechanically ( ) Computerized ( ) or Combination of the Preceding ( )

10. Name and title of official in charge of accounting records: \_\_\_\_\_

11. Describe the filing system for the following documents and records:

- a. Contract documents (including contract modifications and budgets):

Location \_\_\_\_\_

Custodian \_\_\_\_\_

**SECTION 401 (CONT.)**

**General Information (Cont.)**

b. Contract agency accounting records:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

c. Trial balances:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

d. Bank reconciliations:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

e. Canceled payroll checks:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

f. Canceled checks other than payroll:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

g. Blank checks:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

h. Voided checks:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

i. Payroll registers:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

**SECTION 401 (CONT.)**

**General Information (Cont.)**

j. Employee cumulative earnings records:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

k. Employee personnel files:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

l. Employee W-4's:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

m. Employee time and attendance records:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

n. Employee leave records:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

o. Property and equipment records:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

p. Invoices and vouchers supporting non-payroll disbursements:

Location \_\_\_\_\_

Custodian \_\_\_\_\_

## **SECTION 401 (CONT.)**

### **Audit Procedures**

1. Review DFTA Fiscal Management Manual.
2. Obtain copy of contract documents between DFTA and the contract agency. The contract documents are comprised of the following:
  - a. The contract document, including any special conditions applicable to the contract and any numbered amendments thereto;
  - b. The budget, which indicates the amounts by categories of expense and service cost centers, on which DFTA has based its support; and
  - c. All applicable DFTA documents and conditions referenced in the contract document.
3. Obtain a copy of all contractor invoices and service reports submitted by the contract agency to DFTA for the audit period, including any revised reports.
4. Arrange for an audit entrance conference with the contract agency, and record the results of the conference, including a list of personnel present and a summary of the items discussed.
5. Perform review of internal control structure utilizing procedures delineated in this section of the Audit Guide.
6. Review Board of Directors/Trustees minutes for pertinent discussions regarding DFTA contract/program and overall agency operations and financial condition.
7. Obtain copies of DFTA monitoring reports and adjustment/disallowance letters, if applicable, and determine agency's response or plan of action to correct deficiencies cited.

## **SECTION 402 – FINANCIAL MANAGEMENT**

### **Objectives**

To determine if:

1. Financial management controls are adequate to safeguard DFTA funds.
2. The accounting system is adequate to account for DFTA funds.
3. Financial reports accurately and properly reflect total program costs incurred.
4. Expenditures are within budgetary limitations as set forth in the Fiscal Management Manual Section 2.4.
5. Determine if satellite sites exist and have been accounted for properly in accordance with the Fiscal Management Manual Section 5.3.1.

## **SECTION 402 (CONT.)**

### **Control Survey**

#### **I. Financial Management – Books of Account:**

1. Does the contract agency maintain a financial management system designed to:
  - a. Provide accurate, current and complete disclosure of the financial results of the DFTA contract program?
  - b. Provide effective control over and accountability for all program funds, property, and other assets?
  - c. Provide for the comparison of actual costs with budgeted amounts for each contract?
  - d. Include procedures for determining the reasonableness, accountability and allocability of costs in accordance with the provisions of DFTA Fiscal Management Manual, requirements promulgated by the City of New York, applicable Federal cost principles and the terms and conditions of each contract?
2. Are adequate physical safeguards maintained over accounting records?
3. Are written procedures (or accounting manuals) maintained, covering:
  - a. Books of account (journals and ledgers)?
  - b. Recording of transactions?
4. Are all responsible employees required to take annual vacations during which their duties are performed by other employees?
5. Is a general ledger maintained?
6. Is the general ledger kept up to date and balanced at least monthly?
7. Are the books of account either computerized or written up in ink?
8. Are the books of account reasonably free from erasures and alterations?
9. Are entries in the books of account supported by books of original entry or journal entry?
10. Are entries in the books of account supported by a document which gave rise to the transaction?
11. Are journal entries:
  - a. Satisfactorily explained?
  - b. Supported by adequate documentation?
  - c. Prepared or approved by a responsible official?
12. Are appropriate financial reports submitted to DFTA as required?

## **SECTION 402 (CONT.)**

### **Control Survey (Cont.)**

13. Are the amounts on the financial reports submitted to DFTA in agreement with the books of account and/or supporting working papers?
14. Are all employees involved in record keeping or custody of assets, or in some other position of trust adequately bonded?

### **II. Financial Management – Cash:**

1. Are each day's receipts deposited in the bank intact and without delay?
2. Does someone make the deposit who has:
  - a. No responsibility for posting cash receipts?
  - b. No responsibility for reconciling bank accounts?
3. Are duplicate deposit slips used and retained?
4. Are funds maintained in a bank with FDIC coverage, and are balances exceeding FDIC coverage collaterally secured?
5. Are funds received from DFTA adequately accounted for by the contract agency?
6. Accounting for and use of checks:
  - a. Are all disbursements, except from petty cash, made by check?
  - b. Are all checks pre-numbered?
  - c. Is the drawing of checks payable to cash prohibited?
  - d. Is the supply of unused checks adequately safeguarded to prevent unauthorized access?
  - e. Are undelivered checks adequately:
    1. Safeguarded from unauthorized use?
    2. Accounted for?
  - f. Are voided checks:
    1. Properly defaced?
    2. Held available for subsequent inspection?
    3. Properly accounted for?
  - g. Are persons who sign checks or control the use of facsimile signature plates independent of those responsible for the accounting records and entries?





## **SECTION 402 (CONT.)**

### **Control Survey (Cont.)**

- h. If a signature plate (mechanical check signer) is used, are controls in effect adequate to safeguard misuse?
  - i. If a signature plate is used:
    - 1. Check protector used?
    - 2. Control book over the number of signature impressions in use?
  - j. Is the signing or countersigning of checks in advance prohibited?
  - k. Are vouchers or other supporting documents presented along with the checks submitted for signature?
  - l. Are vouchers and supporting papers canceled with a "paid" stamp or other mark so as to prevent duplication of payment?
  - m. Are checks mailed directly after being signed, without the employees responsible for their preparation having further access to them?
7. Are bank accounts reconciled promptly each month by persons who have no cash receipt or disbursements responsibility?

### **Audit Procedures**

1. Obtain or prepare a trial balance which relates to the contract being audited.
2. Compare the total expenditures, as determined above, for the contract being audited to the total expenditures per the contractor invoice and service report as of the audit ending date. The auditor should obtain an explanation and any appropriate documentation from the contract agency for any contract where the expenditures per the contractor invoice and service report do not agree with the total expenditures per the books of account. (Actual expenditures per books of account less than the contractor invoice and service report amount reported will result in an auditor's adjustment by cost category of the costs reported).
3. Review the costs claimed by category and determine that each category was approved in the contract budget by DFTA. Determine whether the contract agency has adhered to the provisions of the DFTA Fiscal Management Manual, sections 2.4.1, 2.4.2 and 2.4.3 on any changes to the approved budget.
4. Obtain or prepare a listing of DFTA cash received by the contract agency relating to the DFTA contract being audited.
5. Obtain a listing of payments from DFTA and reconcile to DFTA payments recorded by Agency.
6. Determine if there are any other material non-DFTA cash receipts per the Agency's books and records and determine their propriety in relation to the contract being audited.
7. Identify and prepare a listing of in-kind revenue (rent, personnel, other) and determine propriety.

## SECTION 402 (CONT.)

### Audit Procedures (Cont.)

8. Obtain a bank reconciliation and determine propriety as of the audit date. In reviewing the bank reconciliation, the auditor must ascertain whether there are any checks outstanding six months or longer. Obtain or prepare a listing of such checks which includes the payee, check number, check date, type of expense and amount. The auditor should determine if the outstanding checks require an adjustment to cash (The adjustment would be to a debit to cash and a credit to the appropriate expense). If no determination can be made as to the need for such an adjustment to cash, then the auditor must question these costs and make the appropriate internal control structure finding. (Please note, multi year contractors do not have to open a new bank account for each succeeding fiscal year of the contract. In addition, contractors do not have to maintain a separate bank account for DFTA funds.)
9. Cash receipts pertaining to the program (received from DFTA) should be tested to determine that receipts have been:
  - a. Properly recorded in the books of account.
  - b. Deposited in the appropriate contract agency's bank account.
10. Confirm in writing the balance in all bank accounts used during the year.
11. Determine the adequacy of controls exercised over petty cash. Based upon the materiality of the petty cash fund perform procedures to determine the propriety of the fund.
12. Determine propriety of DFTA receivable or payable balance as of the audit date and reconcile to DFTA confirm. (If total contract revenue, consisting of DFTA revenue, contributions and other program income, is less than total contract accrued expenses, then the agency's books of account must reflect this deficiency as a receivable from the sponsoring agency.)
13. Identify any security deposits paid with DFTA funds, determine propriety and confirm, if deemed material.
14. Any other material asset accounts should be reviewed and/or analyzed as to their propriety.
15. Obtain or prepare a listing from Agency of any unpaid amounts (accounts payable/accrued expenses) and determine propriety as of the audit date.
16. Perform a cash disbursements cut-off.
17. Determine amount of any necessary payroll accruals as of the audit date.
18. Prepare a detailed listing of all unpaid items as of audit date (for inclusion in the audit report).
  - a. Identify any unpaid balances not liquidated. The City of New York requires that amounts be liquidated within 75 days after the balance sheet date. Violation of the 75 day rule requires disclosure in the Auditor's Report on Compliance.

## **SECTION 402 (CONT.)**

### **Audit Procedures (Cont.)**

- b. Any unpaid items as of the audit date should be summarized, and any necessary adjusting journal entry made.
19. Determine propriety of any payroll taxes payable.
    - a. Determine if payroll tax returns (941's, state withholding and unemployment insurance and city withholding) were filed timely and payments were made in accordance with the taxing authorities regulations.
    - b. Determine if the contract agency has any delinquent outstanding liabilities relating to payroll taxes.
    - c. All deficiencies/delinquencies must be disclosed in the Auditor's Report on Compliance including any penalties or interest resulting from the delinquency.
  20. Determine status and propriety of any DFTA advance payable as of audit date and reconcile to DFTA confirm.
  21. Determine by review of books of account if the agency has made any interagency, inter-program or inter-year loans during the audit period utilizing DFTA funds. If such loans occurred, the deficiency must be noted in the Auditor's Report on Compliance.
  22. Any other material liability accounts should be reviewed and/or analyzed as to their propriety.

## **SECTION 403 – AUDIT OF COSTS – GENERAL REQUIREMENTS**

### **Objectives**

The general objectives for review of costs charged to a DFTA contract are to:

1. Determine that the costs charged to DFTA conform to DFTA cost principles and DFTA Fiscal Management Manual.
2. Review financial operations and report any non-compliance with applicable contract provisions or DFTA regulations and/or instructions; and based upon the audit, provide recommendations for improvement.
3. Determine whether costs reported as being incurred under the contract are allowable and to report any exception.

Specifically when performing an audit of costs being claimed for a DFTA program the auditor must be cognizant of the following requirements:

1. Are the costs necessary and reasonable for the proper administration of the program?
2. Do the costs conform to any limitations or exclusions in the contract agreement?

## **SECTION 403 (CONT.)**

### **Objectives (Cont.)**

3. Were the costs properly recorded and supported by appropriate documentation?
4. Were costs in accordance with DFTA regulations and contract provisions?
5. Were costs subject to allocation, allocated equitably between DFTA service cost centers (DFTA Fiscal Management Manual, Section 4.4), programs and other non-DFTA funded activities?
6. Determine if agencies with multiple service cost centers have allocated costs to separate service cost centers (DFTA no longer allows one social services cost center for education/recreation, information and transportation). Each service cost center now stands alone.
7. Were costs administered, accounted for and allowable in accordance with the requirements with the DFTA Fiscal Management Manual?

The auditor should not reduce the program expenditures by including any prepaid expenses on the Statement of Assets and Liabilities. Pre-paid expenses should be fully expended when paid.

## **SECTION 404 – PAYROLL AND FRINGE BENEFITS**

### **Objectives**

To determine whether total payroll and benefit costs charged to the contract are applicable, allocable and reasonable and employee pay rates and benefits are in accordance with the DFTA contract budget.

Payroll costs charged to DFTA contracts will be tested to determine that (i) time charges were supported; and (ii) fringe benefits claimed represent actual allowable costs.

### **Control Survey**

1. Are the persons who perform the following payroll functions independent of each other:
  - a. Approve hours worked?
  - b. Prepare the payroll?
  - c. Distribute the pay?
  - d. Maintain custody of unclaimed wages?
2. Are actions involving hiring, dismissal or change in pay rate approved by contract agency officials who are independent of the payroll function?

## **SECTION 404 (CONT.)**

### **Control Survey (Cont.)**

3. Does the contract agency have written personnel policies which cover:
  - a. Paid holidays?
  - b. Vacation pay?
  - c. Sick leave?
  - d. Time off?
  - e. Nepotism?
  - f. Conflict of interest?
  - g. Discrimination?
4. Are adequate personnel records maintained for employees?
5. Are time and attendance records used in the preparation of payroll for all employees?
6. Are time and attendance records signed/approved by the:
  - a. Employee?
  - b. Employee's immediate supervisor?
7. Are payrolls approved prior to payment by an authorized individual who is independent of the payroll preparation process?
8. Are all employees paid by check or direct deposit?
9. For payrolls disbursed by check are the checks drawn and signed by employees who do not:
  - a. Prepare the payroll?
  - b. Have custody of cash funds?
  - c. Keep accounting records?
10. Is proper control and handling maintained over back pay and unclaimed wages?
11. Are unclaimed wages properly segregated?
12. Are unclaimed wages over one year returned to the State of New York under the escheat laws?
13. Are signed authorizations on file for all non-statutory deductions being made from employee's wages?
14. Are cumulative leave records maintained for:
  - a. Annual leave?
  - b. Sick leave?

## **SECTION 404 (CONT.)**

### **Control Survey (Cont.)**

15. Are all leave balances accumulated and paid in accordance with the Fiscal Management Manual, Section 3.6.2?
16. Does the payroll system provide for earnings records showing total earnings, deductions, and net pay for each employee?
17. Are rates of pay for employees in agreement with those specified in the contract with DFTA?
18. For the Homecare workers is the Agency abiding by the current "Living Wage Law" for payment of hourly wages?
19. If an outside organization furnishes the payroll service:
  - a. Are the controls between the contract agency and the payroll service adequate?
  - b. Are canceled checks available for review?
  - c. If payroll checks are maintained by the payroll service does the payroll service provide the contract agency with a list of outstanding checks?
  - d. Are direct deposit authorizations maintained and available for review?
20. Does the contract agency follow-up on any non-deliverable Form W-2's at the end of the year?

### **Audit Procedures**

1. Selectively trace amounts posted in the general ledger to the payroll register or other supporting document.
2. Select a representative number of payroll items and determine for each individual whose pay is tested that:
  - a. The salary rate for DFTA funded personnel does not exceed the pay rate specified in the contract budget.
  - b. Job position of employee is in accordance with the contract budget.
  - c. Payroll deductions are in accordance with applicable tax rates and other appropriate supporting documents such as W-4's, etc.
  - d. The hours recorded are based upon time sheets prepared by individual employees and approved by authorized supervisors.
  - e. Payroll amounts were properly computed.
  - f. Salary or wages charged to DFTA program which were less than 100% of an individuals' time were allocated correctly. (Refer to DFTA Fiscal Management Manual, Section 4.4.3.5).
  - g. Payee and net amount per canceled payroll check agrees with payroll register.
  - h. Endorsement per check agrees with employee's signature on withholding exemption form or with personnel records. (Note and investigate all unusual second endorsements.)
  - i. Accrued sick or vacation pay has been earned and is in accordance with personnel

policies.



## **SECTION 404 (CONT.)**

### **Audit Procedures (Cont.)**

3. If the auditor is performing an interim audit during the period the DFTA contract is operating, the auditor must perform a payroll distribution. If the audit is being performed subsequent to the contract ending date, then the auditor would only be required to perform a payroll distribution (in order to test payroll controls) where payroll testing procedures on the salaries and wages during the contract period revealed material internal control structure and compliance deficiencies.
4. When an organization charges fringe benefits by use of a rate, the auditor should identify the basis used in computing the rate and determine that the elements making up the fringe benefit pool have not been included as a part of the direct labor charges and that the rate has been applied to direct labor charges consistent with the computation method.
5. Audit steps for fringe benefit costs charged to a contract program are:
  - a. Examine employee fringe benefit costs charged to the contract and determine their nature.
  - b. Review the personnel policies and determine the types of fringe benefits authorized.
  - c. Determine whether the fringe benefit costs charged:
    1. Are allowable under applicable costs principles.
    2. Are for the type of fringe benefits authorized in the contract.
    3. Are not for items which would not normally be considered fringe benefits.
    4. Are for items which are not duplicated in direct labor charges such as annual leave, sick leave, or holiday pay.
    5. Are properly supported by appropriate documentation.
  - d. Determine that payroll deductions were remitted on a timely basis to appropriate federal, state or local authorities.
  - e. Determine the method that they Agency is utilizing when charging DFTA for unemployment insurance. (Either rate based or claims/occurrence based).
  - f. Perform a test of employee annual and sick leave records to determine adherence to the Agency's personnel policies.

## **SECTION 405 – CONSULTANTS**

### **Objectives**

To determine whether appropriate controls were exercised to assure that the services were necessary and obtained at a reasonable price.



## SECTION 405 (CONT.)

### Control Survey

1. Do contracts for services of consultants:
  - a. Clearly state work to be performed?
  - b. Specify reports required?
  - c. Specify rates of pay?
2. Are consultants required to submit a record or proof of work performance and accomplishment?
3. Does the contract agency have procedures for evaluating work performed by consultants?

The auditor should obtain or prepare a detailed listing of consultants (name, services provided, method of payment, and amount paid and accrued) and selectively review consultant services costs claimed under the contract to determine that the following minimum standards for documentation were met. (Details to consulting costs are required to be reported to DFTA in a supplemental schedule. See Section 500).

1. Evidence that the services of the consultant are needed and the need cannot be met by personnel budgeted in the contract.
2. Suggested audit steps for examining consultant services costs are:
  - a. Trace amounts posted to the general ledger for consulting services to the supporting documentation.
  - b. Select a representative sample of consultant service agreements and determine:
    1. That the fees paid were based on a proposal from one or more reputable consultants and that competition was adequate;
      - If the contract was made to other than the lowest bidder, document and report, if significant, the basis upon which the contract was made.
    2. That there is evidence the consultant services were:
      - Actually provided; and
      - Appropriate to the DFTA contract and/or were received timely to benefit the DFTA program.
  - c. Evidence that a selection process was used to secure the most qualified individual available, considering the nature and extent of the services to be required.
  - d. Determine that consulting costs are specified in the contract budget and are allowable.
3. Determine that the individuals receiving funds meet the criteria for independent

contractor tax status and that they are receiving an IRS tax form 1099.

## **SECTION 406 – OCCUPANCY (RENT EXPENSE, UTILITIES, OTHER OCCUPANCY)**

### **Objectives**

To determine whether such costs were (i) supported by a lease agreement; (ii) allowable per the DFTA contract budget; and (iii) in accordance with the DFTA Fiscal Management Manual.

### **Audit Procedures**

1. Determine what items are allowable in accordance with the DFTA contract.
2. Obtain or prepare a schedule of expenditures charged to DFTA and determine their propriety.
3. Obtain copy of all leases and determine adherence to DFTA regulations.
  - a. Review the lease noting date, parties, premises rented, option to renew, rental provisions, lease period, sub-lease privileges, deposits, special provisions as to payment by lessee for taxes, insurance and property maintenance, and disposition of leasehold improvements.
4. Review the agency's account entries and cash receipts for possible sub-lease arrangement.
5. Obtain or prepare information on lease commitments and contractual arrangements.
6. Ascertain if the proper rental usage charge for any related party rent agreements has been properly calculated and claimed according to the DFTA Fiscal Management Manual, Section 6.4 (Effective July 1, 2005).
7. Determine that Rent, utility and other occupancy costs have been properly budgeted and claimed to DFTA in accordance with the DFTA Fiscal Management Manual, Section 2.2.2.

## **SECTION 407 – EQUIPMENT/RENOVATIONS, SUPPLIES AND MATERIALS**

### **Objectives**

To determine whether such items were (i) purchased under the contract; (ii) used on the sponsored project; and (iii) obtained on a competitive basis where required. In addition, to determine the contract agency's compliance with all applicable procurement standards contained in Section 6.1 of the DFTA Fiscal Management Manual.

### **Control Survey**

1. Does the contract agency have in place a procurement system which meets the requirements of DFTA Fiscal Management Manual, Section 6.1?
2. Does the contract agency have controls which comply with DFTA Fiscal Management Manual, Section 3.7, namely:

## **SECTION 407 (CONT.)**

### **Control Survey (Cont.)**

- a. Are detailed equipment records maintained which include?
    - Description of property?
    - Manufacturer's serial number or other identification number?
    - Acquisition date?
    - Acquisition cost?
    - Location of equipment?
    - Ultimate disposition data?
  - b. Are controls in effect to ensure that all new purchases of equipment are entered into the property record system?
  - c. Does the contract agency take an annual physical inventory (of equipment having an acquisition cost of at least \$1,000 for groups of like items or acquisition cost of \$5,000 or more and reconcile such inventory with property records maintained?
3. Are purchase orders used for the purchase of goods and services?
  4. Is documentation for purchase transactions sufficiently complete to assure that goods or services received correspond with orders placed and expenditures made?
  5. Do procurement actions follow a procedure to assure the avoidance of purchasing unnecessary or duplicative items?
  6. Are solicitation for goods and services based upon a clear and accurate description of the technical requirements for the material, product or service to be procured?
  7. Are the type of procuring instruments appropriate for the particular procurement and for promoting the best interest of the program involved?
  8. Is a system for contract administration maintained to ensure contractor conformity with terms, conditions and specifications of the contract, and to ensure adequate and timely follow-up of all purchases?

### **Audit Procedures**

1. Obtain agency's equipment inventory. The inventory must include acquisition date, cost, quantity and description. If the inventory is not provided to the auditor or is incomplete, the auditor must include a compliance finding in the audit report.
2. For selected items, the auditor should determine:
  - a. Procurement was made in accordance with contract agency's normal procedures, along with the requirements of DFTA Fiscal Management Manual, Section 6.1 and that appropriate supporting documentation was maintained.

## **SECTION 407 (CONT.)**

### **Audit Procedures (Cont.)**

- b. That bids are obtained for equipment/renovations of \$5,000 or more. (When bids are required, a minimum of five (5) solicitations must be made and documented; a minimum of three (3) written bids must be obtained, with the lowest bid submitted to DFTA. For items funded with Community Development Block Grant (CDBG) funds, a minimum of five (5) bids must be obtained and all five must be submitted to DFTA).
- c. Items charged to the program were used under the program.
- d. Schedule all equipment purchases and determine their propriety.
- e. Determine that the equipment/renovations charged to the DFTA program agree with those items listed in the DFTA confirmation.
- f. From the property records select a sample of equipment items purchased under the contract and verify their physical existence and location.
- g. For major renovations costing \$250,000 or more obtain and verify that the agency has adhered to the documentation requirements of the DFTA Fiscal Management Manual, Sections 6.1.1.4. through 6.1.1.6.

## **SECTION 408 – TRAVEL**

### **Objectives**

To determine (i) that the contract agency has established and applied travel policies; and (ii) that costs for travel are applicable, allowable and allocable to the program.

### **Control Survey**

1. Does the contract agency have written travel policies?
2. Are travel vouchers reviewed and approved by an authorized official of the contract agency?

### **Audit Procedures**

The auditor should obtain and review the organization's travel policies. In addition, the auditor should test travel charges to determine:

1. Travel costs are allowable and consistent with the approved budget and with the organizations travel policies.
2. Travel expenses are supported by appropriate travel documents (i.e., expense reports, receipts, etc.), and are properly approved by an appropriate official.

## **SECTION 408 (CONT.)**

3. Car mileage reimbursements are based on odometer readings and are approved by authorized person(s).
4. Expense reports indicate whether travel costs charged were related to the project and necessary for the performance of the project.
5. Reimbursements for travel were limited to travel authorized under the organization's approved travel policy, but not in excess of the limitations set by any special provisions of the contract, if applicable.

## **SECTION 409 – FOOD**

### **Objective**

To determine if food costs charged to the contract are applicable, allowable and allocable to the program.

### **Audit Procedures**

The auditor should perform the following with respect to catered meals:

1. Determine the procurement was made in accordance with the contract agency's normal procedures, along with the requirements of DFTA Fiscal Management Manual, Section 6.5.3 (Minimum of three written bids for non-CDBG funded costs or five written bids for CDBG funded costs) and that appropriate supporting documentation was maintained. Non-compliance with this procedure must be reflected in the auditor's report on compliance with a finding delineating the non-compliance.
2. Determine that the contract agency has entered into a written agreement with the caterer which includes the price per meal, number of meals, delivery dates and times, menu and program requirements (hot or cold, health and sanitary standards, etc.).
3. For selected items determine that meal counts/attendance records maintained by the agency agree with caterers invoice for meals delivered. Obtain explanation from agency as to any material differences.

The auditor should perform the following with respect to raw food costs:

1. For selected items, determine the propriety of the costs incurred.
2. Determine that costs incurred are in accordance with contract budget.
- \* 3. Regarding year-end food inventory:
  - a. Determine that contract agency performed a food inventory and priced the inventory on a first-in first-out basis.



b. Test check inventory pricing to applicable vendor invoices.

## **SECTION 409 (CONT.)**

### **Audit Procedures (Cont.)**

- c. Test check footings and price extensions on food inventory.
- \* Contract agency's are not required to purchase year-end inventory. Therefore, there should be no adjusting journal entry recorded to reduce raw food expense nor the recording of food inventory on the statement of assets and liabilities. Food inventory at year-end should be disclosed as a note to the financial statements.

## **SECTION 410 – OTHER DIRECT COSTS**

### **Objectives**

To determine if direct costs charged to the contract for costs other than payroll, fringe benefits, consultants, rent expense, equipment/renovations, supplies and materials, travel and food costs are applicable, allowable and allocable to the program.

### **Audit Procedures**

In general, audit tests should be made to determine:

- The types of expenditures involved were contemplated in the contract budget and the expenditures were adequately documented.
- These other direct type expenditures were reasonable.
- Where other direct costs are common in nature, that the system used to allocate such costs to benefiting projects is both equitable and consistently applied.
- Such other direct costs are allowable under the applicable DFTA regulations.

Suggested audit steps for the review of other direct costs are:

1. On a sample basis, trace other costs from the general ledger to supporting documentation.
2. Ascertain whether the types of expenditures involved were contemplated in the original budget or as subsequently amended.

## **SECTION 411 – ONE TIME PAYMENTS**

### **Objectives**

To determine if one time payments are (i) approved in the DFTA contract; (ii) benefit the program; and (iii) are in accordance with the DFTA Fiscal Management Manual, Section 6.1.6.

## **SECTION 411 (CONT.)**

### **Control Survey:**

1. Does DFTA contract and budget approval exist for the one time payment(s)?
2. Has a sponsor voucher been submitted to DFTA within 60 days of the date of DFTA's approval or the end of the fiscal year, whichever is earlier?
3. Is the original paid bill and a copy of the cancelled check also attached to the sponsor voucher?

### **Audit Procedures**

1. Determine if the one time payments claimed:
  - a. Are allowable per the approved DFTA budget.
  - b. Have been vouchered to DFTA in accordance with the DFTA Fiscal Management Manual, Section 6.1.6.
2. Determine that procurement was made in accordance with contract agency's normal procedures, along with the requirements of DFTA Fiscal Management Manual, Section 6.1.6. and that appropriate supporting documentation was maintained.
3. DFTA guidelines must be followed as they pertain to each type of expenditure as follows:
  - a. Equipment/renovations must have the proper bids (3) and solicitations (5) for items of \$5,000 or more and be properly added to the agency's equipment inventory.
  - b. Payroll and fringe benefits must be applicable and allowable in accordance with the DFTA contract and be supported by acceptable documentation.
  - c. DFTA requirements must be followed if the one time payment is an OTPS expenditure.
4. Verify that a DFTA approved one-time payment, which may have been for an equipment, personnel or OTPS type expenditure, has been classified as a one-time payment in the agency's books and records.

## **SECTION 412 – INDIRECT COSTS**

### **Objectives**

To determine if indirect costs are (1) provided for in the contract, (2) reasonable, allocable and allowable, (3) equitably distributed to cost objectives, and comply with the DFTA Fiscal Management Manual, Section 8, and Indirect Costs.

## **SECTION 412 (CONT.)**

### **Control Survey**

1. Is there an approved indirect cost allocation plan?
2. Are methods of computing indirect costs and charging direct costs clearly defined?
3. Are indirect costs allocated consistently among cost objectives?

### **Audit Procedures**

Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective or not readily assignable to the cost objective specifically benefited without effort disproportionate to the results achieved. Indirect costs can be allocated on an individual line-item basis or collected in an expense pool and allocated in total, utilizing a base on which to allocate the indirect expenses. In order to achieve equitable cost allocation, a plan must be established to define which costs are to be charged direct and which are to be treated as common or indirect. In addition, the auditor should note that at a minimum, the auditor must review the amounts and methods in which indirect costs are charged to the contract agency. If an indirect cost allocation plan is used by the contract 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 the procedures enumerated below to satisfy themselves as to the total costs accumulated in the pool as well as to the reasonableness of the indirect costs charged to the DFTA contract under audit. Budget is not an acceptable allocation basis.

1. Review DFTA contract for year involved and obtain maximum indirect cost rate percentage and basis.
2. Review and obtain copies of any federal agency approval letters for any finalized indirect cost rates.
3. Determine that the rate and basis approved by any federal agency was in fact the rate and basis used by the contract agency in computing indirect costs charged to DFTA.
4. Check mathematical computation of indirect costs charged.
5. When indirect costs are charged through a cost allocation plan, the auditor should ensure the following by reviewing the plan:
  - a. Its costs are consistent and logical.
  - b. The indirect expense allocation base is one that will equitably distribute costs to projects on the basis of benefits derived.
  - c. The indirect cost pool does not include any costs which have been incurred for the same purpose, in like circumstances, as costs which are treated as a direct charge on any projects.
  - d. All costs are properly identifiable.

## SECTION 412 (CONT.)

### Audit Procedures (Cont.)

6. Determine by selective examination of transactions whether indirect costs charged are allowable. In making this determination, consider the terms of the contract and the cost principles incorporated therein and the DFTA Fiscal Management Manual, Section 8, Indirect Costs.
  7. Where the cost allocation plan was not negotiated, approved and/or audited by or Federal agency, the auditor should review the plan and supporting documentation and determine whether:
    - a. Indirect costs are allocable and allowable, in conformity with the guidelines of the contract agreement and OMB A-122, and were incurred in the period being audited;
    - b. Costs are treated consistently as either direct or indirect costs and are not duplicated between the two classifications.
    - c. Indirect costs are reasonable and 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;
    - d. Indirect costs are applied consistently under generally accepted accounting principles and can be reconciled to the books and records and financial statements; and
    - e. The same indirect cost amounts were not charged to different contracts.
  8. Determine the Agency's adherence to DFTA's Fiscal Management Manual (Section 4.4) with respect to the reporting of the breakdown of contract fund expenditures by service cost centers and the reporting of the amount of contributions spent on each service cost center.
  9. Regardless of the method used to allocate indirect costs, the amount specified in the budget 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.
  10. Determine any indirect costs which are to be questioned based upon any direct costs questioned, which are part of the direct costs base used in computing indirect costs.
  - \*11. **Where the agency has utilized the contract budget as the basis for charging indirect costs or the agency cannot document the indirect cost plan utilized; then the auditor must contact DFTA – Office of Contract Accounting for further instructions.**
- \* Please note, any failure to allocate or allocate properly must be cited in the report as a finding. The compliance finding must indicate the nature of allocation errors and if no allocation is being done how the program is reporting allocated expenses on the monthly invoices to DFTA.



## **SECTION 413 – IN-KIND COSTS**

### **Objectives**

To determine if in-kind costs reported to DFTA are applicable, allowable and allocable to the program.

### **Control Survey**

1. Does the contract agency have an established policy for determining the valuation and accounting for in-kind costs?

### **Audit Procedures**

1. Determine contract agency's method of accounting for in-kind costs.
2. For selected items determine the propriety of the in-kind costs recorded in the contract agency's books and records.
3. Determine contract agency's adherence to contract budget for in-kind costs. (When the actual in-kind costs provided per the Agency's records and as audited are below 15% or more of the budgeted amounts, the auditor should determine the circumstances for the deficiency, and if the auditor cannot be satisfied as to the appropriateness of the deficiency, a compliance finding is to be reflected in the auditor's report).

## **SECTION 414 – CONTRIBUTION REVENUES/EXPENSES**

### **Objectives**

To determine if contribution revenues are properly segregated, documented and accounted for by the contract agency in accordance with the DFTA Fiscal Management Manual, Sections 3.4.3.2 and 4.4.6.

### **Audit Procedures**

1. Determine that the total amount of contribution revenues reported to DFTA agrees with the agency's books and records.
2. Determine if separate monthly participant contribution subsidiary ledgers are maintained and reconciled to cash deposits each month.
3. Determine if the participant contribution subsidiary ledger properly denotes the program (i.e. congregate breakfast, congregate lunch, home delivered meals etc.), pertaining to the contribution received.
4. Determine if participant contributions are deposited timely (daily or weekly).
5. For selected items of contribution revenues, determine that the revenues are traceable to source documentation.





## **SECTION 415 – HOMECARE FEES BILLED, COLLECTED AND RECEIVABLE**

### **Objectives**

The objective of this review is to determine the adequacy of the contract agency's fee billings collection system and to determine if the fees billed and amount collected in the audit period are supported by the agency's books and records.

### **Audit Procedures**

The auditor should perform the following tests of the fees collection system and should report any weakness in the report on internal control structure.

1. Review and document the program's billing and collection reporting system which must be on an accrual basis. Any deficiencies must be noted in the findings and recommendations section of the audit report.
2. Determine whether the billing and collection system distinguishes between different fiscal years.
3. Determine appropriateness of client fees receivable as of the audit date for the current and prior year(s) as recorded in the statement of assets and liabilities. Specifically the auditor should:
  - a. Obtain an aged subsidiary record which details the fees receivable by client by year and test the accuracy of the aged receivable listing.
  - b. Perform testing on subsequent cash collections.
  - c. Discuss with Agency management personnel any old outstanding client fees receivable and determine whether or not the Agency has complied with Section 10.6 of the DFTA Fiscal Management Manual pertaining to "Procedures for Follow-Up for Past Due Share Amounts."
4. Select a sample of client case billings for the audit period, considering that fees billed are required to be reported to DFTA on the monthly invoice. The sample should include both, clients who are billed and clients who are not billed.

For all cases selected for testing:

- a. Determine that the recipient's social security number and monthly fee reported to DFTA to the fee indicated on the Case Management Agency Referral form.
  - b. Determine, if applicable, that a bill was prepared and sent to the recipient; billing was correct and properly authorized.
  - c. Determine that the receipt of the funds was properly recorded in the appropriate books (subsidiary ledgers) and records of the agency.
  - d. Determine that the next month's bill includes the fees previously billed, less amounts collected.
5. For bills not paid, determine that the delegate agency adheres to all requirements of their

fees collection system as it pertains to nonpayment of bills.

## **SECTION 416 – PERFORMANCE BASED CONTRACTS**

### **Objective**

To determine if a contract provider has maintained adequate records for their performance based contract. The primary types of performance-based contracts are Homecare, Case Management, Social Adult Day Services (SADS) and Legal. These programs are reimbursed, throughout the year, based on units of service delivered, at a prenegotiated unit cost, rather than on vouchered line-item expenses. In addition determine that the contract provider has simultaneously maintained separate books and records for the program's actual expenditures.

### **Audit Procedures**

1. Review the agency's system for documenting and performing units of service.
2. Determine that DFTA guidelines have been followed for recording units of service for the performance-based program.
3. Determine that performance based contract providers maintain separate books and records and cost allocation records to account for actual expenditures for the program.
4. Determine that performance based contracts claims have been processed in accordance with the DFTA Fiscal Management Manual, Section 11.2.
5. Determine that, at the conclusion of the program year, the final contract reimbursable rate is calculated on the actual program expenditures (up to the budget maximum) rather than the budgeted unit rate.
6. Verify that any excess has been reimbursed to DFTA within 30 days of the end of the fiscal year.

## **SECTION 417 – COMPLIANCE WITH QUANTIFIED PROGRAM OBJECTIVES**

### **Objective**

To determine if the contract agency has complied with the contract in providing to DFTA the scope of work deliverables.

### **Audit Procedures**

All DFTA contracts contain specific program objectives designed to be achieved with the specific program funding.

1. As part of the audit, the auditor should review the contract and perform audit procedures to ascertain that the specific quantified units of service have been achieved. They should also examine the internal controls over any data gathered by the organization relative to units of service to ensure that reports submitted to DFTA concerning units of service are supported. Audit working papers should reflect the scope of such audit.

**SECTION 417 (CONT.)**

**Audit Procedures (Cont.)**

2. Review the agency's system for tracking units of service.
3. Obtain or prepare a summary of units reported to DFTA.
4. Determine that the units of service reported to DFTA are supported by and in agreement with applicable program records.
5. Determine that units of service per the agency's records and reported to DFTA agrees with confirmation received from DFTA. Where the units of service confirmation received from DFTA is different that the actual units of service reported by the Agency on their monthly reports to DFTA, the auditor should determine the following:

- a. Maximum acceptable percentage of errors:

<u>Number of Units of Service</u>	<u>Maximum Percentage Difference Allowed Between Agency Reported Units and DFTA Confirmed Units</u>
1,000 units and lower	10%
1,001 units to 10,000 units	5%
10,001 units and higher	2 1/2%

When the difference (by each type of service) exceeds the maximum percentage parameters listed in chart above, the auditor must contact the DFTA-Office of Contract Accounting to determine whether or not the information provided by DFTA on the confirmation is correct.

- b. When the difference (by each type of service) is less than the percentages listed above, the auditor is required to only note the DFTA confirmed amount, by each type of service, in the Schedule of Budget, Delivered and Questioned Units (Schedule C).
6. Identify the agency's contract specific service cost centers and perform compliance testing for the particular type of DFTA program. (See detailed procedures in Sections 417.1 to 417.25).
  7. When the actual number of units of service delivered per the Agency's records for each individual type of service and as audited are less than the budgeted amounts, the auditor should determine the circumstances for the deficiency. If the auditor cannot be satisfied as to the appropriateness of the deficiency, a compliance finding should be included in the auditors report. The following chart provides guidance for the auditor when such an inquiry and/or compliance finding must occur.

**SECTION 417 (CONT.)**

**Audit Procedures (Cont.)**

<u>Type of Units</u>	<u>Maximum Percentage of Budgeted Units of Service Deficiency of Service Allowed Per DFTA</u>
Congregate Breakfast	5%
Congregate Weekend Meals	5%
Congregate meals and Home delivered meals	5%
Case Management	5%
Homemaker, Housekeeper	5%
All other types of service	10%

8. Where quantified program objectives are not being met, the auditor should inquire to ascertain whether charges to the award are commensurate with the attained program objectives. If the auditor determines that costs incurred are unreasonable in applying the prudent person test to the attained objectives, costs may be questioned and/or the issues may be disclosed in the compliance report, depending upon the circumstances and materiality of the amounts involved. In addition, for significant noncompliance with quantitative requirements, the auditor should consider rendering a qualified opinion.

**SECTION 417.1 – VERIFICATION OF SERVICE UNITS BY HOURS**

Service Areas Included in Test:

- Case Assistance
- Case Management
- Counseling
- Escort
- Homemaker/Personal Care
- Housekeeper/Chore

Audit Objectives

To verify that service units are recorded and allocated accurately and in accordance with DFTA units of service requirements.

Compliance Audit Procedures

1. On a test basis, select worker logs and perform the following (Note):
  - a. Verify the arithmetical accuracy of hours recorded as service units.
  - b. Agree detail of logs to individual case files or weekly assignment form for housekeepers and homemakers.

## **SECTION 417.1 (CONT.)**

### Compliance Audit Procedures (Cont.)

2. Based on procedures 1a and b above, determine if allocations to service areas are reasonable.
3. Agree worker logs to the monthly service unit summary.

### **Note:**

Auditors may want to perform this procedure in conjunction with the payroll test.

## **SECTION 417.2 – CASE ASSISTANCE**

### Service Definition

A service provided to older persons to link them with requested services or resources, or to assist them with personal crises or with problems of daily living. As appropriate to the individual's need, activities include information and referral, entitlement counseling, advocacy, supportive contact, and assistance in contacting resources, obtaining services or benefits, and navigating other service systems. Where allowed by DFTA, activities may include comprehensive assessment, care planning and reassessment for clients who have requested home-delivered meals.

### Service Objective

To insure that the clients needs are met to the extent feasible by identifying or arranging for clients needs and problems.

### Service Activities

#### Intake

Establishing entry of a client into the service system, including establishment of a case record, and general information gathering. Intake is required unless client is already registered with the program.

#### Assessment and Reassessment

Collecting and evaluating information about the elderly persons situation and need for services, benefits and entitlements. Required only if clients receive home-delivered meals from the same provider (clients are not case management agency referrals).

#### Entitlement Counseling or Assistance Filling Out Forms

Assisting a client in understanding the nature of available services, benefits and entitlements; encouraging use of these; assistance in filling out applications and other forms and gathering

documentation.

## **SECTION 417.2 (CONT.)**

### Referring or Arranging/Intervention or Advocacy

Acting with, or on behalf of, clients to arrange for services or benefits to meet their needs. This may include anything from a simple telephone referral to advocacy of asserting a clients rights/eligibility for a service.

### Supportive Contact

Acting in supportive fashion with clients, as needed.

### Unit of Service

One hour of service to or on behalf of the client.

### Compliance Audit Procedures

1. Client files are maintained except in cases where no follow-up or continued contact is planned (one-shot supportive contact or assistance filling out forms).
2. Client files include:
  - a. Intake form
  - b. Assessment/Reassessment (only if client receives home-delivered meals)
  - c. Case Notes
  - d. Review eligibility, date of birth – 60 years plus determination
3. Worker logs showing time spent on case assistance are maintained by all case workers providing this service (see Verification of Service Units by Hours procedures).

## **SECTION 417.3 – CASE MANAGEMENT**

### Service Definition

A service provided only by designated case management agencies. Case management involves an independent process of identifying the needs and strengths of older persons with functional impairments, planning with these clients on how to meet their needs and build on their identified strengths and capacities, and arranging and coordinating services and resources on their behalf. Case management utilizes the development of a helping relationship with the client in order to foster the client's capacity to problem-solve and join in planning decisions. The goal of case management is helping clients maintain their independence to the extent possible, and improve their current quality of life.

### Service Objective

To insure that the clients needs are met to the extent feasible by providing or arranging for appropriate services, benefits and entitlements.



## **SECTION 417.3 (CONT.)**

### Service Activities

#### Intake

Establishing entry of a client into the service system, including establishment of a case record, general information gathering, and eligibility determination.

#### Assessment and Reassessment

Collecting and evaluating information about the elderly persons situation and need for services, benefits and entitlements in the persons home using a standardized form.

#### Planning

Determining the type of assistance needed with the client, and/or appropriate care givers, and developing a client service plan based on the assessment finding.

#### Authorizing or Arranging Services

Authorizing needed hours and type of home care from a designated home care provider, and/or arranging for other types of services through referral.

#### Client and Service Monitoring

Phone calls to the client at least once every three months to evaluate service plan and discuss concerns.

#### Service Termination

Discharging clients from home care and home-delivered meals services when these are no longer needed.

Unit of Service: Each hour of direct client service (time spent with or on behalf of individual clients)

#### Eligibility Criteria for Clients Authorized for Homecare

1. The individual must be 60 years of age or older.
2. The individual must be functionally limited in at least one Activity of Daily Living (i.e., bathing, dressing, toileting, being continent of urine and/or feces, transferring and eating), or two Instrumental Activities of Daily Living (i.e., housekeeping, shopping, preparing meals, managing money, laundry, using transportation, telephoning and getting outside of the home).
3. The individual must have unmet needs for in-home nutritional or environmental support.

## **SECTION 417.3 (CONT.)**

4. The individual must be able to be maintained safely in the home if supports are provided.
5. The individual must not be eligible to receive the same or similar services under the following programs: Titles XVIII, XIX, XX of the Federal Social Security Act or any other governmental program, or for services provided to residents in adult residential care facilities which had previously been provided by the facility or which by law are required to be provided by such facility.

### Compliance Audit Procedures

1. Client files are maintained.
2. Client files include:
  - a. Intake Form
  - b. Assessment Form
  - c. Reassessment Form (every six months).
  - d. Case notes
  - e. Current Service Agreement
3. Worker logs showing time spent on case management are maintained by all case workers providing this service (See Verification of Service Units By Hours procedures).
4. On a sample basis determine eligibility of individuals receiving either homemaker personal care or housekeeper services in accordance with DFTA eligibility criteria, making certain that the client file also contains information that the individual is 60 years of age or older.

## **SECTION 417.4 – CONGREGATE MEALS**

### Service Definition

#### Congregate Breakfast

An appropriate breakfast meal served to eligible participants in a group setting. The meal served meets 1/3 of the Recommended Daily Dietary Allowance and adheres to U.S. dietary guidelines and DFTA guidelines.

#### Congregate Lunch

An appropriate lunch or dinner meal served to eligible participants in a group setting. The meal served meets 1/3 of the Recommended Daily Dietary Allowance and adheres to U.S. dietary guidelines and DFTA guidelines.

#### Congregate Weekend

A hot or other appropriate meal distributed to congregate meal participants as they leave the center on Friday. This additional congregate meal is intended for weekend consumption. It

meets 1/3 of the Recommended Daily Dietary Allowance and adheres to US dietary guidelines.

## SECTION 417.4 (CONT.)

### Service Objective

To promote good health and socialization by insuring that the recommended daily dietary allowance standards are met and an opportunity for group interaction is provided.

### Service Activities

1. Food purchasing, receiving and food cost control measures.
2. Meal Preparation – Receiving and/or preparing food for serving, including taking delivery of catered meals; organizing serving activities; arranging tables, chairs, and place settings.
3. Registration of participants.
4. Meal Planning – Planning the meal menus and involving older persons.
5. Meal Provision – Serving meals and helping participants to carry trays or platters and/or feed themselves, as necessary. Providing assistance to clients with mobility limitations.
6. Cleaning and maintenance.

### Unit of Service

Each meal served.

### Compliance Audit Procedures

1. Menus:
  - a. Are approved by Nutritionist as meeting minimum dietary standards.
  - b. Are posted and dated.
  - c. Reflect food actually served.
  - d. Are being kept on file.
2. Food Protection Certificates are posted conspicuously.
3. The following are posted:
  - a. Signs outside building indicating name of program and DFTA sponsorship.
  - b. Emergency phone numbers on or near all phones.
  - c. Heimlich Maneuver poster.
  - d. Suggested contributions.
  - e. Certificate of Occupancy. (For buildings erected after 1938 or renovated buildings).
  - f. Place of assembly permit. (Only for rooms holding 75 or more people).
  - g. Operating and cleanliness instructions for cooking equipment and fire extinguishing system (posted under glass at entrance to kitchen).
  - h. Sketch showing origin, area, and terminus of grease duct (post over “g” above).

## **SECTION 417.4 (CONT.)**

4. Monthly summaries of meals and contributions are being maintained.
5. Daily meal attendance records and contributions agree to monthly summaries; ascertain that participants individually sign the attendance record.
6. Determine that the number of meals served daily is properly recorded by performing an unannounced count of the actual number of meals served on a given day, agreeing the results to the daily record of meals.
7. Verify that the amounts received from staff and guests represent full costs of raw food and disposal.
8. Verify that purchase of catered meals approximates the number of persons eating.
9. Monthly food cost reports are being maintained and are available for inspection.
10. Monthly physical inventories of food are performed, an original of which is kept on file.

## **SECTION 417.5 – COUNSELING**

### Service Definition

A planned and structured activity provided to alleviate an older person's stress and anxiety and help the individual solve personal problems or make appropriate choices. Qualified counselors conduct the service face-to-face on a one-to-one or group basis. Counselors must meet minimum qualifications: a Master's degree in counseling, psychology, social work, gerontology (with a concentration in counseling), pastoral counseling, or nursing (with a concentration in psychiatric nursing); or a B.S.W. and one year supervised experience in counseling; or a baccalaureate degree and two years experience as a counselor supervised by a licensed psychiatrist, social worker or psychologist.

### Service Objective

To help resolve the problems of older persons, their families or care givers in coping with everyday living by helping them to identify options for change related to behavior, attitudes or emotions, also, helping the individual or group build the self-assurance necessary to act on and sustain the options for change.

### Service Activities

Counseling activities include planned and structured interactions between individuals or groups and trained personnel.

### Unit of Service

One hour of individual or group counseling.

## **SECTION 417.5 (CONT.)**

### Compliance Audit Procedures

1. Verify that counselors have adequate training (documented in personnel file).
2. Case files are being maintained for individual counseling sessions.
3. Case files include:
  - a. Intake form and notes.
  - b. Assessment notes (not required for group sessions).
  - c. Case notes (not required to duplicate group session summaries in each case file).
4. Written summaries of group sessions are maintained with an attendance list.
5. Worker logs showing time spent on counseling are being maintained by all counselors providing this service. (See Verification of Service Units by Hours procedures).

## **SECTION 417.6 – EDUCATION AND RECREATION**

### Service Definition

Education/recreation service consists of scheduled and organized activities that offer varied and diverse opportunities for (1) satisfying use of leisure time; (2) physical exercise and other types of health-related activities or education; (3) social interaction; (4) enjoyment/development of interests, skills, creativity and talents, and (5) participant leadership.

### Service Objective

To offer opportunities for informative, constructive and satisfying use of leisure time and to foster the physical and mental health and the social well-being of older persons through social interaction and participation in a variety of leisure-time activities.

### Service Activities

Education and recreation activities do not include nutrition education sessions conducted by qualified persons. Activities do include bus trips for recreational or educational purposes. Also included is any planned, structured recreational or educational activity provided to homebound participants in their homes, except when these activities occur during the course of a Afriendly visit.

## **SECTION 417.6 (CONT.)**

### Unit of Service

Each session of a scheduled activity.

A unit of service is a scheduled, structured group activity conducted by a leader. Card playing, pool playing or any round-the-clock activity engaged in by senior participants cannot be counted as units even when a volunteer or participant is stationed at the site of the activity; this person is essentially a monitor, not a leader. While these activities are important functions in any senior center, they are extended forms of informal socializing and do not count as units of service.

For bus trips, a unit is calculated as a session no matter how long it lasts (from the time of departure to the time of return).

An agency funded by DFTA for transportation services and using its own vehicle to transport participants on a bus trip (sponsored by it self or another DFTA contractor) may claim units of transportation service for this activity. No DFTA program that is not specifically funded for transportation service may claim transportation units for this purpose, regardless of how transportation is arranged

### Compliance Audit Procedures

1. Obtain the Activities Log File.
2. Select a representative sample and agree sessions to monthly report.
3. Examine Activity Log for sample selected.
4. Since all activities or bus trips are announced in advance, examine other evidence of the activity such as mailing, schedule of handouts.
5. If buses were hired, examine the invoice.

## **SECTION 417.7 – ESCORT**

### Service Definition

Escort service provides personal accompaniment of an older person to destinations in the community, including medical or other appointments. Persons accompanied by escorts have mobility, vision or cognitive impairments, or require assistance for other reasons.

### Service Objective

To help sustain independent functioning/living on the part of an older person by assisting the older person in using essential community services.



## **SECTION 417.7 (CONT.)**

### Service Activities

The provision of escort usually involves mobility assistance and may involve the other service activities listed below:

Dressing Assistance – Helping the older person dress for a trip.

Securing Residence – Helping the older person lock and unlock his/her residence.

Personal Accompaniment – Helping the older person get to and from transportation, community resources and services, and assisting or staying with the individual while waiting for and receiving goods or services.

### Unit of Service

Each one-way trip.

### Compliance Audit Procedures

1. Obtain a representative sample of worker or client logs.
2. Foot time spent and agree to monthly summary of units of service.
3. Confirm that client signatures are on log.
4. Review intake form for evidence that client needs escort service. (See Verification of Service Units by Hours procedures).

## **SECTION 417.8 – FRIENDLY VISITING**

### Service Definition

This service provides organized visits by volunteers to homebound older persons. Its main purpose is to reduce the isolation of the homebound elderly. It also provides the opportunity to monitor the older person's health and well being, and to identify the need for services early enough to avoid future emergencies.

### Service Objective

To reduce loneliness/isolation and to monitor the health and safety of homebound elderly persons.

## **SECTION 417.7 (CONT.)**

### Service Activities

(The provision for friendly visiting always involves socialization and status assessment and may involve other service activities):

Socialization - Providing contact for the older person and an opportunity for communication.

Recreation - Providing stimulation through games, reading, etc.

### Letter Writing

Status Assessment - Observing the clients apparent physical status and the condition of immediate surroundings.

Note:

Recreational activities such as card games and reading conducted as part of a friendly visit will not generate units of Education/Recreation.

### Unit of Service

Each visit (contact) with an older person.

### Compliance Audit Procedures

1. Obtain representative sample of volunteer worker logs or client logs.
2. Foot number of visits and agree to monthly summary of units of service.
3. Determine that case file, if one exists, agrees with the log. Case file may not have all visits.

## **SECTION 417.9 – HEALTH PROMOTION**

### Service Definition

Health promotion service promotes or support good health and health habits in older persons. Service activities may include:

- Lectures or presentations, group discussions, exercise or relaxation classes or group (e.g. Tai Chi, yoga, stretching, toning, strengthening, walking, swimming)
- Health screening tests or other activities to assist in the early detection of possible health problems (e.g. through blood pressure monitoring, glaucoma testing, hearing tests, etc.)
- The administration of influenza and other vaccines by the Department of Health

## **SECTION 417.9 (CONT.)**

### Service Objective

To promote the early detection and understanding of the health problems of an older person.

### Service Activities

(All service activities essential).

Service Organization/Arrangement  
Testing  
Health Information  
Health Referrals and Follow-Up

### Units of Service

Each health-related activity or session, or each session to administer vaccinations or tests to older persons.

### Compliance Audit Procedures

### Recordkeeping Requirements:

Recordkeeping requirements vary according to frequency of testing. Programs providing on-going screening to persons on a regular basis (monthly or more) must maintain the following records:

a. Intake

This must include questions regarding medical history, medication, present provider or source of health care. If intake was done on client for other services, simply obtain this additional information.

b. Health Screening Record

An on-going record of results for each screening (see Manual for sample record).

c. Health Screening Report Form

Documentation for Unit of Service

Programs providing sporadic health screening service must maintain the following records:

- a. Health Screening Report Form – Documentation for Unit of Service.
  - b. Dated sign-in sheet of persons screened for each test.
1. Obtain a representative sample of the Health Screening Report Form.

## **SECTION 417.9 (CONT.)**

2. Foot units of service and agree to monthly summary.
3. Review case files for intake form, if applicable.
4. Agree participant sign-in sheet of persons screened to Health Screening Report Forms, if applicable.

## **SECTION 417.10 – HOME DELIVERED MEALS**

### Service Definition

The delivery of one hot or other appropriate nutritional meal to older eligible participants in their homes. The meal delivered meets 1/3 of the Recommended Daily Dietary Allowance and adheres to U.S. dietary guidelines and DFTA guidelines.

### Service Objective

To help maintain the health of an impaired older person by helping to insure that the daily recommended dietary allowance is met.

### Service Activities

(Most agencies will be involved in all service activities listed below except where they are responsible for meal preparation or delivery only):

Meal Preparation – Purchasing, preparing and packaging meal portions for delivery to client household.

Meal Delivery – Properly storing meals to insure food is maintained at appropriate temperatures and transporting them to the homes of authorized clients.

Meal Provision – Delivering the meal directly to the recipient or his/her representative.

Meal Organization/Coordination – Arranging timely and efficient scheduling of meal delivery and empty container pick-up.

### Eligibility Criteria

1. The individual must be 60 years of age or older (or spouse or disabled dependent).
2. The individual must be homebound by reason of illness or incapacitating disability or be otherwise isolated.
3. The individual must have unmet needs for in-home nutritional support.
4. The individual must not be able to receive the same or similar services through Medicaid

services.

## **SECTION 417.10 (CONT.)**

### Unit of Service

Each meal delivered.

### Compliance Audit Procedures

1. Obtain representative sample of Homebound Deliverer/Driver list.
  - a. Agree number of meals delivered to weekly or monthly summary of meals.
  - b. Agree contributions to cash received.
2. Obtain representative sample of Meal Pick-Up list.
  - a. Agree number of meals picked up to weekly or monthly summary of meals.
  - b. Agree contributions to cash received.
3. Review sample of case files for intake, assessment and reassessment, case notes or referral from case management Agency.
4. On a sample basis determine eligibility of individuals receiving service in accordance with DFTA eligibility criteria.

## **SECTION 417.11 – HOMEMAKER/PERSONAL CARE**

### Service Definition

A service authorized by DFTA- funded case management agencies for functionally impaired older persons to assist with personal care needs and housekeeping. Assistance is provided with bathing, dressing, grooming, toileting, transferring from bed to chair to wheelchair, walking, eating, as well as with housekeeping tasks.

### Service Objective

To maximize a client's independence by providing support to the impaired older person in performing activities of daily living and maintaining normal household functions.

### Service Activities

Includes housekeeper service tasks under Housekeeping/Chore below, limited personal care services or A hands on care, and home management services. The personal care and home management activities may include:

- Assistance with activities of daily living
- Bathing
- Hair grooming
- Shaving
- Mouth care

## **SECTION 417.11 (CONT.)**

- Ordinary care of nails
- General skin care
- Range of motion exercises
- Dressing, relating to fine motor coordination
- Toileting, including bed pan or commode
- Assistance in feeding
- Transfer without assistive device to and from bed
- Position turning
- Ambulation assistance
- Paying bills

### Eligibility Criteria

1. The individual must be 60 years of age or older.
2. The individual must be functionally limited in at least one Activity of Daily Living (i.e., bathing, dressing, toileting, being continent of urine and/or feces, transferring and eating), or two Instrumental Activities of Daily Living (i.e. housekeeping, shopping, preparing meals, managing money, laundry, using transportation, telephoning and getting outside of the home).
3. The individual must have unmet needs for in-home nutritional or environmental support.
4. The individual must be able to be maintained safely in the home if supports are provided.
5. The individual must not be eligible to receive the same or similar services under the following programs: Titles XVIII, XIX, XX of the Federal Social Security Act or any other governmental program, or for services provided to residents in adult residential care facilities which had previously been provided by the facility or which by law are required to be provided by such facility.

### Unit of Service

One hour of service provided to a client.

### Compliance Audit Procedures

1. Obtain representative sample of worker or client logs.
2. Foot time spent and agree to monthly summary of units of service.
3. Confirm client signature on log to signature in case file, or client release form, if available.
4. Review referral form.
5. Review Agency's fee collection process (including outstanding client fees receivable) and determine adequacy of Agency's system. (See Section 10.6 of the DFTA Fiscal

Management Manual).



## **SECTION 417.12 – HOUSEKEEPER/CHORE**

### Service Definition

A service authorized by DFTA-funded case management agencies for functionally impaired older persons to assist with housekeeping needs only. Assistance is provided with dusting and vacuuming; light cleaning of the kitchen, bedroom and bathroom; shopping or other essential errands; laundering, ironing and mending; meal preparation; etc.

### Service Objective

To maximize client independence by providing support to impaired elderly persons in maintaining a clean, safe, healthful living environment.

### Service Activities

Housekeeping activities may include:

Cleaning – Dusting, mopping floors, vacuuming, cleaning bathrooms, changing linen, washing dishes and pots, taking out the garbage, cleaning stoves and refrigerators.

Escort

Doing laundry

Assistance in paying bills and related errands

Heavy Duty Cleaning – Moving furniture, packing and removal of refuse and clutter, removal of linoleum, washing walls, cleaning venetian blinds and drapes, turning mattresses, picking up of rugs, shampooing of rugs, cleaning closets, packing of belongings for moving and cleaning windows. This is normally done by someone other than the housekeeper, although it is considered a part of the housekeeping service.

Meal Preparation – Cooking and adherence to special diets.

### Eligibility Criteria

1. The individual must be 60 years of age or older.
2. The individual must be functionally limited in at least one Activity of Daily Living (i.e., bathing, dressing, toileting, being continent of urine and/or feces, transferring and eating), or two Instrumental Activities of Daily Living (i.e. housekeeping, shopping, preparing meals, managing money, laundry, using transportation, telephoning and getting outside of the home).

## **SECTION 417.12 (CONT.)**

3. The individual must have unmet needs for in-home nutritional or environmental support.
4. The individual must be able to be maintained safely in the home if supports are provided.
5. The individual must not be eligible to receive the same or similar services under the following programs: Titles XVIII, XIX, XX of the Federal Social Security Act or any other governmental program, or for services provided to residents in adult residential care facilities which had previously been provided by the facility or which by law are required to be provided by such facility.

### Unit of Service

One hour of service provided to a client

### Compliance Audit Procedures

1. Obtain representative sample of worker or client logs.
2. Foot time spent and agree to monthly summary of units of service.
3. Confirm client signature on log to signature in case file or client release form.
4. Review intake form or case management agency referral form.
5. On a sample basis determine eligibility of individuals receiving service in accordance with DFTA eligibility criteria. (See Verification of Service Units by Hours Procedures).
6. Review Agency's fee collection process (including outstanding client fees receivable) and determine adequacy of Agency's system. (See Section 10.6 of the DFTA Fiscal Management Manual).

## **SECTION 417.13 – EMERGENCY HOMECARE SERVICES**

### Service Definition

Emergency homecare is a stop-gap service that can be authorized in three situations; (1) for seniors who have been assessed to need emergency care by specified DFTA case management agencies pending the implementation of a long-term homecare plan; (2) where a DFTA caregiver contractor determines that the caregiver of an eligible care recipient has an emergency and needs short term coverage by a homecare worker; and (3) where hospital discharge workers determine that an eligible senior needs emergency coverage until a long term homecare worker is available.

### Service Objective

Emergency homecare services include services provided in the home as well as escort services.

## **SECTION 417.13 (CONT.)**

Services provided in the home include: transferring, assistance with ambulation, bathing, toileting, personal grooming, dressing, light housekeeping, marketing, laundry, ironing, meal preparation and errands, all as required to maintain the client in their home until a long term service plan can be implemented or the emergency situation has passed.

Limited escort services may be provided if no other competent person is available in these situations: (1) to take seniors to scheduled medical appointments for treatment of ongoing serious conditions (dialysis or chemotherapy) or for rehabilitation sessions; (2) to take seniors to unforeseen medical appointments; or (3) to escort seniors from the hospital to their homes.

Emergency homecare services may be authorized for up to 24 hours a day but for no longer than a week without approval by DFTA. Emergency homecare services associated with a hospital discharge may be authorized for up to six hours a day for no more than three days.

### Unit of Service

One hour of service per client.

### Compliance Audit Procedures

1. Obtain representative sample of worker or client logs.
2. Foot time spent and agree to monthly summary of units of service.
3. Confirm client signature on log to signature in case file, or client release form, if available.
4. Review referral form.

## **SECTION 417.14 – INFORMATION**

### Service Definition

Information service provides individual inquirers with current information on entitlements, services and opportunities available for older persons within their communities. Inquirers are expected to follow-up on information provided without needing further assistance.

### Service Objective

To assist a client, or an individual acting on the clients behalf, to respond to an identified need or problem by providing information about resources in such a way that the client or client representative can take appropriate action to request or obtain a needed service, benefit or entitlement.

### Unit of Service

Each contact.

## **SECTION 417.14 (CONT.)**

Information is not the answering of simply any question from older persons or their representatives; it applies only to responses which inform such persons about the nature or availability of services, benefits or entitlements. It does not apply to questions about program scheduling, service start-up, etc.

Information given to agencies inquiring about services for the general older population and not related to a specific client is also counted as a unit of service.

The unit of information services is one contact; therefore, the provision of several pieces of information to an older person during the course of one conversation will generate only one unit of service.

Information provided by nutrition directors during the time they are on the floor is to be considered administrative time. It does not generate a unit of service.

### Compliance Audit Procedures

1. Review worker logs.
2. Determine that only “contacts” are counted through inquiry.
3. Foot number of contacts and agree to monthly summary of units of service.

## **SECTION 417.15 – TRANSPORTATION**

### Service Definition

A service to transport elderly persons to a variety of locations and appointments, including senior center, service agencies, banks, stores, recreational activities, and medical and other essential appointments. There are two types of transportation service:

**Individual Transportation.** In this type, a vehicle is used to transport one person from point to point (like car service). At times, a vehicle may transport more than one person, as in a car pool, but numbers are limited.

**Group Transportation.** This type of transportation has four variations: A multi-passenger vehicle (1) picks up different individuals at different locations along a route and drop each one off a different location along the route – e.g. like a public bus; (2) picks up different individuals at different locations along a route, but drops them all off at a common location –e.g. a senior center; (3) picks up different individuals at a common location – e.g. senior center—but drops them off at different locations –e.g. their homes; (4) picks up different individuals at a common location—e.g. senior center—and transport them to a common location—e.g. shopping mall.

## **SECTION 417.15 (CONT.)**

### Service Objective

To facilitate client access to activities, appointments, and/or facilities that would not otherwise be reachable.

### Unit of Service

Each one-way trip per client

### **Note:**

An agency funded by DFTA for transportation services and using its own vehicle to transport participants on a bus trip (sponsored by itself or another DFTA contractor) may claim units of transportation service for this activity. No DFTA program that is not specifically funded for transportation service may claim transportation units for this purpose, regardless of how transportation is arranged.

Units of service cannot be counted for family members or home attendants who accompany seniors to needed services. Contributions should not be collected from home attendants. However, family members may wish to contribute to the program at a higher rate than the suggested contribution for seniors.

Organized education or recreation trips involving stops at more than one outside location (e.g., museum, then landmark) cannot generate more than two one-way trips per person. Note: Only programs contracted for transportation service may claim transportation units for these trips.

The term “demand-responsive” service includes prescheduled transportation of a designated group of passengers between their homes and one or more specified locations. It is characterized by flexible routing and use of small vehicles or vans providing door-to-door service for one or more riders at a time.

"Fixed route transportation" is provided on a regular repetitive basis. Riders assemble at pick-up points along the route to be driven to a particular destination.

### Compliance Audit Procedures

1. Obtain representative samples of Drivers Trip-by-Trip Daily Record, Group Transportation Logs, and Transportation Monthly Record of Volume.
2. Foot trips for all applicable logs and agree to monthly summary of units of service.
3. Agree contributions to cash records.
4. Determine that Vehicle Reports agree with trips.

## **SECTION 417.16 – TELEPHONE REASSURANCE**

### Service Definition

This service provides regular and organized phone calls by volunteers to homebound older persons. Its main purpose is to reduce the isolation of the homebound elderly. It also provides the opportunity to monitor the older person's health and well being and to identify the need for services early enough to avoid future emergencies.

### Service Objective

To reduce isolation, provide comfort, help and friendship, and promote the health and safety of homebound older people through routine telephone contact and communication.

### Service Activities

(The provision of telephone reassurance may involve any of the following activities):

- Socialization
- Cultural enrichment
- Status assessment

### Units of Service

Each telephone call in which contact is made with client.

### Compliance Audit Procedures

1. Obtain representative sample of volunteer worker logs or client logs.
2. Foot number of telephone calls and agree to monthly summary of units of service.
3. Determine that the case file, if one exists, agrees with the log.

## **SECTION 417.17 – RESIDENTIAL REPAIR**

### Service Definition

Repairs to upgrade substandard, unsuitable or unsafe housing for the elderly (excluding weatherization activities).

### Service Objective

To upgrade the soundness of an older persons residence in a way which will improve its energy efficiency, structural integrity, and safety.

## **SECTION 417.17 (CONT.)**

### Service Activities

Residential Repair may involve any of the following activities:

- Repair screens and windows
- Repair roof leaks and damage
- Repair minor plumbing disorders (i.e. leaking faucets).
- Install locks and other security features.
- Secure loose floor boards, stair railings and treads
- Repair minor electrical disorders
- Clean and repair drain pipes and gutters
- Minor paint jobs
- Patch walls and ceilings
- Pest extermination

### Unit of Service

One hour of service.

### Compliance Audit Procedures

1. Review service logs.
2. Obtain a representative sample of client files.
3. Examine repair bill:
  - a. Verify that amount of repair does not exceed \$500.
4. Examine inspection report.

## **SECTION 417.18 – LEGAL ASSISTANCE**

### Service Definition

A service provided by, or under the supervision of, an attorney, to older persons. The service may include provision of legal advice, representation, and assistance with applications for public benefits, legal appeals, or other legal service.

### Service Objective

To protect and secure the rights, benefits and entitlements of older persons.

### Service Activities

The provision of legal service usually involves client intake and assessment and at least one of

the other activities listed below.



## **SECTION 417.18 (CONT.)**

### Client Intake and Assessment

Evaluating the clients need for legal services.

### Referral

Referring clients to a private attorney for services prohibited under contract (e.g., criminal cases, fee generating civil cases) or to a social service agency, as appropriate.

### Research and Case Preparation

Review of rules, regulations and procedures and/or substantive law applicable to clients problem, and preparation of briefs and memoranda of law.

### Advise

Assisting clients through imparting advice in such areas as consumer, tenant and household matters.

### Representation

#### Information

Providing information exchanges and group training on legal management of personal affairs.

#### Unit of Service

One hour of service.

### Compliance Audit Procedures

1. Select a sample of monthly legal services worker logs.
2. Trace client per log or case number to case file.\*

\* Contents of file are confidential because of attorney/client relationship. Accordingly, information files cannot be examined. The auditor can only relate the number per the log to the file number.

## **SECTION 417.19 – INTERGENERATIONAL**

### Service Definition

Intergenerational services are planned, purposeful and structured activities that engage younger persons with older persons in mutually beneficial interactions. Service types include (1) performance of a service activity by a younger person or group of younger persons for an older person or group of older persons; (2) performance of a service activity by an older person or group of older persons for a younger person or group of younger persons, and (3) participation by younger and older persons in joint activities for the purpose of sharing and participating

together.

## **SECTION 417.19 (CONT.)**

### Service Objective

To provide interaction/exposure of seniors to youth and vice versa.

### Unit of Service:

Each hour of service provided by a senior or youth to an individual or group of individuals of a different generation, and/or each hour of a joint activity involving persons of different generations is a unit of service.

### Compliance Audit Procedures

1. Agency maintains the following records:
  - a. Roster of participants
  - b. Weekly or Monthly Program Schedules
  - c. Attendance Sheets for each activity
2. Foot time spent and agree to monthly summary of units provided.

## **SECTION 417.20 – HEAVY DUTY CLEANING**

### Service Definition

A service of intensive household cleaning and related tasks perform when ordinary housekeeping service is not sufficient to remove accumulated dirt, grime or trash, or when the type of cleaning activity required is beyond the scope of usual housekeeping. It is a one-time service performed for a client of a case management agency who will receive ongoing case management assistance and/or in-home services after the service has been completed.

### Service Objective

To provide the necessary additional cleaning services when applicable.

### Service Activities

- Removal of trash, newspapers, human and animal waste.
- Sweeping, mopping, and shampooing carpets.
- Cleaning walls, floors, refrigerators, sinks and stoves which have been neglected.
- Washing accumulated grime off pots, pans, bathtubs, basins, toilets, windows, light fixtures and blinds.
- Rearranging furniture, cabinets, and closets.

### Unit of Service

Each hour of service provided.

## **SECTION 417.20 (CONT.)**

### Compliance Audit Procedures

1. Obtain representative sample of worker logs.
2. Foot time spent and agree to monthly summary of units provided.
3. Supervisory confirmation that work was completed as reported.
4. Obtain and review client intake forms or case management Agency referrals.

## **SECTION 417.21 – NUTRITION EDUCATION**

### Service Definition

Nutrition and related consumer and health instruction or information provided by or under the direction of a registered or registration-eligible dietician.

### Service Objective

To educate and advise seniors as to proper nutrition habits.

### Unit of Service

Each group or class presentation.

### Compliance Audit Procedures

1. Nutrition Education logs clearly distinguish Nutrition Education sessions from Education/recreation sessions.
2. Foot sessions for sample month and agree to monthly summary of units provided.

## **SECTION 417.22 – SHOPPING ASSISTANCE/CHORE**

### Service Definition

The provision of fewer than four hours a week of assistance to the older person to help with housekeeping or chore tasks, or with shopping needs. Activities include but are not limited to doing laundry, dusting, mopping, cleaning, vacuuming, shoveling snow, and helping with errands or with shopping. Clients appropriate for this service have some functional impairment, but only need minimum assistance.

### Service Objective

To maximize client independence by providing support to impaired elderly persons with the

handling of household chores/shopping, which they are unable to handle on their own.

## **SECTION 417.22 (CONT.)**

### Service Activities

#### Intake

Gathering of information about the client that substantiates need for the service. May be a separate Intake Form, or other written documentation.

Unit of Service: Each contact with a client.

#### Eligibility Criteria

1. The individual must be 60 years of age or older.
2. The individual must have unmet needs for chore services, or for food shopping assistance and nutritional support which can be met with the provision of under four hours of service weekly.

#### Compliance Audit Procedures

1. Obtain representative sample of worker or client logs.
2. Foot time spent and agree to monthly summary of units of service.
3. Compare client signatures on logs to signature in case file or client release form.
4. Obtain and review case files for maintenance of client intake forms or case management Agency referrals.

## **SECTION 417.23 – SAFE STREETS (CRIME VICTIMS ASSISTANCE AND CRIME PREVENTION SERVICES)**

### Service Definition

**Crime Victims Assistance** and **Crime Prevention** are services to alleviate the effect of crime on older crime victims, and activities to heighten individual and community awareness about protection against crime.

#### Crime Victims Assistance

Services designed to lessen the effects of crime on the older individual including supportive counseling, help with Crime Victims Board applications, provision of emergency financial assistance, provision of security devices and other supportive services as needed.

## **SECTION 417.23 (CONT.)**

### Service Objective

A working relationship with the precincts allows the local agencies to contact elderly people who have been identified by the police as victims of crime, and provide assistance to them at the community level.

Unit of Service: Each hour of crime victims' assistance or crime prevention activity.

### Compliance Audit Procedures

1. Client files are maintained for all active clients.
2. Client files include:
  - a. Intake
  - b. Case notes including assessment of presenting problem, immediate consequences and psychological impact on the client.
3. Worker log indicating time spent with and on behalf of crime victims.
4. Required Forms:
  - a. Police Report of crime victims, addresses, etc.
  - b. Client Release Form
  - c. Emergency Assistance Acknowledgment and Client Authorization Form
  - d. Monthly Statistical Summary to DFTA
  - e. Quarterly Crime Prevention Report to DFTA
5. Review client files pertaining to financial assistance to determine the following:
  - Personal expense monies provided to the client may be paid from petty cash not to exceed \$30 per person. Exceptions to the \$30 rule must be documented in the client's file.
  - Bills for utilities may be paid on behalf of the crime victim. Partial payment of rent up to \$150 per victim is recommended. The Director must document exceptions in the client's file.

### Crime Prevention Services

Services consist of activities to foster awareness and education about crime as an issue of concern to the elderly. Activities include, but are not limited to, community presentations at senior centers, organization of block watchers and arranging home security surveys through the local precinct.

Fire Department approved gates, locks, windows and hardware may also be provided to safeguard the client's residence as a result of a home security survey provided by the local

precinct.



## **SECTION 417.23 (CONT.)**

### Unit of Service

Each home security survey arranged, meeting or forum conducted is considered a crime prevention activity.

### Compliance Audit Procedures

1. Determine that the following required reports are submitted to DFTA:
  - a. Annual written plan for crime prevention activities and community education must be submitted to DFTA.
  - b. Quarterly report on crime prevention activities conducted in assigned areas due to DFTA the 15th of each quarter: October/January/April/July.

## **SECTION 417.24 – WRAP**

### Service Definition

WRAP is a comprehensive weatherization packaging and referral service for low income elderly households that reside in 1 to 4 family dwellings. Through WRAP, an energy audit and energy conservation services like window caulking, boiler/furnace repair and insulation may be provided. The end result will be lower fuel bills and a warmer home.

### Service Activities

The Weatherization, Referral and Packaging Program (WRAP) is a Federally funded service which through the Department for the Aging, provides low-income elderly who reside in a 1 – 4 unit dwelling free home energy-related services that can lower their energy bills and increase the comfort of their homes. This is achieved by having a WRAP liaison conduct a home visit to the seniors home to determine the specific energy related need or social service need. The liaison also develops a plan to address the needs detected in the home, make appropriate referrals and pull together (package) all available resources to address the client's needs.

As opposed to supplementing the income of individuals who have difficulty meeting their heating needs with a cash grant as in HEAP, WRAP provides energy conservation information, education and services to New York City's elderly, measures that will assist them in lowering home expenses, a form of long range assistance.

### Service Objective

Weatherization stops energy loss at the source, as determined by evaluative instruments in the hands of experienced energy auditors. Convection paths sealed in the attic and basement, for example, may never be seen by the client. The program no longer installs items such as storm doors, which have high visibility, and provide client satisfaction, but save virtually no energy. The satisfaction the client receives from weatherization in the 1990's is from lower, often

significantly lower, fuel and electric bills.

**SECTION 417.24 (CONT.)**

Unit of Service

- Needs Assessment Home Visit; or
- Referral to Department of State Weatherization Program (WRAP); or
- Referrals to Social Service Organizations.

Compliance Audit Procedures

1. Determine client eligibility utilizing the following guidelines:

**NEW YORK CITY DEPARTMENT FOR THE AGING  
WRAP 1996 – 1997 ELIGIBILITY GUIDELINES**

- Sixty years of age or older (or on Social Security Disability)
- HEAP Eligibility (based on the following income criteria);

<b>Household Size</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Monthly Income Tier I</b>	0 – \$839	0-\$1,122	0 – \$1,406	0 – \$1,690	0 – \$1,974	0 – \$2,258
<b>Monthly Income Tier II</b>	\$840-968	\$1,123-1,295	\$1,407-1,623	\$1,691-1,950	\$1,975-2,278	\$2,259-2,605

**EACH ADDITIONAL PERSON + \$284.00 TIER I AND + \$328.00 TIER II**

- Building Eligibility: Renters may also apply for WRAP services. However, they must reside in housing limited to:
  - If there are four units in the building two must be HEAP eligible
  - If there are three units in the building two must be HEAP eligible
  - If there are two units in the building one must be HEAP eligible

## SECTION 417.25

### **CAREGIVER PROGRAM SERVICE CATEGORIES**

#### **Public Information and Outreach**

Individual contacts with isolated caregivers and activities undertaken by the program to develop referral sources for the program, such as contacts with hospital discharge workers, local pharmacies, bodegas, grocery stores, community physicians, etc. and/or activities to disseminate public information about the program and/or to enhance role awareness of person providing care.

**UNIT – Each contact initiated by the program for the purposes of disseminating information about the program or developing referral sources for the program or each contact with an isolated individual.**

#### **Information and Assistance**

Individual one-on-one contact with a caregiver, or on behalf of a caregiver, for all or some of the following reasons or for purposes similar to the following:

- to provide information about how to contact and obtain available services and resources independently;
- to assist the caregiver to define her/his problems or needs;
- to provide counseling about available options;
- to provide the caregiver with pertinent literature or videos (mailings);
- to provide the caregiver with practical advice – e.g. on how to cope with a situation, purchase needed supplies; make their needs known to the care recipient’s physician.
- to provide the caregiver with information about the impact of personality and physical changes caused by the care recipient’s illness or condition;
- to provide the new caregiver with information or assistance in assuming care (e.g. instruction in how to change bandages; how to obtain and operate essential medical equipment, etc.);
- to evaluate the caregiver’s situation, level of distress, and information or support needs and to ascertain her/his preferences among service options;
- to refer the caregiver to needed/preferred services, resources and opportunities by contacting the provider on behalf of the caregiver, and arranging or facilitating the linkage;
- to arrange for the caregiver to receive services from the caregiver program itself or its “partner” organizations or other caregiver programs or other community providers;
- to assist with benefits/entitlements application;
- to provide advice on financial management;
- to help the caregiver get advanced directives or power of attorney in place;
- To assist with nursing home or hospice application;
- To follow-up when caregivers are referred to ensure that they actually receive the services or benefits or entitlements for which they are referred.

**UNIT – Each contact with a caregiver or collateral contacts on behalf of the caregiver.**

## **SECTION 417.25 (CONT.)**

### **Caregiver Services**

Includes the following three services:

#### **Counseling**

Counseling involves the provision of psychosocial support to an individual, for the purpose of achieving a therapeutic goal. Includes crisis intervention, assistance in making the transition to a caregiver role and acceptance of the role; bereavement counseling, and supportive counseling to help the caregiver cope with or resolve an identified problem. Counseling is provided in scheduled sessions of at least one half hour, and over a period of time (usually from two to eight sessions).

#### **Support Groups**

Support groups provide the opportunity for caregivers to share their experiences and support each other. Caregiver programs may organize, coordinate and supervise support groups without directly providing them.

#### **Training/Education**

Training and education sessions provide caregivers with needed skills and information to help them manage care provision. Sessions may be individual and/or group.

**UNIT – Each session of individual or group counseling;  
Each training/education session.**

### **Individual Respite**

In-home respite may be provided by or obtained from any home care program licensed by the Department of Health. It includes but is not limited to provision of;

- Companionship and companionable activities.
- Taking the older person for a walk or other pleasurable appropriate activity.
- Helping the older person with ADL needs (e.g. eating; toileting; transferring).

**UNIT – One hour of service provided to individual clients.**

### **Group Respite**

Group respite may be provided by or obtained from any of these sources:

- (1) a social adult day service program or a social day care program that contracts with DFTA;
- (2) a respite program that contracts with DFTA; or

## **SECTION 417.25 (CONT.)**

- (3) a social adult day program that is the recipient of a grant from the State Office of the Aging to provide social adult day service. Additional sources will be considered. Congregate respite may include overnight respite.

**UNIT – One hour of service provided to the client in a group setting.**

### **Supplemental Services**

Use of contract funds to purchase or directly provide supplemental services to complement the care provided by eligible caregivers for care recipients. Supplemental services may include but are not limited to; transportation, escort, shopping assistance, telephone reassurance, friendly visiting, nutrition counseling, Emergency Response Systems, minor home modifications, purchase of adult diapers, other purchases or services as needed.

**UNIT – Each item purchased on behalf of the client and/or each individual service provided to the client.**

## **SECTION 417.26 – SOCIAL ADULT DAY SERVICES (SADS)**

### **Service Definition**

A Social Adult Day Service Program is a structured program that serves cognitively impaired and/or physically frail individuals in a group setting for less than a 24-hour period. Corer service components must include planned and organized group activities appropriate to the population being served, individualized care planning, and nutrition. The program must also provide supervision, cueing, and some personal care assistance for all of the following ADLs: toileting; mobility, transfer and eating. Additional service components may include some or total assistance with the following: dressing, bathing, grooming, prompting about medication, routine skin care, changing simple dressings, using supplies and/or adaptive equipment, and caregiver assistance.

### **Service Objective**

To tend to the cognitively impaired or physically frail senior citizen community for extended periods (usually 1 day).

### **Service Activities**

An on site day program with escorted transportation and one meal provided.

## **SECTION 417.26 (CONT.)**

### Unit of Service

A slot which to one individual:

- Service is to one individual:
- An one-site program day. The length of the program day may vary from program to program, it is the number of hours proposed by the SADS provider in their response to the RFP. All on-site program days must be at least 5 hours, exclusive of transportation time.
- Escorted transportation to and from the program site. All DFTA-funded clients must be offered transportation.
- One meal.

### Compliance Audit Procedures

1. Verify that clients are eligible for SADS slots as follows:
  - Must be 60 years of age or older
  - Ineligible for Medicaid
  - Resident of designated SADS catchments area.
2. Determine that a client is either cognitively impaired, physically frail or display other program specific eligibility criteria.
3. Trace units of service claimed to units of service reports.
4. Evidence is available through group sign in sheets and written summaries that a structured program is being provided.
5. Examine client care files for eligibility documentation.

## **SECTION 418 – FOLLOW-UP OF PRIOR PERIOD AUDIT FINDINGS**

### Objective

To determine the status of implementation of corrective action and/or resolution with DFTA of prior period findings.

### Audit Procedures

In general, the auditor should determine:

- The resolution status of all prior period audit findings and questioned costs/units and comment upon in the current years audit report.
  - a. Review correspondence from DFTA relating to above resolution.
- If finding has been corrected, state the finding and that the situation has been corrected.
- If finding has not been corrected, repeat the finding in the Findings, Recommendations

and Replies section of the current years audit report.



## **SECTION 419 – ADDITIONAL AUDIT MATTERS**

### **Objectives**

1. To determine the contract agency's adherence and compliance with DFTA and Federal regulations pertaining to specifically unallowable costs.
2. To determine the reasonableness or allow-ability of agency procedures with respect to DFTA requirements.

### **Audit Procedures**

1. Determine that the Agency has not incurred costs specifically identified by DFTA or Federal regulations as unallowable. Items in this category include, but are not limited to, the following:
  - Bad debts
  - Most advertising costs, except those related to the recruitment of staff
  - Entertainment and alcoholic beverages
  - Fines and penalties
  - Contributions and donations (by the organization to others)
  - Interest
  - Under-recovery of costs from prior or other contracts
  - Organization costs (in connection with the establishment or reorganization of an organization)
  - Federal income taxes
2. Determine that the Agency has not incurred unreasonable or excessive expenditures with respect to DFTA requirements. Items in this category include, but are not limited to, the following:
  - Obvious under utilization of lease space
  - Excessive inventory build-up without reasonable explanation
  - Excessive idle equipment
  - Condition of inventory and/or storage facility in obvious poor condition
  - Obvious health and safety hazards
  - Obvious purchases at the end of the year to use up budget
  - Obvious padding of units of service
3. Perform the following procedures if a program has exceeded its reimbursable DFTA budget by 5% or more:
  - Determine how the sponsor funded this deficit.
  - Obtain the agency's, most recent, independent CPA audit report and determine if the sponsor has sufficient net assets to fund these additional unreimbursed contract funds.
  - If the auditor is not satisfied that the deficit can be funded or that sufficient net assets exist to fund this deficit then an Internal Control Finding should be prepared in the Findings, Recommendations and Replies section of the current year's audit report.

## SECTION 500

### AUDIT REPORTING STANDARDS AND REQUIREMENTS

#### SECTION 501 - GENERAL INFORMATION

**.01** The audit report is divided into two sections (listed below in detail). The first section is the financial section and contains the independent auditor's report on the financial statements, all required financial statements, footnotes and supplemental information. The second section is the compliance and internal control section and contains the introduction, exit conference, required disclosures, independent auditor's report on compliance and internal control over financial reporting, along with findings and recommendations, and follow-up of prior audit findings. The overall organization of the audit report is as follows:

- **Financial Section:**

- Independent Auditor's Report
- Statement of Assets and Liabilities
- Statement of Revenues and Expenses<sup>(1)</sup>
- Statement of Reimbursable Expenses
- Notes to Financial Statements
- Supplemental Information:
  - Schedule A - Schedule of Expenses by Service Cost Center
  - Schedule B - Schedule of Budgeted, Incurred and Questioned Costs<sup>(2)</sup>
  - Schedule C - Schedule of Budgeted, Delivered and Questioned Units<sup>(2)</sup>
  - Schedule D - Detailed Schedule of Questioned Costs
  - Schedule E - Detailed Schedule of Questioned Units
  - Schedule F - Schedule of Auditor's Adjustments
  - Schedule G - Schedule of Consultants
  - Schedule H - Schedule of Equipment/Renovations
  - Schedule I - List of Checks Outstanding Six Months or Later
  - Schedule J - Schedule of One-Time Payments

- **Internal Control and Compliance Section:**

- Introduction
- Exit Conference
- DFTA Required Disclosures
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Findings and Recommendations on Compliance
- Findings and Recommendations on Internal Control
- Follow-Up of Prior Audit Report

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<sup>(1)</sup> Where a performance based (i. e., Homemaker, Housekeeper, Case Management, Legal, Social Adult Day Services) program is being audited and actual and budgeted unit rate information is presented, this statement should read as "Statement of Reimbursable Expenses and Actual Unit Costs."

<sup>(2)</sup> Programs, which have separate satellite sites, will have separate schedules; including a summarizing combined schedule.

## **SECTION 501 (CONT.)**

### **Title Page**

- .02** The above overall organizational format should always be followed.
- .03** The auditor is to prepare a separate report for each DFTA contract audited.
- .04** The audit report should contain the following information on the cover or title page:
- Name of Program
  - Program Address
  - Telephone Number of Program
  - Name of Sponsor
  - Address of Sponsor
  - Telephone Number of Sponsor
  - DFTA ID Number Audited
  - DFTA Contract Number Audited
  - Type of Report
  - Period Covered by Audit
  - Audit Fieldwork Start and End Dates
  - DFTA Audit Lot Number
  - Name of Audit Firm
- .05** All reports submitted to DFTA by the auditors must be presented in a professional manner, therefore the report is to be:
- Properly bound, with proper margins.
  - Numbers and words must be fully visible, not be punched with holes or hidden by the binder.
  - Report must be legible and properly laid out on the page.

### **Table of Contents**

- .06** The audit report should contain a Table of Contents, including page numbers, and the information as presented in the Illustrative Audit Report in Section 505.

### **Auditor's Reports**

- .07** The auditor will issue three reports as a result of the audit. The reports include:
- Independent auditor's report on the statements of assets and liabilities, revenues and expenses and reimbursable expenses and supplemental financial information;
  - Report Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- .08** The above reports and accompanying financial statements and notes will be presented in one bound report in accordance with the sample report format in this Audit Guide.

## SECTION 501 (CONT.)

### **Auditor's Report on the Financial Statements**

- .09** The auditor's report is prepared in accordance with generally accepted auditing standards and Government Auditing Standards. The auditor will be reporting on the:
- Statement of Assets and Liabilities
  - Statement of Revenues and Expenses
  - Statement of Reimbursable Expenses (and Actual Unit Costs)<sup>(1)</sup>
  - Supplemental Financial Information
- .10** Where there are questioned costs which would have a material impact on the financial operations of the DFTA funded program, the auditor should consider adding an explanatory paragraph to the opinion.
- .11** If the report to be issued will result in a disclaimer or adverse opinion, the auditor must first contact DFTA - Office of Contract Accounting prior to issuance to discuss the reasons and circumstances for such.

## SECTION 502 - FINANCIAL STATEMENTS

### **Statement of Assets and Liabilities**

- .01** A statement of assets and liabilities must be prepared for the DFTA contract audited.
- .02** Every asset, liability, and commitments and contingencies caption requires a note reference. In addition, the liability "unapplied advance payable to DFTA" should never be netted, offset or combined with any other DFTA receivable or payable caption on the statement.
- .03** A DFTA contract which includes voluntary contributions as a reduction of revenues should adhere to the statement format in Illustrative Report entitled "Sample Report for DFTA Contract where Voluntary Participant Contributions are within the DFTA Contract Budget" (Section 505.1).

### **Statement of Revenues and Expenses**

- .04** A statement of revenues and expenses must be prepared for the contract audited. The revenue captions listed on the statement should only include those which have been indicated on the DFTA confirm, all other captions are to be eliminated, all revenues must be spread to the applicable service cost center or equipment/renovations and/or One-time payments.

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<sup>(1)</sup> When applicable.

## SECTION 502 (CONT.)

- .05** Auditor's adjustments to revenue should be delineated by type of revenue account adjusted and spread to the applicable service cost center or equipment/renovations and/or one-time payments. All adjustments must be explained on Schedule F.
- .06** The expense captions listed on the statement should agree with the agency's budget with DFTA and the financial invoices filed to DFTA. Any captions not utilized are to be eliminated. All expenses must be spread to either administrative costs, applicable service cost centers or equipment/renovations and/or one-time payments. Administrative costs must then be allocated to the applicable service cost centers.
- .07** Expense allocations by service cost center must be directly from the agency's allocation records and schedules.
- .08** If total contract revenues, consisting of DFTA revenue, contributions and other program income, is less than total contract accrued expenses, the statement of revenues and expenses must reflect this difference under the report caption "Excess (Deficiency) of Revenues Over (Under) Expenses", also, where final net reimbursable expenses exceed the DFTA budget this deficiency must be reflected on the statement. No sponsor income is to be reflected on the statement to cover the deficiency. In the statement of assets and liabilities the deficiency will be reflected as a "Due from Sponsor." Since DFTA provides the last dollar to be utilized in computing total revenues (after participant contributions, fees, interest income, etc.) there should not be an excess of revenues over expenses. If during the audit the auditor determines that non-DFTA revenue (contributions, fees, interest, etc.) or program expenses have been incorrectly reported, the final DFTA revenues needs to be adjusted so that total revenues would equal expenses. This adjustment cannot be made to the confirmed revenue from DFTA, but rather in the auditor's adjustment section in the statement of revenues. This adjustment needs to be classified by the appropriate service cost center.
- .09** The auditor should eliminate all revenue or expense lines or categories that are not applicable to the particular contract being audited. In addition, the auditor should attempt to reduce the report statement to a single page, where possible.
- .10** The auditor may encounter instances where the Agency has incurred equipment/renovations which are reflected in the books of account but have not been billed to DFTA. This equipment/renovations, in the auditors' judgment is DFTA program related. In these instances the auditor should follow the following guidelines:
- Equipment/Renovations Approved in Budget But Not Billed

The auditor in these instances should report the equipment/renovation expense in the appropriate column of the audit report and make an auditor's adjustment to accrue the associated DFTA revenue. In addition, the auditor must report a compliance finding on the lack of Agency billing DFTA for the expense, including an exact description of the equipment/renovation. The auditor should not question costs in this situation.

## SECTION 502 (CONT.)

- Equipment/Renovations “Not” Approved in Budget and Not Billed

The auditor in these instances should report the equipment/renovation expense in the appropriate column of the audit report and make an auditor’s adjustment to accrue the associated DFTA revenue. However, in difference to the above, the auditor must question the cost and report the exact type of equipment purchased or renovation performed that is being questioned.

In both of the above cases the auditor should list the equipment/renovation in the schedule of equipment/renovations. In addition, a notation should be made on the schedule about the circumstances of the equipment/renovation not being billed to DFTA and being budgeted or not budgeted.

### Statement of Reimbursable Expenses

- .11 A statement of reimbursable expenses must be prepared for the contract audited. The statement indicates total expenses delineated by service cost centers less non-DFTA revenues (i.e., contribution, fees, interest, etc.) to arrive at net actual reimbursable expenses. The net reimbursable expenses may exceed the DFTA budget as discussed in Section 502.08.
- .12 In addition, the auditor should be aware that the actual unit cost rate, budgeted unit cost rate and unit cost variance presentation is required only for performance based (i.e., Homemaker, Housekeeper, Legal, Case Management, Social Adult Day Services) programs. Where this information is required, the statement is to be retitled, Statement of Reimbursable Expenses and Actual Unit Costs.

### Notes to Financial Statements

- .13 As an integral part of the financial statements, the following notes, at a minimum, should be included to the extent that they are applicable for the contract agency under audit.

#### Summary of Significant Accounting Policies

The footnote should disclose the significant accounting policies and include the basis of accounting and any special accounting treatments. *These footnotes should only be included when they relate to the DFTA program audited, except for Equipment/Renovations and Prepaid expenses, which must always be disclosed.*

- a. Equipment/Renovations
- b. Food inventory (Contract agency’s are not required to purchase year end inventory. Therefore, there should be no adjusting journal entry recorded to reduce raw food expense nor the recording of food inventory on the statement of assets and liabilities. Food inventory at year end should be disclosed as a note to the financial statements.)

## SECTION 502 (CONT.)

### Notes to Financial Statements (Cont.)

#### Summary of Significant Accounting Policies (Cont.)

- c. Vacation and sick leave are expensed when utilized.
- d. Centrally paid insurance by the City of New York on behalf of the contract not reflected, however, budget amount is indicated in the note.
- e. Revenue recognition in accordance with DFTA contract.
- f. Allocation of expenses amongst service cost centers.
- g. Allocation of administrative costs.
- h. Non-profit and the exempt status of contract agency.

#### Cash

- Include note detailing cash in banks, petty cash and interest earned, (bank information must include branch address and account number) when DFTA's funds are maintained in a separate bank account. Also, indicate in the note (or in a supplemental schedule) all checks outstanding for 6 months or longer including payee, check number, check date, type of expense and amount. In addition, if DFTA approved for the Agency to not maintain a separate DFTA cash account and only a Sponsor Account is approved then this fact must be disclosed in the cash note.

#### Receivable-Due from DFTA

- Include note detailing the breakdown of the amounts relating to the calculation of the amount due from DFTA, including activity subsequent to balance sheet date.

#### Receivable-Due from Sponsor

- Include note delineating each component of the amount due from Sponsor. (i.e. program costs incurred in excess of the total DFTA budget; cash received from DFTA and transferred to Sponsor's cash account in excess of actual funds disbursed on behalf of the DFTA program; total expenses exceed total DFTA revenue earned, including contributions and other program income). When a loan is part of the receivable the note should separately delineate this amount and must indicate any subsequent liquidation of the loan receivable.

## **SECTION 502 (CONT.)**

### Client Fees Receivable

- Include note detailing client fees receivable relating to homemaker/housekeeper program. This note should detail receivable by year with information on total fees billed, total fees collected and fees receivable.

### Accounts Payable and Accrued Expenditures

- Include note detailing the payee, amount, date paid and unliquidated balance for each payable.

### Payroll Taxes Payable

- Include note listing type of tax payable and corresponding amount and date paid.

### Unclaimed Wages Payable

- Include note which describes any unclaimed wages payable. The auditor should be cognizant of the fact that wages unclaimed over one or three years from the pay date are to be remitted to the State of New York under the escheat law.

### Due to DFTA

- Include note detailing the breakdown of the amounts relating to the calculation of the amount due to DFTA, including activity subsequent to balance sheet date.

### Unapplied Advance Payable to DFTA

- Include note indicating amount at June 30 and activity subsequent to that date.

### Due to Sponsor

- Include note delineating each component of the payable amount due to Sponsor (i.e. cash disbursed from the Sponsor's cash account on behalf of the DFTA program in excess of cash received from DFTA and transferred to the Sponsor's cash account; a temporary loan of cash by the Sponsor to the DFTA program).

### Commitment and Contingency

- Include note detailing the facilities space rental information (cost per square foot, rent expense for current year and expiration date of lease) and future minimum annual rental payments for next 5 years and cumulating thereafter. Also, include amount of questioned costs contingency, if any.
- Include appropriate details on any other commitment or contingency.
- The auditor should only utilize the appropriate heading where there is only a commitment or only a contingency and not leave both words in the note heading.



## SECTION 502 (CONT.)

### Related Parties

- Include note detailing any related party disclosures.

Footnotes included in the illustrative report, which are not applicable to a particular contract being audited, should be deleted in their entirety.

## SECTION 503 - SUPPLEMENTAL INFORMATION

### Schedule of Expenses by Service Cost Center (Schedule A)

- .01** A schedule of expenses by service cost center must be prepared for the contract audited. The schedule delineating net reimbursable grant funds budgeted (per DFTA confirm), gross reported expenses, and auditor's adjustments by service cost center to arrive at audited expenses by service cost center. The auditor must also indicate the audited income, bank interest, and fees billed and in-kind to arrive at reimbursable expenses by service cost center. Reimbursable expenses are then compared to budget to indicate amounts (over) under budget by service cost center.

### Schedule of Budgeted, Incurred and Questioned Costs (Schedule B)

- .02** A schedule of budgeted, incurred and questioned costs must be prepared for the contract audited.
- .03** The approved budget amount listed must be the final budget approved by DFTA, including any and all modifications. The budget categories must be those types of categories as approved by DFTA. The presentation should have all costs by category, a sub-total for total costs, less non-DFTA revenue (if any) and a grand total for reimbursable costs. **Delete budget categories not utilized.**
- .04** The schedule should report the final costs by budget category as claimed by the contract agency to DFTA (other costs must be presented in the sub-categories as reflected in the DFTA final approved budget).
- .05** Programs, which have separate satellite sites, will have a separate Schedule B for each site; including a summarizing combined Schedule B.
- .06** When the costs as reflected in the contract agency's books of account differ in total from the costs as reported to DFTA, the auditor should do the following:
- When the costs claimed exceed the costs per the books of account, the auditor must make an auditor's adjustment for the difference.
  - When the costs claimed are lower than the costs per the books of account, the auditor should make an auditor's adjustment for the difference if the costs are allowable.

## **SECTION 503 (CONT.)**

- .07** Any reclassification of costs which the auditor noted as a result of the audit are to be reflected on the schedule. These reclassifications would be based on costs claimed by the contract agency in a budget line item which based on the approved budget should be actually classified to another budget line item. The details to the reclassifications are presented on Schedule F.
- .08** Total incurred costs (adjusted) are compared to budget to indicate (over) under budget.
- .09** Questioned costs should be presented in total by budget category with the appropriate reference to Schedule D which will provide the details to the costs questioned.

### **Schedule of Budgeted, Delivered and Questioned Units (Schedule C)**

- .10** A schedule of budgeted, delivered and questioned units must be prepared for the contract audited.
- .11** The approved services and authorized units listed must be the final approved information per the DFTA confirm. The schedule should report units of service as accumulated from submitted contractor invoices. **(Delete services not utilized)**.
- .12** When the units reflected in the contract agency's records differ from those amounts reported, the auditor should make the necessary adjustments, if warranted by the auditor's judgment. The units delivered per audit (adjusted) are compared to authorized to indicate (over) under budget.
- .13** Questioned units should be presented in total by service cost center with the appropriate reference to Schedule E which will provide the details to the units questioned.
- .14** Programs, which have separate satellite sites, will have a separate Schedule C for each site; including a summarizing combined Schedule C.

### **Detailed Schedule of Questioned Costs (Schedule D)**

- .15** This schedule is used to detail the questioned costs as a result of the contract audited. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the contract or those costs which require additional support by the contract agency or which require interpretation of allowability by DFTA.
- .16** The explanation of the questioned costs must be presented by budget category with totals which agree to the amounts presented in the schedule of costs for each contract audited. When costs are questioned because there is a lack of supporting documentation the auditor must specify the type of missing documentation. The auditor must disclose, for example, if the program is missing canceled check, original invoices, or there was no general ledger or cash receipts/cash disbursements journals, etc. this detail will facilitate DFTA's efforts to resolve questioned costs since DFTA personnel will know what was missing and therefore will be able to follow-up and resolve reported questioned costs.

## SECTION 503 (CONT.)

- .17** A detailed explanation of the questioned costs, including why the cost is questioned, the amount being questioned, and details of the questioned costs (such as budget category, vendor name, transaction date, authority or regulation for questioning the cost, and how the amount of questioned costs were determined) must be presented. However, names of individuals when salary information is to be presented should be avoided. Position titles or other nonpersonnel description should be used whenever possible. The agency's comments to the costs questioned must also be included.
- .18** In order for the report to provide a clear trail between the schedule of budgeted, incurred and questioned costs and schedule of questioned costs the following is required as a presentation method:
- The details of the questioned costs should be presented by budget category in the same order as the budget category is presented in Schedule B - Schedule of Budgeted, Incurred and Questioned Costs. Where multiple budget line items questioned costs are being presented, then each separate presentation of questioned costs, by budget category, should have a clear designation in front of each category. The following illustrates one such method:
    - (a) Salaries and Wages  
  
(The details to the questioned costs which apply to the category would be provided below the heading)
- .19** Costs are not to be questioned simply for going over their line item budgets even if the audited expenses are in excess of the maximum reimbursement approved by DFTA in the contract budget. The contract agency may make any budget line item revisions that they deem appropriate to the management of the program, with certain exceptions. This is also true of any change in anticipated income. The change can be incorporated in an internal budget revision, showing the increase or decrease in income and a corresponding adjustment to the operating budget. An appropriate record of the budget revisions, such as a memo from the director to the bookkeeper authorizing the revisions is to be maintained on site otherwise a compliance finding must be issued. However, costs incurred in excess of particular line item budgets must not be questioned. The following exceptions do require prior written DFTA approval by DFTA's program Officer and may be questioned when there is no evidence of prior DFTA approval or the expense does exceed the amount previously approved in the budget by DFTA:

The following exceptions require prior written approval from the contract agency's DFTA Program Officer (this is an employee of DFTA and not the Agency):

- Transfer of funds between Service Cost Centers
- Transfer of funds between sites
- Permanent personnel changes
- Equipment/renovations expenses
- Out of town travel (program staff)
- One-time payments
- Raw food/disposables
- Catered food/disposables
- Rent increases

## **SECTION 503 (CONT.)**

### **Detailed Schedule of Questioned Units (Schedule E)**

- .20 This schedule is used to detail the questioned units as a result of the contract audited. Questioned units are units which lack supporting program records or exceed program records documentation. The explanation of the questioned units must be presented by service cost center with totals which agree to the units presented in the schedule of budgeted, delivered and questioned units for each contract audited.
- .21 A detailed explanation of the questioned units, including why the units are questioned, the number of units questioned and details of the questioned units must be presented. The Agency's comments to the units questioned must also be included.

### **Schedule of Auditor's Adjustments (Schedule F)**

- .22 This schedule is used to detail the auditor's adjustments for revenue and expense and units of service. The schedule must include the category, detailed explanation of adjustment, amount and accumulation of amounts by category. This schedule is not to provide the auditor's adjusting journal entries on the agency's books of account, but rather to detail the adjustments reflected in the statements so as to provide DFTA an explanation to understand how the agency's reported amounts were adjusted. Where adjustments are significant a finding on compliance and/or internal control should be reported.
- .23 The schedule should detail and accumulate all revenue adjustments first, then the expense adjustments. The auditor should list the name of the account adjusted, provide detailed explanation as to why the adjustment was made and indicate if adjustment is an increase or decrease to the account. The details to units of service adjustments would be last.

### **Schedule of Consultants (Schedule G)**

- .24 This schedule is used to detail consultants costs for the contract audited. The schedule must include the name of each consultant, the type of service provided (i.e. dance, music, etc.), the basis for the charge (per session, hourly, etc.) and the cumulative amount per consultant for the contract audit period
- .25 The total of this schedule must agree with the total consultant costs reported on the statement of revenues and expenses.

### **Schedule of Equipment/Renovations (Schedule H)**

- .26 This schedule is used to detail the equipment inventory including current years' equipment purchases. The schedule must include a description, quantity, date purchased and cost per each item or grouping of like items.

## SECTION 503 (CONT.)

### **List of Checks Outstanding Six Months or Longer (Schedule I)**

- .27 This schedule is used to detail the checks outstanding six months or longer. The schedule must include the payee, check number, check date, type of expense/budget category and amount.
- .28 This information may be presented in the cash note to the financial statements, therefore, this schedule would not be required.
- .29 The DFTA program costs associated with these outstanding checks must be questioned in the audit report.

### **Schedule of One-Time Payments (Schedule J)**

- .30 This schedule is used to detail One-Time Payments purchases for the current year. The schedule must include quantity, description, budget category, date purchased, and cost for each item or grouping of like items.

## SECTION 504 – INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL REPORTING

### **Introduction**

- .01 This section shall include each service provided for in the contract agreement, total contract budget, as well as a breakdown of the contract budget by project funds, equipment/renovations, one-time payments, in-kind match, participant contribution funds, fees billed (homecare providers only) and total funds. **(Delete all unutilized items)**

### **Exit Conference**

- .02 The purpose of the exit conference is to have a meaningful discussion between the auditor and contract agency personnel regarding the contract examined along with the various costs/units questioned and internal control or compliance deficiencies noted.
- .03 The exit conference section must provide the following information even when an on-site conference was waived in writing by the delegate agency authorized personnel.
  - Date of exit conference;
  - Location of exit conference; and
  - Name and title of attendees (auditor, contract agency and DFTA personnel).
- .04 See Section 310 for details concerning DFTA requirements pertaining to exit conference attendees and proper protocol.

**SECTION 504 (CONT.)**

**DFTA Required Disclosures**

**.05** This section shall include the auditor's acknowledgment of the procedures performed to adhere to DFTA requirements pertaining to payroll observation, payroll taxes and board minutes.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

**.06** Chapter 5 of Generally Accepted Government Auditing Standards (GAGAS) contains the reporting requirements for financial audits. Specifically paragraph 5.04 prescribes the additional reporting standards for financial audits that go beyond the requirements contained in the AICPA SASs. Auditors must comply with these additional standards when citing GAGAS in their audit reports. The additional GAGAS standards relate to

**a.** reporting auditors' compliance with GAGAS;

**b.** reporting on internal control and on compliance with laws, regulations, and provisions of contracts or grant agreements;

**c.** reporting deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse;

**d.** reporting views of responsible officials;

**e.** reporting privileged and confidential information;

**f.** report issuance and distribution.

**.07** In accordance with GAGAS (paragraphs 5.08 to 5.11 the auditor is to issue a report on internal control and on compliance with laws, regulations, and provisions of contracts or grant agreements.

**.08** The standard related to reporting deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse for financial audits performed in accordance with GAGAS is:

For financial audits, including audits of financial statements in which the auditor provides an opinion or disclaimer, auditors should report, as applicable to the objectives of the audit, (1) deficiencies in internal control considered to be reportable conditions as defined in AICPA standards, (2) all instances of fraud and illegal acts unless clearly inconsequential and (3) significant violations of provisions of contracts or grant agreements and abuse. In some circumstances, auditors should report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity.

## SECTION 504 (CONT.)

### **Reporting Deficiencies in Internal Control**

- .09** For all financial audits, auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.<sup>2</sup> The following are examples of matters that may be reportable conditions:
- a.** absence of appropriate segregation of duties consistent with appropriate control objectives;
  - b.** absence of appropriate reviews and approvals of transactions, accounting entries, or systems output;
  - c.** inadequate provisions for the safeguarding of assets;
  - d.** evidence of failure to safeguard assets from loss, damage, or misappropriation;
  - e.** evidence that a system fails to provide complete and accurate output consistent with the control objectives of the audited entity because of the misapplication of control activities;
  - f.** evidence of intentional override of internal control by those in authority to the detriment of the overall objectives of the system;
  - g.** evidence of failure to perform tasks that are a significant part of internal control, such as reconciliations not prepared or not timely prepared;
  - h.** a weakness in the control environment at an entity such as the absence of a sufficient positive and supportive attitude towards internal control by management within the organization;
  - i.** deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives; and
  - j.** failure to follow up and correct previously identified deficiencies in internal control.
- .10** When reporting deficiencies in internal control, auditors should identify those reportable conditions that are individually or in the aggregate considered to be material weaknesses.<sup>3</sup> Auditors should place their findings in proper perspective by providing a description of the work performed that resulted in the finding. To give the reader a basis for judging the prevalence and consequences of these findings, the instances identified should be related to the population or the number of cases examined and be quantified in terms of dollar value, if appropriate.
- .11** To the extent possible, in presenting audit findings such as deficiencies in internal control, auditors should develop the elements of criteria, condition, cause, and effect to assist management or oversight officials of the audited entity in understanding the need for taking corrective action. In addition, if auditors are able to sufficiently develop the findings, they should provide recommendations for corrective action. Following is guidance for reporting on elements of findings:
- a. Criteria:** An audit report is improved when it provides information so that the report user will be able to determine what is the required or desired state or what is expected from the program or operation. The criteria are easier to understand when stated fairly, explicitly, and completely, and the source of the criteria is identified in the audit report.<sup>4</sup>
  - b. Condition:** The audit report is improved when it provides evidence of what the auditors found regarding the actual situation. Reporting the scope or extent of the condition allows the report user to gain an accurate perspective.
  - c. Cause:** The audit report is improved when it provides persuasive evidence on the factor or factors responsible for the difference between condition and criteria. In reporting the cause, auditors may consider whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor

or factors contributing to the difference as opposed to other possible causes, such as poorly designed criteria or factors uncontrollable by program management. The auditors also may consider whether the identified cause could serve as a basis for the recommendations.

**d.** Effect: The audit report is improved when it provides a clear, logical link to establish the impact of the difference between what the auditors found (condition) and what should be (criteria). Effect is easier to understand when it is stated clearly, concisely, and, if possible, in quantifiable terms. The significance of the reported effect can be demonstrated through credible evidence.

- .12** When auditors detect deficiencies in internal control that are not reportable conditions, they should communicate those deficiencies separately in a management letter to officials of the audited entity unless the deficiencies are clearly inconsequential considering both quantitative and qualitative factors. Auditors should refer to that management letter in the report on internal control. Auditors should use their professional judgment in deciding whether or how to communicate to officials of the audited entity deficiencies in internal control that are clearly inconsequential. Auditors should include in their audit documentation evidence of all communications to officials of the audited entity about deficiencies in internal control found during the audit.

### **Reporting Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, and Abuse**

- .13** AICPA standards and GAGAS require auditors to address the effect fraud or illegal acts may have on the audit report and to determine that the audit committee or others with equivalent authority and responsibility are adequately informed about the fraud or illegal acts. GAGAS further require that this information be in writing and also include reporting on significant violations of provisions of contracts or grant agreements and significant abuse.<sup>5</sup> Therefore, when auditors conclude, on the basis of evidence obtained, that fraud, an illegal act, a significant violation of a contract or grant agreement, or significant abuse either has occurred or is likely to have occurred,<sup>6</sup> they should include in their audit report the relevant information.<sup>7</sup>



## **SECTION 504 (CONT.)**

- .14** When reporting instances of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should place their findings in proper perspective by providing a description of the work performed that resulted in the finding. To give the reader a basis for judging the prevalence and consequences of these findings, the instances identified should be related to the population or the number of cases examined and be quantified in terms of dollar value, if appropriate. If the results cannot be projected, auditors should limit their conclusion to the items tested.
- .15** To the extent possible, auditors should develop in their report the elements of criteria, condition, cause, and effect when fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse is found. Auditors should develop their findings following the guidance for reporting deficiencies in internal control in paragraph 5.15.
- .16** When auditors detect immaterial violations of provisions of contracts or grant agreements or abuse, they should communicate those findings in a management letter to officials of the audited entity unless the findings are clearly inconsequential considering both qualitative and quantitative factors. Auditors should refer to that management letter in their audit report on compliance. Auditors should use their professional judgment in determining whether and how to communicate to officials of the audited entity fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that is clearly inconsequential. Auditors should include in their audit documentation evidence of all communications to officials of the audited entity about fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse.

### **Direct Reporting of Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, and Abuse**

- .17** GAGAS require auditors to report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties outside the audited entity in two circumstances, as discussed below.<sup>8</sup> These requirements are in addition to any legal requirements for direct reporting of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse. Auditors should meet these requirements even if they have resigned or been dismissed from the audit prior to its completion.
- .18** The audited entity may be required by law or regulation to report certain fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to specified external parties, such as a federal inspector general or a state attorney general. If auditors have communicated such fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to the audited entity and the audited entity fails to report them, then the auditors should communicate such an awareness to the governing body of the audited entity. If the audited entity does not make the required report as soon as possible after the auditors' communication with the entity's governing body, then the auditors should report such fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to the external party specified in the law or regulation.

## SECTION 504 (CONT.)

- .19 Management of the audited entity is responsible for taking timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that auditors report to it. When fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse involve awards received directly or indirectly from a government agency, auditors may have a duty to report directly if management fails to take remedial steps. If auditors conclude that such failure is likely to cause them to depart from the standard report on the financial statements or resign from the audit, they should communicate that conclusion to the governing body of the audited entity. Then, if the audited entity does not report the fraud, illegal act, violation of provisions of contracts or grant agreements, or abuse as soon as possible to the entity that provided the government assistance, the auditors should report the fraud, illegal act, violation of provisions of contracts or grant agreements, or abuse directly to that entity.
- .20 In these situations, auditors should obtain sufficient, competent, and relevant evidence, such as confirmation from outside parties, to corroborate assertions by management that it has reported fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse. If they are unable to do so, then the auditors should report such fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly as discussed above.
- .21. Laws, regulations, or policies may require auditors to report promptly indications of certain types of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to law enforcement or investigatory authorities. In such circumstances, when auditors conclude that these types of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse either have occurred or are likely to have occurred, they should ask those authorities and/or legal counsel if publicly reporting certain information about the potential fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse would compromise investigative or legal proceedings. Auditors should limit their public reporting to matters that would not compromise those proceedings, such as information that is already a part of the public record.
- .22 **DFTA will require the auditor's report to include all instances of noncompliance. In addition, in reporting noncompliance, the auditors should place their findings in proper perspective. Where findings relate to dollar or unit deficiencies those findings must be quantified. The extent of noncompliance should be related to the number of cases examined, and of the cases examined the total errors of the population, to give the reader a basis for judging the prevalence of noncompliance.**

### **Follow-Up of Prior Audit Report**

- .23 In accordance with Government Auditing Standards, (Chapter 4, Paragraph 4.14), the auditor is to determine the current status of findings (administrative compliance findings, questioned costs, questioned units and internal control reportable conditions) disclosed in the previous audit report on the Department for the Aging contract audited. The current status of all prior audit findings should be appropriately disclosed. This would necessitate the audit report to include the presentation of each finding/condition from the prior audit report and the current status (i.e. follow-up) of same.

**SECTION 504 (CONT.)**

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Cont.)**

- .24 The follow-up must be in all audit reports even if there were no prior findings and the report should contain a positive statement to that effect.
- .25 If the Agency has had no previous DFTA audits, the auditor should still include this section in the report, with appropriate disclosure of no previous audits.

## Section 505- Illustrative Audit Reports

**.01** The following illustrative audit report demonstrates most of the reporting requirements described in the previous section. The illustrative audit report should be read in conjunction with the discussion of each section of the audit report to fully understand the reporting requirements of the Audit Guide. **Any captions, footnotes or disclosures not applicable in the actual audit report to be issued must be deleted.** DFTA will not accept a report which contains extraneous captions, footnotes or disclosures.

**.02** The auditor must use judgment in modifying the illustrative audit report to meet the unique requirements of any audit engagement.

**.03** The illustration/sample report appears in Section 505.1

Section 505.1 - Sample Audit Report

**01.** The following pages provide a sample DFTA audit report.

**PROGRAM**

*(Name of Program)*  
*(Street Address of Program)*  
*(City, State and Zip Code)*  
Telephone Number *(of Program)*

**SPONSOR**

*(Name of Sponsor)*  
*(Street Address of Sponsor)*  
*(City, State and Zip Code)*  
Telephone Number *(of Sponsor)*

DFTA ID Number XXXXX

Contract Number XXXXX

Financial Statements and Independent Auditor's Reports

Budget Period: July 1, 20XX to June 30, 20XX

Audit Period: July 1, 20XX to June 30, 20XX

Audit Started: September 21, 20XX

Audit Ended: September 30, 20XX

Lot No. XX

*Name of Accounting Firm*  
*Address of Accounting Firm*  
*Telephone Number of Accounting Firm*

(Name of Sponsor)  
(Name of Program)  
Contract Number XXXXX  
DFTA ID Number XXXXX

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**Notes:**

- (1) Where a performance based (i. e., Homemaker, Housekeeper, Case Management, Legal, Social Adult Day Services) program is being audited and actual and budgeted unit rate information is presented, this statement should read as "Statement of Reimbursable Expenses and Actual Unit Costs."
- (2) Programs, which have separate satellite sites, will have separate schedules; including a summarizing combined schedule.
- (3) If not applicable to audited DFTA Program, the schedule **must** be eliminated.
- (4) If previous schedules have been eliminated, change alphabetical schedule reference.

*(Letterhead of Audit Firm)*

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9th Floor  
New York, New York 10007-1392

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of assets and liabilities of *(Name of Agency – Program Name)* as of June 30, 20XX, and the related statements of revenues and expenses and reimbursable expenses **(1)** for the year then ended in connection with its contract for funding with the City of New York, Department for the Aging, under contract number XXXXX. These financial statements are the responsibility of the *(Name of Agency – Program Name'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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the *Department for the Aging Audit Guide* (Revised January 2007) and the *City of New York Comptroller's Internal Control and Accountability Directive 5*. Those standards and the *Department for the Aging 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 Department for the Aging, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of *(Name of Agency – Program Name)* as of June 30, 20XX, and its revenues and expenses and reimbursable expenses **(1)** for the year then ended, as they relate to contract number XXXXX, and in conformity with the basis of accounting described in Note 1 to the financial statements. **(2)**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 20XX on our consideration of *(Name of Agency - Program Name's)* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, the DFTA contract agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



City of New York  
Department for the Aging

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 under the heading of Supplemental Information are presented for purposes of additional analysis and are not a required part of the financial statements of the *(Name of Agency - Program Name)*. 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 *(Name of Agency-Program Name's)* management and the City of New York, Department for the Aging and is not intended to be and should not be used by anyone other than these specified parties.

*(Signature of Audit Firm)*

September 30, 20XX

**Notes:**

- (1) Where a performance based (i. e., Homemaker, Housekeeper, Case Management, Legal, Social Adult Day Services) program is being audited and actual and budgeted unit rate information is presented, this statement must read as “Statement of Reimbursable Expenses and Actual Unit Costs.”
- (2) When appropriate, an explanatory paragraph should be added to the auditor’s report for the presence of questioned costs that, in the opinion of the auditor, have a material impact on the financial operations of the 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:

Schedule B contain costs in the amount of \$XX,XXX that are questioned as to their allowability under the contract. The final determination as to whether such costs are allowable will be made by the City of New York, Department for the Aging. The ultimate outcome of this determination cannot presently be determined. Accordingly, no liability has been reflected in the statement of assets and liabilities for any potential disallowance by the City of New York, Department for the Aging.

# QUALIFIED OPINION

*(Letterhead of Audit Firm)*

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9th Floor  
New York, New York 10007-1392

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of assets and liabilities of *(Name of Agency – Program Name)* as of June 30, 20XX, and the related statements of revenues and expenses and reimbursable expenses **(1)** for the year then ended in connection with its contract for funding with the City of New York, Department for the Aging, under contract number XXXXX. These financial statements are the responsibility of the *(Name of Agency - Program Name'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, the *Department for the Aging Audit Guide* (Revised January 2007) and the *City of New York Comptroller's Internal Control and Accountability Directive 5*. Those standards and the *Department for the Aging 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 Department for the Aging, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As more fully described in *(refer reader to where details are presented in report which describe reasons for qualification and the effect on the financial statements)*.

In our opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of *(Name of Agency – Program Name)* as of June 30, 20XX, and its revenues and expenses and reimbursable expenses **(1)** for the year then ended, as they relate to contract number XXXXX, and in conformity with the basis of accounting described in Note 1 to the financial statements.

## **QUALIFIED OPINION (CONT.)**

City of New York  
Department for the Aging

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 20XX on our consideration of (*Name of Agency - Program Name's*) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, the DFTA contract agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 under the heading of Supplemental Information are presented for purposes of additional analysis and are not a required part of the financial statements of the (*Name of Agency - Program Name*). Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of the matter described in paragraph four, 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 (*Name of Agency-Program Name's*) Management and the City of New York, Department for the Aging and is not intended to be and should not be used by anyone other than these specified parties.

*(Signature of Audit Firm)*

September 30, 20XX

### **Note:**

- (1) Where a performance based (i. e., Homemaker, Housekeeper, Case Management, Legal, Social Adult Day Services) program is being audited and actual and budgeted unit rate information is presented, this statement must read as “Statement of Reimbursable Expenses and Actual Unit Costs.”



Due from DFTA (Note 3)		
Due from Sponsor (Note 4)		
Client fees receivable (Note 5)		_____
Total current assets		
Other asset-deposits (Note 6)		_____
Total	\$	=====
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	\$	
Payroll taxes payable (Note 8)		
Unclaimed wages payable (Note 9)		
Due to DFTA (Note 10)		
Unapplied advance payable to DFTA (Note 11)		
Due to Sponsor (Note 12)		_____
Total current liabilities		
Commitments and contingencies (Note 13)		_____
Total	\$	=====

See accompanying notes to financial statements.

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Statement of Revenues and Expenses  
For the Year ended June 30, 20XX

Service Cost Centers

	Congregate Meals	Home Delivered Meals	Education/ Recreation	Case Assistance	Information	SADS	Homemaker	Housekeeper	Emergency Homecare	Case Management	Legal	Subtotal	One-Time Payments	Equipment/ Renovations	Total
Revenues:															
Federal Grants:															
Title IIIC-1	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Title IIIC-2															
Title IIIB															
Title IIIE															
USDA-Cash in lieu CDBG funds															
Employment Title V															
WR-WRAP Services															
LR-Last Resort															
Long term care															
Title VII															
NYCHA															
State Grants:															
EISEP															
CSE															
SNAP															
Congregate services init.															
SC-Long Term Care															
City Tax Levy:															
City Tax Levy Funds															
Safe Streets Tax Levy:															
SL-Legal															
Sub-total															
In-kind contributions															
Participant contributions															
Food handlers contributions															
Staff/guest contributions															
Fees billed															
Bank interest															
Revenues before auditor's adjustments															
Auditor's Adjustments to Revenue: (A) (Delineate by type of revenue account adjusted with corresponding amount by service cost center, or equipment/ renovation or one-time payments).															
Total revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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(A) See Schedule F for details to auditor's adjustments.

See accompanying notes to financial statements.

(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Statement of Revenues and Expenses (Cont.)  
 For the Year ended June 30, 20XX

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	Service Cost Centers												One-Time Payments	Equipment/ Renovations	Total	
	Administrative Costs	Congregate Meals	Home Delivered Meals	Education/ Recreation	Case Assistance	Information	SADS	Homemaker	Housekeeper	Emergency Homecare	Case Management	Legal				Subtotal
Revenues brought forward	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses:																
Personnel																
Consultants																
Vehicle Costs																
Equipment Rental																
Travel																
Rent																
Rent usage																
Utilities																
Other occupancy																
Communications																
Printing/Supplies																
Raw food/Disposables																
Catered food/Disposables																
Program insurance																
Other Expenses																
Indirect costs																
Equipment/renovations																
In-Kind Costs:																
Personnel In-kind																
Rent-in-kind																
Expenses before allocation of administration costs																
Allocation of administrative costs		( )														
Total expenses																
Excess (deficiency) of revenues over (under) expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

See accompanying notes to financial statements.

((Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Statement of Reimbursable Expenses \*  
 For the Year ended June 30, 20XX

	Service Cost Centers												One-Time Payments	Equipment/ Renovations	Total	
	Congregate Meals	Home Delivered Meals	Education/ Recreation	Case Assistance	Information	SADS	Homemaker	Housekeeper	Emergency Homecare	Case Management	Legal	Subtotal				
Total Expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Less:																
In-kind contributions																
Participant contributions																
Food Handlers Contributions																
Staff/guest contributions																
Fees billed																
Bank interest																
Reimbursable expenses	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Units of service delivered per audit (Schedule C)																
* Budgeted unit cost rate						<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
* Actual unit cost rate						<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
* Unit cost variance - favorable (unfavorable)						<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Authorized maximum services costs grant funds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reimbursable expenses																
Balance available (not available)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**\* Note:**

The actual and budgeted unit rate presentation is only applicable to performance based (i.e., Homemaker, Housekeeper, Legal, Case Management, Social Adult Day Services) programs. When this information is required, the statement must be retitled to read: Statement of Reimbursable Expenses and Actual Unit Costs.

Also refer to Appendix A for footnote disclosure for performance based program.

See accompanying notes to financial statements.



*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Notes to Financial Statements  
June 30, 20XX

1. Summary of significant accounting policies:

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the City of New York, Department for the Aging Audit Guide (Revised January 2007) and the accounting practices prescribed in Department for the Aging Fiscal Management Manual (August 2005). The accounting practices prescribed in the Audit Guide and Fiscal Management Manual differ from accounting principles generally accepted in the United States of America in both the method of presentation and in the recognition of revenues and expenses. A summary of the major differences follows:

a. Equipment/Renovations:

Purchases of equipment, furniture, leasehold improvements, renovations and other capital items are charged as expenditures as incurred and not capitalized and depreciated over the useful life of the asset.

b. Food Inventory:

Raw food costs are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial statements. At June 30, 20XX, food inventory amounted to \$X,XXX, calculated at the lower of cost or market, on a first-in, first-out basis.

c. Prepaid expenses

Expenses incurred which benefit the current and subsequent year are charged to the year in which the expense was incurred, and as such, amortization of expenses based upon the benefit applicable to each year is not performed.

d. Vacation and Sick Leave:

Employees are granted vacation at the rate of XX days each month and sick leave at the rate of X day each month with no carryover for sick leave and both are paid at the employee's salary rate at the time taken or when they leave the Agency. No provision has been made in the financial statements for earned but unused vacation and sick leave. The Agency recognizes those expenditures at the time the leave is utilized.

At June 30, 20XX, the unrecorded and unfunded liability for vacation and sick leave approximated \$XX,XXX and \$XX,XXX, respectively.

*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Notes to Financial Statements  
June 30, 20XX

1. Summary of significant accounting policies (Cont.):

e. Client Fees Receivable:

Client fees receivable are reflected at gross amounts not collected as of June 30, 20XX without regard to potential collectability. The Department for the Aging has no provision for recording an allowance for doubtful accounts on uncollected client fees.

f. Centrally Paid Insurance Costs:

Insurance costs centrally paid by the City of New York on behalf of this contract program are not reflected in the accompanying financial statements. The actual amount of these costs is not presently determinable, however, the contract budget provided for \$XX,XXX of central insurance costs.

Revenue Recognition

The Agency accounts for contract revenues to the extent that expenses have been incurred for the purpose specified by the Department for the Aging (DFTA) during the contract period. In applying this concept, the legal and contractual requirements of the DFTA contract are used as guidance. All funds not expended are recorded as a liability to DFTA as the contract agency does not maintain any equity in the contract, conversely expenditures incurred in excess of funds received are recorded as a receivable up to the authorized contract maximum.

Allocation of Expenses Amongst Service Cost Centers

Costs are allocated to the applicable service cost center (*complete disclosure based upon the monthly allocation bases*). **Where some program costs were charged directly without a cost allocation, this note is still required and the auditor should state that costs were charged directly to the particular service cost center.**

Allocation of Administrative Costs:

Administrative costs are allocated to the applicable service cost center (*complete disclosure based upon the monthly allocation bases*).

Income Taxes

*(Name of Agency)* is a private nonprofit corporation, incorporated under the laws of the State of *(Name of State)*. *(Name of Agency)* is exempt from income taxes under Section 501(c)( ) of the Internal Revenue Code. It is also exempt from State of *(Name of State)* income tax.

## SAMPLE ALLOCATION NOTES

### **ALLOCATION OF EXPENSES AMONGST SERVICE COST CENTERS**

- Direct costs are charged to the applicable service cost center on a direct basis.
- Personnel costs are allocated to the applicable service cost center based on time studies of employee job functions, including analysis of time sheets. The Agency, at the end of the month, summarizes by employee the hours spent under each service cost center and allocates the expenses based on hours spent per service cost center over total hours worked.
- Consultants are allocated to Social Services and Administration based on department usage.
- Vehicles costs are allocated based on actual usage.
- Equipment Rental is allocated based on actual usage.
- Travel expenses are allocated based on actual usage.
- Rent, rent usage, utilities, janitorial services, maintenance under contract, security, extermination, HVAC, elevator maintenance, ansul-exhaust, fire extinguisher, license/permit are allocated based on square footage.
- Communications expenses are allocated based on departmental usage.
- Printing and supplies expenses are allocated based on departmental usage.
- Raw food/Disposables are allocated on a ratio of meals served.
- Catered food/Disposables expenses are allocated on a ratio of meals served.
- Program insurance is allocated based on staff levels and functions.
- Other costs are allocated based on actual usage.

### **ALLOCATION OF ADMINISTRATIVE COSTS**

Administrative costs are allocated to the applicable service cost centers based on a percentage of costs by service cost center to total costs, exclusive of administrative costs on a monthly basis.

(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Notes to Financial Statements  
 June 30, 20XX

2. Cash:

Cash consisted of the following:

	<u>Cash Balance</u>	<u>Interest Earned</u>
Cash in banks:		
<i>The ABC National Bank, anywhere, (street, address)</i>		
New York, New York XXXXX		
Account No. XXXX	\$	\$
Petty cash	_____	_____
Total	<u>\$_____</u>	<u>\$_____</u>

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

<u>Payee</u>	<u>Check Number</u>	<u>Date</u>	<u>Type of Expense</u>	<u>Amount</u>
--------------	---------------------	-------------	----------------------------	---------------

3. Receivable-Due from DFTA: **(For Performance based program, refer to Appendix B for presentation).**

The receivable amount due from the Department for the Aging consists of the following:

Reimbursable expenses	\$
Less: Expenses incurred in excess of DFTA budget contract maximum reimbursement	_____
Net Reimbursable expenses	
Less: cash received as of June 30, 20XX (Net of advance balance)	_____
Due from DFTA	<u>\$_____</u>

Subsequent to June 30, 20XX, the Agency received \$XX,XXX from DFTA. This amount was comprised of \$XX,XXX net checks and \$X,XXX which was applied against the advance balance.

*(Name of Sponsor)*  
*(Name of Program)*  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Notes to Financial Statements  
 June 30, 20XX

4. Receivable-Due from Sponsor:

The amount due from Sponsor consists of the following:

*(Delineate by each type of component of the receivable)*

The following are examples of the note detail:

<u>Explanation</u>	<u>Amount</u>
<ul style="list-style-type: none"> <li>• Temporary loan</li> </ul>	\$ X,XXX
<ul style="list-style-type: none"> <li>• Program costs incurred in excess of the total DFTA budget</li> </ul>	X,XXX
<ul style="list-style-type: none"> <li>• DFTA cash received and transferred to Sponsor to pay for program expenses, exceeded actual cash disbursed by the Sponsor on behalf of this program.</li> </ul>	<u>X,XXX</u>
	<u>\$ X,XXX</u>

The temporary loan for \$X,XXX was repaid by the Sponsor to the DFTA Program on July XX, 20XX.

5. Client fees receivable:

At June 30, 20XX client fees receivable were comprised of the following:

<u>Fiscal Year Ending June 30,</u>	<u>Opening Balance July 1, 20XX</u>	<u>Current Year Activity</u>		<u>Fees Received at June 30, 20XX</u>
		<u>Total Fees Billed</u>	<u>Total Fees Collected</u>	
20XX	<u>\$XXXX</u>	<u>\$XXXX</u>	<u>\$XXXX</u>	<u>\$XXXX</u>

(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Notes to Financial Statements  
 June 30, 20XX

6. Security deposits:

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

Description	Amount
<ul style="list-style-type: none"> <li>• Rent deposit on facilities located at 100 Avenue X, New York, New York</li> <li>• Deposit on telephone services</li> </ul>	\$ X,XXX  <u>XXX</u> <u>\$ X,XXX</u>

7. Accounts payable and accrued expenditures:

Accounts payable and accrued expenditures consist of the following:

Payee	Amount	Month/Date Paid	Unliquidated Balance
(List each payable)	\$		\$
	_____		_____
Total accounts payable and accrued expenditures	<u>\$</u>		<u>\$</u>

8. Payroll taxes payable:

Payroll tax payable, at June 30, 20XX, consists of the following:

(List type to tax payable with corresponding amount and the date liquidated)

9. Unclaimed wages payable:

Unclaimed wages payable, at June 30, 20XX were from the following payroll periods:

(List period of payroll and associated amount).



(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Notes to Financial Statements  
June 30, 20XX

13. Commitments and contingencies: (A)

The Agency rents square feet for its facilities with a cost per square foot of \$XX.XX (exclusive of escalation costs). Rent expense for the period July 1, 20XX to June 30, 20XX amounted to \$XX,XXX. The present lease expires July 30, 20XX. The future minimum annual rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
20XX	\$
20XX	
20XX	
20XX	
20XX	
20XX and thereafter	

No provision has been made in the financial statements for the questioned costs totaling \$XX,XXX. If not resolved, this amount may be refundable to DFTA.

(A) If there is no current lease then the auditor should have the following note:

13. Rent expense:

The Agency operates under a month-to-month lease with its landlord at \$XXX rent per month. The total rent expense for the year was \$X,XXX.

14. Related parties:

*Related party disclosures should include at 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 expenses 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 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.
- d. Amounts payable from or to related parties as of the date of the statement of assets and liabilities presented and, if not otherwise apparent, the terms and manner of settlement.



**FINANCIAL SECTION**  
**SUPPLEMENTAL INFORMATION**

(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Schedule of Expenses by Service Cost Center  
 Year ended June 30, 20XX

<u>Service Cost Center</u>	<u>Net Reimbursable Grant Funds Budgeted</u>	<u>Gross Reported Expenses</u>	<u>Less: DFTA Disallowed Costs</u>	<u>Auditor's Adjustments</u>	<u>Audited Expenses</u>	<u>Less: Audited Income, Fees Billed and Bank Interest</u>	<u>Less: In-Kind</u>	<u>Reim- bursable Expenses</u>	<u>(Over) Under Budget</u>
Congregate meals	\$	\$		\$	\$	\$	\$	\$	\$
Home delivered meals									
Education/recreation									
Case assistance									
Information	_____	_____	_____	_____	_____	_____	_____	_____	_____
Sub-total	_____	_____	_____	_____	_____	_____	_____	_____	_____
Case Management									
SADS									
Legal									
Homemaker									
Housekeeper									
Emergency homecare	_____	_____	_____	_____	_____	_____	_____	_____	_____
Sub-total	_____	_____	_____	_____	_____	_____	_____	_____	_____
One-Time payments									
Equipment/renovations	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

(Schedule F)

See accompanying notes to financial statements.

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 01/07)

Schedule A

(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Schedule of Budgeted, Incurred and Questioned Costs  
 For the year ended June 30, 20XX

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<u>Budget Category</u>	<u>Budget</u>	<u>Reported Expenses</u>	<u>Auditor's Adjustment</u>	<u>Total Incurred Costs</u>	<u>(Over) Under</u>	<u>Questioned Costs</u>
Personnel	\$	\$	\$	\$	\$	\$
Personnel in-kind						
Consultants						
Equipment rental						
Travel						
Rent						
Rent usage						
Utilities						
Other occupancy						
Rent in-kind						
Vehicle costs						
Communications						
Printing and supplies						
Raw food/disposables						
Catered food/disposables						
Program insurance						
Other expenses						
Indirect costs						
Equipment/renovations						
One-time payments	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____
Less: Participant Contributions						
Food Handlers Contributions						
Staff/Guest Contributions						
Fees Billed						
In-kind contributions						
Bank interest	_____	_____	_____	_____	_____	_____
Less: DFTA disallowed costs	_____	_____	_____	_____	_____	_____
Reimbursable costs	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____	<u>\$</u> _____
			(Schedule F)			(Schedule D)

**Note:** Programs which have separate satellite sites, will have a separate Schedule B for each site; including a summarizing combined Schedule B.

See accompanying notes to financial statements.

*(Name of Sponsor)*  
*(Name of Program)*  
 DFTA Contract Number XXXXX  
 DFTA ID Number XXXXX  
 Schedule of Budgeted, Delivered and Questioned Units  
 For the year ended June 30, 20XX

<u>Services</u>	<u>Authorized Units</u>	<u>Submitted Contractor Invoices</u>	<u>(Schedule F) Auditor's Adjustments</u>	<u>Units Delivered Per Audit</u>	<u>Over (Under) Budget</u>	<u>Questioned Units (Schedule E)</u>
Congregate breakfast						
Congregate lunch						
Home delivered meals						
Homemaker						
Housekeeper						
Emergency homecare						
Legal						
Case management						
SADS						
Education/recreation						
Information						
Transportation						
Case Assistance						
Nutrition education						
Health promotion						
Telephone reassurance						

**Note:** Programs, which have separate satellite sites, will have a separate Schedule C for each site; including a summarizing combined Schedule C.

See accompanying notes to financial statements.

500-43 (Rev.  
 01/07)

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Detailed Schedule of Questioned Costs  
For the year ended June 30, 20XX

The auditor is to detail the costs questioned by budget category. The details must include information so as to provide DFTA with what costs were questioned and why the costs were questioned. Appropriate citation of DFTA or federal regulations as a criterion for questioning costs is required. The Agency's comments to the costs questioned (obtained at the exit conference) must also be included.

**Notes:**

(1) The auditor should report criteria for costs questioned by each item or budget category as appropriate. If the criterion is the same for all costs questioned then the criteria may be cited only once at the conclusion of the presentation of the costs questioned.

(2) **If there are no questioned costs, do not include this schedule.**

(3) Costs are not to be questioned simply for going over their line item budgets even if the audited expenses are in excess of the maximum reimbursement approved by DFTA in the contract budget. The contract agency may make any budget line item revisions that they deem appropriate to the management of the program, with certain exceptions. This is also true of any change in anticipated income. The change can be incorporated in an internal budget revision, showing the increase or decrease in income and a corresponding adjustment to the operating budget. An appropriate record of the budget revisions, such as a memo from the director to the bookkeeper authorizing the revisions is to be maintained on site otherwise a compliance finding must be issued. However, costs incurred in excess of particular line item budgets must not be questioned. The following exceptions do require prior written DFTA approval by DFTA's program Officer and may be questioned when there is no evidence of prior DFTA approval of the expense does exceed the amount previously approved in the budget by DFTA:

- Transfer of funds between service cost centers
- Transfer of funds between sites
- Permanent personnel changes
- Equipment/renovations expenses
- Out of town travel (program staff)
- One-time payments
- Raw food/disposables
- Catered food/disposables
- Rent increases

**SAMPLE QUESTIONED COSTS**

Schedule D

*XYZ Sponsor*  
*ABC Program*  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Detailed Explanation of Questioned Costs  
For the year ended June 30, 20XX

1. Costs of \$104,060 are questioned because the Agency does not maintain timesheets for nine individuals. The Agency does not maintain any records in order to support and document salary expenses posted. The individual and the corresponding related costs charged to this program are therefore questioned as follows:

<u>Name</u>	<u>Salary</u>	<u>FICA</u>	<u>Total Questioned Salary and FICA</u>
John Allen	\$ 29,449	\$ 2,253	\$ 31,702
Melvin Abbott	20,663	1,581	22,244
Nick Smith	17,958	1,374	19,332
Pat Williams	10,920	835	11,755
Fred Wilson	7,371	564	7,935
Phyllis Jones	3,869	296	4,165
Joseph Charles	3,289	251	3,540
Judy Moriss	1,708	131	1,839
Dorothy Paul	<u>1,438</u>	<u>110</u>	<u>1,548</u>
	<u>\$ 96,665</u>	<u>\$ 7,395</u>	<u>\$ 104,060</u>

2. Utilities were charged monthly to the contract based on the budget and not on actual expenses. According to the bookkeeper, the Agency pays the Sponsor \$1,260 per month for utilities but the rationale for charging \$1,000 each month to this program was not provided. Actual invoices were not observed nor was an allocation method between various programs provided for the \$12,000 claimed for this DFTA contract.

3. Invoices could not be located for the following items:

<u>Budget Category</u>	<u>Date</u>	<u>Vendor</u>	<u>Check No.</u>	<u>Amount</u>
Communications	11/05/XX	U.S. Post Office	2325	\$ 25
Printing/supplies	10/12/XX	ABC Supply Corp.	2267	<u>177</u>
				<u>\$ 202</u>

XYZ Sponsor  
ABC Program  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Detailed Schedule of Questioned Costs  
For the year ended June 30, 20XX

4. Canceled checks could not be located for the following expenditures.

<u>Budget Category</u>	<u>Date</u>	<u>Vendor</u>	<u>Check No.</u>	<u>Amount</u>
Consultants	09/07/XX	Elvis Rock	2160	\$ 127
Raw food	07/31/XX	JWP Co.	2139	92
Raw food	08/31/XX	J.H. Paul Co.	1205	1,015
Prog. insurance	08/31/XX	Reese and Reese	2170	<u>1,695</u>
				<u>\$ 2,929</u>

Agency's Comment

1. The Agency was unaware of the requirement for time records. The Agency will institute a time sheet system in the future.
2. DFTA is aware of the allocation and has approved the allocation basis. Approximately five years ago the Agency negotiated a 40% share of total utilities with DFTA.
3. These items were inadvertently misplaced.
4. If requested by DFTA the Agency will attempt to locate the missing canceled checks documentation for the \$2,929 of costs questioned.

*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Detailed Schedule of Questioned Units  
For the year ended June 30, 20XX

The auditor is to detail the units questioned by service cost center (type of service). The details must include information so as to provide DFTA with what units were questioned and why the units were questioned. The Agency's comments to the units questioned (obtained at the exit conference) must also be included.

**If there are no questioned units, do not include this schedule.**

- (1) If previous schedules have been eliminated change the alphabetical schedule reference accordingly.



(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXXX  
 DFTA ID Number XXXXXX  
 Schedule of Auditor's Adjustments  
 For the year ended June 30, 20XX

Revenue and Expense Adjustments:

<u>Category</u>	<u>Explanation of Adjustment</u>	<u>Amount Increase (Decrease)</u>	<u>Total Amount by Category</u>
<u>Revenues:</u>			
<i>(List name of revenue account adjusted)</i>	<i>(Provide explanation as to why the adjustment was made)</i>	\$ _____	\$ _____
Total revenue adjustments			\$ _____

<u>Expenses:</u>			
<i>(List name of budget category adjusted)</i>	<i>(Provide explanation as to why the adjustment was made)</i>	\$ _____	\$ _____
Total expense adjustments			\$ _____

Units of Service Adjustments:

<u>Type of Unit of Service</u>	<u>Explanation of Adjustment</u>	<u>Unit of Service Adjustment</u>	
		<u>Increase</u>	<u>Decrease</u>

**If there are no auditor's adjustments, do not include this schedule.**

- (1) If previous schedules have been eliminated change the alphabetical schedule reference accordingly.

*(Name of Sponsor)*  
*(Name of Program)*  
 DFTA Contract Number XXXXXX  
 DFTA ID Number XXXXX  
 Schedule of Auditor's Adjustments  
 For the year ended June 30, 20XX

**SAMPLE ADJUSTMENTS**

Revenue and Expense Adjustments:

<u>Category</u>	<u>Explanation of Adjustment</u>	<u>Amount Increase (Decrease)</u>	<u>Total Amount by Category</u>
<u>Revenue:</u>			
In-kind contributions	<ul style="list-style-type: none"> <li>• To record in-kind rent for May &amp; June 20XX, not previously recorded</li> </ul>	<u>\$ X,XXX</u>	\$ X,XXX
Participant contributions	<ul style="list-style-type: none"> <li>• To adjust reported contributions to actual amount per books of account</li> </ul>	<u>XXX</u>	XXX
Bank interest •	To record bank interest earned and not reported to DFTA	<u>XXX</u>	XXX
DFTA revenue	<ul style="list-style-type: none"> <li>• To adjust DFTA revenue for additional contributions and interest and program expenses</li> </ul>	<u>(XXX)</u>	<u>(XXX)</u>
Total revenue adjustments			<u>\$ X,XXX</u>
<u>Expenses:</u>			
Personnel	<ul style="list-style-type: none"> <li>• To accrue payroll for week ending June 30, 20XX</li> <li>• To reclassify to consultants amounts incorrectly posted to personnel costs</li> </ul>	\$ X,XXX	\$ X,XXX
Consultants	<ul style="list-style-type: none"> <li>• Reclassification of misposting from personnel costs</li> </ul>	<u>XXX</u>	XXX
In-kind-rent •	To record in-kind rent for May and June, 20XX	<u>X,XXX</u>	<u>X,XXX</u>
Total expense adjustments			<u>\$ X,XXX</u>

(Name of Sponsor)  
 (Name of Program)  
 DFTA Contract Number XXXXXX  
 DFTA ID Number XXXXX  
 Schedule of Auditor's Adjustments  
 For the year ended June 30, 20XX

**SAMPLE ADJUSTMENTS**

Units of Service Adjustments:

<u>Types of Service</u>	<u>Explanation of Adjustment</u>	<u>Unit of Service Adjustment</u>	
		<u>Increase</u>	<u>Decrease</u>
Congregate breakfast	To correct reporting of units for the month of April, 20XX	500	
Congregate lunch	To correct reporting of units for the month of April, 20XX		400

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Schedule of Consultants  
For the year ended June 30, 20XX

<u>Name of Consultant</u>	<u>Service Provided</u>	<u>Basis for Charge</u>	<u>Amount</u>
---------------------------	-------------------------	-------------------------	---------------

(A)

**If there are no consulting costs, do not include this schedule.**

(A) This column should reflect the dollar amount of the charge along with unit of payment, for example:

Example:       \$XX/hour  
                  \$XX/day  
                  \$XX/contract  
                  \$XX/session

(1) If previous schedules have been eliminated change the alphabetical schedule reference accordingly.

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Schedule of Equipment/Renovations  
June 30, 20XX

**Current Program Year Equipment/Renovations Additions:**

<u>Quantity</u>	<u>Description</u>	<u>Purchased</u>	<u>Date</u> <u>Cost</u>
-----------------	--------------------	------------------	----------------------------

**Prior Program Year(s) Equipment Purchases Inventory:**

<u>Quantity</u>	<u>Description</u>	<u>Purchased</u>	<u>Date</u> <u>Cost</u>
-----------------	--------------------	------------------	----------------------------

**If there were no current year equipment/renovations or prior year(s) DFTA equipment inventory, then this schedule must still be presented with a statement to this effect.**

- (1) If previous schedules have been eliminated change the alphabetical schedule reference accordingly.

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
List of Checks Outstanding Six Months or Longer  
June 30, 20XX

<u>Payee</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Type of Expense/ Budget Category</u>	<u>Amount</u>
--------------	-------------------------	-----------------------	---------------------------------------------	---------------

Note: As an alternative to this Schedule, this information may be presented in the cash footnote.

**Do not include this schedule if there are no checks outstanding six months or longer.**

(1) If previous schedules have been eliminated change the alphabetical schedule reference accordingly.

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Schedule of One-Time Payments  
June 30, 20XX

**Current Program Year One-Time Payments Additions:**

<b><u>Quantity</u></b>	<b><u>Description</u></b>	<b><u>Budget Category</u></b>	<b><u>Date Purchased</u></b>	<b><u>Cost</u></b>
------------------------	---------------------------	-----------------------------------	----------------------------------	--------------------

IF THERE WERE NO CURRENT YEAR ONE-TIME PAYMENTS, THEN THIS SCHEDULE SHOULD STILL BE PRESENTED WITH A STATEMENT TO THIS EFFECT.

- (1) If previous schedules have been eliminated change the alphabetical schedule reference accordingly.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
For the year ended June 30, 20XX

**Introduction**

The contractor has an agreement with the City of New York, Department for the Aging to provide the following services:

*(Provide listing of services provided)*

The eligibility of persons for the program is determined by the contractor in accordance with federal, state, and local regulations.

The contract for the year ended June 30, 20XX totals \$XX,XXX. The contract is being matched with funds from participant contributions, in-kind match, and fees billed as follows:

Total service cost grant funds	\$
Central insurance	
Contingency fund	
Equipment/Renovations	
One-time payments	_____
Total project grant funds	
Contractor match	
Anticipated income	
Fees Billed	
Total project costs	\$_____

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
For the year ended June 30, 20XX

**Exit Conference**

An exit conference (1) was held on (Date) at (Address of exit conference location). In attendance were:

Representing (Name of Agency)

(Name and Title)

Representing (Name of Auditing Firm):

(Name and Title)

Representing DFTA:

(Name and Title) or (2)

**Note**

- (1) In cases where an on-site exit conference was waived and approved in writing by the Agency, name and title of the personnel who authorized it must be included in that statement.
- (2) DFTA did not participate in the exit conference, since the report finding(s) did not require DFTA's attendance, in accordance with the provisions of Section 310.02 of the DFTA Audit Guide.

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
For the year ended June 30, 20XX

**DFTA Required Disclosures**

- Summary of Sampling methodology:

We assumed a *(low/high)* level of assessed risk and have use the sampling methodology as disclosed below to test the costs claimed by *Sponsor name – Program' Name* to DFTA.

Sampling methodology: Statistical random and judgmental sampling.

Sampling parameters:

Total Costs per audit	<u>\$ X,XXX</u>
Total Costs tested	<u>\$ X,XXX</u>
Total costs tested as a % of total costs per audit	<u>XXX%</u>

*As a result of our audit of the aforementioned costs, we are questioning costs totaling \$\_\_\_\_\_. (See Schedule D for a detailed explanation). (1)*

- Payroll observation:

*(If performed in accordance with the requirement of Section 404 - Procedure No. 3 of this Audit Guide, the auditor is to disclose the date of the payroll observation, procedures performed and results).*

- Payroll taxes:

We conducted testing of payroll and related payroll taxes during the year. We noted that all required payroll tax returns were filed and paid. (2)

- Unemployment insurance:

The Agency charges DFTA for unemployment insurance based upon a *(rate or claims/occurrence)* basis.

- Board minutes:

The Board minutes for the contract period were reviewed and we noted that the Board meets regularly and discusses program operations. (2)

**Note**

- (1) To be included when costs are questioned in a report.
- (2) Any deficiencies relating to the above would require the auditor to make appropriate revisions to the language as specified and reported as a finding as well.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS CONTAINING NO REPORTABLE INSTANCES OF NONCOMPLIANCE AND NO MATERIAL WEAKNESSES OR REPORTABLE CONDITIONS**

*(Letterhead of Audit Firm)*

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9th Floor  
New York, New York 10007-1392

**INDEPENDENT AUDITORS' REPORT OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of *(Name of Agency - Program Name)* in connection with its contract for funding with the City of New York, Department for the Aging, Contract Number XXXXX, as of and for the year ended June 30, 20XX, and have issued our report thereon dated September 30, 20XX(1). 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, the *Department for the Aging Audit Guide* (Revised January 2007) and the *City of New York Comptroller's Internal Control and Accountability Directive 5*. Those standards and the *Department for the Aging Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *(Name of Agency - Program Name)*'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *(Name of Agency - Program Name)*'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of *(Name of Agency - Program Name)*'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Internal Control Over Financial Reporting (Cont.)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *(Name of Agency - Program Name)*'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the DFTA contract agreement, 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 or other matters that are required to be reported under *Government Auditing Standards* and the *Department For The Aging Audit Guide*.

This report is intended solely for the information and use of *(Name of Agency - Program Name)*'s management, and the City of New York Department for the Aging and is not intended to be and should not be used by anyone other than these specified parties.

*(Signature of Audit Firm)*

September 30, 20XX

Note:

- (1) If the independent auditor's report on the financial statements is other than unqualified, the type of report and the nature of the qualification should be set forth.

**REPORT INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS CONTAINING REPORTABLE INSTANCES OF  
NONCOMPLIANCE AND REPORTABLE CONDITIONS NOTED**

*(Letterhead of Audit Firm)*

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9th Floor  
New York, New York 10007-1392

**INDEPENDENT AUDITORS' REPORT OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of *(Name of Agency - Program Name)*, in connection with its contract for funding with the City of New York, Department for the Aging, Contract Number XXXXXX, as of and for the year ended June 30, 20XX, and have issued our report thereon dated September 30, 20XX.(1) 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, the *Department for the Aging Audit Guide* (Revised January 2007) and the *City of New York Comptroller's Internal Control and Accountability Directive 5*. Those standards and the *Department for the Aging Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered *(Name of Agency - Program Name)*'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *(Name of Agency - Program Name)*'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of *(Name of Agency - Program Name)*'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

## Internal Control Over Financial Reporting (Cont.)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness. (2)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether *(Name of Agency - Program Name)*'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and the *Department For The Aging Audit Guide* and which are described in the Findings and Recommendations on Compliance, and the Questioned Costs as reflected in Schedule D and the Questioned Units as reflected in Schedule E.

*(Name of Agency - Program Name)*'s response to the findings identified in our audit are described in the Findings and Recommendations on Internal Control or Compliance, and the Questioned Costs as reflected in Schedule D and the Questioned Units as reflected in Schedule D. We did not audit *(Name of Agency - Program Name)*'s response and, accordingly, we express no opinion on it.

City of New York  
Department for the Aging

This report is intended solely for the information and use of *(Name of Agency - Program Name)*'s management, and the City of New York Department for the Aging and is not intended to be and should not be used by anyone other than these specified parties.

*(Signature of Audit Firm)*

September 30, 20XX

Note:

- (1) If the independent auditor's report on the financial statements is other than unqualified, the type of report and the nature of the qualification should be set forth.
- (2) If conditions believed to be material weaknesses are disclosed, the report should identify the material weaknesses that have come to the auditor's attention. The last sentence of this paragraph should be replaced with language such as the following: "However, of the reportable conditions described above, we consider items *(list the reference numbers of the related findings)* to be material weaknesses."



*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Findings and Recommendations on Internal Control  
For the year ended June 30, 20XX

Internal control findings are to be presented as follows:

- Auditors should report audit findings, and where applicable, the auditor's conclusions.
  - Auditors should report the 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 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.
- 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.
- In addition to the above, each finding should include an "Agency's Comment" to the finding and recommendation. These comments should be obtained at the exit conference. If the Agency did not provide a response and the report, then the auditor should so state in the report.
- **DFTA will require the auditor's report to include all instances of noncompliance. In addition, in reporting noncompliance, the auditors should place their findings in proper perspective. Where findings relate to dollar or unit deficiencies those findings must be quantified. The extent of noncompliance should be related to the number of cases examined, and of the cases examined the total errors of the population, to give the reader a basis for judging the prevalence of noncompliance.**

*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
Findings and Recommendations on Internal Control  
For the year ended June 30, 20XX

- **The auditor should reference the DFTA Fiscal Management Manual as a criterion for findings. The exact section/subsection should be specified. This reference is critical since it presents to the Agency the basis for the finding.**
- **All reported internal control weaknesses should have an indication of being material or non-material.**

*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXXXXX  
DFTA ID Number XXXXX  
Findings and Recommendations on Compliance  
For the year ended June 30, 20XX

Compliance findings are to be presented as follows:

- Auditors should report audit findings, and where applicable, the auditor's conclusions.
  - Auditors should report the 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 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.
- 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.
- In addition to the above, each finding should include an "Agency's Comment" to the finding and recommendation. These comments should be obtained at the exit conference. If the Agency did not provide a response and the report, then the auditor should so state in the report.
- **DFTA will require the auditor's report to include all instances of noncompliance. In addition, in reporting noncompliance, the auditors should place their findings in proper perspective. Where findings relate to dollar or unit deficiencies those findings must be quantified. The extent of noncompliance should be related to the number of cases examined, and of the cases examined the total errors of the population, to give the reader a basis for judging the prevalence of noncompliance.**

*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXXXXX  
DFTA ID Number XXXXX  
Findings and Recommendations on Compliance  
For the year ended June 30, 20XX

- **The auditor should reference the DFTA Fiscal Management Manual as a criterion for findings. The exact section/subsection should be specified. This reference is critical since it presents to the Agency the basis for the finding.**
- **All reported compliance findings should have an indication of being material or non-material.**

## **SAMPLE COMPLIANCE FINDINGS**

In order to illustrate the format and detailed content required for reporting findings to DFTA, the following are samples of compliance findings:

### **Material Findings**

#### **Condition**

The agency delivered and reported units of service for congregate lunch and information significantly less than DFTA contract authorized units as follows:

<u>Services</u>	<u>Units</u>	<u>Authorized Units</u>	<u>Actual/ Reported Authorized</u>	<u>Actual as Percentage of Budget</u>	<u>Units Under</u>
Congregate lunch		XX,XXX	XX,XXX	XX%	XX,XXX
Information	X,XXX	-0-	0%	X,XXX	

#### **Recommendation**

The agency should make a greater attempt to fulfill their DFTA authorized service cost center units.

#### **Agency's Comment**

#### **Condition**

Senior citizens received stipends totaling \$X,XXX for services rendered and, in effect, were employees but were not treated as such. Their wages should have been subject to withholding and payroll taxes. We are not questioning these costs because they were documented and benefited the program. The DFTA Fiscal Management Manual, Section 6.2.2.3 requires senior citizens receiving stipends for other than carfare be treated as employees.

#### **Recommendation**

We recommend that the agency follow IRS regulations with regard to classification of individuals as contractors or employees and issue Form W-2 or Form 1099 as required.

#### **Agency's Comment**

## **SAMPLE COMPLIANCE FINDINGS (CONT.)**

### **Material Findings (Cont.)**

#### **Condition**

There is inadequate documentation of the cost allocation of the monthly expenses reported to DFTA per the service cost centers. The program maintains Salary Distribution Worksheets that are based on the budget for Personnel expenses. There are no subsidiary cost ledgers maintained for the OTPS expenses as prescribed in DFTA's Fiscal Management Manual Section 4.4, Allocation of Program Costs to Service Cost Centers. The Costs are allocated, but directly onto the schedule of monthly costs by service cost center. No clear methodology is outlined for the OTPS expenses. Consequently, the correctness of the dollar amounts allocated to the service cost centers could not be verified.

#### **Recommendation**

The allocation of the monthly expenses to the service cost centers must be based on actual experience. The program should establish and maintain subsidiary cost ledgers, either in the general ledger, or on separate forms provided by DFTA, in addition to the "Schedule of monthly cost by service cost center". These subsidiary cost ledgers, which must be kept as permanent files for an audit trail, are the supporting records which detail the expenditures by service cost centers by each budget category. The monthly amounts from these ledgers are then recorded on the "Schedule of monthly costs by service cost center".

#### **Agency's Comment**

## **SAMPLE INTERNAL CONTROL FINDINGS**

In order to illustrate the format and detailed content required for reporting findings to DFTA, the following are samples of internal control findings:

### **Material Weaknesses**

#### **Condition**

The agency does not have a fidelity bond insurance policy covering employees responsible for cash transactions and related financial matters. The DFTA Fiscal Management Manual, Section 6.6.1.2 requires fidelity bonding of at least 25% of the total contract budget.

#### **Recommendation**

The agency should obtain all necessary fidelity bonding insurance.

#### **Agency's Comment**

#### **Condition**

During the course of audit procedures related to cash, we noted bank reconciliations were not properly prepared and were not reviewed, however, the amount of the difference between the general ledger balance and the bank reconciliation balance was not material. The DFTA Fiscal Management Manual, Section 3.3.2 requires the preparation, review and approval of bank reconciliations by the contract agency.

#### **Recommendation**

We recommend that the Director review and initial all bank reconciliations to ensure that they properly reconcile the general ledger balance to the bank statement balance.

#### **Agency's Comment**

## **SAMPLE INTERNAL CONTROL FINDINGS (CONT.)**

### **Material Weaknesses (Cont.)**

#### **Condition**

The agency recorded in the cash disbursement ledger \$X,XXX of disbursements which were dated late June 19XX; however, these checks were not issued until July 19XX. For the purposes of this audit, the checks were recorded as accounts payable and cash was adjusted upward. Without this adjustment, the cash in bank per the agency's general ledger had a negative balance of \$XXX at June 30, 19XX. The DFTA Fiscal Management Manual, Section 3.5.2 requires cash disbursement data to be processed completely and accurately in the proper accounting period.

#### **Recommendation**

The agency should record the disbursement of a check only when the check is to be issued for the date as recorded. In the future, checks issued at the conclusion of the program in the month of July should be recorded in July and not in June.

#### **Agency's Comment**

#### **Condition**

Our audit noted that the agency did not have in place the following controls relating to DFTA funded equipment costs for fiscal years prior to June 30, 20XX:

- a. A written inventory of all equipment purchased with the following information:
  - Description of item
  - Identification number
  - Date of acquisition
  - Cost
  - Quantity
  - Location
- b. The labeling of such assets as being the property of DFTA.
- c. Performing a yearly inventory of items on hand to the inventory listing.

The DFTA Fiscal Management Manual, Section 3.7 specifies the requirements for controls over equipment inventory.



**SAMPLE INTERNAL CONTROL FINDINGS (CONT.)**

**Recommendation**

The agency should prepare an inventory of the fixed assets as required above and perform periodic inventories.

**Agency's Comment**

*(Name of Sponsor)*  
*(Name of Program)*  
DFTA Contract Number XXXXXXXX  
DFTA ID Number XXXXX  
Follow-Up of Prior Audit Report  
For the year ended June 30, 20XX

The prior audit of this DFTA program was performed by *(Name of Auditing Firm)* for the year ended June 30, 20XX. The prior audit report was dated *(Date of Auditor's report)*, and disclosed the following findings:

- Compliance Findings:

1. Prior Audit Finding

*(Bring forward prior audit finding)*

Follow-Up Comment

*(Report on current status of prior audit finding)*

- Internal Control Findings:

1. Prior Audit Finding

*(Bring forward prior audit finding)*

Follow-Up Comment

*(Report on current status of prior audit finding)*

- Questioned Costs:

The questioned costs for the year ended June 30, 20XX amounted to \$XX,XXX, due to the following:

These questioned costs *have/have not* been resolved by the City of New York, Department for the Aging.  
*(or)*

There were no questioned costs for the year ended June 30, 20XX.

- Questioned Units:

Questioned units were reported as follows:

The above units *have/have not* been resolved with DFTA.

**SECTION 506 - SAMPLE REPORT ON COMMON SPONSOR DEFICIENCIES**

**.01** In addition to the previously mentioned reports, for common sponsor lot audits, (i.e., audits of DFTA agencies administered by one sponsor), the auditor is required to prepare and submit a bound report, which summarizes all internal control and compliance findings common to two or more of the agencies administered by that sponsor. The summary report on internal control and compliance must be submitted at the time the final reports are submitted. If there are no common deficiencies, the summary report must contain a positive statement to that effect. This requirement is in addition to the reports on internal control and compliance submitted with the required audit reports on each agency. The form of the report is provided below.

**.02** **SUGGESTED FORM OF AUDITOR'S REPORT ON  
COMMON SPONSOR DEFICIENCIES**

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9th Floor  
New York, New York 10007-1392

We have previously reported on internal control and compliance matters pertaining to the following programs administered by (identify sponsor):

Program:  
DFTA ID Number:  
Contract Number: List each program/agency  
Audit Period:  
Date of Report:

The scope and purpose of our engagement are described in the aforementioned reports, which are incorporated herein by reference.

Presented below is a summary of findings common to two or more of the above programs.

(List all findings common to two or more programs)

**or**

There are no internal control and compliance findings common to the above programs.

This report is intended solely for the information and use of (*Name of Agency*) management and the City of New York, Department for the Aging and is not intended to be and should not be used by anyone other than these specified parties.

(*Signature of Audit Firm*)

(Report date)

(Sponsor Name)  
 (Program Name)  
 DFTA Contract Number 20XXXXXXXXXX  
 DFTA ID Number XXXXX  
 Statement of Reimbursable Expenses and Actual Unit Cost

	<u>Service Cost Center</u>
	Case Management
	SADS
	Legal
	Homemaker
	<u>Housekeeper</u>
Total and reimbursable expenses	<u>\$XXX,XXX</u>
Units of service delivered per audit (Schedule C)	<u>X,XXX</u>
Budgeted unit cost rate	\$XX.XX
Actual unit cost rate	<u>XX.XX</u>
Unit cost variance - favorable(unfavorable)	<u>\$X.XX</u>
Authorized maximum services costs grant funds	\$XXX,XXX
Reimbursable expenses	<u>XXX,XXX*</u>
Balance available (not available)	<u>\$XX,XXX</u>
*Revenue earned for (list service(s)) was \$XXX,XXX based on the lower of units x budgeted rate or reimbursable expenses, as follows:	
Case Management (based on the units) up to budget maximum	\$XXX,XXX
Case Management (based on the reimbursable expenses)	<u>\$XXX,XXX</u>
Variance	<u>\$ XX,XXX</u>

**Performance-based contracts Reimbursement Methods**

DFTA Homemaker, Housekeeper, Case Management, Social Adult Day Services (SADS) and Legal Services contracts are performance-based rather than cost-reimbursement. Performance-based contracting is a system in which reimbursement to provider agencies is based on units of service delivered, at a pre-negotiated unit cost, rather than on vouchered line-item expenses.

For these contracts, the line item budget is not the direct basis for reimbursement, but a means for determining the total cost of the contract and, when divided through by the contracted level of service, the unit reimbursement rate. Therefore, the contractor gets reimbursed based on the number of Homemaker, Housekeeper, Case Management, Social Adult Day Services and Legal Services units (hours) actually provided to clients during the month.

However, for billing purposes, the receivables and payables are computed based on the Reimbursable expenses up to the authorized contract maximum as follows:

- I. In cases where DFTA revenues (based on units of service) are higher than the Reimbursable Expenses, the Revenues from the Statement of Revenues and Expenses will be adjusted downward with appropriate auditors' adjustments and the Receivable/Payable due from/to DFTA will be presented as follows:

Receivable/Payable-Due from/to DFTA:

The receivable/payable amount due from/to the Department for the Aging consists of the following:

<b>Reimbursable Expenses based on units of service</b>	<b>\$</b>
<b>Less: Revenues received in excess of actual reimbursable expenses</b>	_____
Net Reimbursable expenses	
Less: Cash received as of June 30, 20XX	
(Net of advance Balance)	_____
Due from/to DFTA	<u><u>\$</u></u>

Subsequent to June 30, 20XX, the Agency received \$XX,XXX from DFTA. This amount was comprised of \$XX,XXX net checks and \$X,XXX which was applied against the advance balance leaving a balance of \$X,XXX as of the date of this report.

**-OR-**

Subsequent to June 30, 20XX, the Agency received \$XX,XXX from DFTA, which was applied against the advance balance leaving a balance of \$XX,XXX due to DFTA. This amount was refunded to DFTA in July 20XX, leaving a balance of \$X,XXX as of the date of this report.

## **Performance-based contracts Reimbursement Methods (Cont.)**

- II.** In cases where DFTA's revenues (based on units of service) are lower than the Reimbursable Expenses, the Revenues from the Statement of Revenues and Expenses will be adjusted upward (up to the authorized contract maximum) with appropriate auditors' adjustments and the receivable amount due from DFTA will be presented as follows:

Receivable-Due from DFTA:

The receivable amount due from the Department for the Aging consists of the following:

<b>Reimbursable expenses based on units of service</b>	\$
<b>Add: Revenues received in deficit of actual reimbursable expenses (up to the authorized budget maximum)</b>	_____
Reimbursable Expenses	
Less: Cash received as of June 30, 20XX (Net of advance balance)	_____
Due from DFTA	<u>\$</u> _____

Subsequent to June 30, 20XX, the Agency received \$XX,XXX from DFTA. This amount was comprised of \$XX,XXX net checks and \$X,XXX which was applied against the advance balance leaving a balance of \$XX,XXX as of the date of this report.

## **SECTION 600**

### **AGREED-UPON PROCEDURES AND REPORTING**

#### **SECTION 601 - BACKGROUND**

- 01.** The City of New York, Department for the Aging (DFTA) may engage independent accountants to perform certain agreed-upon procedures related to contracts awarded by DFTA to certain contract agencies. These agreed-upon procedures would fall into either of the following two categories:
  - Agreed-upon Monitoring Procedures as specified in Section 602 of this Audit Guide.
  - Agreed-upon procedures, other than those specified in Section 602 of this Audit Guide, which DFTA would decide upon at the time of engagement with the independent accountant.
- 02.** In performing agreed-upon procedures, the accountant is to follow the AICPA's guidelines as set forth in the Statements on Standards for Attestation Engagements, at Section 201. In addition, GAO Standards, Chapter 6, stipulates the general, fieldwork, and reporting standards for attestation agreements.
- 03.** In reporting the results of the agreed-upon procedures, the accountant should utilize the sample reports as presented in Section 603 for the agreed-upon monitoring procedures and in Section 604 for other agreed-upon procedures reports.
- 04.** In reporting exceptions noted as a result of performing an agreed-upon procedure, the accountant's report should provide enough information in reporting of the exception so that DFTA and the contract agency can properly address and resolve the deficiency.

#### **SECTION 602 - MONITORING AGREED UPON PROCEDURES**

The monitoring agreed-upon procedures, detailed on the following pages in this Section 602, are to be performed as required by DFTA when conducting contract agency agreed-upon procedures monitoring visits by Independent Public Accountants (IPA's) contracted by DFTA.

**SECTION 602 (CONT.)**

THE CITY OF NEW YORK  
DEPARTMENT FOR THE AGING  
Monitoring Agreed-Upon procedures

Contractor Agency's Name: \_\_\_\_\_

Program Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone No. \_\_\_\_\_ DFTA ID No. \_\_\_\_\_ Contract No. \_\_\_\_\_

Personnel consulted in connection with the agreed-upon procedures:

Name	Title
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Field accountant: \_\_\_\_\_

Date(s) of monitoring visit: \_\_\_\_\_



**SECTION 602 (CONT.)**

**Pre-Fieldwork**

Obtain and Review:

1. Copy of latest DFTA billing, if any.
2. Latest contract budget.
3. Latest CPA audit and/or field report findings and recommendations.
4. Current fiscal year vouchers for corrections made at DFTA, and any DFTA adjustment letters sent to program for any deficiencies.

## **SECTION 602 (CONT.)**

### **Field Visit Plan Checklist**

Request agency to have the following items ready:

- General ledger
- Cash receipts/disbursements journal
- General journal
- Subsidiary ledgers (cost allocation records/methodology)
- Subsidiary ledgers (homecare billings and collections)
- Payroll register

#### Federal

1. 8109 – Federal Tax Deposit Coupon (per pay period).
2. 941 – Employers Quarterly Federal tax return
3. W-3 – Transmittal of Income and Tax Statements

#### New York State/City

1. NYS-1 – Return of tax withheld (per pay period)
2. NYS-45 – Quarterly combined withholding, wage reporting and unemployment insurance return
3. CHAR 500 – Annual Financial Report
  - Trial balance
  - Bank reconciliations/bank statements – cancelled checks
  - Monthly reimbursement invoices submitted to DFTA for current fiscal year
  - Payroll tax returns
  - Supporting documentation for current FY paid bills reimbursed by DFTA
  - Inventory of fixed assets
  - Participant contributions monthly summary sheet(s) – (plus separate books, if applicable)
  - 990 annual return of organization exempt from income tax

SECTION 602 (CONT.)

Monitoring Site Procedures

Note: All tests and procedures must be documented with appropriate working papers.

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
• <u>General Ledger and Books of Original Entry</u>			
<b><u>General Ledger</u></b>			
<b>Is there a monthly trial balance?</b> When was the last trial balance prepared? _____	_____	_____	_____
<b>Is the ledger posted monthly?</b> Up to what month? _____	_____	_____	_____
<b>Is the ledger written in ink or computerized?</b>	_____	_____	_____
<b>Is there proper cross referencing of summary postings and journal entries?</b>	_____	_____	_____
<b>Are budget accounts maintained as running balances?</b>	_____	_____	_____
<b>Does cumulative claim agree to general ledger books of account by budget category?</b>	_____	_____	_____
<b><u>Cash Receipts Journal</u></b>			
<b>Is the journal current?</b> Up to what month? _____	_____	_____	_____
<b>Are duties properly segregated in that different persons have access to cash receipts and reconcile bank accounts?</b>	_____	_____	_____
<b>Are column totals footed and cross-footed monthly?</b>	_____	_____	_____
<b>Are totals posted to the general ledger monthly?</b>	_____	_____	_____
<b>Are dates of deposit noted?</b>	_____	_____	_____
<b>Do receipts have useful descriptions (i.e. participant contributions, DFTA revenue, etc.)?</b>	_____	_____	_____
<b>Are deposit slips prepared and validated copies</b>			

**SECTION 602 (CONT.)**

**Monitoring Site Procedures (Cont.)**

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
<b>retained on file?</b>	_____	_____	_____
<b>On a test basis, have DFTA reimbursements been deposited into the bank account?</b>	_____	_____	_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
<b><u>Cash Disbursements Journal</u></b>			
Is the journal current? Up to what month? _____	_____	_____	_____
Are duties properly segregated in that different persons prepare, sign, mail checks and reconcile bank accounts?	_____	_____	_____
Who authorizes checks and bank accounts? ____	_____	_____	_____
Are signatures on blank checks prohibited?	_____	_____	_____
Are unissued checks kept in secure area?	_____	_____	_____
Are voided, returned and unused checks controlled and accounted for?	_____	_____	_____
Are column totals footed and cross-footed monthly?	_____	_____	_____
Are totals posted to the general ledger monthly?	_____	_____	_____
Are checks posted in numerical sequence?	_____	_____	_____
<b><u>General Journal</u></b>			
Are journal entries adequately explained and supported by documentation?	_____	_____	_____
Are matching funds for payroll, rent, etc. journalized monthly?	_____	_____	_____
Are budget modifications:			
Authorized by the director?	_____	_____	_____
Recorded in the journal?	_____	_____	_____
<b><u>Indirect Cost Rate Plan</u></b>			

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
Is program billing DFTA for indirect costs (administrative overhead)?	_____	_____	_____
If yes, are indirect costs documented and allowable?	_____	_____	_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
<b><u>Bank Reconciliation</u></b>			
<b>Are formal bank reconciliations prepared monthly?</b>	_____	_____	_____
Indicate latest month _____			
<b>Are they reviewed by person other than the preparer, i.e. the director?</b>	_____	_____	_____
<b>Does the book balance per the latest bank reconciliation agree with the general ledger and checkbook?</b>	_____	_____	_____
If not, indicate amount of the difference and inquire as to reason. _____			
<b>Do reconciling items appear reasonable?</b>	_____	_____	_____
<b>Are there old, outstanding checks for over 90 days?</b>	_____	_____	_____
<b>Investigate material outstanding checks for over 90 days.</b>			_____
• <u>Voluntary Contributions (Included in DFTA Budget)</u>			
<b>Is there adequate segregation of duties pertaining to collection and recording of participant contributions?</b>	_____	_____	_____
<b>Are contribution receipts recorded by service and reported on monthly invoice?</b>	_____	_____	_____
<b>Are contribution receipts deposited timely?</b>	_____	_____	_____
• <u>Voluntary Contributions (Outside DFTA Budget)</u>			
<b>Are voluntary contributions records separated from fund-raising records?</b>	_____	_____	_____
<b>Are there loans and exchanges?</b>	_____	_____	_____
<b>Is there adequate segregation of duties pertaining to the collection and recording of participant contributions?</b>	_____	_____	_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
Are receipts deposited timely	_____	_____	_____
<b>C. <u>Voluntary Contributions (Outside DFTA Budget) (Cont.)</u></b>			
Are contributions receipts recorded by service cost center?	_____	_____	_____
Are payees identified?	_____	_____	_____
Are expenses program related?	_____	_____	_____
Is the cost allocation documented?	_____	_____	_____
Are contribution expenses allocated by service cost center and reported on monthly DFTA invoice? Determine method of expense allocation by using one monthly DFTA claim invoice. _____	_____	_____	_____
Trace sample of contribution receipts and expenses to source documents.			_____
What is the latest month for which voluntary contributions records are maintained for:			
a. Cash receipts/disbursements journal? _____			_____
b. General ledger? _____			_____
c. Trial balance? _____			_____
d. Bank reconciliation? _____			_____
Does the book balance per the latest voluntary contributions bank reconciliation agree with the;			
a. General ledger? _____	_____	_____	_____
b. Checkbook? _____	_____	_____	_____
What is/are the difference(s)? _____	_____	_____	_____
Are signatures on blank checks prohibited?	_____	_____	_____
Are invoices signed for receipt of goods or services, approved before payment, and canceled?	_____	_____	_____
Is the petty cash fund kept on an imprest basis?	_____	_____	_____



SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
• <u>Internal Control – Cost Allocation</u>			
<b>Have subsidiary ledgers been set up for:</b>			
<b>Each expense category?</b>	_____	_____	_____
<b>Match (usually rent)?</b>	_____	_____	_____
<b>Income account?</b>	_____	_____	_____
<b>If not, how is program allocating total expenses on the monthly DFTA invoice? _____</b>			_____
<b>Has the organization formulated their allocation methods in a written documented plan and is it maintained?</b>	_____	_____	_____
<b>What time distribution methods are utilized to allocate employees' salaries to service cost centers? _____</b>			_____
_____			
<b>How are the following expenses allocated:</b>			
<b>Food? _____</b>			_____
<b>Rent? _____</b>			_____
<b>All other OTPS? _____</b>			_____
<b>Are allocations in subsidiary ledgers reflected on monthly invoices?</b>	_____	_____	_____
• <u>Technical Assistance</u>			
<b>Is technical assistance needed in;</b>			
<b>Basic bookkeeping?</b>	_____	_____	_____
<b>Cost accounting bookkeeping?</b>	_____	_____	_____
<b>Have there been changes in the last 6 months for:</b>			
a. Bookkeeper?	_____	_____	_____
b. Director?	_____	_____	_____
• <u>Petty Cash Disbursements</u>			
<b>Is the petty cash fund kept on an imprest basis? Indicate the maximum amount per voucher. _____</b>	_____	_____	_____
<b>Are petty cash vouchers written in ink?</b>	_____	_____	_____
<b>Are they cancelled upon reimbursement to prevent their re-use?</b>	_____	_____	_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
• <u>DFTA's Advance</u>			
<b>Has the previous year's advance balance been repaid?</b>	_____	_____	_____
• <u>Payroll Register, Taxes and Information Returns</u>			
<b>Is payroll register maintained?</b> Manual or computerized? _____	_____	_____	_____
<b>Does agency have tax exempt certificate or application?</b>	_____	_____	_____
<b>Where the following Federal and State tax and information returns prepared, filed and paid on timely basis? If not, list payments made, amount still due and days late.</b>			
<b><u>Federal</u></b>			
<b>941 – Employers Quarterly Federal Payroll Tax Return. (Indicate latest quarter). _____</b>	_____	_____	_____
<b>8109 – Federal tax deposit coupon. (Indicate latest month). _____</b>	_____	_____	_____
<b>W-3 – Transmittal of income and tax statements.</b>	_____	_____	_____
<b>990 – Return of organization exempt from income tax. (indicate latest year) _____</b>	_____	_____	_____
<b><u>New York State/City</u></b>			
<b>NYS-45 – Quarterly combined withholding, wage reporting and unemployment insurance return. _____</b>	_____	_____	_____
<b>NYS-1 – Return of tax withheld – latest month.</b>	_____	_____	_____
<b>CHAR 500 – Annual Financial Report. (Indicate latest year). _____</b>	_____	_____	_____

**SECTION 602 (CONT.)**

**Monitoring Site Procedures (Cont.)**

<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
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**SECTION 602 (CONT.)**

**Monitoring Site Procedures (Cont.)**

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
<b>personnel cost distribution work-sheet and subsidiary service cost center ledger.</b>			_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
H. <u>Payroll Register, Taxes and Information Returns (Cont.)</u>			
<b>Are personnel policies written?</b>	_____	_____	_____
<b>Does the Agency employ <u>Senior Corps Workers</u>?</b>	_____	_____	_____
<b>How many? _____</b>			_____
<b>Are they included as employees on the payroll with social security and other payroll tax deductions?</b>	_____	_____	_____
• <u>Consultants</u>			
<b>Are consultant cost properly classified as a consulting line item cost?</b>	_____	_____	_____
<b>Are there written agreements between the DFTA contract agency and the consultant?</b>	_____	_____	_____
<b>Are IRS Form 1099's issued to the consultant when compensation meets or exceeds IRS requirements?</b>	_____	_____	_____
• <u>Purchases (the following questions relate to internal control over purchasing)</u>			
<b>Is there adequate segregation of duties, in that different individuals are responsible for purchasing, receipt of goods and services and payment approval? (indicate names and titles). _____</b>	_____	_____	_____
_____			
<b>Are invoices checked for accuracy (i.e. price extensions, quantity, etc.)?</b>	_____	_____	_____
<b>Are invoices segregated into paid and unpaid, to prevent duplicate payments and are paid invoices marked "paid"?</b>	_____	_____	_____
<b>Test sample of disbursements from monthly reimbursement claim. Are all disbursements properly supported by evidence of receipt and approval of the</b>			

**SECTION 602 (CONT.)**

**Monitoring Site Procedures (Cont.)**

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
related goods and/or services?	_____	_____	_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
<ul style="list-style-type: none"> <li>• <u>Property and Equipment</u></li> </ul>			
<p><b>Who authorizes the purchase of fixed assets for program?</b></p> <p style="text-align: center;">_____</p>	_____	_____	_____
<p><b>Are there at least 3 bids on file for any item or any set of like items costing \$5,000 or more. Compare bid date with invoice date (Bid must precede invoice date).</b></p>	_____	_____	_____
<p><b>What procedures are employed to safeguard furniture and equipment?</b> _____</p> <p>Are such procedures adequate?</p>	_____	_____	_____
<p><b>Are all furniture and equipment purchased with DFTA funds, tagged with Agency's name, funding source, and program I.D.#?</b></p>	_____	_____	_____
<p><b>Obtain copy of the current inventory of fixed assets and physically examine two items listed on inventory.</b></p>			_____
<ul style="list-style-type: none"> <li>• <u>Specific Disallowance Costs</u></li> </ul> <p>Based on the monitoring procedures performed were there any costs which were specifically identified by law, rule, regulation or terms of the contract as disallowable. Items in this category include:</p> <ul style="list-style-type: none"> <li>• Bad debts</li> <li>• Most advertising costs, except those related to the recruitment of staff</li> <li>• Entertainment and alcoholic beverage expenditure</li> <li>• Fines and penalties</li> <li>• Contributions and donations</li> <li>• Interest expense</li> <li>• Sales tax (for tax exempt contributions)</li> <li>• Under-recovery of costs from prior or other grants</li> <li>• Organization costs</li> </ul>	_____	_____	_____

(Source: DFTA Fiscal Management Manual)



SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
• <u>Follow-Up of Prior Audit and Field Visit Findings and Recommendations</u>			
<b>Were there any findings in;</b>			
<b>Latest CPA audit report?</b>	_____	_____	_____
<b>Latest field visit report?</b>	_____	_____	_____
<b>Were recommendations of field visit report implemented</b>	_____	_____	_____
<b>Were recommendations of CPA audit report implemented?</b>	_____	_____	_____
• <u>Homecare Providers</u>			
<b>Are billing and collection system kept on an accrual basis?</b>	_____	_____	_____
<b>Does billing and collection system distinguish between different fiscal years?</b>	_____	_____	_____
<b>Is schedule of aged accounts receivable established and currently maintained by the contract Agency?</b>	_____	_____	_____
<b>Do the recipient's social security number and monthly fee reported to DFTA agree with the fee indicated on the DFTA Eligibility Intake Documentation Authorization File?</b>	_____	_____	_____
<b>Are fees billed, collected and receivable accurately reported to DFTA on the monthly invoice?</b>	_____	_____	_____
<b>Was monthly bill prepared and sent to the recipients?</b>	_____	_____	_____
<b>Did any recipient pay in cash to the homecare provider?</b>	_____	_____	_____
If so, are receipts issued to the recipient(s)?	_____	_____	_____

SECTION 602 (CONT.)

Monitoring Site Procedures (Cont.)

	<u>Yes</u>	<u>No</u>	<u>Auditor's Initials</u>
N. <u>Homecare Providers (Cont.)</u>			
<b>Are all receipts of contributions (cash and checks):</b>			
<b>Deposited promptly?</b>	_____	_____	_____
<b>Properly recorded in the appropriate books         (subsidiary ledgers) and records of the         Agency?</b>	_____	_____	_____
<b>Reported to DFTA monthly?</b>	_____	_____	_____
<b>Does the next month's bill include the fees previously     billed, less amounts collected?</b>	_____	_____	_____
<b>For bills not paid, does the contract Agency adhere to all     requirements of their fee collection system as it     pertains to non-payment of bills?</b>	_____	_____	_____
<b>Are homecare employees being paid wages in accordance     with the current "Living Wage Law"?</b>	_____	_____	_____

**SECTION 603 – AGREED-UPON PROCEDURES REPORT ON MONITORING PROCEDURES UNDER  
SECTION 602 OF THE DFTA AUDIT GUIDE**

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street  
New York, New York 10007-1392

**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

We have performed the procedures enumerated in Section 602 of the Department for the Aging Audit Guide, which were agreed to by the City of New York, Department for the Aging (DFTA), with respect to DFTA Contract Number XXXXX to *(Name of Agency)* for the period *(starting date of contract period) to (end of the period agreed-upon procedures performed through)*, solely to assist you in determining whether *(Name of Agency)* complied with certain DFTA program requirements. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City of New York, Department for the Aging. Consequently, we make no representations regarding the sufficiency of the procedures in Section 602 of the DFTA Audit Guide for the purpose for which this report has been requested or for any other purpose.

The deficiencies noted as a result of performing the agreed-upon procedures are presented in the accompanying agreed-upon procedures findings.

*"or"*

The results of performing the procedures enumerated in Section 602 of the Department for the Aging Audit Guide resulted in no reportable deficiencies.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements in Section 602 of the DFTA Audit Guide. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the City of New York, Department for the Aging and the management of *(Name of Agency)* and is not intended to be and should not be used by anyone other than these specified parties.

*(Signature of Accounting Firm)*

*(Date of report)*

**SECTION 603 (CONT.)**

*(Name of Agency)*  
Agreed-Upon Procedures Findings  
For the Period \_\_\_\_ to \_\_\_\_

The accountant must describe in detail all deficiencies noted as a result of performing the agreed-upon procedures specified in Section 602 of the Department for the Aging Audit Guide and recommendation for corrective action.

**SECTION 604 – AGREED-UPON PROCEDURES REPORT ON PROCEDURES TO BE SPECIFIED BY  
DFTA**

City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street  
New York, New York 10007-1392

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the City of New York, Department for the Aging (DFTA), with respect to DFTA Contract Number XXXXX to *(Name of agency)* for the period *(starting date of contract period) to (end of the period agreed-upon procedures performed through)*, solely to assist you in determining whether *(Name of Agency)* complied with certain DFTA program requirements. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City of New York, Department for the Aging. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*(Include paragraph(s) or listings to enumerate procedures)*

The deficiencies noted as a result of performing the agreed-upon procedures are presented in the accompanying agreed-upon procedures findings.

*"or"*

The results of performing the procedures enumerated above resulted in no reportable deficiencies.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the City of New York, Department for the Aging and the management of *(Name of Agency)* and is not intended to be and should not be used by anyone other than these specified parties.

*(Signature of Accounting Firm)*

*(Date of report)*

**SECTION 700**

**SAMPLE AUDIT REPORT – FOR PROFIT AGENCY**

**PROGRAM**

*(Name of Program)*  
*(Street Address of Program)*  
*(City, State and Zip Code)*  
Telephone Number *(of Program)*

**SPONSOR**

*(Name of Sponsor)*  
*(Street Address of Sponsor)*  
*(City, State and Zip Code)*  
Telephone Number *(of Sponsor)*

DFTA ID Number XXXXX

Contract Number XXXXX

**Statement of Units Provided and Independent Auditor's Reports**

Budget Period: July 1, 20XX to June 30, 20XX

Audit Period: July 1, 20XX to June 30, 20XX

Audit Started: September 21, 20XX

Audit Ended: September 30, 20XX

Lot No. XX

*Name of Accounting Firm*  
*Address of Accounting Firm*  
*Telephone Number of Accounting Firm*

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number 20XXXXXXXXXX  
DFTA ID Number XXXXX

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City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9<sup>th</sup> Floor  
New York, NY 10007-1392

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Statement of Units provided of *Agency name – Program Name* for the year ended June 30, 20XX in connection with its contract for funding with the City of New York Department for the Aging, under contract number 200XXXXXXXXX. The statement of units provided is the responsibility of *Agency Name – Program Name's* management. Our responsibility is to express an opinion on this statement 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, the Department for the Aging Audit Guide (Revised January 2007) and the City of New York Comptroller's Internal Control and Accountability Directive 5. Those standards and the Department for the Aging Audit Guide, require that we plan and perform the audit to obtain reasonable assurance about whether the statement of units provided is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of units provided. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the statement of units provided was prepared on the basis of accounting prescribed by the Department for the Aging, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement referred to above presents fairly, in all material respects, the units provided by *Agency Name – Program Name* the year ended June 30, 20XX as they related to Contract Number 200XXXXXXXXX, and in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated October, 15 20XX on our consideration of *Agency Name - Program Name* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and the DFTA contract and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



City of New York  
Department for the Aging

Our audit was made for the purpose of forming an opinion on the statement of units provided referred to above taken as a whole. The schedule listed in the accompanying Table of Contents under the heading of Supplemental Information is presented for purposes of additional analysis and is not a required part of the statement of units provided of the *Agency Name – Program Name*. Such information has been subjected to the auditing procedures applied in the audit of the statement of units provided and, in our opinion, is fairly presented in all material respects in relation to the statement of units provided taken as a whole.

This report is intended solely for the information and use of *Agency Name - Program Name* management and the City of New York, Department for the Aging, and is not intended to be and should not be used by anyone other than these specified parties.

October 15, 20XX

*(Signature of Audit Firm)*

(Name of Sponsor)  
 (Name of Program)  
 Contract Number 20XXXXXXXXXX  
 DFTA ID Number XXXXX  
 Statement of Units Provided  
 For the year ended June 30, 20XX

<u>Month</u>	<u>Units Provided</u>			<u>Total</u>
	<u>Homemaker</u>	<u>Housekeeper</u>	<u>Emergency Homecare</u>	
July 20XX				
August 20XX				
September 20XX				
October 20XX				
November 20XX				
December 20XX				
January 20XX				
February 20XX				
March 20XX				
April 20XX				
May 20XX				
June 20XX				
Units of service delivered per audit				
Approved DFTA unit reimbursement rate	\$	\$	\$	
Reimbursable amount	\$	\$	\$	\$
Authorized maximum service cost grant funds	\$	\$	\$	\$
Net actual reimbursable amount	\$	\$	\$	\$
Less: DFTA cash payments received as of June 30, 20XX				
Total due from DFTA at June 30, 20XX				\$

*(Name of Sponsor)*  
*(Name of Program)*  
Contract Number 20XXXXXXXXXX  
DFTA ID Number XXXXX  
Notes to Statement of Units Provided  
June 30, 20XX

1. Summary of significant accounting policies:

Basis of Presentation

The accompanying statement of units provided has been prepared in accordance with the City of New York, Department for the Aging Audit Guide (Revised January 2007) and the accounting practices prescribed in Department for the Aging Fiscal Management Manual (August 2005). The accounting practices prescribed in the Audit Guide and Fiscal Management Manual differ from accounting principles generally accepted in the United States of America.

Revenue Recognition

The Agency accounts for contract revenues based on the total units provided at its approved DFTA unit reimbursement rate as specified by the Department for the Aging (DFTA).

2. Due from DFTA:

The amount due from the Department for the Aging consists of the following:

Total reimbursement per units provided at  
the reimbursement rate

Less: cash received as of June 30, 20XX

Due from DFTA at June 30, 20XX

Subsequent to June 30, 20XX, the Agency received \$\_\_\_\_\_ from DFTA, which comprises of \$\_\_\_\_\_ leaving a balance of \$\_\_\_\_\_ as of audit report date.

**FINANCIAL SECTION**  
**SUPPLEMENTAL INFORMATION**

(Name of Sponsor)  
(Name of Program)  
Contract Number 20XXXXXXXXXX  
DFTA ID Number XXXXX  
Schedule of Budgeted, Delivered and Questioned Units  
For the year ended June 30, 20XX

<u>Services</u>	<u>Authorized Units</u>	<u>Submitted Contractor Invoices</u>	<u>Auditors' Adjustments</u>	<u>Units Delivered Per Audit</u>	<u>(Over) Under Budget</u>	<u>Questioned Units</u>
Homemaker/ Personal Care Housekeeper Emergency Homecare						

See accompanying notes to financial statements

**COMPLIANCE AND INTERNAL CONTROL SECTION**

(Name of Sponsor)  
(Name of Program)  
Contract Number 20XXXXXXXXXX  
DFTA ID Number XXXXX  
For the Year Ended June 30, 20XX

Introduction

The contractor has an agreement with the City of New York, Department for the Aging to provide the following services:

Homemaker/personal care  
Housekeeper  
Emergency Homecare

The eligibility of persons for the program is determined by the Case Management agencies in accordance with federal, state, and local regulations.

The contract for the year ended June 30, 20XX totals \$ \_\_\_\_\_. The contract is being matched with funds from participant contributions and fees billed, as follows:

Total service cost grant funds	\$ _____
Anticipated income	
Fees Billed	
Total project costs	\$ _____

(Name of Sponsor)  
(Name of Program)  
DFTA Contract Number XXXXX  
DFTA ID Number XXXXX  
For the year ended June 30, 20XX

**Exit Conference**

An exit conference (1) was held on (Date) at (Address of exit conference location). In attendance were:

Representing (Name of Agency)

(Name and Title)

Representing (Name of Auditing Firm):

(Name and Title)

Representing DFTA:

(Name and Title) or (2)

**Note**

- (1) In cases where an on-site exit conference was waived and approved in writing by the Agency, name and title of the personnel who authorized it must be included in that statement.
- (2) DFTA did not participate in the exit conference, since the report finding(s) did not require DFTA's attendance, in accordance with the provisions of Section 310.02 of the DFTA Audit Guide.



City of New York  
Department for the Aging  
Office of Contract Accounting  
2 Lafayette Street, 9<sup>th</sup> Floor  
New York, NY 10007-1392

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF STATEMENT  
OF UNITS PROVIDED PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the statement of units provided of *Agency Name – Program Name* in connection with its contract for funding with the City of New York, Department for the Aging, Contract Number 20XXXXXXXXXX, for the year ended June 30, 20XX, and have issued our report thereon dated October 15, 20XX. 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, the *Department for the Aging Audit Guide* (Revised January 2007) and the *City of New York Comptroller's Internal Control and Accountability Directive 5*. Those standards and the *Department for the Aging Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance about whether the statement of units provided is free of material misstatement.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *Agency Name – Program Name* internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the statement of units provided and not to provide an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

City of New York  
Department for the Aging

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Agency Name – Program Name* statement of units provided is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the DFTA contract agreement, noncompliance with which could have a direct and material effect on the determination of the statement of units provided 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 or other matters that are required to be reported under government Auditing Standards, and the requirements of the Department for the Aging Audit Guide.

This report is intended solely for the information and use of the *Agency Name – Program Name* management and the City of New York, Department for the Aging, and is not intended to be and should not be used by anyone other than these specified parties.

October 15, 20XX

*(Signature of Audit Firm)*

(Name of Sponsor)  
(Name of Program)  
Contract Number 20XXXXXXXXXX  
DFTA ID Number XXXXX  
Follow-Up of Prior Audit Report  
For the year ended June 30, 20XX

The prior audit of this DFTA program was performed by (Name of Auditing Firm) for the year ended June 30, 20XX. The prior audit report was dated (Date of Auditor's report), and disclosed the following findings:

- Compliance Findings:

1. Prior Audit Finding

(Bring forward prior audit finding)

Follow-Up Comment

(Report on current status of prior audit finding)

- Internal Control Findings:

1. Prior Audit Finding

(Bring forward prior audit finding)

Follow-Up Comment

(Report on current status of prior audit finding)

- Questioned Units:

Questioned units were reported as follows:

The above units *have/have not* been resolved with DFTA.

**SECTION 800**

**DFTA REPORT REVIEW CHECKLIST**

- 01.** On the following pages is the Report Review Checklist utilized by DFTA personnel in reviewing contract audit reports.

**NEW YORK CITY**  
**DEPARTMENT FOR THE AGING**  
**FY 20**  
**AUDIT REVIEW CHECKLIST**



**DFTA ID#** \_\_\_\_\_  
**Reviewer:** \_\_\_\_\_  
**Date Review Commenced:** \_\_\_\_\_  
**Date Review Completed:** \_\_\_\_\_

**Supervisor Review Initials:** \_\_\_\_\_  
**Date Commenced:** \_\_\_\_\_  
**Date Completed:** \_\_\_\_\_

**Notes:**

1. All audit review must be evidenced by small check (✓) marks on audit report pages.
2. Any captions, footnotes or disclosures not applicable in the actual Audit Report must be deleted.
3. Any No answer should be explained in Brief Comments Section of the Checklist and cited as a deficiency for CPA corrections, when applicable.
4. Indicate all applicable deficiencies found from the Audit Report on your letter.
5. Upon completion, submit deficiency letter including all related supporting documentation to your supervisor.

DFTA - Revised 03/03

## Section A: Cover Sheet

List and indicate whether the following items are listed in the Audit Report

1. Sponsor Name: \_\_\_\_\_
2. Program Name: \_\_\_\_\_
3. Sponsor's Address: \_\_\_\_\_
4. Sponsor/Program's Telephone #: \_\_\_\_\_
5. DFTA ID #: \_\_\_\_\_
6. Contract #: \_\_\_\_\_
7. Budget Period Audited: \_\_\_\_\_
8. Date Audit Commenced: \_\_\_\_\_
9. Date Audit Ended: \_\_\_\_\_
10. Date Audit Received: \_\_\_\_\_
11. Lot #: \_\_\_\_\_
12. Audit Firm: \_\_\_\_\_

### Table of Contents

1. Does Table of Contents refer to every page of Audit Report? \_\_\_\_\_
2. Is it properly titled? \_\_\_\_\_

---

## Section B: Independent Auditors/Accountant's Report

1. What is the Opinion expressed by the Auditor? Check one:  
 Unqualified       Qualified       Disclaimer       Adverse
2. If Opinion is qualified, check reason(s):  
Questioned      Questioned      Other   
Costs       Units       Specify
3. Does the scope paragraph list the following Audit publications as being utilized?  
DFTA Audit Guide      GAO Standards      Comptroller Dir. 5  
YES      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_  
NO      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_
4. Does opinion have a separate opinion on supplemental information?    Yes       No
5. Was report properly dated and signed?      Yes       No

---

**Section C: Statement of Assets and Liabilities**

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
1. Are headings properly labeled?	_____	
2. Do Total Assets equal Total Liabilities?	_____	
3. Are notes properly cross-referenced to Notes to Financial Statements?	_____	

---

**Section D: Statement of Revenues and Expenses**

1. Are headings properly labeled?	_____	
2. Are Revenues and expenses reported by Service Cost Center?	_____	
3. If not, is there a finding?	_____	
4. If so, does report show administrative costs allocation?	_____	
5. Do Revenues agree with DFTA's Revenue Statement by <b>funding</b> and <b>Service Cost Center</b> ? <u>If not, the Auditor's adjustment must be cross referenced and fully explained in the Schedule of Auditor's Adjustments.</u>	_____	
6. Do the Service Cost Centers on the Statement agree with the Revenue Statement?	_____	
7. Does the Statement show an excess of revenues over expenses or a deficiency of revenues over expenses? <input type="checkbox"/> Excess of Revenue <input type="checkbox"/> Deficiency of Revenue <input type="checkbox"/> N/A		
8. Do Total expenses tie in to the Schedule of Expenses by Service Cost Centers?	_____	
9. Do Total expenses tie in to the Schedule of Budgeted, Incurred and Questioned Costs?	_____	
10. Do Total expenses tie in with the Statement of Reimbursable expenses or Statement of Reimbursable expenses and Actual Unit Costs?	_____	

**Section D (Cont)**

**YES, NO  
or N/A**

**COMMENTS**

11. Do Participant, Food Handlers and Staff/Guest contributions and Fees billed (Homecare Providers only) tie in with the Statement of Reimbursable Expenses **or** Statement of Reimbursable Expenses and Actual Unit Costs? \_\_\_\_\_

a. Compare Contractor's Actual Participant Contributions collected with the Anticipated Income:

<u>Actual Participant Contributions</u> (per Audit Report)	<u>Budgeted Income</u> (per Budget Summary)	<u>Difference</u>	<u>Percentage</u>
_____	_____	_____	_____ %

b. If the actual Participant Contributions are less than the Anticipated Income per the Budget Summary and the difference is 10% or greater, state the variance and list this item as a DFTA's Finding in the Transmittal Letter.

12. Does Total Participant Income agree with Income on Schedule of Expenses by Service Costs Center? \_\_\_\_\_

13. If Contractor provides Match, do Match Revenues equal Match Revenue on Statement of Reimbursable Expenses **or** Statement of Reimbursable Expenses and Actual Unit Costs? \_\_\_\_\_

a. Compare Contractor's Actual Match or In-Kind with the Budgeted Match or In-Kind:

<u>Actual Match</u> (per Audit Report)	<u>Budget Match</u> (per Budget Summary)	<u>Difference</u>
_____	_____	_____

14. Is Contractor's Actual Match equal to Budgeted Match? \_\_\_\_\_

If not, state the variance and list this item as a DFTA's Finding in the Transmittal Letter.

15. Does Contractor's Actual Match agree with Match on Schedule of Expenses by Service Cost Centers? \_\_\_\_\_



**Section D (Cont)**

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
16. Does page(s) foot and cross foot?	_____	
17. Do Equipment/Renovations expenses exceed Equipment/Renovations provision per Budget Summary?	_____	_____

If so, show the amount and reason for the excess in comments.

18. Do One-Time payments expenses exceed One-Time payments provision per Budget Summary?	_____
------------------------------------------------------------------------------------------	-------

If so, show the amount and reason for the excess in comments.

**Note:** *If there is a deficiency of revenue for Equipment/Renovations and/or One-Time Payments, check to see if the program vouchered for all items listed in the Schedule of Equipment/Renovations and/or One-Time Payments and the Revenue Statement. If any of the items has not been vouchered for, request from BCS and send a blank customized Equipment/Renovations and/or One-Time Payments voucher request to the Contractor.*

---

**Section E: Statement of Reimbursable Expenses or Statement of Reimbursable Expenses and Actual Unit Costs (*Performance based Programs*)**

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
1. Are headings properly labeled?	_____	
2. If Contractor has In-Kind, Participant, Food Handlers and Staff/Guest contributions Fees Billed and bank interest, are the subtracted from Total Expenses?	_____	
3. Do Reimbursable Expenses foot and cross-foot?	_____	
4. Do Units Delivered tie in with the Schedule of Budgeted, Delivered and Questioned Units?	_____	
5. Does Actual Unit Cost Rate equal Reimbursable Expenses divided by Units of Service Delivered?	_____	
6. Do the Budgeted Unit cost rates agree with the Budget Summary?	_____	

**Section E (Cont.)**

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
7. Does Unit Cost variance foot?	_____	
8. Do authorized maximum Service Cost Grant funds agree with the Budget Summary per		

- the Revenue Statement? \_\_\_\_\_
9. Do Total Reimbursable Expenses exceed the Service Cost Grant Funds per Budget Summary? <sup>(1)</sup> \_\_\_\_\_
10. If so, does this excess tie in to due from Sponsor reported on Balance Sheet and Notes to Financial Statements. \_\_\_\_\_
11. If not, are discrepancies explained in the Notes to Financial Statements? \_\_\_\_\_

**Note:** If not, a deficiency letter should be sent to CPA requesting explanation.

<sup>(1)</sup> *If so, and no finding is cited, show amount as a Fiscal Note in the Transmittal Letter.*

## Section F: Notes to Financial Statements

1. Are headings properly labeled? \_\_\_\_\_
2. In the Summary of Significant Accounting Policies, is there a footnote disclosure for:
3. Equipment/Renovations <sup>(2)</sup>? \_\_\_\_\_
4. Food Inventory? \_\_\_\_\_
5. Is the value of Food inventory indicated? \_\_\_\_\_

Note: *Food Inventory should not be subtracted from Raw Food.*

6. Prepaid Expenses <sup>(2)</sup>? \_\_\_\_\_
7. Vacation and Sick Leave? \_\_\_\_\_

If amount shown is \$0, inquire from CPA

<sup>(2)</sup> *This note must always appear in the Notes to Financial Statements. If not, CPA must correct it.*

## Section F (Cont.)

- |                                                                                                                                            | <b>YES, NO<br/>or N/A</b> | <b><u>COMMENTS</u></b> |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------|
| 8. Client Fees Receivable?                                                                                                                 | _____                     |                        |
| 9. Centrally Paid Insurance Costs?                                                                                                         | _____                     |                        |
| 10. Revenue Recognition?                                                                                                                   | _____                     |                        |
| 11. Allocation of Expenses Amongst Service Cost Centers Review the Statement of Revenues and Expenses, does basis appear to be reasonable? | _____                     |                        |
| 12. Allocation of Administrative Costs                                                                                                     |                           |                        |

Review the Statement of Revenues and Expenses, does basis appear to be reasonable?

\_\_\_\_\_

13. Income Taxes?

\_\_\_\_\_

14. Is there a footnote disclosure for the amount of uncollected portion of Fees Billed?

\_\_\_\_\_

15. Is there a **Footnote** disclosure for:

16. Cash

\_\_\_\_\_

17. Bank location of DFTA's Funds?

\_\_\_\_\_

18. Account # of DFTA's Funds?

\_\_\_\_\_

19. Interest Bearing Account

\_\_\_\_\_

20. Is earned bank interest shown on Statement of Revenues and Expenses?

\_\_\_\_\_

21. Is earned bank interest deducted on Statement of Reimbursable Expenses **or** Statement of Reimbursable Expenses and Actual Unit Costs?

\_\_\_\_\_

22. Petty Cash?

\_\_\_\_\_

Receivables:

23. Is nature of all receivables discussed?

\_\_\_\_\_

24. Do they foot?

\_\_\_\_\_

**Section F (Cont.)**

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
25. If Contractor has Homecare service(s), are uncollected client fees indicated?	_____	
26. Is collection of client fees discussed on each receivable?	_____	
<u>Security Deposits:</u>		
27. Is nature of Security Deposits discussed?	_____	
<u>Payables:</u>		
28. Is nature of Payables discussed?	_____	
29. Are payments discussed?	_____	
30. Is there a finding for Payables that are outstanding for more than 75 days?	_____	
31. Do they foot?	_____	

---

**Section G: Schedule of Expenses by Service Cost Centers**

1. Are headings properly labeled?	_____	
2. Does the Net Reimbursable Grant Funds Budgeted agree with the Budget Summary by Service Cost Center?	_____	
3. Does page foot and cross foot?	_____	

---

**Section H: Schedule of Budgeted, Incurred and Questioned Costs and Supplemental  
Schedule of Case Management Budgeted, Incurred and Questioned Costs  
(Case Management Hybrid Contracts only)**

1. Are headings properly labeled?	_____	
2. Do questioned costs reported here tie in with Schedule of Detailed Explanation of Questioned Costs?	_____	
3. Does Schedule of Detailed Explanation of Questioned Costs provide adequate disclosure i.e. reason(s), statute, etc.?	_____	
4. Does it include Agency's comment?	_____	
5. Does Schedule foot and cross foot?	_____	

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## Section I: Schedule of Budgeted, Delivered and Questioned Units

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
1. Are headings properly labeled?	_____	
2. Do questioned units tie in with Detailed Explanation of Questioned Units?	_____	
3. If Contractor did not provide unit of services, is that stated?	_____	
4. Does Schedule of Detailed Explanation of Questioned Units provide adequate disclosure?	_____	
5. Does it include Agency's comments?	_____	
6. Does Schedule cross foot?	_____	

---

## Section J: Are the following Schedules contained in the Audit Report?

1. Schedule of Auditor's Adjustments	_____
2. Are headings properly labeled?	_____
3. Are adjustments adequately explained?	_____
4. Schedule of Consultants	_____
5. Are headings properly labeled?	_____
6. Are Name of consultant, service provided, basis for fees charged (i.e. contract, hourly, daily, session, amount paid, rates, etc.,) disclosed?	_____

*If stipended workers, i.e., Senior Corps, high school students - intergenerational appear on this schedule and are not cited as a finding, the CPA should correct it. See Findings and Recommendations Section.*

7. Schedule of Equipment/Renovations <sup>(1)</sup>	_____
8. Are headings properly labeled?	_____
9. Does schedule note quantity of items purchased, cost of item, description and acquisition dates in contract year under audit?	_____
10. Does this schedule detail items purchased in previous years?	_____

<sup>(1)</sup>*This schedule must always be presented in the Audit Report. If not, CPA must provide it.*

## Section J (Cont.)

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
11. Schedule of Checks outstanding over six months or longer <sup>(2)</sup> ?	_____	
12. Are headings properly labeled?	_____	
13. Are the Costs questioned?	_____	
19. Schedule of One-Time Payments <sup>(1)</sup>	_____	
15. Are headings properly labeled?	_____	
16. Does schedule note quantity of items purchased, description, budget category, acquisition date and Cost in contract under Audit?	_____	
17. Does this schedule detail items Purchased in previous years?	_____	
(1)	<i>This schedule must always be presented in the Audit Report. If not, CPA must provide it.</i>	
(2)	<i>If any check(s) is posted on this schedule or cash note, auditor must state reason(s), check #, check date, type of expense/budget category, amount, and a Fiscal note should be shown in the Transmittal Letter as Due to DFTA.</i>	

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## Section K: Introduction

1. Are headings properly labeled?	_____
2. Does the introduction disclose individual services contracted for delivery?	_____
3. Does the introduction disclose the total budget with reference to individual funding sources, i.e., the amount of match, the amount of income, fees billed, central insurance, etc. when applicable?	_____

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## Section L: Exit Conference

1. Are headings properly labeled?	_____
2. Are the date and address of exit conference indicated?	_____

**Section L (Cont.)**

	<u>YES, NO or N/A</u>	<u>COMMENTS</u>
3. Are those who attended listed with name, title?	_____	
4. Is Executive Director, Director, Chief Financial Officer, Controller and/or Member of the Board listed in attendance?	_____	
5. Was Agency represented by the bookkeeper only?	_____	
6. Is audit firm represented by Partner and/or Manager?	_____	

If someone of management level or Member of the Board was not in attendance, CPA must address it. Otherwise, show this as an "Other" Finding in the Transmittal Letter.

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**Section M: DFTA Required Disclosures**

1. Are headings properly labeled? \_\_\_\_\_
2. Is the Summary of Sampling methodology properly disclosed? \_\_\_\_\_
3. Is there a disclosure for Payroll \_\_\_\_\_

**Observation?**

4. Is the result disclosed? \_\_\_\_\_
5. Is there a disclosure for Payroll Taxes? \_\_\_\_\_
6. For any irregularity(s) found, is it cited as a finding? \_\_\_\_\_
7. Is there a disclosure for Board Minutes? \_\_\_\_\_
8. If the Board Minutes were not available, at a minimum, is there a qualified opinion<sup>(1)</sup>? \_\_\_\_\_
9. For any irregularity(s) found, is it cited as a finding? \_\_\_\_\_

<sup>(1)</sup>If not, inquire reason(s) from CPA.

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**Section N: Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

1. Are reports properly titled? \_\_\_\_\_
2. Are the following Audit publications listed as being utilized?  
DFTA Audit Guide \_\_\_\_\_

**Section N (Cont.)**

YES, NO

	<u>or N/A</u>	<u>COMMENTS</u>		
3. GAO Standards	_____			
4. Comptroller's Directive #5	_____			
5. What is the type of Opinion expressed?				
	<u>Unqualified</u>	<u>Qualified</u>	<u>Disclaimer</u>	<u>Adverse</u>
Compliance	_____	_____	_____	_____
Internal Control	_____	_____	_____	_____
6. Does Report contain any reportable instances of non-compliance and material weaknesses or reportable conditions? (Hint: See also Findings and Recommendations)	_____			
7. Are instances of non-compliance properly cross-referenced in the Audit Report?	_____			
8. Are weaknesses or reportable conditions properly cross-referenced in the Findings and Recommendations?	_____			
9. Was Report properly dated and signed?	_____			

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### **Section O: Findings and Recommendations on Compliance and/or Internal Control Over Financial Reporting**

1. Are headings properly labeled?	_____			
2. Is the materiality of each finding indicated?	_____			
3. Does each current year's Finding have a Recommendation and Agency's Comment?	_____			
4. Are findings or conditions adequately written?	_____			
5. Is section/subsection of DFTA's Fiscal Management Manual cited, when applicable?	_____			
6. Are discrepancies and findings quantified?	_____			

*(Where applicable, these discrepancies must be quantified. If not, this is a deficiency).*



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**Section P: Follow-up of Prior Audit Report**

	<b>YES, NO or N/A</b>	<b><u>COMMENTS</u></b>
1) Are headings properly labeled?	_____	
2) If a prior year finding still exists, is it also detailed under current year finding?	_____	
3) Is there a follow-up on each prior Audit Finding?	_____	
4) Are questioned costs discussed?	_____	
5) Are questioned units discussed?	_____	

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**Section Q: Report on Common Sponsor Deficiencies**

- |                                                                                                      |       |
|------------------------------------------------------------------------------------------------------|-------|
| 1) Was Report properly submitted?<br>( <i>Hint:</i> Compare it with other sponsor's report reviewed) | _____ |
| 2) Was Report properly dated and signed?                                                             | _____ |

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**Section R: Other**