



THE CITY OF NEW YORK
STANDARD AUDIT PROCESS GUIDE

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Table of Contents

I.	Planning	2
II.	Field Work	3
III.	Progress Reports	5
IV.	Extension Requests	5
V.	Preliminary Draft Audit Reports	5
VI.	Draft and Final Reports	5
VII.	Follow-up	7
VIII.	Appendix A – Sample City Agency Audit Announcement Letter, with attached Document List Required for Audit	8
IX.	Appendix B – Sample Audit Firm Entrance Conference and Field Visit Letter	11

I. **Planning**

- A. The City Agency that scheduled the audit provides the audit firm with the City Agency's Audit Guide and / or Fiscal Manual for review and guidance.
- B. The audit firm signs agreements attesting to keeping records confidential and that their computer system maintains safeguards to protect confidential documents.
- C. The City Agency emails the Audit Announcement letter to the provider, attached as **Appendix A** to this City of New York Standard Audit Process Guide ("Guide"), and activates automatic email notification feature to confirm receipt.
- D. Within 10 business days from the City Agency's Audit Announcement letter, the audit firm emails to the provider an Entrance Conference and Field Visit letter, attached as **Appendix B** to this Guide, and the Internal Control Questionnaire (ICQ). The letter confirms an entrance conference date and time.
 - Providers should contact their agency liaison or the Mayor's Office of Contract Services with questions regarding their audit assignment.
 - If the provider has a conflict, both parties should confer to reschedule the entrance conference and field visit date.
- E. The provider uploads all documents requested in the notification letter and the ICQ to the HHS Accelerator Document Vault and shares those files with their City Agency and audit firm.
 - A comprehensive document list is attached as part of **Appendix A** of this Guide.
 - Each audit will have a document list that reflects the specific requirements of the particular audit and City Agency.
- F. The audit firm reviews the uploaded documents and completed ICQ to finalize its preliminary audit survey and audit plan.

Timeline: Up to 40 business days

II. Field Work

- A. The audit firm visits the provider's office to conduct the entrance conference and to begin the field work.
- B. The audit firm will examine, assess, and report on:
 1. The adequacy of the provider's accounting system
 2. Schedule of contract expenditures and revenue
 3. Financial records, as reflected in monthly expenditure reports
 4. The cost allocation plan for all expenses across programs and funding sources
 5. Outcomes for contracts in which payment is based on performance (for example, attainment of required service levels)
 6. Proper documentation, classification, and reporting of outcomes for contracts in which payment is based on performance
 7. Mechanisms for managing all receivables and payables, including taxes
 8. The filing and timely payment of all federal, state, and local payroll taxes
 9. The accounting for any related party transactions
 10. The classification and accounting of individuals receiving funds as consultants, employees, or stipend workers
 11. The adequacy of internal controls
 12. Contract compliance
 13. The participation of the provider's board of directors in program management
 14. The actions authorized by the provider's board of directors, as detailed in the meeting minutes for audited fiscal year
 15. If applicable, the content of the provider's most recent single audit (organization-wide audit, for entities receiving at least \$750,000 of federal funding annually) or audited financial statements, and the status of any reported findings
 16. Indirect rate as outlined in [The City of New York Health and Human Services Cost Policies and Procedures Manual \("Cost Manual"\)](#), including verification that:

- a. the rate used is consistent with any rate specified in the human services contract
 - b. the rate is applied to the correct direct cost base
 - c. the reimbursed indirect costs are allowable, reasonable, and not duplicative
- C. The audit firm conducts tests on a sample taken from a larger population of documents in the following areas:
 1. Salaries
 2. Fringe Benefits
 3. Other Than Personnel Services (OTPS)
 4. Contract Compliance
 5. Purchasing
 6. Funding
- D. The fiscal transaction testing for each City Agency will be conducted on a document sample size pursuant to the City Agency's policy.
- E. Based on preliminary findings, the City Agency may request additional testing.
- F. For contracts in which payment is based solely or wholly on performance, the audit firm will also test outcomes pursuant to City Agency standards.
- G. As the field work progresses, the audit firm shares observations and discusses issues with the provider.
- H. Should major concerns or material weaknesses arise, the audit firm promptly informs the City Agency.
- I. Upon fieldwork completion, the audit firm discusses preliminary findings and recommendations with the provider.
 1. The purpose of this informal meeting is to highlight the major findings and ensure that recommendations presented in the draft report are feasible.
 2. Audit findings will not be removed at this point.
 3. The provider receives a checklist of outstanding documents.
 4. The provider is given the opportunity to supply outstanding items to the audit firm before findings, if available, are reported.

Timeline: Up to 25 business days

III. Progress Reports

A. The audit firm must provide the City Agency the status of all audits on a bi-weekly basis.

IV. Extension Requests

A. The audit firm may request extension time for completing the following deliverables: field work, draft report, and final report.

B. Extension requests must be submitted in writing and state in detail:

1. Each cause for delay;
2. The date of each cause for delay; and
3. The total number of business days attributable to each cause for delay.

C. Acceptable reasons for extension requests include:

1. The provider requests an extension for the entrance conference date and / or field work start date.
2. Unsatisfactory condition of provider's books and records prevent timely completion of audit.
3. Other reasonable grounds
 - a. The audit firm's other engagements are not considered reasonable justification for an extension.

D. Extensions will be granted, including additional allowable business days, at the discretion of the City Agency.

V. Preliminary Draft Audit Reports

A. The preliminary draft audit report must be submitted to the City Agency within 35 business days after the entrance conference.

B. The City Agency reviews and corresponds with the audit firm, each providing feedback until both parties are satisfied with the report.

VI. Draft and Final Reports

A. The audit firm uploads the draft audit report to the HHS Accelerator Document Vault and shares with the City Agency no less than twenty-five business days before the exit conference.

1. The audit firm may request extension time for submitting a draft report no later than twenty business days prior to the due date.
 2. The audit firm also uploads and shares working papers, if requested by the City Agency.
- B. The City Agency reviews the draft audit report and working papers (if requested).
1. Both documents are matched with the ICQ for accuracy and completeness.
 2. The City Agency also reviews the working papers to ensure all findings are transferred to the draft audit report.
- C. The City Agency provides feedback to the audit firm on whether corrections are required before finalizing the draft report.
1. Reporting errors are documented by the City Agency and may be referenced in the audit firm's performance evaluation.
- D. The audit firm completes the requested edits, uploads the revised draft report to the HHS Accelerator Vault, and shares with the provider and the City Agency.
- E. During the exit conference, the audit firm, the provider, and City Agency discuss findings and other audit concerns.
1. All participants must sign the attendance sheet.
 2. An exit conference may occur via conference call, except if major findings are identified or the City Agency requests to meet in person.
 3. If findings are listed in the report, the provider is required to supply an explanation and additional documentation, which the audit firm will incorporate into the final report.
- F. Following the exit conference, the audit firm revises and uploads the final audit report to the HHS Accelerator Document Vault and shares with the City Agency and MOCS.
1. The City Agency reviews the final report to verify it is complete and error-free.
 2. The City Agency may return the final report to the audit firm for revisions.
- G. Once approved, the City Agency shares the final report with the provider.
- H. The City Agency has the right to reject audit reports throughout the term of the contract and up to one year after receipt of the final report.

Timeline: Up to 75 business days (Not including any extension periods granted by the City Agency.)

VII. Follow-up

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

Timeline: Up to 10 business days

VIII. Appendix A

Sample City Agency Audit Announcement Letter

[Date]

[Title, First Name Last Name]

[Job Title]

[City Agency Name]

[Address 1]

Re: **Announcement of Audit Contract #[Contract Number(s)]
Fiscal Year 20XX**

Dear [Title, Last Name]:

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

[Name of audit firm] will contact you within 10 business days from the date of this letter to schedule the entrance conference. To expedite the audit process, please extend full support and cooperation to the audit firm.

In anticipation of this audit, please upload the documents listed in the attached *Document List Required for Audit* to the HHS Accelerator Document Vault. This requires your organization to have an account in [HHS Accelerator](#) – the City’s online portal, designed to simplify and speed the contract process for human service providers. To expedite the audit process, please create folders to organize the requested documents, following the format described in the *Document List Required for Audit*, and use the “share” function to allow [City Agency abbreviation] and [Name of audit firm] to access your documents. **Please upload your documents into the HHS Accelerator Document Vault by [insert date here: 20 business days from letter date.]**

Please watch [this video](#) to learn how to upload and share documents through the HHS Accelerator Document Vault.

Through the recommendation of the [Nonprofit Resiliency Committee](#), a collaboration between human service providers and City Agencies, the City is adopting a standardized audit process that is designed to establish consistency and transparency across human service contract audits. Please see [The City of New York Standard Audit Process Guide](#) and [timeline](#) that sets forth the audit steps and expected duration of each phase.

Should you have any questions about this letter or during the course of the audit, contact your City Agency audit representative (listed below), or the Mayor's Office of Contract Services.

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

Thank you.

Sincerely,

[Name]

[Title]

[Department]

Document List Required for Audit

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

[Folder 1] Char 500 - 990 - Audit

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

[Folder 2] Organizational Documents and Policies

List of Documents:

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

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

List of Documents:

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

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

List of Documents:

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

IX. Appendix B

[Sample Audit Firm Audit Announcement Letter]

[Date – **within 10 business days of City Agency’s Announcement Letter**]

[Title, First Name Last Name]
[Job Title]
[Audit Firm Name]
[Address 1]

Re: **Entrance Conference and Field Visit for Audit of Contract(s): #[Contract Number(s)]
Fiscal Year 20XX**

Dear [Title, Last Name]:

The New York City [full City Agency name (abbreviation)] has engaged our firm to conduct an audit of the fiscal operations of your [City Agency abbreviation]-funded program(s) for the [FY__] audit period that ended [mm/dd/yyyy].

In advance of our entrance conference and field work, please upload and share with us through the [HHS Accelerator Document Vault](#) the documents listed in the announcement letter sent by [City Agency abbreviation] on [mm/dd/yyyy]. **Please upload and share your documents with our firm and [City Agency abbreviation] by [mm/dd/yyyy].**

As noted in the *Announcement of Audit of Contract* sent by the City Agency, the City is adopting a standardized audit process that is designed to establish consistency and transparency across human service contract audits. You can access [The City of New York Standard Audit Process Guide](#) and [timeline](#), which sets forth the audit steps and expected duration of each phase, on the [Nonprofit Resiliency Committee](#) webpage. Contact the Mayor's Office of Contract Services if you have questions about this new process.

Our entrance conference and field work will occur on [mm/dd/yyyy – a date within 30 business days of this audit firm letter]. Please let me know if you have a conflict or would prefer to reschedule.

Thank you.

Sincerely,

[Name]
[Title]