

## BUDGET POLICY AND REPORTING MANUAL

date 11/21/00	subject  GUIDELINES FOR REVIEWING OSC AUDIT REPORTS	item B-410
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### I. Purpose and Scope

This item revises procedural guidelines for an agency or authority response to draft or final audit reports issued by the Office of the State Comptroller (OSC). In addition, this item outlines the responsibilities of the Division of the Budget for the receipt, recording, distribution and monitoring of those audit reports.

### II. Division of the Budget Role in Agency Responses to Audit Reports:

The State Comptroller (OSC) audits agency and authority operations. The Division of the Budget (DOB) examination units review proposed agency responses to draft OSC audit reports on an exception only basis. The Division's review is intended to clarify and resolve important issues promptly and in a manner consistent with executive policy and is typically limited to those audits involving significant fiscal, operating or program issues. **It is the responsibility of the appropriate examination unit to notify the agency if it wishes to review a draft response before it is sent to OSC** (see section III. B. 1).

The State Education Department, the Judiciary and public authorities are not required to follow the Division's review procedures.

This item provides policy and procedural guidelines for the review of agency responses to audit reports.

### III. OSC Audit Reports:

#### A. **Types of OSC Audits Conducted and Reports Issued:**

OSC issues a variety of audit reports. Some are issued under the provisions of Executive Law, §170; others are issued under the Comptroller's authority as set forth in the State Constitution, Article V, §1, and State Finance Law, Article 2, §8. **The authority under which the audit was conducted, the response requirements and any deadlines are explained in either the OSC letter transmitting the audit report to the entity or the body of the report itself.**

#### B. **Agency and Authority Responses to OSC Audit Reports:**

Agency and authority responses to audit reports should address the issues raised in a timely and constructive manner and provide clear, substantive reactions to report findings and recommendations.

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### 1. Draft Audit Reports:

When OSC issues draft audit reports under §170 of the Executive Law, the auditee is invited to submit a response within 30 days. Agencies nearly always comment on draft audit reports. If unable to respond in that timeframe, the agency should submit a written request to OSC for extension of the deadline. Such requests should be submitted within the 30-day timeframe and be addressed to the audit director who transmitted the draft report to the agency. A copy of such requests should be sent to the entity's examination unit if the unit has requested a review of the entity's response.

OSC is required by §170 to include in the final audit report any response received within the 30-day or approved extended deadline.

**Except for the State Education Department (SED), the Judiciary and public authorities, the Division of the Budget clears responses to the draft audit reports on an exception-only basis.** Upon request from the DOB examination unit, the auditee should send one copy of the proposed response to its examination unit **eight business days before the OSC deadline.**

After completing its review, the examination unit notifies the agency whether the proposed response is cleared for transmission to OSC. **If the Division has not contacted the agency within seven days of receiving a proposed response, the agency transmits it to OSC.**

**For SED, the Judiciary and public authorities, the response (without prior DOB clearance) should be sent to OSC. The examination unit which reviews those entities' activities may request an informational copy.**

### 2. Final Audit Reports:

When OSC issues final audit reports under §170 of the Executive Law, the auditee is required to submit responses within 90 days to describe the steps taken in reaction to the reports. When a report covers a follow-up review of actions taken in response to an earlier audit report, OSC requires a response within 30 days.

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**No approval or clearance from the Division of the Budget is needed before responses to final audit reports are transmitted to OSC.**

AT THE SAME TIME A RESPONSE IS SENT TO OSC, the auditee should send one copy to their examination unit.

### 3. **Special Reports:**

Although the majority of OSC audit reports are issued as described above, OSC conducts staff studies and audits for special purposes or under special authority or agency agreements. In each case, an agency or authority response is required or requested in accordance with such special authority or agreements. The OSC letter transmitting such an audit report, or the body of the report itself, specifies the authority or agreement under which the audit was conducted and the expectation for an agency response.

- a. **OSC Staff Studies:** OSC may conduct staff studies of agency programs or operations or of practices common to many State agencies (e.g., management of the State's accounts receivable) and develop general observations or conclusions on improvements needed. OSC issues draft reports, invites comments and prints comments in the final reports, similar to the practices for audits conducted under authority of §170 of the Executive Law. The agencies may be invited by OSC to submit a response within 15 or 30 days. However, agencies are not required to submit 90-day responses.
- b. **Contract Audits:** These audits, conducted under Article V, §1 of the State Constitution, and Article 2, §8 of the State Finance Law, cover the reimbursements claimed by service providers under contract with one or more State agencies. Such reports are issued in final form and responses from the responsible State agencies are requested to be submitted within 30 days. The audits usually provide for disallowances or payment of additional funds owed by the State.

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- c. **Financial Audits:** These audits review the financial activities of selected State operations, e.g., unemployment insurance and workers compensation, and public benefit corporations. The audits are authorized by Article X, §5 of the State Constitution, and under §170 of the Executive Law. Each audit report is issued in draft and final form with the customary 30-day and 90-day response provisions.
  
- d. **Community College State Aid Audits:** These audits, conducted under Article V, §1 of the State Constitution, and Article 2, §8 of the State Finance Law, determine the State's liability for State operating aid under §6304 of the Education Law. Such an audit report is shared in draft form with the college and SUNY or CUNY officials, as appropriate. The report is then issued in final form, including a characterization of the reaction of college or university officials to the draft version.
  
- e. **TAP Reimbursement Audits:** These audits cover reimbursements provided to educational institutions for TAP recipients. They are conducted under Article V, §1 of the State Constitution, and Article 2, §8 of the State Finance Law and a Memorandum of Agreement (December 1, 1989) among OSC, the Higher Education Services Corporation (HESC), SED and DOB. These audit reports are issued in final form only and provide for an audit disallowance or additional TAP payment. On occasion, such an audit report recommends follow-up legal or administrative action by HESC or SED.

[Attachment](#)