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I. Purpose and Scope

Background

Prior to enactment of the Federal Single Audit Act (31 USC 7501 et seq.) in 1984, financial and program audits conducted by Federal agencies of the financial assistance provided to State governments were often duplicative and inconsistent. The degree and frequency of auditing varied among programs, from repeated scrutiny by a variety of Federal auditors for some programs to infrequent or only cursory review for others.

To provide consistent basic audit coverage, each state is now required under the Single Audit Act (as amended in 1996) to obtain an annual, independent audit of all of its Federal expenditures. The audit is performed on a program-by-program basis according to established and uniformly applied standards set forth in the U.S. Office of Management and Budget's (OMB) Circular A-133. It provides a systematic test of whether the internal controls adopted by State agencies to manage this aid provide reasonable assurance that assets are safeguarded and expenditures are appropriate, and that State agencies have complied with Federal laws and regulations affecting the use, cash management and reporting of Federal funds by the State and its subrecipients.

New York State's Single Audit

The Single Audit reports on New York State's annual disbursement of more than \$60 billion in Federal funds as well as the State's administration of additional non-cash aid (principally the Supplemental Nutrition Assistance Program, commonly known as food stamps and Federally donated food) valued at over \$5 billion. The Single Audit focuses on the State's approximately 30 major Federal programs administered by around a dozen lead State agencies since those major programs represent approximately 96 percent of total annual Federal expenditures by the State.

The Single Audit Act requires the State to submit to the Federal government, by December 31 each year, the audit report, a Data Collection Form, an update to prior audit findings, and responses to current audit findings. The Division of the Budget (DOB) must forward these responses, known as the Corrective Action Plan (CAP) and the Summary of Prior-Year Findings, to the U.S. Department of Health and Human Services (DHHS) and the Federal Audit Clearinghouse as a component of the State's Single Audit. DHHS is responsible for administrative coordination of the Single Audit process at the Federal level. The CAP is the basis for subsequent audit resolution.

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State agencies are primarily responsible for resolving findings with the Federal agency having oversight responsibility for the program. Since actions in response to the auditor's recommendations may have fiscal or administrative implications, it is important for agencies to keep informed about the status of key findings. DOB is regularly involved in resolving outstanding issues and ensuring an efficient audit process.

Federal agencies use the CAP to resolve audit findings. State agencies provide any additional information on planned or completed corrective actions identified in the CAP or, upon request by Federal officials, supporting documentation to defend the State's disagreement with a specific finding or audit recommendation.

Finally, the Act authorizes New York State to charge back to the Federal government the full costs of the Single Audit. Accordingly, the auditor is paid by DOB from a Miscellaneous Agencies Internal Services Fund - Federal Single Audit Charge Back Account, established for this purpose. Expenditures from this appropriation are reimbursed by the State agencies responsible for administering Federal programs through a billing process administered by DOB. Agencies charge their billed costs to the audited Federal programs with the payments credited to the Charge Back Account.

Applicability

This Budget Policy and Reporting Manual (BPRM) item describes the responsibilities of the Division of the Budget, the Office of the State Comptroller, and those State agencies that administer Federal funds and thereby are subject to the requirements of the Federal Single Audit Act. For purposes of the Single Audit, the State of New York is defined as the agencies, departments, and other entities of the executive, legislative, and judicial branches of the New York State government, with the exceptions of the State-administered retirement systems, certain public benefit corporations, the State Lottery and the Senior Colleges of the City University of New York. Where applicable, these entities are subject to separate reporting of Federal expenditures as part of periodic independent audits of their financial operations. The State University of New York (SUNY) is included in the Single Audit reporting entity.

The following public benefit corporations (PBC) are included in the State's Single Audit: Battery Park City Authority, Dormitory Authority, Energy Research and Development Authority, and the Housing Trust Fund Corporation. Other PBCs may choose to be included at a later date pursuant to negotiations with DOB by contacting their budget examiner or the DOB's Administrative Services Unit.

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If a State entity expends \$ 500,000 or more annually in Federal funds, then that entity is subject to the Single Audit Act requirements. State entities that serve as a “pass-through entity” of Federal funds to subrecipients (local governments or not-for-profit entities) are also responsible for advising subrecipients of Federal requirements and for monitoring their activities to ensure that Federal awards are used for authorized purposes in compliance with applicable laws, rules and regulations.

Additionally, pass-through entities are responsible for notifying subrecipients of Federal award information, ensuring that subrecipients expending Federal funds in excess of the above threshold meet A-133 audit requirements, issuing a management decision on audit findings within six months of receiving the report, and following up to ensure the subrecipient takes timely corrective action on any audit findings. See Section X of this Item, “Subrecipient Audits” for more information.

II. Role of the Division of the Budget (DOB)

DOB manages the Single Audit contract, facilitates the auditor's on-site work at various agencies, coordinates preparation of State agency responses to final audit findings, and compiles the auditor's reports and any agency-provided documentation which comprise the State's annual Single Audit reporting package submission. DOB’s examination units ensure that the agency responses included in the CAP address the audit findings, that proposed corrective actions reflect demonstrated need and agency resources, and that such actions adopted through the audit resolution process are fiscally and programmatically beneficial to the State. For further information contact DOB’s Administrative Services Unit at (518) 474-6324.

III. Role of the Office of the State Comptroller

For purposes of the Single Audit, the Office of the State Comptroller (OSC) establishes the criteria for agencies to identify their Federal disbursements on a Federal program basis. The OSC Bureau of State Financial Reporting prepares the related Schedule of Expenditures of Federal Awards that is reviewed by the auditor. The State’s centralized cash management procedures are subject to annual, independent review as part of the State's Single Audit. The audit also reviews the procedures used by agencies to manage Federal funds, draw down funds from the U.S. Treasury, and determine subrecipient cash needs. For further information and guidance, refer to OSC’s *New York State Accounting System User Procedures Manual* (Volume XI – “Controls and Special Procedures,” Section 5.0200 – “Accounting for Federal Grants – Single Audit

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Act Compliance”) which is located at OSC’s website www.osc.state.ny.us/agencies/accmanual/index.htm.

IV. Role of Audited State Agencies

The management of Federal financial assistance is decentralized; agencies administering Federal programs are responsible for ensuring that the use of such funds complies with all applicable laws, regulations, and financial reporting requirements and for monitoring its subrecipients (see “Subrecipient Audits” in Section X).

The head of each agency subject to the audit designates an individual – known as the Single Audit Contact – to be the liaison with DOB and the independent auditor. The Single Audit Contact facilitates on-site audit work, coordinates preparation of the agency’s corrective action plans, follows up on resolution of audit findings, and coordinates the agency’s subrecipient monitoring activities.

V. Data Universal Numbering System (DUNS)

Consistent with BPRM Item I-100, “New Federal Requirements for Federal Funds Applications,” regarding the use of Dun & Bradstreet’s Data Universal Numbering System (DUNS) numbers, State agencies will be responsible for the accuracy of DUNS numbers included in the State’s Single Audit, as will public authorities which have elected to be covered by the State’s Single Audit. While State agencies may currently have numerous DUNS numbers assigned to them, Item I-300 deals only with those numbers specifically used by State agencies in connection with applications for Federal grants and cooperative agreements. The Single Audit Data Collection Form requires that all DUNS numbers included in the statewide audit be reported on the form.

Item I-100 further states that, “It is recommended that each agency use one DUNS number assigned specifically to the agency, for all applications for Federal grants or cooperative agreements. Very likely each agency already has one or more DUNS numbers from which to choose; the agency’s main DUNS number would probably be most appropriate. If the agency does not have a DUNS number, it will be necessary to apply for one. Choosing an appropriate existing DUNS number, or obtaining a new DUNS number if necessary, is the responsibility of each agency that applies for Federal funds or cooperative agreements.”

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VI. State Policy Regarding the Single Audit Process

All entities involved with the Single Audit should meet the following policy objectives:

- A. Establish internal control systems to document the receipt, disbursement and reconciliation of Federal funds by State agencies and subrecipients.
- B. Cooperate fully with the independent auditor in the conduct of the audit and with appropriate Federal officials in the resolution of audit findings.
- C. Promote the resolution of audit findings through effective State agency responses (the Corrective Action Plan and the Summary of Prior-Year Findings) that establish the basis for disagreement with a given finding or identify the corrective measures agency management deems appropriate.
- D. Use the audit to identify management improvements in State operations.

VII. Conducting the Single Audit

The following represents key time periods for the Single Audit.

- April: Auditor submits an annual audit plan for DOB approval.
- May – October: Auditor performs audit fieldwork.
- Sept. – October:
 - 1. Agencies prepare Summary of Prior-Year Findings (PYF)
 - 2. Auditor submits draft findings to agencies (copies to DOB).
 - 3. Exit meetings are held with agency/DOB officials to discuss draft findings and receive draft Representation Letters.
 - 4. Auditor revises findings to reflect exit conference discussions.
- November:
 - 1. Auditor submits draft audit report to DOB/agencies.
 - 2. Agencies draft CAPs.
 - 3. Final report officially released to the State by the auditor.
 - 4. Agencies submit Representation Letters, CAPs and PYFs.
 - 5. DOB reviews and approves CAPs and PYFs.
- December: DOB submits the Single Audit to the Federal government.

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A. Division of the Budget

1. Administrative Services Unit

- a. In April of each year, reviews and approves the audit plan as prepared and submitted by the independent auditor;
- b. Attends conferences between the auditor and agencies both to initiate on-site work and, after the work is complete, to discuss draft audit findings;
- c. Meets regularly with the auditor on the progress of the audit, emerging findings and issues affecting the conduct of the audit; and
- d. Prior to formal issuance of the audit, instructs audited agencies to provide the auditor with a representation letter attesting to the full disclosure and accuracy of information provided to the auditor.

2. Examination Units

Review and approve agency responses to draft audit findings and prior year funding updates for program and fiscal implications.

B. Office of the State Comptroller

1. Bureau of State Financial Reporting

- a. Prepares the draft Schedule of Expenditures of Federal Awards (see Section III) and related explanatory Notes regarding the definition of New York State for Single Audit purposes upon close of the fiscal year to be audited;

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- b. Works with agencies to update Schedule amounts reported so that an accurate and complete Schedule can be included in the final Audit Report.

2. Bureau of Accounting Operations

Subject to annual appropriation and at DOB's request, following enactment of the State Budget establishes the Single Audit Chargeback Account into which State agencies deposit their pro-rated share of audit costs to reimburse the State for the costs of the audit (see Section XI "Charge Back to Federal Programs for Audit Services").

C. Audited State Agencies

1. Single Audit Contact

- a. At the request of the auditor, schedules meetings with agency staff;
- b. Arranges for the auditor's on-site workspace, as needed; and
- c. Obtains representations from the agency's top management to support the issuance of the independent auditor's reports.

2. Financial and Program Staff

- a. Provide the auditors with information and documentation on internal controls and compliance specific to Federal programs;
- b. Attend audit conferences to discuss draft audit findings; and
- c. Develop appropriate responses to audit findings for review by agency management (see Section VIII).

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D. Auditor

1. Prepares an annual audit plan for approval by DOB and conducts the Single Audit in accordance with that approved plan;
2. Informs DOB of findings or issues which, if addressed, could save State money, maximize Federal funds, enhance program management, or otherwise improve the effectiveness of State operations; and
3. Develops a final audit report including any findings, as modified by considering any additional documentation that agencies provide in response to the draft report. Submits the final audit to DOB by December.

VIII. Preparation of Corrective Action Plans and Submission of Reports

A. Division of the Budget

1. Administrative Services Unit
 - a. Requests Single Audit Contacts to complete and submit agency CAPs (See Appendix 1).
 - b. Upon receipt of CAP's, forwards a copy to the appropriate budget examiner for review and clearance;
 - c. Between receipt of all unit clearances and the December 31 submission deadline, works with the auditor to ensure CAPs and the Summary of Prior-Year Findings (see Appendix 2) are included in the final report, and prepares Representation Letters for signature by the Budget Director; and
 - d. Submits the Single Audit reporting package to the Federal Audit Clearinghouse. In addition, copies are sent to participating State agencies and the Office of the State Comptroller.
2. Examination Units

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As part of the process just described, budget examiners work with agencies to obtain an acceptable response and clear proposed responses through their unit head. Units clear responses for inclusion in the statewide CAP.

B. Audited State Agencies

1. The Single Audit Contact coordinates CAP preparation and ensures CAPs adequately support the agency's position on a finding or questioned cost, and clarify the nature and timing of planned corrective actions.
2. The Single Audit Contact reviews the responses for conformance with format instructions and submits the CAPs to DOB.

IX. Resolution of Audit Findings

A. Division of the Budget

1. Administrative Services Unit
 - a. Provides a significant finding summary to the appropriate deputy.
 - b. Works with examination units and agencies as needed to resolve significant fiscal or management issues.
2. Budget Examination Units
 - a. Monitor actions proposed by agencies in response to audit findings as stipulated in the CAP, Summary of Prior-Year Findings or Federal requests for additional information;
 - b. Participate in negotiations between the State and Federal agencies concerning unresolved audit findings; and
 - c. Take steps to minimize potential disallowances that may result from the resolution of findings contained in the Single Audit.

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B. State Agency

1. Single Audit Contacts

- a. Serve as the initial State agency contact for Federal reviewers assigned to resolve Single Audit findings;
- b. Coordinate agency resolution activities by notifying agency management and DOB of potential disallowances and involving appropriate program, financial, and legal staff in the resolution process;
- c. Act as liaison with the Single Audit Contacts of other State agencies to resolve findings involving sub-allocated funds for which the lead agency has been cited;
- d. Arrange briefings for the agency's budget examination unit concerning findings deemed by State agency management to be potentially significant;
- e. Provide information to update the Summary of Prior-Year Findings; and
- f. Provide DOB with copies of any audit resolution correspondence from or to Federal agencies.

2. Agency Program Staff

- a. Work with the Single Audit Contact to develop an agency approach to resolve audit findings;
- b. Provide information to the Single Audit Contact on the status of corrective actions and any negotiations with Federal reviewers, including copies of any correspondence.

X. Subrecipient Audits

When a State agency provides any Federal funds to a subrecipient as part of the award process, the State agency communicates to the subrecipient pertinent Federal award

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information (i.e. Catalog of Federal Domestic Assistance program title and number, award name, and name of the Federal granting agency etc.) If a State agency provides Federal funds to an entity that expends \$500,000 or more annually in Federal funds, that State agency is responsible for obtaining copies of the subrecipient’s A-133 audit reports and determining whether any audit findings affecting its programs are significant and warrant follow-up. If so, the State agency takes action within six months of such determination.

To meet this responsibility, State agencies that provide funds to subrecipients pursuant to OMB Circular A-133 must maintain systems and procedures that ensure appropriate and adequate State monitoring of these Federal expenditures consistent with the applicable program requirements.

XI. Charge Back to Federal Programs for Audit Services

A. Overview

In accordance with the Federal Single Audit Act and the Office of Management and Budget’s Circular A-133, DOB charges State agencies for their proportional share of Single Audit costs. DOB bills those State agencies having lead responsibility for one or more major Federal programs being audited during that fiscal year. This procedure ensures that audit costs are equitably borne by State agencies and Federal programs based on the level of actual audit activity.

B. Billing Process

Each January, the Single Audit contractor provides DOB with a report of the actual audit hours by State agency and by Federal program or cluster. Based on this report, DOB calculates the amounts to be billed to State agencies and charged against each Federal program.

DOB notifies the Single Audit Contact of each billable State agency of the apportioned billing amount and instructs agencies to process payment.

XII. References

- A. Federal Single Audit Act of 1984** (31 USC 7501 et seq.) and Single Audit Act Amendments of 1996 (P.L. 104-156) establishes the purpose, reporting

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requirements and roles of the independent auditor, the government auditee and the Federal cognizant agencies as well as OMB.

- B. U.S. Office of Management and Budget (OMB) Circular A-133 entitled Audits of States, Local Governments, and Non-Profit Organizations** provides audit requirements for these entities and defines Federal responsibilities for implementing and monitoring these requirements. This Circular and its Compliance Supplement (below) are available on-line at: http://www.whitehouse.gov/omb/circulars_default.
- C. U.S. OMB Circular A-133 Compliance Supplement** revised and issued annually, summarizes significant audit requirements for the larger Federal assistance programs.
- D. Catalog of Federal Domestic Assistance (CFDA)**, periodically updated by the U.S. General Services Administration, provides the titles and index numbers by which Federal program expenditures are tracked for Single Audit purposes. The CFDA is available on-line at www.cfda.gov.
- E. U.S. General Accounting Office (GAO) Government Auditing Standards**, establishes the type of auditing to be performed for the Single Audit, other criteria regarding the auditor's qualifications, and reporting requirements. These standards are available on-line at www.gao.gov.
- F. Code of Federal Regulations (CFR)** contains requirements for specific programs. The CFR is available on-line at <http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR>.
- G. Budget Policy and Reporting Manual Item I-100** "New Federal Requirements for Federal Funds Applications," provides guidance on the use of OMB-required use of Data Universal Numbering System (DUNS) numbers.
- H. Office of the State Comptroller's New York State Accounting System User Procedures Manual** Volume XI – "Controls and Special Procedures," Section 5.0200 – "Accounting for Federal Grants – Single Audit Act Compliance" provides guidance on specific accounting requirements for Federal funds. This manual is available on-line at www.osc.state.ny.us/agencies/acmanual/index.htm.

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**Appendix 1
Corrective Action Plan Common Format and Instructions**

The State must submit to the Federal government a Corrective Action Plan (CAP) responding to all Single Audit findings. Agencies should use this CAP format for each finding in the Single Audit. (Typestyle is 12 pitch – Arial font, indent left margin one inch, do not paginate, and submit via e-mail attachment to bdluca@budget.state.ny.us.)

NEW YORK STATE CORRECTIVE ACTION PLAN
Statewide Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 20XX

State Agency: Full Name – No Abbreviation
 Single Audit Contact: Name of Agency-wide Representative
 Title: _____
 Telephone: (____) _____
 Federal Program(s) CFDA #(s) List Program Title(s) & CFDA # (s)
 Audit Finding Number XX-XX Audit Report Page Reference(s) XX-XX

I. Type of Finding (Check one):

- Internal Control with Related Noncompliance**
(Finding includes “Recommendation” & “Questioned Costs”)
- Internal Control Only (No Noncompliance Cited)**
(Finding includes “Recommendation” only)
- Other Reportable Noncompliance (Finding Only)**
(Finding includes “Questioned Costs” only)

Questioned Costs \$ _____
(Three possible entries: “none”; a dollar amount; or “cannot be determined”)

II. Summary of Finding (include internal control recommendation(s), if applicable):

(Describe the finding including identified internal control weaknesses and recommendations, if any. If the finding notes a similar finding from the prior-year’s audit, indicate that the finding is included in the prior-year summary.)

III. Agency Response:

(Responses should be concise, outlining any disagreement with the finding or, if concurring, identifying corrective actions taken or planned, and time frames.)

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Appendix 2
Summary of Prior-Year Findings Format

AGENCY SUMMARY OF PRIOR-YEAR FINDINGS

Prior-Year

Audit Period: State Fiscal Year Ended March 31, 20XX

State Agency: _____

Single Audit

Contact: _____

Title: _____

Telephone: _____

Prior-Year Audit Report Page Reference: _____

See Attached Prior-Year Finding Number: _____

Status Report on Prior-Year Finding: