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From: Audit Administration
To: All IPA Firms
Subject: AOS Bulletin 2015-007 and the Hinkle System
Date: March 22, 2016

The purpose of this communication is to provide guidance relative to the audit requirements resulting from the issuance of Auditor of State (AOS) Bulletin 2015-007 and the required annual financial report filings via the Hinkle System.

The December 31, 2015 period was the final period for implementation of filing via the Hinkle System. The annual financial report filing for all required entities must now be submitted via the Hinkle System. The required components of the financial filing vary by entity type and basis of accounting; however, all entities must upload a PDF document of their final, unaudited financial statements, including notes to the financial statements. These requirements are outlined in AOS Bulletin 2015-007.

The following areas will be discussed in this memo:

- The requirement to audit financial statements uploaded via the Hinkle System;
- Audit reactions/audit adjustments resulting from auditing uploaded financial statements;
- AOS planned client guidance/assistance for preparing financial statements and re-filing via the Hinkle System;
- Ensuring the client contact information in the IPA Portal is current; and
- The update of the Hinkle System status tracker in the IPA Portal.

Auditing Financial Statements Uploaded via the Hinkle System - Beginning with periods ending in 2016, financial statements uploaded into the Hinkle System are required to be audited.

- Page 9 of AOS Bulletin 2015-007, states:

“ . . . beginning with audits of financial periods ending in 2016, the AOS (and any Independent public accounting (IPA) firms contracted to perform audits for the AOS) will audit the financial statements uploaded and submitted to the AOS via the Hinkle System. At the commencement of the audit, the AOS or IPA will verify with the entity that the financial statements submitted via the Hinkle System are the final, unaudited financial statements for the audit period. If the entity indicates the financial statements filed via the Hinkle System for the audit period require modification, the entity must contact the AOS at HinkleSystem@ohioauditor.gov in

order to re-file. The filing date and accounting basis of the re-filed annual financial report will then become the basis for determining compliance with the filing requirements discussed in this Bulletin.”

- Entities are **not** required to re-file their Hinkle System 2015 submissions in order for the IPA to perform the audit; however, the auditors should review the entity’s Hinkle System filing and verbally inform the entity of any deficiencies in the filing, including omitted notes to the financial statements, incorrect basis of accounting selected, content of the uploaded PDF file, etc. in order to assist them with understanding what should be filed and make them aware that in the future, they **may** be cited when their Hinkle System filing is incomplete and/or late.
- If, at the commencement of a 2016 audit, auditors find the entity has not submitted notes with the financial statements, filed incomplete or draft financial statements or selected the incorrect basis of accounting (for entities that key in information) via the Hinkle System, the entity may re-file via the Hinkle System without receiving a late filing citation; however, if re-filing occurs after the 2015-2016, 2016 or 2016-2017 audit periods, the entity should be cited in the management letter for filing late. Additional guidance is provided in *Ohio Compliance Supplement* (OCS) 1-17.
- If an IPA firm is requested to perform non-audit services (i.e. preparation of the financial statements and/or notes to the financial statements) by the client, the IPA will need to ensure the non-audit services do not impair audit independence in accordance with *Government Auditing Standards* paragraph 2.12. In addition, as required by the Request for Proposal, the IPA firm must provide prior notification to the AOS when the IPA intends to provide any non-audit service for a contracted engagement. The IPA non-audit services form should be submitted to IPAcorrespondence@ohioauditor.gov.

Audit Reactions/Audit Adjustments

- Since the financial statements and notes to the financial statements filed via the Hinkle System for audit periods ending in 2016 and later will be audited, if an entity fails to file in the Hinkle System, it may be declared “unauditable,” as the financial statements are not available to audit. If at the commencement of the audit, the client has not completed their required filing, your firm should request the client file financial statements via the Hinkle System. If the client has not prepared auditable financial statements which can be submitted via the Hinkle System, please contact the Regional Chief Auditor immediately to determine if the client is auditable.
- The 2016 *Ohio Compliance Supplement* provides guidance in Section 1-17 for reporting noncompliance due to late or incomplete/draft filing of financial statements. In addition,

AU-C 265 should be utilized in determining whether GAGAS noncompliance findings and audit adjustments also require reporting as control deficiencies.

- The intent of filing via the Hinkle System is to have final, unaudited financial statements available at the time the audit commences, and once the client has filed the final, unaudited financial statements, any required adjustments are audit adjustments.
- Beginning with June 30, 2016 school audits, AOS will also be introducing an “audit adjustment application” to the Hinkle System, which will require the IPAs to key in applicable audit adjustments for cities, counties, schools, community schools, townships, libraries and villages to Hinkle System data as part of the audit finalization procedures. The Center for Audit Excellence will verify adjustments were entered into the Hinkle System during their IPA report review process, prior to the report certification. Additional information regarding the audit adjustment process will be provided after June 30th.

Client Guidance/Assistance for Preparing Financial Statements and Re-filing via the Hinkle System

- During 2016, the AOS plans to provide the entities with many resources (in-person trainings, webinars and report shells designed for annual reporting) to help them understand how to prepare their financial statements, including notes to the financial statements.
- GAAP mandated entities, that in the past have filed GAAP financial statements in order to avoid a non-compliance citation but request your firm to audit cash basis financial statements, will need to re-file if the entity intends to have cash basis financial statements audited. If the basis of accounting filed via the Hinkle System/audited differs from the basis in the original contract, a contract modification should be prepared, approved by the client and submitted to the AOS.

Current Client Contact Information in the IPA Portal

- When auditing an entity, auditors should verify the client contact information in the IPA Portal is correct. This will ensure entities receive the Hinkle System email with the filing link as well as IPA invoice approvals and other correspondence from the AOS.
- To access client contact information and view financial data filings in the Hinkle System, select “View Client Detail and Hinkle System Filings” on the IPA Portal home screen. Your firm can request client contact information be updated via the IPA Portal or the client can request an update via the AOS’ eServices portal. Additional guidance relative to the IPA Portal can be found in the [Guide to the IPA Portal](#).

Hinkle System Status Tracker Update

Previously, the information on the Customer Detail screen for Hinkle System Data only reflected “submitted” filings. In order to ensure the IPA firms are aware of any client filing extensions granted and the status of each entity’s filings, we have now included the current status of all filings for which we have provided links to clients. In addition to “**Submitted**” filings, the Hinkle System Data now reflects filings that are:

- **Ready to Email** (generally entities for which we do not have an email contact in GP and therefore are unable to send the email with the filing link.)
- **Not Started**
- **In Progress** (any keyed data or uploaded files will be visible; however, the filing should not be considered complete until in “Submitted” status)

If you have any questions or concerns regarding any of the issues in this memo, please email IPACorrespondence@ohioauditor.gov.