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From: AOS Administration
To: All IPA Firms
Subject: Hinkle System – Adjustment Application Update
Date: April 24, 2017

In September 2016, the Auditor of State's (AOS) Office introduced the Hinkle System Adjustment Application. As you recall, the Hinkle System includes a process to post audit adjustments to the Hinkle System filings for audits of entity types required to input financial statements and related data as part of their Hinkle System filing (cities, counties, school districts, educational service centers (ESC), community schools, townships, libraries and villages) prior to release of the audit report for the applicable period(s). Posting the adjustments is required for all these entity types beginning with their 2016 audits since 2016 is the first period for which the financial statements filed via the Hinkle System are audited.

The final components of the Hinkle System, adjustment applications for townships, libraries and villages, are now installed and operational. For 2015-2016 audits, adjustments should only be posted for the 2016 year as there are no adjustment links for 2015.

Agreed-upon procedures (AUP) engagements

Options were added to the first page of the adjustment application for (AUP) engagements for these small entity types. Since an opinion is not provided on the financial statements for these reduced services engagements and financial statements are not presented in the report, selecting AUP will skip the adjustment section and go immediately to the compliance section of the adjustment application.

Re-filing requirements

We have noted that several of these smaller entities selected a basis of accounting that did not correspond to the financial statements uploaded. Although we are only auditing the uploaded financial statements, it is important the correct basis of accounting is selected since it drives the due date of the filing, extensions, and the financial statement shells for keying the financial statement data. We currently post the unaudited Hinkle System data on our website in compliance with Ohio Revised Code 117.38, but to provide transparency, we intend to eventually also post Hinkle System adjusted data for 2016 and beyond to the website. Therefore, in the following situations, your client **must** re-file its 2016 and later Hinkle System filings if the incorrect basis of accounting was selected, even if the uploaded file is complete and on the appropriate basis of accounting:

1. For all entity types(*) which require keyed financial statement data (i.e. cities, counties, school districts, ESCs, community schools, STEM schools, townships, libraries and villages).

*The only exception is GAAP-mandated entities that upload financial statements on a regulatory basis, since the Hinkle System does not provide a regulatory basis choice for GAAP-mandated entities and selecting “Adverse – GAAP mandated entity filed regulatory financial statements” results in skipping the adjustments section. In those cases, the entity would need to select OCBOA cash or OCBOA modified cash to ensure the correct due date is established.

2. For all other entity types (except colleges/universities or community improvement corporations (CICs), including economic development corporation and land reutilization corporations), the Hinkle System filing must be re-filed if they selected one of the cash basis filing types (regulatory, OCBOA cash or OCBOA modified cash) but uploaded GAAP financial statements or if they selected GAAP as the filing type and uploaded financial statements on one of the cash basis filing types, since the due date will be incorrect. The colleges/universities and CICs are GAAP-mandated entities, but their due dates are specifically set by statute and are not impacted by the accounting basis of the filed financial statements.

Please remember that we included footnote 56 to *Ohio Compliance Supplement* Section 1-17 to provide a “learning” year for our clients regarding the required components of their Hinkle System filing, including the basis of accounting of their financial statements. We will not require entities to re-file if they are not required to key financial statement data into the Hinkle System, and they selected one of the cash filing types but filed another cash filing type. For example, they selected OCBOA cash but filed regulatory. However, you should educate your client if they selected the incorrect filing type so that they can select the correct basis in the future. For these situations, please include documentation in your work papers that you verbally notified the client.

Audit Inquiry Form

We have had several requests from clients to re-open their Hinkle System filing, mostly because they did not include their notes to the financial statements in the PDF document or the uploaded notes are for an accounting basis other than that of the financial statements. If your client needs to re-file, please direct them to the AOS Annual Financial Statement Filing Inquiry Form (<https://forms.ohioauditor.gov/AuditInquiryForm>). If your client needs to merge PDF files together in order to upload **one** PDF document, please refer them to the PDF quick guide on our website: (<http://www.ohioauditor.gov/financialreporting/Quickguide%20for%20Document%20PDF%20and%20Merge.pdf>).

If you have any questions or concerns, please email IPACorrespondence@ohioauditor.gov.