



Auditor of State Bulletin

Date Issued: September 12, 2012 - Revised August 2016, See Green Font  
Revised December 2019, See Red Font

- TO:
- Agricultural Societies
  - Cemeteries
  - ~~Family & Children First Councils~~
  - Libraries
  - Regional Planning Commissions
  - Townships
  - Water, Sewer, & Sanitary Districts
  - ~~County Boards of Health~~
  - Conservancy Districts
  - Police/Fire/Ambulance Districts
  - Park/Recreation Districts
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  - Villages
  - Independent Public Accountants
  - Airports/Transit/Port/Convention Facilities/Finance Authorities
  - Community Improvement Corporations/Land Revitalization Corps
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  - Emergency Management/Planning Agencies
  - Joint Economic Development Districts/Zones
  - New Community Authorities
  - Soil and Water Conservation Districts/Boards
  - Special Improvement Districts
  - Transportation Improvement Districts/Projects
  - Visitor & Convention Bureau

FROM: Dave Yost, Ohio Auditor of State  
SUBJECT: Eligibility of Entities for Reduced Auditor of State Audit Procedures  
Ohio Revised Code Section 117.01(G) defines an "audit" as any of the following:

- (1) Any examination, analysis, or inspection of the state's or a public office's financial statements or reports;
- (2) Any examination, analysis, or inspection of records, documents, books, or any other evidence relating to either of the following:
  - (a) The collection, receipt, accounting, use, or expenditure of public money by a public office or by a private institution, association, board, or corporation;
  - (b) The determination by the auditor of state, as required by section 117.11 of the Revised Code, of whether a public office has complied with all the laws, rules, ordinances, or orders pertaining to the public office.
- (3) Any other type of examination, analysis, or inspection of a public office or of a private institution, association, board, or corporation receiving public money that is conducted according to generally accepted or governmental auditing standards established by rule pursuant to section 117.19 of the Revised Code.

We recognize many smaller entities have limited transactions and/or risk which would allow our office to reduce the audit procedures necessary to meet Ohio Revised Code

Threshold increased to \$200,000 beginning with audit periods ended 11/30/2019.

117.01(G). Therefore, effective for audit periods ending November 30, 2012 or after, the Auditor of State (AOS) will: 1) introduce an option for a basic audit for specific entity types with annual disbursements of ~~\$100,000~~ or less and 2) expand the eligibility for agreed-upon procedures engagements in lieu of audits as outlined in AOS Bulletin 2015-001 (<http://www.ohioauditor.gov/publications/bulletins/2015.html>) from the current limit of \$1 million to a new limit of \$5 million or less in annual disbursements.

In addition to the above annual disbursement thresholds, entities must **not** be subject to financial reporting under generally accepted accounting principles (GAAP) and/or to any requirements which would require an audit in accordance with *Government Auditing Standards*, such as entities subject to a federal Single Audit or subject to an audit under any contract or agreement . To qualify, entities must also not be in fiscal emergency or have been declared unauditible for the prior audit period. **The entity types eligible for these reduced services are in a revised list at the end of this bulletin.**

Threshold increased to \$200,000 beginning with audit periods ended 11/30/2019.

#### **Entities with Annual Disbursements of ~~\$100,000~~ or Less**

Entities meeting the above criteria with annual disbursements of ~~\$100,000~~ or less will be subject to a basic audit that is an on-site limited review of key internal controls and targeted tests of significant transactions, where appropriate. This review will be designed to assess if the entity is adequately maintaining necessary, up-to-date controls and records and conducting the business of the entity as required. The review will generally consist of on-site interviews with management and analysis and review of selected entity records. If the results of the audit are acceptable, the AOS will issue a report describing the basic audit was performed, matters noted indicating deficiencies and, where appropriate, recommendations for improvement. If the results of the basic audit are not acceptable, the AOS may decide an audit in accordance with *Government Auditing Standards* is required or, if records are not properly maintained, may declare the entity to be unauditible.

Due to the small size and generally limited transactions of these entities, the AOS believes the basic audit will serve to reduce audit costs for these governments while continuing to provide accountability for these entities' public moneys.

Threshold increased to \$200,000 beginning with audit periods ended 11/30/2019.

## Entities with Annual Disbursements of Greater than ~~\$100,000~~ but Less than \$5 Million

**Note: Bulletin 2009-012 has been superseded by Bulletins 2012-007 and 2015-001.**

~~With Bulletin 2009-012,~~ The AOS implemented agreed-upon procedures for smaller governments that meet certain criteria and have historically had “clean” audits. Effective for November 30, 2012 audit periods, the AOS will expand eligibility for these procedures to entities with from \$1 million of annual disbursements to \$5 million or less and will not automatically disqualify entities with a change in fiscal officer during the period.

~~All other requirements outlined in Bulletin 2009-012 still apply, including the requirement that a government may not go more than two audit cycles without a financial statement audit performed in accordance with auditing standards.~~

All governments eligible for either of these reduced audit services will continue to be responsible for notifying the appropriate AOS regional office if a financial audit is needed or desired or if the entity does not want to be considered for a basic audit or agreed-upon procedures. All local governments should also continue to file their annual financial statements with the **Hinkle Annual Financial Data Reporting System (Hinkle System)**, as required by law and described in AOS Bulletin 2015-007. While the management of any eligible government already contracted with an Independent Public Accountant (IPA) should continue to work with the AOS and the IPA to revise the contract and Memorandum of Agreement to reflect performing agreed-upon procedures, all basic audits will be conducted by the AOS.

Eligibility for the basic audit and agreed upon procedures are also outlined in the attached flowchart. **Note: Flowchart was removed from this Bulletin. See revised flowchart in Bulletin 2015-001.**

We will continue to audit in accordance with generally accepted auditing standards (~~GAAS in the attached flowchart~~) for entities ineligible for agreed-upon procedures or a basic audit.

If you have any questions regarding this Bulletin, please contact the AOS Center for Audit Excellence at (800) 282-0370.

Dave Yost  
Ohio Auditor of State

<b>Potential Qualifying Subdivisions – per ORC 117.114(A)(1) <sup>1</sup></b>
• Agricultural Societies
• Airports/Transit/Port/Convention Facilities/Finance Authorities
• Cemeteries
• Community Improvement Corporations / Land Reutilization Corp
• Community/Multi/Juvenile Correctional Facilities
• Conservancy Districts
• Council of Government (with the exception of Insurance Consortiums) <sup>2</sup>
• Emergency Management/Planning Agency
• Joint Economic Development District (JEDD)/Joint Economic Development Zone (JEDZ)
• Libraries
• New Community Authorities
• Park / Recreation Districts
• Police, Fire, EMS & Ambulance Districts
• Regional Planning Commissions/Organizations
• Soil and Water Conservation Districts/Boards
• Solid Waste Districts
• Special Improvement Districts
• Townships
• Transportation Improvement District/Transportation Improvement Project
• Villages
• Visitor & Convention Bureaus (formerly called Convention and Visitors Bureaus)
• Water, Sewer, and Sanitary Districts
• Others (Eligibility determined on a case by case basis–(CFAE approval required)

<sup>1</sup> Note: Entity types have been modified to agree with entity types available on the updated 8138 Form. Although ORC 117.114 (A)(1) does not list all the entities in this list, the law permits the Auditor of State's office to determine on a case by case basis additional entities to be qualifying subdivisions.

<sup>2</sup> We do not have an entity category for Councils of Government (COGs); however entities identified as COGs in GP /formed under ORC 167, with the exception of insurance consortiums which are GAAP mandated, may be eligible for reduced services. (i.e. computer consortiums, developmental disability councils, etc.)