



Dave Yost • Auditor of State

Bulletin 2015-001

Auditor of State Bulletin

Date Issued: March 9, 2015; **Revised August 2016, See Green Font**
Revised December 2019, See Red Font

TO:

- All AOS Financial Audit Staff
- All Agricultural Societies
- All Airports/**Transit/Port/Convention Facilities/Finance Authorities**
- ~~All County Boards of Health~~
- All Cemeteries
- All Community Improvement Corps/**Land Revitalization Corps**
- All Conservancy Districts
- All Visitors and Convention Bureaus
- All Community Authorities**
- All Council of Governments
- All Emergency Management/**Planning** Agencies
- ~~All Family and Children First Councils~~
- All **Police, Fire, EMS** and Ambulance Districts
- All Joint Economic Development Districts/**Zones (JEDD)/(JEDZ)**
- All Libraries
- All **Community/Multi-County/Juvenile** Correctional Centers
- All Park/Recreation Districts
- All Regional Planning Commissions/**Organizations**
- All Solid Waste Districts
- All Townships
- All Transportation Improvement Districts/**Projects**
- All Villages
- All Water, Sewer, and **Sanitary** Districts
- All Independent Public Accountants (IPAs)
- All Special Improvement Districts**
- All Soil and Water Conservation District/Boards**

FROM: Dave Yost, Ohio Auditor of State

SUBJECT: Clarification of Eligibility Requirements presented in Auditor of State Bulletin ~~2009-012~~ and 2012-007 and Modifications to Eligibility Requirements for Reduced Services for Small Government Clients
Note: Bulletin 2009-012 has been superseded by Bulletins 2012-007 and 2015.001.

SUMMARY

The purpose of this bulletin is to clarify eligibility requirements presented in Auditor of State Bulletins ~~2009-012~~ and 2012-007 and detail the changes in the eligibility requirements for agreed-upon procedures (AUP) based on the passage of Ohio Revised Code Section 117.114. This law, which addressed certain AUP engagements, changed eligibility requirements for AUPs that are completed in lieu of financial audits. This law does not restrict our ability to perform other types of AUPs, such as community school close-out procedures, landfill, and other compliance type AUPs.

Note: Bulletin 2009-012 was superseded by Bulletin 2012-007.

CLARIFICATIONS OF ELIGIBILITY REQUIREMENTS - AUPS AND BASIC AUDITS

The following items are clarifications of the eligibility requirements that affect both AUP engagements and basic audits. These are not changes to the requirements, only additional clarifications to existing eligibility requirements.

- 1) Once a subdivision has been declared unauditible, it must have an audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS) before being eligible for any reduced services.
- 2) If a subdivision is in fiscal watch or fiscal caution, it could still be eligible to receive an AUP. However, if the subdivision is in the process of being declared in fiscal emergency, the AOS auditors or Independent Public Accountant performing the engagement must consult with the Center for Audit Excellence (CFAE) to determine whether the subdivision is still eligible for an AUP engagement. The subdivision becomes ineligible for an AUP once the fiscal emergency declaration occurs.
- 3) Ohio Revised Code section 117.114 (B)(2) requires the qualifying subdivision to follow the Auditor of State's regulatory, cash or modified cash basis of accounting. An entity may choose to report in accordance with accounting principles generally accepted in the United States of America (GAAP basis of accounting). If an entity chooses to report on the GAAP basis of accounting, although NOT REQUIRED to by law, the entity could still be eligible for an AUP engagement. However, no audit opinion will be issued on the GAAP financial statements of the entity as part of the engagement.
- 4) Initial audits of qualifying subdivisions are not eligible for reduced services. A full audit must be completed before a subdivision is eligible for either an AUP or a basic audit.
- 5) Financial statements are required to be filed with the Auditor of State regardless of the type of audit engagement performed. This filing requirement can be found in Ohio Revised Code Section 117.38.

6) Once determined eligible for reduced services (AUP or basic audit), the entity is required to document acceptance of the reduced services in a timely manner. If an otherwise eligible entity does not sign and return the required documentation to the Auditor of State by the established deadline, the entity will forfeit the reduced services and a GAGAS audit will be performed.

7) Boards of Health and Family and Children First Councils (FCFC) that receive money from the Ohio Department of Health are no longer eligible for reduced audit services (neither AUPs nor Basic Audits). Full GAGAS audits are required for Boards of Health and FCFCs.

CHANGES TO AUP ELIGIBILITY

The following changes have been made to AUP eligibility with the passage of Ohio Revised Code Section 117.114, which was effective September 4, 2013.

1) Previously, eligibility was determined by actual expenditures; however, with the passage of Ohio Revised Code Section 117.114 (B)(1) the qualifying subdivision's annual budgeted expenditures are used to determine eligibility. The dollar threshold for eligibility (not to exceed \$5 million dollars for any fiscal year) remains the same.

Budgeted expenditures will be defined as the final approved appropriation measure (including transfers). The appropriation measure must be approved by the governing body prior to the fiscal year end.

NOTE: Budgeted expenditures must be under \$5 million for each year. If the engagement covers a two year period, and one year's budgeted expenditures exceeds \$5 million, the qualifying subdivision is not eligible for an AUP.

2) Ohio Revised Code Section 117.114 (B) (3) requires the fiscal officer or bookkeeper of the qualifying subdivision did not leave office at any time during the audit period in question. This requirement had previously been removed from the eligibility requirements; however, the statute reinstates this requirement.

3) The passage of Ohio Revised Code Section 117.114 (B)(7) requires that to be eligible for an AUP, the qualifying subdivision should have no audit fees in arrears. If there are outstanding audit fees at the time eligibility is initially determined but the audit fees are paid prior to the start of the engagement, the entity could still be eligible for an AUP engagement.

NOTE: A waiver may be requested if one eligibility requirement is not met. ORC Section 117.114, allows the Auditor of State to waive only one requirement.

BASIC AUDIT ELIGIBILITY:

The dollar threshold basis for basic audits increased to \$200,000/yr (\$400,000 aggregate for 2 yrs) effective for audit periods ended 11/30/2019 and later. Actual annual expenditures are used as the basis to determine eligibility.

AUP and BASIC AUDIT INFORMATION for COMMUNITY IMPROVEMENT CORPORATIONS:

Despite Community Improvement Corporations (CIC) having a mandatory GAAP filing requirement, if a CIC meets all other requirements for a basic audit, a basic audit can be performed. Previously “site visits,” were completed for CICs with little activity. “Site visits” will no longer be performed.

AUP and BASIC AUDIT INFORMATION for CONVENTION AND VISITORS BUREAUS:

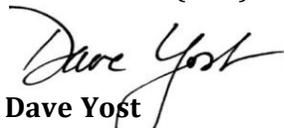
Note: Bulletin 2009-012 has been superseded by Bulletins 2012-007 and 2015.001.

Reminder: The AUP eligibility requirements portion of this bulletin does not apply to Convention and Visitors Bureaus (CVBs). ~~Auditor of State Bulletin 2009-001 indicates~~ The Auditor of State no longer requires audits of CVBs to be performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. Instead, we follow the American Institute of Certified Public Accountants’ attestation standards and perform agreed-upon procedures over receipts and disbursements of public funds. Non-public dollars are not included in the agreed-upon procedures unless commingled with public dollars. ~~Please refer to Auditor of State Bulletin 2009-001 for engagements concerning a convention and visitors bureau.~~

CVBs are now included in the entity types potentially eligible for basic audits. For a CVB to be eligible for a basic audit, the entity must meet the same eligibility requirement as other entities. However, unlike the AUP procedures for a CVB that exclude review of any nonpublic funds, if a CVB is eligible and requests a basic audit, procedures will include review of bank reconciliations of public and non-public monies. Non-public money will only be reviewed when verifying cash balances. All other procedures are performed regarding public monies only.

For a complete list of eligibility requirements, please refer to ORC Section 117.114, Auditor of State Bulletin ~~2009-012~~ and 2012-007, and the current eligibility checklists which can be found on the Auditor of State’s website at: <https://ohioauditor.gov/references/shells/opinions.html>

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


Dave Yost
Auditor of State

Eligibility, as revised by Bulletin 2015-01 and RC 117.114

START:

1. Federal single audit, or other GAAS audit requirement?
 2. Need for GAAS-audited financials (such as with near-term debt offering)?
 3. AUP prior three audit cycles?
 4. Fail to file annual report in Hinkle system and declared unauditible?

Ongoing Special Investigation?

Is investigation "off books" or unrelated to accounting function?

Actual disbursements < or = \$200,000 (\$400,000 for audit periods ended 11/30/2019 or later) this two-year cycle?

Basic audit, if meets Eligibility Checklist Criterion

Results acceptable?

ISSUE BASIC AUDIT REPORT

Is entity type eligible for AUP?

GAAS AUDIT

1. Budgeted disbursements > \$5 million per year?
 2. Never been audited?
 3. Component unit? (see GASB 14)
 4. Change in fiscal officer since last engagement?
 5. Unauditible?
 6. Material transactions with inherent risks that might not be adequately covered by AUP?
 7. Prior opinion qualified, adverse or disclaimer?
 8. Unpaid prior audit fees?
 9. Did prior audit report material weakness in internal accounting control?
 10. Significant budgetary noncompliance in prior engagement?
 11. Did prior audit report finding for recovery for fraud or theft in office?
 12. In fiscal emergency, or in process of being declared in fiscal emergency?
 13. Required to report GAAP per OAC 117-02-03?

Did regional chief auditor and CFAE evaluate and waive exception?

AGREED UPON PROCEDURES

