

Reduced Services

AUP and Basic Audit

Fact Sheet

Auditor Faber's goal is to ensure accountability of tax dollars while allowing the largest portion of them to go toward providing services. The Auditor of State's (AOS) office offers **two options** to help lower audit costs for our clients:

Option 1: **AOS Agreed-Upon Procedure (AUP) Engagements**

Option 2: **AOS Basic Audit Engagements**

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Overview

Agreed-Upon Procedures (AUP) engagements and Basic Audits are a limited-scope alternative to full financial audits, required under Auditor of State (AOS) Policy and Ohio Revised Code 117.01(G).

The AUP engagement type was initially communicated with Auditor of State Audit Bulletin 2009-012¹. Auditor of State Audit Bulletin 2012-007 further clarified the Auditor of State AUP requirements, the changes in law impacting AOS AUPs and introduced a new reduced service option for certain eligible clients, called a basic audit. Auditor of State Audit Bulletin 2015-001 was issued to clarify eligibility requirements presented within Bulletin 2012-007 and communicated additional modifications to eligibility requirements for reduced services, which included both AUP and Basic engagements. Auditor of State Audit Bulletin 2009-012 was rescinded with Bulletin 2015-001.

In 2022 Auditor of State Audit Bulletins 2012-007 and 2015-001 were rescinded and all eligibility requirements and pertinent information from those bulletins were included within the AUP Reduced Services Eligibility checklist on the AOS Website and Intranet, and the Basic Reduced Services Eligibility checklist is on the AOS Intranet. This information sheet now serves as a general overview of these reduced services.

Please note that this overview is not all inclusive and for all eligibility factors, the eligibility checklist for each type of reduced service needs to be reviewed for a comprehensive list eligibility requirements.

Note: Beginning with the 2024–2025 and 2025 engagement periods, if an entity has no activity during the engagement period including no receipts, no expenditures, and a \$0 beginning and ending fund balance, AOS may approve waiving the engagement (financial audit, AUP, or basic audit), and no report will be issued for that period.

¹ AOS Bulletin 2009-001 issued January 13, 2009, indicated that Convention and Visitor Bureaus (CVBs) were no longer required to have an audit performed under Government Auditing Standards and instead an Agreed Upon Procedures report performed under the American Institute of Certified Public Accountants' attestation standards could be performed in lieu of an audit. However, if the CVB determined that a financial statement audit was more beneficial to its users or had an agreement requiring a financial statement audit, one would be provided and should be requested with their Regional Office of the Auditor of State.

AOS Agreed-Upon Procedure (AUP) Engagements

Eligible Clients

- Agricultural Societies
- Airports/Transit/Port/Convention Facilities/Finance Authorities
- Cemeteries
- Community/Multi/Juvenile Correctional Facilities
- Conservancy Districts
- Councils of Government (COGs), except for insurance consortiums
- Emergency Management/Planning Agencies
- Joint Economic Development Districts (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 Districts/Transportation Improvement Projects
- Villages
- Visitor & Convention Bureaus (CVBs)
- Water, Sewer, and Sanitary Districts
- Others
(Eligibility determined on a case-by-case basis)

Eligibility Requirements

1. Accounting Basis:

- Is not required to prepare Generally Accepted Accounting Principles (GAAP) statements pursuant to Ohio Administrative Code (OAC) 117-2-03(B) or Ohio Revised Code (ORC) 1724.04.
- If an entity chooses but is not required to report on a GAAP basis but maintains their records on a cash basis, they would be eligible if all other criteria items are met.

2. Eligible Client Type

3. Meet the Financial Threshold:

- Budgeted expenditures must be below \$5 million for both fiscal years.

4. Audit Cycling:

- An entity can only have three AUPs in between full Generally Accepted Government Auditing Standards (GAGAS) audits.

5. Having No Higher Risk Items Noted in Prior Engagement Report

6. Stability of Fiscal Officer

7. Having No Other Factors Increasing Risk

8. No Other Audit Requirements:

- Entity is NOT required to have a financial audit
- Entity is NOT a material component unit of another entity
- Entity does NOT have any audit fees in arrears, or the entity has a payment plan in place

Risk Factors That May Result in Ineligibility

Note: Multiple risk factors may result in being ineligible for reduced services

- The entity type is not listed on the potential qualifying subdivisions list above or in the checklist.
- Exceeds the \$5 million budgeted expenditure threshold.
- Findings for Adjustment were made in the previous engagement (financial audit, AUP or basic audit)
- Findings for Recovery that indicate fraud or theft in office that were issued in the previous engagement
- Material Control Weaknesses reported in the prior financial statement audit
- Failure to obtain sufficient evidence for any receipts or expenditures and the exception was noted in the previous AUP
- Does not demonstrate a conscientious effort to comply with budgetary laws
- Has excessive fiscal officer turnover
- This is the initial engagement
- Is not reconciled in the current or prior period
- Does not record all receipts, expenditures, bank reconciliations, and other important accounting records timely
- There is an indication of fraud risk in the inquiries

Factors That Preclude Eligible Client Type from AUP Engagements

- Accounting Basis – When OAC or ORC requires the entity to prepare GAAP Financial Statements (i.e. School, City, County)
- Has had three AUP engagements in-between a financial audit and is not eligible for a basic audit.
- Adverse, qualified, or disclaimer opinions in the prior engagement or if the prior engagement was an AUP, exceptions that would have resulted in an adverse, qualified or disclaimer of opinion had a GAGAS audit been conducted.
(If the adverse opinion is related to the entity filing AOS regulatory basis but the regulatory cash basis opinion is unmodified, this would not disqualify an eligible entity.)
- Is currently under investigation by the AOS Special Investigations Unit or there is an indication of high fraud risk.
- Is in fiscal emergency.
- Has been declared unauditale.
- Is required to have a financial statement audit under the Single Audit Act, or provisions of any other law, grant, bylaws, debt covenants, etc.
- Is a material component unit of another government
- Has outstanding audit fees in arrears and no payment plan has been established

AOS Basic Audit Engagements

Eligible Clients

- Agricultural Societies
- Airports/Transit/Port/Convention Facilities/Finance Authorities
- Cemeteries
- Community Improvement Corporations/Land Reutilization Corp
- Community/Multi/Juvenile Correction Facilities
- Conservancy Districts
- Council of Government (with the exception of Insurance Consortiums)
- 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 Bureau (formerly called Convention and Visitors Bureau)
- Water, Sewer, and Sanitary Districts
- Others (Eligibility determined on a case-by-case basis)

Eligibility Requirements

1. Accounting Basis

- Is not required to prepare GAAP statements pursuant to OAC 117-2-03(B) or ORC 1724.04, with the exception of CICs and County Land Reutilization Corporations.
- If an entity chooses but is not required to report on a GAAP basis but maintains their records on a cash basis, they would be eligible if all other criteria items are met.

2. Eligible Client Type

3. Meet the Financial Threshold:

- Total expenditures, including transfers, for a two-year period do not exceed \$600,000 for an entity that is subject to a 2 year audit requirement.

4. Having No Higher Risk Items Noted in Prior Engagement Report

5. Having No Other Factors Increasing Risk

6. No Other Audit Requirements:

- Entity is not required to have a financial statement audit
- Entity is not a material component unit of another entity
- Entity does NOT have any audit fees in arrears, or the entity has a payment plan in place
- Entity filed a complete set of financial statements as defined in AOS Bulletin 2015-007

Risk Factors That May Result in Ineligibility

Note: Multiple risk factors may result in being ineligible for reduced services

- Entity type is not listed on the potential qualifying subdivisions list above or in the checklist
- Exceeds the \$600,000 expenditure threshold for the 2 year period for which the basic audit procedures will apply
- Findings for Adjustment were made in the previous engagement (financial audit, AUP or basic audit)
- Findings for Recovery that were issued in the previous engagement (financial audit, AUP or basic audit) that indicate fraud or theft in office
- Material Control Weaknesses reported in the prior financial statement audit
- Failure to obtain sufficient evidence for any receipts or expenditures and the exception was noted in the previous AUP
- Does not demonstrate a conscientious effort to comply with budgetary laws
- Is not reconciled in the current or prior period
- Does not record all receipts, expenditures, bank reconciliations, and other important accounting records timely
- There is an indication of fraud risk in the inquires
- Has not filed complete financial statements or the Alternate Hinkle System Financial Statement Disclosure Report (if applicable) in the Hinkle System.

Factors that Preclude Eligible Client Type from Basic Audit Engagements

- Accounting Basis – When OAC or ORC requires the entity to prepare GAAP Financial Statements (i.e. School, City, County)
- Adverse, qualified, or disclaimer opinions in the prior engagement or if the prior engagement was an AUP, exceptions that would have resulted in an adverse, qualified or disclaimer of opinion had a GAGAS audit been conducted. *(If the adverse opinion is related to the entity filing AOS regulatory basis but the regulatory cash basis opinion is unmodified, this would not disqualify an eligible entity.)*
- Is currently under investigation by the AOS Special Investigations Unit or there is an indication of high fraud risk.
- Is in fiscal emergency.
- Has been declared unauditable.
- Is required to have a financial statement audit under the Single Audit Act, or provisions of any other law, grant, bylaws, debt covenant, etc.
- Is a material component unit of another government
- Has outstanding audit fees in arrears and no payment plan has been established