



AUDIT DIVISION ADVISORY MEMO 2002-003

TO: Audit Division Staff, Office Managers
FROM: Accounting & Auditing Support
DATE: April 16, 2002
SUBJECT: Audits of Agricultural Societies

We realize many of you have already completed fieldwork on your agricultural society audits. We do not expect you to redo all the practice aides to accommodate this ADAM, but we do expect that you will review them and make sure the audit work is not inconsistent with the guidance herein.

This memo provides audit and accounting guidance for the following issues specific to agricultural societies:

- Parimutuel Wagering
- Race Purse
- Junior Fair Board and Junior Fair Livestock Sale Committee

In addition, practice aides have been refined and are included as attachments to this ADAM.

Note: Regional staff have been notified of the 30 agriculture societies to be audited for the twelve months ending November 30, 2001 (Phase I audits). In future communications, regions will be notified of the specific agriculture societies to be audited in subsequent phases and the related audit periods.

Parimutuel Wagering

Seventy-three of the 94 agricultural societies conduct some form of horse racing. In addition, many of these societies allow **parimutuel** wagering related to their race program. In parimutuel wagering, bets are pooled and odds are calculated which allow the redistribution of bets on losing horses to bets on winning horses. This system totals the amounts wagered and adjusts the payoffs to reflect the relative amounts bet on different horses and various possible outcomes. The system calculations are based, in part, on published morning line odds associated with each horse and race. The pooled wagers are paid to bettors as winnings in accordance with the payoffs determined by the parimutuel wagering system. The aggregate amount of placed bets is referred to as **handle**. Total payoffs are determined by subtracting **commission** from handle. The system calculates commission by applying a statutory percentage (18% or 22%) to handle. Commission is calculated separately by type of wager (exotic and straight).

Societies conducting parimutuel wagering will contract with a **tote service** to accept bets, calculate odds, pay out winnings, and produce regulatory reports. These operations are controlled by software programs. The tote service implements and maintains the software and hardware on which it runs. Tote service operations at each race are monitored by an inspector from the Ohio Racing Commission, and the tote service submits regulatory reports produced by its software program to Ohio Racing Commission for review.

From the commission amount the agricultural society must pay for its contracted tote services and a tax to the State of Ohio. The tax rate is applied to the commission amount. In practice, the tote service provides the society with its commission, less tote service fees. From these receipts, the society must pay the State tax and retains the remainder.

The tote service software program produces a document known as a liability report for each day's racing program

identifying for each race the handle, total commission by type of wager (straight and exotic), and the breaks for each race. Breaks represent an amount of wagers by race that are either retained by the tote service or added by the tote service to the handle to assure statutory payout requirements. If, in the rare case breaks are material to the transaction cycle or account balance being audited, please contact Accounting and Auditing support for a full explanation of this arcane topic. From this liability report, the tote service manually prepares a document called the tax report which calculates the distribution of commission among the tote service, State of Ohio and the agricultural society.

Accounting for Parimutuel Wagering Activity

Each agricultural society sponsoring a racing program must account for the parimutuel wagering activity associated with it. Following horse racing industry accounting practice, societies' financial statements should only reflect total commission as receipts and disclose total handle and payoffs in the harness racing footnote. The commission should be reported as Parimutuel Wagering Commission in the operating section of the financial statements.

The expenses of providing the parimutuel wagering system (i.e., the fee paid to the tote service) and the taxes associated with this activity should be included in the operating section of the financial statements as Professional Service Disbursements and Other Operating Services, respectively.

The recently revised agricultural society report shells include the appropriate note disclosure.

Auditing Parimutuel Wagering Activities

A Society's financial information system is affected by the use of a tote service, and SAS 70, as amended, does apply. However, we will normally not need to obtain a Type I or Type II SAS 70 report for totalizer services provided the following procedures are performed and their results support an assessment of inherent and control risk at below the maximum, for the completeness and occurrence assertions:

- Gain and document a basic understanding of the parimutuel wagering cycle for the specific Society and tote service used
- Complete the parimutuel wagering RAC and determine whether controls are placed in operation. For audit periods ending November 30, 2001, evidence from observation during the audit period will not be available. Accordingly detailed, corroborated inquiry and review of documents (tote service reports, tote service agreements, etc.) will suffice for documenting placed in operation.
- Complete and test the parimutuel wagering RMC
- Document inherent risk factors and the final inherent risk assessment (use of the IRAF is encouraged but not required)
- Complete the Parimutuel Wagering RCEC to document the system¹. (See Appendix E)

Inherent and control risk assessments will normally be such that substantive procedures over completeness and occurrence can be primarily limited to substantive analytics, and tests of daily tote service reports. A specimen audit program for parimutuel receipts and disbursements is included as part of Appendix F.

Appendices A, B, C, and D contain example documentation for the audit risk assessment, inherent risk assessment, application controls, and monitoring controls, respectively. Appendices A through D provide example documentation only and must be modified as appropriate in the circumstances. However, we anticipate the controls and risk assessments documented in the appendices will be representative of most societies' parimutuel receipt cycles.

Racing Purse

¹ We will obtain the RCEC information regarding the different Tote services and will disseminate the information to the field.

Racing Purse is the amount paid to the owner of the horse that wins a particular race. Purse does not include any amounts collected as parimutuel wagers. Purse is comprised of a) nominating and sustaining fees paid by the horse owners to one of several horsemen associations and turned over by the horsemen associations to the agricultural society prior the beginning of its race program, and b) entry fees collected by the society from owners of participating horses, and c) state funds received for the purpose of supplementing horse racing purses.

The fees collected by the sponsoring horsemen's organization are generally remitted to the society near the day of each race. On or about the day of each race, the society also collects an amount (predetermined by the horseman's organization) from each horse entrant. Total entrant fees (plus state funds) are then distributed by the society as purse to the owners of the winning horses.

This is a generalized description of purse; auditors should gain and document a basic understanding of purse for the specific Society. If a Society's involvement in collecting or disbursing entry, sustaining or other fees is substantially different than that described here, auditors should contact Accounting and Auditing Support.

Accounting for Purse Activity

Nominating, sustaining and entry fees (sometimes called speed fees) collected by the society from the horsemen organizations or directly from entrants, should be reported as Sustaining and Entry Fee receipts in the operating section of the financial statements. State funds used for purse should be reported as State Support in the non-operating section of the financial statements. Purse distributions (including the state funded portion) should be reported as Race Purse disbursements in the operating section of the financial statements.

Auditing Purse Activity

Purse receipts should consist of a relatively few transactions received prior to the annual fair from the horsemen's society, and a predictable amount of entry fees based on the number of participating horses. Based on these factors, you should be able to assess your control risk at the maximum level over nominating, sustaining and entry fees. Nominating, sustaining and entry fees and the state funds collected for purse are disbursed out to winning horses as race purse. Therefore, you should be able to assess control risk over race purse at the maximum level. A specimen audit program for purse receipts and disbursements is included in this ADAM as part of Appendix F.

Junior Fair Board and Junior Fair Livestock Sale Committee

The Junior Fair Board (JFB) and the Junior Fair Livestock Sale Committee (JLC) play significant roles at most fairs. From our preliminary review, it appears societies are not accounting for the activity of these organizations uniformly. Some societies include JFB and/or JLC activity on their financial statements, whereas others exclude JFB and/or JLC activity on their financial statements, still others partially include JFB and/or JLC activity on their financial statements. In order to be consistent, we have decided that Society financial statements will generally exclude JFB and JLC activity, unless the JFB and JLC activities are run through the Society's books and there is no separate bank account. If you are unable to isolate the JFB and JLC activity, please consult with Accounting and Auditing Support for guidance. We will reflect the JFB and JLC activity as footnote disclosure only.

Accounting for Activities of Junior Fair Boards and Junior Fair Livestock Sales

Junior Fair Board

If the Junior Fair Board maintains a bank account separate from the agricultural society that account and its activity should be summarized in the footnotes to the financial statement. Most agricultural societies subsidize certain costs of the Junior Fair such as cost of judges, purchase of ribbons, rosettes and trophies, and payment of premiums to the exhibitors. These expenses are accounted for in the 9300 series on the societies' charts of accounts and should remain expenses of the agricultural society. If the Junior Fair Board activities other than activities discussed above are integrated within the activity of the agricultural society and these expenses can be segregated without burdensome effort, they should be removed from the operating statement of the agricultural society and reported, on a summarized basis in the footnote to the financial statement. Any amounts received by the agricultural society from the junior fair board should be recorded in the financial statements of the agricultural society as non-operating receipts, and be disclosed in the junior fair footnote. An example footnote disclosure follows:

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the (Name of County) County Fair. The Society disbursed \$(amount) directly to the Junior Fair Board and \$(amount) directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$(amount) by (Name of County) County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 20EE follows:

Beginning Cash Balance	\$
Receipts	
Disbursements	_____
Ending Cash Balance	<u><u>\$0</u></u>

Junior Fair Livestock Sale Committee

As with junior fair boards, junior fair livestock committee activity is not handled uniformly among agricultural societies. We will follow the same logic in reporting activity of junior fair livestock committees that we employ in reporting junior fair board activity. An example footnote disclosure follows:

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the (Name of County) County's auction. Monies to cover the cost of the auction are generated through a X% commission **(modify for your situation) per head, per group of animals (pen), assessed on the net difference between the auction price and the market cost, assessed on the market price for those animals that are sold directly to market, assessed on the auction price)** and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's's financial activity for the year ended November 30, 20EE follows:

Beginning Cash Balance	\$
Receipts	
Disbursements	_____
Ending Cash Balance	<u><u>\$0</u></u>

Auditing Junior Fair Board and Junior Fair Livestock Sale Committee Activity

Since the Junior Fair Board and Junior Livestock Committee Activity appear in the notes to the financials statements, we must gain assurance as to the reasonableness of the amounts disclosed. Therefore, you should obtain (or complete) the financial activity charts above and determine whether the amounts presented are reasonable. Since the type and condition of accounting records will vary by entity, we expect you to substantiate the footnote disclosure by reviewing (at a minimum) the following:

- Bank statements
- Bank Reconciliations
- Check book
- Any additional documentation provided

Auditors should inquire further about significant, unusual items.

If these organizations do not maintain separate bank accounts and you are unable to separate the activity from the Society's accounts, or if you are unable to obtain the information necessary to document and test (as discussed above) the note disclosure, consult with Accounting and Auditing Support.

Practice Aides Attached to this ADAM

APPENDIX	SUBJECT
A	Ag Society ASM
B	Parimutuel IRAF
C	Parimutuel RAC
D	Parimutuel RMC
E	Parimutuel RCEC
F	Ag Society Audit Programs
G	Ag Society Compliance Supplement
H	Ag Society Financial Statements
I	Ag Society Report Shell
J	ACE Totalizer RCEC
K	AMTOTE RCEC

Questions

Any questions related to this memo should be directed to Accounting and Auditing Support.

Appendix A

(Ag. Society ADAM)

AGRICULTURAL SOCIETY AUDIT STRATEGY MEMORANDUM AUDITOR OF STATE OF OHIO

(Includes EXAMPLE parimutuel documentation in section 8 a. and b.)

The Audit Strategy Memorandum for Agricultural Society Audits (ASA) should be completed prior to commencing substantive testing. An objective of this form is to provide a sufficient basis to develop an appropriate audit program for the engagement. The memorandum should be updated as appropriate to reflect changes to the testing plan and additional client service actions necessary.

CLIENT:	
LOCATION:	
YEAR END:	

The planning activities have been appropriately discussed and are sufficient to prepare an adequately tailored audit program.

	<u>Name</u>	<u>Date</u>
Auditor in-charge (or other with equivalent authority)		
Deputy Auditor		
Senior Deputy Auditor		
Concurring Reviewer		

Modifications

The following is a list of modifications to the strategy preliminarily approved above:

	<u>Name</u>	<u>Date</u>
Auditor In-Charge (or other with equivalent authority)		
Deputy Auditor		
Senior Deputy Auditor		
Concurring Reviewer		

1. Agricultural Society Audit Risk Assessment

The Senior Deputy and Deputy Auditor should carefully consider engagement risks before permitting the use of the Agricultural Society Audit documentation. We should not subject the Office of the Auditor of State to undue risk of audit failure and resulting adverse publicity. However, we should take advantage of this approach when it will reduce audit costs. An entity must meet all² the following criteria to apply this methodology.

<u>Criteria</u>	<u>Yes</u>	<u>No</u>
a.) The entity uses the cash/AOS basis of accounting.		
b.) Is <u>not</u> subject to Single Audit.		
c.) Has a basic EDP environment (as defined by AOSAM 30500.47) or a manual accounting system.		
d.) There are <u>no</u> significant inherent risk factors (documented in Section 8b. of this ASM) that cannot be addressed by extensive substantive test coverage, such as planned reductions in TD risk.		
e.) We intend to assess control risk at the maximum level or LTM for receipts cycle. Except, certain service organization controls (described in 8a.).		
f.) We intend to assess control risk at the maximum level or LTM for payroll and disbursements cycle. Except, certain service organization controls (described in 8a.).		
g.) Sufficient computer-generated "paper" evidence or evidence generated outside the client's automated system exists to support automated calculations and data summarization. Planned substantive procedures adequately address the volume and complexity of automated transactions. (If client system is manual, insert "no EDP" in the "yes" column. (GAGAS Amendment No. 1 requires this documentation.)		
h.) Does not have known (or even suspected) issues regarding the integrity of management. ³		

In addition to the above criteria, briefly document any other factors contributing to a reduced audit-risk environment:

² If the SDA and DA believe an audit can still apply this approach though not meeting one or more of the criteria, they should prepare a brief memo describing their reasoning, attach a copy of this page of the ASA ASM, and submit it for consultation with the Chief Deputy Auditor or his designee.

³ If we identify fraud risks or integrity issues, we may still apply this approach if we modify our procedures as follows: (1) Complete the FRAQ, (2) modify planned procedures as documented in the "audit reaction" sections of the FRAQ, (3) assess plan to achieve a low TD risk assessment for the affected accounts. This would include testing transactions for proper public purpose, posting in the correct period and correct amount to an acceptable account code and fund, etc.

2. Client Service

a. Based on meeting with client, document Engagement Deliverables and Due Dates:

- Report on financial statements: / / (due date)
- Additional GAGAS combined report to be issued

The required additional (combined) *Government Auditing Standards* report is the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* / / (due date, if different than above)

- Communications with the client

b. DEFINING THE SCOPE OF THE ENGAGEMENT

Users of the audited statements and our reports include (check appropriate sections):

Management____; Legislative Body____; Audit Committees ____; Other officials authorized to receive this report under Ohio Revised Code Section 117.26, ____; Oversight Bodies____; Dept of Agriculture____; Others ____ (Note: If during engagement planning, parties other than the above request that our audit be performed for their use (such as a bond rating agency), you should consult with the Chief Deputy Auditor or his designee.)

Others that might reasonably be expected to have interest in the audited statements and our reports:

Citizens and Media____; Creditors____; Bond Rating Agencies____; Others (name below)

c. Planned Client Services Actions

Based on discussion with the client, we have agreed to perform the following additional services for the client:

3. Reporting Entity (As defined in GASB Statement No. 14)

We have reviewed the client's operations, read prior working papers and reports, and made inquiries to management regarding the existence of component units, jointly-governed organizations and/or related organizations. Our results are documented below:

Note: Junior fair boards (JFB) and Junior Fair Livestock Sale Committees (JLC) should be excluded from this determination and should be reported in accordance with the agriculture society ADAM and the footnotes to the agricultural society report shell.

We are aware of no such entities that should be disclosed in the financial statements.	
We are aware of such entities that should be disclosed. (Attach a memo describing them, and the manner of disclosure. See Item I in the instructions to the cash-basis specimen representation letter.)	

In cases where the JFB and/or the JLC activity is run through the Ag Societies' books and there is no separate bank account(s), please consult with A&A for appropriate disclosure requirements.

4. Planning Meeting(s) and Related

a. Meeting with the Client

For ASA, this requirement can often be satisfied with a phone call. The w/p should include a brief memo summarizing :

- Staff assigned
- Estimated fieldwork dates
- Issues of which we have become aware.
- Areas in which the client has agreed to provide assistance (i.e., prepare w/p schedules, complete reconciliations, etc.)
- A list of client records requested. (Consider using this during fieldwork to document the dates on which requested records were actually provided.)

b. Matters That Affect the Audit Strategy (AOSAM 30400.5)

During the planning meeting, the audit implications of the following matters should be discussed as a basis for designing the appropriate audit procedures (some of these factors may be documented in item #10, Most Critical Matters, as appropriate):

- i. Sensitive accounting and auditing matters from prior years, such as the nature and cause of prior-year adjusted and unadjusted errors. (Note: The existence of contentious accounting or auditing issues would normally preclude using the ASA approach.)

- ii. Significant developments and factors to consider about the client's business and industry, including external factors such as regulatory, economic, social, technological, environmental, litigation, and industry dynamics such as bargaining power of customers and suppliers.

- iii. Recent financing and investment activities; changes in significant contractual arrangements with officers, employees, customers, and others; and significant changes in the client's organization or business activities.

- iv. Significant changes in applicable accounting, auditing, or regulatory standards affecting the business, and changes in the client's business that have a significant effect on applying existing standards.

- v. Planning Analytics

>>>>> Planning analytics are required by AU § 329.04. <<<<<<

Reference to where planning analytics are documented: _____.

c. Inter-staff Communications

Engagement planning meetings (AOSAM 30100.24) are designed to assure coordination among staff. Many of those requirements do not apply to these engagements, since most ASA's will be one-person engagements of very limited duration. Engagement planning **should** include a discussion of deadlines, audit/accounting issues and the audit budget. Also, the engagement status meetings described in AOSAM 30100.28 are not required.

5. Related Parties

Document parties known to be related to the reporting entity:

6. Value Added Analysis

Based on the assessment of prior year's work, document the planned effect of incremental efficiency improvement (e.g., hours) and the basis for it (e.g., testing changes, staffing changes, client support changes, etc.)

7. Information Systems Audit Participation

ASA do not include entities with complex data processing systems (defined in AOSAM 30500.47). It is unlikely that ISA would be significantly involved with ASA.

8. Preliminary Risk Assessments & Other Testing Considerations

a. The risk assessments for system-derived accounts are as follows:

<u>Application/Risk</u>	<u>IR</u>	<u>CR</u> Preliminary	<u>CR</u> Final	<u>AP</u>	<u>TD</u>	<u>AR</u>
Revenue - Admissions (Over the Counter)						Low
Revenue - Privilege Fees (Over the Counter)		Maximum	Maximum			Low
Revenue - Rentals (Over the Counter)		Maximum	Maximum			Low
Revenue - Sustaining and Entry Fees		Maximum	Maximum			Low
Revenue - Parimutuel Wagering						
Completeness and Occurrence	Moderate	Below Maximum	Below Maximum	Moderate	High	Low
Valuation and Presentation & Disclosure	High (not assessed)	Maximum	Maximum	High	Low	Low
Revenue - Other Operating Receipts		Maximum	Maximum			Low
Revenue - Intergovernmental Financial Assistance (State & County Support)		Maximum	Maximum			Low
Revenue - Debt Proceeds		Maximum	Maximum			Low

<u>Application/Risk</u>	<u>IR</u>	<u>CR</u> <u>Preliminary</u>	<u>CR</u> <u>Final</u>	<u>AP</u>	<u>TD</u>	<u>AR</u>
Revenue - Donations/Contributions		Maximum	Maximum			Low
Revenue - Investment Income		Maximum	Maximum			Low
Purchasing - Nonpayroll		Maximum	Maximum			Low
Purchasing-Race Purse		Maximum	Maximum			Low
Payroll		Maximum	Maximum			Low
Self-insurance payments		Maximum	Maximum			Low

Important risk considerations:

- 1.) The assessments above also help document our preliminary materiality assessment. That is, accounts assessed above are presumed to be material. Section **8.c** documents accounts we have deemed immaterial.
- 2.) The ASA approach assumes that we will assess CR at the maximum or less than maximum level. Allowable exceptions to a maximum CR assessment are for service organizations where Type II unqualified SAS 70 reports are available. See item **8d.** below for control risk considerations for service organizations.
- 3.) High IR assessments may preclude use of the ASA approach, unless we can document that significant reductions in AP and/or TD risk address the IR concerns. (Assessing IR at high for the reason described in paragraph two to footnote⁴ would not preclude use of the ASA approach.)

b. Inherent Risk Assessment

<u>Account</u>	<u>Assertion Affected</u>	<u>IR Factor</u> ⁴
Revenue-Parimutuel Wagering	Completeness and Occurrence	See attached IRAF form

⁴ Inherent Risk factor examples are described in AOSAM 30200, Appendix A. They are: (1) Auditing difficulties, (2) Prior period misstatements, (3) Susceptibility to theft (we can describe our audit reaction to any unusual risk of theft in our SAS 82 documentation), (4) Transaction volume/size or (5) Complexity of calculating a transaction. Two additional inherent risk factors are (1) Accounting issues and (2) Need for judgement (i.e., accounting estimates) that don't often apply to cash-basis entities.

Per AU 312.29, If an auditor concludes that the effort required to assess IR for an assertion exceeds the potential reduction in auditing procedures derived from an IR assessment, the auditor should assess IR at the maximum level. For ASA engagements, this means it is acceptable to not assess inherent risk, if procedures designed to reduce TD risk and AP risk reduce AR to an acceptably low level.

c. Identify accounts where no testing is planned, and briefly explain why (e.g., immaterial).

d. Identify the client's use of service organizations. Note: We should not use the ASA approach for entities that engage service organizations unless one of the following conditions is met:

(1) The volume and complexity of transactions is limited and easily subject to significant substantive testing coverage.

(2) An unqualified Type 2 SAS 70 report is available. If we can assess CR less than maximum or low for these transactions, document whether applicable user controls have been placed in operation, and perform substantive procedures (which can be limited to analytics when CR is low, per AOSAM 30100.50).

(3) The Agriculture Society's parimutuel racing service organization is Am Tote. We will have the State region look into this service organization when it audits the racing commission. Consider a report comment that management should require a tier II SAS 70 report from this service organization. We may be able to obtain sufficient coverage over this financial activity by use of analytics, documentation of procedures, and effective monitoring controls by management over the service organization activity. If we obtain this sufficient coverage, we may be able to avoid issuing a scope restriction as discussed in the IOC dated January 2, 2002 to the SDA's from the SAS 70 coordinator.

(4) Any other totalizer service, we will normally not need to obtain a Type I or Type II SAS 70 report for totalizer services provided the following procedures are performed and support an assessment of inherent and control risk at below the maximum, for the completeness assertion:

- Gain and document a basic understanding of the parimutuel wagering cycle for the specific agriculture society and totalizer service used
- Complete the parimutuel wagering RAC and determine whether controls are placed in operation
- Complete and test the parimutuel wagering RMC
- Document inherent risk factors and the final inherent risk assessment (use of the IRAF is encouraged but not required)
- Complete the Parimutuel Wagering RCEC to document the system.

Inherent and control risk assessments will normally be such that substantive procedures over completeness can be primarily limited to substantive analytics, and tests of daily totalizer service reports

<u>Name of service organization</u>	<u>Service provided</u>	Does audit program include <u>testing procedures?</u>

9. LAWS AND REGULATIONS

The following are the laws and regulations, and provisions of contracts or grant agreements to which the entity is subject that could have a direct and material effect on the financial statements, or laws the AOS has deemed to be significant to management's stewardship responsibilities. (AU 801.07 provides examples of procedures the auditor may perform to assess management's identification of laws and regulations and in obtaining an understanding of their possible effects on the financial statements.):

<u>Law or Regulation or Contract Provision</u>	<u>Material to Entity?</u>	<u>Inherent Risk Assessment</u>	<u>Control Risk Assessment</u>
Budgetary			Maximum
Prevailing Wages			Maximum
Debt issuance and tax levy to support debt			Maximum
Sale, purchase, lease, of different site			Maximum
Financial reporting and accounting			Maximum
Uniform Depository Act			Maximum
Health Care Self Insurance			Maximum
Liability Self Insurance			Maximum
Horse racing permit			Maximum
Distribution of Ohio fairs fund			Maximum
Non OCS requirements (local charter, resolutions or ordinances). List material requirements here.			

Based on the assessment of materiality, ensure the audit program, or a compliance program (such as the OCS) includes steps and procedures to test compliance with laws and regulations to provide reasonable assurance of detecting both unintentional instances of noncompliance and intentional instances of noncompliance that could materially affect the financial statements or the results of a financial related audit.

Audit program correctly updated to include material compliance testing considerations?
Yes No

10. Most Critical Matters

The most critical matters to consider or resolve during the audit are:

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(**Note:** When finalizing the audit, consider which of these items should be addressed as Matters for Attention.)

11. Prior Year Matters for Attention of Continuing Significance

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Appendix B

(Ag. Society ADAM)

Parimutuel Wagering Receipts

Inherent Risk Assessment Form **(With EXAMPLE documentation)**

<u>Sources of Inherent Risk</u>	<u>Cash Transactions</u>
Accounting Issues Risk description	Only the Agricultural Society's share of handle (i.e. commission) should be reported as receipts in the operating fund.
Audit reaction	Substantively recalculate the commission and taxes.
Auditing Difficulties Risk description	None –for this example.
Audit reaction	
Prior Period Misstatements Risk Description	None–for this example.
Audit reaction	
Susceptibility to Theft Risk description	Transactions are settled in cash, so there is some susceptibility to theft. Accounting systems/controls may not assure that all placed wagers are recorded. (COMPLETENESS)
Audit reaction	Some reliance on completeness controls. Address fraud risk factors, if any, in fraud risk memo.
Need for Judgment (accounting estimate) Risk description	None.
Audit reaction	
Transaction volume/size Risk description	Large volume of small dollar transactions. Material misstatement would require misstatement of many transactions. (COMPLETENESS)
Audit reaction	Some reliance on completeness controls. (We assume all those placing wages will insist on a "receipt," so cash should be recorded in the totalizer system.)

<p>Complexity of Calculating Transaction</p> <p>Risk description</p>	<p>Commission is based on a statutory percentage applied to handle by type of wager. A tax rate is also applied to commission to calculate state tax.</p> <p>Receipts are not based on a charge for goods or services provided. Rather, receipts are based on a willingness to participate in an authorized wager event where the degree of participation is at the sole discretion of the participant. All cash receipts are likely to represent authorized transactions. (OCCURRENCE)</p>
<p>Audit reaction</p>	<p>Substantively recalculate the commission and taxes. (VALUATION and PRESENTATION & DISCLOSURE).</p> <p>Some reliance on occurrence controls (daily tax report to cash reconciliation) and inherent risk factors, and substantive testing of year end cash reconciliation. (OCCURRENCE)</p>

Conclusion:

The inherent risk factors noted above support an inherent risk assessment of moderate (i.e. less than high and greater than low) for the completeness assertion and occurrence assertion.

Appendix C

(Ag. Society ADAM)

**AUDITOR OF STATE OF OHIO
RECORD OF APPLICATION CONTROLS (With EXAMPLE documentation)
STATE & LOCAL GOVERNMENT**

NAME OF CLIENT: _____

LOCATION: _____

Parimutuel Wagering Receipts

Fiscal year end:			
	Completed by (initials & date):		
Reviewed by auditor in charge (initials & date)			
Reviewed by deputy auditor (initials & date)			

**Record of Application Controls
Parimutuel Wagering Receipts**

Part A: Transaction Level Controls		
Control Objective	What control procedures address the control objective?	W/P Ref.
<p>4.1 Authorization: Recorded transactions represent authorized customer transactions, relate to the governmental entity and are approved. Receipts represent valid payments by bettors.</p> <p><i>Consider, for example, the following points of focus:</i></p> <ul style="list-style-type: none"> - What is the Society's process for authorizing parimutuel wagering operations and race schedules. - What prevents or detects unauthorized race events? 	<p>The Society's governing board annually authorizes the contract with the totalizer service, and authorizes contracting with the ABC Horsemen's Association to participate in its annual race schedule.</p> <p>The Society's governing board approves all events in the minutes. Various Society members are actively involved in the community and would likely be aware of unauthorized events.</p>	<p>①</p>
<p>4.2 Completeness of Input: Authorized cash receipts are input and accepted for processing.</p> <p><i>Consider, for example, the following points of focus:</i></p> <ul style="list-style-type: none"> - What assures that all wagers are recorded (e.g. use of pre-numbered documents, reconciliations, etc)? - What assures that all cash receipts are input for processing? 	<p>The parimutuel system used is a computerized system and wager tickets are produced by the system after entering a wager. Additionally, payoffs (to winning bettors) are only made when a winning wager ticket is presented. These two factors help ensure completeness as there is strong incentive for bettors to demand a wager ticket.</p>	<p>①</p>

* - Cross-reference to the working paper documenting the tests of controls.

**Record of Application Controls
Parimutuel Wagering Receipts**

<p>4.3 Accuracy of Input: Authorized wagers are recorded in the proper amount and in the proper period.</p> <p><i>Consider, for example, the following points of focus:</i></p> <ul style="list-style-type: none"> - What assures the amount of wagers are properly recorded? - What assures that all wagers are posted in the proper period (e.g. use of pre-numbered documents, reconciliations, etc)? - How are unusual patterns identified and investigated? 	<p>The parimutuel system used is a computerized system and wager tickets are produced by the system after entering a wager. Additionally, payoffs (to winning bettors) are only made when a winning wager ticket is presented. These two factors help ensure accuracy of input as there is strong incentive for bettors to confirm the accuracy of wager ticket information.</p> <p>Cutoff is not an issue. All races are run during fair week, which is not close to fiscal year end.</p> <p>The parimutuel system produces a daily report identifying total bets by type of bet (exotic and regular) and by race. This report is reviewed by a Society representative at the end of each race day.</p>	<p align="center">①</p>
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* - Cross-reference to the working paper documenting the tests of controls.

**Record of Application Controls
Parimutuel Wagering Receipts**

Part B: Cycle Level Controls		
Control Objective	What control procedures address the control objective?	W/P Ref.
<p>4.4 Integrity of Standing Data: Changes to standing data are authorized and accurately input.</p> <p><i>Consider, for example, the following points of focus:</i></p> <ul style="list-style-type: none"> - How are wagering system changes authorized and tested (e.g. variables used to calculate commission and state tax)? 	<p>The totalizer service is responsible for making these changes to the wagering system.</p> <p>However, the Ohio Racing Commission receives daily reports from the Society's race events and re-computes commission and state tax (this has been determined placed in operation centrally by the AOS Dept. of Accounting and Auditing Support).</p> <p>Note: This is not a true application control as the calculations are applied on a race by race basis rather than on each transaction. However, errors would be detected in a timely manner and settled with the totalizer service.</p>	①
<p>4.5 Restricted Access to Assets: Only authorized personnel have access to cash receipts.</p> <p><i>Consider, for example, the following points of focus:</i></p> <ul style="list-style-type: none"> - Is there adequate segregation of duties between cash receipts and reconciliation procedures? - How are cash receipts protected prior to distribution (e.g., is cash received early in the day properly safeguarded through use of a safe with limited access, monitoring by sheriff department personnel, etc.)? 	<p>The totalizer service is responsible for daily collection and custody of cash receipts.</p> <p>Commission (the Society's share of placed wagers) is calculated using a statutory percentage applied to total wagers (handle). As noted in 4.4 above commission and taxes are re-calculated by the Ohio Racing Commission.</p> <p>On a daily basis, the Society and totalizer service reconcile calculated commission to totalizer service payments (a percentage of commission as agreed to by contract) and cash received by the Society from the totalizer service (commission less contractual payments to the totalizer service).</p> <p>Receipts collected well in advance of a race are stored in locked cash drawers and a safe. A representative from the Ohio Racing Commission is present to generally monitor collection activities. During peak wagering times, county sheriff personnel monitor the collection booth.</p>	①

* - Cross-reference to the working paper documenting the tests of controls.

Parimutuel Wagering Receipts -- Audit reaction and/or management letter comments, etc.:

Effect on audit strategy/audit program:

① = See working paper 110.100 through 110.500 for “ placed in operation” testing.

Procedures indicate controls have been placed in operation. No change to planned audit strategy or substantive procedures.

Possible management comments/reportable conditions/noncompliance, etc. :

None.

* - Cross-reference to the working paper documenting the tests of controls.

Appendix D

(Ag. Society ADAM)

RECORD OF MONITORING CONTROLS **(With EXAMPLE documentation)**

STATE & LOCAL GOVERNMENT

AUDITOR OF STATE OF OHIO

NAME OF CLIENT: _____

LOCATION: _____

Parimutuel Wagering Receipts

Year ended:			
Monitoring controls completed/updated by (initials and date):			
Reviewed by AIC (initials and date):			
Reviewed by deputy auditor (initials and date):			

Parimutuel Wager Receipts -- Audit reactions and/or management letter comments, etc. :

Effect on audit strategy/audit program:

Tests of controls identified no control failures. Tests of controls support the planned assessment of control risk.

No change to planned audit strategy (see ASM). Substantive testing will consist of analytics and recalculation as noted in the audit program.

Possible management comments / reportable conditions / noncompliance, etc. :

None.

①=This control would normally be tested through a combination of inquiry, and attribute testing of documents.

②=This control would normally be tested through inquiry and observation.

③=This control would normally be tested through inquiry, observation, and review of the totalizer agreement, and parimutuel wagering system output (reports).

Note: Inquiry of more than one individual with corroborating responses may provide greater evidential matter than inquiry of one individual. Inquiry alone is not sufficient evidence to support a control risk assessment below the maximum, however, inquiry may contribute to a reduction in control risk when combined with other tests of controls which are relevant to the same control objective.

For observation to support an assessment of control risk below the maximum, it would need to occur during the audit period. Auditors should consider conducting observations during fair week (interim testing) and documenting the results in the work papers.

Appendix E

(Ag. Society ADAM)

Auditor of State of Ohio- Parimutuel Wagering Record of Computer Environment and Controls

Region	
Client Name and Address	

List **Client Contact(s)** that is knowledgeable about the Parimutuel Wagering Application (if any)

Contact Person & Job Title	Department	Application (if any)	Telephone Number and/or e-mail address	Fax Number

List **Vendor Contact(s)** for the Parimutuel Wagering Application

Contact Person & Job Title	Company Name	Application	Telephone Number and/or e-mail address	Fax Number

Fiscal or Calendar Year Ended **2001** **2002** **2003**

Completed/Updated by (Initials and Date)			
Reviewed by Engagement Deputy Auditor			

1.1a Parimutuel Wagering Application:

Application Name and Version Number (If Known)	List the Agency and/or Department Using the Application	List Vendor Name or State In-House Development	List the Computer System on which the Application is Run	Implementation Date/ Last Upgrade Date (Approximate)

*Note: The description of the application should include a brief description of what the application does and the types of transactions processed. The programming language used and the existence of any application-level security should also be described here (if known).

1.1b Parimutuel Wagering Application: List any known problems or limitations with any of the applications listed above. In addition, list any significant modifications planned for the above listed applications.

--

2.1a System Hardware (e.g., Mainframe, Mid-Range, PC, LAN, Client/Server or Firewall)

System Hardware (Include Manufacturer and Model #)	Department or Agency Using the System Hardware	Type of System Hardware (See Examples Above)

2.1b System Software (e.g., Operating System, Network Operating System, Firewall, Security Software, Access Language, Data Dictionary, Report Generator, Data Manager, Compiler, Command Language, Job Scheduler, Library Systems, etc...)

System Software (Include Vendor Name and Version #)	Type of System Software (See Examples Above)	System Hardware (Include Manufacturer and Model #)

2.1c Data Communications Environment

Local Area Network Network Configuration (e.g., Token Ring or Ethernet) Version Used (ex. Windows NT, Novell)	
Protocols Used (e.g., TCP/IP, IPX/SPX, NetBEUI, DECnet or AppleTalk)	
Internet Service Provider (ISP) (e.g., AOL, MSN, EarthLink, etc...)	
Remote Access (e.g., dial-up or dedicated connection)	
Number of Terminals with Internet Connections	

2.2 Overview of network links

Identify the CPU (Mainframe, Mid-Range, PC, LAN and/or Client Server), that processes Audit Significant Applications. The diagram should also list; any departments that use the Audit Significant Applications, applications used by the department, the number of users in the department and the number of terminals (PCs) in the department. Draw a simple diagram below or attach a client supplied diagram, if available. The diagram should depict the CPU and include an overview schematic of the client's LAN/WAN (including routers and bridges) to the Internet, dial-up servers and connections to any other key networks or nodes.

Appendix F

(Ag. Society ADAM)

AUDITOR OF STATE SAMPLE AGRICULTURAL SOCIETY AUDIT PROGRAM SPECIMEN SUBSTANTIVE TESTS

AOSAM 31600 and SAS 77 require that we prepare a written audit program for each engagement. Using this program will satisfy that requirement.

Approval:

	<u>Name</u>	<u>Date</u>
Deputy auditor		
AIC		

AOSAM 31600.6 requires that all audit program steps the deputy auditor and AIC approve during planning be completed. Since information acquired during fieldwork may require subsequent modification to this program, the DA and AIC should be satisfied that this program reflects modifications required, prior to the release of our report.

Signing off above indicates that the deputy auditor and AIC believe that:

- (1) the audit program has been suitably tailored for this engagement, including modifications required by information acquired subsequent to planning, and
- (2) that all audit program steps have been satisfactorily completed.

Specimen Audit Program Index

Audit Segment	Page	X-ref. (or N/A)	AIC* review compl.	DA* review compl.	Status
Planning / audit strategy	4				
Other general procedures applicable during fieldwork	7				
Finalizing / updating the audit	13				
Substantive tests:					
Cash	17				
Investments	20				
Property taxes, intergovernmental revenue & other confirmable cash receipts	23				
Parimutuel wagering receipts and disbursements	25				
Purse receipts and disbursements	27				
Over-the-counter cash receipts	28				
Non-payroll cash disbursements	30				
Payroll cash disbursements	32				
Interfund cash transfers	34				
Debt	35				
Budgetary financial statements/disclosures	38				

* Our policy does not require that AICs or deputy auditors document their reviews on this sheet. However, they may wish to use this sheet to monitor the status of the audit, including the status of their reviews.

Note: This program excludes sections related to (1) income tax receipts; (2) billing system receipts (e.g., utilities); and (3) courts, since those are usually unconfirmable receipts.

In the case of agricultural society initial audits, the existence of extensive data with which to perform analytics, budgets, and evidence of board of directors oversight will be of primary importance to limiting audit risk to an acceptably low level. However, the auditor should not overlook the possibility of examining evidence of application level controls such as ticket accountability for gate receipts, or other controls over significant non-confirmable cash receipt cycles which may be necessary to reduce audit risk to acceptably low levels.

Auditor of State of Ohio -- Agricultural Society Audit Program Introduction

SAS 77 requires using a written audit program on every engagement. Using this program will satisfy that requirement. This program includes procedures suitable to limited risk audits audited by the Auditor of State. *However, it is not possible to design one (or even several) specimen programs that, without tailoring, would meet the circumstances of all the clients we serve.* Therefore, it is necessary to tailor this program to meet the needs of each engagement. It is primarily the responsibility of the deputy auditor and AIC to assure that the program steps result in a suitable tradeoff between effectiveness and efficiency (i.e., responds to risk appropriately). Significant judgment is required.

This Program links substantive procedures to financial statement assertions. The five assertions relevant to a financial statement are: (1) existence, (2) completeness, (3) valuation, (4) rights & obligations, and (5) presentation and disclosure. Accordingly, procedures that satisfy an assertion(s) are marked with a corresponding "E," "C," "V," "R," and/or "P." If the procedure provides only a secondary source of assurance, it is bracketed (e.g., [V]). Additional guidance about the assertions is in AOSAM 30200. Some important procedures are required to meet professional standards (e.g., planning), but are not directly related to satisfying assertions. Accordingly, these procedures have no assertion listed.

Since judgment is required in designing audit procedures, and since there are often unique engagement circumstances, it is not possible to provide a "formula" for judging the sufficiency of procedures (e.g., we cannot say that one primary step or two secondary steps are adequate). Nevertheless, linking the assertions to procedures is critical in helping us judge the sufficiency of our procedures. For example, if a cash receipt account is subject to unusual risk of theft, we should pay particular heed that the procedures adequately address the completeness assertion.

Some work should be done to satisfy all five assertions for material accounts. However, there is no requirement to perform a procedure designated as a primary source of assurance about each relevant assertion for each material account. The auditor should consider the assurance provided by all procedures performed, and should consider the risk assessment documented on the audit risk model in the Audit Strategy Memo. For example, based on the audit risk model, a procedure designated as a secondary source of assurance for several assertions may provide sufficient substantive evidence for those assertions.

Auditor of State of Ohio -- Agricultural Society Audit Program

Step No.	Assertion	PLANNING / DETERMINING AUDIT STRATEGY Procedure for Consideration	Done By	Date Comp.	
1.	N/A	<p>Ag Soc Note: Prior to audit periods ending in 2001 and 2002, agriculture societies were not audited in accordance with generally accepted auditing standards and government auditing standards. This step has been modified to recognize that standard information normally available to a successor-auditor will likely not be found. Most information required to satisfy this step will be obtained from the annual report submitted by the society to the Department of Agriculture and the Department's Compliance Examination Report. Note that the Department of Agriculture's Red Book serves as an effective codification of the compliance environment in which agricultural societies operate. Also note that our office established accounting policies back in 1988 which are still being used by many agriculture societies.</p> <p>Gain a general understanding of the client and its operations (30400), by reviewing:</p> <ul style="list-style-type: none"> -- Prior year audited statements. For audit periods ending in 2001 and 2002 it is unlikely that audited financial statements will be available. Reviewing annual reports of the agricultural society to the Department of Agriculture and the Department's Compliance Examination Report is an acceptable substitute for reviewing the prior year audited financial statements. -- Permanent files. In audit periods ending in 2001 and 2002, it is likely that you will be building the permanent file. Some useful permanent file information may be found in the Department's Compliance Examination Report. -- Correspondence files. The Department's Compliance Examination Report contains a Fair Audit Worksheet and notes of the Department's Internal Auditor. -- Prior-year w/p (likely to consist only of the Fair Audit Worksheet and Internal Auditor notes. <p>The Compliance Examination Report is generally short and contains the Fair Audit Worksheet and Internal Audit notes. It represents a good summary document to assist the auditor in focusing on client-specific risks. Its careful review should help the auditor identify risks and prepare an effective audit strategy.</p> <p>It is not necessary to review the p/y w/p in detail, or even to review each w/p. Instead, the objective should be to gain an overview of the client's operations, the issues affecting it, and the approach applied in the p/y by focusing on:</p> <ul style="list-style-type: none"> -- Prior year Matters for Attention. -- Prior year ASM -- Systems documentation -- The use of service organizations -- The existence of component units, or potential component units. -- Internal control documentation. -- Inherent risks. -- Scan substantive test w/p to gain an overview of the nature, relative materiality of accounts and approximate volume of transactions, and the prior year audit approach for the accounts. 			
2.	N/A	<p>Perform preliminary analytics (36200) Note: This is a mandatory procedure, per AOSAM 31600.27(h). While not audited, the Annual Reports submitted by the societies to the Department of Agriculture contains the financial statements of the society. In addition, a series of Quattro Pro spreadsheets summarize the Annual reports of all 94 agricultural societies for each year dating back to 1993. These spreadsheets represent an opportunity to compare the clients operations to prior years and to compare it to its peers.</p> <p>i.) Obtain available current-year financial information from the government. This can consist of the annual report, summarized output from the accounting system (e.g., combined or combining statements), a trial balance or other available information.</p> <p>ii.) Based on the results of your general understanding (step 1), and from preliminary inquiry to the client, develop and briefly document expectations, and perform preliminary analytic procedures (36200.8-10, & App A).</p> <p>iii.) Document unexpected fluctuations requiring further investigation during the audit.</p> <p>Generally, comparing current account balances to prior period balances in conjunction with inquiries and other limited procedures is sufficient to develop expectations. Since many small governments operate in stable environments, it would not be unusual to "expect" that amounts for the year(s) under audit would be comparable to prior year amounts. Agricultural societies also operate in fairly stable environments. The most significant source of variation in receipts and expenditures is likely to be the weather during the societies' annual agricultural fair.</p>			
3.	N/A	<p>Prepare an engagement timetable. Important dates to consider include:</p> <ul style="list-style-type: none"> -- Dates for which we expect the client to complete information we require (reconciliations prepared, annual report prepared, minutes summarized, etc.) -- Year-end fieldwork. -- Review of financial statements and exit conference. -- Report release- Should consider client deadlines. -- Audit committee meetings. 			

Auditor of State of Ohio -- Agricultural Society Audit Program

Step No.	Assertion	PLANNING / DETERMINING AUDIT STRATEGY Procedure for Consideration	Done By	Date Comp.
4.	N/A	<p>Meet with the client (30400.5) prior to commencing fieldwork.</p> <p>i.) Provide a written agenda that includes (at a minimum) the following matters: -- Key engagement team members. -- Estimated dates of commencing and ending fieldwork. -- New pronouncements affecting the audit. -- Other engagement issues -- Assistance we expect from the client, with suggested due dates.</p> <p>Invite the Chief financial officer and head of the audit committee or its equivalent. If the client declines to have a meeting, send them a letter summarizing the aforementioned matters. (Per 38200.4b, a copy of the agenda (or letter) should be presented to the audit committee head, or to the legislative body and management, if no audit committee exists.) <i>It is unlikely that formal audit committees will exist in agricultural societies. If they do not, we ought to recommend their adoption in our management letter. Also society bookkeepers can range from volunteers with little experience to CPA firms.</i></p> <p>To expedite this step, consider holding this meeting by phone, with a copy of the agenda forwarded to the groups listed above. <i>For agricultural societies, an actual in-person meeting is highly recommended in the first year audited so that we can observe the state of record keeping. Also check to see if the society maintains its accounting records on some type of accounting software system (e.g., Quick Books). Many do, and doing so may make the work on trial balances less costly.</i></p> <p>ii.) Update our understanding of the client (from step 1. above) based on information we obtained at this meeting.</p>		
5.	P	<p>Consider the effect of changes in professional standards (pronouncements of the GASB, Statements on Auditing Standards, applicable Statements and Interpretations of Financial Accounting Standards, etc.) and AOS policies applicable to the engagement. Identify the significant accounting, auditing, and reporting issues affecting the engagement and ensure that all such matters are considered in the planning process. Document these considerations in the ASM (or an attachment thereto).</p>		
6.	N/A	<p>Prepare an engagement budget (45100.7). The level of detail will vary among engagements. Generally smaller engagements require less detail than larger engagements.</p>		
7.	N/A	<p>Send the letter of arrangement (30300.12).</p> <p>i.) Specimen versions are available on the AOS Intranet, and should be signed by the SDA.</p> <p>ii.) Send copies to all required parties (30300.11): -- Chief executive officer <i>President of the society.</i> -- Head of the legislative body/taxing authority <i>While not directly associated with our audit, consider sending a courtesy copy to the county auditor</i> -- Chief financial officer <i>Society bookkeeper</i> -- Audit committee.</p>		
8.	N/A	<p>If the prior audit was issued by an IPA, correspond with that firm (AU 315, SAS 84). <i>This step is NA. Prior to our involvement societies were not audited in accordance with generally accepted auditing standards or government auditing standards.</i></p>	N/A	
a.		<p>Ask the new client to authorize the IPA to respond fully to the following inquiries (and also for permission to review the IPA's w/p):</p> <p>i.) Whether the prior auditors had reservations about management's integrity.</p> <p>ii.) Whether the IPA disagreed with management regarding accounting principles, audit procedures or similar matters (e.g., management's refusal to allow income tax records to be audited).</p> <p>iii.) Inquire about and/or read communications the IPA made to audit (or similar) committees regarding fraud, illegal acts and internal-control-related matters.</p> <p>iv.) Inquire regarding the IPA's understanding as to the reasons for the change in auditors. (If we are reasonably certain that the change in auditors resulted from the expiration of a contract issued through the AOS, we can document that in the w/p, and need not make further inquiry. Sometimes, however, changes in auditors are caused by disagreements in accounting principles, auditing scope, etc. It is important to obtain the predecessor auditor's understanding of the reason for the change in such circumstances.)</p> <p>NOTE: Since we have a statutory obligation to audit Ohio governments, gaining an understanding of the above matters may be irrelevant to our decision to accept an engagement. However, we believe the above matters are important in assessing management's integrity and competency, and that we should comply with these requirements of SAS 84. Similarly, regarding step b. below, we have statutory authority to review an IPA's w/p. However, as a professional courtesy, we prefer the client request the IPA's permission for us to review them.</p>	N/A	

Auditor of State of Ohio -- Agricultural Society Audit Program

Step No.	Assertion	PLANNING / DETERMINING AUDIT STRATEGY Procedure for Consideration	Done By	Date Comp.	
b.		<p><i>In initial audits we accomplish the goals of this step by reviewing the Compliance Examination Report including the Fair Audit Worksheet and Internal Auditor notes. Refer this step to workpapers containing the result of our review conducted to comply with Step 1 above.</i></p> <p>Review the IPA's p/y w/p, focusing on (AU 315.11):</p> <ul style="list-style-type: none"> i.) w/p analysis of p/y balance sheet accounts (i.e., this year's opening balances) ii.) planning iii.) internal control iv.) Audit results v.) Contingencies vi.) Other matters of continuing significance. 			
9.	N/A	<p>Consider the required involvement of specialists on the engagement.</p> <p><i>Note: We do not contemplate that agriculture society audits will require specialists.</i></p> <p>SAS 73 (AU 336) provides guidance in this matter. AU 336 applies regardless of whether the specialist is a client employee, contractor, or a person the AOS hires to assist with the audit. The need for a specialist is always a source of inherent risk, since, by definition, their role is in a special field, often involved with sensitive valuation issues and complex calculations. Specialists sometimes required for local governments we audit include:</p> <ul style="list-style-type: none"> -- Capital asset appraisers -- Insurance specialists calculating IBNR for our client. (A client may employ a service organization to (1) process accounting transactions and (2) compute IBNR. Our professional responsibilities in this circumstance require addressing both SAS 70 / 88 for (1), and SAS 73 for (2).) -- Engineers or consultants that estimate landfill closure and postclosure costs. -- For GASB 34 statements, engineers maintaining infrastructure records, or assisting us in valuing infrastructure. <p>Important: If the client compiles material financial data without assistance from a qualified specialist, consider whether <u>we</u> should engage or consult with an independent specialist to corroborate the client's work. Since this would entail additional cost, consult with your senior deputy auditor. Consider consulting with Accounting & Auditing Support.</p> <p>It is critical to identify the need for specialists during planning, so that the client can make the needed arrangements in accordance with agreed-upon deadlines. (Per SAS 73, specialists do not include persons doing accounting work, such as those compiling GAAP statements, or attorneys we consult with in evaluating contingencies under AU 337.) If a specialist is required, complete Step 6, "Evaluate work performed by a specialist," in "Other General Procedures Applicable During Fieldwork."</p>			
10.	N/A	<p>Consider the effect of service organizations on our engagement strategy.</p> <p>SAS 70 / 88 (AU 324) provides guidance when a client uses a service organization to process accounting information (or to administer a grant program when the administrator is not a subgrantee). There are several acceptable approaches to auditing service organization activity. We should consider which approach is effective, timely, and results in the least cost to the client. Acceptable approaches include:</p> <ul style="list-style-type: none"> a) Obtaining a "Type 2" SAS 70 report (AU 324.54), and assessing CR at less than maximum* or low based on controls the service auditor tested. b) Relying on controls the user organization (i.e., our client) applies to information submitted to, and received from, the service organization. c) Assessing CR at the maximum level, and performing substantive tests. d) Visiting the service organization to test controls and/or substantively test data. <p>It is critical to identify service organizations during planning, so we can arrange visits to the service organization/receipt of a SAS 70 report, etc. to satisfy agreed-upon deadlines.</p> <p>* NOTE: Consider that assessing CR for service organization transactions at maximum or less than maximum (rather than low) will usually require substantive testing of transactions, per AOSAM 35900.23. Substantively testing health insurance payments, for example, normally requires obtaining an understanding of the client's health plan, including deductible limits, covered services, eligible physicians, etc.</p> <p>NOTE: See the Agriculture Society ADAM regarding the ramifications of SAS 70/88 on tote services.</p>			

Auditor of State of Ohio -- Agricultural Society Audit Program

<u>Step No.</u>	<u>Assertion</u>	PLANNING / DETERMINING AUDIT STRATEGY <u>Procedure for Consideration</u>	<u>Done By</u>	<u>Date Comp.</u>	
11.	N/A	<p>Assign a concurring reviewer if required (45000.2)</p> <p>a) Concurring reviewers are required for:</p> <ul style="list-style-type: none"> i) Engagements budgeted for over 2000 hours. ii) Engagements of heightened public interest. iii) CAFRs to be submitted to the GFOA iv) Initial engagements (first time audits of new entities, and where we are succeeding an IPA). <p>b) The SDA should discuss planned strategy and important and sensitive aspects of the engagement with the concurring reviewer (45000.6 b) during planning.</p>			

Auditor of State of Ohio -- Agricultural Society Audit Program

Step No.	Assertion	OTHER GENERAL PROCEDURES APPLICABLE DURING FIELDWORK Procedure for Consideration	Done By	Date Comp.
1.		Trial Balance <i>Note: These are mandatory procedures, per AOSAM 31600.27(g).</i>		
a.	[V]	<p><i>Some, but not all agricultural societies, maintain their accounting records using accounting software (e.g., Quick Books).</i></p> <p>Obtain combined and combining trial balances for all funds (and if applicable, account groups) included in the reporting entity. (If no trial balance is prepared, a copy of the entity's annual report submitted to the Auditor of State is often sufficient, especially for cash basis entities.) -- Foot the individual fund trial balances.* -- Crossfoot combining account totals, agree to combined total.* The extent of this work can be significantly reduced when trial balances are automated. For example, this procedure would usually not apply to fund statements printed from the UAN system.</p> <p>Note: It is generally accepted that reperforming client bookkeeping routines is not sampling. The auditor's objective is to reach a conclusion on the reliability of the client's processing, and the auditor does not base this conclusion solely on reperformance procedures. For these reasons, block sampling or accept/reject testing may be used.</p> <p>* These steps may not be needed for UAN entities. See ADAM 98-06. <i>UAN will be made available to agricultural societies beginning with fiscal years ending in 2003.</i></p>		
b.	[V]	Agree beginning balances to the prior year audited statements or adjusted working papers. <i>Beginning fund balances should be tied to previous period's period end bank reconciliation.</i>		
c.	[V]	<p>Trace individual account balances to the underlying accounting records. Determine the appropriateness and consistency of account and fund groupings with prior year(s).</p> <p>This usually requires agreeing the trial balance amount to the cash-basis accounting system account balance summaries for each account in every fund (e.g., fund cash receipt and disbursement ledgers). -- The extent of this testing requires judgment, but would normally requires tracing some account and beginning and ending balances for each fund. -- The extent of this testing can be significantly limited when the trial balance is automated and online with cash receipt and disbursement ledgers. (This procedure would not apply to UAN entities.)</p>		
2.		<p>Create the permanent file. <i>Note: This is a mandatory procedure, per AOSAM 31600.27(f).</i></p> <p>For example, the file can include information such as:</p> <ol style="list-style-type: none"> General information regarding the government. List of related parties. Chart of accounts and organization chart. Systems documentation. Carry forward working papers and prior-year management letter data. Accounting and auditing research having continuing relevance. Employee benefit plan documentation. Long-term contracts (e.g., leases, debt instruments, and commitments). Notes receivable/payable documentation. 		

Auditor of State of Ohio -- Agricultural Society Audit Program

Step No.	Assertion	OTHER GENERAL PROCEDURES APPLICABLE DURING FIELDWORK <u>Procedure for Consideration</u>	Done By	Date Comp.	
3.	[C],[R],[E]	<p>Read the minutes. <i>Note: This is a mandatory procedure, per AOSAM 31600.27(f).</i> This should include minutes of the legislative body, and any committees (budget, finance, etc.) or other boards, etc., that may have audit significance. Be alert for indications of matters having relevance to the areas listed below. Consider cross-referencing <i>from</i> the w/p minute summary to the appropriate audit segment working papers to assure that we have addressed significant matters. The review should cover the period under audit and the subsequent period between the end of the most recent fiscal year up to the date of our opinion (that is, minutes reviews are subsequent event review procedures). Additionally, AOSAM 45300.39 requires that we update subsequent events if the report is not released by the Clerk of the Bureau within 30 days of the opinion date.</p> <ul style="list-style-type: none"> -- Matters significant for financial statement disclosure -- Related party transactions -- Litigation, claims and assessments -- Loss contingencies and commitments -- Subsequent events -- Advances or transfers of funds -- amounts written off for notes and other receivables -- Grants and donations -- Material additions, sales, abandonments, etc. of property, plant and equipment. -- Investments purchased, sold, or changes to investment policies. -- Authorizations for new debt, principal and interest payments, and refinancing or defeasance of debt. -- Actions that may create equity reservations or designations -- Establishment of funds -- Adoption of the tax budget -- Acceptance of levy of the necessary tax rates -- Annual appropriation measure -- Amendments and supplements to annual appropriation measure -- Evidence of unrecorded liabilities and/or encumbrances -- Evidence that cash accounts or investments were pledged as collateral. -- Motor vehicle insurance, accident insurance and liability insurance coverage -- School board member attendance at board meetings -- Incompatibility of public offices Whether executive sessions are only held at regular or special meetings -- Compensation of officials -- Contracts or letting bids for contracts -- Transactions with other entities that may indicate a potential CU/JV/JGO, such as financial accountability, fiscal dependency, financial benefit/burden -- Changes in salaries or benefits -- Authorization to hire new employees or create new positions. 			
4.	[C],E [R],V	<p>Inquire of the government's lawyer(s) concerning litigation, claims and assessments (37100, AU 337) <i>Note: These are mandatory procedures, per AOSAM 31600.27(c).</i> <i>Note: Agricultural societies have not experienced these requests. Be prepared to discuss their need in detail with members of the society. There is no statutory counsel prescribed for societies. The use of counsel is highly dependent on the activities engaged in and state of suits pending against the society. Review of legal invoices is likely to be the best source of objective evidence in this regard. Consider making this review part of the first meeting with the client. Consider inquiring about the use of the county prosecutor. These services may not be billed and show up in the accounting records. Consider also reviewing the annual financial report for indication of legal fees (Acct 7310 Legal Services).</i></p> <p><i>Note: Most units of local government have statutory legal counsel, referred to as "inside counsel." Governments may also refer certain matters to other attorneys or law firms, referred to as "outside counsel."</i></p>			
a.		<ul style="list-style-type: none"> i) Obtain and document an understanding of management's policies and procedures for identifying, evaluating, and accounting for litigation, claims, and assessments. (These procedures are frequently the responsibility of inside counsel.) ii) Examine documents in the auditee's possession concerning litigation, claims, and assessments, including correspondence and invoices from lawyers, government agencies, et al. iii) Scan legal expense to identify outside counsel who provided legal services during the year. iv) Obtain from management or from inside counsel, a description and evaluation of litigation, claims, and assessments that existed at the balance sheet (or equivalent statement) date and from that date through the date the information is furnished (which should be on or near our report date), including identification of matters referred to outside counsel. 			
b.		<p>Based on information obtained in step a. above:</p> <ul style="list-style-type: none"> -- Send a letter of audit inquiry to inside and outside counsel that represented the client regarding material loss contingencies (i.e., litigation, claims, and assessments.) -- The letter should be on client letterhead, and signed by the client, but we should mail it, and the response should be returned directly to us. -- See example in AU 337 A. 			

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c.		If management has not consulted a lawyer, and evidence from step a. supports that management had no loss contingencies requiring legal counsel, we should not correspond with attorneys, but should modify the representation letter to include an assertion that, "We are not aware of pending or threatened litigation claims or assessments that require accrual or disclosure in the financial statements, in accordance with Statement Financial Standards No. 5, and we have not consulted a lawyer concerning litigation, claims or assessments."		
d.		Determine the adequacy and completeness of responses received from attorneys and determine whether they require modification. Determine that each letter contains all information requested, in the form accepted by the American Bar Association (described in AU 337C). Follow up on any differences. -- IMPORTANT: For <u>each</u> case described in the attorney's response, document our conclusion about the effects of the matter on the financial statements under SFAS 5 (i.e., disclose in the footnotes).		
e.		If the client discloses loss contingencies in a footnote, allow the attorney(s) representing the client in the matter(s) to review a draft of the contingency disclosure footnote (37100.25). The objective is to assure that the disclosure satisfies FASB 5 but does not include language that the client's adversary in litigation could use as evidence of an admission of guilt, etc.		
f.		If we become aware that the client has changed lawyers or if any lawyers have resigned or have indicated that they intend to resign, document the reason(s). (NOTE: We should consider whether a resignation indicates differences of opinion between the attorney and management, or the attorney resigned due to a belief that the client acted unethically.)		
5.	[C],[R],[E]	Perform other procedures to identify and evaluate potential loss contingencies		
a.		Inquire of responsible officials regarding the existence of other possible contingencies, such as: i) Sales of assets, if any, and agreements to repurchase assets previously sold. ii) Guarantees or endorsements* iii.) Possible uninsured losses. iv.) Unfunded benefit plan liabilities. v.) Joint projects with other governments requiring periodic payments (this may also indicate existence of JV's or JGO's. vi.) Arrangements with financial institutions, such as written or oral guarantees*, available letters of credit. vii.) Commitments to purchase large quantities or at prices in excess of market prices prevailing at the balance sheet date. viii.) Commitments for grants to subrecipients that are payable over future periods. *Guarantees and endorsements are promises to make payments in the event of the default on a financial instrument by another party. A guarantee is a separate contract with the payee. Endorsing is "co-signing" on the back of the debt instrument. FASB 5, par. 12, usually requires disclosing material guarantees or endorsements. Auditors should also consider the legality of these arrangements.		
b.		Through discussion with management or other means, determine whether the government regularly assesses its insurance needs and purchases enough coverage to meet those needs. Consider whether the government has material uninsured risks and evaluate those risks as potential loss contingencies. Note: for agricultural societies, the county is responsible for maintaining insurance on the societies buildings regardless of ownership.		

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Step No.	Assertion	OTHER GENERAL PROCEDURES APPLICABLE DURING FIELDWORK <u>Procedure for Consideration</u>	Done By	Date Comp.	
c.		<p>Consider whether environmental contingencies exist.</p> <p>i.) Consider whether the following risk factors exist:</p> <ul style="list-style-type: none"> -- Operations that increase the risk of environmental liability, such as wastewater treatment, landfill operation, petroleum, hazardous material storage, or animal waste disposal. -- Known instances of noncompliance from prior audits, or events reported in the media, etc. -- Requirements to obtain permits to transport, store, treat or dispose hazardous waste. -- Storing hazardous substances in landfills, underground storage tanks, etc. -- Designation by the EPA as a potentially responsible party. <p>ii.) If step (i.) risk factors exist, evaluate the government's policies and procedures to identify environmental liabilities and contingencies. Such policies should include the use of engineers and other specialists, periodic consultation with the EPA (or Ohio EPA), etc. If client management does not use qualified experts or monitor these activities carefully, consider the need for a reportable condition, and the possibility of unrecorded liabilities or inadequate disclosure.</p> <p>iii.) Inquire whether regulatory authorities or environmental consultants have issued any reports on property the government is associated with, such as site assessments or impact studies. If so, scan the report for evidence of contingent liabilities.</p> <p>iv.) Inquire whether there are any requirements for site clean up of property purchased, abandoned or sold, or any intentions for future removal and site restoration.</p>			
6.		<p>Test for related party transactions. <i>Note: AOSAM 31600.27(a) requires that we perform procedures to identify related party transactions. However, please use good judgment. For example, do not pursue transactions that are clearly inconsequential.</i></p> <p><i>Note: In agricultural societies it is possible we will run across related party transactions. Discuss related party transactions with representatives of the society at your initial meeting. It is unlikely that related party transaction in agricultural societies will indicate potential illegal acts unless the other parties are statutorily precluded from engaging in the transaction. Related parties in agricultural societies are the members of the society, their boards of directors and officers. Arrange for lists of these individuals to be available at your initial meeting.</i></p> <p>SFAS No. 57 and SAS No. 45 provide financial statement disclosure and audit standards, respectively, applicable to related party transactions. These pronouncements tend to use terminology more appropriate to commercial enterprises, but the standards are applicable to governments.</p> <p>In governmental entities, related parties include members of the legislative body, administrative officials, and affiliated governments or other organizations not part of the reporting entity. The AOS also considers costs paid from one fund to support the activities of another fund to be similar to related party transactions, and requires disclosure where material. See "Cost Allocation" in AOS Bulletin 96-013.</p> <p><u>Some</u> related party transactions may indicate illegal acts, for example, an unlawful interest in a public contract between a county and the company of a county commissioner. Many related party transactions are legal. For example, a government may provide/receive free office space for/from another government. The value of this office space may be significant to a small entity that would otherwise lease or buy facilities. Such a transaction should be disclosed, if significant.</p>			
a.	N/A	<p>To Identify related parties, consider the following procedures:</p> <p>i.) Ask appropriate management personnel for the names of all related parties and whether there were any transactions with them during the period. (It is advisable to briefly define "related parties" for the client. Also, reassure them that the primary purpose of these procedures is not that we necessarily suspect that ethics violations exist, but rather that accounting standards require separate disclosure of transactions not executed at arms length.)</p> <p>ii.) Ask predecessor, principal, or other auditors of related entities about existing relationships and the extent of management involvement in material transaction.</p> <p>iii.) Review prior-year working papers for names of known related parties.</p>			

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b.	C,[R]	<p>To identify material related-party transactions, consider the following procedures:</p> <p>i.) Provide audit personnel with the names of known related parties. Also provide the names to other auditors of component units.</p> <p>ii.) Read the minutes of meetings of the legislative body for material transactions authorized or discussed.</p> <p>iii.) If deemed necessary, read "conflict-of-interests" statements, if any, the government requires of its legislative body and administrative officials.</p> <p>iv.) Review the extent and nature of business transacted with major customers, suppliers, borrowers, and lenders for indications of previously undisclosed relationships.</p> <p>v.) Consider whether any transactions are not being recorded, such as free facilities, accounting, management, or other services received or provided at no charge. Note: Governments often do this for other units of government, for not-for-profit entities, or between funds. (For example, the general fund may provide significant administrative services, or may pay costs of an enterprise fund activity. We prefer that such costs be reflected in the proprietary fund, such as through an interfund transfer or quasi-external transaction, but there is no requirement to do so. See "Cost Allocation" in AOS Bulletin 96-013.) While donating free rent to an <u>unrelated</u> party would not be a related party transaction, we prefer that such material transactions be disclosed, whether the client is the provider, or the recipient of the benefit.</p> <p>vi.) Scan accounting records for large, unusual, or nonrecurring transactions or balances, paying particular attention to transactions recognized at or near the end of the reporting period.</p> <p>vii.) Review confirmations of compensating balance arrangements for indications that balances are or were maintained for or by related parties.</p> <p>viii.) Review confirmations of loans receivable and payable for indications of guarantees. When guarantees are indicated, determine their nature and the relationships, if any, of the guarantors to the reporting entity.</p> <p>ix.) Consider the capability of the other party or parties to the transaction regarding material uncollected balances, guarantees, and other obligations. (Since related party transactions are not arms-length, there is increased risk that transactions accounted for as loans may not be repayable, etc.)</p> <p>x.) As part of the procedures relating to related party transactions, integrate the procedures with the Ohio Compliance Supplement, regarding unlawful interest in public contracts.</p>			
c.	[V],[R]	<p>If necessary to fully understand a particular, material related-party transaction, consider the following procedures, which might not otherwise be necessary to comply with generally accepted auditing standards:</p> <p>i.) Confirm the transaction with the other party, or with intermediaries, such as banks, guarantors, agents or attorneys.</p> <p>ii.) Inspect evidence in possession of the other party.</p> <p>iii.) Refer to financial publications, trade journals, credit agencies, and other information sources when there is reason to believe that unfamiliar customers, suppliers, or other business enterprises with which material amounts of business have been transacted may lack substance.</p>			
d.	N/A	<p>Related party transaction wrap-up procedures.</p> <p>i.) Amend the specimen representation letter to include specific, material related party transactions we identified (in addition to including the specimen related party representation).</p> <p>ii.) Consider whether any such transactions provide evidence of fiscal dependence, or financial benefit or burden that require GASB 14 analysis.</p> <p>iii.) Write a narrative for the working papers describing the nature and extent of procedures performed in reviewing related-party transactions, including:</p> <ul style="list-style-type: none"> -- The names of related parties. -- The procedures used to identify material transactions and investigate possible undetermined relationships. -- The procedures used to evaluate the purpose, nature, and extent of the transactions and their effect on the financial statements. 			

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Step No.	Assertion	FINALIZING THE AUDIT Procedure for Consideration	Done By	Date Comp.	
1.	N/A	<p>Perform final analytic procedures (36200) Note: These are mandatory procedures, per AOSAM 31600.27(h).</p> <p>Per AU 329.22, final analytics assist and auditor in assessing conclusions reached and in evaluating the overall F/S presentation. A wide variety of analytical procedures may be useful for this. The final review would include reading the F/S and notes and considering (a) the adequacy of evidence relating to unusual or unexpected balances identified in planning or from fieldwork and (b) unusual or unexpected balances or relationships that were not previously identified. Results of final analytics may indicate that additional evidence is needed.</p> <p>a) The w/p should document completion of this step (36200.39 & App. A). b) Consider whether all fluctuations identified in preliminary analytics have been addressed.</p>			
2.	N/A	<p>Evaluate the Summary of Unadjusted Differences (37700).</p> <p>i.) When the engagement nears completion, assess the materiality of unadjusted differences in relation to the respective fund type. Consider whether the SUD includes sufficient allowance for additional undetected errors (37700.11 & .23).</p> <p>ii.) Consider the quantitative effect of unadjusted differences on each fund type, or budget vs. actual presentations (37700.4): -- total assets -- total revenue* -- total expenditures/expenses* -- fund balance/equity*</p> <p>ii.) Consider qualitative materiality as well as quantitative. iii.) Include the SUD as a Matter for Attention.</p> <p>* Using these amounts instead of net income/change in fund equity can be appropriate for fund-based entities, especially when an entity budgets and operates at approximately breakeven levels. (37700.5)</p> <p>NOTE: If clearly material unadjusted difference(s) arise during fieldwork, we should not wait until audit completion to discuss them with the client. Early identification and resolution of such matters should facilitate audit completion.</p>			
3.	N/A	<p>Assure the client's record retention policy is suitable for our w/p documentation (45300.8) It is not necessary to include copies of all client documents used in the audit. However, where a <u>significant</u> document is not included in the w/p, inquire to assure that the client's record retention policy reasonably assures that the document will be retained for a period consistent with our w/p retention policies. The AOS retention period is :</p> <p><u>Audits without findings for recovery :</u> Retain the two most recently completed audits, or retain for four years from the release date, whichever is longer.</p> <p><u>Audits with findings for recovery :</u> Retain for seven years from release unless resolved or paid. One year after resolved or paid, follow the same as audits without findings for recovery.</p>			
4.	[C],[V]	<p>Review subsequent events (AU 560) Note: These are mandatory procedures, per AOSAM 31600.27(b).</p> <p>Note: The existence of subsequent events may require additional footnote disclosure. Subsequent events do not normally result in adjustment of cash basis financial statements, but these procedures help assure the adequacy of disclosure.</p> <p>Per 45300.39, we must perform these procedures through our opinion date. However, if the report is not released by the Clerk of the Bureau within 30 days of the opinion date, we must update these procedures prior to the release.</p>			
a.		<p>Discuss with Management responsible for financial and accounting matters:</p> <p>i.) Whether any substantial contingent liabilities or commitments relating to matters outside the normal course of business arose, or were resolved since the balance sheet date.</p> <p>ii.) Whether there was any significant change in long-term debt or notifications of disallowances by grantor agencies since the balance sheet date.</p> <p>iii.) The current status of amounts disclosed in footnotes were based on tentative, preliminary, or inconclusive data (e.g., certain litigation).</p> <p>iv.) Whether any unusual adjustments were made during the period from the balance sheet (or equivalent statement) date to the date of our opinion.</p>			

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Step No.	Assertion	FINALIZING THE AUDIT Procedure for Consideration	Done By	Date Comp.	
b.		Obtain the latest interim financial statements* and: i.) Compare them with the financial statements being reported on. ii.) Ask about and document changes in the basis of presentation. iii.) Make other appropriate comparisons (prior year, prior interim period, etc.). *Some governments do not prepare interim statements, but we can still obtain the most recent monthly fund cash receipt/disbursement activity statements. For small entities with manual systems and no interim summaries, we can still scan receipt and disbursement transaction summaries for unusual items.			
c.		Read the minutes of meetings of the legislative body through the date of our report. Ask about matters dealt with at meetings for which minutes are not yet available.			
d.	N/A	Prepare a <u>brief</u> narrative for the working papers that describes the nature, timing, and extent and conclusions for our review of subsequent events procedures.			
5.	N/A	Assure that required consultations are obtained and documented (45200). (See summary of required consultations appearing after the table of contents in the audit manual.)			
6.	[R],P	Assess the entity's viability as a going concern (AU 341, ASLGU 17.08-.13, pages 20 - 21 of the 1997 AICPA <i>Audit Risk Alerts</i> , AOSAM 37300)			
a.		Consider whether other audit procedures identified whether the conditions described below exist, indicating there <i>could</i> be substantial doubt about an entity's ability to continue as a going concern. (Also, see step d. regarding possible disclosures for entities in financial distress that do not require a going concern paragraph.) While governments rarely cease to exist due to bankruptcy, SAS 59 relates "going concern" to an entity's ability to continue to meet its obligations as they become due without (1) substantial disposition of assets outside the ordinary course of business, (2) restructuring of debt, (3) externally forced revisions of its operations (such as when the State Board of Education assumes control of a school district, or when a government is in fiscal watch or fiscal emergency), or (4) similar actions. ASLGU 17.10 provides the following examples of conditions or events that may indicate a substantial doubt about a government's viability as a going concern: i. Extremely high IBNR liabilities. ii. Accelerating costs on construction and similar long-term projects disproportionate to economic feasibility. iii. Burdensome pension liabilities combined with a shrinking employee population (as of this writing this is not a concern for the statewide pension plans). iv. Potential material tax refunds due to taxpayer challenges, reassessments or large numbers of taxpayers relocating out of the government's jurisdiction. v. Declining tax base. vi. Unwillingness of senior governments to continue funding at existing levels. vii. Large investment losses. viii. Bond ratings lowered below investment grade. ix. Major disasters such as flood or fire (especially if uninsured). x. Tax rate near the legal limit. xi. Excessive use of short or long-term borrowing to meet current operating costs. Other evidence of "fiscal distress" includes significant deficit fund balances, especially in the general fund, recurring material excesses of expenditures/expenses over revenues, material use of one-time revenue sources (such as through sales of fixed assets) to fund basic operations, etc.			

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Step No.	Assertion	FINALIZING THE AUDIT Procedure for Consideration	Done By	Date Comp.		
b.		<p>If fiscal distress or substantial doubt exists, consider factors that may mitigate their significance. AU Section 341.07 cites these examples of factors tending to mitigate contrary information concerning solvency:</p> <p><u>Asset factors:</u></p> <ul style="list-style-type: none"> i. Disposability of operationally independent assets (for example, to raise cash) ii. Capability of delaying asset replacements or leasing rather than buying assets. iii. Possibility of using assets for factoring, sale-leaseback, or similar arrangements. <p><u>Debt factors:</u></p> <ul style="list-style-type: none"> i. Availability of unused credit lines. ii. Capability of renewing or extending existing loans. iii. Possibility of entering into debt restructuring agreements. <p><u>Cost factors:</u></p> <ul style="list-style-type: none"> i. Separability of operations producing negative cash flows. ii. Capability of postponing discretionary expenditures, such as maintenance. iii. Ability to make other spending cuts. <p><u>Revenue factors:</u></p> <ul style="list-style-type: none"> Ability to increase property taxes, obtain additional grants, etc. <p>Discuss the above mitigating factors with management.</p>				
c.		<p>Consider management's plans that are responsive to the negative conditions.</p> <ul style="list-style-type: none"> i.) Plans to consider include those to: <ul style="list-style-type: none"> Liquidate assets. Borrow money or restructure debt. Reduce or delay expenditures. Raise additional revenues. ii.) Discuss with management prospective data such as forecasts, budgets, etc., that are available or that can reasonably be developed and that are relevant to the plans discussed above. Evaluate assumptions underlying the prospective data. Consider the data based on your knowledge of the entity and its management and compare the data with historical results and results achieved to date. iii.) Evaluate the reasonableness and feasibility of management's plans. 				
d.		<p>Consider the need to disclose (1) significant negative fiscal conditions, (2) the effects of those conditions and (3) management's planned response to such factors. If significant financial distress exists, we generally suggest that such disclosure be made, even if we conclude that the "substantial doubt" criteria are not met (37300.6 -7).</p>				
e.		<p>If significant negative financial conditions exist, document the conditions, a brief summary of our extended procedures and our conclusions, in a Matter for Attention. (37300.12)</p>				
f.		<p>Note: This is now a mandatory procedure: We are now required to document that we have <u>considered</u> whether there is "substantial doubt" regarding an entity's viability as a going concern. (This amends AOSAM 37300.11.) We can document that by placing an "X" in the appropriate box immediately below:</p>				
		<p>We have read and considered step a. above, and based on the results of our other audit procedures (including final analytics), we have concluded that there is no substantial doubt about the client's viability as a going concern, defined in step a. above.</p>	<p>We have read and considered step a. above, and based on the results of our other audit procedures (including final analytics), we have concluded that there is substantial doubt about the client's viability as a going concern, defined in step a. above. We have therefore performed steps b.- d. above.</p>			
7.	N/A	<p>Possible Illegal Acts (violations of laws or governmental regulations). Note: These are mandatory procedures, per AOSAM 31600.27(e).</p> <p>Completing the Ohio Compliance Supplement generally fulfills our responsibility relating to material violations of State laws and regulations. This step should instead focus on other sources of illegal acts of which we may become aware, such as local charters or ordinances, or the matters described in step b. below.</p> <p>AU 317.08 & .10 state that audits need not include procedures specifically designed to detect illegal acts, other than the inquiry described in a. below. However, extended procedures are required if we becomes aware of information concerning possible illegal acts.</p>				

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Step No.	Assertion	FINALIZING THE AUDIT Procedure for Consideration	Done By	Date Comp.
a.		<p>Document the results of inquiries to management and whether other audit procedures indicated illegal acts may have occurred. AU 317.08 requires inquiring to management concerning compliance with laws and regulations. Write a brief narrative describing the inquiry and response. The inquiry/narrative should <u>also</u> normally address:</p> <p>(1) Policies relative to preventing illegal acts (2) Directives the client may have issued (3) Internal representations the client requires of its own management. (4) Whether our review of minutes, responses received from legal counsel or substantive tests of details indicated illegal acts may have occurred.</p> <p>The narrative need not duplicate documentation included elsewhere regarding these matters. For example, the ACE memo may include information regarding 1-3 above. If so, a cross reference from the narrative to the proper page of the ACE memo is sufficient.</p>		
b.		<p>Consider whether the following evidence of possible illegal acts occurred (AU 317.09): i.) Unauthorized transactions, or transactions not completely and/or timely recorded as required to maintain accountability for assets. ii.) Investigations or citations issued by a governmental agency, an enforcement proceeding, or payment of unusual fines or penalties. iii.) Large payments for unspecified services to consultants, affiliates or employees. iv.) Unusually large payments in cash, purchases of bank cashiers' checks payable to bearer, transfers to numbered bank accounts or similar transactions. v.) Unexplained payments to other governments' officials or employees. vi.) Failure to file tax return information.</p> <p>If evidence of the above or other possible illegal acts comes to our attention, we should obtain an understanding of the nature of the act, the circumstances in which it occurred, and make additional inquiry to management at least one level above those involved sufficient to evaluate the effect on the financial statements. See AU 317, and consider the need for consultation per AOSAM 30600.</p> <p>Note: Many of the above examples may also be fraud risk factors. If we become aware of these matters, we should assure they are documented and pursued. If we have documented them in the FRAQ memo, we need not repeat the writeup for this step.</p>		
8.	N/A	<p>Prepare and present required communications to the audit committee a.) 38200.3 requires that we present required communications to the legislative body and management if no audit committee exists. b.) The required communications are described in SAS 61 & 38200.6 - .18. c.) An optional format for presenting SAS 61 matters is in 38200, App. A. d.) We must also present them with the post-audit agenda (38200.4c).</p>		
9.	N/A	<p>Obtain a Representation Letter (AOSAM 38000) <i>Note: This is a mandatory procedure, per AOSAM 31600.27(e).</i> a. Obtained from client and signed by appropriate members of management b. Representations should be made no earlier than the opinion date c. The letter should contain appropriate coverage of significant matters specifically applicable to the engagement as well as items suggested in the Auditor of State's model letter d. If no attorney letter is sent because client did not engage an attorney re: loss contingencies, revise the letter per AU 9337.16.</p>		
10.	N/A	<p>Draft Matters for Attention (MA's) (AOSAM 45300.24 – .30) While MA's don't require approval until fieldwork is completed, we suggest you draft and circulate them for approval as significant issues arise.</p>		
a.		<p>Issues that should be addressed include (AOSAM 45300.27): i.) The resolution of the "most critical matters" documented during planning. ii.) Significant questions regarding accounting principles and auditing procedures, including consultations (even when the matter has been disposed of properly). iii.) Noncompliance with accounting principles or the adequacy of disclosure, changes in principles, failure to comply with regulatory agencies, scope limitations or other matters that may require modifying our opinion. iv.) Instances of suspected or proven fraud or other illegal acts. v.) Unadjusted differences (SUD). vi.) Resolved or unresolved disagreements with the client on accounting and auditing matters (also see 52100). vii.) Conditions or events that question the entity's viability as a going concern (see 37300). viii.) Material noncompliance with potential financial statement effect, or that requires footnote disclosure or disclosure in the schedule of findings. ix.) Other information the SDA should be aware of.</p>		

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	b.	i.) MA's should include: <ul style="list-style-type: none"> - A description of the issue. - A citation to the authoritative standard involved (GASB, FASB, SAS, ORC or other) - Audit reaction or proposed resolution - Description of the effect on the f/s, disclosures, our opinion, GAGAS, A-133 report or other effects. ii.) Modify the MA cover sheet and obtain the required approvals.			
11.	N/A	Follow AOS policies for numbering and storing w/p (AOSAM 45400 and ADAM 2000-11) <ul style="list-style-type: none"> 18. Follow your region's policy for numbering w/p. Use the w/p # as the first 3 digits (plus an alphabetical suffix, if applicable), followed by a descriptive file name. 19. Compress electronic w/p using WinZip. Follow ADAM 2000-11 regarding naming zip files. 20. Store on the central file server, I drive. 21. File all reports in both pdf and "native" (e.g., WordPerfect or Quattro Pro) format, in the reports.zip archive. 			

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Step No.	Assertion	CASH Procedure for Consideration	Done By	Date Comp.	
b.		<p>The following procedures are normally applicable, in addition to step a. above: Review reconciling items:</p> <p>(i) Trace selected outstanding checks listed on the bank reconciliations to the subsequent month's bank statement, and to cash disbursements records.</p> <p>(ii) Trace significant deposits in transit on the bank reconciliations to the subsequent bank statements and the cash receipts records. Determine whether there are any unusual delays between the date received per books and the date deposited per bank.</p> <p>(iii) Investigate old or unusual reconciling items. Consider whether adjustments should be made to bank balances or whether there were delays in releasing checks drawn before year-end.</p> <p>(iv) Determine the exact nature of items on the year-end bank statements not accounted for by the reconciliation procedures, such as debits or credits followed by offsetting entries of identical amounts that appear to be, or are represented by entity personnel to be, bank errors and corrections not so coded. (If information in the entity's records is inadequate, request clarification from the bank, and consider performing step c. below.)</p> <p><i>Note: Per AOSAM 35900.9, the purpose of the above procedures is usually not to project results. Therefore, these procedures may not require sampling applications.</i></p>			
c.		<p>If controls over cash are weak, consider additional procedures. <i>Consider</i> the following procedures if we detect errors in the reconciliations, if there is inadequate monitoring of cash activities, if segregation of duties is weak and/or if fraud risk factors affecting cash exist.</p> <p>i.) Obtain cutoff bank statements and related supporting documents (e.g., paid checks, debit and credit advices) directly from the bank for an appropriate period (e.g., ten business days) immediately after the balance sheet date. This procedure can be effective if we suspect the reconciliation is materially inaccurate or deliberately misstated, if supporting documents are missing, etc. Test the cutoff statement using procedures similar to those described in step b. above.</p> <p>After testing the cutoff statement, assure that the cutoff statement and supporting documents were returned promptly to appropriate client personnel.</p> <p>ii.) Consider performing a 4-column proof of cash for a selected period. The proof of cash should reconcile beginning balances, debits, credits and ending balances from bank statements for the period with beginning balances, receipts, payments and ending balances from the entity's cash records.</p> <p><u>Column 1</u> - Enter the bank reconciliation from the beginning of the period to be tested. Test the opening reconciliation using step b. above (or use the p/y w/p, if applicable).</p> <p><u>Column 2</u> - Reconcile deposits and other credits from the bank statement to client cash receipt records: Bank credits - beg DIT + ending DIT should equal book receipts. ¹</p> <p><u>Column 3</u> - Reconcile payments and other debits from the bank statement to client cash disbursement records: -- Bank debits ² + beg OS ck - end O/S ck should equal book payments. ¹</p> <p><u>Column 4</u> - Enter the bank reconciliation from the end of the period to be tested. Test the ending reconciliation using step b. above.</p> <p>Every column and row of the proof of cash must foot (or crossfoot).</p> <p><u>Footnote</u> ¹ : These are basic formulas, and may require modification for other debits and credits appearing on the bank statement or client cash records.</p> <p><u>Footnote</u> ² : (The ² means footnote 2, not bank debits squared !) Enter bank debits and cash disbursements as credits (negative numbers) so the schedule will crossfoot. (Debits on a bank statement are credits to client cash records.)</p> <p>iii.) Consider obtaining the numbers of the last checks written for the current fiscal year, particularly if a large number of outstanding checks listed on the bank reconciliations failed to clear on the bank cutoff statements. Determine through inquiry whether any checks drawn before year-end were released after year-end. Consider whether any reversing entries are necessary.</p>			
4.	[V]	<p>Test bank transfers. Determine whether transfers of funds occurred between the government's bank accounts near the balance sheet date. Determine that the transfers were recorded in the books in the same accounting period and that any transfers not recorded by the bank in the same accounting period are appropriately reflected on <u>both</u> bank reconciliations.</p>			

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Step No.	Assertion	CASH Procedure for Consideration	Done By	Date Comp.	
5.	[E]	<p>Count cash on hand (e.g., petty cash or undeposited cash) The need for these procedures should be based on risk analysis for the account. For example, these procedures would normally only be done when fraud risk factors exist potentially affecting the account, the balance of the account is significant, or the amount of cash reimbursed to a petty cash account during the audit period is significant.</p> <p>a) Establish physical control over cash on hand as of the balance sheet or equivalent statement date and count in the presence of the custodian(s). b) Obtain the signature of the custodian(s) acknowledging that funds were counted in his presence and returned intact. c) Reconcile balances to control accounts and trace reconciling items to supporting documentation. If the count is at a date other than year-end, reconcile activity to the balance sheet or equivalent statement date. Determine whether there are unreimbursed expenses that should be reflected in the accounts. d) When an increased risk of impropriety exists, this step can be supplemented with tests of selected petty cash reimbursements. As part of the test of cash disbursement transactions, select reimbursements to petty cash. Examine supporting receipts submitted for reimbursement, and judge whether they were for costs permitted for the account.</p>			
6.	[C], [R]	<p>Confirm authorized signatories. Consider the possibility that the government's depositories are not receiving timely notice of changes in authorized government signatories. If so, <u>consider</u> confirming authorized signatories directly with the banks. Compare the confirmation replies with authorizations of the legislative body and obtain explanations for any differences. This procedure is advisable when controls over cash are weak or when there has been a change in Chief Financial Officer or other authorized signatories since the last audit. Confirmation may not be needed when we include significant substantive testing of expenditures and scan returned canceled checks for appropriate signatures.</p> <p>An example inquiry letter is included on the Intranet.</p>			

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Some cash equivalents, such as certificates of deposit or savings accounts, can be included in the tests described in the CASH section of this program. This section applies to other instruments listed in the table attached to ADAM 97-6.

Step No.	Assertion	INVESTMENTS Procedure for Consideration	Done By	Date Comp.	
1.a.		<p>Obtain a summary* of year-end investment balances. Obtain a detailed analysis of investment. For each investment, the summary should normally include:</p> <ul style="list-style-type: none"> a. Specific description and identification. b. Name in which registered. c. Quantity, cost and market value at the beginning of the period. d. Quantity and cost of investments acquired during the period. e. Quantity, proceeds, and gain or loss for investments disposed of during the period. f. Quantity, cost and market value at the balance sheet or equivalent statement date. g. Investment income received and recorded during the period. <p>* The client may combine this summary with cash reconciliations to the fund balances. If so, there is no requirement to prepare a separate investment summary.</p> <p>AOS Bulletin 96-017 includes example investment records <u>required</u> for counties under SB 81. AOS Bulletin 97-002 includes example investment records <u>recommended</u> for townships and villages. The formats in these Bulletins are generally consistent with the above requirements, and can also provide useful examples for other entities.</p>			
b.	[V],C	<ul style="list-style-type: none"> i.) Test the mathematical accuracy of the summary. ii.) Agree opening balance to the ending balance in the p/y w/p. iii.) Review the investment summary for reasonableness, consistency of amounts between years, churning or obvious omissions. iv.) Consider efficiencies from performing the tests in this section in conjunction with suggested procedures for "Deposits and Investments," OCS Chapter 5. 			
2.a.	E,C	<p>Confirm securities held by others at year end. Note: SAS 81 normally requires confirmation, unless securities are physically held by the government. (Generally, securities are held by a financial institution on behalf of the government. See step 3 if security certificates are held by the government.)</p> <p>We need not send a confirmation if <u>all</u> the following conditions are met:</p> <ul style="list-style-type: none"> i.) The government obtains a statement directly from its custodian with balance sheet date balances. ii.) We have no reason to believe the client has altered the statement. iii.) The statement include sufficient detail for us to specifically identify each instrument or account held (CUSIP#, Account #, etc.), and activity during the period (i.e., purchases and sales are individually identified). iv.) The entity has a relatively small volume of investment purchases/sales during the year. <p>If we suspect a heightened risk of fraud relating to investments: Consider confirming all transactions during the period with the counterparty or custodian, including purchases, sales, dividend and interest payments, and interest and other fees charged.</p>			
b.		<p>If the custodian also has authority for authorizing purchases and sales (such as some broker/dealers or bank trust departments), consider obtaining a SAS 70 report covering custodian/trustee controls. The need for such a report depends on the materiality of investments, whether reports from the custodian summarize all purchases and sales in sufficient detail to determine the identity and legality of instruments bought/sold, and whether the client monitors the custodian's activity adequately.</p> <p>For example, if reports from the custodian summarize all purchases and sales in sufficient detail to determine the identity and legality of instruments bought/sold, we may choose to assess control risk at the maximum level and substantively test purchases sales and balances. In this instance, we would not require a Type 2 SAS 70 report, but we would be required to briefly document the system, controls and whether the controls were placed in operation for these transactions, as well as perform sufficient tests of details to reduce TD risk to an acceptably low level.</p>			
c.		Compare the confirmation responses to the summary from step 1. above.			

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Step No.	Assertion	INVESTMENTS Procedure for Consideration	Done By	Date Comp.	
3.	E,C	<p>Count/inspect securities on hand. SAS 81 requires this when securities are physically held by the government. This step can only apply when securities exist in paper form. For example, all U.S. Treasury and Federal Agency securities are "held" only in automated book-entry systems, and this step would not apply to those securities.</p> <p>a.) When a securities count is required, establish control over all securities retained by the government or in safety deposit boxes as of the balance sheet or equivalent statement date.</p> <p>i.) Count the securities only when the custodian is present. ii.) Trace quantities and other relevant details to the analysis obtained in step 1. iii.) For securities registered in the name of nominees, determine whether copies of trust agreements are attached. iv.) Determine that interest coupons, if applicable, are attached. v.) Obtain the custodian's signature acknowledging return of the securities intact. vi.) Inspect original copies of security certificates, not photocopies.</p> <p>b.) Note the serial or control numbers of the securities examined and trace them to brokers' advices to determine that there have been no unrecorded substitutions of securities.</p>			
4.	V	<p>Test cutoff of year-end purchases and sales. Review the cash receipts and disbursement records and investment control accounts for a period before and after the balance sheet date. Trace investment transactions to supporting documents and determine whether the transactions are recorded in the proper period. Investments should be recorded on the books as of the "trade date" rather than the "settlement date."</p>			
5.		<p>Test the reasonableness of investment income. (Tests of the allocation of interest among funds are included in the Ohio Compliance Supplement rather than here.)</p>			
a.	V,C	Trace investment income to cash deposits (i.e., match interest cash receipts with individual securities from the summary in step 1.). For example, a debt security paying interest twice annually should result in two timely cash deposits computed at the proper interest rate.			
b.	[V],[C]	Consider the reasonableness of overall investment income based on the expected rates of return and average invested balances, or other appropriate analytic procedures.			
c.	V	<p>Vouch the cost of significant purchases and the proceeds from significant sales.</p> <p>i.) Recompute gains or loss from sales. ii.) Inspect independent documentation (e.g., broker's advices) to support purchase prices and proceed amounts necessary for the recomputation. iii.) Assure that the valuation method was consistently applied to such computations.</p>			
6.	V	<p>Corroborate cost for investments. (See table attached to ADAM 97-6 for investment types that use cost/amortized cost for valuation.) AOS-basis entities should record investments at cost (except see c. below). Donated investments should be valued at fair value on the date donated. The AOS-basis does not include GASB 31 accounting or presentation requirements.</p>			
a.		Inspect independent documentation (e.g., broker's advices) to support purchase prices and proceed amounts.			
b.		Cost should be determined by either (1) specific identification, (2) FIFO or (3) average cost. The auditor should assure that the selected method was consistently applied during the year. (Most smaller entities use specific identification.)			
c.		<p>Determine if an impairment of the credit standing of the issuer may require a writedown of securities carried at cost/amortized cost :</p> <p>i.) Consider whether market values (when such values are available) at the balance sheet date suggest a credit impairment has occurred (AU 332.31). ii.) Read the most recent financial statements of the issuer. Judge whether its financial position suggests an impairment has occurred. (Consider discussing this with the issuer's auditors, if the issuer's audit is in progress.) iii.) Determine if the issuer's debt rating (Standard & Poor's, Moody's) has been reduced.</p> <p>NOTE: The need and extent of these procedures would be greater for investments issued by relatively unknown entities, or entities in high risk industries. For example, these procedures would not be needed for U.S. Government or Agency securities.</p>			
7.		<p>For repurchase agreements (including sweep accounts) :</p> <p>a.) Confirm the terms of the transaction and the treatment of the underlying securities with the financial institution. b.) Confirm the collateral delivered to or (more likely) held on the government's behalf on the balance sheet date.</p>			

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Step No.	Assertion	INVESTMENTS Procedure for Consideration	Done By	Date Comp.	
8.	R	Read documents for evidence that investments were pledged as collateral. When reading minutes, confirmation replies, loan agreements, bond indentures, or other documentation, be alert for evidence that investments have been pledged as collateral or whether there is evidence of commitments to acquire or dispose of investments.			
9.	p	Determine whether intra-entity debt was accounted for properly. This would apply, for example, if the debt service fund purchased a note issued by the general fund. Cash/AOS basis entities should record this as proceeds of debt in the fund receiving cash proceeds, and as an investment in the fund loaning cash, per AOS Bulletin 97-001.			

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<u>Step No.</u>	<u>Assertion</u>	PROPERTY TAXES, INTERGOVERNMENTAL REVENUE & OTHER CONFIRMABLE CASH RECEIPTS <u>Procedure for Consideration</u>	<u>Done By</u>	<u>Date Comp.</u>
1.		<p>Confirm receipts received from County Auditor.</p> <p><i>2000 <u>unaudited</u> results reveal that state and county payments to agricultural societies average 15% of total cash receipts and range from 51% (Ottawa) to 0% (Fayette). County aid may be in the form of a general appropriation or distribution of an agricultural tax. Counties may levy and "agricultural tax" and, therefore the ag society should be identified in that county's SSAT. We expect the primary source of county ag society funding to be documented by resolutions of the boards of county commissioners.</i></p> <p><i>State Distributions are likely to come in the form of warrants and may not be listed on the Distribution Transaction List. However, State receipts can be confirmed by providing Heather Kirk or Rachel Oktavec (in AOS Fiscal) with an email containing the entities Federal Tax ID number and specifying a date range for payments (e.g., December 1, 2000 through November 30, 2001).</i></p>		
a.	E,V,C, P	<ul style="list-style-type: none"> i) Obtain all "Statements of Semiannual Apportionment of Taxes" (SSAT). ii) Trace amounts from the Statement to the fund cash receipts ledger. iii) Determine that receipts were allocated to the proper fund(s) , were timely posted and were recorded in the proper accounting period. iv) When deductions are material, trace selected deductions from the SSAT to the disbursement records (i.e., the revenues should be posted gross, if materially different from the net amount). 		
b.	[V]	Scan postings to these revenue accounts in the fund cash receipts ledger. Investigate unusual entries.		
c.	E,V,C, P	<p>Confirm cash received from the county auditor in the following circumstances:</p> <p>We can often rely on the SSAT without confirmation. However, we should consider confirming receipts from the County Auditor in the following circumstances:</p> <ul style="list-style-type: none"> -- If we are unsure that we have a complete listing of SSATs. -- If we have reason to suspect the amounts on the SSATs may have been altered. -- We detect differences between amounts recorded on the SSATs and amounts recorded in the client's cash receipt records, or if we note inordinate delays between the date paid by the county and the date posted as a receipt without reasonable explanation by the client. <p>If direct confirmation with the county auditor is judged necessary, ask the government to prepare a confirmation letter which identifies separately each type of revenue, the dates cash was received and amount of each receipt.</p> <ul style="list-style-type: none"> --Retain a copy of the confirmation letter, and control mailing of the confirmation. <ul style="list-style-type: none"> i) Trace selected payments from the confirmation response to the entity's fund cash receipts ledger. ii) Determine that receipts were allocated to the proper fund(s) , were timely posted and were recorded in the proper accounting period. 		
2.	E,V,C, P	<p>Test the Distribution Transaction List (DTL)</p> <p>The DTL lists all transactions paid by the AOS to local governments. The AOS distributes copies of the DTL to each region annually. The DTL sorts payments (i.e., cash receipts to our clients) by revenue source. DTLs are usually a complete and reliable source of evidence. Revenue sources normally included on the DTL include:</p> <ul style="list-style-type: none"> -- Federal assistance passed through the State (However, such assistance is not always identified as pass-through assistance. Auditors should make inquiries and review grant documents to determine the original source of some funding listed on the DTL.) -- Homestead & Rollback intergovernmental revenue (to all entities that levy property taxes) -- Foundation payments (to schools) -- Gasoline taxes -- Local government fund revenues -- Motor vehicle license taxes -- Permissive sales taxes -- State-funded grants -- Other <ul style="list-style-type: none"> i) Trace selected payments, or selected totals, from the DTL to the entity's fund cash receipts ledger. Note : The extent of the above procedures can sometimes be limited by using high-dollar testing. ii) Determine that receipts were allocated to the proper fund(s) , were timely posted and were recorded in the proper accounting period. 		

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<u>Step No.</u>	<u>Assertion</u>	PROPERTY TAXES, INTERGOVERNMENTAL REVENUE & OTHER CONFIRMABLE CASH RECEIPTS <u>Procedure for Consideration</u>	<u>Done By</u>	<u>Date Comp.</u>	
3.a.	[C]	<p>Determine other sources of confirmable receipts, such as intergovernmental revenue received directly from the federal government, interest revenue, other grants, endowment income, etc.</p> <ul style="list-style-type: none"> i.. Make inquiries of management ii. Scan the trial balance, fund cash receipts ledger and revenue budget iii. Review prior year working papers iv. Review minutes for indications of grant awards, endowments, etc. 			
b.	E,C,V, P	<p>Ask the government to prepare a confirmation letter which identifies separately each date and amount of cash receipt.</p> <ul style="list-style-type: none"> i) Trace selected payments from the confirmation response to the entity's fund cash receipts ledger. ii) Determine that receipts were allocated to the proper fund(s) , were timely posted and were recorded in the proper accounting period. <p><i>Note:</i> There is no requirement to confirm all confirmable revenue sources. For example, the auditor may decide that interest, while confirmable, is immaterial or is more efficiently tested by some other procedure(s). Also, a confirmation may not be needed when the government retains correspondence that independently substantiates the existence, completeness and valuation of these amounts. <i>Examples</i> of such evidence include:</p> <ul style="list-style-type: none"> -- Transmittal letters from a grantor agency for each payment that include cumulative amounts paid to date. -- Grant agreements that disclose total amounts to be paid over a specified period. -- Trust agreements (such as for new endowments) that disclose amounts to be paid over a specified period. -- Letters accompanying donations that describe the donated amount. -- Monthly statements from financial institutions that report interest credited to accounts. 			

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From a substantive standpoint, we have unaudited financial statements as far back as 1993, and we should use them to evaluate over the counter cash receipts in relation to previous years and among peers within the same year. A properly designed substantive analytic procedure combined with effective monitoring controls such as management review of the budget could reduce remaining audit risk to an acceptably low level that qualification of the opinion for completeness of cash receipts will not be required. Also note that evidence of application controls may be found in the form of ticket accountability forms over gate receipts.

Step No.	Assertion	PARIMUTUEL WAGERING RECEIPTS AND DISBURSEMENTS Procedure for Consideration	Done By	Date Comp.	
1.		Test summaries of cash received, totalizer service fees, and parimutuel taxes.			
a.	[V]	Scan postings to the cash receipt ledger. Investigate any unusual entries. Scan totalizer service fees and parimutuel tax postings in the cash disbursement ledger. Investigate unusual entries.			
b.	[E],[C]	Obtain copies of race schedules approved by the board of directors. --Trace authorized race dates to the cash receipt ledger postings and determine whether there are wagering receipt postings for each race day, and only each race day. --Trace authorized race dates to the cash disbursement ledger postings and determine whether there are totalizer service and parimutuel tax disbursement postings for each race day, and only each race day. Inquire with management regarding any variances and follow-up on management explanations.			
c.	[E]	For selected race days, agree the Society's distribution of commission (usually received in cash from the totalizer service and net of totalizer service fees) per the tax liability report to daily validated deposit slips.			
2.		Trace parimutuel wagering cash collection summaries to underlying sources of documentation.			
a.	V,C,E	Agree selected daily commission totals (gross commission) per the liability report to the cash receipts ledger. <i>Note: Though agriculture societies normally only receive and deposit net commission (an amount, usually received in cash, representing commission less totalizer service fees), 100% of commission should be recorded as cash receipts.</i>			
b.	V,E,C,R	For selected daily liability reports, select individual races and recalculate commission using handle for exotic and non-exotic wagers. Note: This may be a SAS 39 sampling application, subject to AOSAM 35900.22 - .31.			
c.	V,E,C,R	For selected daily liability reports, foot total commission using commission for each race and type of wager as indicated on the daily liability report.			
3.		Recalculate and trace totalizer service fees and parimutuel wagering taxes to the cash disbursement ledger.			
a.	V,E,C	Recalculate taxes per daily liability reports using footed commission from step 2.c. Trace recalculated tax to the cash disbursement ledger.			
b.	V,E,C,R	Recalculate totalizer fees per the daily tax report. (Use rates approved in the totalizer agreement and amounts per the daily liability reports tested in step 2). Trace recalculated totalizer payments to the cash disbursement ledger.			

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<u>Step No.</u>	<u>Assertion</u>	PARIMUTUEL WAGERING RECEIPTS AND DISBURSEMENTS <u>Procedure for Consideration</u>	<u>Done By</u>	<u>Date Comp.</u>	
4.	C,[E], [V]	<p>Apply one or more of the following substantive analytic procedures to parimutuel wagering receipts.</p> <p>For substantive analytic procedures, document:</p> <p>i) The expected precision and predictability of relationships, factors and variables used (AOSAM 36200.20)</p> <p>ii) Expectations (36200.40)</p> <p>This documentation should include the factors considered in determining which prior periods are comparable and which agricultural societies are comparable (peers).</p> <p>When developing expectations for the following procedures, auditors should consider variances in relevant factors between periods or entities being compared. Such factors might include:</p> <ul style="list-style-type: none"> - weather conditions - ranking of participant horses and related odds - number of horses participating in each race - number of races per period (e.g. day, week) - draw of other scheduled fair events (e.g., concerts, shows) - draw of local events (other than the fair) during fair week - correlation of receipts from other fair activities for the same period 			
a.		Compare annual receipts to those of comparable prior periods and peer agricultural societies.			
b.		For selected periods (e.g., days, week, year) calculate the average handle amount per adult admission ticket. Compare the average handle to that of comparable prior (or subsequent) periods and that of peer agricultural societies (for the same or prior periods) .			
c.		Add other analytic tests as appropriate.			

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Step No.	Assertion	PURSE RECEIPTS AND DISBURSEMENTS Procedure for Consideration	Done By	Date Comp.	
1.		Test summaries of cash received			
a.	[V]	Scan postings to the cash receipt ledger. Investigate any unusual entries. Scan purse payments in the cash disbursement ledger. Investigate unusual entries.			
b.	[E],[C]	Obtain copies of race schedules approved by the board of directors. --Trace authorized race dates to the cash receipt ledger postings and determine whether there are purse receipt postings for each race day, and only each race day. --Trace authorized race dates to the cash disbursement ledger postings and determine whether there are purse disbursement postings for each race day, and only each race day. Inquire with management regarding any variances and follow-up on management explanations.			
2.		Test details of purse cash collection summaries.			
a.	V,C,E	Trace purse collections received from the horsemen's society, to supporting documentation such as remittances or memos.			
b.	V,E,C,R	Obtain documentation indicating the authorized amount to be charged by the agricultural society as entry fees. Determine the number of horse participants based on published race schedules or other documents. Calculate estimated entry fee collections based on the number of participating horses and the established entry fee. Compare to recorded amounts and follow-up on significant variances.			
3.		Recalculate purse and trace to cash disbursement ledger.			
a.	V,E,C	Recalculate the amount of state receipts used as purse.			
b.	V,E,C,R	Compare purse collections (amounts provided by the horsemen's society and collected directly from entrants) plus state purse dollars calculated in step 3.a., to purse disbursements recorded in the disbursement ledger. Investigate any significant variances.			

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OVER - THE - COUNTER CASH RECEIPTS

Note: This section is designed for over-the-counter collections not already covered by other program sections. This program may apply to receipts from licenses, fees, permits, and charges for recreational activities, etc. The primary audit issue with these revenue sources is usually completeness, since it may be difficult to reasonably assure that all amounts collected were recorded (a fraud risk).

In agricultural societies, a significant amount of annual revenue is generated through over-the-counter cash receipts during their fair week. For the initial audits of agriculture societies, we will not be in a position to observe and test controls over the cash receipts cycle. However, for initial agricultural society audits, we may assess control risk fairly low on the below maximum scale, by observing evidence of monitoring controls such as existence of budgets and their review by boards of directors.

From a substantive standpoint, we have unaudited financial statements as far back as 1993, and we should use them to evaluate over the counter cash receipts in relation to previous years and among peers within the same year. A properly designed substantive analytic procedure combined with effective monitoring controls such as management review of the budget could reduce remaining audit risk to an acceptably low level that qualification of the opinion for completeness of cash receipts will not be required. Also note that evidence of application controls may be found in the form of ticket accountability forms over gate receipts.

Step No.	Assertion	OVER - THE - COUNTER CASH RECEIPTS Procedure for Consideration	Done By	Date Comp.	
1.		Test summaries of cash received.			
a.	[V],[E]	Test foot subsidiary records (e.g., cashbook, register tapes, duplicate prenumbered receipts, duplicate license copies) of cash receipts.			
b.	[V]	Scan postings to the subsidiary records. Investigate any unusual entries.			
c.	[V]	Agree selected daily or other totals per subsidiary records to the fund cash receipts ledger.			
d.	[V]	Scan postings to these revenue accounts in the fund cash receipts ledger. Investigate any unusual entries.			
e.	[E]	Agree selected daily or other totals of cash collected per subsidiary records to validated deposit slips.			
2.	E,R	Trace cash collection summaries to underlying sources of documentation. Agree amounts collected from the subsidiary record from Step 1. (for example, a cashbook), to source documentation (such as licenses, etc.). Note: This may be a SAS 39 sampling application, subject to AOSAM 35900.22 - .31. If the underlying documentation (e.g., duplicate receipt book, register tape) is the same summary tested in step 1. above, this step is N/A.			
3.	C	Determine whether completeness is reasonably assured. The summaries of cash received may reasonably assure completeness, if: i.) It is likely the "customer" will request the original receipt, license or other source document, making it likely the transaction will be recorded, and there is numerical control of documents/transactions. ii.) There is segregation of duties between documenting that work will or has been performed vs. the cash collection function (for example, when teachers issue lunch tickets, and a cashier collects the tickets), and an independent person reconciles the records of work done vs. cash recorded. iii.) Other methods. If there is no reliable documentation assuring completeness, consider whether we can reasonably estimate the number of customers (population) and revenue through analytical procedures. If we are unable to satisfy the completeness assertion, there is a restriction on the scope of our audit. Such scope restrictions require inclusion in our opinion if the potential for <u>material</u> unrecorded revenue is significant. However, revenue sources with completeness issues may not be significant to the fund type. For example, if only half the license revenue received was recorded in a particular entity's general fund, it might result in only a 1% misstatement of total general fund receipts. We might conclude there is no opinion effect. Such issues should be analyzed and documented in a Matter for Attention (AOSAM 45300.27(c)).			
4.	V,R	Document that the amounts charged complied with rates in force during the audit period. You can include this as an attribute for the transactions tested in step 2. above.			
5.	[V]	Determine that an appropriate cutoff has been achieved. <i>(Cutoff should not be an issue if most receipts are collected during fair week, and fair week is not near November 30.)</i> Determine whether the last receipt transaction recorded during the audit period per the subsidiary records was recorded on the fund cash receipts ledger. Note: The significance of this procedure increases when: 1) The revenue source is material. 2) The entity does not deposit/record receipts approximately daily.			

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Step No.	Assertion	OVER - THE - COUNTER CASH RECEIPTS Procedure for Consideration	Done By	Date Comp.	
6.	C	Compare sales with purchases This test is a substantive analytic procedure that can apply to sales of goods held for resale.			
a.		For substantive analytic procedures, document: i.) The expected precision and predictability of relationships, factors and variables used (AOSAM 36200.20) ii.) Expectations (36200.40)			
b.		Estimate the cost of items sold during the period. i) If inventory records exist, the cost of goods sold is computed as follows: Beginning inventory + Purchases - <u>Ending inventory</u> = cost of goods sold ii.) If inventory records are unavailable, or beginning and ending inventory is unlikely to be significant, estimate the cost of goods sold by summarizing purchases during the period.			
c.		Compare the estimated cost of goods sold from step a. to recorded receipts. i.) Estimate the average markup % by comparing approved price lists of items to the cost per item as indicated on invoices. ii.) Multiply the value of goods sold determined from Step a. above by the estimated markup %. iii.) Compare estimated value of goods sold to recorded receipts.			
7.	C	Apply one or more of the following substantive analytic procedures For substantive analytic procedures, document: i) The expected precision and predictability of relationships, factors and variables used (AOSAM 36200.20) ii) Expectations (36200.40) This documentation should include the factors considered in determining which prior periods are comparable and which agricultural societies are comparable (peers). When developing expectations for the following procedures, auditors should consider variances in relevant factors between periods or entities being compared. Such factors might include: – weather conditions – draw of scheduled fair events (e.g., concerts, shows) – draw of local events (other than the fair) during fair week – correlation of receipts from other fair activities for the same period – present population of county and recent population growth trends – degree of fair promotional efforts Example Substantive Analytic Tests: i) Compare admission receipts with peer agriculture societies ii) Compare admission receipts with county population iii) Perform a trend analysis using 1993 - present data iv) Design other substantive analytics			

Auditor of State of Ohio -- Agricultural Society Audit Program

Step No.	Assertion	NONPAYROLL CASH DISBURSEMENTS Procedure for Consideration	Done By	Date Comp.	
1.		Test subsidiary cash disbursement records.			
a.	[V]	Test foot the fund cash disbursements ledger. (Note: The extent of this can be limited considerably for automated systems.)			
b.	[V]	Scan transactions posted to the fund cash disbursements ledger. Investigate any unusual entries.			
c.	[V]	Agree or reconcile subsidiary disbursement records (e.g., check register) to the fund cash disbursements ledger. (Note: The extent of this can be limited considerably for online automated systems.)			
d.	[V]	Scan transactions posted to the subsidiary disbursement records. Investigate any unusual entries.			
e.	C	Scan selected sequences in the check register. i.) Determine if check numbers are sequentially listed. (Note: The extent of this can be limited for online automated systems.) ii.) Be alert for unusual occurrences of voided checks (could be a fraud risk factor, requiring modification to audit procedures). Determine if voided checks are retained and canceled.			
f.	[C]	Determine* whether manual checks are issued. Consider whether entity personnel could override established approval procedures for these transactions. If such checks are issued, scan for unusual transactions, test for numerical control, and assure they are subject to audit testing (for example, include them in the population subject to sampling (or include them as a separate strata) in step 2. below. *We can determine whether manual checks are issued by inquiry and/or scanning bank statements for unusual check numbers debited to the account.			
g.	[V]	Read the check number and amount on the last check issued during the audit period, and on the first check issued after the audit period. Trace to posting in the accounting system to determine whether they were recorded in the proper periods.			
2.		Test disbursement transactions. Note: This is often a sampling application subject to AOSAM 35900.22 - .31. (See Step 3. for a possible alternative to sampling.)			
a.	E	Agree transactions from the check register to canceled checks. Determine that i.) Checks were signed by authorized signatories ii.) Payees' names on the checks correspond with those on the invoices and the check register iii.) Checks are endorsed by the payees iv.) Dates of the checks, the payees, the check numbers, and the amounts are the same as the data posted to the check register v.) Note unusual relationships between the date of the check and the date the check was paid, which might indicate that: -- Checks are being held for an unusual period before being issued -- Checks are being issued before being recorded -- Checks are being altered.			
b.	R,V	Determine whether, in our opinion, the disbursement was for a proper public purpose, and whether the fund and account code(s) the transaction was posted to was reasonable.			
c.	V	Determine whether expenditures agree to supporting documents (e.g., agrees to amounts on original invoices, footings & extensions on invoices are correct, amounts/quantities and description of the goods or services ordered agree to amounts/quantities received, are accompanied by a receiving report, matched to a purchase order, etc.).			
d.	[V]	Determine whether discounts, if applicable, were taken.			
e.	R	Consider coordinating this test with related Ohio Compliance Supplement tests, such as: i.) Issuing purchase orders/encumbering funds at the time of commitment. ii.) Whether adequate appropriation authority was available <i>at the time of the commitment</i> . iii.) Whether competitive bids were sought, if required.			
f.	V,R,E	Scan disbursement transactions not tested in a. - e. above. (i.) Focus on unusual payments or payees, note whether payments were approved, and appear to be posted to a reasonable fund and account code. (ii.) Follow up on unusual transactions. Obtain evidence to support their propriety, or refer the matter to your deputy auditor or senior deputy auditor as a potential fraud risk.			
3.		Alternative transaction selection method. Per the ASM, disbursement transactions for the entire period under audit should not exceed 1000 (ADAM 2001-02). Consider whether the following selection method improves audit coverage and efficiency, without requiring a SAS 39 sample.			

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Step No.	Assertion	NONPAYROLL CASH DISBURSEMENTS Procedure for Consideration	Done By	Date Comp.	
a.	E,V,R, C	<p>Test recurring transactions: For periodic (monthly, biweekly, etc.) routine, recurring disbursements, select and examine one transaction of each significant, recurring type.</p> <p>i.) Apply the steps described in Step 2. above to that transaction.</p> <p>ii.) Document completeness, by scanning the disbursement records, noting whether the required number of such payments were posted (for example, whether 12 monthly payments were made).</p> <p>iii.) Document whether the amounts posted for the transactions described in Step (ii.) were reasonable compared with the amount recorded for the transaction tested in Step (i.).</p> <p><i>For example, suppose we examine the March phone bill, noting a proper payment of \$100 posted to the general fund (Step i.). If the disbursement ledger includes 12 phone bills posted to the same account, ranging from \$80 to \$120, we could normally conclude that all phone bill payments were properly reported. Other recurring payments subject to this testing include:</i></p> <ul style="list-style-type: none"> — Other utility bills. — Rent payments — Payroll (see payroll program) — payroll taxes and benefit payments 			
b.	E,V,R	<p>For transactions not tested in Step a. above:</p> <p>i.) Consider whether high dollar testing would increase the efficiency of obtaining audit evidence.</p> <p>ii.) For remaining transactions, consider applying Step 2. procedures to selected items, and/or scan remaining transactions not otherwise tested.</p>			
c.	N/A	To help assure and document the sufficiency of evidence, summarize the percentage of substantive coverage obtained from Step 3.			
4.a.	E,V,R	<p>Test encumbrances outstanding at year end.</p> <p>a.) Obtain a listing of encumbrances outstanding at year end.</p> <p>b.) Test foot the summary. (Note: The extent of this can be limited considerably for online, automated encumbrance transaction listings).</p> <p>c.) From the summary, agree selected encumbrances outstanding to authorized purchase orders. (Consider using high dollar testing, per AOSAM 35300.55 & Appendix A.)</p>	NA		
b.	V	<p>Test the cutoff of encumbrances (unrecorded encumbrances)</p> <p>Note : The AOS' policy regarding material failures to encumber is presented in ADAM 95-1. The testing below can be integrated with related Ohio Compliance Supplement tests.</p> <p>i.) Scan disbursements made subsequent to the balance sheet date. Normally, a period of one or two months is sufficient. Determine whether payments for prior year commitments were encumbered.</p> <ul style="list-style-type: none"> -- This testing can usually be limited to high dollar testing (AOSAM 35300.55 & Appendix A). <p>ii.) Be alert for other evidence of unrecorded encumbrances when performing other audit procedures :</p> <ul style="list-style-type: none"> -- Reading minutes -- Reading contracts <p>iii.) Inquire of management regarding other possible large, unrecorded encumbrances.</p> <p>iv.) Summarize unrecorded encumbrances on the "Budgetary Statement Impact" column of the SUD. Propose adjusting entries if material to the budgetary presentation.</p> <p>Note : The materiality of unrecorded encumbrances is usually measured in their effect on the budgetary presentation. For example, an unrecorded encumbrance may be material to total fund type encumbrances, yet be immaterial to fund-type budgetary-basis expenditures and budget vs. actual variances.</p>	NA		

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Also, when planning tests for this section, consider efficiencies available by testing related Ohio Compliance Supplement (OCS) tests concurrently with the procedures described below. Related compliance tests are listed in Chapter 7, Part 4 of the OCS.

Step No.	Assertion	PAYROLL CASH DISBURSEMENTS Procedure for Consideration	Done By	Date Comp.	
1.		<p>Test subsidiary payroll disbursement records. Subsidiary payroll records can vary in nature. They may include (1) a payroll journal / check register, which typically sorts and summarizes payroll transactions by pay period, (2) a payroll register, which may sort and summarize annual payroll transactions by employee and department, (3) individual employee payroll summaries, and/or (4) other subsidiary payroll records.</p> <p>Some small entities may not have separate payroll systems. If there is no separate payroll system, Step 1. may not apply.</p> <p>The extent of testing required for Step 1. can be limited considerably for online automated systems.</p>			
a.	[V]	Test foot and crossfoot subsidiary payroll records.			
b.	[V]	Trace selected postings from the subsidiary records to the fund cash disbursement ledger.			
c.	[V]	Scan transactions posted to the subsidiary payroll records. Investigate any unusual entries, such as employees with no withholdings, unusual rates of pay or number of hours or overtime hours worked, etc.			
d.	C	Scan selected transaction sequences in the subsidiary payroll records. i.) If payroll checks are issued separately from checks for nonpayroll disbursements, determine if payroll check numbers are sequentially listed. ii.) Be alert for unusual occurrences of voided payroll checks. If there are unusual occurrences of voided checks, select voided entries, and determine if the related checks are retained and voided.			
e.	[C]	Determine* whether manual payroll checks are issued. Consider whether entity personnel could override established approval procedures for these transactions. If such checks are issued, scan for unusual transactions, test for numerical control, and assure they are subject to audit testing, such as including them in a population subject to sampling, or including them as a separate strata in step 2. below. *We can determine whether manual checks are issued by inquiry and/or scanning bank statements for unusual check numbers debited to the account.			
f.	[V]	Read the check number and amount on the last payroll check issued during the audit period, and on the first payroll check issued after the audit period. Trace to posting in the accounting system to determine whether they were recorded in the proper periods.			
2.	R	<p>Test employee masterfile (i.e., standing) data Note: This may be a sampling application subject to AOSAM 35900.22 - .31. However, note that the population for this test is the number of employees, not the number of paychecks issued. Since that population should be small for Agricultural societies entities, sampling may not be required. See Step 4.</p> <p>Select employees for testing. Agree the following information recorded in personnel files to information recorded in the payroll register or other subsidiary payroll record:</p> <ul style="list-style-type: none"> a. Name b. Hiring authorization c. Position and authorized salary rate d. Department(s) / fund(s) to which salary will be charged. e. Deduction authorizations, such as deferred compensation programs or charitable contributions f. Retirement system participation g. Federal withholding authorization Form W-4. h. State & local income tax withholding authorization 			
3.		<p>Test payroll disbursement transactions. Note: This may be a sampling application subject to AOSAM 35900.22 - .31. The population is usually the number of paychecks issued. (See Step 4. for a possible alternative to sampling.)</p>			
a.	E,R	Recompute gross pay: i.) Agree hours worked to timecards (if applicable). ii.) Agree salary rate to legislatively-established rate. iii.) Agree recomputed gross pay to amount recorded in payroll register.			
b.	V	Recompute net pay: i.) Recompute gross pay minus deductions and compare to net pay recorded in the payroll register. ii.) Trace net pay and employee name to canceled checks.			
c.	V	Determine the appropriateness of fund and appropriation code postings (e.g., police salaries should not be paid from the water utility fund).			

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Step No.	Assertion	PAYROLL CASH DISBURSEMENTS Procedure for Consideration	Done By	Date Comp.	
4.	E,R,V,C	<p>Alternative transaction selection method Since the population of employees and payroll transactions is usually not large for agricultural society engagements, the following selection method may be more efficient than a SAS 39 sampling application.</p> <p>a.) Select one payroll transaction for each employee (you can exclude part-time employees or those working for only a short period, if amounts paid to them were immaterial).</p> <p>b.) Apply the tests described in Step 3. above to that transaction.</p> <p>c.) Scan disbursement records to determine whether payroll disbursements to this employee were complete (for example, whether 26 payments were posted to the same fund and account codes for employees paid biweekly).</p> <p>d.) In conjunction with (c.), determine whether the payments were for similar amounts, or timely reflected approved pay rate changes.</p> <p>e.) To help assure and document the sufficiency of evidence, summarize the percentage of substantive coverage obtained from Step 3.</p>			
5.	R,[E]	<p>Examine remittances of withholdings. Agree withholdings for selected periods from subsidiary payroll records to:</p> <p>i.) transmittal forms (e.g., Federal Form 941)</p> <p>ii.) amounts on canceled checks paid to the IRS, statewide retirement systems, deferred compensation program(s) , etc.</p>			
6.	[E]	<p>Test employee terminations Identify selected terminations from personnel records or other sources, and trace to timely termination of payments.</p>			

**Auditor of State of Ohio -- Agricultural Society Audit Program
INTERFUND CASH TRANSFERS**

It is important to distinguish interfund cash transfers from intrafund “transfers” of appropriations. Interfund cash transfers move cash from one fund to another. Intrafund “transfers” amend appropriation accounts within a fund, but do not affect total fund appropriations or fund cash balances. This audit program section includes substantive procedures related to interfund cash transfers. Compliance tests of both types of transfers are included in the OCS.

Also, see AOS Bulletin 97-001 for additional guidance in accounting for transfers. Guidance on accounting for interfund advances (i.e., cash transfers that will be repaid) is included in AOS Bulletin 97-003. See the “due to/from other funds” section of this program for auditing advances and other interfund balance sheet transactions.

Note that for agricultural societies, we should look to chapter 57 of the Ohio Revised Code as a source of effective management practices, but not as a source of legal compliance. Failure to follow practices codified in Chapter 57 should not be treated as compliance violations, but as management letter comments or report comments, if significant.

<u>Step No.</u>	<u>Asser-tion</u>	INTERFUND CASH TRANSFERS Procedure for Consideration	<u>Done By</u>	<u>Date Comp.</u>	
1.	E,C,V, R	<p>Identify significant interfund transfers, examine authorization by the legislative body, and compare to budgeted amounts (if transfers are separately budgeted). Be alert for evidence of transfers when reading the minutes, ordinances or resolutions.</p> <p>(As noted above, additional tests of interfund transfers appear in the OCS. These tests are material to the financial statements. That is, we should consider adjusting the financial statements to remove interfund transfers that were not properly approved.)</p>			
2.	P	<p>i.) Assure that transfers in equal transfers out.*</p> <p>ii.) If these amounts do not equal, then the entity has posted transfers inconsistently (i.e., posted one side of the transaction as a transfer, and probably posted the other side of the transaction as a receipt or disbursement). In this circumstance, inspect the posting of material transfers, assuring the consistency of posting. Ask the client to examine interfund postings and identify inconsistent postings.</p> <p>iii.) Propose reclassifying entries to assure that transfers in equal transfers out.</p> <p>* Transfers in and out should equal, unless certain funds, agencies or component units have differing fiscal year ends.</p>			

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DEBT

Entities that follow the cash/AOS basis of accounting should disclose bonded, note and other significant debt payable in the footnotes. The disclosure should include interest rates, and the method of security (e.g., general obligation, mortgage and/or revenue debt, collateralized with property, etc.).

Step No.	Assertion	DEBT Procedure for Consideration	Done By	Date Comp.	
1.		Test balances and activity during the period.			
a.	N/A	<p>Obtain a summary of debt activity during the period. Obtain analysis of notes payable, long-term debt, capital lease obligations, and interest expense (and accrued interest, for GAAP entities) . The analysis should include:</p> <p>i.) Description of the debt, interest rate, principal and interest payment terms, and any sinking fund requirements.</p> <p>ii.) Regarding principal:</p> <p>(a) Amounts at the beginning of the period.</p> <p>(b) Amounts of additions, payments, and renewals during the period.</p> <p>(c) Current, noncurrent, and total amounts at the balance sheet date.</p> <p>iii.) Regarding interest:</p> <p>(a) Amounts paid during the year.</p> <p>(b) GAAP entity analyses should also include: amounts accrued at the beginning and end of the period, and amounts expensed vs. capitalized.</p>			
b.	V, [P]	<p>Test the summary of debt activity.</p> <p>i.) Trace beginning balances to the prior year w/p.</p> <p>ii.) Crossfoot activity for each issue.</p> <p>iii.) Trace interest paid to the fund cash disbursements ledger.</p> <p>iv.) Recompute interest paid or agree to amortization schedules and to the fund cash disbursement ledger.</p> <p>v.) Agree principal due to an amortization schedule, and to the fund cash disbursement ledger.</p> <p>vi.) Scan the summary for evidence of refinancing during the year. (For example, if one debt issue is retired, and another issue is made for a similar purpose and amount.) Inquire of management and read minutes for evidence of refinancing. If so, disclose the refinancing in the footnotes. Disclose the amount defeased and whether the entity has placed sufficient assets to retire the debt into an irrevocable trust. Do not include it in any disclosure of outstanding debt.</p>			
c.	C	<p>Test completeness of the summary.</p> <p>i.) Inquire to management of new indebtedness incurred during the year.</p> <p>ii.) In reviewing minutes, resolutions or other legislation, be alert for evidence of new indebtedness.</p> <p>iii.) Scan the cash receipts ledger for evidence of proceeds of new indebtedness.</p>			
d.	V,E	<p>Test proceeds of new debt.</p> <p>i.) Trace proceeds of new debt to the fund receipts ledger, consider whether it was posted to the appropriate fund.</p> <p>ii.) Inspect original or authenticated copies of all new notes, loan agreements, bond offering statements or other related documents to determine payment terms, collateral, interest rates, restrictions, and other significant matters.</p> <p>Note: For cash/AOS basis entities, and for all budgetary statement presentations, rollovers of notes should be recorded as receipts and disbursements, and should be budgeted (AOS Bulletin 97-010).</p>			

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Step No.	Assertion	DEBT Procedure for Consideration	Done By	Date Comp.	
e.	V,E	<p>Test outstanding balances and payments of principal.</p> <p>i.) Confirm balances and significant terms of notes payable and long-term debt, including interest paid during the period, by direct correspondence with the lenders.</p> <p>You can confirm loans with financial institutions using the <i>Standard Form to Confirm Account Balance Information with Financial Institutions</i>. (This form is also used to confirm checking and saving accounts and certificates of deposit.)</p> <p>For debt not loaned through a financial institution (such as bonds sold to an underwriter), use the <i>Confirmation of Debt Outstanding</i> available on the Intranet.</p> <p>ii.) Review confirmation replies for agreement of outstanding balance, and evidence of compliance with terms, requirements, and restrictions of debt and lease agreements. Investigate reported discrepancies by inquiring of the auditee and tracing to supporting documentation.</p> <p>Note: Confirmation is not required if the client is paying principal amounts strictly in accord with an amortization schedule prepared by the lender, and we can test required payments per step 1.b.4 above.</p>			
2.	R	Test for compliance with debt covenants. (AOSAM 37200.5 - .8)			
a.		<p>Determine whether debt issuances include objectively determinable (i.e., auditable) covenant requirements:</p> <p>i.) Review new debt agreements and summarize covenants. Objectively determinable covenants might require, for example:</p> <ul style="list-style-type: none"> -- Establishing and funding debt service reserve funds/sinking funds, etc. -- Maintaining insurance on assets securing debt. -- Maintaining utility rates necessary to meet debt service. -- Promising not to grant lower utility rates to certain geographic areas or types of business (nondiscrimination covenants). -- Maintaining certain financial statement ratios. -- Provide periodic information to lenders. <p>ii.) Summarize objectively determinable covenants. Include copies in the permanent file, and tests of covenants in the audit program.</p> <p>iii.) Determine if debt contracts require auditors to provide periodic (e.g., annual) reporting to lenders or others. Reporting may include audited statements, special reports on compliance (AU 623.19), etc. If you become aware of such requirements, consult with you're a&A representative to determine the proper reporting (AOSAM 40000.7).</p> <p>Note: General obligation debt rarely has covenant requirements-- Investors are usually deemed adequately protected by the government's taxing authority.</p>			
b.		NOTE: DEPUTY AUDITORS OR AUDITORS IN CHARGE SHOULD INSERT TESTS OF COVENANTS IN THIS STEP (or in a separate program).			
c.		<p>Summarize instances of covenant noncompliance.</p> <p>i.) Determine the remedies listed in debt contracts that may be required for covenant violations.</p> <p>For example, a covenant violation may be an event of default requiring that the entire debt issue be immediately payable. In this instance, in lieu of a waiver (AOSAM 37200.11), cash entities should disclose the nature of the covenant violation and the remedy.</p> <p>ii.) Determine whether violations require reporting in the GAGAS level report. Note that qualitative considerations for disclosure may require a lower level of materiality than that used for the financial statement opinion.</p> <p>iii.) Determine whether the violation requires disclosure in the footnotes, per GASB Cod. 2300.107.h.</p> <p>iv.) Determine if the representation letter requires modification regarding a client's planned response to covenant violations (AOSAM 37200.34e).</p> <p>v.) Summarize our analysis of items (i.) - (iv.) in a Matter for Attention (AOSAM 37200.34 f).</p>			

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Step No.	Assertion	DEBT Procedure for Consideration	Done By	Date Comp.	
3.	R,E,V, [P]	<p>Test trustee activity If trustees hold the debt proceeds, they may be responsible for approving and making payments and for assuring compliance with various covenant requirements.</p> <p>i.) Obtain an understanding of and briefly document the role of trustees.</p> <p>ii.) Obtain and read periodic (usually monthly) trustee statements, inquire regarding any unusual transactions. Determine how the client monitors trustee activity.</p> <p>iii.) Trustees may be deemed a service organization under SAS 70. If trustee activity is material, obtain auditor's reports on the activities of the trust department. Read the report and summarize the effect of any reportable conditions on our audit.</p> <p>iv.) Confirm with the trustee whether they are aware of any events of default or covenant violations.</p> <p>v.) Include material payments made by the trustees in the population of nonpayroll disbursements subject to audit testing/sampling. Trustees may maintain invoices or other documentation supporting disbursements. We may need to contact them. Since these tend to include large dollar payments to contractors, consider audit efficiencies available from subjecting these payments to high dollar testing.</p> <p>Note: Amounts held by trustees are usually presented separately on GAAP balance sheets (e.g., "Cash & investments held by trustees.") Entities using the AOS/cash basis can include trustee assets on the financial statements or can limit their presentation to footnote disclosure.</p>			
4.	R	<p>Read opinions of counsel. Most bonded (and some large note) debt requires legal counsel to render an opinion regarding the intended sources of repayment and security, and whether interest paid is tax exempt to investors. This opinion can provide useful evidence supporting footnote disclosures regarding those matters.</p> <p>For new bonds issued (or refinanced) during the audit period, read the opinion and determine whether any qualifications affect debt footnotes. Consider whether opinion qualifications affect our client's disclosure or planned procedures.</p>			
5.	R	<p>Identify liens, security interests and collateral. Identify liens, security interests, and assets pledged as loan collateral by reviewing debt and lease agreements, confirmation replies, and minutes of meetings; by inspecting public records; and by inquiry of management. Consider confirming these items with the appropriate public filing offices. Consider whether collateral is adequate to secure outstanding borrowing.</p>			
6.	R	<p>Determine if restricted cash balances exist. (For example, cash held by trustees for <u>proprietary fund debt</u> would usually be deemed restricted.)</p> <p>i.) Inquire of auditee management whether cash balances are restricted as to use or are the property of others. When balances include the property of others, determine that the related liability has been recorded. Determine that appropriate disclosures have been made.</p> <p>ii.) Review bank confirmations, special inquiry letters, loan agreements, minutes, bond indentures, or other relevant documents to determine whether there are any restrictions on the availability or use of cash (e.g., compensating balances). Determine that appropriate disclosures have been made.</p>			

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BUDGETARY STATEMENTS

Compliance considerations related to the budgets of taxing authorities/districts are listed in the Ohio Compliance Supplement. This section includes substantive procedures to support the auditor's opinion on budgetary presentations included as basic financial statements or presented in footnotes. Note that GASB Cod. 2400.103 requires presentation of budgets adopted by the governing board or legislative body. Therefore, funds **not** subject to ORC 5705 where the legislative body adopts an annual budget would still be required to present budgetary comparisons. For entities using the cash/AOS basis of accounting, this presentation is required, either as a basic financial statement or in footnotes. The level of presentation (which often will differ from the legal level of control) must be at least at the combined fund type level.

Note that for agricultural societies, we will we should look to chapter 57 of the Ohio Revised Code as a source of effective management practices, but not as a source of legal compliance. Failure to follow practices codified in Chapter 57 should not be treated as compliance violations, but as management letter comments or report comments, if significant. Since we find that the proper reporting format of agricultural societies is that of Governmental non-for-profits, we will require the presentation of budgetary financial statements either amount the financial statements or in the footnotes.

Step No.	Assertion	BUDGETARY STATEMENTS Procedure for Consideration	Done By	Date Comp.	
1.	P	Test budgeted receipts.			
a.		Compare / reconcile budgeted receipts adopted by the legislative body to budgeted receipts recorded in the accounting system. The accounting system should reflect amendments adopted during the year.			
b.		Compare / reconcile budgeted revenue from the accounting system to amounts reported on the budgetary financial statements or footnotes. If budgeted amounts included in the accounting system differ from those adopted by the legislative authority, the budgetary presentation should present amounts adopted by the legislative authority. The budgetary presentation should include amendments adopted during the year.			
2.	P	Test budgeted disbursements (i.e., appropriations).			
a.		Compare / reconcile appropriations adopted by the legislative body to appropriation amounts recorded in the accounting system. The accounting system should reflect amendments adopted during the year.			
b.		Compare / reconcile appropriations from the accounting system to amounts reported on the budgetary financial statements or footnotes. If budgeted amounts included in the accounting system differ from those adopted by the legislative authority, the budgetary presentation should present amounts adopted by the legislative authority. The budgetary presentation should includes amendments adopted during the year.			
3.	P	Test actual receipts, disbursements & encumbrances.			
a.		Compare / reconcile actual receipts from the accounting system to amounts reported on the budgetary financial statements or footnotes.			
b.		Compare / reconcile actual disbursements from the accounting system to amounts reported on the budgetary financial statements or footnotes.			
c.		Assure that all agreed-to audit adjustments affecting actual receipts, disbursements and/or encumbrances are reflected in the budgetary presentation.			

Appendix G

(Ag. Society ADAM)

1. Compliance Requirement: An Agricultural Society is not required to follow the budgetary statutes within ORC Chapter 5705. However, GASB Codification 2400.103 requires presenting budgetary comparisons if the legislative authority adopts an appropriated* budget. If the authority over expends its budget, we should consider whether it is material noncompliance for the GAGAS report. We would cite noncompliance with the Board resolution that adopted the budget.

[Insert applicable budgetary requirements.]

*An appropriation is authorization to expend money.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> -- Policies and Procedures Manuals -- Knowledge and Training of personnel -- Periodic Reviews/Comparisons of Budgeted and Actual Amounts -- Presence of Effective Accounting System -- Legislative and Management Monitoring -- Management's identification of changes in laws and regulations -- Management's communication of changes in laws and regulations to employees 		

Suggested Audit Procedures - Compliance (Substantive) Tests	
<p>Read the minutes and determine if an appropriated budget was adopted.</p> <p>Inquire (or determine from reading the minutes) if amended or supplemental measures have been passed.</p> <p>Inspect the government's records throughout the period to determine if updates and adjustments were properly and timely posted.</p> <p>Match the appropriated budget, amendments, supplements and transfers with resolutions or ordinances.</p> <p>Compare disbursements with appropriations at the legal level of control.</p>	
Audit Implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):	

2. Compliance Requirements: Ohio Rev. Code Sections 4115.04 and 4115.05 - Prevailing wage rates.

Summary of Requirements: The prevailing wage laws essentially require an entity to obtain the prevailing wages in their area for the types of labor required to complete the project they are going to bid before such project is bid and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. They then need to make sure that the contractors who are awarded the contracts agree, in the contract, to pay the prevailing wage.

Exceptions:

- When a project is receiving federal funding, prevailing wage law does not apply if the Davis Bacon Act, which is a federal prevailing wage law, applies instead.
- If contractors are using employees that are taking part in certain programs established by the Bureau of Employment Services, prevailing wages do not apply to these individuals.

If you are conducting a federal single audit, and this provision applies, consult with Accounting and Auditing Support.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
-- Policies and Procedures Manuals		
-- Knowledge and Training of personnel		
-- Oversight Body Monitoring		
-- Management’s identification of changes in laws and regulations		
-- Management’s communication of changes in laws and regulations to employees		

Suggested Audit Procedures - Compliance (Substantive) Tests	
<p>Inquire if the contract is funded in whole or part by federal grant or contract. If so, perform appropriate federal audit procedures.</p> <p>Inspect contracts for the required "prevailing wage" language.</p> <p>Compare the date of prevailing wage establishment with the contract date. If more than 90 days elapsed between the two dates, determine that a prevailing wage redetermination was obtained by inspecting that document.</p> <p>Determine if the Ag Society monitors payment of actual salary payments compared to the prevailing wage rates.</p>	
Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):	

3-A. Compliance Requirement: Ohio Rev. Code Sections 1711.18 Issuance of county bonds to pay debts of county society, 1711.19 Bonds, 1711.20 Levy for payment of bonds, and 1711.21 Use of money raised by county taxation.

Summary of Requirements: In a county in which there is a county agricultural society indebted fifteen thousand dollars or more and such society has purchased a fairground or title to such fairground is vested in fee in the county, the board of county commissioners shall submit to the electors of the county whether or not county bonds shall be issued and sold to liquidate such indebtedness. If a majority of the voters vote in favor thereof, the board of county commissioners shall issue and sell bonds of the county in the amount necessary. Such bonds shall bear interest at not more than the rate determined in or pursuant to the proceedings for the securities adopted by the legislative authority, payable semiannually, and shall be issued for a period of not less than ten nor more than twenty years.

From the proceeds arising from the sale of such bonds, the board shall pay off the indebtedness for which such bonds were sold. The board of county commissioners shall levy a tax upon all the taxable property on the tax duplicate of the county for the purpose of paying such bonds as they mature and the interest thereon.

When money has been raised by taxation by a county for the purpose of leasing lands for county fairs, erecting buildings for county fair purposes, or making improvements on a county fairground, or for any purpose connected with the use of a county fairground or with the management thereof by a county agricultural society, such money shall be used for such purpose only.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> -- Policies and Procedures Manuals -- Knowledge and Training of personnel -- Bond Counsel/Lender Involvement -- Legislative and Management Monitoring -- Management’s identification of changes in laws and regulations -- Management’s communication of changes in laws and regulations to employees 		

Suggested Audit Procedures - Compliance (Substantive) Tests	
<p>Inspect financial records and determine if an indebtedness exists.</p> <p>By reading the minutes, inspecting bond ledgers or other documents, or by inquiry, determine if the County has issued bonds for the Society.</p> <p>Inspect the bonds, noting if the debt is issued for a period of not less than ten nor more than twenty years.</p> <p>Inspect the bonds for the statement that the debt is payable solely from the tax levy pledged for their payment as authorized by Ohio Rev. Code Section 1711.20.</p>	
Audit Implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):	

<p>3-B. Compliance Requirement: Ohio Rev. Code Sections 1711.25 to 1711.30 Sale, lease, purchase, and exchange of sites by county society; payment for new site by county funds or bonds; tax levy; and approval by electors.</p> <p>Summary of Requirements: A county agricultural society may secure a different site to conduct its annual fair. If this occurs, auditors should review the Ohio Revised Code Sections listed above and develop appropriate audit procedures.</p>		
<p>In determining how the government ensures compliance, consider the following:</p> <ul style="list-style-type: none"> -- Policies and Procedures Manuals -- Knowledge and Training of personnel -- Bond Counsel/Lender Involvement -- Legislative and Management Monitoring -- Management’s identification of changes in laws and regulations -- Management’s communication of changes in laws and regulations to employees 	<p>What control procedures address the compliance requirement?</p>	<p>W/P Ref.</p>
<p>Suggested Audit Procedures - Compliance (Substantive) Tests</p>		
<p>By reading the minutes, determine is the Society procured a different site, acquired or disposed of land where the annual fair is held. If so, review the code sections above for specific requirements.</p>		
<p>Audit Implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>		
<p>4. Compliance Requirements: Ohio Admin. Code Sections 117-10-01 Financial reporting and accounting for county agricultural societies and independent agricultural societies.</p> <p>Summary of Requirement: Each county agricultural society and independent agricultural society shall, for financial reporting and accounting purposes, record and report all financial transactions on a fiscal year basis beginning on December 1 and ending November 30. Societies shall record and report all financial transactions in accordance with the handbook titled, "Uniform System of Accounting for Agricultural Societies" issued October 1988 by the Auditor of State.⁵</p>		
<p>In determining how the government ensures compliance, consider the following:</p>	<p>What control procedures address the compliance requirement?</p>	<p>W/P Ref.</p>

⁵The Auditor of State also requires by rules, that certain public offices follow a prescribed uniform chart of accounts and/or establish a fund accounting system to demonstrate legal compliance, financial accountability and to provide management with information for decision making. These rules can be found in Chapter 117 of the Ohio Administrative Code. As a matter of accountability and internal control, each public office should account for financial activities using an accounting system which demonstrates legal compliance; follows a documented chart of accounts appropriate for its particular activities; and is supported by appropriate subsidiary ledgers/journals. When a public office fails to maintain such an accounting system, auditors should consider whether the failure constitutes a reportable internal control weakness.

<ul style="list-style-type: none">-- Policies and Procedures Manuals-- Knowledge and Training of personnel-- Presence of an Effective Accounting System-- Legislative and Management Monitoring-- Management's identification of changes in laws and regulations-- Management's communication of changes in laws and regulations to employees		
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Suggested Audit Procedures - Compliance (Substantive) Tests	
<p>Inquire and verify the Society’s fiscal year is December 1 through November 30.</p> <p>Obtain the handbook titled “Uniform System of Accounting for Agricultural Societies” from the Society and compare its requirements with the systems and records the Society is using.</p> <p>Determine if:</p> <ul style="list-style-type: none">• The required chart of accounts is being used.• A cash journal, a receipts ledger, an expense ledger, and an investment ledger are being used.• The prescribed formats for accounting and reporting information are being utilized (including receipts, purchase orders, vouchers, checks, and bank reconciliations)	
<p>Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>	

5. Compliance Requirement: Ohio Rev. Code Chapter 135-Uniform Depository Act requirements are applicable to an Agricultural Society.

Summary of Requirement-See current OCS section:

Section 135.14 and 133.03(A)(1) - Eligible investments for interim monies; section 135.13, maturities. (Current OCS Section 5-1 (a))

Sections 135.14 and 133.03(A)(1) - Other Requirements (Current OCS Section 5-1 (b))

Section 135.14 - Additional investments allowable for subdivisions other than counties (Current OCS Section 5-2)

Sections 135.18 (specific collateral) and 135.181 (pooled collateral) - Security for repayment of public deposits (Current OCS Section 5-4).

Article XII, Section 5a, Ohio Constitution; Ohio Rev. Code Sections 135.21, 135.351, 5705.10 and 5705.131; 1982 Op. Atty Gen. No. 82-031, and 7 CFR Part 210.14(a) - Allocation of interest among funds. (Current OCS Section 5-5)

Section 135.03 - Eligible depositories, Sections 135.07 and 135.09 - Award of inactive and interim deposits, respectively, Section 135.12 - Designation of depositories (Current OCS Section 7-30)

Section 135.22 - Subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State. (Current OCS Section 7-31)

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> -- Policies and Procedures Manuals -- Knowledge and Training of personnel -- Periodic Reviews/Comparisons of Budgeted and Actual Amounts -- Presence of Effective Accounting System -- Legislative and Management Monitoring -- Management’s identification of changes in laws and regulations -- Management’s communication of changes in laws and regulations to employees 		
<p>Sample Questions and Procedures</p> <p>Although the Uniform Depository Act (UDA) applies to Agricultural Societies, the Auditor of State will not start auditing this compliance until the third phase of agricultural society audits (FY 12/01/02 to 11/30/03) Therefore, if you are auditing phase 1 (FY 01) or a phase 2 (FY 02) agricultural society and they do not comply with UDA requirements, we will not issue a noncompliance citation. Rather, we should issue a management letter comment indicating compliance with UDA will be required in the future.</p> <ul style="list-style-type: none"> a. Are you aware you have to comply with Section 135 of the Ohio Revised Code (Uniform Depository Act)? b. What are your procedures for ensuring compliance with the Uniform Depository Act? 3. Determine if deposits and investments are in compliance with the requirements listed above. 4. If applicable, please show me your continuing education program certificates of completion . 		
<p>Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>		

6-A Compliance Requirement: Ohio Rev. Code Section 9.833 - Health Care Self Insurance

Summary of Requirement: This section requires individual, self-insured governments or joint self-insured health-care programs to calculate (i.e., reserve*) amounts required to cover health care benefit liabilities. It also requires programs to prepare a report, within 90 days after the fiscal year-end, reflecting those reserves (i.e., liabilities) and the disbursements made to pay self-insured claims, legal and consultant costs during the preceding fiscal year. This report is not filed with any office, including the Auditor of State; it should be retained by the government and be made available upon request.

An actuary must certify that the amounts reserved are fairly stated in accordance with sound loss reserving principles. The actuary must be a member of the American Academy of Actuaries.

Individual governments subject to this requirement must establish an internal service fund to account for this activity.

The aforementioned requirements do not apply to counties, townships, and municipalities.

*“Reserved” means liabilities measured in accordance with accepted actuarial principles.

Note: Auditors should also refer Auditor of State Bulletin 2001-05.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> -- Policies and Procedures Manuals -- Knowledge and Training of personnel -- Tickler Files -- Legislative and Management Monitoring -- Management’s identification of changes in laws and regulations -- Management’s communication of changes in laws and regulations to employees 		

Suggested Audit Procedures - Compliance (Substantive) Tests	
<p>Secure a copy of the annual report:</p> <ul style="list-style-type: none"> • Determine if the government established an internal service fund to account for this activity. • Determine whether a report presenting the actuarially-measured liabilities and disbursements during the year was obtained within 90 days of fiscal year end. • Inspect the actuary’s certificate that the amounts reserved conform with accepted loss reserving standards <p>Review the actuary’s report, and perform other procedures to determine whether information the client submitted to the actuary is supported by the client’s accounting or other applicable records. (This step (i.e., testing information the client provides to the actuary) may be necessary to comply with Statement on Auditing Standard No. 73, <i>Using the Work of a Specialist</i>. SAS 73 (AU 336) is applicable when the actuary’s liability calculation is accrued as a GAAP liability or presented in a cash-basis entity’s notes.)</p> <p>Determine whether the actuary’s opinion language (including the scope of the work) generally complied with the example described in the “Actuarial Opinions” section of Auditor of State Bulletin 2001-05.</p> <p>Consider whether any qualification in the actuary’s report affects the financial statement opinion or indicates noncompliance with 9.833.</p> <p>Determine if a cash-basis government’s audited statements disclose self-insurance activity based on the example disclosure in Bulletin 2001-05. (For cash-basis entities, an inability to adequately calculate and present the liability may constitute a qualification related to the adequacy of disclosure.)</p>	
<p>Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>	

6-B. Compliance Requirement: Ohio Rev. Code Section 2744.081 - Liability Self Insurance

Summary of Requirement: This section requires joint self-insurance programs (such as governmental self-insurance pools) insuring against judgments, settlement of claims, expense, loss and damages that arise, or are claimed to have arisen, from an act or omission of the subdivision or any of its employees and to indemnify or hold harmless the subdivision's employees, to reserve* amounts to cover potential costs. It also requires the program to prepare a report, within 90 days after the program's fiscal year-end, reflecting those reserves (i.e., liabilities) and the disbursements made to pay self-insured claims, legal and consultant costs during the preceding fiscal year. This report is not filed with any office, including the Auditor of State; it should be retained by the government and be made available upon request.

An actuary must certify that the amounts reserved are fairly stated in accordance with sound loss reserving principles. The actuary must be a member of the American Academy of Actuaries.

The aforementioned requirements apply only to governmental risk pools or other joint governmental liability insurance programs.

*"Reserve" means liabilities measured in accordance with accepted actuarial principles.

Note: Auditors should also refer Auditor of State Bulletin 2001-05.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none">-- Policies and Procedures Manuals-- Knowledge and Training of personnel-- Tickler Files-- Legislative and Management Monitoring-- Management’s identification of changes in laws and regulations-- Management’s communication of changes in laws and regulations to employees		

Suggested Audit Procedures - Compliance (Substantive) Tests	
<p>Secure a copy of the pool's (or joint government) annual report:</p> <ul style="list-style-type: none"> • Determine whether a report presenting the actuarially-measured liabilities and disbursements during the year was obtained within, 90 days of fiscal year end. • Inspect the actuary's certificate that the amounts reserved conform with accepted loss reserving standards, <p>Review the actuary's report, and perform other procedures to determine whether information the client submitted to the actuary is supported by the client's accounting or other applicable records. (This step (i.e., testing information the client provides to the actuary) may be necessary to comply with Statement on Auditing Standard No. 73, <i>Using the Work of a Specialist</i>. SAS 73 (AU 336) is applicable when the actuary's liability calculation is accrued as a GAAP liability or presented in a cash-basis entity's notes.)</p> <p>Determine whether the actuary's opinion language (including the scope of the work) generally complied with the example described in the "Actuarial Opinions" section of Auditor of State Bulletin 2001-05.</p> <p>Consider whether any qualification in the actuary's report affects the financial statement opinion or indicates noncompliance with 2744.081.</p> <p>Determine if a cash-basis government's audited statements disclose self insurance activity based on the example disclosure in Bulletin 2001-05. (For cash-basis entities, an inability to adequately calculate and present the liability may constitute a qualification related to the adequacy of disclosure.)</p>	
<p>Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>	

6-C. Compliance Requirement: Ohio Rev. Code Sections 3769.01, 3769.04, and 3769.06 Horse-racing permit required, application for permit, and renewal of permit.

Summary of Requirement: No person, association, corporation, or trust shall hold, conduct, assist, or aid and abet in holding or conducting any meetings, at which horse racing is permitted for any stake, purse, or award unless such person, association, corporation, or trust secures a permit to conduct a horse-racing meeting.

Any person, association, corporation, or trust desiring to hold or conduct a horse-racing meeting, wherein the parimutuel system of wagering is allowed, shall make application to the state racing commission (commission) for a permit to do so. Each application, accompanied by a permit fee of ten dollars and a cash bond, certified check, or bank draft, shall be filed with the commission at least five days prior to the first day of each horse-racing meeting that the person, association, corporation, or trust proposes to hold or conduct. The application, if made by an association, trust, or corporation, shall be signed by its president or vice-president and attested by the secretary or assistant secretary under the seal of the association, trust, or corporation, if it has a seal, and shall also be verified under oath by one of the officers signing the application.

Each permit issued under this section to hold or conduct a horse-racing meeting shall be issued for one year from the first day of January of the year for which it is issued. The holder of such permit shall be entitled to renewal of the permit upon application to the commission for a renewal

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> -- Policies and Procedures Manuals, including copies of the applicable sections of Ohio Revised Code Section 3769 -- Knowledge and Training of personnel -- Tickler Files -- Legislative and Management Monitoring -- Management’s identification of changes in laws and regulations -- Management’s communication of changes in laws and regulations to employees 		
Suggested Audit Procedures - Compliance (Substantive) Tests		
<p>Verify the application for the permit to conduct a horse-racing meeting was signed by its president or vice-president and attested by the secretary or assistant secretary and was verified under oath by one of the officers signing the application.</p> <p>Verify the required permit has been obtained and renewed annually.</p>		
<p>Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>		

6-D. Compliance Requirements: Ohio Rev. Code Section 3769.082 Ohio fairs fund; distribution

Summary of Requirements: Ohio fairs fund moneys shall be distributed by the director of agriculture annually, on or before the first day of March, as follows:

To each county agricultural society and to each independent agricultural society conducting an annual fair, a prescribed percentage of Ohio fairs fund money, to be allocated for general operations;

To each county agricultural society and each independent agricultural society conducting horse races (harness races or running races) during their annual fair, the sum of four thousand dollars, to be used as purse money for horse races in accordance with this section, and the additional sum of one thousand dollars to each such county agricultural society and independent agricultural society to be used for race track maintenance and other expenses necessary for the conduct of such horse races or colt stakes.

A grant of four thousand dollars shall be available to each county or independent agricultural society for the conduct of four stake races for two-year-old and three-year-old colts and for four stake races for two-year-old and three-year-old fillies at each gait of trotting and pacing; provided, that at least five hundred dollars shall be added to each race. Exclusive of entrance fees and the excess moneys provided below, the grant of four thousand dollars for purse money provided, a sum not to exceed three thousand dollars may be used by a society to reach the required purse for each of the eight stake races. Such stake races shall be distributed as evenly as possible throughout the racing season.

In the event that the moneys available on the first day of March of any year are less than that required above, the amount distributed from the Ohio fairs fund may be different then the amounts reflected above.

County agricultural societies and independent agricultural societies conducting stake races shall, on or before the first day of November in the year immediately preceding the year in which the moneys are to be distributed, make application for participation in such distribution to the director of agriculture on forms provided by the director.

Distribution of moneys for stake races shall not be paid to county agricultural societies and independent agricultural societies that conduct on their race courses automobile or motorcycle races during any year for which such distribution is requested, unless such automobile or motorcycle races are not conducted during the days and nights that horse racing is being conducted at such fair.

Any county agricultural society or independent agricultural society which uses the moneys distributed under this section for any purpose other than that provided in this section is not eligible to receive distribution from the Ohio fairs fund for a period of two years after such misuse of such moneys occurs.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> -- Policies and Procedures Manuals, including copies of the applicable sections of Ohio Revised Code Section 3769 -- Knowledge and Training of personnel -- Legislative and Management Monitoring -- Ohio Department of Agriculture Monitoring -- Management’s identification of changes in laws and regulations -- Management’s communication of changes in laws and regulations to employees 		

Suggested Audit Procedures - Compliance (Substantive) Tests

Verify the Society receipted Ohio fairs fund in the State and Local fund	
Verify the Society uses money in accordance with the provisions of this section	

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):

7-A Compliance Requirement: Ohio Rev. Code Section 901.06, Ohio Rev. Code Section 117.38 - Filing of financial reports and Ohio Rev. Code Section 1711.05 Publication of treasurer's account

Summary of Requirement: Prior to the first day of December of each year, the director of agriculture shall set a date in January of the following year, on which the director shall meet with the presidents or other authorized delegates of agricultural societies which conduct fairs in compliance with sections 1711.01 to 1711.35, inclusive, of the Revised Code, and regulations of the department of agriculture. Each society shall deliver its annual report to the director at or before the January meeting.

Cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Since the Auditor of State has not prescribed a form for the report, the Society shall file an annual report using the format **as suggested in the handbook titled, "Uniform System of Accounting for Agricultural Societies"**. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

Every county agricultural society annually shall publish an abstract of its treasurer's account in a newspaper of the county and make a report of its proceedings during the year.

<p>Sample Questions and Procedures</p> <ol style="list-style-type: none"> 1. Show me a copy of the annual report. 2. On what date did you file the report with the Director of Agriculture? 3. On what date did you file the report with the Auditor of State? 4. Please show me a proof of publication for the annual notice. 		
<p>Government Personnel Interviewed and Dates:</p>	<p>Documents Examined or Observations Made to Corroborate Inquiry:</p>	<p>W/P Ref.</p>
<p>Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>		

7-B Compliance Requirement: Ohio Rev. Code Section 117.10 - Notification of Creation or Dissolution of Public Office.

Summary of Requirement: Any public office that is created or dissolved is required within 30 days to send notice to the Auditor of State's Office Clerk of the Bureau.

Sample Questions and Procedures

- a. On what date did you file the notice with the Auditor of State?
- b. Please show me a copy of the notice which was sent.

Government Personnel Interviewed and Dates:

Documents Examined or Observations Made to Corroborate Inquiry:

W/P Ref.

Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):

7-C Compliance Requirement: Ohio Rev. Code Section 9.38 - Deposits of public money.

Summary of Requirement: Public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

For example, a government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 **and** the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (Ag Society) only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Note: This section does not require that the fiscal officer deposit receipts with the designated depository on the business day following the day of receipt, or any other specified time. However, if the fiscal officer is holding significant amounts of cash and checks for an unreasonable period, an internal control recommendation should be made.

Sample Questions and Procedures		
<ol style="list-style-type: none"> 1. What cash collection points receive significant amounts of cash? 2. Where do they deposit cash (i.e., to the treasurer/finance director, or to certain banks, etc.)? 3. How often do they make deposits? If deposits are not made on the business day after receipt, has a policy been adopted ? 4. What is the approximate daily collection, other than during the annual Fair? 5. If cash is not deposited daily, how is the cash safeguarded (is a safe or other access-limiting device used?) 		
Government Personnel Interviewed and Dates:	Documents Examined or Observations Made to Corroborate Inquiry:	W/P Ref.
Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):		

7-D Compliance Requirement: Ohio Rev. Code Section 121.22 - Meeting of public bodies to be open, exceptions, and notice.

Summary of Requirement: All meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of any emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media.

The members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold such a session and only at a regular or special meeting for the sole purpose of the consideration of any of the following matters:

- (a) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing;
- (b) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.
 - Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.
 - Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.
 - Matters required to be kept confidential by federal laws or rules or state statutes.
 - Specialized details of security arrangements where disclosure of the matters discussed might reveal information that could be used for the purpose of committing or avoiding prosecution for a violation of the law.

A resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized above.

Sample Questions and Procedures

1. What procedures does your [entity] have to notify the general public and news media of when and where meetings are to be held?
2. Verify that the minutes of all public meetings are promptly recorded and available for public inspection.
3. Review the minutes and determine if executive sessions are only held at regular or special meetings.
4. Verify that executive sessions are only held for the purposes outlined above.
5. Confirm that all formal actions of the governing board are adopted only in open meetings.

Government Personnel	Documents Examined or Observations Made to	W/P
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Interviewed and Dates:	Corroborate Inquiry:	Ref.
Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):		

7-E Compliance Requirement: Ohio Rev. Code Section 149.43 - Availability of public records

Summary of Requirement: “Record” for purposes of the public records law, means any document, device, or item, regardless of physical form or characteristic, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office. “Public record” means any record that is kept by any governmental unit, including, ut not limited to, state, county, city, village, township, and school district units, except medical records, records pertaining to adoption, probation, and parole proceedings, trial preparation records, confidential law enforcement investigatory records, records pertaining to actions under Section 2151.85 Ohio Revised Code, records listed in Section 3107.42(A), Ohio Revised Code, and records the release of which is prohibited by state or federal law.

All public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, governmental units shall maintain public records in such a manner that they can be made available for inspection.

<p>Sample Questions and Procedures: Ascertain if responsible personnel are aware of the above requirements and have implemented local policies and procedures regarding:</p> <ul style="list-style-type: none"> a. What records are to be made available. b. Times when records may be reviewed. c. Costs for copies to be made. 		
<p>Government Personnel Interviewed and Dates:</p>	<p>Documents Examined or Observations Made to Corroborate Inquiry:</p>	<p>W/P Ref.</p>
<p>Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):</p>		

7-F Compliance Requirements:

- Internal Revenue Code (IRC) Chapter 26 [26 U.S.C.] - Collection of Income Tax at Source on Wages; 26 U.S.C. §3401 through §3406:
 - ▶ §3401: Definitions;
 - ▶ §3402: Withholding of income tax from wages;
 - ▶ §3403: Employers liable for payment of the tax deducted and withheld;
 - ▶ §3404: Return of amount deducted and withheld shall be made by appropriate officer of the governmental employer;
 - ▶ §3405: Withholding on pensions and annuities;
 - ▶ §3406: Backup withholding
- 26 U.S.C. §3102(a): Deduction of [Medicare] tax from wages;
- 26 U.S.C. §132: Exclusion of certain fringe benefits from gross income;
- Internal Revenue Regulations (26 C.F.R.):
 - ▶ §1.61-21: Taxation of fringe benefits;
 - ▶ §1.6041-1: Reporting of income aggregating \$600 or more [i.e., 1099s-MISC] ⁶;
 - ▶ §1.6041-2: Reporting of *wage* income aggregating \$600 or more [i.e., W-2s];
 - ▶ §1.6041-3: Various exclusions;
 - ▶ §1.6041-6: Time and place for filing forms 1099 and 1096;
 - ▶ §1.6050E-1: Income tax refund reporting.
- Ohio Rev. Code §5747.06 - Collection of Ohio income tax at source.
- Various local ordinances require withholding on wages earned in the particular municipality. These should be consulted for the requirements.

Summary of Requirement (continued):

These sections of the various tax codes require the employing government to withhold federal, state, and local income and employment-related taxes (such as Medicare). They also require the government to report those tax matters to the appropriate tax authorities and to the recipients. Certain of these sections require consideration of whether employer-provided “fringe” benefits, such as use of government automobiles for private purposes, constitute taxable income to be reported and withheld upon.

Note: See Ohio Compliance Supplement Introduction page 37 regarding IRS Referrals.

⁶ Starting in 1999, all payments to attorneys of \$600 or more that are not otherwise reported (e.g., on form W-2 for attorneys who are employees) must be reported on form 1099-MISC. The exemption for payments to corporations no longer applies to payments for legal services.

Sample Questions and Procedures

1. What policies and procedures do you have to ensure that the [Entity] is withholding federal, state, and local income taxes as required?
2. How do you ensure that the withholdings are being transmitted periodically to the appropriate jurisdictions as required? Please show me a sample of your tax filing reports. Please show me how these agree with your payroll records.
3. Do you provide any of your employees with taxable fringe benefits, such as the use of a government owned vehicle, or an auto or uniform allowance? If so, how do you determine the amounts of the benefits to be reflected in the affected employees' Forms W-2? Please show me 1 or 2 employees' W-2s that reflect these amounts.
4. Did your government pay any independent contractor (other than a corporation) \$600 or more during this year? If so, please show me a few Forms 1099 that were issued.

Government Personnel Interviewed and Dates:	Documents Examined or Observations Made to Corroborate Inquiry:	W/P Ref.
Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):		

7-G Compliance Requirement: 5709.10 Exemption of County Fairground from Real Estate Tax.

Summary of Requirement: Property used as a county fairgrounds that is owned by the board of county commissioners or by a county agricultural society shall be exempt from taxation.

Sample Questions and Procedures

1. How do you ensure the Society does not pay real estate tax?
2. Verify the Society did not pay real estate tax by scanning the disbursements included in Account # 7480.

Government Personnel Interviewed and Dates:

Documents Examined or Observations Made to Corroborate Inquiry:

W/P Ref.

Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):

7-H Compliance Requirement: Ohio Rev. Code Section 1711.24 Insurance on county society's buildings.

Summary of Requirement: The board of county commissioners of a county in which there is a county agricultural society shall insure the buildings on the grounds of such society for the benefit of such society.

Sample Questions and Procedures

1. Does the County insure the buildings on the grounds of the Society?
2. Is the amount of the insurance adequate considering the value of the buildings and contents?

Government Personnel Interviewed and Dates:

Documents Examined or Observations Made to Corroborate Inquiry:

W/P Ref.

Conclusion: (effects on the audit opinions and/or footnote disclosures, reportable conditions/material weaknesses, and management letter comments):

APPENDIX H

[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY

DELETE ALL HIGHLIGHTED TEXT
search and replace:
20EE replace with ending fiscal year
TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
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Notes to the Financial Statement	4
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings (IF APPLICABLE)	15
Schedule of Prior Audit Findings (IF APPLICABLE)	17

(If the Society is subject to an A-133 audit do not proceed with this report shall You must consult with Accounting and Auditing Support. We are currently unaware of any agricultural society that receives federal assistance.)

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REPORT OF INDEPENDENT ACCOUNTANTS

[Name] Agricultural Society

[County Name] County

(Insert address -

This is very important. The Clerk of the Bureau needs an exact mailing address.)

To the Board of Directors:

We have audited the accompanying financial statement of [Name] Agricultural Society (the Society) as of and for the year ended November 30, [Year Audited]. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30 [Year Audited], and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated [End of Fieldwork Date] on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

[End of Fieldwork Date]

WORD PROCESSOR

WILL INSERT

FINANCIAL

STATEMENT

HERE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity *(Modify as needed.)*

The [Name] Agricultural Society, [County Name] County, (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a [county or independent] agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in [founded date] to direct the operation of an annual agricultural fair. The Society sponsors the week-long [Name of Fair] Fair during [Month of Fair]. **During the fair, harness races are held, culminating in the running of the [Name of harness racing event]. If applicable** [County Name] County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of **(Insert number)** directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of [County Name] County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds **if applicable, continue with) and simulcast activity occurring at other locations relating to the harness races.** This includes the annual fair, **harness racing during fair week and simulcast relating to harness racing.** Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including **list any significant community events such as trade shows, horse shows, swap meets.** The reporting entity does not include any other activities or entities of (Name of County) County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 11 and Note 12, respectively.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. **Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).** [DELETE PRECEDING SENTENCE IF ENCUMBRANCE ACCOUNTING IS NOT USED. NEITHER THE REVISED CODE NOR THE NEW OHIO ADMINISTRATIVE CODE REQUIRE SOCIETIES TO ENCUMBER.]

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

NOTE: Societies are not subject to 5705 or HR 262 budgeting requirements. However, GASB 2400 103 requires presenting budgetary comparisons if the legislative authority adopts an appropriated* budget. We will apply this requirement to AOS-basis entities. Therefore, if the Society's governing board adopts a budget, we should include a brief description of the budgetary process, the legal level of control and a note comparing budget and actual receipts and disbursements, similar to the example below. If the authority over exceeds its budget, we should consider whether it is material noncompliance for the GAGAS report. We would cite noncompliance with the resolution.

***An appropriation is authorization to expend money. If in doubt as to whether a budget purports to be appropriated, consult with Accounting & Auditing Support.**

The Board of Directors annually prepare an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year. The Board review the budget throughout the year and compare it with actual results.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

F. Restricted Support *(If applicable, include a caption in the financial statement and include this note)*

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

G. Income Tax Status

[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 20EE

(Continued)

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

H. Race Purse *If applicable*

Name of Races stake races are conducted during the (Name of County) County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and (Name and Title of Horseman's Association) Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompany financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse. See Note 4 for additional information.

I. Parimutuel Wagering *If applicable*

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as determined by the parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel wagering commission (commission) is the Society's share of total parimutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Parimutuel Wagering Commission. See Note 4 for additional information.

J. Accumulated Leave

(Delete if no employees are entitled to these benefits)

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Society uses. *(Delete this note if no employees are entitled to these benefits)*

2. BUDGETARY ACTIVITY *(Delete if the Society has not adopted an appropriated budget. See note 1E.)*

For the year ended November 30 EE, the Society had budgeted receipts of \$(amount), actual receipts of \$(amount), resulting in a variance of \$(amount). Additionally, the Society had budgeted disbursements of \$(amount), actual disbursements of \$(amount), resulting in a variance of \$(amount).

Disclose any material budgetary violations here and in the compliance report. "Contrary to the Society's budgetary policy, actual disbursements exceeded budgeted disbursements for the year ended November 30, "

3. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 20EE follows:

**[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 20EE**

(Continued)

Demand deposits		\$
Certificates of deposit		
Total deposits		0
Treasury Notes		
Repurchase agreement		
Common stock (at cost, fair value was \$XXXX at November 30, 20EE)		
Total investments		0
Total deposits and investments		\$0

(Note: The above is a WordPerfect table.)

Deposits: \$100,000 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). The remainder was uninsured and uncollateralized. **Note: Societies are subject to Uniform Depository Laws but noncompliance will not result in a citation of ORC 135 until fiscal years beginning December 1, 2002. However, a management letter comment to insure deposits are adequately protected may be warranted.**

Investments: The common stock held by the Society was donated to the Board. The Society invests other funds solely in money market accounts with local banking institutions.

4. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 20EE was \$(amount) and is included within State Support on the accompany financial statement.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Parimutuel Wagering Commission (commission) which is the Society's share of total parimutuel wagers after paying winning bettors. The expenses of providing the parimutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	20EE	
Total Amount Bet (Handle)	\$0	
Payoff to Bettors		
Parimutuel Wagering Commission	0	
Tote Service Set Up Fee		
Tote Service Commission		
State Tax		
Society Portion	\$0	

5. DEBT **(List other indebtedness, such as leases, if material.)**

Debt outstanding at November 30, 20EE was as follows:

	Principal	Interest Rate
Note Payable for Tractor	\$	5.00%
County Loan		6.00%
Total	\$0	

Add a brief description of the debt including amount, term, maturity date, interest rate, purpose, collateral, and any other significant information, such as defaults, etc.

**[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 20EE**

(Continued)

(Example note disclosure): The \$25,000 Tractor Note bears an interest rate of 4.56% and is due to the Tractor Credit Corporation. The note was entered into on July 1, 2000 and matures June 30, 2005. Proceeds of the note were used to purchase a tractor and is collateralized by the tractor.

The (Name of County) County loaned the Society \$250,000 on September 15, 2001 for repairs to the grandstands. The loan from the County shall be paid back to the County at a rate of twenty-five thousand dollars (\$25,000) per year plus interest at a rate based upon the annual investment rate of the County. The interest rate applicable at November 30, 20EE is 6.00%.

Amortization of the above debt, is scheduled as follows:

<u>Year ending November 30:</u>	<u>Tractor Note</u>	<u>County Loan</u>	<u>Interest</u>	<u>Total</u>
2002	\$	\$	\$	\$
2003				
2004				
2005				
2006				
2007 – 2011				
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Present amounts due after 5 years in five-year increments.

6. RETIREMENT SYSTEM

In [date] the Society established a 403(b) plan in which all qualified employees may participate. This plan is entirely funded by employee contributions. **(Note: You must modify this for the proper type of plan.)**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 20EE employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participants gross salaries through November 30, 2001.

7. RISK MANAGEMENT

The Society provides health coverage for full-time, supervisory employees through an Insurance Company.

The [County Name] County Commissioners provide general insurance coverage for all the buildings on the [County Name] County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. General liability and vehicle coverage is provided by an Insurance Company with limits of **\$ Amount** and **\$ Amount** aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of **\$ Amount**. The Society's general manager is bonded with coverage of **\$ Amount**.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2001.

(Note: If this is a county agricultural society and a board of county commissioners does not insure the buildings, you must issue a management letter comment that informs the Society of the county's responsibility for insuring buildings and a citation of ORC 1711.24 in the County's report.)

(Insert the following sentence if uninsured losses were material.) During 20EE, the Society paid \$_____ for losses that exceeded insurance coverage.

(Also disclose any significant changes in coverage from the prior year.)

8. CONTINGENT LIABILITIES

(Modify as needed. Briefly describe potentially material suits. Include the range of potential loss. However, avoid naming plaintiffs. Allow legal counsel to review your draft language before finalizing this report.)

Example The Society is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, counsel believes that the resolution of these matters will not materially adversely affect the Society's financial condition.

(Include the following paragraph only if grants were received.) Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 20EE

(Continued)

9. RELATED PARTY TRANSACTIONS *(Modify as needed.)*

Example: A Board member is part owner of a company from which the Society acquired *(described acquisition briefly)* during the year. The Society paid \$_____ for this acquisition.

Significant* related party transactions must be disclosed. They may be indicative of ethics or other violations, but that is not the purpose of disclosing related party transactions. The concern with FASB 57 is that the nominal amount of a transaction not conducted at arms length may not be indicative of its true value.

* A transaction may be "significant" when the dollar amount is immaterial if it does not represent the fair value of the transaction. For example, a Society may rent a facility to a related party for \$1 per year.

10. SUBSEQUENT EVENTS

(Describe material uninsured losses, or other material revenues or expenditures incurred subsequent to the financial statement date.)

11. JUNIOR FAIR BOARD

This footnote is not appropriate in cases where the Junior Fair activities are all run through the Ag Societies' books and there is no separate Junior Fair bank account. In such cases please consult with A&A for appropriate disclosure requirements.

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the (Name of County) County Fair. The Society disbursed \$(amount) directly to the Junior Fair Board and \$(amount) directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$(amount) by (Name of County) County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 20EE follows:

Beginning Cash Balance	\$
Receipts	
Disbursements	_____
Ending Cash Balance	=====\$0

12. JUNIOR LIVESTOCK SALE COMMITTEE

This disclosure is not appropriate in cases where all Junior Fair Livestock Sale Committee activity is run through the Ag Societies' books and no separate bank account exists for the Committee. In such cases, consult with A&A for appropriate disclosure requirements.

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the (Name of County) County's auction. Monies to cover the cost of the auction are generated through a X% commission *(modify for your situation) per head, per group of animals (pen), assessed on the net difference between the auction price and the market cost, assessed on the market price for those animals that are sold directly to market, assessed on the auction price)* and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 20EE follows:

Beginning Cash Balance	\$
Receipts	
Disbursements	_____
Ending Cash Balance	=====\$0

Delete this page if it is odd-numbered

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(NO REPORTABLE NONCOMPLIANCE OR INTERNAL CONTROL REPORTABLE CONDITIONS – PER OUR INTRANET GAGAS REPORT EXAMPLES, SOME REVISION MAY EVEN BE REQUIRED TO THIS VERSION OF THE REPORT.)

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

[Name] Agricultural Society

[County Name] County

(Insert address -

This is very important. The Clerk of the Bureau needs an exact mailing address.)

To the Board of Directors:

We have audited the financial statement of [Name] Agricultural Society (the Society) as of and for the year ended November 30, [Year Audited], and have issued our report thereon dated [End of Fieldwork Date]. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society’s financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. **Insert the following, if needed:** However, we noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated [End of Fieldwork Date].

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. **Insert if needed:** However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated [End of Fieldwork Date].

[Name] Agricultural Society

[County Name] County

Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*

Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro

Auditor of State

[End of Fieldwork Date]

[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY

SCHEDULE OF FINDINGS
NOVEMBER 30, 20EE

FINDINGS RELATED TO THE FINANCIAL STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 20EE-####-001

Noncompliance Citation

OR

Reportable Condition

OR

Material Weakness

[NAME] AGRICULTURAL SOCIETY
 [COUNTY NAME] COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 NOVEMBER 30, 20EE

Even though AOS did not audit the Society last audit, the Department of Agriculture performed a review. Auditors should review the prior report and note any material financial related matters in this schedule (i.e. anything we would consider GAGAS level)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
	7		8

⁷ Briefly describe the nature of the finding, such as "Revised Code 4115.04, failure to pay prevailing wage rates," or "Inadequate segregation of duties." (Note: Per Q. 28 to AOSAM 34900 Appendix A, this Schedule is not required if there were no p/y fed findings requiring reporting per Sec. 510 (a) of A-133. Per ADAM 2001-10, this schedule is now required to the report the status of material uncorrected findings and recommendations from prior audits, per GAGAS 4.10.

⁸ To add another row for additional prior year matters, place cursor in this cell and hit "tab."

APPENDIX I

[NAME] AGRICULTURAL SOCIETY
[COUNTY NAME] COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 20EE

	<u>20EE</u>
Operating Receipts:	\$0
Admissions	0
Privilege Fees	0
Rentals	0
Sustaining and Entry Fees	0
Parimutuel Wagering Commission	0
Other Operating Receipts	<u>0</u>
Total Operating Receipts	<u>0</u>
Operating Disbursements:	
Wages and Benefits	0
Utilities	0
Professional Services	0
Equipment and Grounds Maintenance	0
Race Purse	0
Senior Fair	0
Junior Fair	0
Capital Outlay	0
Other Operating Disbursements	<u>0</u>
Total Operating Disbursements	<u>0</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	0
Non-Operating Receipts (Disbursements):	
State Support	0
County Support	0
Debt Proceeds	0
Donations/Contributions	0
Investment Income	0
Debt Service	<u>0</u>
Net Non-Operating Receipts (Disbursements)	<u>0</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	0
Cash Balance, Beginning of Year	0
Cash Balance, End of Year	<u><u>\$0</u></u>

The notes to the financial statement are an integral part of this statement.

**Record of Computer Environment and Controls (RCEC)
Parimutuel Wagering**

Appendix J
(Ag. Society ADAM)

**Auditor of State of Ohio- Parimutuel Wagering
Record of Computer Environment and Controls**

Region	TOLEDO
Client Name and Address	Ottawa County Agricultural Society 7870 West State Route 163, PO Box 28

List Client Contact(s) that is knowledgeable about the Parimutuel Wagering Application (if any)

Contact Person & Job Title	Department	Application (if any)	Telephone Number and/or e-mail address	Fax Number
Jon Overmeyer	Treasurer		419-898-1971	None

List Vendor Contact(s) for the Parimutuel Wagering Application

Contact Person & Job Title	Company Name	Application	Telephone Number and/or e-mail address	Fax Number
Daniel L. Straub	Ace Totalizer	Wagering Application	614-294-7914	None

Fiscal or Calendar Year Ended

	2001	2002	2003
Completed/Updated by (Initials and Date)			
Reviewed by Engagement Deputy Auditor			

1.1a Parimutuel Wagering Application:

Application Name and Version Number (If Known)	List the Agency and/or Department Using the Application	List Vendor Name or State In-House Development	List the Computer System on which the Application is Run	Implementation Date/ Last Upgrade Date (Approximate)
wagering application	Ace Totalizer – vendor contracted by Fair Board	Originally purchased from Dynatote, now maintained by Ace Totalizer	IBM PC	1985 Upgraded in 1995
Description of Application:	This software is used by the vendor at various county fairs throughout Ohio. Fair patrons can place bets on horse races and the software will provide a bet slip to be used to turn in any winning bets for payment. Summary reports by race and type of bet are also produced through the system to assist in determining commissions paid to the fair and ACE, and taxes owed to the State of Ohio.			

*Note: The description of the application should include a brief description of what the application does and the types of transactions processed. The programming language used and the existence of any application-level security should also be described here (if known).

**Record of Computer Environment and Controls (RCEC)
Parimutuel Wagering**

1.1b Parimutuel Wagering Application: List any known problems or limitations with any of the applications listed above. In addition, list any significant modifications planned for the above listed applications.

Note: The original vendor, Dynatote is no longer in business. The Dynatote system was purchased by United Tote, a supplier of on-line wagering systems. United Tote no longer supports this software. The application is programmed in C.

2.1a System Hardware (e.g., Mainframe, Mid-Range, PC, LAN, Client/Server or Firewall)

System Hardware (Include Manufacturer and Model #)	Department or Agency Using the System Hardware	Type of System Hardware (See Examples Above)
Dynatote – betting/ticket machine IBM PC - processing	ACE Totalizer - vendor contracted by Fair Board	Betting Terminal PC

2.1b System Software (e.g., Operating System, Network Operating System, Firewall, Security Software, Access Language, Data Dictionary, Report Generator, Data Manager, Compiler, Command Language, Job Scheduler, Library Systems, etc...)

System Software (Include Vendor Name and Version #)	Type of System Software (See Examples Above)	System Hardware (Include Manufacturer and Model #)
DOS	PC Operating System	Ticket Issuing Machines – Dynatote IBM clone PC

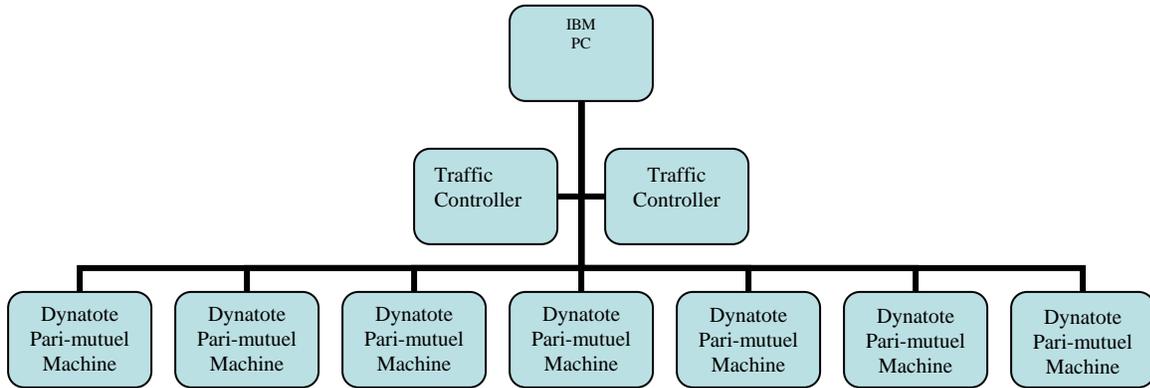
2.1c Data Communications Environment

Local Area Network Network Configuration (e.g., Token Ring or Ethernet) Version Used (ex. Windows NT, Novell)	Proprietary
Protocols Used (e.g., TCP/IP, IPX/SPX, NetBEUI, DECnet or AppleTalk)	Proprietary
Internet Service Provider (ISP) (e.g., AOL, MSN, EarthLink, etc...)	None
Remote Access (e.g., dial-up or dedicated connection)	None
Number of Terminals with Internet Connections	None

2.2 Overview of network links

Identify the CPU (Mainframe, Mid-Range, PC, LAN and/or Client Server), that processes Audit Significant Applications. The diagram should also list; any departments that use the Audit Significant Applications, applications used by the department, the number of users in the department and the number of terminals (PCs) in the department. Draw a simple diagram below or attach a client supplied diagram, if available. The diagram should depict the CPU and include an overview schematic of the client's LAN/WAN (including routers and bridges) to the Internet, dial-up servers and connections to any other key networks or nodes.

**Record of Computer Environment and Controls (RCEC)
Parimutuel Wagering**



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Parimutuel Wagering**

Appendix K
(Ag. Society ADAM)

**Auditor of State of Ohio- Parimutuel Wagering
Record of Computer Environment and Controls**

Region	
Client Name and Address	

List Client Contact(s) that is knowledgeable about the Parimutuel Wagering Application (if any)

Contact Person & Job Title	Department	Application (if any)	Telephone Number and/or e-mail address	Fax Number

List Vendor Contact(s) for the Parimutuel Wagering Application

Contact Person & Job Title	Company Name	Application	Telephone Number and/or e-mail address	Fax Number
Lawen Griffith Manager Ohio HUB	AMTOTE	Wagering Application	614-875-2697 614-875-2795	614-875-2684

Fiscal or Calendar Year Ended 2001 2002 2003

Completed/Updated by (Initials and Date)			
Reviewed by Engagement Deputy Auditor			

1.1a Parimutuel Wagering Application:

Application Name and Version Number (If Known)	List the Agency and/or Department Using the Application	List Vendor Name or State In-House Development	List the Computer System on which the Application is Run	Implementation Date/ Last Upgrade Date (Approximate)
Wagering Application Version 9.2.3	Summit County Fair	AMTOTE	IBM 704 Server	January 2002

***Note:** The description of the application should include a brief description of what the application does and the types of transactions processed. The programming language used and the existence of any application-level security should also be described here (if known).

Record of Computer Environment and Controls (RCEC) Parimutuel Wagering

1.1b Parimutuel Wagering Application: List any known problems or limitations with any of the applications listed above. In addition, list any significant modifications planned for the above listed applications.

NONE.

2.1a System Hardware (e.g., Mainframe, Mid-Range, PC, LAN, Client/Server or Firewall)

System Hardware (Include Manufacturer and Model #)	Department or Agency Using the System Hardware	Type of System Hardware (See Examples Above)
IBM 704 Server	Summit County Fair	Betting Terminal Computers Communications

2.1b System Software (e.g., Operating System, Network Operating System, Firewall, Security Software, Access Language, Data Dictionary, Report Generator, Data Manager, Compiler, Command Language, Job Scheduler, Library Systems, etc...)

System Software (Include Vendor Name and Version #)	Type of System Software (See Examples Above)	System Hardware (Include Manufacturer and Model #)
Microsoft Windows NT 4.0	PC Operating System	IBM 704 Server

2.1c Data Communications Environment

Local Area Network Network Configuration (e.g., Token Ring or Ethernet) Version Used (ex. Windows NT, Novell)	Local: LAN WIDE: WAN
Protocols Used (e.g., TCP/IP, IPX/SPX, NetBEUI, DECnet or AppleTalk)	NETBEUI, TCP/IP, HDLC
Internet Service Provider (ISP) (e.g., AOL, MSN, EarthLink, etc...)	N/A
Remote Access (e.g., dial-up or dedicated connection)	Dedicated TI with Dial-Backup
Number of Terminals with Internet Connections	None

2.2 Overview of network links

Identify the CPU (Mainframe, Mid-Range, PC, LAN and/or Client Server), that processes Audit Significant Applications. The diagram should also list; any departments that use the Audit Significant Applications, applications used by the department, the number of users in the department and the number of terminals (PCs) in the department. Draw a simple diagram below or attach a client supplied diagram, if available. The diagram should depict the CPU and include an overview schematic of the client's LAN/WAN (including routers and bridges) to the Internet, dial-up servers and connections to any other key networks or nodes.

**Record of Computer Environment and Controls (RCEC)
Parimutuel Wagering**

