

**Eligibility Checklist for Agreed-Upon Procedures**  
**(Pursuant to Ohio Revised Code (ORC) 117.114 and**  
**Audit Bulletins 2012-007, 2015-001)<sup>1, 2</sup>**

ORC 117.114 allows certain public offices meeting specific criteria to choose to have agreed-upon procedures performed, as an alternative to an audit conducted in accordance with standards. Use this form to assess and document the eligibility of a client, based on the criteria established by ORC 117.114 and the Auditor of State.

**Client Name:** \_\_\_\_\_

**County:** \_\_\_\_\_

**Audit Period(s):** \_\_\_\_\_

**Audit Region:** \_\_\_\_\_

**Assessment Performed By:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Information Needed for Determination:**

Please indicate the client’s **annual** expenditures and the client’s **budgeted** (final formally approved appropriations<sup>3</sup>) expenditures:

*Note: For client’s whose annual expenditures,<sup>4</sup> did not exceed \$200,000 or in aggregate for the two- year period for which these procedures will apply, did not exceed \$400,000 and has a year end of 11/30/2019 or later (or annual expenditures did not exceed \$100,000 (\$200,000 two-year aggregate) and has a year end prior to 11/30/2019), you should complete the Basic Audit Eligibility Checklist. Entities with a year end between 6/30/2019 and 11/30/2019 should consult with CFAE via the AUP Specialty in Spiceworks to determine the basic audit applicable threshold.*

	Annual Expenditures	Budgeted Expenditures
FY 1		
FY 2		
Total		

<sup>1</sup> Updated January 2021 – Additions are double underlined font.

<sup>2</sup> This form should be completed for all small governments that have not had 2 cycles of AUPs and should be included in the audit working papers to document why the small government is, or is not, eligible for reduced services.

Legislation permits a third cycle AUP (at AOS discretion) if the audit period includes the period in which the Governor declared the state in emergency status, which occurred in March, 2020. As a result, an audit that includes 2020 in the engagement period would be potentially eligible for a third AUP if all the other criteria is met and no other exceptions are noted.

<sup>3</sup> For completion of the checklist, the auditor can accept the final appropriation as approved by the governing board. Also note you should contact the Regional Chief/Assistant Chief Auditor if appropriations are materially higher or lower than actual numbers. For clients that are not required to follow Ohio Rev. Code section 5705, please use actual expenditures

<sup>4</sup> Treatment of on-behalf payments: When determining eligibility, on-behalf payments should be included in the annual expenditures amount if the auditor is made aware of these transactions. If during the performance of the AUP, the auditor becomes aware of on-behalf payments that were not reported, an exception should be noted. If the amount of unreported on-behalf payments causes the government to be ineligible for an AUP, a full audit should be completed.

## Checklist Responses:

**Yes/Correct** = Entity may be eligible for reduced services.

**No/Not Correct** = Entity may not be eligible for reduced services and this exception should be taken into consideration in the final assessment at the end of the checklist.

1. **Accounting Basis** – Does the client follow the Auditor of State’s regulatory cash, OCBOA cash, or OCBOA modified cash accounting basis?<sup>5</sup> **If OAC 117-2-03(B) or ORC 1724.05 requires the client to prepare GAAP financial statements, then the entity is NOT eligible.** (ORC 117.114(B)(2) & (8))  
\* If the client prepared GAAP Financial Statements but is not mandated to do so in accordance with this step, please complete the following affirmation:
- I affirm we have discussed and verified that the client does not need or want an audit at the entity level. Documentation of this discussion, including why the entity prepared/submitted GAAP financial statements but does not need/want an audit performed, must be included in the work papers.
2. **Eligible Client Type** – Please see ORC section 117.114(A) (1) and the attached list of potential qualifying subdivisions. Under ORC 117.114 (E), the Auditor of State can approve any client as eligible for agreed upon procedures; however, if the client is listed in the attached list of potential qualifying subdivisions they automatically meet the client type eligibility. Is this client one of the client types that is potentially eligible for agreed-upon procedures<sup>6</sup>?  Yes  No
3. **Budgeted Expenditure Amounts** – Were the client’s budgeted expenditures below \$5 million<sup>7,8</sup> for both years for which the AUP will apply? (ORC 117.114(B)(1))  Yes  No
4. **Cyclical Audit Requirements**<sup>9</sup> – Has the client had a financial GAGAS audit performed within the prior two audit cycles? (ORC 117.114(B)(4) and (D))  Yes  No

<sup>5</sup> If an entity chooses to report on the GAAP basis of accounting, but is NOT REQUIRED by law to report on the GAAP basis of accounting and maintains their records on a regulatory, cash or modified cash basis, the entity is eligible for agreed-upon procedures but the GAAP statements would not be tested as part of those procedures and therefore no opinion would be issued on them.

<sup>6</sup> Any other entity type would require approval by CFAE via the AUP specialty in Spiceworks.

<sup>7</sup> Budgeted expenditures can NOT exceed \$5 million in either of the years. This is different than basic audit eligibility where the two-year aggregate cannot exceed \$400,000 for entities with a year end of 11/30/2019 or later (or \$200,000 for entities with a year end prior to 11/30/2019). Both years must have budgeted expenditures, defined as final approved appropriations (including transfers), under \$5 million.

<sup>8</sup> If budgeted amounts are over the \$5 million maximum; however, actual expenditures under \$5 million, please contact the Regional Chief/Assistant Chief Auditor for determination of eligibility.

<sup>9</sup> This requirement does not pertain to CVBs. The Auditor of State has exercised its authority under Ohio Revised Code Section 117.10 that requires CVBs to have financial statement audits performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ Government Auditing Standards. The Auditor of State does not require financial statement audits of CVBs and now allows CVBs to have an AUP performed in accordance with the American Institute of Certified Public Accountants’ attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States’ Government Auditing Standards, regardless of when the last audit was completed. It is possible that Agreed-upon Procedures

5. **Higher Risks Noted in Prior Audit (or AUP) Report** – In its most recent financial audit report, was the client’s report *free* from each of the following disqualifying factors? (**You must read the prior audit opinion and GAGAS findings [or AUP report] before responding to these questions!**)

- |   |                                  |                                      |
|---|----------------------------------|--------------------------------------|
| A. <b>Qualified, Adverse, or Disclaimer opinion</b> <sup>10</sup> (ORC 117.114(B) (5) (a))                    | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| B. <b>Findings for adjustment</b> <sup>11</sup> (ORC 117.114(B) (8))  | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| C. <b>Findings for recovery that indicate fraud or theft in office</b> <sup>12</sup> (ORC 117.114(B) (5) (c)) | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| D. <b>Findings related to material control weaknesses</b> (ORC 117.114(B) (5) (d))                            | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| E. <b>Failure to demonstrate a conscientious effort to comply with budgetary laws</b> (ORC 117.114(B) (8))    | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |

**Notes:**

- This assessment requires professional judgment. Consider whether the government is making a good-faith effort to comply with ORC 5705 and to “live within their means”; a 5705.41(D) citation by itself does not indicate a lack of such. Facts suggesting a lack of good-faith effort include, but are not limited to:
  - Failure to adopt appropriations.
  - Reported material negative unencumbered cash balances in multiple funds.
  - Material expenditures exceeding appropriations in multiple funds.
  - Material appropriations exceeding certified resources in multiple funds.
- Entities should not be disqualified for citations/comments resulting from failure to appropriate or record “on-behalf-of money.” (See AOS Bulletins 2000-008 and 2002-004 for examples.)
- Attach any comments/documentation referred to above from the prior audit (or AUP) (material weakness, finding for recovery, etc.)

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may not meet the needs of each CVB. An individual CVB may determine that a financial statement audit is more beneficial to its users or may have an agreement that requires a financial statement audit. It is the responsibility of each CVB to examine its agreements and to determine if a financial statement audit is required.

<sup>10</sup> **Except:** AU-C 800.A33 requires an auditor to issue an adverse opinion on GAAP **in addition to** the appropriate opinion when the financial statements follow a regulatory cash accounting basis. This adverse opinion does **not** disqualify an eligible government, if the regulatory cash basis opinion is unmodified. (A majority of eligible governments do not follow OCBOA, and use the AOS “regulatory” cash accounting basis.)

<sup>11</sup> As noted in the AOS *Ohio Compliance Supplement* Implementation Guide, FFAs only include the “finding for adjustment” statement (i.e. “In accordance with the foregoing facts, we hereby issue a finding for adjustment...”) in certain circumstances. However, when evaluating this criterion, any GAGAS audit finding or prior year AUP comment requiring an adjustment of money from one fund to another is an FFA, whether it includes the FFA statement or not. If the p/y was an AUP, auditors should first determine whether the FFA was material by comparing it to fund reports for the p/y, and if it is clearly not material, then auditors should document such on this checklist and the FFA box above should not be marked.

<sup>12</sup> The AOS *Ohio Compliance Supplement* Implementation Guide defines FFRs. FFR’s meeting this definition but were not reported, such as items found by the client and full restitution being made, should still be considered when completing this step and step 7B of this assessment due the potential increased fraud risk.

6. **Stability of Fiscal Officer** – Did the client have one fiscal officer, or bookkeeper, during the audit period in question? (i.e. there was no excessive turnover in these positions other than the normal change in office for elected officials) (ORC 117.114 (B)(3))  Yes  No

Name and date of inquiry:	
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7. **Other Factors Increasing Risk**<sup>13</sup>

- A. **Client has had a financial GAGAS audit in the past and this is not their Initial Audit** <sup>14</sup>  Correct  Not Correct
- B. **Client is NOT under investigation by AOS Special Investigations Unit**<sup>15</sup> or is NOT otherwise at high risk of fraud (ORC 117.114(B) (6) (a))  Correct  Not Correct
- C. **Client is NOT in fiscal emergency** (ORC 117.114(B) (6) (b))<sup>16</sup>  Correct  Not Correct
- D. **Client is reconciled and has NOT been declared unauditible** (ORC 117.114 (B) (5) (b)) in current or prior period<sup>17</sup>  Correct  Not Correct

Name and date of inquiry:	
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8. **Other Audit Requirements**<sup>18</sup>

- A. **Client is NOT required to have a financial statement audit under the Single Audit Act, or provisions of any other law, grant, bylaws, debt covenant, etc.** (ORC 117.114(B) (6) (c))  Correct  Not Correct  
*Note: For Villages, AMP Ohio debt covenant requirements do not require an "audit", so an AUP is sufficient.*

<sup>13</sup> Previously a new revenue source was included as a criterion. However, this was removed since AUP procedures can be modified accordingly for any new revenue source.

<sup>14</sup> Even though AOS Bulletin 2015-001 indicates that initial audits are not eligible for reduced services, under certain circumstances initial audits may be eligible. Discuss with Regional Chief/Assistant Chief Auditor. Note: Initial audits that involve complex debt or real estate transactions will NOT be eligible. Also you should consider whether the transactions relate to preliminary grant activities (i.e. traffic studies, engineering studies) that would be required to be audited. \*\*\*Initial audit means the entity has never had a Financial Audit.

<sup>15</sup> Not referring to investigations "off books" or unrelated to accounting functions.

<sup>16</sup> Being in fiscal watch or fiscal caution does not make a client ineligible for reduced services; however, if it is likely the client will be placed in fiscal emergency, please contact the Regional Chief/Assistant Chief Auditor for determination.

<sup>17</sup> Note: if an entity is declared unauditible, when they become auditible, they must have a full GAGAS audit before being eligible for reduced services (AUP or basic) again.

<sup>18</sup> It is important that the auditor document inquiry with the client for this step. It is the responsibility of each government to examine its agreements and determine if a financial statement audit is required. The government should notify its regional office of the Auditor of State if a financial statement audit is needed or desired and does not want to be considered for agreed-upon-procedures. The auditor therefore should always inquire of the client for current and future debt and agreements and document this inquiry on step 8 above.

**B. Client is NOT a material<sup>19</sup> component unit of a GAAP, or OCBOA Cash/Modified Cash entity (ORC 117.114 (B) (8))**

Correct  Not Correct

Name and date of inquiry:	
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**C. Client has NO outstanding audit fees in arrears (ORC 117.114(B) (7))<sup>20</sup>**

Correct  Not Correct

Date Verified in AOS Portal	
Outstanding Audit Fees	

**D. Client filed a complete set of financial statements as defined in AOS Bulletin 2015-007 (which includes notes to the financial statements) in the Hinkle System as required under section 117.38 of the Ohio Revised Code. (ORC117.114 (F))**

Yes  No

All entities must file **complete** financial statements (i.e. financial statements with notes on the same reporting basis as the financial statements or, for the limited entities eligible, the Alternate Hinkle System Financial Statement Disclosure Report) via Hinkle System to be auditable and eligible for AUP reduced services.

- If the entity does not file **complete** financial statements, the client is ineligible for AUP reduced services.
  - Note: As an example, an entity cannot just file financial statements without notes and be eligible for AUP reduced services since it would be an incomplete filing. The entity would be required to refile the complete financial statements before being eligible for an AUP.
- If the client files a complete set of financial statements but after the filing deadline, they can qualify for AUP reduced services, however auditors must include a citation for late filing in the report.

Date FY1 filed	
Date FY2 filed	

Name and date of inquiry:	
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<sup>19</sup> For this checklist, "Material" is defined as, must be tested as a significant (AU-C 600), and the entity is not eligible (or the primary government chooses not to allow it) to be "audited as a part of the primary government" as permitted by AOS policy.

<sup>20</sup> Note: AOS auditors - This information can be obtained through the AOS Portal – GP Information Search. "In arrears" is considered 31+ days overdue. The AR aging report on the AOS portal tracks fees that are overdue by 30 days; therefore the fees reported in the 1-30 day column would be 31 to 60 days overdue. If client fees were not paid as of the date eligibility is determined, but is paid prior to the start of fieldwork the client is considered current for this step. This step refers to audit fees **only**, any other outstanding fees (UAN, LGS related) do not effect AUP eligibility.

**Results of Checklist Assessment:**

- Eligible for an Agreed Upon Procedures Engagement
- Ineligible for an Agreed upon Procedures Engagement and no waiver requested
- Ineligible for an Agreed upon Procedures Engagement but requesting a waiver for the exception noted below:  
*Note: Per ORC 117.114 (E) waivers may be granted for only one of the criteria in steps 2, 3, 4, 5, 6, 7A, and 8B-8C listed in the eligibility checklist, unless otherwise noted. Waivers should not be granted for steps 1, 7B-7D, 8A or 8D. See the AUP CA ACA Waiver Guidance in the Audit Employee Briefcase for additional guidance.*

**Exception noted or Other Comments:**


**Signature**

**Date**

*My signature above indicates I completed the assessment and noted my conclusion above.*

## Review of Eligibility Checklist:

**Per ORC 117.114 (E) waivers may be granted for only one of the criteria in steps 2, 3, 4, 5, 6, 7A, and 8B-8C listed in the eligibility checklist, unless otherwise noted. Waivers should not be granted for steps 1, 7B-7D, 8A or 8D. See the AUP CA / ACA Waiver Guidance in the Audit Employee Briefcase for additional guidance.**

**Note to AOS assessment reviewer:** Although this form is to be used to assess a government's eligibility for agreed-upon procedures, the Auditor of State retains discretion over eligibility if the assessment reviewer determines that a specific client meets the spirit of the law, despite a failure to meet all criteria. In such a case, should you determine that agreed-upon procedures would provide the same level of accountability as if the client had met all of the eligibility criteria, you may request a waiver authorizing the agreed-upon procedures. If you wish to request a waiver for the above-referenced client, please review the exceptions noted in the Results of the Checklist Assessment and add any additional comments below. The **assessment reviewer** should then submit this form to the Regional Chief Auditor/Assistant Chief Auditor.

- **Timely entity response is required once eligibility for reduced services is determined. The client should return an acceptance notice (signed engagement letter) for the reduced services within a timeframe established by the Regional Chief. If the acceptance notice is not signed and returned to the AOS/IPA within the established timeframe, the entity will forfeit the reduced services and a GAGAS audit will be performed.**

**Note to IPAs:** IPAs must complete the Manager Review and Approval and must submit all eligibility checklists to the Regional Chief/Assistant Chief Auditors for approval via the regional IPA email address (i.e. [Name of Region]\_IPA@ohioauditor.gov). Upon approval of the checklist by the region, the IPA must submit a contract modification via the IPA Portal prior to commencing any AUP procedures.

## Manager Review and Approval/Denial:

**NOTE: AOS Reviewer must be an AM or higher and at least one level above the employee completing the assessment.**

Checklist Assessment Approved

Checklist Assessment Denied

### Comments:


**Signature**

**Date**

*My signature above indicates I read the prior year audit report opinion and findings (or AUP/Basic Audit report) and concur with the assessments documented above.<sup>21</sup>*

<sup>21</sup> Please provide documentation to the chief auditor when you submit the checklist of any material weakness/or exceptions noted to the requirements in the checklist.

**Regional Chief/Assistant Chief Auditor Approval/Denial:**

*AOS regional Chief Auditor or Assistant Chief are required to approve or deny (1) all IPA AUPs (waiver or not), and also (2) all waiver requests for AOS AUPs.<sup>22</sup>*

- Waiver Approved
- Waiver Denied
- Submit for CFAE Review, if required as indicated in the AUP CA/ACA Waiver Guidance Document in the Audit Employee Briefcase
- IPA Checklist Approved (when waiver is not requested)

**Comments:**


Signature of Chief/Assistant Chief Auditor

Date

**CFAE Approval/Denial:**

- Waiver Approved
- Waiver Denied

**Comments:**


Signature of CFAE Representative

Date

<sup>22</sup> For IPA engagements: Upon checklist approval, the region must add a note to GP indicating the AUP checklist has been approved and the date of the approval.



<b>Potential Qualifying Subdivisions – per ORC 117.114(A)(1)<sup>23</sup></b>
• Agricultural Societies
• Airports/Transit/Port/Convention Facilities/Finance Authorities
• Cemeteries
• Community/Multi/Juvenile Correctional Facilities
• Conservancy Districts
• Council of Government (with the exception of Insurance Consortiums) <sup>24</sup>
• Emergency Management/Planning Agency
• Joint Economic Development District (JEDD)/Joint Economic Development Zone (JEDZ)
• Libraries
• New Community Authorities
• Park / Recreation Districts
• Police, Fire, EMS & Ambulance Districts
• Regional Planning Commissions/Organizations
• Soil and Water Conservation Districts/Boards
• Solid Waste Districts
• Special Improvement Districts
• Townships
• Transportation Improvement District/Transportation Improvement Project
• Villages
• Visitor & Convention Bureaus (formerly called Convention and Visitors Bureaus)
• Water, Sewer, and Sanitary Districts
• Others (Eligibility determined on a case by case basis –(CFAE approval required)

<sup>23</sup> Note: Entity types have been modified to agree with entity types available on the updated 8138 Form. Although ORC 117.114 (A)(1) does not list all the entities in this list, the law permits the Auditor of State's office to determine on a case by case basis additional entities to be qualifying subdivisions.

<sup>24</sup> We do not have an entity category for Councils of Government (COGs); however entities identified as COGs in GP /formed under ORC 167, with the exception of insurance consortiums which are GAAP mandated, may be eligible for reduced services. (i.e. computer consortiums, developmental disability councils, etc.)