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Audit Update
LGOC Spring 2010

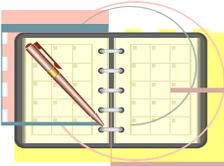
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Agenda

- AOS Bulletins
- ARRA
- Single audit
- Interim procedures



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AOS Bulletin 2008-001

Subject: AOS Position on Annual Filing Requirements & Extensions

- Filing requirements, extensions and unauditible declarations
- Amplify and update guidance
 - Filing requirements (Bulletin 2001-012),
 - Extension requests and unauditible declarations (Bulletin 97-015)
 - Incomplete filings (Bulletin 2006-02)
 - GAAP must submit BFS and MD&A
 - OCBOA must submit GW and fund f/s
 - Regulatory basis prescribed by the form
 - UAN-follow UAN guidelines



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AOS Bulletin 2008-004

Subject: Ohio Attorney General Opinion 2008-007 – Force Account Projects

- Addresses issues regarding Force Accounts and refers readers to AOS Bulletins 2007-001 & 2003-003.
 - Project commences when entity completes AOS assessment form
 - Use of the “Safe Harbor” Rate
 - Relationship between competitive bidding & Force Accounts




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AOS Bulletin 2008-006

Subject: Strict Liability

- Bulletin focus on duties of the county auditor in relations to the legal doctrine of “strict liability”
 - Applicable to all public officials who supervise or authorize the expenditure of public funds
 - Public officials are generally strictly liable to account for public funds entrusted to their care
 - A person may be found liable for the loss of public funds even though they are not personally at fault
 - Goal of the legal theory is to protect public treasury
 - By recovery through surety bond, if necessary






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AOS Bulletin 2008-009

Subject: On-Line DCF Procedures

- Effective FYE 2008 – FAC only accepts electronic DCFs submissions online
- Both the client and the AOS must electronically certify this information
- Instructions regarding passwords and assistance with the new on-line procedures for both the auditee and auditor






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AOS Bulletin 2009-003

Subject: Changes to Township Dependent Health Care Coverage and to RC 5705.05 & .06

- Effective 12/30/2008
 - HB 458 made changes and clarified how AOS will be auditing health care reimbursements for township officials, employees and their dependents
 - ORC 505.60 & 505.601



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AOS Bulletin 2009-003 cont

- Bulletin addresses issues regarding prior FFRs related to this issue
- HB 458 lessened the restrictions of a township's authority to use proceeds from a general levy for current expenses



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AOS Bulletin 2009-004

Subject: Audit and Financial Reporting Requirements for (JEDDs)

- Bulletin describes communications AOS requires for JEDDS considerations for financial activity reporting
- AOS Required Information
 - Notification of the creation of a JEDD (ORC 117.10)
 - An unaudited annual financial report from each JEDD



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AOS Bulletin 2009-004 (cont.)

- Fund Requirements for Member Municipalities & Townships
 - General fund, agency fund, existing utility funds
- Auditing JEDD Activity
 - Compliance with contract & meeting significant economic financial requirements
- Reporting & Disclosure
 - GASB 14 considerations



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AOS Bulletin 2009-005

Subject: American Recovery and Reinvestment Act (ARRA) – Federal Stimulus Funds

- Addresses new reporting requirements
 - AOS Stimulus Tracker
 - Identifies contact information for obtaining passwords
- Notifies recipients of potential interim procedures



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AOS Bulletin 2009-007

Subject: ARRA – Federal Stimulus Funds- An Amendment to Bulletin 2009-05 & Additional Information on ARRA Funds

- Reporting deadline for AOS stimulus tracker for reporting receipts and expenditures is 10 business days
- Identifies Responsible Reporting Official
- Clarified field description on tracker



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AOS Bulletin 2009-007 (cont.)

- Bulletin gives additional guidance for
 - Pass through reporting
 - User IDs and Passwords
 - ARRA Standard Data Elements
 - ARRA Separate Accounting
 - ARRA 1512 Reporting Requirements
 - Single audit considerations
 - Additional ARRA Resources



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AOS Bulletin 2009-011

Subject: Allocating Audit Costs

- Local governments can charge funds other than the general fund for audit costs
 - May distribute audit costs to each fund audited in accordance with its percentage of total cost.
 - The fiscal officer should determine which funds should be charged
- Funds that can be charged a percentage
 - Most operating funds
 - » including utility
 - » special levy
 - » funds that receive gas taxes & motor vehicle registration fees



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AOS Bulletin 2009-011(cont.)

- Other funds that may be charged
 - Bond and grant funds (bond charges depend on bond legislation)
 - Grant Funds typically allowable if audits were under Single Audit Act Circular A-133 (with restrictions)
 - » ARRA probably not
- Trust and other donation funds require analysis for donor restrictions
- Agency-no for fiscal officers role as fiscal agent



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AOS Bulletin 2009-012

Subject: New AOS Policy: AUPs for Small Government Audit Clients

- AUPs for small governments for 2009 fye
- No more than 2 consecutive audit cycles
- Continue to file f/s with AOS each year
- Eligibility checklist attached to Bulletin
- Early results indicate ~50% reduction fees



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Additional Guidance Since Bulletin 2009-012

- Clients should not be submitting the Eligibility Checklist to AOS or IPA
 - It was included for self-assessment
 - Auditor will complete prior to starting audit
 - IPA completes and submits to region



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Waivers for AUP

- If client fails to meet all of the criteria, but you feel "meets the spirit of the policy": add explanation to checklist for items they fail to meet
 - Include date new fiscal officer started, if requesting waiver for item #3
 - Attach p/y comments, if requesting waiver for item #5 (noncompliance or material weakness)
 - Include amount of annual budget AND actual expenditures, if requesting waiver for item #7
 - IPA submit to AOS Regional Chief for approval

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AOS Bulletin 2009-013

Subject: Electronic Release of Certified Audit Reports

- Effective 1/1/2010
- Auditor will collect email addresses of each of the designated report recipients
- Auditor will submit this information to the COB
- COB will distribute electronic copies of report
 - Substantial cost savings
 - Will allow public officials immediate access to audit report upon transmission by COB



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ARRA

- Update on frequently encountered issues and questions surrounding the American Recovery and Reinvestment Act (ARRA)
- Specific Agency Guidance



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ARRA Accountability Provisions

- **Recipients must not co-mingle ARRA funds with other funds**
- Recipients must establish an internal control mechanism within their financial accounting systems to separately track apportionments, allotments, obligations, and gross outlays related to ARRA funds
- **New Federal programs will require a new fund pursuant to Ohio Rev. Code Section 5705.09**
 - A **pre-existing** Federal program that has been given a new CFDA number to identify the ARRA portion of Federal activity on the SEFA *does not require a new fund under the ORC*



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ARRA Update – FAQ’s

A.ST.2. [summarized]

Certain **State** agencies are exempt from reporting. However, **all local governments** must report their stimulus receipts and expenditures in the AOS Stimulus Tracker. AOS receives OAKS reports on stimulus activity from OBM; however, these reports provide no information regarding a local government’s subsequent expenditure of stimulus funding.

ARRA Update – FAQ’s

Q.ST.6.

Is there a link between ARRA Title 1512 reporting requirements and the AOS Stimulus Tracker reporting requirements?



ARRA Update – FAQ’s

A.ST.6. [summarized]

No, ARRA 1512 Federal reporting requirements are separate from the AOS Stimulus Tracker reporting requirements. The AOS Stimulus Tracker is limited to only **financial** information pertaining to stimulus programs. ARRA 1512 reporting requirements are much broader and can include programmatic performance information in addition to financial information for stimulus programs.

Note: Auditors may use the Trader as a tool for planning single audits of stimulus awards.

Reporting - ARRA Section 1512

- Quarterly reports on *both* financial information and how funds are being used (i.e., performance data)
 - Estimated number of jobs created and/or sustained
 - Program goals achieved, including specific program outcomes



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ARRA Update – FAQ’s

Q.G.4.

I am a local government fiscal officer. My government will be receiving Federal stimulus awards. Do I need to obtain a Dun and Bradstreet (DUNS) number or register in the Central Contractor Registration (CCR) database?



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ARRA Update – FAQ’s

A.G.4. [summarized]

OMB memo 09-21 contains federal reporting guidance for Title 1512 of ARRA. Based on this guidance taken together with Title 1512(h) of ARRA, all entities receiving Federal stimulus funds need to register for a DUNS number, however, only the entities responsible for reporting to www.federalreporting.gov will need to also register with CCR.

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ARRA Update – FAQ's



Q.G.5. [summarized]

ARRA created a new authorization for State and local governments to issue Build America Bonds (BAB's). BAB's provide an opportunity for State and local governments to lower their borrowing costs during 2009 & 2010 for capital projects such as work on public buildings, schools, transportation, infrastructure, environmental projects, energy projects, and public utilities. Do BAB's need to be reported on the Schedule of Expenditures of Federal Awards (SEFA) and in the AOS Stimulus Tracker?

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ARRA Update – FAQ's



A.G.5. [summarized]

On October 9, 2009, OMB relayed guidance to NASACT that, after consultation with the U.S. Treasury's Internal Revenue Service Department, OMB is excluding ARRA BAB's from the scope of the Single Audit.

Therefore, due to OMB's exemption, recipients are **not required** to report BAB's on the SEFA or in the AOS Stimulus Tracker.

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Capitalization Grants OEPA/OWDA

- Clean Water State Revolving Funds (CFDA #66.458)
- Drinking Water State Revolving Loan Funds (66.468)
- AOS ADAM 2001-005
- For 12/31/09 may exclude from federal schedule
- May be subject to other OEPA requirements
- May change for 2010 fye



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ODOT LPA (Local-Let) Projects



- All LPA's are considered subrecipients
- Written agreement between the LPA and ODOT
- ODOT confirmation of Federal expenditures
<http://www.auditor.state.oh.us/resources/ipa/default.htm>
- ODOT disburse to LPA if sufficient LPA funding
- On-behalf funding if local resources not sufficient
– AOS Bulletin 2000-008

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ODOT Administered Projects



- Local Government (Local) is not a subrecipient
- Local covers excess costs of the project
- Local legislation indicates they will contribute XXX toward the project. (must deposit XXX with ODOT)
- Local legislation is the basis for NOT deeming the local a subrecipient (voluntarily obligate themselves)
- ODOT assumes all administrative responsibility
- 2010 ODOT will have local indicate in legislation the local is not a subrecipient of federal awards

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Question

Why do we refer to Federal audit procedures as a "Single Audit?"



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True or False

Since I input my ARRA entries in the tracker, my auditor will know I must receive a single audit?



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Client's role

- Determining expenditures
=>\$500,000 need single audit
- Federal Schedule
- Report due date
 - Earlier of 30 days, or
 - 9 months
- DCF



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Single Audit Considerations

- Subrecipient vs. vendor determination
- You may be participating in ARRA agreements with ODOT but are not subrecipients of ARRA awards
 - Subrecipients report
 - Vendors do not report
 - Defer to grantor agency
 - If in doubt, err on the side of reporting



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Auditor's role

- Determine major programs
- Test 14 compliance requirements
- Issue A-133 letter
- In-relation opinion
- DCF



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Question



Bad Town USA received and expended \$499,990 of ARRA highway money (no other federal money). Instead of fixing main street (as per the agreement) they used the money to buy their governing authority members windmills to supply power for their farms. What is the best answer?

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Answers



- A) Since one of the goals of Arra is clean, efficient, American energy-they are free and clear
- B) Since they are under the \$500k threshold-they are free and clear since no one has the right to review their books
- C) Since they still need to comply with federal requirements, the feds (or pass-through entity, if applicable) can impose sanctions (even demand repayment)

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Interim Testing

- Start engagement before fiscal year end
- Could be testing
 - Controls
 - Compliance
 - Substantive
 - Single audit
 - Any combination
 - ARRA compliance



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Why do interim testing?

- Release audit results sooner
- Meet CAFR/Single audit deadlines
- 60 day pilot project
- Client request



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Questions?



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