

**Eligibility Checklist for Agreed-Upon Procedures
(Pursuant to Audit Bulletin 2009-012) ¹**

Audit Bulletin 2009-012 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 the Auditor of State.

Client Name: _____

County: _____

Audit Period(s): _____

Audit Region: _____

Assessment Performed By: _____

Date: _____

1. Eligible Client Type – Please see the attached list of AOS client types. Is this client one of the client types that is potentially eligible for agreed-upon procedures?
 Yes → Go to question 2.
 No → The client is not eligible for agreed-upon procedures.

2. Cyclical Audit Requirements – Has the client had a financial audit performed within the prior two audit cycles?
 Yes → Go to question 3.
 No → The client is not eligible for agreed-upon procedures.

3. Disbursement Amounts– Did the client’s disbursements exceed \$1 million for either year for which the AUP will apply?
 Yes → The client is not eligible for agreed-upon procedures.
 No → Go to question 4.

¹ Revised May 2010. We now require the Senior Audit Manager’s (or IPA firm equivalent’s) signature to document that they have read the prior audit report opinion and findings (or AUP report) for all eligibility determinations. Additionally, when requesting a waiver, the Regional Chief must also read the prior audit report opinion and findings (or AUP report). We also added footnotes 2 through 5. Finally, we revised the criterion in question 3 - eligibility should consider whether *disbursements* exceeded \$1 million rather than whether the *budget (appropriations)* exceeded \$1 million.

4. Stability of Fiscal Officer – Did the client experience turnover in its fiscal officer position during the audit period in question?

Yes → The client is not eligible for agreed-upon procedures.

No → Go to question 5.

5. Accounting Basis – Does OAC 117-2-03(B) require the client to prepare GAAP financial statements?

Yes → The client is not eligible for agreed-upon procedures.

No → Go to question 6.

6. Higher Risks Noted in Prior Audit (or AUP) Report – In its most recent financial audit report, did the client experience any of the following disqualifying factors? ***(You must read the prior audit opinion and GAGAS findings (or AUP report) before responding to these questions!)***

Qualified, Adverse, or Disclaimer opinion → The client is not eligible for agreed-upon procedures.²

Declared unaudit → The client is not eligible for agreed-upon procedures.

Findings for adjustment³ → The client is not eligible for agreed-upon procedures.

Findings for recovery that indicate fraud or theft in office → The client is not eligible for agreed-upon procedures.

Findings related to material control weaknesses → The client is not eligible for agreed-upon procedures.

Failure to demonstrate a minimal level of compliance with budgetary law → The client is not eligible for agreed-upon procedures.

² **Except:** AU 9623.96 --- .97 require an auditor to issue an adverse opinion on GAAP **in addition to** the appropriate opinion when the financial statements follow a regulatory accounting basis. This adverse opinion does **not** disqualify an eligible government, if the regulatory-basis opinion is unqualified. (A majority of eligible governments do not follow OCBOA, and use the AOS “regulatory” accounting basis.)

³ As noted in the AOS *Ohio Compliance Supplement Introduction*, FFA’s only include the “finding for adjustment” statement in certain circumstances. However, when evaluating this criterion, any GAGAS audit finding requiring an adjustment of money from one fund to another is an FFA, whether it includes the FFA statement or not.

Note: This assessment requires professional judgment. You should consider whether the government is making a good faith effort to comply with ORC 5705 and to “live within their means.” Contributing factors to a lack of compliance with budgetary law would include the following:

- Failure to adopt or establish appropriations.
- Reported material negative unencumbered cash balances in multiple funds.
- Material expenditures exceeding appropriations in multiple funds.

(Note: You should not disqualify entities for citations/comments resulting from failure to appropriate or record “on-behalf-of money” (See AOS Bulletins 2000-008 and 2002-004 for examples).)

None of the above → Go to question 7.

Note: Attach any comments/documentation referred to above from the prior audit (or AUP) (material weakness, finding for recovery, etc.)

7. Other Factors Increasing Risk – Do any of the following apply to the client?

- Under investigation by AOS Special Investigations Unit or otherwise at high risk of fraud** → The client is not eligible for agreed-upon procedures.
- Fiscal emergency** → The client is not eligible for agreed-upon procedures.
- Outstanding audit fees in excess of 120 days** → The client is not eligible for agreed-upon procedures.
- None of the above** → Go to question 8.

8. Other Audit Requirements – Is the client required to have a financial statement audit under the Single Audit Act, or provisions of any other law, grant, bylaws, debt covenant, etc.? ⁴

- Yes** → The client **is not** eligible for agreed-upon procedures.
- No** → The client **is** eligible for agreed-upon procedures.

Name and date of inquiry:

⁴ It is important that the auditor document inquiry with the client for this step. As noted in Audit Bulletin 2009-012 “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 and document this inquiry on step 8 above. In addition, see footnote 5.

Approved By AOS Senior Audit Manager (or IPA Manager)

My signature above indicates I read the prior year audit report opinion and findings (or AUP report) and concur with the assessments documented above.

Note to AOS Regional Chiefs: 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 Regional Chief determines that a specific client meets the spirit of the policy, 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 briefly describe your reasons below, ***specifically addressing any and all eligibility criteria that the client does not meet***, and the Chief Auditor should submit this form to the Accounting & Auditing Support Group for approval.

Chief Auditors Review and Waiver Request/Denial

My initials in the box to the right document that I have read the prior audit report opinion and findings (or AUP report) and concur with the assessments documented above.

Waiver Requested

Waiver Denied

Fiscal year(s) the prior audit / AUP cover

Regional Chief requesting/denying waiver

Date

Comments by the Regional Chief (if necessary):

A&A Waiver Approval or Denial

Waiver Approved Comments:

Waiver Denied

Signature of A&A Representative

Date

Potentially Eligible Clients

- Agricultural Societies
- County Boards of Health ⁵
- Cemeteries
- Conservancy Districts
- Family & Children First Councils ⁵
- Fire & Ambulance Districts
- Libraries
- Others (Eligibility determined on a case by case basis)
- Park / Recreation Districts
- Regional Planning Commissions
- Solid Waste Districts
- Townships
- Villages
- Water and Sewer Districts

⁵ The Ohio Department of Health requires all its grantees (which include Boards of Health and FCFC's) to submit financial statement audits, which would normally exclude them from AUP eligibility.

However, if an ODH grantee:

1. Uses a fiscal agent to process all of its ODH transactions, and
2. The fiscal agent undergoes a GAGAS audit, and
3. The board's or council's transactions are included in the fiscal agent's population of transactions subject to audit,

Then a board or council may request permission from ODH to use AUP in lieu of a separate board or council audit, if it submits its fiscal agent's audit to ODH. The board or council (or other ODH grantee) must obtain a waiver from ODH's External Auditor/Independent Audit Coordinator, Compliance and Accountability Unit (david.smith@odh.ohio.gov).

If a board or council obtains written (e-mail, etc.) permission directly from ODH, they can submit this "ODH audit waiver" to their AOS regional office. Documentation attached to this form must include the communication (e-mail, etc.) from ODH.

Therefore, ODH grantees must insert **Yes** to question **#8** for boards of health, FCFC, or any other Ohio Department of Health grantee.