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OHIO AUDITOR OF STATE AGREED UPON PROCEDURES

An AUP can save a government entity up to 50 percent of total audit costs

▶ **S**ince November 2009, the Auditor of State has helped lower the audit costs for Ohio's smaller entities through the use of Agreed-Upon Procedures (AUP). AUP engagements narrow the scope of work to review key internal controls and perform targeted testing of significant transactions for qualifying public offices. The process allows for **lower audit costs and reduced billed hours** while providing accountability for the public dollars government entities receive and spend. Traditionally, an AUP engagement saves governments anywhere from 25 to 50 percent of full audit costs, leaving more chances to put taxpayer money where it does the most good – toward providing services. As many as 1,400 of Ohio's local governments may be eligible for AUP engagements.



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What is an Agreed Upon Procedure Engagement?

An agreed upon procedure engagement, often referred to as an AUP, is a type of engagement where specific procedures are performed and results reported.

How do AUPs work?

An AUP engagement targets specific subject matter, such as key internal controls, or specific activity, and requires focused testing procedures, which can include testing of significant transactions. Once it is determined the Auditor of State's office will conduct an AUP, the Auditor's staff (or the third-party independent public accounting (IPA) firm) and the entity enter into a contract identifying the scope of the work, the procedures to be performed, and to accurately report the findings or results.

The Auditor of State has the authority under Ohio Rev. Code Section 117.11 to initiate a more extensive audit, depending on the results of the AUP.

What are the benefits of AUPs?

The process, which uses a prescribed format required by the AICPA attestation standards, allows for focused work on a specific area of potential concern. AUPs also allow for lower costs than a full financial audit, while providing accountability for the public dollars government entities receive and spend in the specific area tested. An AUP also provides full transparency of the results of each procedure, allowing the user of the AUP report to evaluate whether the results are satisfactory or warrant concern.

Who can conduct AUPs on Ohio governments?

AUPs can be conducted by the Auditor of State or by a contracted IPA firm.

Do AUPs limit how deeply state auditors can investigate?

As the name indicates, AUPs are "agreed-upon" procedures; therefore, the AOS or IPA firm auditors perform the procedures and report the results. However, the results may lead the AOS to consider further audit work or to expand the AUP.

How common are AUPs?

They are not uncommon. For example, of the 4,078 audits released in calendar year 2015, 672 were AUPs (16.4%). Of the 3,929 audits released in calendar year 2010, 592 were AUPs (15%). In fact, the legislature allows AUPs in lieu of financial statement audits for certain smaller units of government that meet the statutory eligibility criteria.

Are there limits to who can view the results of AUPs?

All reports, including AUPs, released by the Auditor of State's office are available on our website.