

**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 procedures²?

- 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.

Note: Insert the annual disbursements here, if requesting a waiver:

¹ June 2011 revisions are indicated by double underline.

² There are several other entity type AUP’s available in the briefcase and on the internet, which require waiver approval.

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

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

No → Go to question 5.

Name and date of inquiry:

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.³

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

Findings for adjustment⁴ → 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 conscientious effort to comply with budgetary laws → The client is not eligible for agreed-upon procedures.

³ **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.)

⁴ 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.” 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.

(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.
- None of the above** → Go to question 8.

Name and date of inquiry:

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.? Or is the client a component unit of a GAAP entity?⁵

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

Name and date of inquiry:

⁵ 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 6.

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

NOTE: We require the AOS regional chief auditor (or assistant chief) to approve (1) all IPA AUP's (waiver or not), and also (2) all waiver requests for AOS AUP's.

As described below, both (1) and (2) above require the chief or assistant chief auditor to read the prior audit (or prior AUP) to corroborate eligibility criteria items 1, 2, 5 and 6.

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 assessment of items 1, 2, 5 & 6 documented above.

Waiver Requested

Waiver Denied

**IPA non-waiver
AUP approved**

Fiscal year(s) the prior audit / AUP cover

Regional Chief Signature

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 ⁶
• 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

⁶ 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. (For the related populations tested, a copy of the auditor's audit sample documentation form should be submitted to ODH to substantiate this documenting that these funds were not excluded from testing on the fiscal agent's 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 (william.smeltzer@odh.ohio.gov).

If the FCFC states they did not receive any funds from ODH, the auditor must complete and submit a subrecipient/vendor determination form to ODH supporting the FCFC's vendor relationship with the fiscal agent. You still must obtain an ODH waiver approval, indicating they agree with the vendor determination; and you must still submit this form to AOS for an AUP eligibility waiver approval.

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.