



Audit & Reporting Group

Agenda: Sept. 12, 2024

- I. Call to Order**
Chair Auditor Blaha
- II. Introductions**
Roll call and introductions for members who couldn't attend the last meeting.
- III. Review and Approval of Minutes**
Meeting Minutes August 15, 2024.
- IV. Review and Discuss: What Are Other States Doing?**
NASACT Technical Inquiry Summary
- V. Preview Next Meeting Topics**
Criteria Options
- VI. Next Meeting**
Tuesday, September 24, 2024
2:00 p.m. to 4:00 p.m.
In-Person/Virtual Hybrid Format
- VII. Adjournment**

The OSA appreciates your participation in the Audit and Reporting Group. Your participation is optional, but without it we would lack your expertise. The Audit and Reporting Group meeting will be recorded, and by participating you consent to being included. The recording will be accessible to the public upon request for a limited time.

Individuals with disabilities who need reasonable accommodation to participate in this event, please contact Nadine Kottom-Dale at (612) 391-7000 or (800) 627-3529 (TTY) by July 30, 2024.



Audit & Reporting Group *Membership List*

State Senator

Heather Gustafson

sen.heather.gustafson@mnsenate.gov

State Representative

Patti Anderson

rep.patti.anderson@house.mn.gov

State Representative

Bjorn Olson

rep.bjorn.olson@house.mn.gov

League of Minnesota Cities

Lisa Sova

Assistant Finance Director

League of Minnesota Cities

lsova@lmc.org

Minnesota Association of Townships

David Frame

Deputy Treasurer

New Market Township

david.frame@newmarkettownship.org

Minnesota School Boards Association

Joel Stencel

Director of Association Finance

Minnesota School Boards Association

jstencel@mnmsba.org

Minnesota Charter Schools Association

Kelly Gutierrez

Executive Director of Finance & Operations

St. Croix Preparatory Academy

kgutierrez@stcroixprep.org

Minnesota Association of Small Cities

Cap O'Rourke

Executive Director

Minnesota Association of Small Cities

cap@orourkesc.com

Association of Metropolitan Municipalities

Sharon Provos

Finance Director

City of Stillwater

sprovos@stillwatermn.gov

Minnesota Inter-County Association

Wilfredo Roman-Catala

Chief Financial Officer

Olmsted County

Wilfredo.RomanCatala@olmstedcounty.gov

Minnesota Inter-County Association

Cristen Christensen

Chief Financial Officer

St. Louis County

ChristensenC@StLouisCountyMN.gov

**MN Government Finance Officers Assoc.**

E.J. Moberg
Director of Administrative Services
City of Marshall
E.J.Moberg@ci.marshall.mn.us

MN Government Finance Officers Assoc.

Chris Knopik
Principal - State and Local Government
Clifton Larson Allen
Christopher.Knopik@claconnect.com

MN Association of School Business Officials

Andi Johnson
Director of Finance
White Bear Lake Area Schools
andi.johnson@isd624.org

MN Association of School Business Officials

Jennifer Smith
Finance Funding & Management Specialist
Arrowhead Regional Computing Consortium
jsmith@arcc.org

Minnesota Society of CPAs

Andy Berg
CPA
Abdo
andrew.berg@abdosolutions.com

Minnesota Society of CPAs

Miranda Wendlandt
CPA
Clifton Larson Allen
Miranda.Wendlandt@claconnect.com

Stakeholder

Jamie Fay
CPA
Eide Bailly
jfay@eidebailly.com

Department of Management and Budget

Paul Moore
Assistant Commissioner
Department of Management and Budget
paul.b.moore@state.mn.us

Department of Revenue

Martha Burton
Assistant Commissioner
Department of Revenue
martha.burton@state.mn.us

Department of Education

Cathy Erickson
Director of School Finance
Department of Education
Cathy.Erickson@state.mn.us

Minnesota Board of Accountancy

Charles Selcer
Senior Advisor
Schechter Dokken Kanter
cselcer@sdkcpa.com

MN Board of Water and Soil Resources

Jake Rossow
Compliance Coordinator
MN Board of Water and Soil Resources
jacob.rossow@state.mn.us



Association of Minnesota Counties

County Administrator

Lac Qui Parle

jake.sieg@lqpc.com

Office of the State Auditor Participants:

State Auditor Julie Blaha

Chair

State.auditor@osa.state.mn.us

Nadine Kottom-Dale

Lead Staffer

nadine.kottom-dale@osa.state.mn.us

Lisa Young

Director of Standards and Procedures

lisa.young@osa.state.mn.us

Tom Karlson

Audit Manager

tom.karlson@osa.state.mn.us

Chad Struss

Deputy State Auditor

chad.struss@osa.state.mn.us

Ramona Advani

General Counsel and Deputy State Auditor

ramona.advani@osa.state.mn.us

Kathy Docter

Director of Government Information

Division

kathy.docter@osa.state.mn.us



Meeting Minutes

8-15-24 Draft Minutes

Members Present

Julie Blaha, State Auditor
State Senator Heather Gustafson
State Representative Bjorn Olson
Lisa Sova, League of Minnesota Cities
David Frame, Minnesota Association of Townships
Kelly Gutierrez, Minnesota Charter Schools Association
Cap O'Rourke, MN Association of Small Cities
Sharon Provost, Association of Metropolitan Municipalities
Wilfredo Roman-Catala, Minnesota Inter-County Association
Cristen Christensen, MN Inter-County Association
E.J. Moberg, Minnesota Government Finance Officers Association
Andi Johnson, Minnesota Association of School Business Officials
Andy Berg, Minnesota Society of CPAs
Miranda Wendlandt, Minnesota Society of CPAs
Jamie Fay, CPA, and Stakeholder
Paul Moore, Department of Management and Budget
Martha Burton, Department of Revenue
Cathy Erickson, Department of Education
Charles Selcer, Minnesota Board of Accountancy
Jake Rossow, Minnesota Board of Water and Soil Resources

Members Excused

Representative Patti Anderson
Joel Stencel, Minnesota School Boards Association
Chris Knopik, Minnesota Government Finance Officers Association
Jennifer Smith, Minnesota Association of School Business Officials

Office of the State Auditor and Legislative Support Present

Chad Struss, Deputy State Auditor
Ramona Advani, Deputy State Auditor
Nadine Kottom-Dale, Interim Constitution Division Director, and Lead Staffer
Lisa Young, Director of Standards and Procedures
Tom Karlson, Audit Manager
Kathy Docter, Director of Government Information

I. Call to Order

Auditor Blaha called the meeting to order. She shared that some new reference documents were sent to everyone shortly before the meeting started.

II. Introductions

Nadine Kottom-Dale ran roll call. Members who were absent during that last meeting introduced themselves to the group.

III. Review and Approval of Working Group Meeting Minutes

Members reviewed the August 1, 2024 meeting minutes that had been provided in advance. The meeting minutes were accepted, with one minor change from David Frame. Roman numeral four was skipped and needed to be added to the document.

IV. Review Updates to the Minnesota 2023 Audit Requirements

Auditor Blaha walked through changes that were made to the document. The following changes were made:

- Red numbers were added to all entities. If there is an asterisk it's because it may not be a number that is quite done, still in process or an estimate. These numbers are reflective of 2022. Special districts are most likely to change.
- School Districts and Charter Schools were added to the same row, and an addition of Other Districts.
- Added a column for fiscal year end.

Auditor Blaha opened it up for questions and discussion. E.J. Moberg inquired as to why some of the entity numbers didn't add up. Kathy Docter answered that some entities don't report, so those entities have been left out of the document. Auditor Blaha will make sure to add in why some entities have been left out of the document.

Kathy Docter answered a follow-up question from the last meeting: CTAS numbers from 2022, 859 townships report using the CTAS program, about 48% of the towns. 1177 townships that have purchased the CTAS program, of that amount, 859 reported in 2022, so that is 73% of the towns that purchased CTAS reported by using CTAS.

Cathy Erickson brought up a further change that need to be made to this document:

- Due dates under schools: November 30 is correct for sending audited to MDE, but that actual physical audit is due by December 31.

Cap O'Rourke inquired about cities with populations under 2500 pushed to go to the accrual method vs. the cash method simply because of a delayed reporting deadline. Kathy Docter did confirm that 386 cities that are under the cash basis under the 2500 population and there are over 500 that reported on the GAAP basis in 2022.

V. Review and Discuss the State of the Shortage

Auditor Blaha opened the topic by doing an overview of the articles she sent out for everyone to read.

Bloomberg Article:

There are 340,00 fewer accountants, and companies are paying the price:

- 30% more companies report insufficient accounting staff as reasons for error.
- Postings for accounting jobs on the rise.
- Accounting wages lag similar professions.

SP Global Article:

Various Ratings Withdrawn on 91 Local Governments and Utility Systems:

- Late or missing financial information leads to negative rating actions.
- Increase in negative rating actions.
- Financial staff recruitment and retention issues may be the cause.

Financial Times Article:

Accountant shortage prompts US plan for quicker path to qualification:

- The number of people taking the CPA exam fell from a peak of more than 100,00 in 2016 to a 17-year low of just above 67,000 in 2022.
- Three-quarters of US accountants at or near retirement age.

OSA Experiences: The shortage is starting to feel like a wooden bucket. They're inexpensive and work well. But you must keep water in a wooden bucket. If the water level drops too far, the wood shrinks and the bucket leaks. This illustrates what we are seeing with the public finance staff shortage. We see a shortage in one area that makes it harder for another area to work, like financial turnover in local government staff means documents are getting to the auditor later.

What are the options?

- Find a well: Improve recruitment and retention of public finance professionals.
 - Change the type of professional needed for a task.
 - Widen pathways into public finance.
 - Increase recruitment and publicity.
 - Increase pay and improve working conditions.
- Save water: Recalibrate audit and reporting requirements to focus oversight resources where risk and needs are greatest.
 - Change thresholds for audit requirements.
 - Change timing of audits.
 - Change types of examinations required.
 - Change the type of accounting method required.
 - Reduce local government staff workload.
- Change bucket: Change how we do the work to accommodate long-term demographic changes.
 - Improve technology.
 - New technology.
 - Create more support structures for new staff.
 - Collaborate and build cooperatives.
 - Increase data analytics to aid oversight.

Here are themes that the OSA has noticed:

- Increase in audit costs across the board.
- Increase in reports of local entities dropped by audit firms.
- Increase in late reporting of financial data to OSA.
- Increase in audit findings related to staff turnover.

Kathy Docter shared that she created a list of what we're hearing from the local government units and then what we're hearing from the auditors about their challenges to meet deadlines. From the local government side, the top issue is staff turnover in key financial positions. External issues that caused a delayed audit included family or personal health issues, weather related emergencies, large projects with not enough staff, being dropped by their auditor, and retirements. On the auditor side, top issues are entities not getting the information to auditors in a timely manner, retirements, and increase in audit requests.

Auditor Blaha opened the discussion to the group. Key points and overall themes discussed by the group include:

- **Retirement Impact:** A significant number of retirements have contributed to the shortage of available public finance professionals.
- **Barriers to Entry:**
 - **Certification Requirements:** The 150 hours required to become a CPA create barriers to entry into the profession.
 - **Low Wages:** The relatively low wages for CPAs or city/township employees can deter potential candidates.
- **Challenges in Local Government:**
 - **Township Auditors:** Townships struggle to find auditors due to low dollar thresholds and high demand for local auditors.
 - **Small Cities:** Many small cities in Minnesota face difficulties filling internal positions like clerk treasurers due to high reporting demands and lack of on-the-job training.
 - **Complexity and Volume:** The extensive and complex reporting requirements, such as the 300-report for single audits, add to the struggle with questions about the practical use and readership of these reports.
 - **Complex Local Taxes:** Local auditors spend significant time managing complex local tax issues, impacting efficiency.
- **Funding and Budget Constraints:**
 - **School District Budgets:** Limited funding in school districts affects their ability to hire accountants. Audits for charter schools have seen a 75% fee increase while funding has only risen by 2%.
 - **City Budgets:** Cities, especially smaller ones, struggle with filling positions and managing increasing reporting requirements.
- **GASB Expectations:** Growing expectations from GASB for audits increase workload and fees.

Potential Solutions and Alternatives:

- **Streamlining Duties:** Explore ways to streamline duties and simplify processes in the short term, since we will not see a sudden increase in the workforce for at least 5-10 years.
- **Adjusting GASB Requirements:** Encourage GASB to reduce requirements for smaller entities.
- **Outsourcing:** Investigate successful models such as firms in Florida that reduce audit fees through international outsourcing or hiring auditors from other states, noting policy restrictions.
- **Flexibility and training:** Many professionals seek roles with flexible hours, reduced workweeks (nothing over 80 hours), and remote work options, impacting the availability of personnel. Follow the lead of the Department of Revenue, which offers positions with flexibility and career development opportunities, attracting more junior auditors.

VI. Review and Discuss Goals for the AaRG

Auditor Blaha read through the Goals Discussion document. The proposed group goals are:

- Streamline audit and reporting requirements to reduce administrative burdens on the public finance sector.
- Modify audit and reporting requirements to produce data that is usable and understandable by local decision makers.



- Gather strategies to respond to the changing staff makeup of the public finance sector.

Auditor Blaha asked members if they had any questions or changes to the proposed goals. No changes need to be made to the group goals document. A topic for future meetings will be reporting: experiences with reporting, what is the idea of a penalty, and then review options for reporting requirements. Additionally, we would like to information on who the decision makers are on different reporting requirements.

VII. Preview Next Meeting Topics

The proposed meeting topics for the August 28 meeting are reviewing actions in other states at a local level. How are other states reacting to the shortage?

VIII. Adjournment

The meeting was adjourned at 3:52.

#1

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 8:16:30 AM
Last Modified: Thursday, October 19, 2023 8:33:00 AM
Time Spent: 00:16:29
IP Address: 12.107.80.100

Page 1

Q1

Please Enter the Following Information:

Name:	David Kaschak
Department:	State Auditor
State:	NJ
Email Address:	dkaschak@njleg.org

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Audits are required to be conducted annually for each local government entity by a Registered Municipal Accountant, a certification that also requires a CPA. School district auditors must also hold a Public School Accountant license.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

No, they are done annually.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

No, an audit is required annually.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

No.

Q7

Respondent skipped this question

If you answered yes to #5, please explain why the change was made.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#2

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 8:48:21 AM
Last Modified: Thursday, October 19, 2023 9:03:40 AM
Time Spent: 00:15:18
IP Address: 164.64.139.131

Page 1

Q1

Please Enter the Following Information:

Name:	Elise Mignardot
Department:	Office of the State Auditor
State:	NM
Email Address:	elise.mignardot@osa.state.nm.us

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Per state statute, annual financial and compliance audits. Refer to attached "Audit Act". NMSA 1978 12-6-3 (B) details tiers.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

There is a tiered system of reporting for small local public bodies, as defined in statute, and this tier system also requires annual AUP engagements. This applies when revenue is less than \$500,000

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

There is a tiered system of reporting for small local public bodies, also defined in statute. This tier system requires annual AUP engagements. Tier 6, the highest tier, requires and AUP engagement and a financial statement compilation.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

There are no exceptions, as each tier is defined in statute. The problem we encounter is that very small local public bodies are unaware that they must comply with this statute and then when they need financial assistance from the state they are not in compliance and must complete several years of engagements before they can receive funding.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

No, the last time this was changed was in 2011 and was effective for 2010 fiscal years. This is when the tiered system of reporting was initiated.

Q7

If you answered yes to #5, please explain why the change was made.

N/A

Q8

Please attach any relevant documents here.

Attachment%207%20ARTICLE%206%20Audit%20Act%20_%20Chapter%2012%20-%20Misc...blic%20Affairs%20Matters%20_%20NMOneSource.pdf (609.3KB)

#3

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 9:21:46 AM
Last Modified: Thursday, October 19, 2023 9:29:26 AM
Time Spent: 00:07:40
IP Address: 164.119.5.224

Page 1

Q1

Please Enter the Following Information:

Name: Dakota Christensen
Department: Nebraska Auditor of Public Accounts
State: NE
Email Address: dakota.christensen@nebraska.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

In general, all political subdivisions in Nebraska are required to have an annual audit. Some meet the criteria to waive the audit requirement.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Our main criteria for waiving the audit requirement is a \$500,000 expenditure threshold for the fiscal year.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

Engagement type required is by default an audit for all political subdivisions. If audit requirement is waived, entity reports a cash basis financial summary that can be completed by anyone.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

Yes, Nebraska law gives our office authority to waive the audit requirements if we deem necessary.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

In the last few years, we are increased our audit waiver threshold from \$300,000 to \$500,000 and we do consider special cases for entities that go above that but normally meet the audit waiver criteria in previous years.

Q7

If you answered yes to #5, please explain why the change was made.

In general, expenses and costs increase each year and we had not increased the threshold for a while.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#4

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 10:11:52 AM
Last Modified: Thursday, October 19, 2023 10:31:16 AM
Time Spent: 00:19:24
IP Address: 146.63.202.115

Page 1

Q1

Please Enter the Following Information:

Name:	Kris Curtis
Department:	Legislative Audit
State:	AK
Email Address:	Kris.Curtis@akleg.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Rarely- The State auditor is not responsible for auditing those entities on an annual basis. However, we may conduct performance audits of any entity that receives state funds but our scope is limited to those specific funds.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

N/A

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

N/A

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

N/A

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

N/A

Q7

Respondent skipped this question

If you answered yes to #5, please explain why the change was made.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#5

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 10:46:48 AM
Last Modified: Thursday, October 19, 2023 10:51:46 AM
Time Spent: 00:04:58
IP Address: 164.165.112.152

Page 1

Q1

Please Enter the Following Information:

Name:	Lori Hendon
Department:	Legislative Services Office Audit Division
State:	ID
Email Address:	lhendon@lso.idaho.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Annually or biennial

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Yes, local governments have a tiered system based on expenditures

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

No

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

No

Q7

If you answered yes to #5, please explain why the change was made.

N/A

Q8

Respondent skipped this question

Please attach any relevant documents here.

#6

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 11:40:10 AM
Last Modified: Thursday, October 19, 2023 11:52:42 AM
Time Spent: 00:12:31
IP Address: 99.33.114.73

Page 1

Q1

Please Enter the Following Information:

Name: John Baier
Department: California State Auditor
State: CA
Email Address: johnb@auditor.ca.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Audits of state and local entities are not under the jurisdiction of the California State Auditor. Rather, the California State Controller's Office has jurisdiction over these audits.

Q3

Respondent skipped this question

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Q4

Respondent skipped this question

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

Q5

Respondent skipped this question

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

Q6

Respondent skipped this question

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

Q7

Respondent skipped this question

If you answered yes to #5, please explain why the change was made.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#7

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, October 19, 2023 3:53:31 PM
Last Modified: Thursday, October 19, 2023 4:00:10 PM
Time Spent: 00:06:38
IP Address: 204.196.254.33

Page 1

Q1

Please Enter the Following Information:

Name: Diane Allison
Department: Local Government Services
State: LA
Email Address: dallison@lla.la.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Annually

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Tiered system based on revenues.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

\$1 - \$75,000 in public funds require sworn financial statements; \$75,001 - \$199,999 require compilations; \$200,000 - \$499,999 require review/attestations/ \$500,000 or more require audits with statewide agreed-upon procedures

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No, there are no exceptions to the type of report required annually. However, state law allows extensions of the due date, for declared emergencies and for reasons beyond management control to qualifying entities.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

No changes in past ten years to type of report required or due date, but our office has loosened some of the extension requirements.

Q7

If you answered yes to #5, please explain why the change was made.

Changes were made to the extension requirements for COVID and multiple hurricanes in 2020 and 2021.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#8

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, October 20, 2023 7:43:51 AM
Last Modified: Friday, October 20, 2023 7:59:21 AM
Time Spent: 00:15:29
IP Address: 172.58.8.206

Page 1

Q1

Please Enter the Following Information:

Name:	Ernest Ruben
Department:	Auditor of State
State:	IA
Email Address:	ernest.ruben@aos.iowa.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Cities with population greater than 2,000 annual audits, typically cash basis. School districts require annual GAAP audits. Counties require annual GAAP audits. Townships have no audit requirement - there are approximately 1,600 townships in Iowa. Code of Iowa 28E entities are required to have an annual audit (cash or GAAP) if receipts exceed \$100,000 annually. 28E establishes multi-government organizations such as landfills.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

For cities under 2,000 population, depending on budgeted disbursements will be required to have an annual examination (AUP) or a periodic examination (AUP) at least once every 8 years. If budgeted disbursements are \$1M in two consecutive years, they are required to have an annual exam, otherwise they are in the periodic exam pool. Auditor.iowa.gov will provide many more details on how this works.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

See #3

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No exceptions except for timing of filing of reports. Statutorily required to file with Auditor's office 9 months after their fiscal year end (typically 3/31), however this can be extended 3 months with written explanation from the government (not the CPA) why it could not be issued and that it is in the best interest of the public to file late.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

The annual and periodic exams were added about 10 years ago - prior to that certain cities had to have annual audits, others an audit every 4 years and finally some never had to have any oversight. Now all cities have some oversight at least every 8 years.

Q7

If you answered yes to #5, please explain why the change was made.

Explained in #5. For #6, explanation was given that some cities received no oversight, and frauds frequently happened in small cities. All periodic cities pay an annual periodic fee established by administrative rule, those fees pay for the periodic exams. For annual exams, the City pays the cost of the exam.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#9

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Monday, October 23, 2023 8:37:03 AM
Last Modified: Monday, October 23, 2023 8:40:35 AM
Time Spent: 00:03:31
IP Address: 170.141.177.121

Page 1

Q1

Please Enter the Following Information:

Name: Jim Arnette
State: TN
Email Address: Jim.Arnette@cot.tn.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Annually

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

There is no tiered system.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

All local governments in Tennessee are required to maintain their records on a GAAP basis.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

There are no exceptions to the annual audits and GAAP requirements.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

The audit requirements for local governments have been in place for as long as I've been employed by the Comptroller's Office which is over 40 years.

Q7

Respondent skipped this question

If you answered yes to #5, please explain why the change was made.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#10

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Monday, October 23, 2023 1:43:28 PM
Last Modified: Monday, October 23, 2023 1:52:04 PM
Time Spent: 00:08:35
IP Address: 136.226.56.96

Page 1

Q1

Please Enter the Following Information:

Name: Amy John
Department: Audits Division
State: OR
Email Address: amy.john@sos.oregon.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Annual financial reports are required to be filed with the Secretary of State. Unless eligible for an exemption, audits are required annually. Exemptions are afforded entities spending less than \$500,000 annually (and changing to \$1million annually in 2024).

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Annual financial reports are required for all municipalities. The type of financial report (audit, review, AUP or self-prepared) is dictated by the level of spending during the fiscal period.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

Counties and school districts are required to file audits each year. All other municipalities file based on spending level.

0-250,000 may file self prepared reports.

250,000 to 1 million may file financials and an AUP engagement.

\$1 million and above in spending must file an audit.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No. All entities are presumed to file annual financials and an audit. They may be exempt from audit and file alternate reports if spending is below \$1 million and they have adequate fidelity bond coverage. There is no exemption from annual filing.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

In 2015 the legislature passed a law to withhold 10% of state funding to cities and counties that didn't file on time. This provision was not having the intended effect and was an administrative burden; in 2023 the Oregon legislature repealed that provision and withholdings are no longer in force for late filings.

Q7

If you answered yes to #5, please explain why the change was made.

n/a

Oregon Revised Statute ORS 297.405-.590 is Municipal Audit Law. Also Oregon Administrative Rules 162-010 and 162-040

Q8

Respondent skipped this question

Please attach any relevant documents here.

#11

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Tuesday, October 31, 2023 1:27:12 PM
Last Modified: Tuesday, October 31, 2023 1:49:22 PM
Time Spent: 00:22:10
IP Address: 165.127.14.3

Page 1

Q1

Please Enter the Following Information:

Name: Crystal Dorsey
Department: CO Office of the State Auditor
State: CO
Email Address: crystal.dorsey@coleg.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Annually.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

no

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

no

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

Yes. The Colorado Revised Statutes allow for a local government with annual revenues and expenditures \$750k or less to submit an application for exemption from audit. If either annual revenues or expenditures for all funds combined exceed \$750k, the local government is required to obtain an audit.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

yes

Q7

If you answered yes to #5, please explain why the change was made.

We increased the exemption threshold to \$750k to mirror the single audit threshold.

Q8

Please attach any relevant documents here.

Colorado%20Local%20Gov%20Audit%20Law%202023.pdf (296.5KB)

#12

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, November 03, 2023 1:31:34 PM
Last Modified: Friday, November 03, 2023 1:51:30 PM
Time Spent: 00:19:56
IP Address: 164.51.73.163

Page 1

Q1

Please Enter the Following Information:

Name:	Sherrill Norman
Department:	Florida Auditor General
State:	FL
Email Address:	sherrillnorman@aud.state.fl.us

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Financial audits are required to be conducted on an annual basis. (Section 218.39, Florida Statutes)

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Yes - for special districts and municipalities.

Special Districts: No audit required for districts reporting expenditures or revenues of less than \$50,000. An audit once every 3 years required for districts reporting expenditures or revenues between \$50,000 and \$100,000. Over \$100,000 audit required annually.

Municipalities: No audit required for municipalities reporting expenditures or revenues of less than \$100,000. An audit once every 3 years required for municipalities reporting expenditures or revenues between \$100,000 and \$250,000. Over \$250,000 audit required annually. (Section 218.39(1), Florida Statutes)

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

No.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

Yes. Community Redevelopment Agencies (CRAs) are required to have standalone audits if expenditures or expenses or revenues exceed \$100,000. (Change made in 2019) (Section 163.387(8)(a), Florida Statutes)

Q7

If you answered yes to #5, please explain why the change was made.

The Legislature wanted more oversight of CRAs.

Q8

Please attach any relevant documents here.

Excerpts%20from%20Florida%20Statutes.docx (15.1KB)

#13

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Tuesday, November 07, 2023 8:03:02 PM
Last Modified: Tuesday, November 07, 2023 8:47:06 PM
Time Spent: 00:44:04
IP Address: 198.238.160.2

Page 1

Q1

Please Enter the Following Information:

Name: Scott Woelfle
Department: Audit Support and Quality Assurance
State: WA
Email Address: scott.woelfle@sao.wa.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Local governments are required to be audited at least once every three years by statute. RCW 43.09.260
(<https://app.leg.wa.gov/RCW/default.aspx?cite=43.09.260>)

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Yes. The Washington State Auditor has the authority to determine audit frequency, which is listed in our Audit Policy 1210 (attached).

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

Yes, engagement types may vary based on revenues. Audit Policy 1210 describes the breakpoints for various engagements.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

Not in the last 10 years. During the Great Recession, the period for one of the audit types was relaxed from two years to three years. This change applied only to the 2009-11 biennium. (RCW 43.09.260(2))

Q7

If you answered yes to #5, please explain why the change was made.

The Legislature passed this provision, with input from the State Auditor, to reduce the impact of audit costs on local government revenues during of the Great Recession.

Q8

Please attach any relevant documents here.

Pol-1210.docx (51.3KB)

#14

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, November 16, 2023 10:33:36 AM
Last Modified: Thursday, November 16, 2023 10:56:38 AM
Time Spent: 00:23:02
IP Address: 208.87.237.201

Page 1

Q1

Please Enter the Following Information:

Name:	Craig Murray
Department:	Office of the Auditor General
State:	MI
Email Address:	cmurray@audgen.michigan.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Annually

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

If the local unit has a population of 4,000 or more, an audit is required every year. An annual audit is required for charter townships, regardless of population. Local units with a population less than 4,000 are required to have an audit every other year.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

No, always an audit.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

No.

Q7

Respondent skipped this question

If you answered yes to #5, please explain why the change was made.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#15

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, November 16, 2023 2:05:54 PM
Last Modified: Thursday, November 16, 2023 4:48:42 PM
Time Spent: 02:42:47
IP Address: 24.125.192.105

Page 1

Q1

Please Enter the Following Information:

Name: Jacqueline Neubert
Department: Georgia Department of Audits and Accounts
State: GA
Email Address: neubertj@audits.ga.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Units of Local Governments-Municipalities (Cities and Towns), Counties, Consolidated Governments (County-City), and certain Local Government Authorities (Authorities created as Other Political Subdivisions (does not include school districts): Annual audits are required for the financial affairs and transactions of all funds and activities of the local government for each fiscal year of the local government. (Provisions of OCGA §36-81-7)

The annual audits are performed by independent audit firms contracted by the local government. The annual audits are submitted to the DOAA (the State Auditor's office) within 180 days of the close of the fiscal year. The audits are conducted in conformity with generally accepted government audit standards.

If total annual expenditures are less than \$550,000, then an annual agreed-upon procedures may be submitted as allowed per the provisions of OCGA §36-81-7.

School Districts: One of the duties of the Georgia Department of Audits and Accounts is audit and check the books of local school districts and all schools receiving state aid and making regular and annual reports to the State School Superintendent. These reports to the State School Superintendent should show the amount received, for what purpose received, and for what purposes expended. (provisions of OCGA §50-6-6)

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

No

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

Units of Local Governments:

Units of Local Governments-Municipalities (Cities and Towns), Counties, Consolidated Governments (County-City), and certain Local Government Authorities (Authorities created as Other Political Subdivisions (does not include school districts): Annual audits are required for the financial affairs and transactions of all funds and activities of the local government for each fiscal year of the local government. Exception: If total annual expenditures are less than \$550,000, then an annual agreed-upon procedures may be submitted. (Provisions of OCGA §36-81-7)

School Districts: Not Applicable

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

In 2019, the State Legislature increased the expenditure threshold for required audits of units of local government to \$550,000 from \$300,000. (Provisions of OCGA §36-81-7)

Q7

If you answered yes to #5, please explain why the change was made.

Not Applicable

Q8

Please attach any relevant documents here.

Ga%20DOAA%20Local%20Government%20Audit%20Requirements%202023.pdf (135.2KB)

#16

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, November 17, 2023 7:53:47 AM
Last Modified: Friday, November 17, 2023 8:01:36 AM
Time Spent: 00:07:49
IP Address: 205.204.186.65

Page 1

Q1

Please Enter the Following Information:

Name:	James Royse
Department:	Auditor of Public Accounts - Office of Local Government Audits
State:	KY
Email Address:	james.royse@ky.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Yearly with some exceptions as noted below.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Counties – Yearly

County Clerks and Sheriffs - Yearly

School Districts – Yearly

Cities – Yearly with exceptions – Per KRS 91A.040 (Attached) there are tiers based on population size and revenues and expenditure amounts.

Special Purpose Governmental Entities – Per KRS 65A.030 (Attached) Tiered system based on Receipts and Expenditure amounts

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

Cities – See KRS 91A.040 – Attestation engagement allowed if Less than \$150,000 revenues/expenditures and not debt

Special Purpose Governmental Entities – Per KRS 65A.030 (Attached) Attestation engagement allowed if \$100,000 in receipts or expenditures

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

County Clerk and Sheriff – Under KRS 43.070 (Attached) Allows Agreed Upon Procedures engagement if county clerk or sheriff meet certain criteria as noted in the KRS.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

Yes

2018 – Updated KRS 43.070 to allow county clerk and sheriffs opportunity to have agreed upon procedures engagement instead of full financial statement audit if they meet certain criteria

City Audits – Updated KRS 91A.040

Q7

If you answered yes to #5, please explain why the change was made.

KRS 43.070 – Updated to help with audit cost, incentive to officials to correct issues in their office to qualify for audit and allow time for Auditor's office to focus on the higher risk audits or expand audits in other areas.

KRS 91A.040 – Help reduce the audit burden on very small cities by allowing some additional exceptions and modifying the amounts in the tiers.

Q8

Please attach any relevant documents here.

KRS%2043.070%2C%2065A.030%2C%2091A.040.pdf (106.1KB)

#17

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, November 17, 2023 1:40:17 PM
Last Modified: Friday, November 17, 2023 3:56:50 PM
Time Spent: 02:16:32
IP Address: 66.145.220.28

Page 1

Q1

Please Enter the Following Information:

Name: Timothy Downing
Department: Auditor of State Center for Audit Excellence
State: OH
Email Address: tpdowning@ohioauditor.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Audits are required either annually or bi-annually.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

Their is no tiered system, however annual audits are required if subject to the Single Audit Act and for STEM schools and the buckeye tobacco settlement financing authority

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

We do have a tiered system that would allow another engagement type in lieu of an audit. Ohio Rev. Code allows for the auditor to set by rule AUPs to be performed in lieu of an audit. Additionally, since audit is broadly defined in the Ohio Rev. Code, for certain smaller entities meeting specific requirements a reduced scope engagement is performed in lieu of a GAGAS audit and is conducted under our statutory authority. AOS has termed these Basic audits.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

Ohio Rev. Code allows for the AOS to set by rule the parameters to perform other engagement types in lieu of the annual/bi-annual audit requirement. Law also allows for the Auditor to perform an earlier audit at the clients request and upon the auditors initiative if there is reasonable cause to believe that an additional audit is in the public interest.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

It has loosened requirements in the last ten years. Previously using other engagement types (AUP) and the qualifying requirements were set in law

Q7

If you answered yes to #5, please explain why the change was made.

The change to allow other engagements to be set in rule was made to provide greater flexibility to adjust qualifying parameters for when those engagements could be performed.

Q8

Please attach any relevant documents here.

[Ohio%20Rev%20Code%20and%20reduced%20services%20requiriements.pdf \(819.6KB\)](#)

#18

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Monday, November 20, 2023 6:17:33 PM
Last Modified: Monday, November 20, 2023 6:20:36 PM
Time Spent: 00:03:03
IP Address: 168.166.80.231

Page 1

Q1

Please Enter the Following Information:

Name:	Josh Allen
Department:	SAO of Missouri
State:	MO
Email Address:	joshua.allen@auditor.mo.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Sewer districts, water supply districts, and ambulance districts are required to receive an annual financial audit. School districts are required to receive a biennial financial audit. Generally, Missouri law does not require financial audits for other entities.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

No.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

No.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

No.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

No.

Q7

If you answered yes to #5, please explain why the change was made.

N/A.

Q8

Respondent skipped this question

Please attach any relevant documents here.

#19

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Tuesday, November 21, 2023 9:18:54 AM
Last Modified: Tuesday, November 21, 2023 9:34:12 AM
Time Spent: 00:15:18
IP Address: 204.87.70.130

Page 1

Q1

Please Enter the Following Information:

Name:	Cindy Wheeler
Department:	Quality Assurance
State:	OK
Email Address:	cwheeler@sai.ok.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

annually except for counties which are every two years -

<https://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=67388>

cities & towns - <https://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=75967>

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

cities and towns - <https://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=75967>

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

cities and towns - <https://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=75967>

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

<https://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=75971>

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

cities & towns increased the revenue threshold from \$25K to \$50K and included language to include revenue from all funds including component units of which the municipality is a beneficiary

Q7

If you answered yes to #5, please explain why the change was made.

to decrease the audit burden on small cities & towns

Q8

Respondent skipped this question

Please attach any relevant documents here.

#20

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Thursday, November 23, 2023 9:58:27 AM
Last Modified: Thursday, November 23, 2023 10:52:29 AM
Time Spent: 00:54:01
IP Address: 73.31.245.251

Page 1

Q1

Please Enter the Following Information:

Name:	Rachel Reamy
Department:	Local Government team
State:	VA
Email Address:	rachel.reamy@apa.virginia.gov

Q2

The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the Auditing in the States and State Comptrollers Technical Activities and Functions publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges. Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

In accordance with Virginia statute, all cities and counties, and certain towns over a 3,500-population threshold or having a separate school system, are required to contract with an independent CPA firm for an annual audit.

The Auditor of Public Accounts (state audit office) does not perform the annual financial audits of local governments.

Q3

If there is a tiered system that determines engagement frequency based on population size, expenses/revenues, structure of financial staff, or some other metric?

In accordance with Virginia statute, only towns under a 3,500-population threshold are exempt from the mandatory annual audit requirement. These towns may voluntarily elect to have an audit or any form of engagement type at any frequency.

Q4

If there is a tiered system that determines engagement type (audit/attestation engagement/review/other) based on population size, expenses/revenues, structure of financial staff, or some other metric?

See answer to question 3.

There is no tiered system that determines engagement type for those VA local governments that come under the mandatory annual audit requirement. These local governments are required by statute to follow specific audit guidelines/specifications issued by the Auditor of Public Accounts (APA). The APA audit specifications require the external auditor to conduct a financial audit in accordance with GAGAS for the mandatory, annual local government audits. The specifications also govern the financial reporting requirements for local governments to produce GAAP based annual financial reports in accordance with GASB.

Q5

Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

Virginia statute only allows an exception to the mandatory annual audit as noted in question 3 – for those towns under the 3,500-population threshold.

Q6

Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

There have been no changes within the last ten years to Virginia statute nor with the APA audit specifications that govern the mandatory audit requirements for local governments.

Q7

If you answered yes to #5, please explain why the change was made.

N/A

Q8

Respondent skipped this question

Please attach any relevant documents here.

ARTICLE 6

Audit Act

12-6-1. Short title.

Sections 12-6-1 through 12-6-14 [12-6-15] NMSA 1978 may be cited as the "Audit Act."

History: 1953 Comp., § 4-31-1, enacted by Laws 1969, ch. 68, § 1.

ANNOTATIONS

Bracketed material. — The bracketed material was inserted by the compiler and is not part of the law. Laws 2019, ch. 3, § 1 enacted a new section of the Audit Act that was compiled as 12-6-15 NMSA 1978, effective June 14, 2019.

Am. Jur. 2d, A.L.R. and C.J.S. references. — 72 Am. Jur. 2d States § 65.

81A C.J.S. States §§ 134, 229.

12-6-2. Definitions.

As used in the Audit Act:

A. "agency" means:

(1) any department, institution, board, bureau, court, commission, district or committee of the government of the state, including district courts, magistrate or metropolitan courts, district attorneys and charitable institutions for which appropriations are made by the legislature;

(2) any political subdivision of the state, created under either general or special act, that receives or expends public money from whatever source derived, including counties, county institutions, boards, bureaus or commissions; municipalities; drainage, conservancy, irrigation or other special districts; and school districts;

(3) any entity or instrumentality of the state specifically provided for by law, including the New Mexico finance authority, the New Mexico mortgage finance authority and the New Mexico lottery authority; and

(4) every office or officer of any entity listed in Paragraphs (1) through (3) of this subsection; and

B. "local public body" means a mutual domestic water consumers association, a land grant, an incorporated municipality or a special district.

History: 1953 Comp., § 4-31-2, enacted by Laws 1969, ch. 68, § 2; 2003, ch. 273, § 17; 2009, ch. 283, § 2.

ANNOTATIONS

The 2009 amendment, effective July 1, 2010, in Paragraph (4) of Subsection A, changed the reference from Subsection A through C to Paragraphs (1) through (3) of Subsection A; and added Subsection B.

The 2003 amendment, effective July 1, 2003, designated the text of the former section as Subsections A, B and D; inserted "or metropolitan" following "district courts, magistrate" in Subsection A; deleted "but not limited to" following "source derived, including" in Subsection B; and added Subsection C.

Water and sanitation districts created pursuant to the Water and Sanitation District Act, 73-21-1 NMSA 1978 et seq., acequias and community ditch associations subject to Section 73-2-1 NMSA 1978, et seq., and associations created pursuant to the Sanitary Projects Act, 3-29-1 NMSA 1978, et seq., are entities subject to audit under the Audit Act. 1990 Op. Att'y Gen. 90-30.

New Mexico municipal self-insurers' fund. — The New Mexico municipal self insurers' fund, formed under the provisions of Section 11-1-3 NMSA 1978, authorizing governing bodies to exercise joint powers, and Article 62, Chapter 3 NMSA 1978, governing municipal insurance, is an "agency," as defined in this section and is, therefore, subject to audit by the state auditor under Section 12-6-3 NMSA 1978. 1987 Op. Att'y Gen. No. 87-65.

A conservancy district is an agency subject to audit by the state auditor. 1989 Op. Att'y Gen. No. 89-07.

The New Mexico Military Institute Foundation, Inc., is not an "agency" and, therefore, is not subject to audit by the state auditor. 1988 Op. Att'y Gen. No. 88-79.

12-6-3. Annual and special audits; financial examinations.

A. Except as otherwise provided in Subsection B of this section, the financial affairs of every agency shall be thoroughly examined and audited each year by the state auditor, personnel of the state auditor's office designated by the state auditor or independent auditors approved by the state auditor. The comprehensive annual financial report for the state shall be thoroughly examined and audited each year by the state auditor, personnel of the state auditor's office designated by the state auditor or independent auditors approved by the state auditor. The audits shall be conducted in accordance with generally accepted auditing standards and rules issued by the state auditor.

B. The examination of the financial affairs of a local public body shall be determined according to its annual revenue each year. All examinations and compliance with agreed-upon procedures shall be conducted in accordance with generally accepted auditing standards and rules issued by the state auditor. If a local public body has an annual revenue, calculated on a cash basis of accounting, exclusive of capital outlay funds, federal or private grants or capital outlay funds disbursed directly by an administering agency, of:

(1) less than ten thousand dollars (\$10,000) and does not directly expend at least fifty percent of, or the remainder of, a single capital outlay award, it is exempt from submitting and filing quarterly reports and final budgets for approval to the local government division of the department of finance and administration and from any financial reporting to the state auditor;

(2) at least ten thousand dollars (\$10,000) but less than fifty thousand dollars (\$50,000), it shall comply only with the applicable provisions of Section 6-6-3 NMSA 1978;

(3) less than fifty thousand dollars (\$50,000) and directly expends at least fifty percent of, or the remainder of, a single capital outlay award, it shall submit to the state auditor a financial report consistent with

agreed-upon procedures for financial reporting that are:

- (a) focused solely on the capital outlay funds directly expended;
- (b) economically feasible for the affected local public body; and
- (c) determined by the state auditor after consultation with the affected local public body;

(4) at least fifty thousand dollars (\$50,000) but not more than two hundred fifty thousand dollars (\$250,000), it shall submit to the state auditor, at a minimum, a financial report that includes a schedule of cash basis comparison and that is consistent with agreed-upon procedures for financial reporting that are:

- (a) narrowly tailored to the affected local public body;
- (b) economically feasible for the affected local public body; and
- (c) determined by the state auditor after consultation with the affected local public body;

(5) at least fifty thousand dollars (\$50,000) but not more than two hundred fifty thousand dollars (\$250,000) and expends any capital outlay funds, it shall submit to the state auditor, at a minimum, a financial report that includes a schedule of cash basis comparison and a test sample of expended capital outlay funds and that is consistent with agreed-upon procedures for financial reporting that are:

- (a) narrowly tailored to the affected local public body;
- (b) economically feasible for the affected local public body; and
- (c) determined by the state auditor after consultation with the affected local public body;

(6) at least two hundred fifty thousand dollars (\$250,000) but not more than five hundred thousand dollars (\$500,000), it shall submit to the state auditor, at a minimum, a compilation of financial statements and a financial report consistent with agreed-upon procedures for financial reporting that are:

- (a) economically feasible for the affected local public body; and
- (b) determined by the state auditor after consultation with the affected local public body; or

(7) five hundred thousand dollars (\$500,000) or more, it shall be thoroughly examined and audited as required by Subsection A of this section.

C. In addition to the annual audit, the state auditor may cause the financial affairs and transactions of an agency to be audited in whole or in part.

D. Annual financial and compliance audits of agencies under the oversight of the financial control division of the department of finance and administration shall be completed and submitted by an agency and independent auditor to the state auditor no later than sixty days after the state auditor receives notification from the financial control division to the effect that an agency's books and records are ready and available for audit. The local government division of the department of finance and administration shall inform the state auditor of the compliance or failure to comply by a local public body with the provisions of Section 6-6-3 NMSA 1978.

E. In order to comply with United States department of housing and urban development requirements, the financial affairs of a public housing authority that is determined to be a component unit in accordance with

generally accepted accounting principles, other than a housing department of a local government or a regional housing authority, at the public housing authority's discretion, may be audited separately from the audit of its local primary government entity. If a separate audit is made, the public housing authority audit shall be included in the local primary government entity audit and need not be conducted by the same auditor who audits the financial affairs of the local primary government entity.

F. The state auditor shall notify the legislative finance committee and the public education department if:

(1) a school district, charter school or regional education cooperative has failed to submit a required audit report within ninety days of the due date specified by the state auditor; and

(2) the state auditor has investigated the matter and attempted to negotiate with the school district, charter school or regional education cooperative but the school district, charter school or regional education cooperative has not made satisfactory progress toward compliance with the Audit Act.

G. The state auditor shall notify the legislative finance committee and the secretary of finance and administration if:

(1) a state agency, state institution, municipality or county has failed to submit a required audit report within ninety days of the due date specified by the state auditor; and

(2) the state auditor has investigated the matter and attempted to negotiate with the state agency, state institution, municipality or county but the state agency, state institution, municipality or county has not made satisfactory progress toward compliance with the Audit Act.

History: 1953 Comp., § 4-31-3, enacted by Laws 1969, ch. 68, § 3; 2003, ch. 273, § 18; 2007, ch. 240, § 1; 2009, ch. 273, § 1; 2009, ch. 283, § 3; 2011, ch. 106, § 6.

ANNOTATIONS

Compiler's notes. — During calendar years 1992 and 1993 the District Court for the First Judicial District entered three orders in *Vigil v. King*, SF 92-1487(C), prescribing the procedure to be followed for selecting independent auditors for state agencies and local public bodies. In summary, the court orders provided:

If a state agency or local public body is notified that it has been designated for audit to be conducted by an independent auditor, the state agency or local public body shall select and submit the name of an independent auditor to the state auditor. The state auditor may, within five days after receipt of the state agency's or local public body's selection, disapprove of the choice of the agency or local public body. A disapproval must be in writing and set forth the reason(s) for disapproval. A disapproval is subject to judicial review;

If the state auditor finds that a state agency or local public body audit is not being conducted in accordance with generally accepted auditing standards or pursuant to the auditing contract between the parties, the state auditor may either complete the audit or contract with another independent auditor to complete the audit. If the state auditor contracts with another independent auditor, the contract amount is limited to the remaining amount owed on the original auditor contract;

The state auditor, pursuant to the Procurement Code, may, under conditions specified in the order, contract with independent auditors to assist the state auditor in conducting any special audit pursuant to 12-6-3 NMSA 1978. The state agency being audited is not a party to this contract. The total cost of the contract entered into by the state auditor cannot exceed 25% of the contract amount provided in the agreement between the state auditor and the agency to be audited.

The 2011 amendment, effective July 1, 2012, required the state auditor to notify the legislative finance committee and the public education department if a school or educational cooperative has not made satisfactory progress to comply with the Audit Act and to notify the legislative finance committee and the secretary of finance and administration if a state agency, state institution, municipality or county has not timely submitted an audit report and has not made satisfactory progress to comply with the Audit Act.

The 2009 amendment, effective July 1, 2010, in Subsection A, at the beginning of the sentence, added "Except as otherwise provided in Subsection B of this section"; added Subsection B; and in Subsection D, added the last sentence.

Temporary provisions. — Laws 2009, ch. 283, § 4 provided that compliance of a local public body not in compliance with the Audit Act between January 1, 2007 and June 30, 2010 is waived for those years if the local public body complies with the applicable provisions of that act in effect on or after July 1, 2010, unless the local public body is required to receive a full financial and compliance audit pursuant to the provisions of that act in effect on or after July 1, 2010.

The 2007 amendment, effective June 15, 2007, added Subsection D.

The 2003 amendment, effective July 1, 2003, in Subsection A, inserted the second sentence and inserted "and rules issued by the state auditor" at the end; and added Subsection C.

No waiver of immunity under Tort Claims Act. — Because state auditor was acting within his scope of duty in commissioning a special audit and publishing the report, no waiver of immunity exists under the Tort Claims Act for claims of defamation. *Vigil v. State Auditor's Office*, 2005-NMCA-096, 138 N.M. 63, 116 P.3d 854, cert. denied, 2005-NMCERT-007, 138 N.M. 952, 117 P.3d 952.

Purely statutory duties of auditor may be transferred. — New Mexico Const., art. V, § 1, in designating the executive offices of state government, among which is the office of state auditor, is silent as to the duties appertaining to the office of state auditor. This being so, the legislature had power to transfer purely statutory duties of the office previously performed by the auditor to another officer of its own choosing. *Torres v. Grant*, 1957-NMSC-061, 63 N.M. 106, 314 P.2d 712.

State auditor may accept federal audit at his option. — The state auditor is fully authorized by Subsection A of this section to accept the annual federal audit of employment security commission (now employment security division) funds as an approved independent audit. He is not, however, required to do so and may authorize an audit by personnel designated by him. 1970 Op. Att'y Gen. No. 70-33.

Section prevails over limitation on divulging information. — The legislature manifests a clear intent in this section that the state auditor have available to him all documents necessary to perform a thorough audit of every governmental entity in accordance with generally accepted auditing standards. The policy is expressed strongly enough so that this section must prevail over 3-38-8 NMSA 1978 (relating to divulging information) (repealed in 1981) to the extent of any repugnancy between the two provisions; therefore the state auditor is authorized to examine tax documents generated pursuant to 3-38-1 to 3-38-12 NMSA 1978 (now 3-38-1 to 3-38-6 NMSA 1978) insofar as such examination is required by generally accepted auditing standards. 1978 Op. Att'y Gen. No. 78-22.

Designation of agency to choose its own auditor. — The decision whether the state auditor's office will perform the audit or whether the agency may contract out rests within the state auditor's discretion. Once he has given his written approval to the agency's contract with an independent auditor and said contract has been enacted, however, he may not thereafter revoke the designation. 1987 Op. Att'y Gen. No. 87-54.

Auditor's revocation of designation of independent auditor. — If the state auditor revokes his designation of an agency to choose its own auditor, he may conduct the audit himself, through personnel of

his office, or with the assistance of independent auditors under contract with his office. 1987 Op. Att'y Gen. No. 87-54.

Auditor's refusal of approval of independent auditor. — The state auditor may refuse to approve the choice of independent auditor by an agency for any of the reasons provided in SA Rule 87-2 (now 2.2.2.8 NMAC). He is limited to those reasons, because he has, by adopting that rule, committed himself to comply with it until it is changed; however, he is not required to disclose which reason or reasons formed the basis for his decision. 1987 Op. Att'y Gen. No. 87-54.

Directing agency to choose its own auditor. — In carrying out the requirement set forth in the Audit Act (12-6-1 to 12-6-14 NMSA 1978) to audit the financial affairs of each state agency on a yearly basis, the procedures employed by the State Auditor in creating a pool of independent auditors and then directing agencies to contract with auditors he designated from the pool violated the requirements of the Procurement Code (13-1-23 et seq. NMSA 1978). 1992 Op. Att'y Gen. No. 92-06 (but see compiler's notes) (decided under former law).

New Mexico municipal self-insurers' fund. — The New Mexico municipal self insurers' fund, formed under the provisions of Section 11-1-3 NMSA 1978, authorizing governing bodies to exercise joint powers, and Article 62, Chapter 3 NMSA 1978, governing municipal insurance, is an "agency," as defined in this section and is, therefore, subject to audit by the state auditor under this section. 1987 Op. Att'y Gen. No. 87-65.

The New Mexico Military Institute Foundation, Inc., is not an "agency" and, therefore, is not subject to audit by the state auditor. 1988 Op. Att'y Gen. No. 88-79.

Sanitary Projects Act associations. — Associations created pursuant to the Sanitary Projects Act (3-29-1 NMSA 1978 et seq.) are subject to audit under this article. 1990 Op. Att'y Gen. No. 90-30.

Water and sanitation districts created by the Water and Sanitation District Act (73-21-1 NMSA 1978 et seq.) are subject to audit under this article. 1990 Op. Att'y Gen. No. 90-30.

Acequias under Sections 73-2-1 to 73-2-64 NMSA 1978 are subject to audit under this article. 1990 Op. Att'y Gen. No. 90-30.

State auditor and conservation district supervisors have statutory duty to audit district. — Both the state auditor and the soil and water conservation district supervisors have an express statutory duty to have district financial affairs audited: the primary responsibility for having the audits performed should be borne by the district supervisors, but the ultimate responsibility lies with the state auditor, who is responsible for ensuring that every agency's financial records are examined and audited. 1980 Op. Att'y Gen. No. 80-19.

Soil and Water Conservation Act creates exception to annual audit. — The apparent conflict between the annual auditing requirement in the Audit Act and the five-year audit exception in the Soil and Water Conservation District Act is easily resolved by applying the well-settled rule of statutory construction that, where there is no clear intention to the contrary, specific statutes prevail over general statutes, regardless of when enacted; consequently, the auditing requirements of the Soil and Water Conservation District Act, Section 73-20-41C(2) NMSA 1978 (now 73-20-41F(2)), apply since it is the more specific statute. 1980 Op. Att'y Gen. No. 80-19.

12-6-4. Auditing costs.

The reasonable cost of all audits shall be borne by the agency audited, except that:

A. a public housing authority other than a regional housing authority shall not bear the cost of an audit conducted solely at the request of its local primary government entity; and

B. the administrative office of the courts shall bear the cost of auditing the magistrate courts. A metropolitan court shall be treated as a single agency for the purpose of audit and shall be audited as a unit, and the cost of the audit shall be paid from the appropriation to the metropolitan court. The district courts of all counties within a judicial district shall be treated as a single agency for the purpose of audit and shall be audited as a unit, and the cost of the audit shall be paid from the appropriation to each judicial district. The court clerk trust account and the state treasurer account of each county's district court shall be included within the scope of the judicial district audit.

History: 1953 Comp., § 4-31-4, enacted by Laws 1969, ch. 68, § 4; 2001, ch. 142, § 1; 2007, ch. 240, § 2.

ANNOTATIONS

Compiler's notes. — During calendar years 1992 and 1993 the District Court for the First Judicial District entered three orders in *Vigil v. King*, SF 92-1487(C), prescribing the procedure to be followed for selecting independent auditors for state agencies and local public bodies. In summary, the court orders provide:

If a state agency or local public body is notified that it has been designated for audit to be conducted by an independent auditor, the state agency or local public body shall select and submit the name of an independent auditor to the state auditor. The state auditor may, within five days after receipt of the state agency's or local public body's selection, disapprove of the choice of the agency or local public body. A disapproval must be in writing and set forth the reason(s) for disapproval. A disapproval is subject to judicial review;

If the state auditor finds that a state agency or local public body audit is not being conducted in accordance with generally accepted auditing standards or pursuant to the auditing contract between the parties, the state auditor may either complete the audit or contract with another independent auditor to complete the audit. If the state auditor contracts with another independent auditor, the contract amount is limited to the remaining amount owed on the original auditor contract;

The state auditor, pursuant to the Procurement Code, may, under conditions specified in the order, contract with independent auditors to assist the state auditor in conducting any special audit pursuant to 12-6-3 NMSA 1978. The state agency being audited is not a party to this contract. The total cost of the contract entered into by the state auditor cannot exceed 25% of the contract amount provided in the agreement between the state auditor and the agency to be audited.

The 2007 amendment, effective June 15, 2007, added Subsection A.

The 2001 amendment, effective July 1, 2001, deleted "and the cost of the annual audit of the state treasury shall be borne by special appropriations to the state board of finance" at the end of the first sentence, and inserted the second sentence concerning the audits of metropolitan courts.

The state auditor's practice of assigning contract auditor's to assist the state auditor in conducting agency audits illegally circumvents the legislature's decision to place the selection of such contract auditors and contract negotiations with the agencies themselves. 1992 Op. Att'y Gen. No. 92-06.

12-6-5. Reports of audits.

A. The state auditor shall cause a complete written report to be made of each annual or special audit and examination made. Each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination. Each report of a state agency shall include a list of individual deposit accounts and investment accounts held by each state agency audited. A copy of the report shall be sent to the agency audited or examined; five days later, or earlier if the agency waives the five-day period, the report shall become a public record, at which time copies shall be sent to:

- (1) the secretary of finance and administration; and
- (2) the legislative finance committee.

B. The state auditor shall send a copy of reports of state agencies to the department of finance and administration.

C. Within thirty days after receipt of the report, the agency audited may notify the state auditor of any errors in the report. If the state auditor is satisfied from data or documents at hand, or by an additional investigation, that the report is erroneous, the state auditor shall correct the report and furnish copies of the corrected report to all parties receiving the original report.

History: 1953 Comp., § 4-31-5, enacted by Laws 1969, ch. 68, § 5; 1977, ch. 247, § 33; 1983, ch. 26, § 4; 2009, ch. 140, § 1.

ANNOTATIONS

The 2009 amendment, effective June 19, 2009, in Subsection A, deleted "as defined in Section 6-1-12 NMSA 1978"; deleted "the legislative accounting review committee and to"; after "audited or examined", changed "ten" to "five"; and after "five days later", added "or earlier if the agency waives the five-day period"; and in Subsection B, deleted "as defined in Section 6-1-12 NMSA 1978" and "office of the state cash manager", and added "department of finance and administration".

No waiver of immunity under Tort Claims Act. — Because state auditor was acting within his scope of duty in commissioning a special audit and publishing the report, no waiver of immunity exists under the Tort Claims Act for claims of defamation. *Vigil v. State Auditor's Office*, 2005-NMCA-096, 138 N.M. 63, 116 P.3d 854, cert. denied, 2005-NMCERT-007, 138 N.M. 952, 117 P.3d 952.

12-6-6. Criminal violations.

Immediately upon discovery of any violation of a criminal statute in connection with financial affairs, the state auditor shall report the violation to the proper prosecuting officer and furnish the officer with all data and information in his possession relative to the violation. An agency or independent auditor shall report a violation immediately to the state auditor.

History: 1953 Comp., § 4-31-6, enacted by Laws 1969, ch. 68, § 6; 2003, ch. 273, § 19.

ANNOTATIONS

The 2003 amendment, effective July 1, 2003, substituted "An agency or independent auditor shall report a violation immediately" for "Any independent auditor shall report a violation" near the end.

12-6-7. Shortages in accounts; sureties.

A. The state auditor shall notify the appropriate surety on the official bond whenever an audit discloses a shortage in the accounts of any agency. Failure to notify the surety, however, does not release the surety from any obligation under the bond.

B. Sureties upon official bonds of agencies are not released from liability on official bonds until the state auditor has certified to them that the accounts of the agency have been examined and found to be correct and a clearance of liability is given them.

C. When necessary, the state auditor may institute legal proceedings against sureties upon official bonds of officers and employees. In such proceedings, the officer or employee may set up as a defense that errors have been committed by the state auditor in making charges against him, or that he has been refused proper and legal credit by the state auditor, but the burden of proof is upon the officer or employee to show such facts.

History: 1953 Comp., § 4-31-7, enacted by Laws 1969, ch. 68, § 7.

12-6-8. Repayment of funds.

If restitution has not been made in thirty days from the receipt by an agency of a report of an audit reflecting a shortage of funds for which the agency is accountable under law, suit to enforce repayment or refund to the agency may be brought by the state auditor.

History: 1953 Comp., § 4-31-8, enacted by Laws 1969, ch. 68, § 8.

12-6-9. Public depositories.

The state auditor may:

A. require depositories of public money to furnish reconciliation sheets for the purpose of checking the deposits of public funds;

B. inspect the books and records of any depository concerning public funds; and

C. examine employees of a depository under oath concerning the correctness of the reconciliation or any entry upon the books or records of the depository relating to public funds.

History: 1953 Comp., § 4-31-9, enacted by Laws 1969, ch. 68, § 9.

12-6-10. Annual inventory.

A. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the facilities management division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall ascertain the correctness of the inventory by generally accepted auditing procedures.

B. The official or governing authority of each agency is chargeable on the official's or authority's official bond for the chattels and equipment shown in the inventory.

C. The general services department shall establish standards, including a uniform classification system of inventory items, and promulgate rules concerning the system of inventory accounting for chattels and equipment required to be inventoried, and the governing authority of each agency shall install the system. A museum collection list or catalogue record and a library accession record or shelf list shall constitute the inventories of museum collections and library collections maintained by state agencies and local public bodies.

D. No surety upon the official bond of any officer or employee of any agency shall be released from liability until a complete accounting has been had. All official bonds shall provide coverage of, or be written in a manner to include, inventories.

History: 1953 Comp., § 4-31-10, enacted by Laws 1969, ch. 68, § 10; 1979, ch. 195, § 1; 1983, ch. 303, § 1; 1984, ch. 53, § 1; 1985, ch. 115, § 1; 1987, ch. 35, § 1; 1999, ch. 230, § 1; 2005, ch. 237, § 1; 2013, ch. 115, § 9.

ANNOTATIONS

The 2013 amendment, effective June 14, 2013, changed the name of the property control division of the general services department to the facilities management division; in Subsection A, in the second sentence, and in Subsection B, deleted "property control" and added "facilities management" before the word "division"; and in Subsection A, in the sixth sentence, after "state auditor shall", deleted "satisfy himself as to" and added "ascertain".

The 2005 amendment, effective June 17, 2005, increased the value of state property that must be inventoried and listed from \$1,000 to \$5,000.

The 1999 amendment, effective June 18, 1999, in Subsection A, substituted "one thousand dollars (\$1,000)" for "five hundred dollars (\$500)" in the first and fourth sentences.

The 1987 amendment, effective June 19, 1987, substituted "five hundred dollars" for "two hundred and fifty dollars" in the first and fourth sentences of Subsection A.

12-6-11. Oaths; subpoenas.

A. Oaths may be administered by the state auditor when necessary for an audit or examination.

B. When necessary for an audit or examination, the state auditor may apply to the district court of Santa Fe county for issuance of a subpoena to compel the attendance of witnesses and the production of books and records. Process under this section shall be served by any sheriff or deputy or by any member of the New Mexico state police without cost. Witnesses not then employed by an agency who are subpoenaed to appear shall receive the same compensation as that provided for witnesses subpoenaed before the district court, paid by the state auditor.

C. Any person subpoenaed under this section who fails to appear, refuses to testify or fails to produce the required books or records is guilty of a misdemeanor and shall be punished by a fine of not less than five hundred dollars (\$500) nor more than one thousand dollars (\$1,000).

History: 1953 Comp., § 4-31-11, enacted by Laws 1969, ch. 68, § 11.

12-6-12. Regulations.

The state auditor shall promulgate reasonable regulations necessary to carry out the duties of his office, including regulations required for conducting audits in accordance with generally accepted auditing standards. The regulations become effective upon filing in accordance with the State Rules Act [Chapter 14, Article 4 NMSA 1978].

History: 1953 Comp., § 4-31-12, enacted by Laws 1969, ch. 68, § 12.

12-6-13. Audit fund; payment for audits; expenses of auditor.

A. There is created in the state treasury the "audit fund" into which the state auditor shall deposit all fees and costs received from agencies audited by him.

B. Payments for salaries and expenses of the state auditor shall be made from the audit fund, and the fund shall not revert at the end of any fiscal year.

History: 1953 Comp., § 4-31-13, enacted by Laws 1969, ch. 68, § 13.

ANNOTATIONS

Audit fund was not intended for deposit and appropriation of federal funds. 1980 Op. Att'y Gen. No. 80-40.

Provision of General Appropriation Act of 1980 ineffective in controlling federal funds. — Insofar as the language in the General Appropriation Act of 1980, Laws 1980, ch. 155, attempted to control the expenditure of federal funds received by the state auditor, it can be of no effect. 1980 Op. Att'y Gen. No. 80-40.

12-6-14. Contract audits.

A. The state auditor shall notify each agency designated for audit by an independent auditor, and the agency shall enter into a contract with an independent auditor of its choice in accordance with procedures prescribed by rules of the state auditor; provided, however, that a state-chartered charter school subject to oversight by the public education department or an agency subject to oversight by the higher education department shall receive approval from its oversight agency prior to submitting a recommendation for an independent auditor of its choice. The state auditor may select the auditor for an agency that has not submitted a recommendation within sixty days of notification by the state auditor to contract for the year being audited, and the agency being audited shall pay the cost of the audit. Each contract for auditing entered into between an agency and an independent auditor shall be approved in writing by the state auditor. Payment of public funds may not be made to an independent auditor unless a contract is entered into and approved as provided in this section.

B. The state auditor or personnel of the state auditor's office designated by the state auditor shall examine all reports of audits of agencies made pursuant to contract. Based upon demonstration of work in progress, the state auditor may authorize progress payments to the independent auditor by the agency being audited under contract. Final payment for services rendered by an independent auditor shall not be made until a determination and written finding that the audit has been made in a competent manner in accordance with the provisions of the contract and applicable rules by the state auditor.

History: 1953 Comp., § 4-31-14, enacted by Laws 1969, ch. 68, § 14; 2003, ch. 273, § 20; 2011, ch. 87, § 1.

ANNOTATIONS

Compiler's notes. — During calendar years 1992 and 1993 the District Court for the First Judicial District entered three orders in *Vigil v. King*, SF 92-1487(C), prescribing the procedure to be followed for selecting independent auditors for state agencies and local public bodies. In summary, the court orders provide:

If a state agency or local public body is notified that it has been designated for audit to be conducted by an independent auditor, the state agency or local public body shall select and submit the name of an independent auditor to the state auditor. The state auditor may, within five days after receipt of the state agency's or local public body's selection, disapprove of the choice of the agency or local public body. A disapproval must be in writing and set forth the reason(s) for disapproval. A disapproval is subject to judicial review;

If the state auditor finds that a state agency or local public body audit is not being conducted in accordance with generally accepted auditing standards or pursuant to the auditing contract between the parties, the state auditor may either complete the audit or contract with another independent auditor to complete the audit. If the state auditor contracts with another independent auditor, the contract amount is limited to the remaining amount owed on the original auditor contract;

The state auditor, pursuant to the Procurement Code, may, under conditions specified in the order, contract with independent auditors to assist the state auditor in conducting any special audit pursuant to 12-6-3 NMSA 1978. The state agency being audited is not a party to this contract. The total cost of the contract entered into by the state auditor cannot exceed 25% of the contract amount provided in the agreement between the state auditor and the agency to be audited.

The 2011 amendment, effective June 17, 2011, required charter schools that are subject to oversight by the public education department to obtain approval from the department before the school submits a recommendation for an independent auditor to the state auditor.

The 2003 amendment, effective July 1, 2003, redesignated former Subsections B and D as present Subsections A and B (the former section had no Subsection A or C); in Subsection A, inserted "provided, however, that an agency subject to oversight by the state department of public education or the commission on higher education shall receive approval from its oversight agency prior to submitting a recommendation for an independent auditor of its choice" in the first sentence and added the second sentence.

Use of contract auditors for agency audits. — The state auditor does not have the authority to contract with independent auditors to assist him in doing agency audits. The state auditor may designate an agency for audit by an independent auditor, but the designated agency is then authorized to contract with an independent auditor of its choice. Accordingly, the state auditor's practice of assigning contract auditors "to assist" him in conducting agency audits illegally circumvented the legislature's decision to place the selection of such contract auditors and the contract negotiations with the agencies themselves. 1992 Op. Att'y Gen. No. 92-06 (but see compiler's notes) (decided under prior law).

Selection of independent auditor. — It is a violation of the Procurement Code (13-1-23 NMSA 1978 et seq. [now 13-1-28 NMSA 1978 et seq.]) for the state auditor to direct an agency to enter into a contract with an independent auditor selected by him and paid for by the agency. 1992 Op. Att'y Gen. No. 92-06 (but see compiler's notes) (decided under prior law).

12-6-15. Annual financial audit report; state board of finance review.

Within six months after the report is due to the state auditor, each of the educational retirement board, the office of the state treasurer, the public employees retirement association and the state investment council shall present the agency's current annual financial audit report to the state board of finance for review.

History: Laws 2019, ch. 3, § 1.

ANNOTATIONS

Effective dates. — Laws 2019, ch. 3, § 1, contained no effective date provision, but, pursuant to N.M. Const., art. IV, § 23, was effective June 14, 2019, 90 days after the adjournment of the legislature.

COLORADO REVISED STATUTES
TITLE 29. GOVERNMENT - LOCAL
GENERAL PROVISIONS
ARTICLE 1. BUDGET AND SERVICES
PART 6. LOCAL GOVERNMENT AUDIT LAW

C.R.S. **29-1-601** (2023)

[C.R.S. 29-1-601](#)

29-1-601. Short title

This part 6 shall be known and may be cited as the "Colorado Local Government Audit Law".

HISTORY: Source: L. 65: p. 860, § 1. C.R.S. 1963: § 88-6-1.

29-1-602. Definitions

As used in this part 6, unless the context otherwise requires:

(1) "All funds and activities" means all financial activities of the reporting local government as those activities are defined by generally accepted accounting principles for governments.

(2) "Auditor" means a certified public accountant licensed to practice in Colorado as an individual, partnership, or professional corporation pursuant to article 100 of title 12 who makes an audit and prepares a report thereon as provided in this part 6.

(3) "Financial statement" means a report made by a local government summarizing the results of all funds and activities of the local government for a particular period, the duration of that period to be determined by the local government.

(4) "Fiscal year" means the period commencing January 1 and ending December 31; except that, for school districts and local college districts, "fiscal year" means the period commencing July 1 and ending June 30, and "fiscal year" may mean the federal fiscal year for water conservancy districts which have contracts with the federal government.

(5)

(a) "Local government" means any authority, county, municipality, city and county, district, or other political subdivision of the state of Colorado; any institution, department, agency, or authority of any of the foregoing; and any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among any of the foregoing. Effective January 1, 1990, the office of the county public trustee shall be deemed an agency of the county for the purposes of this part 6.

(b) Except for purposes of sections 29-1-603, 29-1-604, and 29-1-606, "local government" does not include the fire and police pension association, any county or municipal housing authority, any public entity insurance pool formed pursuant to state law, the Colorado sheep and wool authority,

the Colorado beef council authority, the Colorado horse development authority, the statewide internet portal authority, or any association of political subdivisions formed pursuant to section 29-1-401.

HISTORY: Source: L. 65:P. 860, § 2.C.R.S. 1963:§ 88-6-2.L. 69:P. 699, §§ 1, 2.L. 89:Entire section R&RE, p. 1256, § 4, effective May 2.L. 92:(4) amended, p. 550, § 27, effective May 28.L. 93:(5)(b) amended, p. 1846, § 4, effective July 1; (5)(b) amended, p. 1856, § 5, effective July 1.L. 95:(5)(b) amended, p. 1001, § 3, effective July 1.L. 98:(5)(b) amended, p. 1262, § 9, effective June 1.L. 2007:(5)(b) amended, p. 702, § 1, effective May 3.L. 2009:(5)(b) amended,(HB 09-1024), ch. 15, p. 85, § 1, effective September 1.L. 2019:(2) amended,(HB 19-1172), ch. 136, p. 1717, § 207, effective October 1.

Editor's note: (1) Amendments to subsection (5)(b) by Senate Bill 93-240 and Senate Bill 93-243 were harmonized.

(2) Section 2 of chapter 191, Session Laws of Colorado 2007, provides that the act amending subsection (5)(b) applies to the statewide internet portal authority and audits made thereof before, on, or after May 3, 2007.

29-1-603. Audits required

(1) The governing body of each local government in the state shall cause to be made an annual audit of the financial statements of the local government for each fiscal year. To the extent that the financial activities of any local government, or of any other entity, organization, or corporation formed by intergovernmental agreement or other contract between or among local governments, are fully reported in the audit or audits of a parent local government or governments, a separate audit is not required. Such audit shall be made as of the end of the fiscal year of the local government, or, at the option of the governing body, audits may be made at more frequent intervals. As part of the audit of a school district, the auditor shall ensure that the school district is complying with the provisions of section 22-44-204 (3), C.R.S., concerning the use of the financial policies and procedures handbook adopted by the state board of education. The audit report shall contain a fiscal year report of receipts and expenditures of each fund with designated program reports in accordance with the financial policies and procedures handbook. The supplemental schedules of receipts and expenditures for each fund shall be in the format prescribed by the state board of education and shall be in agreement with the audited financial statements of the school district. The department of education shall provide assistance to auditors and school districts in implementing and following these requirements.

(1.5) Repealed.

(2) The audits of each local government shall be conducted in accordance with generally accepted auditing standards by an auditor, as defined in section 29-1-602, but in no event shall any auditor audit the records, books, or accounts which he has maintained.

(3) The expenses of audits required by this part 6, whether ordered by the local government or the state auditor, shall be paid by the local government for which the audit is made. It is the duty of the governing body of the local government to make provision for payment of said expenses.

(4) The entities listed in section 29-1-602 (5)(b) shall annually have an audit made by a certified public accountant and shall file a copy of the audit report made pursuant to such audit with the state auditor no later than thirty days after the report is received by such entity.

(5) For the audit for the 1994-95 budget year and budget years thereafter, the audit report of each school district shall include a calculation of the school district's fiscal year spending under section 20 of article X of the state constitution; except that, if a school district has received voter approval to retain revenues in excess of its spending limits under said section 20 (7), the school district shall include a calculation of its fiscal year spending for the first fiscal year following said voter approval but need not include such calculation for fiscal years thereafter.

HISTORY: Source: L. 65:P. 860, § 3.C.R.S. 1963:§ 88-6-3.L. 75:(2) amended, p. 960, § 1, effective June 16; (1) amended, p. 708, § 8, effective July 14.L. 88:(1) amended, p. 822, § 32, effective May 24.L. 89:(1) and (2) amended and (4) added, p. 1257, § 5, effective May 2.L. 91:(1) amended, p. 1918, § 43, effective June 1.L. 95:(5) added, p. 619, § 21, effective May 22.L. 99:(5) amended, p. 177, § 6, effective March 30.L. 2012:(1.5) added, (HB 12-1329), ch. 190, p. 764, § 2, effective August 8.L. 2021:(1.5) repealed, (SB 21-266), ch. 423, p. 2804, § 31, effective July 2.

29-1-604. Exemptions

(1) Any local government where neither revenues nor expenditures exceed one hundred thousand dollars in any fiscal year commencing on or after January 1, 1998, may, with the approval of the state auditor, be exempt from the provisions of section 29-1-603.

(2) (a) Any local government where revenues or expenditures for any fiscal year commencing on or after January 1, 2004, but prior to January 1, 2015, are at least one hundred thousand dollars but not more than five hundred thousand dollars may, with the approval of the state auditor, be exempt from the provisions of section 29-1-603.

(b) Any local government where revenues or expenditures for any fiscal year commencing on or after January 1, 2015, are at least one hundred thousand dollars but not more than seven hundred fifty thousand dollars may, with the approval of the state auditor, be exempt from the provisions of section 29-1-603.

(3) The governing body of any local government wishing to claim exemption from the audit requirements pursuant to subsection (1) or (2) of this section shall file an application for exemption from audit. Any application filed pursuant to subsection (1) of this section shall be prepared by a person skilled in governmental accounting. Any application filed pursuant to subsection (2) of this section shall be prepared by an independent accountant with knowledge of governmental accounting. Any application filed pursuant to this subsection (3) shall be completed in accordance

with regulations issued by the state auditor and shall be personally reviewed, approved, and signed by a majority of the members of the governing body. The application is to be filed with the state auditor within three months after the close of the local government's fiscal year. No exemption shall be granted prior to the close of said fiscal year. Failure to file such application shall cause the local government to lose its exemption from the provisions of section 29-1-603 for that fiscal year and the ensuing fiscal year.

HISTORY: Source: L. 65: p. 861, § 4. C.R.S. 1963: § 88-6-4. L. 77: Entire section amended, p. 1397, § 1, effective March 16. L. 83: Entire section amended, p. 1206, § 1, effective March 22. L. 85: (3) amended, p. 1019, § 3, effective July 1. L. 89: (1) and (3) amended, p. 1258, § 6, effective May 2. L. 98: Entire section amended, p. 292, § 1, effective August 5. L. 2004: (2) amended, p. 186, § 1, effective August 4. L. 2015: (2) amended, (SB 15-024), ch. 6, p. 13, § 1, effective August 5.

29-1-605. Contents of report

(1) All reports on audits of local governments shall contain at least the following:

(a) Financial statements which shall be prepared, insofar as possible, in conformity with generally accepted governmental accounting principles setting forth the financial position and results of operation of each fund and activity of the local government and a comparison of actual figures with budgeted figures for each fund or activity for which a budget has been prepared, which financial statements shall be the representations of the local government;

(b) The unmodified opinion of the auditor with respect to the financial statements of the local government or, if an unmodified opinion cannot be expressed, a modified opinion or disclaimer of opinion containing an explanation of the reasons therefor;

(c) Full disclosure by the auditor of violations of state or local law which come to his attention.

(2) In addition to the information required by subsection (1) of this section, the report on the audit of a special district, as defined in section 32-1-103 (20), C.R.S., that has authorized but unissued general obligation debt as of the end of the fiscal year of the special district shall specify the amount of the authorized but unissued debt and any current or anticipated plan to issue the debt.

HISTORY: Source: L. 65: p. 861, § 5. C.R.S. 1963: § 88-6-5. L. 2008: (2) added, p. 61, § 1, effective August 5. L. 2015: (1)(b) amended, (SB 15-024), ch. 6, p. 13, § 2, effective August 5.

29-1-606. Submission of reports

(1) (a) Except as otherwise required in paragraph (b) of this subsection (1), each audit required by this part 6 shall be completed and the audit report thereon submitted by the auditor to the local government within six months after the close of the fiscal year of the local government.

(b) The audit required by this part 6 for school districts shall be completed and the audit report thereon submitted by the auditor to the school district within five months after the close of the fiscal year of the school district.

(c) The audit required by this part 6 for housing authorities shall be completed and the audit report thereon submitted by the auditor to the housing authority within seven months after the close of the fiscal year of the housing authority.

(2) One copy of the audit report shall be maintained by the local government as a public record for public inspection at all reasonable times at the principal office of the local government.

(3) The local government shall forward a copy of the audit report to the state auditor within thirty days after receipt of said audit. The state auditor shall retain such copy in his office as a public record where it shall be available for public inspection at all reasonable times. In the case of a school district, a copy of the audit report shall also be submitted to the commissioner of education within thirty days after the audit report is received.

(4) If within one month after the time period provided in subsection (1) of this section the local government is unable to file an audit report with the state auditor, the governing body of the local government shall submit to the state auditor a written request for extension of time to file. Such request for extension shall be submitted no later than one month after the time period provided in subsection (1) of this section. The state auditor may authorize an extension of such time for not more than sixty days.

(5) (a) If the audit report of a local government is not filed with the state auditor within two months after the time period provided in subsection (1) of this section and the local government has not been granted an extension or exemption from the filing requirement, the state auditor shall make written notice to the local government of its delinquent status.

(b) If the audit report of a local government is not filed with the state auditor within three months after the time period provided in subsection (1) of this section, the state auditor shall either:

(I) Notify any county treasurer holding moneys of the local government which were generated pursuant to the taxing authority of such local government of the delinquent audit status of such local government and authorize such county treasurer to prohibit the release of any such moneys until the local government submits an audit report to the state auditor; or

(II) Make or cause such audit to be made at the expense of the local government. The local government shall reimburse the state auditor for all amounts advanced for the making of such audit, including any legal and court costs incurred in the making of such audit.

(6) Repealed.

(7) In addition to the other requirements of this section, a special district, as defined in section 32-1-103 (20), C.R.S., that has authorized but unissued general obligation debt as of the end of the

fiscal year of the special district shall submit its audit report or a copy of its application for exemption from audit to the board of county commissioners or the governing body of the municipality that adopted a resolution of approval of the special district pursuant to section 32-1-204.5 or 32-1-204.7, C.R.S.

(8) Notwithstanding any other requirement of this part 6, in preparing the audit report required by section 29-1-603 (4), the entities listed in section 29-1-602 (5)(b) shall be subject to the additional requirements of this section to the extent practicable regardless of whether the entity is otherwise subject to the requirements of this part 6.

HISTORY: Source: L. 65: p. 862, § 6. C.R.S. 1963: § 88-6-6. L. 75: (1) amended, p. 708, § 9, effective July 14. L. 85: (4) and (5) amended and (6) added, p. 1019, § 4, effective March 1; (6) amended, p. 1372, § 53, effective July 1. L. 88: (1) amended, p. 822, § 33, effective May 24. L. 89: (1) and (4) amended, (5) R&RE, and (6) repealed, pp. 1258, 1259, 1260, § § 7, 8, 11, effective May 2. L. 93: (1), (4), (5)(a), and IP(5)(b) amended, p. 889, § 14, effective May 6. L. 2008: (7) added, p. 61, § 2, effective August 5. L. 2009: (1)(c) and (8) added, (HB 09-1024), ch. 15, p. 85, § § 2, 3, effective September 1.

29-1-607. Duties of state auditor

(1) The state auditor shall examine all reports submitted to him or her to determine whether the provisions of this part 6 have been complied with. If the state auditor finds that they have not been complied with, the state auditor shall notify the governing body of the local government and the auditor who submitted the audit report by submitting to them a statement of deficiencies. If the deficiencies are not corrected within ninety days from the date of the statement of deficiencies or within twelve months after the end of the fiscal year of the local government, whichever is later, the state auditor shall proceed in the same manner as provided in section 29-1-606 (5) as though no report had been filed.

(2) If the state auditor, in examining any audit report, finds an indication of violation of state law, the state auditor shall, after making such investigation as the state auditor deems necessary, consult with the attorney general, and if after such investigation and consultation the state auditor has reason to believe that there has been a violation of state law on the part of any person, the state auditor shall certify the facts to the district attorney of the judicial district in which the alleged violation occurred who shall cause appropriate proceedings to be brought.

(3) The auditor shall formulate classifications of inventory accounts for local governments, which accounts shall be required to be kept only with respect to items of property having an original cost that equals or exceeds an amount established by the governing body of each local government, unless such items having a value of less than the amount established by such governing body are required to be inventoried by directive of the state auditor. In no event shall the amount established by the governing body of any local government pursuant to this subsection (3) exceed the amount specified in rules promulgated by the state controller pursuant to section 24-30-202, C.R.S., regarding inventory accounts for items of state property.

HISTORY: Source: L. 65: p. 862, § 7. C.R.S. 1963: § 88-6-7. L. 69: p. 698, § 3. L. 89: (3) amended, p. 1259, § 9, effective May 2. L. 98: (3) amended, p. 141, § 3, effective August 5. L. 2017: (1) and (2) amended, (SB 17-294), ch. 264, p. 1413, § 103, effective May 25.

29-1-608. Violations - penalties

(1) If it appears that an auditor has knowingly issued an audit report under the provisions of this part 6 containing any false or misleading statement, the state auditor shall report the matter in writing to the state board of accountancy and to the local government.

(2) Any member of the governing body of the local government or any member, officer, employee, or agent of any department, board, commission, or other agency who knowingly and willfully fails to perform any of the duties imposed upon him by this part 6, or who knowingly and willfully violates any of the provisions of this part 6, or who knowingly and willfully furnishes to the auditor or his employee any false or fraudulent information is guilty of malfeasance and, upon conviction thereof, the court shall enter judgment that such person be removed from office or employment. It is the duty of the court rendering such judgment to cause immediate notice of such removal from office or employment to be given to the proper officer of the local government so that the vacancy thus caused may be filled.

HISTORY: Source: L. 65: p. 863, § 8. C.R.S. 1963: § 88-6-8.

Excerpts from Florida Statutes (2023)

218.39 Annual financial audit reports.—

(1) If, by the first day in any fiscal year, a local governmental entity, district school board, charter school, or charter technical career center has not been notified that a financial audit for that fiscal year will be performed by the Auditor General, each of the following entities shall have an annual financial audit of its accounts and records completed within 9 months after the end of its fiscal year by an independent certified public accountant retained by it and paid from its public funds:

- (a) Each county.
- (b) Any municipality with revenues or the total of expenditures and expenses in excess of \$250,000, as reported on the fund financial statements.
- (c) Any special district with revenues or the total of expenditures and expenses in excess of \$100,000, as reported on the fund financial statements.
- (d) Each district school board.
- (e) Each charter school established under s. [1002.33](#).
- (f) Each charter technical center established under s. [1002.34](#).
- (g) Each municipality with revenues or the total of expenditures and expenses between \$100,000 and \$250,000, as reported on the fund financial statements, which has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.
- (h) As required by s. [163.387](#)(8)(a), each community redevelopment agency with revenues or a total of expenditures and expenses in excess of \$100,000, as reported on the trust fund financial statements.
- (i) Each special district with revenues or the total of expenditures and expenses between \$50,000 and \$100,000, as reported on the fund financial statement, which has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.

(2) The county audit report must be a single document that includes a financial audit of the county as a whole and, for each county agency other than a board of county commissioners, an audit of its financial accounts and records, including reports on compliance and internal control, management letters, and financial statements as required by rules adopted by the Auditor General. In addition, if a board of county commissioners elects to have a separate audit of its financial accounts and records in the manner required by rules adopted by the Auditor General for other county agencies, the separate audit must be included in the county audit report.

(3)(a) A dependent special district, excluding a community redevelopment agency with revenues or a total of expenditures and expenses in excess of \$100,000, as reported on the trust fund financial statements, may provide for an annual financial audit by being included in the audit of the local

governmental entity upon which it is dependent. An independent special district may not make provision for an annual financial audit by being included in the audit of another local governmental entity.

(b) A special district that is a component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local governmental entity, with financial information necessary to comply with this section. The failure of a component unit to provide this financial information must be noted in the annual financial audit report of the local governmental entity.

(c) The financial audit of a dependent special district or of an independent special district, or the financial audit of a local governmental entity that includes the information of a dependent special district as provided in paragraph (a), shall separately include and specify the information required in s. [218.32](#)(1)(e)2.-5.

(4) A management letter shall be prepared and included as a part of each financial audit report.

163.387 Redevelopment trust fund.—

(8)(a) Each community redevelopment agency with revenues or a total of expenditures and expenses in excess of \$100,000, as reported on the trust fund financial statements, shall provide for a financial audit each fiscal year by an independent certified public accountant or firm. Each financial audit conducted pursuant to this subsection must be conducted in accordance with rules for audits of local governments adopted by the Auditor General.

(b) The audit report must:

1. Describe the amount and source of deposits into, and the amount and purpose of withdrawals from, the trust fund during such fiscal year and the amount of principal and interest paid during such year on any indebtedness to which increment revenues are pledged and the remaining amount of such indebtedness.

2. Include financial statements identifying the assets, liabilities, income, and operating expenses of the community redevelopment agency as of the end of such fiscal year.

3. Include a finding by the auditor as to whether the community redevelopment agency is in compliance with subsections (6) and (7).

(c) The audit report for the community redevelopment agency must accompany the annual financial report submitted by the county or municipality that created the agency to the Department of Financial Services as provided in s. [218.32](#), regardless of whether the agency reports separately under that section.

(d) The agency shall provide a copy of the audit report to each taxing authority.

Policy 1210 – State and Local Government Audits

BACKGROUND

State law (RCW 43.09 and RCW 43.88.160) gives our Office the authority to audit financial information and compliance with state, federal and local laws on the part of all local governments, including school districts, and all state agencies, including institutions of higher education. We also conduct performance audits of state agencies and local governments. Unless specified in law or regulation, our Office determines the frequency and type of audit to be conducted. Our Office also has statutory authority to perform special investigations of fraud and whistleblower cases and referrals from our citizen hotline.

REQUIREMENTS

- ✓ 1. **Our Office will conduct accountability, assessment, financial and performance audits of state agencies using a risk-based approach.**

State agency audits will be conducted as set forth in the “Schedule of State Agency Audit Frequencies” (Exhibit 1). That exhibit incorporates known requirements in statute or regulation that specify what type of or how frequently audits of state agencies must be conducted. Other legal requirements or entity requests calling for more frequent audits to be conducted should be considered incorporated by reference into that schedule. The known requirements include:

- RCW 43.09.310 requires an annual financial audit of the State of Washington’s combined financial statements prepared by the Office of Financial Management.
- Federal law (2 CFR 200) requires an annual statewide single audit of federal awards expended by all state agencies, including higher education institutions.
- State law specifies audit frequency for certain Commodity Commissions.

Additional audits or attestation engagements may be performed as requested by state agencies and higher education institutions. An example of an additional audit is a financial audit of a university.

- ✓ 2. **Our Office will conduct accountability, assessment, financial and performance audits of local governments based on risk.**

Local government audits will be conducted as set forth in the “Schedule of Local Government Audit Frequencies” (Exhibit 2). That exhibit incorporates known laws or regulations related to the type or frequency of audit to be conducted. As with the schedule for state agency audits, other legal requirements or entity requests for more frequent audits to be conducted should be considered incorporated by reference into that schedule. The known requirements include:

- RCW 43.09.260 requires an examination of individual health and welfare benefit plans or self-insurance programs at least once every two years.
- Chapter 200-100 WAC requires an annual financial statement audit for all joint property and liability self-insurance programs.
- Chapter 200-110 WAC requires an annual financial statement audit for all joint health and welfare self-insurance programs offering medical benefits.

Local governments must prepare and file an annual financial report with our Office in accordance with RCW 43.09.230, even if no financial statement audit is scheduled or there was no financial activity. Refer to the applicable BARS Manual or the Accounting Manual for Public School Districts for annual report filing requirements.

✓ **3. Audit managers must obtain approval from the appropriate assistant director for deviations from the schedules of audit frequencies.**

The following factors may cause a more frequent audit to be conducted:

- a. Significant issues of impropriety occurring in the three years preceding the audit period. This may include findings, management letters and special investigations.
- b. Significant risks related to a local government's financial operations, such as a declining financial condition or a risk of default on long-term debt.
- c. Expenditures of \$750,000 or more in federal awards in a fiscal year, for which 2 CFR 200 requires an annual single audit as well as an annual audit of the entity's financial statements.
- d. Requirements for more frequent audits, which could be included in state or federal law, regulations, bond covenants or contracts.
- e. Written request by the state agency or local government for more frequent audits to be conducted. These requests must be submitted using the Audit Request memorandum.

In limited circumstances, audits may be conducted less frequently than required by this policy. Audit managers must consult with the applicable program manager, if any, and must obtain approval from the appropriate assistant director for deviations from the schedules of audit frequencies. That approval will be documented in EIS under the Scheduling Information/Cycle Notes section.

- ✓ 4. In addition to audits, our Office may perform other types of engagements in accordance with the applicable policies set forth in this Manual.

Other types of engagements include fraud investigations, follow up on citizen referrals, whistleblower investigations and attestation engagements. Refer to Policy 1110 for descriptions of the types of engagements our Office conducts.

RELATED POLICIES

1110 – Types of Engagements
1310 – Assessment Audits of Small Local Governments
1320 – Assessment Audits of Small State Agencies
1330 – Reports on Unauditable Governments
1410 – Fraud Investigations
1510 – Citizen Hotline Referrals
1610 – Whistleblower Investigations
8110 – Standards for Attestation Engagements
7210 – Selecting Performance Audits

REFERENCES

Chapter 42.40 RCW
Chapter 43.09 RCW

RCW 43.88.160 (6)
WAC Chapter 200-100
WAC Chapter 200-110
Commodity Commissions Planning Guide lists additional statutory and regulatory audit references

Policy 1210 Exhibit 1:
SCHEDULE OF STATE AGENCY AUDIT FREQUENCIES^{a, b}

STATE AGENCY	Standard Frequency	
	Accountability or Assessment Audits	Financial/Other Audits
STATEWIDE AUDITS		
State ACFR	<i>None</i>	Annual Financial
SWSA	<i>None</i>	Annual Single
COMMODITY COMMISSIONS		
Commissions with annual audits required by WAC	Annual accountability or assessment audit	By request
Revenues > \$500,000	4-year (quadrennial) accountability audit	If Single Audit: Annual, if required by 2 CFR 200 No Single Audit: Annual or biennial audit based on risk and user need
Revenues ≤ \$500,000	4-year (quadrennial) assessment audit	By request
OTHER STATE AGENCIES		
Higher Education—Universities	Annual or biennial accountability audit based on risk and user need	By request
Higher Education—Community Colleges	Triennial or quadrennial accountability audit based on risk and user need	By request
Other State Agencies	Annual, biennial, triennial or quadrennial accountability audit or assessment based on risk and user need	By request

^a Performance audits are selected as approved by a Deputy State Auditor (Policy 7210).

^b If other legal requirements or entity requests call for a more frequent audit to be conducted, they should be considered incorporated by reference into this schedule.

Policy 1210 Exhibit 2:**SCHEDULE OF LOCAL GOVERNMENT AUDIT FREQUENCIES ^a**

LOCAL GOVERNMENT	Standard Frequency	
	Accountability or Assessment Audits	Financial Audits
Risk Pools and other entities with joint property / liability or health / welfare programs	Annual or biennial accountability audit based on risk and user need	Annual
School Districts		
Full-time equivalent (FTE) Students $\geq 8,000$	Annual accountability audit	Annual
FTE Students ≥ 250 but $< 8,000$	Biennial or triennial accountability audit based on risk and user need	If Single Audit: Annual No Single Audit: Biennial or triennial based on risk and user need
FTE Students < 250	Annual or biennial assessment audit based on risk and user need	None
All Other Local Governments ^{b, c}		
Annual Revenues $> \$10$ million	Annual accountability audit	Annual
Annual Revenues $\leq \$10$ million, but Annual Revenues $> \$2,000,000$	Biennial or triennial accountability audit based on risk and user need	If Single Audit: Annual No Single Audit: Biennial or triennial based on risk and user need
Annual Revenues $\leq \$2$ million and $> \$300,000$	If Single Audit: Annual financial audit No Single Audit: Biennial or triennial accountability <u>or</u> financial audit, based on risk and user need	
Annual Revenues $\leq \$300,000$ and Conduit Governments ^d	Annual or biennial assessment audit (Policy 1310) <u>or</u> financial audit based on risk and user needs	
Unauditable Government	Annual, biennial or triennial procedures (Policy 1330)	

^a Performance audits are selected as approved by a Deputy State Auditor (Policy 7210).

^b Audits conducted by CPA firms in lieu of an SAO audit are reviewed on the same frequency as they occur in accordance with Policy 3510.

^c Annual revenues include revenues reported in all of the government's funds, excluding bond proceeds, operating transfers, and other non-revenue receipts. Revenues of the government's fiduciary funds and discretely presented component units should also be excluded. If annual revenues are usually less than

a threshold, but exceed that threshold because of a one-time or temporary revenue source, the audit manager will determine what audit frequency and financial reporting is appropriate.

- ^d If a local government's activities consist entirely of being a low-risk conduit for pass-through funding to another audited government (for example, some Public Facility Districts and most Industrial Development Corporations or Transportation Benefit Districts), they would be considered a "conduit government." In such cases, there would not be enough auditable risks or activity to require a regular accountability audit.

DATE: November 16, 2023

TO: NSAA Survey

FROM: PSPD-NPLG

SUBJECT: NSAA Technical Inquiry: Local Government Audit Requirements (2023 Update)

1. Jacqueline Neubert Georgia Department of Audits and Accounts (DOAA) – State of Georgia – neubertj@audits.ga.gov
2. The Minnesota State Auditor is seeking information on requirements for local government audits/attestation engagements/reviews/etc. While NASACT collects pieces of information relevant to this inquiry in both the *Auditing in the States* and *State Comptrollers Technical Activities and Functions* publications, we do not have comprehensive information. This inquiry is also highly relevant to NASACT's ongoing partnership with the AICPA studying the Public Sector CPA Pipeline challenges.

Broadly speaking, how often are audits required for cities, school districts, counties, townships, boroughs, etc. in your state? The next question will ask about tiers/triggers based on size or other financials metrics.

Response:

Units of Local Governments-Municipalities (Cities and Towns), Counties, Consolidated Governments (County-City), and certain Local Government Authorities (Authorities created as Other Political Subdivisions (does not include school districts): Annual audits are required for the financial affairs and transactions of all funds and activities of the local government for each fiscal year of the local government. (Provisions of OCGA §36-81-7)

The annual audits are performed by independent audit firms contracted by the local government. The annual audits are submitted to the DOAA (the State Auditor's office) within 180 days of the close of the fiscal year. The audits are conducted in conformity with generally accepted government audit standards.

If total annual expenditures are less than \$550,000, then an annual agreed-upon procedures may be submitted as allowed per the provisions of OCGA §36-81-7.

School Districts: One of the duties of the Georgia Department of Audits and Accounts is audit and check the books of local school districts and all schools receiving state aid and making regular and annual reports to the State School Superintendent. These reports to the State School Superintendent should show the amount received, for what purpose received, and for what purposes expended. (provisions of OCGA §50-6-6)

3. If there is a tiered system that determines **engagement frequency** based on population size, expenses/revenues, structure of financial staff, or some other metric?

Response:

No

4. If there is a tiered system that determines **engagement type (audit/attestation engagement/review/other)** based on population size, expenses/revenues, structure of financial staff, or some other metric?

Response:

Units of Local Governments:

Units of Local Governments-Municipalities (Cities and Towns), Counties, Consolidated Governments (County-City), and certain Local Government

Authorities (Authorities created as Other Political Subdivisions (does not include school districts): Annual audits are required for the financial affairs and transactions of all funds and activities of the local government for each fiscal year of the local government. **Exception: If total annual expenditures are less than \$550,000, then an annual agreed-upon procedures may be submitted.** (Provisions of OCGA §36-81-7)

School Districts: Not Applicable

5. Do the statutes or regulations covering local government audits in your state allow for exceptions to the rule? If so, please explain those exceptions.

Response:

No

6. Has your state loosened or strengthened any of these requirements in the last ten years? If so, please explain the changes.

Response:

In 2019, the State Legislature increased the expenditure threshold for required audits of units of local government to \$550,000 from \$300,000. (Provisions of OCGA §36-81-7)

7. If you answered yes to #5, please explain why the change was made.

Response:

Not Applicable

8. Please attach any relevant documents here.

Response:

43.070 Audit of accounts of county officers and special purpose governmental entities -- Agreed-upon procedures engagement for county clerks and sheriffs.

- (1) (a) To determine whether any unauthorized, illegal, irregular, or unsafe handling or expenditure of revenue or other improper practice of financial administration has occurred and to assure that all proper items have been duly charged, taxed, and reported, the Auditor shall audit annually:
 1. The funds contained in each county's budget; and
 2. The books, accounts, and papers of all county clerks and sheriffs.
- (b) The Auditor shall not conduct an audit pursuant to this subsection if the fiscal court or the elected official notifies the Auditor that a certified public accountant has been employed to audit the books, accounts, and papers of the county or the fee office, in accordance with KRS 64.810.
- (c)
 1. If any county clerk or sheriff meets the criteria established in this subsection and any additional criteria established in administrative regulations promulgated by the Auditor, that county clerk's or sheriff's audit required by this section may, in the discretion of the Auditor, be conducted by an agreed-upon procedures engagement performed by the Auditor. If, in the discretion of the Auditor, an agreed-upon procedures engagement in progress will not provide sufficient oversight of the county clerk's or sheriff's office, the Auditor may at any time convert the engagement to an audit performed under paragraph (a)2. of this subsection. A county clerk or sheriff shall not be eligible for the agreed-upon procedures engagement as allowed in this paragraph for the first audit period after election if the county clerk or sheriff is serving in office for the first time, or is assuming the office after experiencing a break in sequential service in that position.
 2. The Auditor and the county clerk or sheriff shall establish specific procedures for any agreed-upon procedures engagement. If the Auditor and the county clerk or sheriff cannot agree to the specific procedures for an agreed-upon procedures engagement, the audit of the county clerk's or sheriff's office shall be conducted under paragraph (a)2. of this subsection for that year subject to the audit.
 3. At a minimum, the county clerk or sheriff shall meet the following criteria in order to be eligible to have the county clerk's or sheriff's annual audit in any particular year conducted using agreed-upon procedures:
 - a. The county clerk or sheriff applies to the Auditor to have an agreed-upon procedures engagement for the year subject to the audit on a form provided by the Auditor and by the application deadline established by the Auditor;
 - b. The county clerk's or sheriff's office did not have any reported audit comment or finding in its most recent audit report;
 - c. The county clerk or sheriff and the Auditor agree to specific procedures for the agreed-upon procedures engagement; and

- d. Any additional criteria that may be determined by the Auditor.
 - 4. The publication requirements related to an agreed-upon procedures engagement shall be the same as those required for audits of the county clerks and sheriffs performed under paragraph (a)2. of this subsection, except that the Auditor may provide a summary of the agreed-upon procedures engagement report, and publication of the summary shall satisfy the statutory requirements to publish the audit report, opinion letter, and transmittal letter.
 - 5. The billing and expense provisions of subsection (3) of this section shall apply to any agreed-upon procedures engagement performed under this section.
 - 6. The Auditor may promulgate administrative regulations that set forth additional criteria to qualify for agreed-upon procedures engagements, the application procedures, and the standards, procedures, guidelines, and reporting requirements for agreed-upon procedures engagements under this section.
 - 7. In exercising discretion regarding whether a county clerk or sheriff who otherwise meets the minimum requirements may have an agreed-upon procedures engagement in lieu of an audit for any particular year subject to an engagement, and in exercising discretion regarding the proposed procedures for the agreed-upon procedures engagement for any particular year subject to an audit, the Auditor may consider factors including but not limited to past audit comments or agreed-upon procedures engagement findings, assessment of risks, complaints, financial statements, the number of consecutive agreed-upon procedures engagements performed of the county clerk or sheriff, and other factors relevant to oversight of the county clerk's or sheriff's office.
- (2) The Auditor may audit:
- (a) The books, accounts and papers of all county judges/executive, county attorneys, coroners and constables; and
 - (b) The books, accounts, papers, and performance of all special purpose governmental entities as defined in KRS 65A.010. The expense of any audit or examination performed pursuant to this paragraph shall be borne by the entity audited or examined.
- (3) The county shall bear one-half (1/2) of the actual expense of the audit conducted pursuant to subsection (1)(a)1. of this section and shall bear the total actual expense of the audit conducted pursuant to subsections (1)(a)2. and (2)(a) of this section. No county shall be required to bear the expense for more than one (1) audit of the same fund or office annually pursuant to subsection (1)(a)1. or 2. of this section, except as provided in KRS 64.810(4).
- (4) Within a reasonable time after the completion and distribution of the audit reports authorized by subsection (1) of this section, the Auditor of Public Accounts shall bill the county for the expenses incurred pursuant to subsection (3) of this section. A copy of this bill shall be forwarded to the secretary of the Finance and Administration Cabinet. Should the fiscal court within sixty (60) days following

receipt of said bill determine the charge to be excessive or otherwise improper it shall submit its objection to the secretary of the Finance and Administration Cabinet and to the State Treasurer for resolution of the controversy in accordance with subsection (5) of this section. If the amount billed has not been paid within sixty (60) days from date of billing, and no objection has been filed, the Auditor shall notify the secretary of the Finance and Administration Cabinet and the secretary of revenue who shall cause said amount to be deducted from the next payment or return of moneys provided by KRS 47.110 by the state to the county or counties. Deductions shall continue until the total amount due the Auditor's office has been paid. All moneys received pursuant to this section shall be credited to the trust and agency account of the Auditor of Public Accounts. When an objection to the bill has been filed with the secretary of the Finance and Administration Cabinet and the State Treasurer in accordance with subsection (5) of this section the amount found to be equitable and just shall become payable immediately upon the entry of the final decision.

- (5) Any controversy over the amount of the bill for the actual expenses incurred shall be submitted by the fiscal court to the secretary of the Finance and Administration Cabinet and the State Treasurer for a decision as to the proper amount. In the event that these two (2) arbitrators fail to agree, then the controversy shall be submitted to the Attorney General, whose decision shall be final.

Effective: July 14, 2018

History: Amended 2018 Ky. Acts ch. 118, sec. 1, effective July 14, 2018. -- Amended 2013 Ky. Acts ch. 40, sec. 18, effective March 21, 2013. -- Amended 1986 Ky. Acts ch. 51, sec. 1, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 111, sec. 37, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 121, sec. 1, effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 197, sec. 11, effective June 17, 1978. -- Amended 1976 (1st Extra. Sess.) Ky. Acts ch. 14, sec. 12, effective January 2, 1978; and ch. 20, sec. 6, effective January 2, 1978. -- Amended 1976 Ky. Acts ch. 229, sec. 1. -- Amended 1974 Ky. Acts ch. 74, Art. II, sec. 9(1); and ch. 254, sec. 8. -- Amended 1962 Ky. Acts ch. 185, sec. 1. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4636-1.

2022-2024 Budget Reference. See State/Executive Branch Budget, 2022 Ky. Acts ch. 199, Pt. I, A, 22, (6) at 1647.

91A.040 Annual and biennial city audits – Exemption -- Attestation engagement -- Financial statement -- Publication -- Contents -- Enforcement action -- Penalties -- Extension -- Withholding of state funds for noncompliance -- Audit expenses to be billed to audited city.

- (1) Except as provided in subsections (2) to (4) of this section, each city shall, after the close of each fiscal year, cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall be completed by March 1 immediately following the fiscal year being audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than April 1 immediately following the fiscal year being audited.
- (2) In lieu of the annual audit requirements in subsection (1) of this section, a city with a population equal to or less than one thousand (1,000) based upon the most recent federal decennial census may elect to have an audit performed every other fiscal year in the following manner:
 - (a) After the close of each odd-numbered fiscal year, the city shall for that odd-numbered year cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audits shall be completed by March 1 immediately following the fiscal year to be audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than April 1 immediately following the fiscal year being audited; and
 - (b) After the close of each even-numbered fiscal year, the city shall not be required to complete an annual audit but shall forward an electronic copy of its financial statement prepared in accordance with KRS 424.220 to the Department for Local Government by no later than October 1 immediately following the close of the even-numbered fiscal year.
- (3) In lieu of the annual audit requirements in subsection (1) of this section, a city with a population of more than one thousand (1,000) but less than two thousand (2,000) based upon the most recent federal decennial census may elect to have an audit performed every other fiscal year to cover the two (2) fiscal years occurring since the prior audit in the following manner:
 - (a) After the close of each odd-numbered fiscal year, the city shall cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall include both fiscal years since the prior audit and shall be completed by March 1 immediately following the fiscal years to be audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than April 1 immediately following the fiscal years being audited; and
 - (b) After the close of each even-numbered fiscal year, the city shall not be required to complete an annual audit but shall forward an electronic copy of its financial statement prepared in accordance with KRS 424.220 to the Department for Local Government by no later than October 1 immediately following the close of the even-numbered fiscal year.
- (4) Any city, which for any fiscal year receives and expends, from all sources and for

all purposes, less than one hundred fifty thousand dollars (\$150,000), and which has no long-term debt, whether general obligation or revenue debt, shall not be required to audit each fund of the city for that particular fiscal year. In addition, each city exempted in accordance with this subsection shall:

- (a) Annually prepare a financial statement in accordance with KRS 424.220 and shall, not later than October 1 following the conclusion of the fiscal year, forward one (1) electronic copy to the Department for Local Government for information purposes; and
- (b) If exempted under this subsection for more than four (4) consecutive fiscal years after July 1, 2022, have prepared an attestation engagement covering the fourth fiscal year in which the city qualified for an exemption under this subsection. An attestation engagement completed pursuant to this subsection shall be:
 - 1. Prepared by an independent certified public accountant or by the Auditor of Public Accounts pursuant to a contract with the city using generally accepted attestation standards as promulgated by the American Institute of Certified Public Accountants and any additional procedures established by the Department for Local Government through administrative regulation;
 - 2. Completed by no later than March 1 immediately following the conclusion of the fiscal year in which the attestation engagement is required;
 - 3. Submitted to the Department for Local Government as one (1) electronic copy no later than April 1 after its completion;
 - 4. Advertised to the public within thirty (30) days of its completion by causing the publication of a legal display advertisement of not less than six (6) column inches in a newspaper qualified under KRS 424.120 stating that the attestation has been prepared and copies have been provided to each local newspaper of general circulation, each news service, and each local radio and television station which has on file with the city a written request to receive copies of financial statements under KRS 424.220. Any city advertising under this subparagraph shall be exempt from publishing its financial statement under KRS 424.220(6)(b) for any year in which it is required to have an attestation engagement completed; and
 - 5. Provided to the Auditor of Public Accounts upon request for review of the final report and all related work papers and documents regarding the attestation engagement.
- (5) If a city is required by another provision of law to audit its funds more frequently or more stringently than is required by this section, the city shall also comply with the provisions of that law.
- (6) The Department for Local Government shall, upon request, make available electronic copies of the audit reports and financial statements received by it under subsections (1) to (4) of this section to the Legislative Research Commission to be used for the purposes of KRS 6.955 to 6.975 or to the Auditor of Public Accounts.

- (7) Each city required by this section to conduct an annual or biennial audit shall enter into a written contract with the selected auditor. The contract shall set forth all terms and conditions of the agreement which shall include but not be limited to requirements that:
- (a) The auditor be employed to examine the basic financial statements, which shall include the government-wide and fund financial statements;
 - (b) The auditor shall include in the annual or biennial city audit report an examination of local government economic assistance funds granted to the city under KRS 42.450 to 42.495. The auditor shall include a certification with the annual or biennial audit report that the funds were expended for the purpose intended;
 - (c) All audit information be prepared in accordance with generally accepted governmental auditing standards which include tests of the accounting records and auditing procedures considered necessary in the circumstances. Where the audit is to cover the use of state or federal funds, appropriate state or federal guidelines shall be utilized;
 - (d) The auditor shall prepare a typewritten or printed report embodying:
 - 1. The basic financial statements and accompanying supplemental and required supplemental information;
 - 2. The auditor's opinion on the basic financial statements or reasons why an opinion cannot be expressed; and
 - 3. Findings required to be reported as a result of the audit;
 - (e) The completed audit and all accompanying documentation shall be presented to the city legislative body at a regular or special meeting; and
 - (f) Any contract with a certified public accountant for an audit shall require the accountant to forward a copy of the audit report and management letters to the Auditor of Public Accounts upon request of the city or the Auditor of Public Accounts, and the Auditor of Public Accounts shall have the right to review the certified public accountant's work papers upon request.
- (8) A copy of an audit report which meets the requirements of this section shall be considered satisfactory and final in meeting any official request to a city for financial data, except for statutory or judicial requirements, or requirements of the Legislative Research Commission necessary to carry out the purposes of KRS 6.955 to 6.975.
- (9) Each city shall, within thirty (30) days after the presentation of an audit to the city legislative body, publish an advertisement in accordance with KRS Chapter 424 containing:
- (a) The auditor's opinion letter;
 - (b) The "Budgetary Comparison Schedules-Major Funds," which shall include the general fund and all major funds;
 - (c) A statement that a copy of the complete audit report, including financial statements and supplemental information, is on file at city hall and is available for public inspection during normal business hours;

- (d) A statement that any citizen may obtain from city hall a copy of the complete audit report, including financial statements and supplemental information, for his or her personal use;
 - (e) A statement which notifies citizens requesting a personal copy of the city audit report that they will be charged for duplication costs at a rate that shall not exceed twenty-five cents (\$0.25) per page; and
 - (f) A statement that copies of the financial statement prepared in accordance with KRS 424.220, when a financial statement is required by KRS 424.220, are available to the public at no cost at the business address of the officer responsible for preparation of the statement.
- (10) Any resident of the city or owner of real property within the city may bring an action in the Circuit Court to enforce the provisions of this section. Any person who violates any provision of this section shall be fined not less than fifty dollars (\$50) nor more than five hundred dollars (\$500). In addition, any officer who fails to comply with any of the provisions of this section shall, for each failure, be subject to a forfeiture of not less than fifty dollars (\$50) nor more than five hundred dollars (\$500), in the discretion of the court, which may be recovered only once in a civil action brought by any resident of the city or owner of real property within the city. The costs of all proceedings, including a reasonable fee for the attorney of the resident or property owner bringing the action, shall be assessed against the unsuccessful party.
- (11) In the event of extenuating circumstances that prevent a city from completing and submitting a required audit or financial statement in compliance with the applicable deadlines in subsections (1) to (4) of this section, the city may submit a written request for an extension of time to the Department for Local Government on a form prescribed by the Department for Local Government. The Department for Local Government shall approve the request if it is submitted on or before the applicable deadline and, in the judgment of the Department for Local Government, the request is warranted by extenuating circumstances beyond the control of the city. Extensions granted under this subsection shall not exceed nine (9) months from the original due date of the audit or financial statement. If the Department for Local Government approves an extension for a city and the city fails to complete and submit the required audit or financial statement in compliance with that extended deadline, then the provisions of subsection (12) of this section shall apply.
- (12) If a city fails to complete an audit or financial statement and submit it to the Department for Local Government as required in subsections (1) to (4) and (11) of this section, the Department for Local Government shall notify the Finance and Administration Cabinet that the city has failed to comply with the audit requirements of this section, and that any funds in the possession of any agency, entity, or branch of state government shall be withheld from the city until further notice. The Department for Local Government shall immediately notify the Finance and Administration Cabinet when the city complies with the requirements of subsections (1) to (4) and (11) of this section for all prior fiscal years it has failed to comply with the audit requirements of this section, and the Finance and Administration Cabinet shall direct the reinstatement of payments to the city,

including any funds that were withheld due to the noncompliance.

- (13) Within a reasonable time after the completion of a special audit or examination conducted pursuant to KRS 43.050, the Auditor shall bill the city for the actual expense of the audit or examination conducted. The actual expense shall include the hours of work performed on the audit or examination as well as reasonable associated costs, including but not limited to travel costs. The bill submitted to the city shall include a statement of the hourly rate, total hours, and total costs for the entire audit or examination.

Effective: July 14, 2022

History: Amended 2022 Ky. Acts ch. 103, sec. 2, effective July 14, 2022. -- Amended 2019 Ky. Acts ch. 91, sec. 1, effective June 27, 2019. -- Amended 2018 Ky. Acts ch. 10, sec. 1, effective July 14, 2018. -- Amended 2016 Ky. Acts ch. 17, sec. 2, effective July 15, 2016. -- Amended 2014 Ky. Acts ch. 5, sec. 3, effective July 15, 2014; and ch. 92, sec. 88, effective January 1, 2015. -- Amended 2010 Ky. Acts ch. 117, sec. 68, effective July 15, 2010. -- Amended 2007 Ky. Acts ch. 47, sec. 62, effective June 26, 2007. -- Amended 2006 Ky. Acts ch. 8, sec. 2, effective July 12, 2006. -- Amended 2000 Ky. Acts ch. 89, sec. 1, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 69, sec. 46, effective July 15, 1998. -- Amended 1992 Ky. Acts ch. 33, sec. 4, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 52, sec. 1, effective July 13, 1990. -- Amended 1986 Ky. Acts ch. 331, sec. 22, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 111, sec. 173, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 393, sec. 45, effective July 15, 1982; ch. 407, sec. 1, effective July 15, 1982; and ch. 430, sec. 1, effective July 15, 1982. -- Created 1980 Ky. Acts ch. 232, sec. 4, effective July 15, 1980.

Legislative Research Commission Note (4/15/2020). 2020 Ky. Acts ch. 91, sec. 73, which applies to fiscal years 2020-2021 and 2021-2022 and expires June 30, 2022 (see 2020 Ky. Acts ch. 91, sec. 80), states the following:

"Publishing Requirements: Notwithstanding KRS 83A.060, 91A.040, and Chapter 424, a county containing a population of more than 90,000 or any city within a county containing a population of more than 90,000, as determined by the 2010 United States Census, may publish enacted ordinances, audits, and bid solicitations by posting the full ordinance, the full audit report including the auditor's opinion letter, or the bid solicitation on an Internet Web site maintained by the county or city government for a period of at least one (1) year. If a county or city publishes ordinances, audits, or bid solicitations on an Internet Web site, the county or city shall also publish an advertisement, in a newspaper qualified in accordance with KRS 424.120, with a description of the ordinances, audits, or bid solicitations published on the Internet Web site, including the Uniform Resource Locator (URL) where the documents can be viewed. Any advertisement required to be published in a newspaper under KRS Chapter 424 shall contain the following statement at the end of the advertisement:

"This advertisement was paid for by [insert the name of the governmental body required to advertise in a newspaper] using taxpayer dollars in the amount of \$[insert the amount paid for the advertisement].".

65A.030 Audits, financial statements, and attestation engagements for fiscal periods beginning on or after July 1, 2014 -- Alternative financial review -- Exclusion of some annual receipts.

- (1) For fiscal periods beginning on or after July 1, 2014, requirements relating to audits and financial statements of special purpose governmental entities are as follows:
 - (a) Every special purpose governmental entity with the higher of annual receipts from all sources or annual expenditures of less than one hundred thousand dollars (\$100,000) shall:
 1. Annually prepare a financial statement; and
 2. Once every four (4) years, contract for the application of an attestation engagement as determined by the DLG, as provided in subsection (2) of this section;
 - (b) Every special purpose governmental entity with the higher of annual receipts from all sources or annual expenditures equal to or greater than one hundred thousand dollars (\$100,000) but less than five hundred thousand dollars (\$500,000) shall:
 1. Annually prepare a financial statement; and
 2. Once every four (4) years, contract for the provision of an independent audit as provided in subsection (2) of this section; and
 - (c) Every special purpose governmental entity with the higher of annual receipts from all sources or annual expenditures equal to or greater than five hundred thousand dollars (\$500,000) shall:
 1. Annually prepare a financial statement; and
 2. Be audited annually as provided in subsection (2) of this section.
- (2)
 - (a) To provide for the performance of an audit or attestation engagement as provided in subsection (1)(a) to (c) of this section, the governing body of a special purpose governmental entity shall employ an independent certified public accountant or contract with the Auditor of Public Accounts to conduct the audit or attestation engagement unless the provisions of subsection (3) of this section apply.
 - (b) The audit or attestation engagement shall be completed no later than twelve (12) months following the close of the fiscal year subject to the audit or the attestation engagement.
 - (c)
 1. The special purpose governmental entity shall submit for publication on the registry the audit or attestation engagement, in the form and format required by the DLG.
 2. A federally regulated municipal utility may comply with the requirements of this section for the public power component of its operations by submitting an audit that conforms to the requirements imposed by the federal agency with which it maintains a wholesale power contract.
 3. A public utility established pursuant to KRS 96.740 that is not a

federally regulated municipal utility may comply with the requirements of this section for the public power component of its operations by submitting a copy of its annual audit performed under KRS 96.840.

- (d) 1. The audit or attestation engagement shall conform to:
 - a. Generally accepted governmental auditing or attestation standards, which means those standards for audits or attestations of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States;
 - b. Generally accepted auditing or attestation standards, which means those standards for all audits or attestations promulgated by the American Institute of Certified Public Accountants; and
 - c. Additional procedures and reporting requirements as may be required by the Auditor of Public Accounts.
- 2. Rather than meeting the standards established by subparagraph 1. of this paragraph, the audit submitted by a federally regulated municipal utility or a public utility established pursuant to KRS 96.740 that is not a federally regulated municipal utility with regard to the public power component of the utility's operations shall conform to KRS 96.840 and the financial standards of the Federal Energy Regulatory Commission's Uniform System of Accounts.
- (e) Upon request, the Auditor of Public Accounts may review the final report and all related work papers and documents of the independent certified public accountant relating to the audit or attestation engagement.
- (f) If a special purpose governmental entity is required by another provision of law to audit its funds more frequently or more stringently than is required by this section, the special purpose governmental entity shall comply with the provisions of that law, and shall comply with the requirements of paragraph (c) of this subsection.
- (g) Notwithstanding any provision of the Kentucky Revised Statutes to the contrary, a unit of government furnishing funds directly to a special purpose governmental entity may require additional audits at the expense of the unit of government furnishing the funds.
- (h) All audit reports, attestation engagement reports, and financial statements of special purpose governmental entities shall be public records.
- (3) (a) Any board, commission, or agency established by statute with regulatory authority or oversight responsibilities for a category of special purpose governmental entities may apply to the Auditor of Public Accounts to be approved to provide an alternative financial review of the special purpose governmental entities it regulates or oversees that are required by subsection (1)(a) of this section to submit an attestation engagement. The application shall be in the form and format determined by the Auditor of Public Accounts.
- (b) The Auditor of Public Accounts shall review the application and if the auditor determines that the board, commission, or agency has the resources and

capacity to conduct an acceptable alternative financial review, the auditor shall notify the DLG that the board, commission, or agency is approved to provide an alternative financial review of the special purpose governmental entities it regulates or oversees that are required by subsection (1)(a) of this section to submit an attestation engagement.

- (c) The Auditor of Public Accounts shall advise the DLG and the board, commission, or agency regarding modifications to the proposed alternative financial review procedures necessary to obtain the Auditor of Public Accounts' approval.
 - (d) Any board, commission, or agency approved to provide alternative financial reviews shall reapply to the Auditor of Public Accounts for approval to continue to provide alternative financial reviews at least every four (4) years. The Auditor of Public Accounts may require more frequent approvals.
 - (e) The Auditor of Public Accounts or the DLG may withdraw any approval granted under this subsection if the board, commission, or agency fails to conduct alternative financial reviews using the procedures and including the terms and components agreed to with the DLG.
 - (f) Any board, commission, or agency approved to provide alternative financial reviews shall notify the Auditor of Public Accounts and the DLG if an irregularity is found in the alternative financial review.
 - (g) Any special purpose governmental entity subject to regulation or oversight by a board, commission, or agency that obtains approval to provide an alternative financial review under this subsection shall have the option of having an alternative financial review performed by the board, commission, or agency, or may contract for the application of an attestation engagement as provided in subsection (1)(a) of this section.
- (4) The DLG shall determine which procedures conducted under attestation standards will apply to special purpose governmental entities meeting the conditions established by subsection (1)(a) of this section. The DLG may determine that additional procedures be conducted under attestation standards for specific categories of special purpose governmental entities or for specific special purpose governmental entities, as needed, to obtain the oversight and information deemed necessary by the DLG.
- (5) Based on the information submitted by special purpose governmental entities under KRS 65A.020 and 65A.090, the DLG shall determine when each special purpose governmental entity was last audited, and shall notify the special purpose governmental entity of when each audit or attestation engagement is due under the new standards and requirements of this section.
- (6) (a) In determining the requirements relating to audits and financial statements of special purpose governmental entities under subsection (1) of this section, the DLG may exclude annual receipts received by the special purpose governmental entity if:
1. The receipts constitute nonrecurring, nonoperating grants for the purpose

- of capital asset acquisition, capital construction, disaster recovery efforts, or other one (1) time purposes as determined by the DLG; and
2. The special purpose governmental entity requests, in writing to the DLG and for each fiscal year it receives the revenue in question, that the revenues in question not be included in determining its annual revenues.
 - (b) In determining the requirements relating to audits and financial statements under subsection (1) of this section of special purpose governmental entities that are public use airports operating under KRS 183.132 to 183.160, the DLG may exclude annual receipts received by those public use airports if the receipts constitute nonoperating or recurring grants for the purpose of capital asset acquisition, capital construction, disaster recovery efforts, or other one (1) time purposes as determined by the DLG.
 - (c) Any receipts excluded under paragraph (a) or (b) of this subsection shall still be reported as required under KRS 65A.020(2)(a)2.
 - (7) The DLG may promulgate administrative regulations pursuant to KRS Chapter 13A to implement the provisions of this section.

Effective: July 15, 2020

History: Amended 2020 Ky. Acts ch. 27, sec. 2, effective July 15, 2020. -- Amended 2015 Ky. Acts ch. 17, sec. 3, effective June 24, 2015. -- Amended 2014 Ky. Acts ch. 7, sec. 3, effective March 19, 2014. -- Created 2013 Ky. Acts ch. 40, sec. 3, effective March 21, 2013.

Legislative Research Commission Note (3/19/2014). 2014 Ky. Acts ch. 7, sec. 11 provides that the amendments to this statute made in 2014 Ky. Acts ch. 7, sec. 3, shall apply retroactively beginning January 1, 2014.

Section 117.01 | Auditor of state definitions.

Ohio Revised Code / Title 1 State Government / Chapter 117 Auditor of State

Effective: September 4, 2013 **Latest Legislation:** Senate Bill 67 - 130th General Assembly

As used in this chapter:

(A) "Color of office" means actually, purportedly, or allegedly done under any law, ordinance, resolution, order, or other pretension to official right, power, or authority.

(B) "Public accountant" means any person who is authorized by Chapter 4701. of the Revised Code to use the designation of certified public accountant or who was registered prior to January 1, 1971, as a public accountant.

(C) "Public money" means any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office.

"Public money" does not include either of the following:

(1) Money or revenue earned by or from a person's ownership, operation, or use of an asset, whether tangible or intangible, that either in whole or in part was sold, was leased, was licensed, was the granting of a franchise, or was otherwise transferred or conveyed by a public office to the person pursuant to an agreement, authorized by law, between the person and the public office in which the public office received consideration from the person for the asset that was sold, leased, licensed, franchised, or otherwise transferred or conveyed;

(2) With respect to the transfer described in Chapter 4313. of the Revised Code and the operation of the enterprise acquisition project, revenues or receipts of or from the enterprise acquisition project in the hands of the nonprofit corporation formed under section [187.01](#) of the Revised Code or of a nonprofit entity the sole member of which is that nonprofit corporation, but does include any taxes collected on the spirituous liquor sales and then due the department of taxation and amounts then due to the state general revenue fund pursuant to section [4301.12](#) of the Revised Code. As used in this division, "enterprise acquisition project" has the meaning defined in section [4313.01](#) of the Revised Code.

(D) "Public office" means any state agency, public institution, political subdivision, other organized body, office, agency, institution, or entity established by the laws of this state for the exercise of any function of government. "Public office" does not include the nonprofit corporation formed under section [187.01](#) of the Revised Code.

(E) "Public official" means any officer, employee, or duly authorized representative or agent of a public office.

(F) "State agency" means every organized body, office, agency, institution, or other entity established by the laws of the state for the exercise of any function of state government.

(G) "Audit" means any of the following:

(1) Any examination, analysis, or inspection of the state's or a public office's financial statements or reports;

(2) Any examination, analysis, or inspection of records, documents, books, or any other evidence relating to either of the following:

(a) The collection, receipt, accounting, use, or expenditure of public money by a public office or by a private institution, association, board, or corporation;

(b) The determination by the auditor of state, as required by section [117.11](#) of the Revised Code, of whether a public office has complied with all the laws, rules, ordinances, or orders pertaining to the public office.

(3) Any other type of examination, analysis, or inspection of a public office, or of the specific funds or accounts of a private institution, association, board, or corporation into which public money has been placed or deposited, that is conducted according to generally accepted or governmental auditing standards established by rule pursuant to section [117.19](#) of the Revised Code.

(H) "Person" has the meaning defined in section [1.59](#) of the Revised Code.

Available Versions of this Section

■ September 4, 2013 – Senate Bill 67 - 130th General Assembly

Section 117.11 | Annual, biennial, and early audits.

Ohio Revised Code / Title 1 State Government / Chapter 117 Auditor of State

Effective: April 12, 2021 *Latest Legislation:* House Bill 450 - 133rd General Assembly

(A) Except as otherwise provided in this division and in sections [117.112](#) and [117.113](#) of the Revised Code, the auditor of state shall audit each public office at least once every two fiscal years. The auditor of state shall audit a public office each fiscal year if that public office is required to be audited on an annual basis pursuant to "The Single Audit Act of 1984," 98 Stat. 2327, 31 U.S.C.A. 7501 et seq., as amended. In the annual or biennial audit, inquiry shall be made into the methods, accuracy, and legality of the accounts, financial reports, records, files, and reports of the office, whether the laws, rules, ordinances, and orders pertaining to the office have been observed, and whether the requirements and rules of the auditor of state have been complied with. Except as otherwise provided in this division or where auditing standards or procedures dictate otherwise, each audit shall cover at least one fiscal year. If a public office is audited only once every two fiscal years, the audit shall cover both fiscal years.

(B) In addition to the annual or biennial audit provided for in division (A) of this section, the auditor of state may conduct an audit of a public office at any time when so requested by the public office or upon the auditor of state's own initiative if the auditor of state has reasonable cause to believe that an additional audit is in the public interest.

(C)(1) The auditor of state shall identify any public office in which the auditor of state will be unable to conduct an audit at least once every two fiscal years as required by division (A) of this section and shall provide immediate written notice to the clerk of the legislative authority or governing board of the public office so identified. Within six months of the receipt of such notice, the legislative authority or governing board may engage an independent certified public accountant to conduct an audit pursuant to section [117.12](#) of the Revised Code.

(2) When the chief fiscal officer of a public office notifies the auditor of state that an audit is required at a time prior to the next regularly scheduled audit by the auditor of state, the auditor of state shall either cause an earlier audit to be made by the auditor of state or authorize the legislative authority or governing board of the public office to engage an independent certified public accountant to conduct the required audit. The scope of the audit shall be as authorized by the auditor of state.

(3) The auditor of state shall approve the scope of an audit under division (C)(1) or (2) of this section as set forth in the contract for the proposed audit before the contract is executed on behalf of the public office that is to be audited. The independent accountant conducting an audit under division (C)(1) or (2) of this section shall be paid by the public office.

(4) The contract for attest services with an independent accountant employed pursuant to this section or section [117.115](#) of the Revised Code may include binding arbitration provisions, provisions of Chapter 2711. of the Revised Code, or any other alternative dispute resolution procedures to be followed in the event a dispute remains between the state or public office and the independent accountant concerning the terms of or services under the contract, or a breach of the contract, after the administrative provisions of the contract have been exhausted.

(D) If a uniform accounting network is established under section [117.101](#) of the Revised Code, the auditor of state or a certified public accountant employed pursuant to this section or section [117.112](#) or [117.115](#) of the Revised Code shall, to the extent practicable, utilize services offered by the network in order to conduct efficient and economical audits of public offices.

(E) The auditor of state, in accordance with division (A)(3) of section [9.65](#) of the Revised Code and this section, may audit an annuity program for volunteer fire fighters established by a political subdivision under section [9.65](#) of the Revised Code. As used in this section, "volunteer fire fighters" and "political subdivision" have the same meanings as in division (C) of section [9.65](#) of the Revised Code.

(F) The auditor of state may establish by rule an agreed-upon procedure by which political subdivisions may be audited. The rules shall set forth the standards, procedures, guidelines, and reporting requirements for an agreed-upon procedure audit.

Available Versions of this Section

- September 4, 2013 – Senate Bill 67 - 130th General Assembly
- October 17, 2019 – Amended by House Bill 166 - 133rd General Assembly
- April 12, 2021 – Amended by House Bill 450 - 133rd General Assembly

Section 117.112 | Audit of buckeye tobacco settlement financing authority.

[Ohio Revised Code](#) / [Title 1 State Government](#) / [Chapter 117 Auditor of State](#)

Effective: June 30, 2007 **Latest Legislation:** House Bill 119 - 127th General Assembly

The auditor of state shall audit the buckeye tobacco settlement financing authority each fiscal year in accordance with this chapter. The auditor may engage an independent certified public accountant to conduct the audit.

Available Versions of this Section

■ June 30, 2007 – House Bill 119 - 127th General Assembly

Section 117.113 | Audit of RC Chapter 3326 technical schools.

[Ohio Revised Code](#) / [Title 1 State Government](#) / [Chapter 117 Auditor of State](#)

Effective: September 29, 2007 **Latest Legislation:** House Bill 119 - 127th General Assembly

The auditor of state shall audit each science, technology, engineering, and mathematics school established under Chapter 3326. of the Revised Code in accordance with this chapter each fiscal year.

Available Versions of this Section

■ September 29, 2007 – House Bill 119 - 127th General Assembly

Rule 117-2-05 | Standards for audits.

[Ohio Administrative Code](#) / [117](#) / [Chapter 117-2 | Accounting and Reporting by Public Offices](#)

Effective: July 16, 2021 **Promulgated Under:** 117.20

(A) Except as otherwise provided in rules of the auditor of state, audits of public offices pursuant to Chapter 117. of the Revised Code shall be performed in accordance with generally accepted governmental auditing standards.

(B) The auditor of state may also conduct other auditing engagements according to applicable professional auditing standards promulgated by the "American Institute of Certified Public Accountants" or other procedures the auditor of state believes suitable.

Last updated July 16, 2021 at 9:06 AM

Supplemental Information

Authorized By: [117.11](#), [117.12](#), [117.19](#)

Amplifies: [117.11](#), [117.12](#), [117.19](#)

Five Year Review Date: 7/1/2026

Prior Effective Dates: 1/31/1984, 4/30/1984, 9/24/1984, 12/23/1984, 7/1/2000, 1/23/2006, 11/16/2015

Eligibility Checklist for Agreed-Upon Procedures (Pursuant to AOS Policy & Audit Bulletin 2015-007)^{1, 2}

AOS Policy & Audit Bulletin 2015-007 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: _____

Information Needed for Determination:

Please indicate the client's **annual** expenditures and the client's **budgeted** (final formally approved appropriations³) expenditures:

Note: For client's whose annual expenditures,⁴ 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		

¹ Updated July 2023 – Updated “Reduced Services-Client Fraud Questions” document attached at 7E.

² This checklist should be completed for all small governments that have not had 3 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.

³ 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 § 5705, please use actual expenditures

⁴ 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?⁵ If OAC 117-2-03(B) or ORC 1724.05 **requires** the client to prepare GAAP financial statements, then the entity is NOT eligible.
* 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.

☐ Yes ☐ No
2. **Eligible Client Type** – Please see the attached list of potential qualifying subdivisions. 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 procedures⁶?

☐ Yes ☐ No
3. **Budgeted Expenditure Amounts** – Were the client's budgeted expenditures below \$5 million^{7,8} for both years for which the AUP will apply?

☐ Yes ☐ No
4. **Cyclical Audit Requirements**⁹ – Has the client had a financial GAGAS audit performed within the prior three cycles of AUPs?

☐ Yes ☐ No

⁵ If an entity chooses to report on the GAAP basis of accounting and maintains their records on a 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.

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

⁷ 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.

⁸ 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.

⁹ In other words, a client can only have three AUPs in-between full GAGAS audits.

This requirement does not pertain to CVBs. The Auditor of State has exercised its authority under Ohio Revised Code § 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 may not meet the needs of each CVB. An individual CVB may determine that a financial statement audit is more beneficial to its

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. Qualified, Adverse, or Disclaimer opinion ¹⁰ | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| B. Findings for adjustment ¹¹ | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| C. Findings for recovery that indicate fraud or theft in office ¹² | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| D. Findings related to material control weaknesses | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| E. Failure to demonstrate a conscientious effort to comply with budgetary laws | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |
| F. Failure to obtain sufficient evidence for any receipts or expenditures and the exception was noted in the previous AUP ¹³ | <input type="checkbox"/> Correct | <input type="checkbox"/> Not Correct |

Identify and describe the issue	
---------------------------------	--

Notes:

- The Budgetary assessment requires professional judgment. Consider whether the government is making a good-faith effort to comply with Ohio Rev. Code § 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.

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.

¹⁰ **Except:** AU-C 800.A39 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.)

¹¹ 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 or Basic Audit comment requiring an adjustment of money from one fund to another is an FFA, whether it includes the FFA statement or not. Auditors should determine if uncorrected FFAs recorded in the Matters for Attention are material by comparing to the most current year fund reports. If uncorrected FFAs exceed 5% of the effected fund balance(s), then the “Not Correct” box should be marked and a Chief Auditor’s sign off on the waiver is required.

¹² The AOS *Ohio Compliance Supplement* Implementation Guide defines FFRs. FFRs 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.

¹³ You should take into consideration the potential audit implication of these exception(s) in the previous AUP. The entity could still be eligible for reduced services if the AUP exception(s) would **NOT** have resulted in an opinion modification if an audit had been completed.

- 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.)

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)

☐ Yes

☐ No

Name and date of inquiry:

7. **Other Factors Increasing Risk**¹⁴

A. Client has had a financial GAGAS audit in the past and this is not their Initial Audit ¹⁵

☐ Correct

☐ Not Correct

B. Client is NOT under investigation by AOS Special Investigations Unit¹⁶ or is NOT otherwise at high risk of fraud

☐ Correct

☐ Not Correct

C. Client is NOT in fiscal emergency¹⁷

☐ Correct

☐ Not Correct

D. Client is reconciled and has NOT been declared unauditale in current or prior period¹⁸

☐ Correct

☐ Not Correct

E. Client (Fiscal Officer and Board/Council President) is not aware of any potential fraud risk or suspected and/or actual fraud:



☐ Correct

☐ Not Correct

Note: Consider the following scenarios:

- If E1 is identifying a risk and marked as “Not Correct”, but no suspected and/or actual fraud is identified for E2 and marked as “Correct”, mark E (prime) as “Correct”.
- If E1 is not identifying a risk and marked as “Correct”, but there is suspected and/or fraud for E2 and is marked as “Not Correct”, mark E (prime) as “Not Correct”,
- If E1 and E2 are identifying as a risk and marked as “Not correct”, mark E (prime) as “Not Correct”.

1. Client (Fiscal Officer and Board/Council President) is not aware of any potential fraud risk.

¹⁴ 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.

¹⁵ Under certain circumstances initial audits or entities that have not had a financial GAGAS audit in the past may be eligible. Discuss with Regional Chief/Assistant Chief Auditor. See the AUP CA/ACA Waiver Guidance document for more details. 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.

¹⁶ Not referring to investigations “off books” or unrelated to accounting functions.

¹⁷ 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.

¹⁸ Note: if an entity is declared unauditale, when they become auditale, they must have a full GAGAS audit before being eligible for reduced services (AUP or basic) again.

☐ Correct

☐ Not Correct

2. Client (Fiscal Officer and Board/Council President) is not aware of any suspected and/or actual fraud

☐ Correct

☐ Not Correct

Has the client answered the fraud questions?	
Document any fraud risks noted during inquiry with client	
Document any suspected and/or actual fraud noted during inquiry with client	

Note: It is required for auditors to inquire with the clients and receive answers back to fraud questions attached. The answers should be included with the checklist during the approval process and in the working papers. (A call to the client or asking the questions in person is preferred but an email will suffice.)

8. Other Audit Requirements¹⁹

- 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.**

☐ Correct

☐ Not Correct

Note: For Villages, AMP Ohio debt covenant requirements do not require an "audit", so an AUP is sufficient.

- B. Client is NOT a material²⁰ component unit of a GAAP, or OCBOA Cash/Modified Cash entity**

☐ Correct

☐ Not Correct

Name and date of inquiry:

- C. Client has NO outstanding audit fees in arrears²¹ or a payment plan has been established**

☐ Correct

☐ Not Correct

Date Verified in AOS Portal	
Outstanding Audit Fees	

¹⁹ 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.

²⁰ 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.

²¹ *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 or the client has a payment plan in place, the client is considered current for this step, and the "Correct" box should be marked. This step refers to audit fees **only**, any other outstanding fees (UAN, LGS related) do not affect AUP eligibility.*

Has an approved payment plan been established if there are outstanding audit fees in arrears?	
---	--

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.

☐ 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:	
---------------------------	--

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: Waivers may be granted for only one of the criteria in steps 2, 3, 5B-F, 6, 7A, 7E and 8B listed in the eligibility checklist, unless otherwise noted. Waivers should not be granted for steps 1, 4, 5A, 7B-7D, 8A, 8C or 8D. See the AUP CA ACA Waiver Guidance on the Intranet 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:

Waivers may be granted for only one of the criteria in steps 2, 3, 5B-F, 6, 7A, 7E and 8B listed in the eligibility checklist, unless otherwise noted. Waivers should not be granted for steps 1, 4, 5A, 7B-7D, 8A, 8C or 8D. See the AUP CA / ACA Waiver Guidance on the intranet 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.²²

²² 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.²³

- ☐ Waiver Approved
- ☐ Waiver Denied
- ☐ Submit for CFAE Review, if required as indicated in the AUP CA/ACA Waiver Guidance Document on the Intranet
- ☐ 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

²³ 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.

Potential Qualifying Subdivisions²⁴
• 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) ²⁵
• 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)

²⁴ Note: Entity types have been modified to agree with entity types available on the updated 8138 Form.

²⁵ We do not have an entity category for Councils of Government (COGs); however entities identified as COGs in GP /formed under Ohio Rev. Code § 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.)

Eligibility Checklist for Basic Audit Engagements (Pursuant to AOS Policy & Audit Bulletin 2015-007) ^{1 2}

AOS and Audit Bulletin 2015-007 allow certain public offices meeting specific criteria to choose to have reduced procedures performed (basic audit), as an alternative to an audit conducted in accordance with standards, or an Agreed-Up-On Procedures engagement. 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: _____

Information Needed for Determination:

Please indicate the client's **annual** expenditures:

	Annual Expenditures
FY 1	
FY 2	
Total	

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** – The client is NOT required to prepare GAAP financial statements by OAC 117-2-03(B) or ORC 1724.05 ^{3 4},

☐ **Correct**

☐ **Not Correct**

* 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.

¹ Updated July 2023 - Updated "Reduced Services-Client Fraud Questions" document attached at 5E.

² This checklist (or the Agreed-Up-On Procedures Eligibility Checklist) is required to be completed for ALL small governments and must be included in the audit working papers to document why a small government is, or is not, eligible for these procedures.

³ This step is N/A for CICs, including County Land Reutilization Corporations. They are required to report on a GAAP basis but may be eligible for basic audits.

⁴ If an entity chooses to report on the GAAP basis of accounting and maintains their records on a cash basis, the entity is eligible for a basic audit but the GAAP statements would not be tested as part of those procedures and therefore no opinion would be issued on them.

2. **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 basic procedures? ⁵

☐ Yes

☐ No

For Community Improvement Corporations / Land Reutilization Corp⁶ fill out steps a and b below for client type eligibility:

- a. Did they file or were eligible to file the Alternate Hinkle System Financial Statement Disclosure Report for both years?

☐ Yes, skip 2b but fill out the remaining checklist and mark 2 above as “Yes”.⁷

☐ No, continue to 2b.

- b. They were not eligible to file an Alternate Hinkle System Financial Statement Disclosure Report for both years but they did not have significant activity that indicates they are operating.

☐ Yes, they do not have significant activity. (Fill out the remaining checklist and mark 2 above as “No”. If all other criteria items are met on the checklist, the Regional Chief Auditor/Assistant Chief Auditor needs to approve the waiver.)

☐ No, they have significant activity. (Fill out the remaining checklist and mark 2 above as “No”. CFAE approval is required.)

3. **Disbursement Amounts** – For clients with an audit period year end of 11/30/2019 and later, were the client’s disbursements⁸ below the \$400,000 in aggregate⁹ limit for the 2 year period for which the basic audit procedures will apply (or \$200,000 if a 1 year basic audit)? For clients with an audit period year end prior to 11/30/2019, were the client’s disbursements¹⁰

☐ Yes

☐ No

⁵ For new entity types not on the Qualifying Subdivision list in the Basic Audit Eligibility Checklist:

- Check information related to the creation of the entity (Ohio Revised Code, bulletins, by-laws) to determine if audit is required.
- If no audit is required, submit inquiry to the AUP Specialty in Spiceworks to determine if the new entity type is eligible for reduced services & request assistance in shell review / development if the new entity is eligible for a Basic Audit.

⁶ The status on the Secretary of State’s website for all CICs should be “active,” including land reutilization corps and economic development corps (ORC 1724), and development corps (ORC 1726). If the status is “dead,” “cancelled” or “held” the CIC should NOT be operating and an exception should be reported.

⁷ If the CIC / Land Reutilization Corp is approved for a basic audit and filed or was eligible to file the Alternate Hinkle System Financial Statement Disclosure Report for both years, they are eligible for no-bill basic audit.

⁸ 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 basic, 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 a basic audit, the government should be evaluated to determine if they are eligible for an AUP. If not eligible for an AUP, a full audit should be completed. Please see additional guidance for ESID on-behalf payments on the [ESID Fact Sheet](#).

⁹ The total expenditures for the 2 year period must not exceed \$400K for an entity that is subject to a 2 year basic audit. Total expenditures include transfers.

¹⁰ See Footnote 8.

below the \$200,000 in aggregate¹¹ limit for the 2 year period for which the basic audit procedures will apply (or \$100,000 if a 1 year basic audit)?

Notes:

- Entities with a year end after 6/30/2019 and prior to 11/30/2019 should consult with CFAE via the AUP Specialty in Spiceworks to determine the basic audit applicable threshold.

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

A. Qualified, Adverse, or Disclaimer opinion¹²

☐ Correct

☐ Not Correct

B. Findings for adjustment¹³

☐ Correct

☐ Not Correct

C. Findings for recovery that indicate fraud or theft in office

☐ Correct

☐ Not Correct

5. Other Factors Increasing Risk

A. Client has had a financial GAGAS audit in the past and this is not their Initial Audit¹⁴

☐ Correct

☐ Not Correct

B. Client is NOT under investigation by AOS Special Investigations Unit¹⁵ or otherwise at high risk of fraud

☐ Correct

☐ Not Correct

C. Client is NOT in Fiscal emergency¹⁶

☐ Correct

☐ Not Correct

¹¹ The total expenditures for the 2 year period must not exceed \$200K for an entity that is subject to a 2 year basic audit. Total expenditures include transfers.

¹² **Except:** AU-C 800A.39 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.)


¹³ 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/Basic comment requiring an adjustment of money from one fund to another is an FFA, whether it includes the FFA statement or not. Auditors should determine if uncorrected FFAs recorded in the prior Matters for Attention are material by comparing to the most current year fund reports. If uncorrected FFAs exceed 5% of the effected fund balance(s), then the "Not Correct" box should be marked and a Chief Auditor's sign off on the waiver is required.

¹⁴ Under certain circumstances initial audits or entities that have not had a financial GAGAS audit in the past may be eligible for basic audits. Discuss with Regional Chief/Assistant Chief Auditor. See the Basic Audit CA/ACA Waiver Guidance document for more details. 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.

¹⁵ Not referring to investigations "off books" or unrelated to accounting functions.

¹⁶ 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.

D. Client is reconciled and has NOT been declared unauditale in the current period or the prior audit period? ^{17 18} ☐ Correct ☐ Not Correct

E. Client (Fiscal Officer and Board/Council President) is not aware of any potential fraud risks or suspected and/or actual fraud:  ☐ Correct ☐ Not Correct

Note: Consider the following scenarios:

- If E1 is identifying a risk and marked as "Not Correct", but no suspected and/or actual fraud is identified for E2 and marked as "Correct", mark E (prime) as "Correct".
- If E1 is not identifying a risk and marked as "Correct", but there is suspected and/or fraud for E2 and is marked as "Not Correct", mark E (prime) as "Not Correct",
- If E1 and E2 are identifying as a risk and marked as "Not correct", mark E (prime) as "Not Correct".

1. Client (Fiscal Officer and Board/Council President) is not aware of any potential fraud risk.

☐ Correct ☐ Not Correct

2. Client (Fiscal Officer and Board/Council President) is not aware of any suspected and/or actual fraud

☐ Correct ☐ Not Correct

Has the client answered the fraud questions?	
Document any fraud risks noted during inquiry with client	
Document any suspected and/or actual fraud noted during inquiry with client	

Note: It is required for auditors to inquire with the clients and receive answers back to fraud questions attached. The answers should be included with the checklist during the approval process and in the working papers. (A call to the client or asking the questions in person is preferred but an email will suffice.)

¹⁷ Any entity declared unauditale and then becomes auditale, must have a full GAGAS audit before being eligible for future reduced services (i.e. AUP or Basic Audit).

¹⁸ An entity that received a basic audit in the past is not precluded from qualifying for a basic audit in the next cycle if the entity is not reconciled, but the entity must be reconciled prior to being eligible for a subsequent basic audit.

6. **Other Audit Requirements**¹⁹

- 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.

☐

Correct

☐

Not Correct

Note: For Villages, AMP Ohio debt covenant requirements do not require an "audit", so basic audit procedures are sufficient.

- B. Client is NOT a material²⁰ component unit of a GAAP, or OCBOA Cash/Modified Cash entity

☐

Correct

☐

Not Correct

Name and date of inquiry:

- C. Client has NO outstanding audit fees in arrears²¹ or a payment plan has been established

☐

Correct

☐

Not Correct

Date Verified in AOS Portal	
Outstanding Audit Fees	
Has an approved payment plan been established if there are outstanding audit fees in arrears?	

¹⁹ 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. All governments eligible for the reduced audit services will continue to be responsible for notifying the appropriate AOS regional office if a financial audit is needed or desired or if the entity does not want to be considered for a basic audit. The auditor therefore should always inquire of the for current and future debt and agreements client and document this inquiry on step 6 above.

²⁰ 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.

²¹ 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 or the client has a payment plan in place, the client is considered current for this step, and the "Correct" box should be marked. This step refers to audit fees **only**, any other outstanding fees (UAN, LGS related) do not affect basic audit eligibility.

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

☐

Correct

☐

Not Correct

All entities must file **complete** financial statements (i.e. financial statements with notes or, for the limited entities eligible, the Alternate Hinkle System Financial Statement Disclosure Report²²) via Hinkle System to be auditable and eligible for Basic Audit reduced services.

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

²² For Clients who are permitted to file the Alternate Hinkle System Financial Statement Disclosure Report due to having limited or no financial activity for the audit period, including those entities listed below, a basic audit will be performed, and the cost of the basic audit will not be billed to the Client.

- Community Improvement Corporations (CIC), including Economic Development Corporations and Land Reutilization Corporations – formed under Ohio Revised Code §1724.05
- Special Improvement Districts (SID), including energy special improvement districts (ESID) – formed under Ohio Revised Code §1710
- Joint Economic Development Districts/Zones (JEDD/JEDZ) - formed under Ohio Revised Code §715.691, 715.70, 715.71 or 715.72
- A public office or other entity required to file that has been legally created but did not function during the reporting period

Results of Checklist Assessment:

☐

Eligible for a Basic Audit Engagement

☐

Ineligible for a Basic Audit Engagement and no waiver requested

☐

Ineligible for a Basic Audit Engagement but requesting a waiver for the exception noted below:

Note: Waivers may be granted for only one exception of either criteria 2, 3, 4B, 4C, 5A, 5E or 6B listed in the eligibility checklist. Waivers should not be granted for steps 1, 4A, 5B-5D, 6A, 6C or 6D. See the Basic Audit CA ACA Waiver Guidance on the intranet 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:

Waivers may be granted for only one exception of either criteria 2, 3, 4B, 4C, 5A, 5E or 6B listed in the eligibility checklist. Waivers should not be granted for steps 1, 4A, 5B-5D, 6A, 6C or 6D. See the Basic Audit CA ACA Waiver Guidance on the Intranet for additional guidance.

Note to AOS assessment reviewer: Although this form is to be used to assess a government's eligibility for Basic Audit procedures, the Auditor of State retains discretion over eligibility if the assessment reviewer determines that a specific client meets the spirit of the guidance, despite a failure to meet all criteria. In such a case, should you determine that Basic Audit 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 Basic Audit 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 AOS within the established timeframe, the entity will forfeit the reduced services and a GAGAS audit will be performed.**

All basic audits are performed by AOS (no IPAs).

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.²³

²³ 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 all waiver requests.

- ☐ Waiver Approved
- ☐ Waiver Denied
- ☐ Submit for CFAE Review, if required as indicated in the Basic Audit CA/ACA Waiver Guidance Document on the Intranet

Comments:

Signature of Chief/Assistant Chief Auditor

Date

CFAE Approval/Denial:

- ☐ Waiver Approved
- ☐ Waiver Denied

Comments:

Signature of CFAE Representative

Date

Potentially Eligible Clients ²⁴
• Agricultural Societies
• Airports/Transit/Port/Convention Facilities/Finance Authorities
• Cemeteries
• Community Improvement Corporations ²⁵ / Land Reutilization Corp
• Community/Multi/Juvenile Correction Facilities
• Conservancy Districts
• Council of Government (with the exception of Insurance Consortiums) ²⁶
• 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 Bureau (formerly called Convention and Visitors Bureau)
• Water, Sewer, and Sanitary Districts
• Others (Eligibility determined on a case by case basis) CFAE approval required

²⁴ NOTE: Entity types have been modified to agree with entity types available on the updated 8138 Form. Although all entities are not listed, the Auditor of State's office reserves the right to determine on a case by case basis additional entities to be qualifying subdivisions.

²⁵ For the Auditor of State to audit an entity pursuant to ORC 1724.05 or 1726.11, it must specifically be organized / incorporated under either Chapter 1724 or 1726. This means the entity must have filed articles of incorporation with the Secretary of State indicating an intention to be governed by Chapters 1724 or 1726 or at some subsequent date amended their articles to be governed by either of those two chapters. Further, the OAG must certify compliance with those chapters before the Secretary of State can record them as such.

Being a non-profit under chapter 1702 is not enough to be a CIC. To be a CIC requiring an audit, the entity must be incorporated under both 1702 & 1724. A development corporation would only be incorporated under 1726.

NOTE: *If a CIC has no activity, inquire if they wish to disband. They must understand the value of having an established corporation, if there is a reasonable possibility they may wish to resume activity at a future date. So, they should not disband unless they determine it is unlikely they would wish to resume activity. If the CIC plans to disband, they should file the appropriate forms with the Secretary of State to inform them of this decision, and start disbanding procedures. If the CIC does not start disbanding procedures and continues to operate in a "cancelled status" and does not file the required annual financial report filing via the Hinkle system, we would declare them unauditable and if after 90 days they fail to file, we will notify the Secretary of State. The Secretary of State then shall cancel the articles of the CIC, and all rights, privileges, and franchises conferred upon that CIC will cease. If the CIC does not wish to disband but had NO activity during the audit period, we should obtain a written representation from the head of the governing board representing that during the years covered by our procedures, the corporation had no cash, assets, liabilities, revenue or expenses. NOTE: Even if no activity occurred a Basic Audit report is still required to be prepared.*

²⁶ 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.)



Audit & Reporting Group

Criteria List Drafting

To facilitate our discussion of audit and reporting topics, consider the following list of criteria. As it relates to a potential change in policy or practice: Which of these criteria should we include in our report? Which should we drop? Which are missing?

Return on Investment

Risks

Benefits

Drawbacks

Costs and Savings

Fairness

Equity

Consistency

Ease of Implementation

Time to Implement

Cost of Implementation

Impact on Other Requirements

Flexibility

Quality

Impact on Efficiency

Impact on Accuracy

Impact on Clarity

Impact on Transparency

Impact on Accessibility

Accountability

Impact on Fraud Prevention

Impact on Waste Prevention

Impact on Abuse Prevention

Level of Support

Public Perception