

**Guide for
Agreed-Upon Procedures Engagements
For Local Government Entities
with Annual Revenues or Expenditures
Greater Than \$350,000 and Less Than \$750,000**

(Revised May 2015)



**OFFICE OF THE
UTAH STATE AUDITOR**

REVISION HISTORY

As revisions are made to this *Guide for Agreed-Upon Procedures Engagements for Local Government Entities*, they will be noted in the table below. Please refer back to the online version often to check for changes.

CHAPTER	SECTION	PAGE	CHANGE(S) MADE	DATE CHANGED

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Chapter 1. APPLICABILITY

DECISION TREE: DETERMINING WHETHER AN ENTITY NEEDS A FINANCIAL AUDIT AND A STATE COMPLIANCE AUDIT, OR AN AGREED-UPON PROCEDURES ENGAGEMENT

1. Is the entity a county, a municipality, a local or special service district, or an interlocal agreement entity?
 - Yes – Continue to #3 below ↗
 - No – Nonprofit organizations (other than charter schools) continue to table on next page. Nonoperating charter schools continue to #5 below. All others continue to #2 below.
2. Is the entity a school district or an operating charter school (including those organized as nonprofits)?
 - Yes – Stop! Both a financial audit and a state compliance audit are required to be performed and submitted to the Office of the Utah State Auditor (OSA).
 - No – Neither an agreed-upon procedures engagement, a financial audit, nor a state compliance audit are required by the State of Utah.*
3. Are total annual revenues or expenditures of all funds less than \$750,000?
 - Yes – Continue ↗
 - No – Stop! Both a financial audit and a state compliance audit are required to be performed and submitted to the OSA.
4. Are total annual revenues or expenditures of all funds greater than \$350,000?
 - Yes – Continue ↗
 - No – Stop! Neither an agreed-upon procedures engagement, a financial audit, nor a state compliance audit are required by the State of Utah.*

However, the entity must complete:
 - OSA Self-Evaluation Form (option 1), and
 - OSA Online Financial Survey (option 2) at reporting.auditor.utah.gov
5. Are either a financial audit or a state compliance audit required by an external party (i.e. bond/debt covenants)?
 - Yes – Stop! Both a financial audit and a state compliance audit are required to be performed and submitted to the OSA.
 - No – Stop! An agreed-upon procedures engagement is required.* Also, the entity must complete the OSA Online Financial Survey (option 2) at reporting.auditor.utah.gov.
NOTE: A non-operating charter school may submit an AFR in place of the OSA Online Financial Survey.

* An entity may decide to have a financial audit and a state compliance audit even if not required as outlined above. If an audit is performed, the *State Compliance Audit* is also required.

A COMPLETE LIST OF THE CURRENT REPORTING REQUIREMENTS CAN BE FOUND ON THE OSA WEBSITE AT: <http://auditor.utah.gov/local-government-2/publications/reporting-requirements/>

**REPORTING REQUIREMENTS FOR
NONPROFIT ORGANIZATIONS**

Reporting requirements for Nonprofit organizations are based on the total amount of federal, state, or local awards received or expended, rather than on annual revenues and expenditures as are local government entities. Nonprofit organizations have the reporting requirements listed in the following table.

Total amount of federal, state, or local awards received or expended	Document Required to be Submitted
Less than \$25,000	No reporting requirements
Between \$25,000 and \$100,000	IRS Form 990 or Online Financial Survey * <i>The financial survey serves as the required financial report of the entity.</i>
Between \$100,000 and \$350,000	Financial Report Compilation * <i>Completed by an independent CPA firm.</i>
Between \$350,000 and \$750,000	Financial Statement Review * <i>Completed by an independent CPA firm.</i>
Greater than \$750,000	Financial Audit and Chapter 3 of State Compliance Audit Guide

All reports are due 180 days after year end. Reports are to be submitted to the Office of the State Auditor website at reporting.auditor.utah.gov, Option 1 or 2.

* A nonprofit organization may decide to have a financial audit and a state compliance audit even if not required as outlined above. If an audit is performed, Chapter 3 of the *State Compliance Audit Guide* should be followed.

ENTITIES REQUIRED TO HAVE AN AGREED-UPON PROCEDURES ENGAGEMENT

The entities noted below are required to have an agreed-upon procedures engagement which is:

- 1) Performed in accordance with this *Guide for Agreed-Upon Procedures Engagements for Local Government Entities (Guide)*, developed by the Office of the Utah State Auditor (OSA) as dictated by UCA 51-2a-201, and
- 2) Performed in accordance with attestation standards established by the AICPA in AT 201 and AT 601 and *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States (see Chapter 5 of GAS).

This agreed-upon procedures engagement is performed in lieu of a State Compliance Audit for only those applicable entities noted below. The agreed-upon procedures report must be submitted to the OSA's Online Reporting System found on our website at: reporting.auditor.utah.gov no later than 180 days after the entity's year end.

- **Municipalities** with total annual revenues or expenses of at least \$350,000 but less than \$750,000.
- **Local and special service districts** with total annual revenues or expenses of at least \$350,000 but less than \$750,000.
- **Interlocal Agreement Entities** with total annual revenues or expenses of at least \$350,000 but less than \$750,000.
- **Nonoperating Charter Schools** (charter schools that have not received MSP funds or federal funds and are not providing educational services during a fiscal year), *regardless of total annual revenues or expenses*. Note: *Operating* charter schools are required to have a financial audit and a State compliance audit (See the OSA's *State Compliance Audit Guide*).
- Local government entities that are **allowed by statute and choose to receive an agreed-upon procedures engagement**.

This *Guide* does not apply to:

- **Counties**
- **Nonprofit Organizations**
- **State departments or agencies**
- **School Districts and Operating Charter Schools** (including those organized as non-profits)
- Other local government entities that **choose to have a financial audit or are required to have a financial audit under state law**. *Entities who have a financial audit are also required to have a State Compliance Audit (See the OSA's State Compliance Audit Guide)*

Chapter 2. COMPONENTS OF AN AGREED-UPON PROCEDURES ENGAGEMENT

Online Financial Survey

The first step in an agreed-upon procedures engagement performed in accordance with this Guide is to ensure that the entity's Online Financial Survey has been completed on the OSA's Online Reporting System found at: reporting.auditor.utah.gov (option 2). The entity's chief administrative officer and chief financial officer (as designated in UCA 11-50-202) must certify the accuracy and completeness of the data prior to its submission. Beginning with the fiscal year 2014 reporting period, the submission of this Online Financial Survey makes submission of the UT Form unnecessary. The Online Financial Survey must be submitted to the Office of the Utah State Auditor no later than 180 days after the entity's year end.

Scope and Engagement Letter

The procedures completed by the CPA shall be those procedures outlined in this Guide (see Chapter 3) plus additional supplemental procedures (if any) requested by the governing body or their designee. The CPA shall document the scope of the agreed-upon procedures requested by the governing body or their designee in an engagement letter signed in advance by the entity's chief administrative officer. (See Chapter 4 for an example engagement letter.)

Objectives of Agreed-Upon Procedures

The purpose of the agreed-upon procedures engagement is to determine whether the Online Financial Survey agrees with the entity's accounting records and to evaluate the entity's compliance with state laws.

The financial information and the existence and appropriateness of the entity's internal controls over the financial information are the responsibility of the governing body. Independent accountants, through the application of agreed-upon procedures, should not provide an opinion or assurance on the reliability of financial information generated by the entity and the effectiveness of appropriate internal controls. The agreed-upon procedures report presents the findings and results of the agreed-upon procedures performed by the CPA. An understanding of this distinction in role and responsibility is crucial to the governing body's effective use of the information provided as part of the agreed-upon procedures performed.

Members of the governing body may request additional information from the entity, as well as the performance of additional procedures in agreement with the independent accountant. The governing body should consider carefully what approach best serves the entity's needs in evaluating compliance and internal control.

While the detection of control weaknesses and improper activity outside the scope of the agreed-upon procedures is not the primary function of the CPA, the CPA should be alert for situations or transactions that may indicate the existence of such conditions and include findings related to these activities in their report.

Application of Agreed-Upon Procedures

Chapter 3 lists procedures (in a workpaper format) for completing an agreed-upon procedures engagement that *must* be applied to all entities as applicable. Management is not limited to these procedures and may design additional procedures to address specific risks identified by the entity.

Report on Agreed-Upon Procedures

The CPA's Agreed-Upon Procedures Report should be in the form of procedures and findings and should include the entity's planned corrective action. See Chapter 5 for information on development of the Agreed-Upon Procedures Report. The Agreed-Upon Procedures Report must be uploaded to the OSA's Online Reporting System at reporting.auditor.utah.gov (option 1) no later than 180 days after the entity's year end.

Management Representations

The CPA shall obtain written representation from the entity's management. These representations may be tailored to cover specific assertions and matters unique to the entity. (See Chapter 6 for an example letter.)

Chapter 3. AGREED-UPON PROCEDURES

Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
ONLINE FINANCIAL SURVEY				
	ALL	GENERAL 1. Determine whether the entity's financial information has been submitted via the Online Financial Survey to the OSA's Online Reporting System. Obtain a copy of the financial reports at reporting.auditor.utah.gov.		
	ALL	2. Agree amounts reported on the Online Financial Survey to the entity's general ledger. Report any differences greater than 5% of total revenues.		
	ALL	REVENUES 3. Compare each revenue account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 5% of total revenues and 10% of the individual line item from the prior year, inquire of management and review applicable supporting documentation to determine whether the entity's explanation for the change was in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies as applicable.		
	ALL	DISBURSEMENTS 4. Compare each expense account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 5% of total expenses and 10% of the individual line item from the prior year, inquire of management and review applicable supporting documentation to determine whether the entity's explanation for the change was in accordance with the entity's policies and procedures, GAAP, and State and/or federal policies as applicable.		
ACCOUNTING RECORDS				
	ALL	GENERAL 5. Inquire with those charged with governance, the chief administrative officer, and the chief financial officer (as designated in UCA 11-50-202) of any instances of fraud, illegal acts, or noncompliance. Report the instances noted and the action taken by the entity (if any) to minimize the risk of reoccurrence.		

* M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Agreement Agencies
 LEA= Nonoperating Charter Schools, including those organized as non-profits.

Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-147&148 Districts: 17B-1-638 LEAs: 53A-19-108 Interlocals: 11-13-527	ALL	<p>DISBURSEMENTS</p> <p>6. Determine whether financial reports are prepared monthly or quarterly as required, and reviewed by the governing body.</p> <ul style="list-style-type: none"> • 1st & 2nd class cities, interlocal entities, and districts should prepare reports at least quarterly. • 3rd – 5th class cities and LEAs should prepare reports monthly. • Towns should, as a good business practice, prepare reports at least quarterly; however, there is no specific requirement related to towns in statute. <p>Select one financial report presented to the governing body during the period. Scan the general ledger and determine that all funds (i.e. water fund, debt service fund, etc.) are included in the report. Agree the lesser of 10% or 15 line items from the report to the general ledger.</p>		
	ALL	<p>7. Inquire with the chief administrative officer and the chief financial officer whether there are disbursements to related parties. Also, scan disbursement records for disbursements to related parties. Examples of related parties include members of the governing body and administrative staff; immediate family members of administrative staff and members of the governing body; and businesses affiliated with members of the governing body and administrative staff or their relatives. Examples of related party transactions may include purchasing services from a city council member's company, leasing entity equipment to the mayor, or selling entity land to a council member or his brother.</p> <p>Determine who has credit cards or purchasing cards issued by the entity. Select the lesser of 25 disbursements or 10% of disbursements ensuring that the selection includes disbursements to related parties as well as credit card or purchase card disbursements made by members of the governing body and executive level of management.</p> <p>Determine whether the disbursement:</p> <ol style="list-style-type: none"> a. Is consistent with the entity's purpose. b. Agrees to the receipt or invoice supporting the amount and payee. c. Was authorized consistent with the entity's policies and procedures. d. Is in compliance with the entity's purchasing policy (bids, quotes, etc.). 		

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Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
		e. Was classified and recorded in accordance with the entity's chart of accounts and policies and procedures, GAAP, and State/Federal policies as applicable.		
	ALL	8. If the entity uses credit cards or purchasing cards, for each card used, select one month during the period and determine whether card purchases were reconciled to receipts monthly by someone other than the card holder.		
	ALL	CASH 9. For each depository account, obtain the year-end bank reconciliation and one additional month's bank reconciliation and perform the following: a. Trace the bank balance on the reconciliation to the balance per the bank statement.		
		b. Trace the reconciled book balance to the general ledger and the amount reported on the Online Financial Survey.		
		c. Test the clerical accuracy of the reconciliation.		
		d. For reconciling items greater than 5% of annual revenues, inquire of management and review applicable supporting documentation to determine that the items are consistent with the entity's policies and procedures, GAAP, and State/Federal policies. Trace the lesser of 10% or five reconciling items to a subsequent bank statement.		
		e. Trace the lesser of 10% or five deposit transactions and 10% or five disbursement transactions to the general ledger.		
	ALL	10. For each depository bank reconciliation selected above, through inquiry of management and review of the reconciliation, determine whether the bank reconciliation is performed by someone who does not have access to receipts or disbursements. If the individual does have access to receipts or disbursements, determine whether a separate individual reviews the completed bank reconciliation.		
	ALL	MEETINGS 11. Review the governing board's meeting minutes for the period applicable to the engagement through the date of the engagement. For all financial transactions discussed in the minutes exceeding 5% of total revenues, and a sample of the lesser of 10% or 3 less-significant financial transactions discussed, trace the transactions to the entity's accounting records and determine whether the transactions were recorded and reported in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies, as applicable.		

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Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
COMPLIANCE				
UCA Towns: 10-5-109 Cities: 10-6-118 Districts: 17B-1-614 LEAs: 53A-19-102 Interlocal: 11-13-507 & 11-13-514	ALL	<p>BUDGET</p> <p>12. Determine that a budget was approved before the start of the budget year and that the budget presented to the public and governing body contained the required financial information. (EXCEPTION – When the entity is proposing a property tax increase, the budget may be approved subsequent to the start of the budget year. See applicable law.)</p> <p>A budget should be prepared for <u>all funds</u>, be in tabular form, and contain the following information:</p> <ul style="list-style-type: none"> • Actual revenues and expenditures from the last completed fiscal period. • Budget estimates for the current fiscal period. • Estimated total revenues and expenditures for the current fiscal period. 		
UCA Towns: 10-5-106 thru 108 Cities: 10-6-110 , 113 , 135 Districts: 17B-1-605 thru 607 , 609 Interlocals: 11-13-509	M, D, & IL	13. Ensure that the entity provided the required 7-day notice for its original and final budget adoption hearing by reviewing proof of the notice.		
UCA Towns: 10-5-115 Cities: 10-6-123 Districts: 17B-1-619 LEAs: 53A-19-106 Interlocals: 11-13-517	ALL	14. Examine the entity's records and financial reports and determine whether the total expenditures by department stayed within the amounts appropriated in the final adopted budget.		
		<p>MEETINGS</p> <p>15. Select and obtain the agenda and meeting minutes for two public meetings held during the engagement year and perform the following:</p>		
UCA 52-4-202 (1)&(3)	ALL	a. Determine that the entity gave proper notice of the meeting at least 24 hours before each meeting by posting the notice on the Utah Public Notice Website.		
UCA 52-4-202 (6)(a)	ALL	b. Determine that the agenda was reasonably specific to enable lay persons to understand the topics to be discussed.		

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Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
UCA 52-4-202(6)(c)	ALL	c. Determine if the public body took any final actions on a topic in the meeting that was not listed under an agenda item.		
UCA 52-4-203(4)(e)	M & LEA	d. Determine whether the minutes were posted to the Utah Public Notice Website within three days of the meeting minutes being approved. (Exceptions: 5 th class cities and towns are encouraged but not required to comply until January 2015.)		
UCA 52-4-204(2)-(4)	ALL	<p>e. If a portion of the meeting was closed to the public, determine that 1) before the meeting was closed, the reason for holding the closed meeting was documented in the meeting minutes and a roll call vote was taken, 2) the reason for closing the meeting was permitted under statute, and 3) an audio recording of the closed meeting was made (see exception below).</p> <p>Meetings may be closed for only the following:</p> <ul style="list-style-type: none"> • Discussion of the character, competence or health of an individual. • Strategy sessions for: <ul style="list-style-type: none"> ○ Collective bargaining ○ Pending or imminent litigation ○ Purchase, exchange, or lease of real property including water rights and shares ○ Sale of real property including water rights or shares • Discussion of security personnel, devices or systems. • Investigations regarding allegations of criminal conduct. <p><i>Exception:</i> An audio recording is not required for a closed meeting to discuss (a) the character, competence, or health of an individual or (b) the deployment of security personnel, devices, or systems. However, the person presiding the meeting must sign a sworn statement affirming that the sole purpose for closing the meeting was to discuss those matters.</p>		
	ALL	f. Report any noncompliance with the Open and Public Meetings Act directly to the Office of the Utah State Auditor at stateauditor@utah.gov .		

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Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	ALL	<p>GENERAL</p> <p>16. Determine whether the entity has written policies and procedures that address the following:</p> <ul style="list-style-type: none"> a. Purchasing - including policies/procedures establishing a competitive procurement process and authorization and approval of transactions at an appropriate level. b. Disclosure of nepotism. c. Disclosure of conflicts of interest – including policies/procedures making employees aware of the policy. d. How to respond to a GRAMA request. <p>(Note: While statutes may not require written policies, OSA requires all entities to establish written policies and procedures as a matter of good business practice.)</p>		
UCA 52-3-1 Charter Schools: 53A-1a-518	ALL	<p>17. Inquire and observe whether there are any employees being directly supervised by a relative. <i>Generally, a relative means father, mother, husband, wife, son, daughter, sister, brother, aunt, uncle, nephew, niece, first cousin, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law.</i></p>		
	ALL	<p>DISBURSEMENTS</p> <p>18. Through inquiry with management and scanning receipt records, determine what restricted revenue is received by the entity (grant funds, impact fees, B&C road funds, etc.). Select the lesser of 10% or 5 disbursements from restricted funds and determine whether the disbursements were in compliance with restrictions placed on the funds.</p>		
UCA Cities: 10-6-117 Districts: 17B-1-613 Interlocals: 11-13-513-(3)	M, D & IL	<p>FUND BALANCES</p> <p>19. Deficit Fund Balances:</p> <p>For any fund that has a deficit fund balance in the year under audit, determine whether the entity included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 5% of the fund's total actual revenue of the year under audit. (Note: Although the laws relating to towns are silent on the matter, the OSA requires the same appropriation procedures for towns as a good business practice.)</p>		

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Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-116-(2) Towns: 10-5-113-(2) UCA Districts: 17B-1-612 Interlocals: 11-13-512-(2)	M, D & IL	20. <u>General Fund Balance Limitations:</u> Municipalities: Determine whether the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 25% for cities or 75% for towns of the total revenue of the general fund for the engagement year. Special and Local Service Districts and Interlocal Entities: The maximum unrestricted (committed, assigned, and unassigned) fund balance is restricted to the greater of: a. 100% of the current year's property tax; or b. 25% of the total general fund revenues, if the annual general fund budget is greater than \$100,000; or c. 50% of the total general fund revenues, if the annual general fund budget is equal to or less than \$100,000.		
UCA 52-4-104	ALL	TRAINING 21. Through inquiry with officials of the entity and observation of meeting agendas, certificates or other relevant evidence, determine whether the following training has occurred as applicable: a. <u>Open and public meetings</u> – UCA 52-4 requires that the presiding officer of a governing body ensure that members of the governing body are provided with annual training on the requirements of open and public meetings.		
UCA 63G-2-108	ALL	b. <u>GRAMA</u> – UCA 63G-2-108 requires that the entity's designated records officer shall annually complete an online training course on the requirements of GRAMA.		
UCA 17B-1-312	D	c. <u>Local and Special Service Districts</u> – UCA 17B-1-312 requires that each member of a board of trustees of a local or special service district, within one year after taking office, complete training developed by the Office of the Utah State Auditor in cooperation with the Utah Association of Special Districts.		
UCA 63G-2-203	ALL	GRAMA (GOVERNMENT RECORDS ACCESS MANAGEMENT ACT) 22. If fees are charged for GRAMA requests, verify that the entity has adopted a uniform fee structure.		

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Chapter 4. EXAMPLE AGREED-UPON PROCEDURES ENGAGEMENT LETTER

NOTE: Before devising the engagement letter, the practitioner should determine which of the agreed-upon procedures noted in Chapter 3 of this Guide are required to be performed for the type of engagement entity. All procedures to be performed should be noted in a list to be attached as an integral part of the engagement letter. In addition, verbiage in red type in this sample engagement letter is for informational purposes only and should be deleted; verbiage highlighted in yellow needs to be tailored to fit the specifics of the entity.

[Prepared on CPA's letterhead]

Purpose of Letter

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for [Entity's full name]. This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement.

Requested Procedures and Responsibilities

We will apply the agreed-upon procedures to [the Entity]'s accounting records, Online Financial Survey, and compliance with applicable state laws for the year ended June 30, 20XX, as required by and enumerated in *Utah Code 51-2a-201* and the *Guide for Agreed-Upon Procedures Engagements for Local Governments Entities with Annual Revenues or Expenditures Greater Than \$350,000 and Less Than \$750,000*, issued by the Office of the Utah State Auditor. These procedures will be applied for the purpose of reporting our findings as a result of the procedures performed. The procedures we will perform have been agreed to by the specified parties to this engagement, which are [Governing Body] and the Office of the Utah State Auditor.

Applicable Standards

Our engagement to apply agreed-upon procedures will be conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States (which standards incorporate by reference the American Institute of Certified Public Accountants general attestation standard on criteria, the field work and reporting attestation standards, and the corresponding statements on standards for attestation engagements). The sufficiency of the procedures is solely the responsibility of the specified parties listed above. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Reporting on Agreed-upon Procedures

The agreed-upon procedures listed in the attached schedule are not designed to constitute an audit or review of [the Entity]'s accounting records or the Online Financial Survey. Also, the agreed-upon procedures are not designed to constitute an examination or review of [the Entity]'s compliance with

applicable state laws. Therefore, we will not express reasonable or limited assurance on these matters. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

Report Distribution

We will present a written report listing the procedures performed and our related findings. This report is intended solely for the use of the specified parties as identified above and should not be used by anyone other than these specified parties. In accordance with *Government Auditing Standards*, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant your attention. Additionally, we will report on any matter that comes to our attention that causes us to believe that amounts reported on the Online Financial Survey should be adjusted by more than \$[insert amount]. [NOTE: this amount should be 5% of total revenues.]

Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. You will be given the opportunity to review a draft of the report and write a response to any exceptions to be included in the final report.

Documentation Ownership and Retention

The attest documentation for this engagement is the property of [the CPA Firm] and constitutes confidential information. However, we may be requested to make certain attest documentation available to the Office of the Utah State Auditor pursuant to authority given to it by law or regulation. If requested, access to such attest documentation will be provided under the supervision of [the CPA Firm] personnel. Furthermore, upon request, we may provide copies of selected attest documentation to the Office of the Utah State Auditor who may intend, or decide, to distribute copies of information contained therein to others, including other governmental agencies.

We agree to retain our attest documentation for a period of at least five years from the date of our report.

Peer Review Report

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of the latest external peer review report of our firm for your consideration and files.

Management

• Responsibilities

Our engagement will be conducted on the basis that [the Entity]'s management acknowledge and understand that they have responsibility for:

- Designing, implementing, and maintaining internal control relevant to the [the Entity]'s accounting records, accuracy and completeness of the Online Financial Survey, and compliance with applicable state laws;
- Selecting and determining the suitability and appropriateness of the criteria upon which the accounting records and the Online Financial Survey will be evaluated;
- Compliance with applicable state laws;
- Providing us with:
 - Access to all information of which management is aware that is relevant to the [the Entity]'s accounting records, Online Financial Survey, and compliance, such as records,

- documentation, and other matters (management is responsible for the accuracy and completeness of such information);
- Additional information that we may request from management for the purpose of performing the agreed-upon procedures; and
- Unrestricted access to persons within the entity from whom we determine it necessary to obtain attest evidence.
- Submitting our report to the Office of the Utah State Auditor.

• **Representations**

At the conclusion of our engagement, we will require from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the agreed-upon procedures.

Engagement Administration and Fees

Our engagement is scheduled for performance during [Insert time frame] and, unless unforeseeable problems are encountered, the engagement should be completed by [Insert anticipated completion date].

[Insert name of firm representative], CPA, is the engagement partner for the services specified in this letter and is responsible for supervising the engagement and signing the report.

Our fee for this engagement will be \$[insert amount] (which includes travel and other out-of-pocket expenses) and is payable when invoiced at the completion of this engagement. Finance charges of [1½ percent per month] will be assessed on unpaid balances over 30 days old.

If any difference arises between the [the Entity] and our firm related to services performed by us that cannot be resolved, you and we agree first to try in good faith to settle the difference by mediation. Costs of any mediation proceeding shall be shared equally by all parties.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and return a copy to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Very truly yours,

[CPA Firm's Name]

RESPONSE:

This letter correctly sets forth our understanding. Acknowledged and agreed on behalf of [the Entity] by:

Signature: _____

Printed Name: _____

Title:

Date:

Note – Adjustments should be made as necessary to comply with changes in attestation and government auditing standards issued after the preparation of this Guide.

Chapter 5. EXAMPLE REPORT ON AGREED-UPON PROCEDURES

The CPA's report on agreed-upon procedures applied to the entity should be in the form of procedures and findings. Among other things, the report should have a title that includes the word "independent" and identify the specified parties, the subject matter, the procedures performed, and findings. The following are examples of how the findings may be communicated:

For analytical procedures:

- There were no variances over the specified amounts which were unexplained. –or–
- Adjustments were made to the financial report as follows (describe adjustment)

For other procedures:

- We noted no exceptions as a result of these procedures. –or–
- Exceptions were identified as follows: (–or– Refer to the finding and recommendation section of this report on page xx.)

The entity must provide a response to each exception identified by the CPA outlining the entity's planned corrective action. Below is a template for the CPA's report on agreed-upon procedures.

Verbiage noted in red type in the sample report below is for informational purposes only and should be deleted; verbiage highlighted in yellow needs to be tailored to fit the specifics of the entity.

EXAMPLE INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

[Prepared on CPA's letterhead]

To the [Insert name of those charged with governance]
and
_____, [Chief Administrative Officer]
[XYZ Entity]

In accordance with *Utah Code 51-2a-201*, we have performed the procedures enumerated below, which were agreed to by [Insert name of those charged with governance] of [Entity's Full Name] and the Office of the Utah State Auditor, solely to assist them with respect to [the Entity]'s accounting records and whether the Online Financial Survey agrees with its accounting records and in evaluating [the Entity]'s compliance with applicable state laws, rules, and requirements for the year ended [Month/Day], 20XX. Management is responsible for [the Entity]'s accounting records, the accuracy and completeness of the Online Financial Survey, and compliance with applicable state laws.

This agreed-upon procedures engagement was conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are summarized as follows:

NOTE: Delete any of the following agreed-upon procedures which were not performed because they were not required in Chapter 3 of this Guide for the type of entity being examined.

PROCEDURES	RESULT
ONLINE FINANCIAL SURVEY	
GENERAL	
1. We determined whether the entity's financial information had been submitted via the Online Financial Survey to the OSA's Online Reporting System and obtained a copy of the financial reports.	
2. We agreed amounts reported on the Online Financial Survey to the entity's general ledger.	<i>[Report any differences greater than 5% of total revenues.]</i>
REVENUES	
3. We compared each revenue account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 5% of total revenues and 10% of the individual line item from the prior year, we inquired of management and reviewed applicable supporting documentation and determined whether the entity's explanation for the change was in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies as applicable.	
DISBURSEMENTS	
4. We compared each expense account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 5% of total expenses and 10% of the individual line item from the prior year, we inquired of management and reviewed applicable supporting documentation to determine whether the entity's explanation for the change was in accordance with the entity's policies and procedures, GAAP, and State and/or federal policies as applicable.	
ACCOUNTING RECORDS	
GENERAL	
5. We inquired with those charged with governance, the chief administrative officer, and the chief financial officer (as designated in UCA 11-50-202) of any instances of fraud, illegal acts, or noncompliance.	<i>[Report the instances noted and the action taken by the entity (if any) to minimize the risk of reoccurrence]</i>
DISBURSEMENTS	
6. We determined whether financial reports were prepared monthly or quarterly as required, and reviewed by the governing body. We selected one financial report and (1) scanned the general ledger and determined that all funds were included in the report, and (2) agreed the lesser of 10% or 15 line items from the report to the general ledger.	<i>[Report any variations greater than 5% of total annual revenues.]</i>

PROCEDURES	RESULT
<p>7. We inquired with the chief administrative officer and the chief financial officer whether there were disbursements to related parties. We also scanned disbursement records for disbursements to related parties and determined who has credit cards or purchasing cards issued by the entity. We selected the lesser of 25 disbursements or 10% of disbursements ensuring that the selection includes disbursements to related parties as well as credit card or purchase card disbursements made by members of the governing body and executive level of management.</p> <p>For each transaction selected, we determined the whether the disbursement:</p> <p>a. Was consistent with the entity's purpose.</p>	
<p>b. Agreed to the receipt or invoice supporting the amount and payee.</p>	
<p>c. Was authorized consistent with the entity's policies and procedures.</p>	
<p>d. Was in compliance with the entity's purchasing policy (bids, quotes, etc.).</p>	
<p>e. Was classified and recorded in accordance with the entity's chart of accounts and policies and procedures, GAAP, and State/Federal policies as applicable.</p>	
<p>8. For each credit or purchasing card used, we selected one month during the period and determined whether card purchases were reconciled to receipts monthly by someone other than the card holder.</p>	
<p>CASH</p>	
<p>9. For each depository account, we obtained the year-end bank reconciliation and one additional month's bank reconciliation and performed the following:</p> <p>a. Traced the bank balance on the reconciliation to the balance per the bank statement.</p>	
<p>b. Traced the reconciled book balance to the general ledger and the amount reported on the Online Financial Survey.</p>	
<p>c. Tested the clerical accuracy of the reconciliation.</p>	
<p>d. For reconciling items greater than 5% of annual revenues, inquired of management and reviewed applicable supporting documentation to determine that the items were consistent with the entity's policies and procedures, GAAP, and State/Federal policies. Traced the lesser of 10% or five reconciling items to a subsequent bank statement.</p>	

PROCEDURES	RESULT
<p>e. Traced the lesser of 10% or five deposit transactions and 10% or five disbursement transactions to the general ledger.</p>	
<p>10. For each depository bank reconciliation selected above, through inquiry of management and review of the reconciliation, we determined whether the bank reconciliation was performed by someone who does not have access to receipts or disbursements. If the individual did have access to receipts or disbursements, we determined whether a separate individual reviewed the completed bank reconciliation.</p>	
<p>MEETINGS</p> <p>11. We reviewed the governing board's meeting minutes for the period applicable to the engagement through the date of the engagement. For all financial transactions discussed in the minutes exceeding 5% of total revenues, and a sample of the lesser of 10% or 3 less-significant financial transactions discussed, we traced the transactions to the entity's accounting records and determined whether the transactions were recorded and reported in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies, as applicable.</p>	
COMPLIANCE	
<p>BUDGET</p>	
<p>12. We determined if a budget was approved before the start of the budget year and if the budget presented to the public and governing body contained the required financial information.</p>	
<p>13. We determined if the entity provided the required 7-day notice for its original and final budget adoption hearing.</p>	
<p>14. We examined the entity's records and financial reports and determined whether the total expenditures by department stayed within the amounts appropriated in the final adopted budget.</p>	
<p>MEETINGS</p>	
<p>15. We selected and obtained the agenda and meeting minutes for two public meetings held during the engagement year and performed the following:</p>	
<p>a. Determined if the entity gave proper notice of the meeting at least 24 hours before each meeting by posting the notice on the Utah Public Notice website.</p>	
<p>b. Determined if the agenda was reasonably specific to enable lay persons to understand the topics to be discussed.</p>	
<p>c. Determined if the public body took any final actions on a topic in the meeting that was not listed under an agenda item.</p>	

PROCEDURES	RESULT
<p>d. Determined whether the minutes were posted to the Utah Public Notice Website within three days of the minutes being approved. (Exceptions: 5th class cities and towns are encouraged but not required to comply until January 2015.)</p>	
<p>e. If a portion of the meeting was closed to the public, determined that 1) before the meeting was closed, the reason for holding the closed meeting was documented in the meeting minutes and a roll call vote was taken, 2) the reason for closing the meeting was permitted under UCA 52-4-205, and 3) an audio recording of the closed meeting was made, or in the case of meetings closed to discuss Section 52-4-205(1)(a)(i)(f) or (2), the presiding person had executed a sworn statement that the sole purpose of the closed meeting was to discuss those issued.</p>	
<p>GENERAL</p> <p>16. We determined whether the entity had written policies and procedures that address the following:</p> <ul style="list-style-type: none"> a. Purchasing - including policies/procedures establishing a competitive procurement process and authorization and approval of transactions at an appropriate level. b. Disclosure of nepotism. c. Disclosure of conflicts of interest – including policies/procedures making employees aware of the policy. d. How to respond to a GRAMA request. 	
<p>17. We inquired and observed whether there were any employees being directly supervised by a relative.</p>	
<p>DISBURSEMENTS</p> <p>18. Through inquiry with management and scanning receipt records, we determined what restricted revenue was received by the entity and select the lesser of 10% or 5 disbursements from restricted funds and determined whether the disbursements were in compliance with restrictions placed on the funds.</p>	
<p>FUND BALANCES</p> <p>19. Deficit Fund Balances: For any fund that had a deficit fund balance in the year under audit, we determined whether the entity included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 5% of the fund's total actual revenue of the year under audit.</p>	

PROCEDURES	RESULT
<p>20. General Fund Balance Limitations:</p> <p>[Municipalities:] We determined whether the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 25% for cities or 75% for towns of the total revenue of the general fund for the engagement year.</p> <p>[Special and Local Service Districts and Interlocal Entities:] We determined if the maximum unrestricted (committed, assigned, and unassigned) fund balance was restricted to the greater of:</p> <ul style="list-style-type: none"> d. 100% of the current year's property tax; or e. 25% of the total general fund revenues, if the annual general fund budget is greater than \$100,000; or f. 50% of the total general fund revenues, if the annual general fund budget is equal to or less than \$100,000. 	
<p>TRAINING</p> <p>21. Through inquiry with officials of the entity and observation of meeting agendas, certificates or other relevant evidence, we determined whether the following training had occurred as applicable:</p> <ul style="list-style-type: none"> a. Annual training on the requirements of the Open and Public Meetings Act. b. Annual online training by the entity's designated records officer on the requirements of GRAMA. c. [Local and Special Service Districts] – Within one year after taking office, training developed by the Office of the Utah State Auditor in cooperation with the Utah Association of Special Districts for each member of a board of trustees of a local district. 	
<p>GRAMA (GOVERNMENT RECORDS ACCESS MANAGEMENT ACT)</p> <p>22. We verified that the entity has adopted a uniform fee structure.</p>	

These agreed-upon procedures do not constitute an audit or a review of **[the Entity]**'s accounting records or the Online Financial Survey or any part thereof, the objective of which is the expression of an opinion on the accounting records or the Survey or any part thereof. Also, we were not engaged to and did not conduct an examination or review of **[the Entity]**'s compliance with applicable state laws, the objectives of which would be the expression of an opinion on compliance. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

[When any of the matters set forth in Paragraph 5.59 of Government Auditing Standards have been identified in conjunction with this agreed-upon procedures engagement, the following paragraph is required:]

In accordance with Government Auditing Standards, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts,

or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant the attention of those charged with governance. Our agreed-upon procedures disclosed the following matters that warrant the attention of [the Entity] officials: [Describe matters that were identified.]

This report is intended solely for the information and use of the Office of the Utah State Auditor, [governing body] and management of [the Entity], and is not intended to be and should not be used by anyone other than these specified parties.

[CPA FIRM]
[CPA FIRM'S CITY, STATE]
[REPORT DATE]

Note: See AICPA AT Section 201, *Agreed-Upon Procedures Engagements* (paragraph .31), AT Section 601, *Compliance Attestation* (paragraph .24), and GAO *Government Auditing Standards* (chapter 5) for reporting requirements. This illustrative report can be used when an independent accountant is engaged by a **local government** to perform specific procedures and report findings per UCA 51-2a-201 and the *Guide for Agreed-Upon Procedures Engagements for Local Government Entities with Annual Revenues or Expenditures Greater than \$350,000 and Less than \$750,000*, issued by the Office of the Utah State Auditor.

Chapter 6. EXAMPLE WRITTEN REPRESENTATION LETTER

[TO BE PUT ON THE ENTITY'S LETTERHEAD]

DATE

Mr. [XXX], CPA
CPA Firm
Street
City, Utah ZIP

We are providing this letter in connection with your engagement to apply agreed-upon procedures to the [Entity's Full Name]'s accounting records, Online Financial Survey, and compliance with applicable state laws for the year ended [Month/Day], 20XX, as required by UCA 51-2a-201 and the *Guide for Agreed-Upon Procedures Engagements for Local Government Entities with Annual Revenues or Expenditures Greater than \$350,000 and Less than \$750,000*, issued by the Office of the Utah State Auditor.

We confirm, to the best of our knowledge and belief, as of [Date of CPA's report], the following representations made to you during your engagement:

Accounting Records and Online Financial Survey:

- We are responsible for our accounting records and Online Financial Survey.
- The Online Financial Survey as of [Month/Day], 20XX agrees with our accounting records and instructions for submitting the report to the Office of the Utah State Auditor.
- We are responsible for establishing and maintaining effective internal control relevant to our accounting records and the accuracy and completeness of the Online Financial Survey.
- We are responsible for selecting and determining the suitability and appropriateness of the criteria upon which the accounting records and Online Financial Survey were evaluated.
- We have provided you access to all information of which we are aware that is relevant to our accounting records and Online Financial Survey and we are responsible for the accuracy and completeness of such information.
- We have disclosed to you any transactions with related parties, officers, or key personnel.

Compliance with State Laws:

- We are responsible for complying with applicable state laws.
- We are responsible for establishing and maintaining effective internal control over compliance.
- We have performed an evaluation of our compliance with applicable state laws.
- We have disclosed to you all known noncompliance with applicable state laws, including noncompliance occurring after [Month/Day], 20XX through the date of this letter.
- We have made available to you all documentation and other information related to compliance with applicable state laws.
- There have been no communications from regulatory agencies, internal auditors, or other independent accountants or consultants regarding possible noncompliance with applicable state laws, including communications received between [Month/Day], 20XX and the date of this letter.

Other Matters:

- We have responded fully to all inquiries made to us by you during the engagement.
- Your report is intended solely for the use of the Office of the Utah State Auditor, [governing body], and management of the [the Entity] and is not intended to be and should not be used by anyone other than those specified parties.
- Consider additional representations.

[NAME], [Chief Administrative Officer]

[NAME], [Chief Financial Officer]

Note – Adjustments should be made as necessary to comply with changes in attestation and government auditing standards issued after the preparation of this guide.