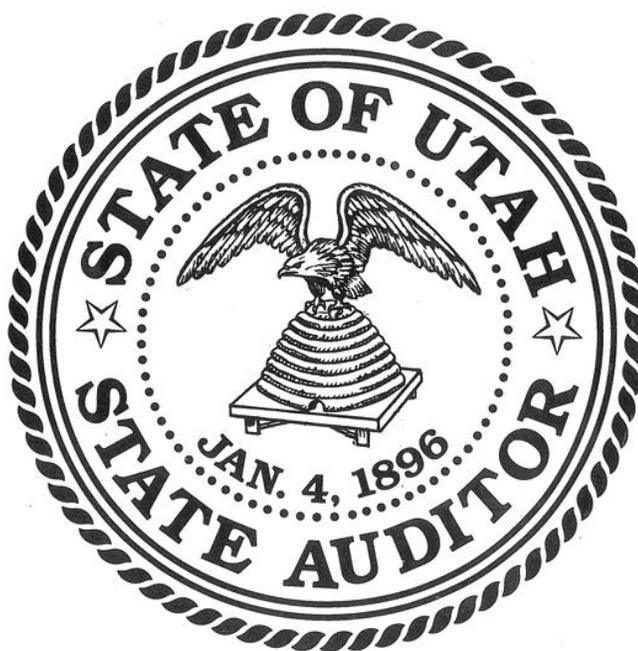


**Guide for
Agreed-Upon Procedures Engagements
For Local Government Entities and Nonprofit
Organizations
with Annual Revenues or Expenditures
Greater Than \$100,000 and Less Than \$500,000**

(Revised April 2014⁵)



**OFFICE OF THE
UTAH STATE AUDITOR**

Chapter 3. AGREED-UPON PROCEDURES

Legal Ref. (if applicable)	Applicable to: *	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	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 generated financial reports at reporting.auditor.utah.gov.		
	ALL	2. Agree amounts reported in the financial reports to the entity's general ledger. Report any differences greater than 5% of total revenues.		
	ALL	3. Determine whether the change in assets and liabilities agrees to income or loss reported on the Online Financial Survey.		
	ALL	4. Determine whether the design and implementation of the entity's internal controls over receipts, disbursements, and safeguarding of assets would prevent or detect and correct material misstatements on a timely basis.		
	ALL	5-3. Inquire with the those charged with governance, the chief administrative officer, and the chief financial officer (as designated in UCA 11-50-202) of any instances indicating fraud, illegal acts, or noncompliance. Report the instances noted and determine whether the action taken by the entity has taken appropriate action, including implementing controls(if any) to minimize the risk that the fraud, illegal acts, or noncompliance will reoccur of recurrence.		
		4. Determine whether the entity has written policies and procedures that address the following: a. Purchasing - including but not limited to establishing a competitive procurement process and authorization and approval of transactions at the appropriate level. b. Disclosure of nepotism. c. Disclosure of conflicts of interest – including but not limited to making employees aware of the policy. d. How to respond to a GRAMA request. <u>(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.)</u>		

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	ALL	MEETINGS 6-5. 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 three less significant financial transactions discussed, trace the transactions to the entity's accounting records to and determine whether the transactions were properly recorded and reported <u>in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies, as applicable.</u>		
	ALL, except nonprofits	7-6. Select and obtain the agenda and meeting minutes for two public meetings held during the engagement year and perform the following:		
UCA 52-4-202	<u>ALL</u> except non-profits	<u>a. Determine that the entity gave proper notice of the meeting: 1) within not less than 24 hours of each meeting, and 2) by posting the notice at the principal office, on the Utah Public Notice Website, and in at least one newspaper. (See exception in 52-4-202(3)(b)&(c).)</u>		
UCA 52-4-202 (6)(c)	ALL, except nonprofits	<u>a.b.</u> Determine whether the public body did not take any final actions on a topic in the meeting unless the topic was listed under an agenda item.		
UCA 52-4-203 (4)(e)	<u>ALL, M & LEAs</u> except nonprofits	<u>b.c.</u> Determine whether within three days of the meetings being approved, the minutes were posted to the Utah Public Notice Website. (Exceptions: 5 th class cities and towns are encouraged but not required to comply until January 2015).		
UCA 52-4-204(2)-(4)	ALL, except nonprofits	<u>e.d.</u> If a portion of the meeting was closed to the public, determine whether that 1) the reason for holding the closed meeting was documented in the meeting minutes before the meeting was closed and whether, 2) the matter <u>reason</u> for <u>closing</u> the <u>closed</u> meeting was permitted under UCA 52-4-205, and 3) <u>an audio recording of the closed meeting was maintained.</u>		
UCA Towns: 10-5-106 thru 108 Cities: 10-6-110, 113, 135 Districts: 17B-1-605 thru 607, 609 Counties: 17-36-9, 10.1, 12 LEAs: 53A-19-101 thru 102	<u>ALL</u> except nonprofits	<u>7. Ensure that the entity provided the required notice for its original and final budget adoption hearing by reviewing the certified copy of the notice.</u> <u>a. Municipalities, counties, and districts are required to provide a 7-day notice.</u> <u>b. LEAs are required to provide a 10-day notice. (NOTE: Per UCA 53A-1a-511(4)(f), charter schools are exempt from any notice requirements)</u>		

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	ALL except nonprofits	8. Report any noncompliance with the Open and Public Meetings Act directly to the Office of the Utah State Auditor at stateauditor@utah.gov .		
	ALL	REVENUES 8-9. Compare each revenue account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 105% of total revenues and 1510% of the individual line item from the prior year OR for changes inconsistent with the overall financial report or the governing board's meeting minutes, determine whether the change agrees to adequate, inquire of management and review applicable supporting documentation and is reasonable to determine whether the entity's explanation for the change was accordance with the entity's policies and proper procedures, GAAP, and State and/or Federal policies as applicable.		
	ALL	DISBURSEMENTS 9-10. Compare each expense account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 105% of total expenses and 1510% of the individual line item from the prior year OR for changes inconsistent with the overall financial report or the governing board's meeting minutes, determine whether the change agrees to adequate, inquire of management and review applicable supporting documentation and is reasonable to determine whether the entity's explanation for the change was in accordance with the entity's policies and proper procedures, GAAP, and State and/or federal policies as applicable.		
UCA 63G-6a	ALL, except nonprofits other than charter schools	10. Determine whether the entity has a written purchasing policy that establishes a competitive procurement process, and safeguards against bias or conflicts of interest. For LEAs and Special Service/Local Districts, determine whether the policies comply with State Procurement Code established in UCA 63G-6a.		
UCA Cities: 10-6-147, 10-6-148 Districts: 17B-1-638 LEAs: 53A-19-108	ALL, except nonprofits other than charter schools	11. Determine whether appropriate financial reports are prepared monthly or quarterly as required, and reviewed by the governing body. Select one financial report and agree the lesser of 10% or 15 line items to the general ledger. <ul style="list-style-type: none"> 1st & 2nd class cities, <u>interlocal entities</u> and districts should prepare reports at least quarterly. 3rd – 5th class cities and LEA's 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. The practitioner should consider the size of the entity when determining if the reports provided to the governing board are		

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		<p>appropriate. For example, small entities with limited separation of duties may need to provide their board detailed transactions for review and approval, while for larger entities reporting by account or department level may be adequate.</p> <p>The reports should be detailed enough for the governing board to make adequate decisions regarding financial matters and should include all funds unless the fund is inactive (which the practitioner should verify). Select one financial report presented to the governing body during the period. Scan the general ledger and determine that all funds (i.e. fund 10, fund 20, fund 80, 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. Report any variations greater than 5% of total annual revenues.</p>		
	ALL	12. 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.		
	ALL	13. Inquire with the chief administrative officer and the chief financial officer (as designated in UCA 11-50-202) whether there are disbursements to related parties. Also, scan disbursement records for disbursements to related parties. 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. Perform the following:		
		a. Review Determine whether the selected disbursements for reasonableness (prudent person rule) are consistent with the entity's purpose .		
		b. Agree the selected disbursements to the receipt or invoice supporting the amount and payee.		
		c. Review the selected disbursements for proper authorization required authorizations.		
		d. Review the selected disbursements for compliance with the entity's purchasing policy (bids, quotes, etc.).		

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		e. Agree the selected disbursements to the general ledger to determine <u>Determine</u> whether disbursements have been properly <u>were</u> classified and recorded <u>in accordance with the entity's chart of accounts and policies and procedures, GAAP, and State/Federal policies as applicable.</u>		
		<u>14. 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 monthly by someone other than the card holder.</u>		
	ALL	CASH 14.-15. Obtain <u>For each depository account, obtain</u> the year-end bank reconciliation (s) 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. Scan the bank reconciliation for significant or unusual <u>For</u> reconciling items, such as outstanding checks greater than one year old. Obtain explanations <u>5% of annual revenues, inquire of management</u> and review <u>applicable</u> supporting documentation for any unusual <u>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</u> reconciling items noted 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. 15.-16. Trace the lesser of 10% or five reconciling items to a subsequent bank statement. <u>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 and disbursements, determine whether a separate individual reviews the completed bank reconciliation.</u>		
	ALL, except nonprofits	COMPLIANCE 16. Determine whether the entity maintained a positive fund balance for all funds at year end.		

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UCA Cities: 10-6-116 Districts: 17B-1-613 Towns: LEA's, except chrtr schls: 53A-19-104	<u>ALL, except nonprofits</u> M	<p><u>COMPLIANCE</u></p> <p><u>17. Deficit Fund Balances:</u></p> <p><u>Municipalities, Districts, Interlocal entities & Counties:</u> 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 total actual revenue of the year under audit for the fund. (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> <p><u>LEA's (except charter schools):</u> For any deficit district balances in the year under audit, determine whether the district included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 10% of the total actual tax revenue of the year under audit for the district. <u>Municipalities:</u> 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.</p>		
UCA Cities: 10-6-116-(2) Towns: 10-5-113-(2) Districts 17B-1-612	M & D	<p><u>18. General Fund Balance Limitations:</u></p> <p><u>Municipalities:</u> 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.</p> <p><u>Special and Local Service Districts:</u> The maximum unrestricted (committed, assigned, and unassigned) fund balance is restricted to the greater of:</p> <ol style="list-style-type: none"> 100% of the current year's property tax; or 25% of the total general fund revenues, if the annual general fund budget is greater than \$100,000; or 50% of the total general fund revenues, if the annual general fund budget is equal to or less than \$100,000. 		
	ALL	<p><u>17. Determine whether the entity has a written policy and procedure established to disclose nepotism and conflicts of interest.</u></p>		

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UCA 52-3	ALL	18-19. Inquire and observe whether there are any relatives working together or in a direct line of authority at the entity. Determine whether the entity is complying with State nepotism and hiring laws (see UCA 52-3), or for nonprofits, whether the entity is complying with its own policies and procedures regarding nepotism and hiring. <i>Generally, no public officer may employ, appoint, vote for, or recommend a relative for employment. Further, no public officer may directly supervise any appointee who is a relative. 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>		
UCA 52-4	ALL, except nonprofits	19-20. 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, except nonprofits	b. <u>GRAMA</u> – UCA 63G-2-108 requires that the entity’s designated records officer shall complete annually 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 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 Towns: 10-5-114 Cities: 10-6-117 Districts: 17B-1-613 LEAs: 53A-19-104	ALL, except charter schools and nonprofits	BUDGET 20-21. 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.		
	ALL, except nonprofits	GRAMA (GOVERNMENT RECORDS ACCESS MANAGEMENT ACT) 21. Determine whether the entity has a written policy defining how to respond to a GRAMA request.		
UCA 63G-2-203	ALL, except nonprofits	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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