



LaVonne Griffin-Valade Secretary of State
 Cheryl Myers Deputy Secretary of State, Tribal Liaison
 Kip Memmott Audits Director

Date	Name	Reference 162-040-XXXX	Comment	Agency Evaluation of Public Comments
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0005(7)	While including the AUP in the annual filing of the municipal corporation it should be done so as a separate stand-alone document as 1) financial statements included in the filing could be prepared under AR-C 70 or compiled under AR-C 80 by an accountant other than the one performing the AUP or 2) financial statements and management's representations need to be completed before the AUP is performed.	This general requirement specifies the items required for an annual filing of the municipal corporation; it's not intended to imply those items be bound under the same cover. We added "filing fee" to the list and indicated the complete filing would include all three listed items. Since many of the procedures refer to what is reported in the financial statements/financial report, the expectation is that the financial report would be completed so the accountant could perform the required agreed-upon procedures.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0005(8)	Rather than submitting documentation, it could state that the documentation in the AUP engagement is subject to review by the Secretary of State.	Moved last sentence to 162-040-0005(3)(d) to clarify the documentation supporting the accountants AUP engagement must be made available, upon request.

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0005(9)	If this form is similar to the existing summary of revenues and expenditures, it refers to the amounts reported on the statement of activities. The statement of activities does not report expenditures or disbursements, it reports <u>expenses</u> .	Pass on revision. We agree; depending on the basis of accounting and statements presented, reporting may cover expenses, expenditures, and/or disbursements. Per statute change, expenditures will be defined in OAR 162-010 rules and provide clarity. Future summary information required to be reported will be defined to ensure accurate and consistent reporting in consideration of current or future reporting terminology.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0010	SSAE 19 requires "the agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement." This rule, and the rule of a contract in the minimum standards for audits of Oregon municipal Corporations, is not needed and creates additional work to reconcile the contract provisions to those of the annual engagement letter. Based on my experience dealing with legal counsels on this issue, they consider the annual engagement letter to be a contract. Please consider removing this requirement.	Annual filing is the responsibility of the municipality, and it is the municipality's responsibility to ensure they are filing the correct report. The rule should remain written in a way that conveys the responsibility is the municipality's; specifically, contracts or engagements initiated by the municipality rather than the accountant. I don't find there is a provision in the law that would exempt a municipality from using a contract as required by ORS 279 even though standards require an engagement letter. Both remain a requirement, of ORS 279 and ORS 297.425, even if not clarified in this rule.

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0020(1)	I'm no English teacher, but the above sentence highlighted is poorly worded. <i>[referencing 162-040-0020(1) sentence 2]</i>	While the text is consistent with the prior rule and remains true, the sentence was revised to be easier to read.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0020(3)	This requirement is already covered in the standards for both preparation and compilation engagements.	Since the entity has the option to prepare the financial statements themselves, the statement will be left in rule for statements to be clearly identified as unaudited.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0095	Please clarify if the report (highlighted) referenced above is the "financial report" defined in 162-040-0005, or the AUP report, or both.	This requirement carries over from prior rules and is intended to be included in the municipalities financial report. Added "financial" to the rule to make it clearer.

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0096	<p>"Management hereby also represents that information and documentation provided by the independent accountant performing contracted procedures in accordance with the Minimum Standards for Agreed-Upon Procedures (OAR 162-040) was complete and accurate."</p> <p>This is problematic for several reasons:</p> <p>1) The management representations of fiscal affairs, along with the financial statements, make up the "financial report" defined in 162-040-0005. The requirement of the AUP refer multiple times to the "financial report" indicating hat the "financial report" has been completed before the AUP is performed. Management cannot make representation on something that may not yet occurred.</p> <p>2) The financial statements included in the "financial report" may have been prepared or compiled by an accountant other than the one performing the AUP engagement.</p> <p>3) I believe there is a typo, and it should read "documentation provided to by the independent..."</p>	Removed rule language due to timing challenges of complying.
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			AUP engagements require written representations from management including, "a statement that is has provided the practitioner with all relevant information and access, as applicable, as agreed-upon in the terms of the engagement."	

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8/31/2023	Kathy Wilson CPA Singer Lewak	0165(3)(c)	<p>Many governments maintain their books on a budgetary basis (cash or modified accrual) and don't record GASB-34 balances in their GLs but track them through spreadsheets, etc. Instead, CPAs will be engaged to provide preparation services, but those amounts are not necessarily maintained in the government's books so who's trial balance are we comparing to? Consider revising to, "Compare amounts reported on the financial report to the general ledger/trial balance used to prepare the municipal corporation's financial report."</p>	Revised as requested. Does not change impact, but perhaps adds clarity.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(3)(c)	<p>As previously noted, the AUP is dependent upon the financial report being completed.</p> <p>Most municipalities keep the general ledger consistent with the adopted budgetary basis of accounting and may not include all the accounts needed for the government-wide or proprietary fund presentation. Please clarify which portions of the financial report is to be compared to the municipal corporation's trial balance.</p>	Revised procedure to read: Compare amounts reported on the financial report to the municipal corporation's general ledger/trial balance used to prepare the financial report plus all adjustments to the financial report basis (GAAP, cash, or modified cash). Inspect any differences greater than the calculated threshold and inquire of management about the reason for difference(s).

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10/3/2023	Tonya Moffitt CPA & Managing Partner Merina +Co	0165(3)(c)	<p>Please accept the following response from Merina +Co a Certified Public Accounting (CPA) firm that helps governments make meaningful progress towards stronger communities. We are responding to the Notice of Proposed Rulemaking Filing, Adopt Minimum Standards for Agreed-Upon Procedures (AUP) of Oregon Municipal Corporations. I provided verbal testimony with our firm's support for the proposed changes at the September 26, 2023, public hearing. We have had an opportunity to reflect on the other public testimony provided by Brad Bingenheimer. There may need to be some additional clarification around the proposed procedure: "Compare amounts reported on the financial report to the municipal corporation's general ledger/trail balance. Inspect any differences greater than the calculated threshold and inquire of management about the reason for difference(s)."</p> <p>Since most municipalities that can elect to submit an AUP report rather than an audit, do not keep their general ledger/trail balance on a generally accepted accounting principle (GAAP), cash, or modified cash basis. This procedure needs</p>	Revised procedure to read: Compare amounts reported on the financial report to the municipal corporation's general ledger/trail balance used to prepare the financial report plus all adjustments to the financial report basis (GAAP, cash or modified cash). Inspect any differences greater than the calculated threshold and inquire of management about the reason for difference(s).
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			<p>to include something to bridge the difference between an entity's general ledger/trail balance and its financial statements.</p> <p>A possible suggestion could be: "Compare amounts reported on the financial report to the municipal corporation's general ledger/trial balance plus or minus all adjustments to the financial report basis (GAAP, cash or modified cash). Inspect any differences greater than the calculated threshold and inquire of management about the reason for difference(s)."</p> <p>We appreciate the opportunity to provide input on this proposed rulemaking.</p>	
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(4)	<p>"Obtain and" is not needed [referring to (4)(a)]. Inspect is sufficient as it is difficult to inspect something you have not first obtained. report on each with a "Y", "N", or "N/A" does not provide much information. I suggest something more meaningful such as "Included in written policies and procedures", "Not included in written policies and procedure", or "Not applicable to the municipal corporation".</p>	Pass on revision.

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(6)	<p>(a) The procedure as written is not very clear. Suggestion: "Inquire of management regarding any deviations from established policies and procedures that occurred during the period".</p> <p>(b) Regarding capital assets: a. Capital assets are a very low risk area and should be considered for elimination. b. This section on capital assets seems to have been "shoehorned" into the Accounting Records. If it is that important a separate section should be developed. c. What should we do with the listing of capital assets once we have it. Just obtaining provides very little, if any, information to a user of the report.</p> <p>(c) What does agreeing to the amount to the financial report do for the user of the report? If capital assets are considered an important area there should be some additional procedures such as comparison of capital outlay expenditures to additions, inspect "X" percent of the capital assets, trace proceeds from the disposition of capital assets to the general ledger.</p>	<p>(a) revised to clarify intent is to determine whether policies and procedures are current.</p> <p>(b) and (c) procedure on capital assets removed. Oftentimes, debt will relate to the purchase of capital assets and these procedures include procedures over debt. The capital assets procedures may be reconsidered during future rules revisions.</p>
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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(7)(a)	The "standards" should be clearly identified. Oregon Government Ethics Commission may have a broader view than those of the AICPA, GASB, and GASB.	Pass on revision. The premise of the rules points toward GASB reporting for financial reporting and is the context for this procedure.
9/1/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(7)(a)	Obtain a list of related parties (as defined in standards <u>issued by GASB</u>) from management.	Pass on revision. The premise of annual reporting is that reports comply with GASB (or are cash basis within the context of GASB framework).
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(9)	<p>Property taxes are a low-risk area as almost all of the County's turnover the property taxes to the other taxing districts by means of a transfer to an LGIP account.</p> <p>(a) Wouldn't it provide better information if the County provided the schedule of turnovers directly to the accountant.</p> <p>(c) "financial records" is an undefined term, suggest trial balance or general ledger.</p>	Revised to include trial balance or general ledger as examples of financial records.

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(10)	Depending on the municipal corporation there may be multiple types of receivables. Should this procedure encompass all types of receivables? "accounting records" is an undefined term. The term trial balance should be sufficient.	Pass on revision.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(12)(b)	The term "confirm" has a specific meaning. Suggest replacing with "verify".	Pass on revision.
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(13)	Depending upon the municipal corporation there may be multiple types of "charges for services". Is it expected that the accountant perform this for all types? In the case of a fire district with ambulance services it may not be possible to recalculate the charges as there may be HIPPA protected information involved.	It is expected the accountant will perform the procedures outlined in rule. If there are limitations on their ability to perform those procedures satisfactorily (i.e. the example provided) the accountant may state those limitations and inability to perform the procedure in their results.

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(16)	<p>This is a low-risk area. With the requirement to prepare a full set of financial statements, debt information will already be disclosed in the financial report. Consider eliminating these procedures.</p> <p>(c) rather than reconciling the new debt to the list of debt wouldn't it provide better information to the user of the report to have the accountant trace the proceeds from the new debt to the general ledger?</p> <p>(d) "report on whether the municipal corporation is meeting the requirement" is a conclusion that an AUP report should not include.</p>	<p>As entities are permitted to prepare cash basis financial statements it is plausible important debt information will not be reported or disclosed. Pass on revision.</p> <p>(d) revised to clarify how the accountant identifies and reports on whether the entity met the requirement(s). Absent including all potential covenant requirements in a procedure, the general intent was meant to be a Y/N response for the circumstances that apply. If significant judgment is required or the accountant cannot meet the requirements of standards in completing one or more of the procedures, the accountant should indicate those limitations in their report related to the specific procedure.</p>
9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	0165(18)	<p>(b) Rather than the term "Observe", "Verify" would be more appropriate.</p> <p>(c) Same as above. This seems to require the accountant to state a conclusion. It would be better to require the report to state the amount of the fidelity bond.</p>	<p>Pass on revision.</p> <p>Per AT-C Section 215 .A27 the term observe is more appropriate. Generally, the standard discourages using the term "verify" as it is not precise or may have an uncertain meaning.</p>

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9/26/2023	Brad Bingenheimer CPA & Partner Singer Lewak	General	<p>Local CPA firm, active Municipal Auditor who completes all types of reports for municipalities and plans to complete AUP reports.</p> <p>1) Biggest concern: a) requirement to still produce full set of financial statements for the generally very small governments who may have a very limited number of transactions outside of the General Ledger system used for day-to-day accounting. Most maintain the General Ledger in accordance with the budget for budget-to-actual comparisons. Under GAAP, most would not have all the other additional accounts included in the General Ledger. As a result, items including tracing information from the trial balance to the financial report could result in many variances because the trial balance may not include many of those accounts. This may result in an abundance of necessary reporting due to exceeding the threshold. Please clarify. b) CPA doing AUPs are required to be independent. Financial statements can be prepared either under preparation or compilation engagement. In compilation engagements, the CPA may or may not be independent. In a preparation</p>	<p>1) The requirement for mid-level reporting to submit the financial statement is unchanged from the Review requirements these replace. If an entity needs to hire a CPA firm to compile or prepare their financial statements, they may do so. That is separate from the requirement to contract for an AUP engagement. CPAs are encouraged to discuss the requirements with their clients and potential clients to ensure they maintain independence or consider other factors when deciding which engagements to accept. Some entities will end up hiring two different firms: one to compile or prepare statements, and one to perform AUP or audit engagements. Municipalities are required to prepare and submit annual financial reports. The intent of these rules is not to require that CPA firms and accountants perform preparation engagements. OAR 162-040-0005(3) will retain verbiage that indicates an accountant performing a compilation engagement must adhere to the applicable standards for that work. Within the definitions, the rules state an AUP engagement may be performed in conjunction with a compilation engagement. Additionally, procedures are not required to</p>
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			<p>engagement, it's assumed the CPA is not independent and does not issue any kind of a report unless a one sentence disclaimer is on the front. What level of service is expected on the financial statements? Please clarify. c) The term preparation is used, and if a practitioner is to strictly read that, they would likely complete a preparation engagement. Consider preparation versus compilation as it relates to AUP independence/financial statement independence.</p> <p>2) Completed rough estimate of hours to complete AUP engagement only, from beginning to end. Optimistically, AUPs would take about 40 hours, more realistic estimate is about 80 hours, if a municipal corporation is required to have all the procedures completed (depending on activities). The estimate included some time for reporting and review, as well as planning for administration of the engagement. Completing the procedures is only one piece, and this leads to a concern of municipal auditor shortage in the State of Oregon. It appears these engagements will take more time than the reviews and could contribute to shortage even with threshold adjustments.</p>	<p>be performed on accounts that do not exist or are not reported (such as debt or charges for services).</p> <p>2) The intent to increase transparency and accountability of local governments, especially with the increase in thresholds, aligns with the intent of Municipal Audit Law. While there currently is a shortage of auditors, we don't find this to be a sufficient reason to reduce the number of procedures. We will consider procedures individually.</p> <p>3) Much consideration was given, and input was received from workgroups, individuals, and the municipal and audit community generally.</p> <p>5) Consideration was given to tying to the federal single audit threshold and was determined to not be an ideal approach. We would be happy to entertain this again when it's time to revise statute.</p>
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			<p>A lot of municipalities will continue to need services and CPA's will not be able to meet the need. Recommending removing procedures to reduce time to complete.</p> <p>3) Was consideration of risk associated with these various procedures considered? As a practitioner, some low-risk procedures could be excluded if a risk assessment was done for non-compliance or to determine the potential risk an organization has to various procedures. We have procedures over higher risk areas. Consider risk assessment over procedures.</p> <p>4) Overall, happy to see long overdue changes.</p> <p>5) For consistency between State and Federal audit law, recommended future legislation tie OMB federal audit thresholds to Oregon thresholds (if OMB adopts 1M expenditure audit threshold currently under consideration).</p> <p>6) Mr. Bingenheimer plans to submit separate written comments on some of the detailed language that's in the proposed rules.</p>	
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9/26/2023	Tonya Moffitt CPA & Managing Partner Merina +Co	General	<p>Local CPA firm, Active Municipal Auditor who completes all types of reports for municipalities. Support the proposed changes. Agree with Brad's comments that changes needed to happen, appreciated that the burden is different with threshold change. Noted Brad's interesting comment (prior) - preparing the financial statements does impair independence. Provided options around: have a consultant or another CPA draft the financial statements or do the preparation piece. Plans to submit written comments. Challenge: it's difficult for firms to know how long it will take to do these procedures (lack of experience). Merina +Co when consulting with clients about pricing, asking to consider negotiating two different quotes from their audit firm. One quote for an AUP and one for an audit, because the AUP is an exception to the audit. At this point, we don't know what the cost difference is going to be between an AUP and an audit. Appreciate the opportunity to complete some and then come back to reword or change them based on if we find that there are some that are problematic procedures or procedures that do not receive the intended value. We</p>	<p>We appreciate the comments and feedback. We do plan to listen to and receive comments and feedback about the new procedures and the process over the coming year. If there is a need to revisit the rules to provide clarification or revise selected procedures, we will do that in cooperation with the municipal audit community and in accordance with rules writing requirements.</p>
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			<p>appreciate that open dialogue after we've had an opportunity to implement these after January 1st.</p>	
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10/2/2023	Brent Stevenson District Manager Santiam Water Control District	General	<p>1) Currently, ORS 198.345 requires the Secretary of State to notify the county when a special district fails to file required reports for three consecutive years. Mr. Stevenson was interested in having clarified the specifics of what reports are required for the purposes of ORS 198.345. When would the Secretary of State be required to notify the county and request dissolution? If the entity filed financial statements but not the AUP would they be subject to dissolution? The question stems from difficulty finding a CPA to perform a timely audit or review and would the district be penalized under the new statute and rules if they file their financial statements but the CPA isn't submitting the AUP report timely?</p> <p>2) Also, ORS 553.230 requires an audit (for water control districts) so has a question about whether ORS 297.405-.555 preclude that audit requirement.</p>	<p>No revisions or clarification in rule necessary. See explanation and clarification of statute and rule application:</p> <p>1) 198.345 Effect of failure to file certain reports. (1) If a special district for three consecutive years fails to file a report as required by ORS 294.458 or 297.405 to 297.555 the Secretary of State or the Department of Revenue, as the case may be, shall notify the county board of the county where the district, or the greater portion of the assessed valuation of taxable property in the district, is located.</p> <p>The 'required report' is that required by ORS 297.405-555 is the annual financial report and AUP. Specifically, ORS 297.435 indicates an entity may be exempt from audit and one of the stipulations is the financial statements are submitted and an accountant has performed an AUP engagement and issued a report. The two of these items constitute the requirement. If either the financial statements or the AUP are missing for three consecutive years, the special district would be subject to dissolution.</p> <p>2) ORS 297.405-.455 as revised, and these</p>

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				<p>proposed rules do not supersede the requirements of ORS 553.230. Water Control Districts should comply with the requirements of their enabling legislation until that chapter of law is amended.</p>
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