

The Oregon Secretary of State, Division of Audits publishes and periodically updates the Minimum Standards for Audits of Oregon Municipal Corporations. Municipal Auditors in Oregon are required to comply with the requirements set forth in these Minimum Standards. It should also be noted that it is the responsibility of the users to determine if the publication is current.

The Governmental Accounting and Auditing Strategic Interest Team of the Oregon Society of CPAs is providing the following suggested audit guidance and disclosures for each requirement of the Minimum Standards. The committee makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, or suitability of the program and procedures herein. The objective is to provide auditors with guidance, and a starting point, but should not be considered a replacement for professional judgment. Representatives of the Oregon Secretary of State, Audits Division have reviewed this document and provided input, however, the document should not be considered authoritative or all-inclusive.

If you have questions or find errors, please contact us at [profdev@orcpa.org](mailto:profdev@orcpa.org) or 503-641-7200 / 800-255-1470, ext. 3.

**GOVERNMENTAL AUDIT PROGRAM FOR  
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPALITIES  
([OAR Chapter 162 Division 10](#))**

Government Entity: \_\_\_\_\_

Statement of Net Position Date: \_\_\_\_\_

AUDIT OBJECTIVES

In addition to auditing the accounts and financial statements of a municipal corporation, the independent auditor is required to review its fiscal affairs. The review shall include, but not necessarily be limited to, determining if financial operations have been carried out in accordance with appropriate legal provisions including federal and state laws, charter provisions, court orders, ordinances, resolutions, and rules and regulations issued by other governmental agencies. It is the auditor’s responsibility to disclose in the audit report material instances of noncompliance with such legal provisions.

Review of operations shall provide evidence sufficient to comment with respect to sections 162-010-0230 through 162-010-0320 of the Minimum Standards.

Public charter schools (OAR 162-010-0316) are subject to review and compliance with: insurance and fidelity bonds; programs funded from outside sources; and public contracts and purchasing only.

Requirement	Performed by and Date	WP Ref
<b>Internal Controls &amp; Risk Assessment</b>		
1. When documenting an understanding of the entity and its environment, consider including internal controls over Oregon Minimum Standards and compliance requirements determined to be significant and material, sufficient to assess the risk of material noncompliance.		
2. Consider documenting assessed risks of material noncompliance with significant and applicable requirements as listed in Oregon Minimum Standards, including specific fraud risks such as the risk of management override of controls.		

Requirement	Performed by and Date	WP Ref
<b>Legal Provisions</b>		
<p><b>1. 162-010-0030 General Requirements</b></p> <p>Audits are to be undertaken in accordance with a contract executed by the independent auditor and the municipal corporation. The contract shall set forth clearly the scope of work to be conducted by the auditor and must include provision for an expression of opinion on the financial statements of the municipal corporation and for a determination of compliance with finance related legal provisions. If the municipal corporation does not prepare the financial statements set forth in OAR 162-010-0050 through 162-010-0190, the contract must provide for the auditor to make a reasonable attempt to draft them for and on behalf of the municipal corporation.</p> <p>~~~~~</p> <p><i>Suggested Procedures</i></p> <ul style="list-style-type: none"> <li>• <i>Verify that a signed contract was executed.</i></li> </ul>		
<p><b>2. 162-010-0120 Supplementary Financial Information</b></p> <p>In addition to financial statements, notes and required supplementary information thereto, certain other financial information is considered necessary for full disclosure of the fiscal affairs of Oregon municipal corporations. Whenever appropriate, audit reports must contain the other financial information set forth in OAR 162-010-0130 through 162-010-0150 or reasonable combinations thereof. In the event information necessary to prepare these schedules, or any of them individually, is not readily available or is not maintained by the municipal corporation, then appropriate comments to that effect shall be included in the audit report. If appropriate, these schedules may be included in the notes to the financial statements.</p>		
<p><b>3. 162-010-0130 Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Position, Budget and Actual (Each Fund)</b></p> <p>An individual schedule of revenues, expenditures/expenses, and changes in fund balances/net position, budget and actual, must be prepared for each fund of any municipal corporation for which budgets are legally required. They must compare estimated with actual beginning balances, revenues or receipts, transfers in, expenditures or disbursements, transfers out and ending balances on the basis of the legally adopted budget. If the municipal corporation has made appropriations in a manner which differs materially from the presentation of estimated expenditures in the budget document, a separate schedule must be included which compares actual expenditures/expenses with the legally adopted appropriations.</p>		
<p><b>4. 162-010-0140 Schedule of Accountability for Independently Elected Officials</b></p> <p>A schedule of accountability must be prepared for each independently elected official collecting or receiving money in the municipal corporation. This schedule is to present, at a minimum, beginning balances, receipts, disbursements, refunds, and turnovers to the appropriate governmental official, reconciled to cash on hand at the beginning and end of the audit period.</p>		

Requirement	Performed by and Date	WP Ref
<p><b>5. 162-010-0190 Other Financial or Statistical Information</b></p> <p>The report may include such other financial or statistical information as desired by the municipal corporation, including financial statements relating specifically to programs funded wholly or partially by other governmental agencies.</p>		
<p><b>6. 162-010-0200 Independent Auditor's Review of Fiscal Affairs</b></p> <p>Each audit report shall contain appropriate comments and disclosures relating to the independent auditor's review of fiscal affairs and compliance with legal requirements. These comments and disclosures shall, at a minimum, reference the subjects set forth in OAR 162-010-0230 through 162-010-0320. The independent auditor is required to prepare working papers that show a clear understanding of the procedures performed, the evidence obtained and its source, and the conclusions reached to support each disclosure.</p>		<p>Included in Audit Report Required by State Regulations</p>
<p><b>7. 162-010-0230 Accounting Records and Internal Control</b></p> <p>The independent auditor shall state in a separately issued by-product report, that in planning the audit, he or she followed generally accepted auditing standards in obtaining an understanding of the entity and its internal control over financial reporting. If significant deficiencies, material weaknesses or other recommendations for improvements have been communicated in a separate letter to management or in a report issued in accordance with Government Auditing Standards, the independent auditor shall file a copy of the letter with the Secretary of State within 30 days of delivering the report to the municipal corporation.</p> <p>The condition of the accounting records and the adequacy of the internal control shall be disclosed. The size and complexity of the municipal corporation's financial activities shall be considered when making these disclosures. A summary of any recommendations made to improve or strengthen the accounting records and internal control shall be included. If recommendations have been made by management letter or in a report issued in accordance with Governmental Auditing Standards, reference to it should be made.</p> <p>~~~~~</p> <p><b>Accounting Records - Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• <i>Has the trial balance been completed?</i></li> <li>• <i>Are there subsidiary records to support the trial balance?</i></li> <li>• <i>Are the accounting records maintained timely?</i></li> <li>• <i>Are the accounting records maintained in a manner to support the preparation of financial statements?</i></li> </ul> <p><b>Internal Controls - Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• <i>Did we document our understanding of internal controls over financial reporting?</i></li> <li>• <i>Did we evaluate those internal controls for potential reliance?</i></li> </ul>		<p>Included in the Audit Report Required by State Regulations</p>

Requirement	Performed by and Date	WP Ref
<ul style="list-style-type: none"> <li>Are these controls adequate to support the preparation of financial statements?</li> </ul> <p>~~~~~</p> <p>If significant deficiencies, material weaknesses or other recommendations for improvements have been communicated in a separate letter to management or in a report issued in accordance with Government Auditing Standards, the independent auditor shall file a copy of the letter with the Secretary of State within 30 days of delivering the report to the municipal corporation. (OAR 162-010-0230) <i>(Include a copy of the AUC-265 report (non-GAS) or the Report on Internal Control over Financial Reporting and on Compliance and Other Matters along with the Schedule of Financial Statement Findings (GAS Audit)</i></p> <p>E-mailed to <a href="mailto:municipalfiling.sos@oregon.gov">municipalfiling.sos@oregon.gov</a>  Date e-mailed: _____  E-mailed by: _____</p> <p>Provide client with instructions: That the governing body shall adopt a plan of action to address the deficiencies including the estimated period of time necessary to complete the planned actions. <u>Within 30 days</u> after filing an audit report with the Secretary of State – the client needs to file a copy of the plan of action adopted by governing body. (ORS 297.466) <i>(Plan of Action examples can be found here <a href="http://sos.oregon.gov/audits/Pages/muniaudits.aspx">http://sos.oregon.gov/audits/Pages/muniaudits.aspx</a> and should be signed by the governing body such as the Mayor and/or board, council, or commission chair)</i></p>		
<p><b>8. OAR 297.465(4) Standards for Audits</b></p> <p>Audit reports filed with the Secretary of State shall include the names, mailing addresses, and titles of the officers and members of the governing board of the municipal corporation. The report or statement of a special district shall include the name of its registered agent and the address of its registered office as provided by ORS 198.335 to 198.365.</p>		
<p><b>9. 162-010-0240 Public Fund Deposits</b></p> <p>There shall be comments regarding the municipal corporation's compliance with ORS Chapter 295 – <i>Depositories of Public Funds and Securities</i>. (Amounts that exceed the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund of the National Credit Union Administration (NCUA) limits, currently set at \$250,000 need to be on the qualified depositories list here <a href="http://www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/Qualified-Depositories.aspx">http://www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/Qualified-Depositories.aspx</a>)</p> <p>~~~~~</p> <p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>Verify that deposits of the entity are in institutions on the State Treasurer’s “approved” list for amounts that exceed Federal deposit insurance.</li> </ul>		

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<ul style="list-style-type: none"> <li>Determine that the entity has notified the State Treasurer of use of approved depositories and subsequent changes. ORS 295.006</li> </ul>		
<p><b>10. 162-010-0250 Indebtedness</b></p> <p>There shall be comments regarding the municipal corporation's compliance relating to short-term and long-term debt. These comments shall include limitations on the amount of debt which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements, including any restrictions on the use of moneys available to retire indebtedness.</p> <p>~~~~~</p> <p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>Ensure that the client's applicable debt does not exceed margins as prescribed, and no instances of material non-compliance. Requirements and percentages are different depending on the type of municipal corporation. Debt limits are listed here: <a href="https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/OBEC/Resources%20-%20Debt%20Limits.pdf">https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/OBEC/Resources%20-%20Debt%20Limits.pdf</a>.</li> <li>Test, calculate and comment regarding compliance relating to short-term and long-term debt including limitations on the amount of debt which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements placing restrictions on the use of moneys available to retire indebtedness.</li> <li>If there are debt covenants (such as a required cash reserve or coverage ratio) verify whether the client is in compliance.</li> </ul>		
<p><b>11. 162-010-0260 Budget</b></p> <p>Compliance with legal requirements relating to the preparation, adoption, and execution of the annual or biennial budget for the year being audited, and the preparation and adoption of the budget for the next succeeding year shall be disclosed. Also, the auditor shall disclose the financial or organizational level at which the governing body makes the annual appropriations. The minimum levels of legal appropriation are established in ORS 294.456.</p> <p>Any exceptions noted in the preparation, adoption, or execution of the budget must be disclosed.</p> <p><u><a href="#">See detailed program for "Oregon Budget Law" suggested procedures.</a></u></p>		<p><u><a href="#">See Budget audit program</a></u></p>
<p><b>12. 162-010-0270 Insurance and Fidelity Bonds</b></p> <p>Compliance with legal requirements and the government's policies relating to insurance and fidelity bond coverage shall be disclosed. Recommendations for further review of coverage by qualified individuals may be included, if appropriate.</p> <p>~~~~~</p>		

Requirement	Performed by and Date	WP Ref
<p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• Ascertain that entity has appropriate coverage, proper liability, etc. and is in compliance with the governing body's requirements.</li> <li>• If audit work was performed on the payment of insurance, indicate workpaper where that work is documented; otherwise, describe the procedures performed in the comments section.</li> <li>• Inquire of the client about how the client reviews coverage.</li> <li>• Verify that the coverage is reviewed on a periodic basis.</li> </ul>		
<p><b>13. 162-010-0280 Programs Funded from Outside Sources</b></p> <p>(a) Compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies shall be disclosed. This would include, but not necessarily be limited to, state and federal governmental agencies. Material instances of noncompliance must be sufficiently disclosed to enable the municipal corporation and the appropriate governmental agencies to initiate corrective action.</p> <p>(b) If separate reports have been issued to disclose compliance with federal financial assistance programs under the Single Audit Act Amendments 1996, then a reference to these separate reports is required in this disclosure.</p> <p>~~~~~</p> <p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• Evaluate material programs for potential material noncompliance. (Materiality based on basic financial statements taken as a whole.)</li> <li>• Consider outside revenue resources for potential instructions and any covenants for continued funding.</li> <li>• If a government did not receive or spend significant amounts during the fiscal year, the auditor should simply state the fact.</li> </ul>		
<p><b>14. 162-010-0295 Highway Funds</b></p> <p>Compliance with legal requirements, (as contained in Article IX, section 3a of the Oregon Constitution), pertaining to the use of revenue from taxes on motor vehicle use and fuel shall be disclosed. The auditor shall also disclose compliance with statutory requirements pertaining to the use of road funds (as contained in ORS 294, 368, and 373).</p> <p>~~~~~</p> <p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• With respect to the use of revenue from taxes on motor vehicle use and fuel:             <ul style="list-style-type: none"> <li>○ Was revenue used exclusively for the construction, reconstruction, improvement, repairs, maintenance, operation and use of public highways, roads, streets and roadside rest areas in Oregon (Article IX, Section 3a)?</li> <li>○ May also be used for certain authorized administration, retirement of certain bonds and other specific uses (Article IX, Section 3a[2]).</li> </ul> </li> <li>• With respect to the use of road funds:</li> </ul>		

Requirement	Performed by and Date	WP Ref
<ul style="list-style-type: none"> <li>○ <i>If money was borrowed by the <u>county</u> general fund was it repaid by the end of the following fiscal year? (ORS 294.050)</i></li> <li>○ <i>Were monies apportioned to the <u>county</u> road fund applied in payment of outstanding road bonds or placed in a bond sinking fund? (ORS 294.060)</i></li> <li>○ <i>Were any <u>county</u> road fund tax levies used for establishing, laying out, opening, surveying, altering, improving, constructing, maintaining and repairing county roads and bridges on county roads or in like manner in cooperation with the state or federal government? (ORS 368.705)</i></li> <li>○ <i>Was 50 percent or more of the tax apportioned to the <u>county</u> road districts including districts composed of incorporated cities and towns in proportion to taxable property? (ORS 368.710)</i></li> <li>○ <i>Was the <u>county</u> road tax accounted for separately in such a manner that it can be readily ascertained for apportionment? (ORS 368.710)</i></li> <li>○ <i>If <u>county</u> road funds were used on other non-county roads, did an emergency exist or did a disaster occur? (ORS 368.715)</i></li> <li>○ <i>If <u>county</u> road funds were used outside of the county was there an intergovernmental agreement which set forth the terms under which the funds may be used? (ORS 368.720)</i></li> <li>○ <i>Were <u>county</u> general road funds expended on city streets and bridges pursuant to ORS 373.260? (ORS 368.722)</i></li> <li>○ <i>Does the general road fund of the <u>city</u> consist of apportioned road money and any other money placed there by order of the governing body? (ORS 373.240)</i></li> <li>○ <i>Was the <u>city</u> road fund:</i> <ul style="list-style-type: none"> <li>▪ <i>Used for construction and repair of county roads and streets? (ORS 373.250[1])</i></li> <li>▪ <i>Used for construction and repair of roads outside the city which lead directly to it? (ORS 373.250[2])</i></li> <li>▪ <i>Used jointly with the county(ies) in which the city is located? (ORS 373.250[3])</i></li> </ul> </li> </ul>		
<p><b>15. 162-010-0300 Investments</b></p> <p>Compliance with legal requirements, (as contained in ORS Chapter 294), pertaining to the investment of public funds shall be disclosed.</p> <p style="color: red; text-align: center;">(USUALLY UPDATED ANNUALLY - As of 8/31/2017,</p> <p style="color: blue;">limitations for investments in LGIP are \$48,333,000. Prior to that the limitation was \$47,390,998. Source Memo dated 9/18/2017 found here:  <a href="https://www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/LGIP%20Resources.aspx">https://www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/LGIP%20Resources.aspx</a>)</p> <p>~~~~~</p> <p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• <i>Review investments throughout the year for compliance with state statutes. ORS 294.035</i></li> <li>• <i>Consider inquiry and client representations.</i></li> </ul>		

Requirement	Performed by and Date	WP Ref
<p><b>16. 162-010-0310 Public Contracts and Purchasing</b></p> <p>Compliance with Public Contracting Code, ORS Chapters 279A, 279B and 279C pertaining to: The awarding of public contracts; and the construction of public improvements shall be disclosed.</p> <p>~~~~~</p> <p><b>Suggested Procedures</b></p> <ul style="list-style-type: none"> <li>• Obtain and document an understanding of the government’s purchasing systems and controls (if significant), including competitive bidding practices and construction of public projects as defined in ORS 279.</li> <li>• Verify and document compliance (or noncompliance) with the requirements of ORS 279 with respect to competitive bidding practices and construction of public contracts. Indicate compliance with the government’s policies, or in the absence of stated policies, with the Attorney Generals Model Purchasing Policies. <ul style="list-style-type: none"> <li>○ Test work may be done in conjunction with review of major transactions as they relate to construction of public projects, or in relation to tests of controls over expenditures – specifically for capital expenditures which require some level of competitive purchasing practices.</li> <li>○ The number of transactions required for testing remains a matter of auditor judgment, given the size and nature of the government and the population of transactions subject to the requirements of the Standard. In some cases a single walkthrough may be adequate, whereas if tests of controls are performed in relation to an audit under Government Auditing Standards, the Standard may be incorporated into tests of controls over expenditures.</li> <li>○ Dual purpose testing may also be employed with respect to construction of public contracts for road projects, to satisfy requirements for testing under OAR 162-010-295 (Highway Funds).</li> </ul> </li> <li>• Inquire with a knowledgeable employee if the government complied with the provisions of ORS 279 and if the government has received any complaints or knowledge of any non-compliance.</li> </ul>		
<p><b>17. 162-010-0315 State School Fund</b></p> <p>There shall be comments regarding the school district’s compliance with legal requirements as state in ORS 327.013 and as further defined by the Oregon State Department of Education pertaining to the district’s calculation and reporting of the factors used to compute the State School Fund distribution.</p> <p><u><a href="#">See detailed program for “Oregon State School Funding” suggested procedures.</a></u></p>		<p><u><a href="#">See State School Fund audit program</a></u></p>
<p><b>18. 162-010-0310 Charter Schools</b></p> <p>Public charter schools created under ORS Chapter 338 are subject to review and compliance with the following:</p> <ol style="list-style-type: none"> <li>(1) Insurance and Fidelity bonds – OAR 162-010-0270;</li> <li>(2) Programs Funded from Outside Sources – OAR 162-010-0280; and</li> <li>(3) Public Contracts and Purchasing – OAR 162-010-0310.</li> </ol>		



Requirement	Performed by and Date	WP Ref
<p><b>19. 162-010-0320 Other Comments and Disclosures</b></p> <p>The accountant shall include such other comments or disclosures with respect to the review of fiscal affairs and compliance with legal requirements as may be appropriate in the circumstances.</p> <p>~~~~~</p> <p><i>The auditor should consider if there are other state requirements that are material to this specific entity.</i></p> <p><i>Additional areas to consider for compliance with state requirements:</i></p> <ul style="list-style-type: none"> <li>• <i>Property Taxes (Counties) – assessment, collection and distribution. ORS 308 and 311</i></li> <li>• <i>System Development Charges (SDC) - assessment, collection, and expenditure. ORS 223.297 through 314</i></li> <li>• <i>Urban Renewal Agencies - tax increment financing. ORS 457</i></li> <li>• <i>Collection and distribution of state-regulated fees.</i></li> <li>• <i>Turnover of abandoned property. ORS 98.336</i></li> </ul>		
<p><b>20. 162-010-0330 Extension of Time to Deliver Audit Reports</b></p> <p>If the required audit report is not filed with the Secretary of State <u>within six months</u> following the end of the fiscal year. The municipal corporation shall file a written request for extension of time to file. The Secretary of State, may grant the request for a reasonable period of time. (Extension Requests can be filled out here <a href="http://sos.oregon.gov/audits/Pages/extension-request.aspx">http://sos.oregon.gov/audits/Pages/extension-request.aspx</a>)</p>		
<p><b>21. 162-010-0020 Summary of Revenue and Expenditures</b></p> <p>Within 30 days after delivering the audit report, submit a summary of the revenues and expenditures of the municipal corporation for the period covered by the audit. (The form can be filled out here <a href="http://sos.oregon.gov/audits/documents/sre-form.pdf">http://sos.oregon.gov/audits/documents/sre-form.pdf</a>)</p> <p>E-mailed to <a href="mailto:municipalfiling.sos@oregon.gov">municipalfiling.sos@oregon.gov</a>  Date e-mailed: _____  E-mailed by: _____</p>		
<b>General</b>		
<p><b>1.</b> Prepare a summary of audit findings and conclusions for inclusion in the audit report and/or management letter if necessary.</p>		
<p><b>2.</b> Make comment on compliance in the Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting on an Audit of Financial Statements Performed in Accordance with <i>Oregon State Regulation</i>.</p>		
<p><b>3.</b> Obtain written representations from management that all information and records pertaining to compliance with Minimum Standards of Oregon Municipalities have been made available.</p>		