



Secretary of State  
Oregon Audits Division

# MUNICIPAL AUDIT NEWS

## Filing checklist

- Financial Report
- Filing Fee
- Summary of Revenues and Expenditures
- Deficiency Communication
- Plan of Action

*See page 2 for tips and reminders.*

## Municipal Change of address, registration

We have a new online form that municipalities can use to [register with our office](#), whether they are newly formed or just discovering they are subject to Municipal Audit Law. This online form can also be used to notify us of a change in municipality name, address, or fiscal year end. We don't require notification for changes in municipal officers and staff or phone numbers.

### “New” municipalities

Speaking of new municipalities, we recently became aware of an entity that was created in 2002 when several local governments entered into an intergovernmental agreement in accordance with Oregon Revised Statute 190. This intergovernmental agreement created an entity that is subject to Municipal Audit Law. The entity has never filed with our office

and will now have to do quite a bit of work to become compliant with the annual filing requirements.

Many of the local governments that formed this new entity are audited or reviewed each year. We encourage auditors to keep their eye out for situations like this. Auditors are in the best position to assist their clients by providing information on Municipal Audit Law and encouraging them to reach out to our office if there is any question about whether they are subject to Municipal Audit Law.

## We want your feedback

During this upcoming year, we will look at the Municipal Audit Program and consider ways to improve our communication, the filing process, and resources and services offered. As you work through the audit season, be mindful of ways we can provide assistance or make compliance with Municipal Audit Law easier. Also, if there is information or services not currently provided that you would like to see, please let us know. We'll consider all comments and develop a survey that will go out sometime next year. Keep an eye out for it!

## Questions?

Call our office at (503) 986-2255 or email [municipalfilings.sos@oregon.gov](mailto:municipalfilings.sos@oregon.gov)

## Filing requirements – checklist continued

As part of the municipal audit community, I'm guessing you are right in the thick of audit season. Whether you're a municipal auditor or the staff or governing member of a local municipality, you're probably working diligently to meet the audit (or review) filing deadline, which is fast approaching! Now is the perfect time to share reminders and tips for successfully submitting municipal filings.

**Due date:** Audit and review reports are due 180 days from fiscal year end. Most are due by **December 31**.

**Extension requests:** If the deadline cannot be met, a municipality may file a request for extension of time to file. The easiest way to do this is to complete the [online extension request form](#) and submit electronically. After submitting, an email is sent to you that includes all the information submitted so the record can be saved. Extension requests may be granted "for good cause shown" so be sure to include the reason timely filing will not be possible (ORS 297.465(3)).

**Filing fee:** Pay the required fee. Our office has become aware of a requirement to send certain entities to collection if their fee remains outstanding for more than 90 days. Please ensure payment is made as soon as possible to the date the report is filed.

**Summary of Revenues and Expenditures (SRE):** Whether submitted by the auditor or the municipality, the SRE should be filed within *30 days* of submitting an audit or review report. To ensure accurate and timely processing, file the SRE with the audit or report; Municipal Audit Law holds the auditor responsible for ensuring the SRE is filed.

Most of the SREs received this year have been accurately completed. As a reminder, the number of findings reported on the SRE should equal the number of *material weaknesses* and *significant deficiencies* reported. Other matters and non-compliance reported in the minimum standards report do not need to be included on the SRE unless they rise to the level of a material weakness or significant deficiency.

**Deficiency communication:** A copy of the GAS report or separate letter to management communicating deficiencies must be filed by the auditor within *30 days* of delivering the report to the municipal corporation. Again, to ensure accurate and timely processing, we recommend the communication be submitted when the audit or review report is filed. We do not need a copy of (formerly) SAS 114 letters when they don't communicate findings; we only need a copy of the report or letter where the auditor communicated the details of any material weaknesses and significant deficiencies identified.

**Plan of Action:** A Plan of Action must be adopted by the governing body when the auditor reports deficiencies. The plan must include a timeline for corrective action and be filed within *30 days* of submitting the audit or review report. Management's response in an auditor letter is not sufficient. Further, plans submitted by management are not sufficient to fulfill the intent of the law. The *governing body* (city councilors, directors, board chair, mayor, commissioners, etc.) must adopt the plan through motion or resolution, and provide our office with a signed copy; or, certain elected or appointed members of the governing body can sign a memo detailing the finding and plan of action as adopted by the governing body. Sample letters and resolutions are posted to [our website](#) under Municipal Forms and Templates.

Plans that have not been signed by an elected or appointed member of the governing body will not be accepted as fulfillment of this requirement.

## ENGAGEMENT QUALITY

Audit quality continues to be a hot topic both locally and nationally, and is the subject of articles published in various professional journals and online. When out in the field we see many examples of engagement quality and good audit work. We participate in peer review to help ensure quality and to comply with the requirements of our profession. We are doing many things right.

There is still room for improvement.

Whether you're an auditor who struggles to stay current given all the changes to accounting and audit reporting standards, or an experienced auditor who is up-to-date on all the latest and greatest, I hope you'll find the following tips useful as you look toward wrapping up another municipal audit season.

**Documentation:** Throughout the audit, and especially during the engagement review, make sure the identified risks and assessment of controls are clearly reflected in and tied to the resulting audit procedures performed.

Work performed in support of the minimum standards and auditor's comments on compliance should be clearly documented. Workpaper conclusions should *clearly support minimum standards comments* and be referenced on the audit programs used.

If your firm hasn't already developed a minimum standards audit program, consider using one or more of the programs developed by the Oregon Society of CPA's (OSCPA) governmental committee. They have created templates for Oregon budget law, state school fund (ADM), and all other minimum standards. They can be found on the society's resource page for government at [orcpa.org](http://orcpa.org) and should be tailored to fit your engagement.

**Review checklists and audit guides:** Many in the audit community use PPC, CCH, or other audit resources that come with audit programs and checklists to help practitioners organize engagement files and ensure all necessary steps are completed and documented prior to issuing an opinion. Whether you're currently using engagement software or internally developed programs and checklists, consider the following resources to help ensure engagement and reporting quality:

- AICPA Audit Guides
- Government Audit Quality Center (GAQC)
- GFOA checklist
- GASB technical inquiry

Additional work performed to ensure engagement quality and reporting in compliance with professional standards helps retain public confidence in our work and the financial information reported. It will also help your next peer review go even smoother. Changes in peer review are requiring even more scrutiny and mandatory comments or findings for certain aspects of the audit.

For those of you who have a good handle on audits and have passed recent peer reviews, consider whether you would be interested in being a peer reviewer. It's important to have peer reviewers in Oregon with the specialized skillset to review firms that perform municipal audits and provide consultation to practitioners when they have questions. Read the guest column below to see if it could be a good fit for you and your firm.

# Is Peer Review Right For You?

*Guest column by Harry E. Bose, CPA*

The peer reviewer performs an important role in our profession. As with the audit function, that role serves to protect the public, helping ensure practitioners comply with professional standards. The peer reviewer also performs an educational and coaching function, which is the aspect I enjoy most. There are several reasons this is a good time to consider pursuing a peer review practice:

- The peer reviewer pool in Oregon, and nationally, is greying. Several long-established Oregon peer reviewers are contemplating retirement or scaling back. The profession needs new peer reviewers.
- The peer review process is becoming more automated, with a platform named PRIMA, which is more suited to the younger practitioners who are comfortable with technology.
- Peer review can be part of your business model, a service you provide to other professionals, charging the CPA firms who are your clients a fair fee for your time as you would an audit client.
- CPAs are great clients: diligent, responsive to requests, intelligent, friendly, and ethical.

Peer reviews fall into one of two categories: System or Engagement. A System peer review applies when the reviewed firm has an audit practice or performs certain kinds of attest engagements. For example, an agreed-upon procedures engagement performed under Government Auditing Standards (but not an agreed-upon procedures engagement performed under AICPA standards) requires a System Review. An Engagement peer review generally applies to firms without an audit practice. A System Review may take two or more days to complete, while an Engagement Review can usually be completed in a few hours. If you are the in charge on a System review, your title is “Team Captain,” while on an Engagement review your title is “Review Captain.”

The peer reviewer pool in Oregon, and nationally, is greying... **the profession needs new peer reviewers.**

What are the minimum requirements you must meet to become a peer reviewer, either a Team Captain or a Review Captain? Here is a summary:

- Be a member of the AICPA in good standing.
- Be associated with a firm that, in its most recent review, received a report with a peer review rating of pass.
- Be currently active in a public practice at a supervisory level in the accounting or auditing function.
- On System reviews, you need to be a partner (which might include a Director of Quality Control) at your firm if you are the Team Captain, although other team members on the peer review do not need to be partners. On Engagement reviews, the Review Captain can be a manager or a partner.
- Have at least five years of recent experience in the accounting or auditing function.
- Have recent experience with the industries, and the levels of service, applicable to the engagements you will be reviewing. Recent means within the past five years.
- For high risk industries and levels of service that are subject to mandatory selection in a peer review, your experience must be current, which means you have supervised or performed such engagements within the past year.
- Have completed peer review training to become a peer reviewer, which includes an online curriculum and a live seminar course, for a total of 16 CPE credit hours. This initial training requirement does not apply if

you only plan to be a team member on peer reviews and never plan to serve as a Team Captain on a System Review or a Review Captain on an Engagement Review.

After you become a peer reviewer, the ongoing requirements include:

- Obtain at least 40% of the AICPA required 120 hours of CPE every 3 years in subjects relating to accounting, auditing, and quality control, adding up to at least 48 hours with at least 8 hours in each year.
- Comply with an ongoing training requirement, which involves taking an update course annually qualifying for 2 hours of CPE or attending the National Peer Review Conference.
- Maintain membership in relevant AICPA Audit Quality Centers if the firms you peer review are members.
- Maintain an updated peer reviewer resume on the PRIMA platform at the AICPA website.
- If you review engagements subject to Government Auditing Standards or Employee Benefit Plan engagements, you must annually complete approved training, tailored specifically for peer reviewers, on those industries, which qualifies for 2 to 4 CPE hours depending on the industry and the year.

A good way to ramp up your peer review practice quickly is to join the OSCPA Peer Review Committee. The director of the OSCPA Peer Review Program, Phyllis Barker, is actively seeking new members, and would like to talk to you about what is involved. The OSCPA will be offering a one-day live seminar on peer review this coming spring.

I highly recommend peer review to you. I think you will enjoy the coaching and teaching experiences. Feel free to contact me with questions or catch me at the OSCPA Winter or Spring Governmental Conference.

*Harry Bose*

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