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| AOS-SEAL | **OFFICE OF AUDITOR OF STATE** STATE OF IOWA  State Capitol Building  Des Moines, Iowa 50319-0004  Telephone (515) 281-5834      Facsimile (515) 281-6518 | Rob Sand  Auditor of State |

**(First date of fieldwork)**

Sample Cash City the Sample Cash City Street AddressCityStateZipcode

Sample Cash City

Street Address

City, State

Zipcode

To the Honorable Mayor, Members of

the City Council and City Administrator (or Clerk):

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide the Sample Cash City for the period \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ through \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (**for annual examinations, add “, and subsequent periods until revised.”**). We will perform certain procedures agreed to by the Sample Cash City for the period identified.

**Agreed-upon Procedures Objective**

The objective of our agreed-upon procedures is to perform an examination pursuant to Chapter 11.6 of the Code of Iowa. The examination is designed to focus on the financial processes of the City and compliance with certain Code of Iowa requirements to help ensure accountability and compliance and minimize the opportunity for fraud. We will review selected City records for propriety and determine whether adequate records are maintained by the City. You will agree to the procedures as included in the City Examination Agreed-Upon Procedures Program Guide located on our website at <https://auditor.iowa.gov/other-resources/audit-practice-aids> and will acknowledge the procedures to be performed are appropriate for the intended purpose of the engagement as described above. Our engagement to apply agreed-upon procedures will be conducted in accordance with the attestation standards for agreed-upon procedures engagements issued by the American Institute of Certified Public Accountants, the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the agreed-upon procedures program guide prepared by the Office of the Auditor of State. Those standards require we obtain your written agreement to the procedures to be applied and your acknowledgment those procedures are appropriate for the intended purpose of the engagement, as described in this letter. The agreement and acknowledgment are contained with this letter. A refusal to provide such agreement and acknowledgment will result in our withdrawal from the engagement. We make no representation the procedures we will perform are appropriate for the intended purpose of the engagement 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.

Because the agreed upon procedures do not constitute an examination or review, we will not express an opinion or conclusion. In addition, we have no obligation to perform any procedures beyond those to which you agree.

We will also provide a written report upon completion of our engagement which lists the procedures performed and our findings, if any. Our report will be addressed to the City. If we encounter restrictions in performing our procedures, we will discuss the matter with you. If we determine the restrictions are appropriate, we will disclose the restrictions in our report. The report, which will not include opinions on financial statements, will include a statement the purpose of the report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City’s compliance with certain Code of Iowa requirements, and the report is not suitable for any other purpose. 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. If we become aware the Sample Cash City is subject to an audit requirement not encompassed in the terms of this engagement letter, we will communicate to appropriate City officials the procedures we performed may not satisfy the relevant legal, regulatory or contractual requirements the City is subject to.

There may exist circumstances that, in our professional judgment, will require we withdraw from this engagement. If circumstances occur relating to the condition of your records, the availability of evidence, or the existence of significant risk of material misstatement of the subject matter caused by error or fraud, which in our professional judgment prevent us from completing the engagement or reporting findings, we retain the right to take any course of action permitted by professional standards, including declining to report findings or issue a report, or withdrawing from this engagement. Such circumstances include the following:

* You refuse to provide written agreement to the procedures and acknowledge they are appropriate for the intended purpose of the engagement.
* You fail to provide requested written representation, or we conclude there is sufficient doubt about the competence, integrity, ethical values or diligence of those providing the written representations, or we conclude the written representation provided are otherwise not reliable.
* We determine the description of the procedures performed or the corresponding findings are misleading in the circumstances of the engagement.
* We determine restriction on the performance of procedures are not appropriate.

**Agreed-upon Procedures—General**

This agreed-upon procedures engagement includes examining, on a test basis, City records and transactions for propriety. Therefore, our procedures will involve judgment about the number of transactions to be examined and the areas to be reviewed.

Because of the inherent limitations of the engagement, combined with the inherent limitations of internal control and because we will not perform a detailed examination of all transactions, there is an unavoidable risk material misstatements may exist and not be detected by us, even though the engagement is properly planned and performed in accordance with the attestation standards for agreed-upon procedures engagements issued by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting or misappropriation of assets which come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as independent accountants is limited to the period covered by our procedures and does not extend to any later periods for which we are not engaged.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from you about your responsibilities.

**Agreed-upon Procedures—Internal Control**

Our procedures will include obtaining an understanding of the Sample Cash City and its environment, including internal control. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed.

Our procedures are not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, we will communicate to management and those charged with governance any matters involving internal control and its operation required to be communicated under the attestation standards for agreed-upon procedures engagements issued by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards.

**Agreed-upon Procedures—Compliance**

As part of our procedures, we will perform tests of the Sample Cash City's compliance with provisions of applicable laws, regulations, contracts, agreements and grants. An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, should any such matters come to our attention, we will communicate them in accordance with professional standards and applicable law. In addition, if, in connection with this engagement, matters come to our attention which contradict the procedures, we will communicate such matters to you. We will inform you of any violations of laws or governmental regulations that come to our attention during our procedures, unless clearly inconsequential. However, the objective of our procedures is not to provide an opinion on overall compliance and we will not express such an opinion in our report.

**Management Responsibilities**

You agree to the procedures to be performed and acknowledge they are appropriate for the intended purpose of the engagement.

Management is responsible for designing, implementing, establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities to help ensure appropriate goals and objectives are met, following laws and regulations and ensuring management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contract and grant agreements. You are also responsible for the selection and application of accounting principles.

Management is also responsible for maintaining adequate financial records, making all financial records and related information available to us and for the accuracy and completeness of the information. You are also responsible for providing us with access to all information of which you are aware is relevant to the engagement, including identification of all related parties and all related-party relationships and transactions, and providing us with unrestricted access to persons within the City from whom we determine it is necessary to obtain information and/or documentation.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control and (c) others where the fraud could have a material effect on the financial data. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators or others. In addition, you are responsible for identifying and ensuring the City complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements we may report.

Management is responsible for establishing and maintaining a process for tracking the status of findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, previous agreed-upon procedures, previous performance audits or other engagements or studies related to the objectives discussed in the Agreed-upon Procedures Objective section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, agreed-upon procedures, performance audits or other engagements or studies.

**Engagement Administration, Fees and Other**

We will provide an electronic copy of our report to the City, however, management is responsible for distribution of the report. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our report are to be made available for public inspection.

The documentation for the examination will be retained for a minimum of six years after the report release date or for any additional period requested by regulators. If we are aware a federal awarding agency or entity is contesting a finding, we will contact the party(ies) contesting the findings for guidance prior to destroying the documentation.

Government Auditing Standards require we make available a copy of our most recent external peer review report and any letter of comment, as well as any subsequent peer review reports and letters of comment received while we are performing procedures for the City. Our peer review report and letter of comment can be located on our website at <https://auditor.iowa.gov>.

We request you provide a high speed internet connection, if one is available and allowed by the security policies, for each of our staff or permission to connect a switch to a single connection if that is available. We will use that connection to establish a SSL VPN connection to our network. If no internet connection is available, we may request permission to use a Verizon Hot Spot at your location to obtain an internet connection.

**Pursuant to Chapter 11 of the Code of Iowa, the Sample Cash City will not be billed for performing these agreed-upon procedures for the City. However, the Sample Cash City is required to annually pay the periodic examination fee established by Administrative Rule based on the City’s budgeted disbursements. The periodic examination fee is due and payable to the Office of Auditor of State on or before March 31 of each year.**

**OR**

**The Sample Cash City** **issued a Request for Proposals (RFP) for the performance of its annual examination for the year(s) ended June 30, 20\_\_ through June 30, 20\_\_. The Office of Auditor of State was selected to perform those annual examination(s) based on our response to the RFP. The terms and conditions contained in the City’s RFP and our response to the City’s RFP are incorporated by reference in this engagement letter.**

**OR**

**Our fees to perform the annual examination(s) of the Sample Cash City are based on the time necessary to perform the annual examination(s) at hourly rates for individual staff levels, in addition to necessary travel expenses at rates governed by State regulations. The time necessary to perform the procedures at the City depends significantly on the activities conducted by the City, the internal controls the City establishes over its activities****, the condition of the City’s records, timely responses to our inquiries and timely completion and delivery of client assistance requests. As long as the City’s activities and its internal controls do not change significantly,** **and we do not encounter unexpected circumstances which impact the time necessary to conduct the audit (i.e. unreconciled book and bank balances, unreconciled TIF obligations, records not maintained in current condition, etc.), we would expect the cost to perform requested annual examination(s) to be within the estimate letter provided. If our anticipated costs are expected to increase significantly from the estimate, we will discuss the reasons for the anticipated increases with you.**

**OR**

**Our fees to perform the annual examination(s) of the Sample Cash City are based on the time necessary to perform the annual examination(s) at hourly rates for individual staff levels, in addition to necessary travel expenses at rates governed by State regulations. The time necessary to perform the procedures at the City depends significantly on the activities conducted by the City, the internal controls the City has established over its activities, the condition of the City’s records, timely responses to our inquiries and timely completion and delivery of client assistance requests. As long as the City’s activities and its internal controls do not change significantly from year to year, and we do not encounter unexpected circumstances which impact the time necessary to conduct the audit (i.e. unreconciled book and bank balances, unreconciled TIF obligations, records not maintained in current condition, etc.), we would not expect the cost to perform requested annual examination(s) to change significantly after considering the effects of inflation. If our anticipated costs are expected to increase significantly from the prior year, we will discuss the reasons for the anticipated increase with you.**

You may request we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We appreciate the opportunity to be of service to the Sample Cash City and believe this letter accurately summarizes the significant terms of our engagement to perform the City’s agreed-upon procedures. 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 the enclosed copy and return it to us.

Regards,  
  
  
  
  
Ernest H. Ruben, Jr., CPA

Director

RESPONSE:

This letter correctly sets forth the understanding of the Sample Cash City .

Those charged with Governance City Management

By:

Title:

Date: