91A.044 Agreed-upon procedures engagements -- Requirements -- Contents -- Publication requirements.

(1) Beginning with fiscal years on and after July 1, 2027, a city required to complete an audit pursuant to the provisions of KRS 91A.040 may elect to instead have an agreed-upon procedures engagement with either the Auditor of Public Accounts or a certified public accountant under the provisions of this section.

(2) A city shall meet the following conditions in order to proceed with an agreed-upon procedures engagement under this section for a particular fiscal year:

(a) Unless proceeding under subsection (9) of this section, the city shall have complied with any of the applicable requirements under KRS 91A.040 or this section in the immediately preceding fiscal year;

(b) The city has not been subject to a special examination from the Auditor of Public Accounts during the immediately preceding fiscal year or during the fiscal year to be audited;

(c) For the fiscal year subject to be audited, the city received and expended from all sources and for all purposes less than fifteen million dollars ($15,000,000);

(d) The city is not required by any other provision of state or federal law to perform an audit or examination more stringent than is required by this section; and

(e) The city shall meet any other standards and requirements not in conflict with this subsection that may be established by the Auditor of Public Accounts through the promulgation of administrative regulations in accordance with KRS Chapter 13A.

(3) An agreed-upon procedures engagement entered into by a city under this section shall be conducted and governed under the American Institute of Certified Public Accountants (AICPA) professional standards and any additional standards and requirements established by administrative regulation promulgated in accordance with KRS Chapter 13A by the Auditor of Public Accounts. Any agreed-upon procedures engagement conducted for a city shall, at a minimum, examine and report on:

(a) Reconciliation of cash, including the recalculation of year-end bank reconciliations, confirmation of beginning and ending balances, and verification that reconciled bank balances agree to fund cash balances in the accounting system and financial statement;

(b) Confirmation of cash balances directly with any external financial institutions;

(c) Fund balances and transfers;

(d) Inspection of investment holdings for compliance with applicable state law and any policies adopted by the city;

(e) A statement of receipts and disbursements, including payroll disbursements;

(f) Identification of outstanding debt, including confirmation of beginning and ending balances, any new debt issuance or payments, amortization schedules, and compliance with debt terms;

(g) Verification that total expenditures do not exceed appropriations; and

(h) If applicable, an examination of local government economic assistance funds granted to the city under KRS 42.450 to 42.495 to ensure the funds were expended for the purposes intended.

(4) An agreed-upon procedures engagement performed under this section shall be completed by March 1 immediately following the fiscal year being examined. A copy of the agreed-upon procedures report shall be forwarded to the Department for Local Government for informational purposes no later than April 1 immediately following the fiscal year being examined. The Department for Local Government shall, upon request, make available electronic copies of reports submitted to it under this section to the Legislative Research Commission to be used for the purposes of KRS 6.955 to 6.975 and to the Auditor of Public Accounts if the Auditor is not a party to the agreed-upon procedures engagement.

(5) Any city proceeding under this section to perform an agreed-upon procedures engagement in lieu of an audit shall enter into a contract with the Auditor of Public Accounts or a certified public accountant for the performance of that agreed-upon procedures engagement. The contract's terms and conditions shall include but not be limited to:

(a) The Auditor of Public Accounts or the certified public accountant complete an agreed-upon procedures report in compliance with subsection (3) of this section;

(b) The completed agreed-upon procedures report shall be presented to the city legislative body at a regular or special meeting; and

(c) If the agreed-upon procedures engagement is completed by a certified public accountant, that the Auditor of Public Accounts shall be allowed to review the certified public accountant's work papers upon request.

(6) A copy of an agreed-upon procedures engagement report which meets the requirements of this section shall be considered satisfactory and final in meeting any official request to a city for financial data, except as may be required by the Kentucky Revised Statutes, including those under KRS 6.955 to 6.975, and any judicial requirements.

(7) An agreed-upon procedures engagement report completed under this section shall be deemed sufficient to meet any state law or administrative regulation that requires the submission or completion of an audit.

(8) Not later than thirty (30) days after the date on which the presentation of the agreed-upon procedures engagement report has been made to the city, the city shall publish an advertisement in accordance with KRS Chapter 424 that the agreed-upon procedures engagement report has been completed for the city and that:

(a) The complete report, along with supplemental information, is available for inspection at city hall during normal business hours; and

(b) Any citizen may obtain from city hall a copy of the completed agreed-upon procedures engagement report for personal use at a duplication cost not exceeding twenty-five cents ($0.25) per page.

(9) A city that is two (2) or more fiscal years behind in completing or reporting under KRS 91A.040 or 424.220 may make an application to the Department for Local

Government to proceed under this section with a single agreed-upon procedures engagement to bring the city into compliance for those fiscal years. The Department for Local Government shall prescribe any requirements, conditions, and other terms for using the process authorized under this subsection by administrative regulation promulgated in accordance with KRS Chapter 13A. Once completed, the Department for Local Government shall treat the city as compliant with the requirements it had previously failed to meet under KRS 91A.040 or 424.220.

(10) A city shall forward a copy of any agreed-upon procedures engagement report completed pursuant to this section to the Auditor of Public Accounts upon request.

Effective: July 15, 2026

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