

**State of Connecticut
Department of Economic and Community Development**

**AGREED-UPON PROCEDURES FOR USE BY INDEPENDENT PUBLIC
ACCOUNTANTS WHEN PERFORMING A JOB RETENTION AND CREATION
ENGAGEMENT**

The purpose of this guide is to assist Independent Public Accountants (IPAs) in performing agreed-upon procedures to determine compliance with the job retention and creation terms outlined in the Department of Economic and Community Development (DECD) Assistance Agreement.

The agreed-upon procedures engagement must be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The job retention and creation engagement is between the DECD Client and the Independent Public Accountant, based on a requirement of the DECD Assistance Agreement. DECD does not have to be a party to the Engagement Letter. The final agreed-upon procedures report must be issued utilizing the *Sample Agreed-Upon Procedures Job Retention and Creation Report* included as *DECD Sample Form A* of this guide. Any deviation from the *Report* should be agreed to by DECD.

The suggested procedures contained herein may not cover all circumstances or conditions encountered in a particular engagement and may be substituted with other procedures better suited for a particular situation. Any questions can be directed to Steve Pons at 860-270-8209 or by email at steve.pons@ct.gov.

Appendix F contains the following information:

1. Job Retention and Creation Engagement Procedures for use by Independent Public Accountants
2. DECD Sample Form A – Sample Agreed-Upon Procedures Job Retention and Creation Report, including Schedule 1 – Schedule of Employment Positions
3. DECD Form JEF-1 – Job Evaluation Form (based on terms of contract, job evaluation period is normally either a 12 or 24 consecutive month period)
4. DECD Form JEF-2 – Schedule of Employees employed during the job evaluation period
5. DECD Form JEF-3 – Job Evaluation Form – With Independent Contractors & Subcontracted Employees (only required to be filled out if the use of Independent Contractors are authorized as part of job count in Article 2.17 of Assistance Agreement)
6. DECD Form JEF-4 – Subcontracted Employee Reporting Form (only required to be filled out if the use of Subcontractors are authorized as part of job count in Article 2.17 of Assistance Agreement)
7. DECD Sample Form C - Job Engagement Employee Payroll Test
8. DECD Sample Form D – Engagement Procedures for Testing Independent Contractors and Subcontracted Employees used to determine Total Qualified Employees

State of Connecticut
 Department of Economic and Community Development

**JOB RETENTION AND CREATION ENGAGEMENT PROCEDURES FOR USE BY
 INDEPENDENT PUBLIC ACCOUNTANTS**

Engagement Planning –Procedures to be performed at DECD or Client’s Office

	Done By	W/P Ref.
1. Review DECD Assistance Agreement and Business Proposal for conditions related to the determination of the number of full-time and/or part-time employment positions to be created and/or retained, the definition of a full-time employee or employment position, the dates required for achieving those employment positions, and the penalties related to not achieving such employment positions.		
2. Have Company fill out <i>Job Evaluation Form (DECD Form JEF-1)</i> for the period specified in Assistance Agreement (normally either a 12 or 24 consecutive month period) when jobs were to be created and/or retained by or for earlier period if jobs met prior to the end date specified in the Assistance Agreement.		
3. If Independent Contractors and Subcontracted Employees are authorized to be included in the employee job totals, have Company fill out the <i>Job Evaluation Form – Independent Contractors & Subcontracted Employees (DECD Form JEF-3)</i> and obtain <i>Subcontracted Employee Reporting Form (DECD Form JEF-4)</i> for the period specified in Assistance Agreement when jobs were to be created and/or retained by or for earlier period if jobs met prior to the end date specified in the Assistance Agreement. Perform Engagement procedures using the <i>Engagement Procedures for Testing Independent Contractors and Subcontracted Employees (DECD Sample Form D)</i> or other similar Engagement procedures.		
4. Obtain listing of company generated payroll reports from start of employment period being tested through the end of the period being tested. (The period reported by the client on the <i>Job Evaluation Form DECD-JEF-1.</i>)		

Engagement Procedures to be performed at Client's Office

5. Compare the monthly total number of employees reported by the Company on the *Job Evaluation Form (DECD Form JEF-1)* with the number of employees included on the Company's Payroll Reporting system. Investigate discrepancies and report findings, if necessary.

6. Interview appropriate client personnel (usually personnel and payroll staff) to obtain an understanding of the personnel and payroll process, including employee benefits received, if required in the Assistance Agreement. Document process from initiation of signed W-4, use and approval of time cards/sheets, recording payroll expense in Cash Disbursements Journal and Payroll Reports, recording in the employee earnings records, recording and submitting information to DOL on Forms UC-2 and UC-5A and issuing Form W-2s.

7. Using the Employee List (either the **DECD Form JEF-2** or a company generated payroll report), randomly select a sample of full-time and/or full-time equivalent employees for further testing of employment data using the *Job Engagement Employee Payroll Test* workpaper procedures (**DECD Sample Form C**) or other similar auditing procedures. For the employees selected, examine documentation to determine that the positions met the requirements under the terms of the Assistance Agreement to be classified as full-time (normally an employment position filled by an employee working a minimum of 40 hours per week for a minimum of 12 consecutive months) and/or full-time equivalent employment or other qualified employment positions. (Qualified employment count is determined by terms of Article 2.17 of the Assistance Agreement). An auditor should use professional judgment to determine the amount of employees tested. Generally, an auditor should examine at least:
 - 10 employees for employee totals less than 500
 - 20 employees for employee totals between 501 and 1,000
 - 30 employees for employee totals between 1,001 and 3,000
 - 40 employees for employee totals greater than 3,000
 - Obtain payroll reports for the payroll periods to be examined (Select at least one payroll period in the first month and last month of the periods being tested).
 - Trace hours worked on time cards or time sheets to the payroll report to determine if full-time employee criteria met (if required by Assistance Agreement-for hourly employees only).
 - Trace employee name to DOL Connecticut Employee Quarterly Earnings Reports (DOL Forms UC-2/UC-5) for months tested.

8. If required by terms of the Assistance Agreement to create jobs for a certain time frame, obtain listing of all new hires for the specified time period.

- Trace new hires to payroll report for selected periods.

9. If it is stipulated by the Article 2.17 of the Assistance Agreement for employees (either newly created jobs/employees or all existing employees) to earn a specified average annual salary/wage, examine employee payroll records to determine that the average annual salary requirement was met.

- Obtain from the Company a listing (the *Employee List*) of employees employed during the job audit reporting period (**DECD Form JEF-2** or a company generated payroll report) and, if required by the terms of the Assistance Agreement, their associated annual salary and/or hourly wage rate. Perform calculation on the list to determine that the average annual salary requirement was met.
- Using the *Employee List*, randomly select employees for further testing. For each selected employee, trace and agree the salary/wage information contained on the *Employee List* to employment records provided by the Company. (i.e. for hourly employees, calculate an annual salary/wage by determining the hourly wage rate from payroll records and multiplying it by 2080 (40 hours (or number of weekly hours determined by Company and the Assistance Agreement to be considered a full-time employee) multiplied by 52 weeks).

10. If discrepancies are found with any of the procedures tested, inquire of management the reasons for such and consider the need to apply one or more additional procedures. There may be a need to test additional pay periods or additional employees if employee failed to work at least 40 hours or other required criteria wasn't met. (A full-time hourly employee may not work 40 hours every week due to time taken off with or without pay. If necessary, select additional payroll periods to determine that the employee met full-time employee status as specified in the Assistance Agreement.)

11. Complete Job Engagement and conduct exit interview with Company discussing results of onsite job Engagement. Complete ***Agreed-Upon Procedures Job Retention and Creation Report (DECD Sample Form A and Schedule 1-Schedule of Employment Positions)***.

SAMPLE AGREED-UPON PROCEDURES JOB RETENTION AND CREATION REPORT

**INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of {The Company Name}
And the State of Connecticut Department of
Economic and Community Development

We have performed the procedures enumerated below, which were agreed to by the State of Connecticut Department of Economic and Community Development (DECD) and (the “Company”) under the Job Creation and Retention provisions of the Financial Assistance Agreement (Agreement) dated {date}. These procedures were performed solely to assist DECD in evaluating the Company’s compliance with the terms of the Agreement from (beginning date) to (end date). The Company is responsible for compliance with the terms of the Agreement and for the accompanying employment records. This agreed-upon procedure engagement was performed in accordance with attestation standards established by the American Institute of Independent Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

BACKGROUND INFORMATION

Provide a brief description of the information outlined in the Business Proposal and Assistance Agreement.

Example: (*The Company*) operates a manufacturing facility in XYZ, Connecticut. It has entered into an agreement with the State of Connecticut DECD to maintain a five-year average employment of 500 full time employees. The total financial assistance package consisted of a \$600,000 Manufacturing Assistance Act (MAA) grant and a \$400,000 MAA loan. Under the terms of the Agreement, if certain employment levels are not maintained by (*The Company*), part of the grant/loan proceeds must be repaid in accordance with the formula outlined in Section () of the Agreement. Conversely, in accordance with Article (), Section () of the Agreement, if at least 500 employment positions are maintained by (*Date*), the principal of the loan shall be deemed to equal zero.

AGREED UPON PROCEDURES

The procedures we performed and our findings are as follows:

1. We obtained the following documents from DECD and the management of (*The Company*):
 - Assistance Agreement and Business Proposal between DECD and (*The Company*).
 - Listing of all employees, independent contractors and subcontractors or payroll reports from the start of the project (*beginning date*) to the end of the project (*end date*) (the *List*).
2. We read the DECD Assistance Agreement to obtain the conditions related to the determination of full-time employment positions and, if applicable, the average annual salary requirement.

{Report the conditions related to the determination of full-time employment positions, and if applicable, the average annual salary requirement, as dictated by the DECD Assistance Agreement.}

3. Using the *List*, we haphazardly selected (*number of employees tested*) employees. For each selected employee, we traced and agreed the employment information contained on the *List* (name of employee and date of employment) to personnel files and signed W-4. We also traced and agreed the employees to the respective CT DOL UC-5A “Quarterly Tax and Wage Reports”.

{Report all Findings or indicate “We found no exceptions as a result of the procedures”.}

4. For the (*number of employees*) selected above, we inspected documentation to determine that the positions met the requirements under the Agreement to be classified as a full-time employee or full-time equivalent position. As defined by the Agreement, a qualified employee generally is one that works an average of 40 hours per week and has been employed by the Company for at least 12 consecutive months. We tested the following payroll periods (list payroll periods selected).

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

5. Using the *Job Evaluation Form* and *List* provided by the Company, we compared the number of employees listed to the Company’s Payroll Report from the start of the project (beginning date) to the end of the project (end date) and have reported the total number of full-time and/or part-time employees as identified by the Company on Schedule 1. We have calculated whether the employment level reported by the Company was equal to the amount to be created and retained as stipulated in the Assistance Agreement. **If job shortage** - We have calculated the following amount to be repaid to DECD in accordance with the formula outlined in Section () of the Assistance Agreement. See attached Schedule 1.

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

6. Using the *Job Evaluation Form* and *List* provided by the Company, we obtained from the Company a listing of employees at the end of the job Engagement reporting period and their associated annual salary and/or wage rate. We performed certain calculations on the list to determine that the average annual salary requirement as specified in the Assistance Agreement was met. We randomly selected employees; traced and agreed the salary/wage information contained on the *List* to employment records provided by the Company. **(Required only if average annual salary requirement is stipulated in the DECD Assistance Agreement.)**

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

7. The procedures performed for independent contractors were as follows **(Required only if Independent Contractors are authorized in the Assistance Agreement to be included in job totals)**:
 - a. We obtained IRS Form 1096 “Annual Summary and Transmittal of US Information Returns” from the Company to determine the total number of IRS Form 1099’s issued by the Company.
 - b. We compared the total number of Independent Contractors listed on the *Job Evaluation Form-Independent Contractors & Subcontracted Employees (DECD Form JEF-3)* with the total number of Independent Contractors reported on *IRS Form 1096*.
 - c. For any selected independent contractors selected in our random sample, we inspected supporting documentation provided by the Company (i.e. invoices, statements, time sheets, etc.) to determine that the independent contractor met the requirements under the Agreement to be classified as a full-time employee or full-time equivalent position.

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

8. The procedures performed for subcontractors were as follows (**Required only if Subcontractors are authorized in the Assistance Agreement to be included in job totals**):
 - a. We obtained from the Company the subcontractor agreements entered into with the Company.
 - b. For subcontracted employees, we compared the total number of subcontracted employees reported on the *Job Evaluation Form – Independent Contractor & Subcontracted Employees (DECD Form JEF-3)* with the information provided and Certified by the subcontractor(s) on the *Subcontracted Employee Reporting Form (DECD Form JEF-4)* to agree the number of subcontracted employees that are providing services to the Company.

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

9. If the employment level reported by the Company was less than (the amount to be created and retained) as stipulated in the Assistance Agreement, we inquired of Company management as to why.

{Company management’s response to the inquiry}

CONCLUSION

We were not engaged to, and did not; perform an examination, the objective of which would be the expression of an opinion on the Company’s compliance with the Agreement or on the accompanying employment records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of (the “Company”) and the State of Connecticut DECD, and is not intended to be, and should not be, used by anyone other than these specified parties who have agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Manual or Printed Signature of Accountant’s Firm

{Date of Completion}

**State of Connecticut
 Department of Economic and Community Development
 Agreed-Upon Procedures Job Retention and Creation Report – (The Company)
 Schedule of Employment Positions**

1. Number of Full-Time and/or Part-Time Positions (depending on terms of the Assistance Agreement)

Month	Year	Qualified Company Employees	Independent Contractors	Subcontracted Employees	Totals
Jan					
Feb					
Mar					
Apr					
May					
June					
July					
Aug					
Sept					
Oct					
Nov					
Dec					
Totals					
Average					

2. Average Annual Wages/Salary for Full-time employees. (Only required if the average annual wage/salary requirement is stipulated in the terms of the Assistance Agreement \$_____.)

Expand form to include calculation of repayment penalty based on failure to meet job obligation as stipulated in the Assistance Agreement.

3. Calculation of Penalty for failing to meet job retention/creation terms as outlined in the Assistance Agreement.

**State of Connecticut
Department of Economic and Community Development
JOB EVALUATION FORM**

(The average annual salary information is only required to be filled in if required by the terms of the Assistance Agreement)

DATE:	
COMPANY:	
ADDRESS:	
CITY:	
STATE / ZIP CODE:	
CONTACT NAME:	
CONTACT PHONE # OR E-MAIL:	

PER THE TERMS OF THE ASSISTANCE AGREEMENT:			
GRANT \$:		Full-time jobs to be retained	
LOAN \$:		Full-time jobs to be created	
TOTAL \$:	\$	-	TOTAL JOBS:

EMPLOYMENT REVIEW PERIOD:

START DATE:

END DATE:

Month	Year	Actual Full-Time Jobs at End of Month	Actual Part-Time Jobs at End of Month	Total Annualized Salary for FT employees, if required	Average Annual Salary, if required
JANUARY					
FEBRUARY					
MARCH					
APRIL					
MAY					
JUNE					
JULY					
AUGUST					
SEPTEMBER					
OCTOBER					
NOVEMBER					
DECEMBER					
Totals					
Averages					

Average Annual Full-Time Jobs: (Total FT jobs divided by 12)	
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Average Annual Wages for all Full-Time employees, if required:	
Average Annual Wages only for Full-Time jobs Created, if required:	
Average Annual Wages for the Highest paid Full-Time Employees, if necessary (See Note 1):	

Note 1: Companies that exceed their hiring goal could have the average annual salary negatively impacted by the "extra" new employees. If hiring additional employees (greater than what was required by the terms of your Assistance Agreement) causes your average annual salary to fall below the contracted requirement, you can recalculate the average annual salary using the minimum number of highest paid employees. For example, a Company was required to create and retain 10 FT jobs with an average salary of \$30,000 but it created 15 FT jobs with an average annual salary of \$25,000. The "extra" 5 jobs brought the average annual salary below the minimum required by the Assistance Agreement. Under this scenario the Company can recalculate the average annual salary using the 10 highest earners out of the 15 new employees, thereby ensuring minimum salary requirement is met and not punishing the Company for exceeding its hiring goal.

ATTESTED TO:	
SIGNATURE:	
TITLE:	
DATE:	

State of Connecticut
 Department of Economic and Community Development

Job Evaluation Form
Schedule of Employees employed During the Job Audit Reporting Period

Company Name: _____

Employment Reporting Period:	Start Date:	End Date:

Total Employment at Reporting End Date:

Full-time employees:	
Part-time employees:	
Total Employees:	

List the names of all Employees (Current, Terminated/Separated) that were employed during the Job Audit Reporting Period:

	Employee Name	Date Hired	Date of Separation	Number of Months worked during Reporting Period	Employment Status (FT/PT) Indicate if employee out on leave, etc. and is not listed on CT DOL-UC-2/5 reports
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					

20				
21				
22				
23				
24				
25				

Use additional sheets as necessary. In lieu of filling out the DECD Form JEF-2, the Company can utilize internally generated payroll reports that produces the same information required above.

I certify that the information provided above accurately states the total employment at the end of the reporting period.

Certified by:

Name: _____

Title: _____

Date: _____

State of Connecticut
 Department of Economic and Community Development
Job Evaluation Form (With Independent Contractors and/or Subcontractors)

Company: _____
Address: _____
State: _____

Contact: _____
Phone: _____

PER THE TERMS OF THE ASSISTANCE AGREEMENT:	
Number of Jobs to be Retained:	
Number of Jobs to be Created:	
Total Jobs to be Created and Retained:	
Date Employment Obligation to be met:	

Month	Year	Total Full-Time Qualified Company Employees (from JEF-1) (A)	Total Qualified Independent Contractors (D) (B)	Total Number of Subcontracted Employees			
				Company 1	Company 2	Others	Total Subcontracted Employees (C)
Jan							
Feb							
Mar							
Apr							
May							
Jun							
Jul							
Aug							
Sep							
Oct							
Nov							
Dec							
Jan							
Feb							
Mar							
Apr							
May							
June							
July							
Aug							
Sept							
Oct							
Nov							

Dec								
Totals								
Average								

Note - This form is only required if the use of Independent Contractors or Sub-Contractors are authorized to count toward the obligation as specified and authorized in Article 2.17 of the Assistance Agreement.

I hereby certify that the number of full-time qualified employees listed on this form is complete and accurate. The Independent Contractors and/or Subcontractors employed provided a majority of their services in our CT facility, and worked an average of at least 35 or 40 hours per week (per the terms of the Assistance Agreement) for at least 12 or 24 consecutive months.

Certified By:

Signature: _____

Title: _____

Date: _____

State of Connecticut
 Department of Economic and Community Development
Subcontracted Employee Reporting Form

(To be provided by Subcontractor providing employees to Company)

Subcontractor Name: _____
 Address: _____
 State: _____
 Contact: _____
 Phone: _____

Month	Year	Total Full-time Qualified Employees providing services to Company
Jan		
Feb		
Mar		
Apr		
May		
Jun		
Jul		
Aug		
Sep		
Oct		
Nov		
Dec		
Totals		
Average		

Note - This form is only required if the use of Independent Contractors or Sub-Contractors are authorized to count toward the employment obligation as specified and authorized in Article 2.17 of the Assistance Agreement.

I hereby certify that the information listed on this form is complete and accurate. The employees worked CT and provided a majority of their services to _____ (Company) in CT, and worked an average of at least 35 or 40 hours per week (hours defined by the terms of Article 2.17 of the Assistance Agreement) for at least 12 or 24 consecutive months (per terms of the Assistance Agreement.)

Certified By Subcontractor providing services to Company:

Signature: _____
 Title: _____
 Date: _____

State of Connecticut
Department of Economic and Community Development

**ENGAGEMENT PROCEDURES FOR TESTING INDEPENDENT CONTRACTORS AND
SUBCONTRACTED EMPLOYEES USED TO DETERMINE TOTAL QUALIFIED EMPLOYEES**

- All Independent Contractors working for and paid directly by the Client and Subcontractors working for and paid by a company other than the Client (the Company that entered into an Assistance Agreement with the State) that are paid within this state and that work an average of at least 40 hours per week for at least 12 consecutive months (refer to Assistance Agreement for actual Terms).
- All subcontracted employees must have provided services to the Client.

Engagement Procedures for Independent Contractors of Client:

1. Obtain IRS Form 1096 “*Annual Summary and Transmittal of US Information Returns*” from the Client and determine the total number of IRS Form 1099’s issued by Client.
2. Compare total number of Independent Contractors listed on *Job Evaluation Form – Independent Contractors & Subcontracted Employees (DECD Form JEF-3)* with total number of Independent Contractors (IRS Form 1099s) reported on IRS Form 1096.
3. For selected independent contractors, examine supporting documentation (i.e. invoices, billing statements, time sheets, etc.) to determine if independent contractor worked an average of at least 40 hours per week for at least 12 consecutive months for the Client.

Engagement Procedures for Subcontractors hired by Client:

1. Obtain subcontractor agreements entered into with Client pertaining to the Total Number of Subcontracted Employees reported on the *Job Evaluation Form – Independent Contractors & Subcontracted Employees (DECD Form JEF-3)*.
2. Obtain Subcontractor Company certification listing the number of employees that worked in the State of Connecticut or provided majority of services to the Client in the State of Connecticut by filling out the *Subcontracted Employee Reporting Form (DECD Form JEF-4)*.
3. Compare total number of subcontracted employees reported on *Job Evaluation Form – Independent Contractor & Subcontracted Employees (DECD Form JEF-3)* with the information provided and Independent by subcontractor on the *Subcontracted Employee Reporting Form (DECD Form JEF-4)* to agree the number of subcontracted employees that are providing services to the Client. Investigate differences.
4. Randomly examine invoices for payment that are provided by the Subcontractor to the Client indicating how many employees that were provided to the Client for a particular month and trace to the number of employees reported on the *Subcontracted Employee Reporting Form (DECD Form JEF-4)* to agree the number of subcontracted employees that provided services to the Client.
5. Determine that the total number of subcontracted employees does not exceed the ratio or number of qualified subcontracted employees to the qualified client employees outlined in the client’s business proposal or the Assistance Agreement.