



## Procuring Audit Services

### When procuring audit services, the governing body should:

#### Understand what is being purchased

An audit is an independent evaluation of the financial statements, notes, and accompanying information. The financial statements are prepared by *management*, while the audit of the financial statements is performed by the *independent auditor* for the governing body and the public, to provide assurance that management correctly performed its duties.

This relationship is similar to hiring a contractor to build a home. The owner trusts the contractor, which is why the owner retained the contractor's services. As the home is built, periodic inspections take place where a third party (building inspector) reviews the contractor's work. The building inspector verifies the home was correctly built or provides corrections to enable the home to pass the inspection.

#### Understand who selects the auditor

The auditor should be selected by the governing body or audit committee. Authorizing the entity's manager or Chief Financial Officer (CFO) to select the independent auditor is equivalent to allowing your contractor to choose the building inspector; it creates pressure to underreport and facilitates noncompliance.

#### Prepare the request for proposal (RFP)

A request for proposal (RFP) should provide the entity's expectations, grading criteria, and background information that will help audit firms determine the audit's size and scope. The RFP should provide past audit reports or information regarding funds, revenues, expenditures, single audit requirements, significant grants, capital expenditures, component units, or prior year changes/irregularities. Consider the following:

- **Timeline** – The audit firm should be retained prior to year-end to enable the firm to plan its resources and reduce entity costs. Determine if the firm can deliver the audit report within the entity's timeframe.
- **Experience** – The auditor should be experienced performing audits for entities of similar size and type.
- **Resources** – Consider the firm's staff and other resources.

- **Single year versus multiyear contracts** – Multiyear contracts may reduce costs, but a frequently changing perspective used to review accounts is also beneficial.

❑ **Consider providing clarification**

Occasionally, firms will ask for clarification on the entity's financial statements. If the requested clarification will impact bids, the entity should provide that information to all interested parties and/or make the clarification publicly available.

❑ **Review responses/proposals**

Depending on the governing body or audit committee's preference, reviewing proposals may be brief, or may involve interviewing each firm. The entity should document the scoring tabulation and adhere to the predetermined criteria. At a minimum, all firms proposing to perform a governmental audit within the state should:

- Have a staff containing licensed certified public accountants (CPA's).
- Provide documentation of a current peer review.
- Be in good standing with the Office of the State Auditor (OSA).

❑ **Award the audit contract**

When an audit contract is awarded, the CPA which is awarded the contact should prepare an engagement letter documenting the relationship, fees, and the responsibilities of management and the CPA firm. The engagement letter should be reviewed and approved by the governing body and/or audit committee.

❑ **Handle complaints of improper procurement procedures**

The entity should make reasonable attempts to resolve any complaints or questions regarding procurement procedures. Audits in the State of Utah are performed under the authority and supervision of the State Auditor: "The State Auditor shall adopt guidelines, qualifications criteria, and procurement procedures for the use in procurement of audit services for all entities that are required by Section 51-2a-201 to cause an accounting report to be made" (*Utah Code 51-2a*). Unresolved audit procurement complaints submitted to the OSA will be reviewed, and, depending on the severity of the procurement violation, entities may be required to complete additional training, recommence the procurement process under OSA supervision, or have the audit firm selected by OSA in accordance with administrative rule R123-5-4.