

R123. Auditor, Administration.

R123-5. Requirements for Accounting Services of Political Subdivisions and Governmental Nonprofit Corporations.

R123-5-1. Authority.

1. As required by Section 51-2a-301, this rule provides the guidelines, qualifications criteria, and procurement procedures for accounting services for those entities required by Section 51-2a-201 to report to the Office.

R123-5-2. Definitions.

1. "Office" means the Office of the State Auditor.
2. "Auditor" means a certified public accountant licensed to conduct audits in the state and includes any certified public accounting firm as defined by Section 58-26a-102.
3. "Accounting services" means a financial audit, a state compliance audit, or an agreed-upon procedures engagement provided by an auditor.
 - a. "Financial audit" means an audit as defined in Section 51-2a-102(2).
 - b. "State compliance audit" means an engagement provided by an auditor in accordance with the compliance audit guide maintained by the Office.
 - c. "Agreed-upon procedures engagement" means an engagement provided by an auditor in accordance with Attestation Standards established by the AICPA, Government Auditing Standards (GAS) issued by the Comptroller General of the United States, and the guide for agreed-upon procedures for local government entities developed by the Office.
4. "Political subdivision" means all municipalities, counties, school districts, local and special service districts, interlocal organizations, and any other entity established by a local governmental unit that receives tax exempt status for bonding or taxing purposes. "Political subdivision" does not include state entities.
5. "State entity" means any state agency, state office, or any other governmental unit of the state. State entity includes a governmental entity for which the state exercises majority control or for which one or more state officials collectively exercise majority control.
6. "Governmental nonprofit corporation" means any governmental nonprofit corporation as that term is defined by Section 11-13a-102.

R123-5-3. Reporting Standards and Requirements.

1. The audits of all entities required to have an audit made by Section 51-2a-201 shall be performed in accordance with Government Auditing Standards most recently published and issued by the Comptroller General of the United States.
2. The Office shall adopt and maintain a compliance audit guide containing those fiscal laws and compliance requirements for state funds distributed to, and expended by, political subdivisions and governmental nonprofit corporations. This compliance audit guide may specify:
 - a. the general compliance requirements applicable to all political subdivisions and governmental nonprofit corporations, and the audit requirements applicable to general compliance requirements,

b. the format for the auditor's statement expressing positive assurance with state fiscal laws identified by the Office, and

c. those items related to internal controls and other financial issues which shall be included in the auditor's letter to management that must be filed with the Independent Auditor's Report in accordance with the compliance audit guide maintained by the Office.

3. All entities required to have an audit made by Section 51-2a-201 shall have performed the financial audit and a state compliance audit in accordance with the compliance audit guide maintained by the Office.

4. The guidelines, criteria, procedures, and reporting requirements for all accounting and compliance reports required to be submitted to the Office are posted on the Office's website.

R123-5-4. Procurement of Accounting Services.

1. Unless otherwise specified by the Office, the decision to retain an entity's auditor rests with the governing body of the entity.

However, the auditor providing the accounting services must meet the peer review and continuing education requirements of Government Auditing Standards issued by the Comptroller General of the United States. In addition, the auditor must satisfy the periodic workpaper review performed by the Office. The entity must competitively procure accounting services through the following matter at least every five years:

a. The entity shall distribute a "request for proposal" to all auditors who meet the qualification criteria set by the procuring organization and who are interested in submitting a proposal for the accounting services. As a minimum, the request for proposal shall contain the following:

(i) the name and address of the entity requesting the accounting services and its designated contact person,

(ii) the entity for which the accounting services are to be performed, the scope of services to be provided, and specific reports, etc. to be delivered,

(iii) the period(s) pertaining to the accounting services,

(iv) the format in which the proposals should be prepared,

(v) the date and time proposals are due,

(vi) the criteria to be used in evaluating the proposal,

(vii) the relative weight to be assigned to each criteria in R123-5-4(a)(vi), and

(viii) The overall weight of the cost criteria in relation to other evaluation criteria.

b. The entity must consider proposals from any interested and qualified auditor in the state, which may include the auditor currently performing the entity's accounting services. Notice shall be given to potential auditors through invitation and by notice as described in Section 63G-6a-112(2). To promote competition, it is recommended that at least three auditors participate in proposing for the accounting services. If the entity fails to receive three qualified proposals, prior to awarding the contract the entity shall notify the Office, and the entity shall provide 5 business days for the submission of additional proposals. The Office may direct the entity to revise and reissue its request for proposal whenever the Office deems the procurement process was not competitive.

c. The entity may reject any and all competitive proposals but must document the justification for each rejection. The entity may reissue its request for proposal at any time prior to the awarding of a contract for accounting services.

d. Management of the entity may not participate in the evaluation of proposals for accounting services.

R123-5-5. Responsibility for Quality of Accounting Services.

1. The governing body of each political subdivision or governmental nonprofit corporation is responsible to ensure that the political subdivision or governmental nonprofit corporation obtains a quality review of its financial records.

2. The governing body may appoint an audit committee with the responsibility of making recommendations to the governing body for selection of an auditor, ensuring that the auditor meets qualification requirements, and ensuring that the auditor complies with professional standards.

3. If the governing body appoints a separate audit committee, then the governing body shall review the recommendations of the audit committee and make the selection of the auditor.

4. The audit committee will report its assessment of the auditor's compliance with professional standards to the governing body.

5. The auditor shall report the results of the accounting services to the governing body.

6. The governing body shall respond to the specific recommendations included in the auditor's letter to management. This response shall be remitted with the audited financial statements or agreed-upon procedures report to the Office.

KEY: accounting services, accounting reports, auditing, governmental nonprofit corporations

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