



STATE OF RHODE ISLAND
GUIDELINES FOR QUASI-PUBLIC ENTITY
AUDIT PROCUREMENT AND BID SPECIFICATIONS

ISSUED BY

DEPARTMENT OF ADMINISTRATION and OFFICE of the AUDITOR GENERAL

Revised February 13, 2019

The Rhode Island General Laws (Sections 35-7-13 and 22-13-6) require the approval of the Director of Administration and the Auditor General prior to the employment of private auditors. These guidelines for audit procurement and bid specifications are issued jointly by the Department of Administration – Office of Accounts and Control and the Office of the Auditor General.

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The Rhode Island General Laws (Sections 35-7-13 and 22-13-6) require the approval of the Director of Administration and the Auditor General prior to the employment of private auditors. These guidelines for audit procurement and bid specifications are issued jointly by the Department of Administration – Office of Accounts and Control and the Office of the Auditor General.

Applicability of guidelines – as provided in section 35-7-13 of the RIGL:

“All quasi-public agencies including corporations, authorities, commissions, and boards created by the authority of the general assembly, executive order, or state law, excluding cities and their subdivisions, towns and their subdivisions, regional school districts and school committees, water districts, fire districts, and any other municipal corporations and their agencies, subject to post audit, are hereby required to obtain the approval of the director of administration and the auditor general prior to the employment of private auditors.”

These guidelines shall also be applicable to any components of State government which may not strictly meet the definition as outlined above but for which audit bids are solicited and the audit will not be conducted by the Office of the Auditor General. This may include any fund, or component unit entity included within the State’s financial statements as the reporting entity.

In many instances, entities that are subject to the approval requirement will also be component units of the State of Rhode Island for financial reporting purposes. Those entities that meet the definition outlined above but are not considered component units of the State are still required to seek approval of the Department of Administration – Office of Accounts and Control and the Office of the Auditor General prior to the employment of private auditors.

A listing of the component units of State government as of June 30, 2018 is included for reference (Appendix 6). The component units included within the State reporting entity may change through the creation of new entities or through changes in generally accepted accounting principles applicable to the determination of component units. Questions regarding whether a specific entity is considered a component unit of the State may be directed to the Office of Accounts and Control, Department of Administration.

Timeline for engaging auditors

The following timeline (based on a typical entity with a June 30 fiscal year end), should be followed in engaging an independent auditor to perform the annual audit of a quasi-public entity’s annual financial statements. As required by Rhode Island General Law section 35-6-37, quasi-public entities must submit their audited financial statements no later than September 30 each year.

The timeline detailed below is designed to ensure that auditors are engaged at least 60 days prior to fiscal year end to allow time for audit planning including evaluation and testing of internal control before fiscal year end. Timely engagement of the auditors is necessary to facilitate completion of the audit and issuance of the audit report by September 30. (Dates listed are no later than dates – any of the target dates can be achieved earlier.)

- **January 1 to February 1** – submit draft bid specifications to Office of the Auditor General and Department of Administration - Office of Accounts and Control for review and approval
- **February 15** – release request for proposals
- **March 15** – due date for proposals from interested auditing firms
- **April 15** – Submit selection of auditor for review and approval to Office of the Auditor General and Department of Administration - Office of Accounts and Control
- **May 1** – Notify auditors of selection to perform audit

Drafting of audit bid specifications

1. Written audit specifications shall be drafted by the agency following the guidelines contained herein. The specifications should be tailored to meet any specific audit requirements of the entity including expenditures of federal awards which may trigger federal Single Audit requirements, audit requirements related to bond covenants, trustee audit requirements, interim financial statements, and any supplementary financial information that the entity wishes to have included within the scope of the audit.
2. Professional auditing firms shall be invited to submit a proposal to complete an audit in accordance with the approved specifications.
3. All required agencies shall use the Division of Purchasing RIVIP system to advertise the opportunity to bid. Agencies may also use their own websites and/or the newspaper to advertise. Direct solicitation of firms is also allowed. Agencies should ensure adequate notice is provided to potentially interested proposers.
4. Sealed proposals shall be delivered directly by interested firms as directed and shall be opened, at the time and place specified, in the presence of representatives of the bidders and the agency.
5. A pre-bid conference may be scheduled, depending on the complexity of the audit, to familiarize interested professional firms with the audit requirements.
6. The agency may reserve the right to reject any and all bidders if it deems that it does not possess the personnel, experience, and other resources to complete the audit in accordance with the audit specifications. When individual bidders are deemed unqualified and/or rejected, the reasons for such action shall be documented.
7. It is recommended that audit firms not be engaged for a period of more than eight consecutive years. The engagement of auditors for more than eight consecutive years can be made when deemed necessary and when approved jointly by the Auditor General and Director of Administration.

Evaluation of proposals

The quasi-public entity seeking proposals for audit services shall include a description of the evaluation process to be followed in selecting the winning proposal. An evaluation committee is recommended and should be comprised of individuals knowledgeable about auditing and financial reporting matters. An audit committee established by the entity may be used to evaluate the proposals.

Proposals should be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum points
Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*)	30
Maximum evaluation points	100

* Evaluation technique – audit fees

Audit fee score = (lowest bid/bid for firm being evaluated) X 30 points

Guidelines for Audit Procurement and Bid Specifications – Quasi-Public Entities - Instructions

Example: Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

Firm A (the lowest bidder)	awarded 30 points	$\$40,000/\$40,000 \times 30 \text{ points} = 30$
Firm B	awarded 26 points	$\$40,000/\$46,000 \times 30 \text{ points} = 26$
Firm C	awarded 24 points	$\$40,000/\$50,000 \times 30 \text{ points} = 24$

An evaluation grid should be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking which supports the agency's request for approval of the selected audit firm.

If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

Approval Process – Department of Administration - Office of Accounts and Control and the Office of the Auditor General

Approval of the Department of Administration - Office of Accounts and Control and the Auditor General is required at two points in the process – (1) approval of the audit bid specifications prior to soliciting proposals and (2) approval of the entity's selection of an auditor.

1. The agency shall submit audit specifications along with the completed "Request for Approval of Quasi-Public Audit Bid Specifications" (Appendix 1) to the Auditor General at least forty-five (45) days in advance of soliciting proposals for auditors. Both documents will be reviewed and, if necessary, recommendations for modifications will be sent to the agency. When approved, the documents will be sent to the Director of Administration for review, comment and approval/disapproval. When approved, the agency will be sent a copy of the "approved" forms so that it can proceed with the bid process.
2. When the agency has completed the bid process as outlined herein, it shall submit two copies of all responses along with the "Request for Approval of Selection of Auditor" (Appendix 2) to the Office of the Auditor General for review and approval. The agency will be contacted should there be any question concerning the agency's choice of auditors. When approved, the documents will be sent to the Department of Administration – Office of Accounts and Control for review, comment and approval/disapproval. When approved, a copy of the "approved" forms will be sent to the agency so that it can notify the auditors selected.

Contact information and routing of inquiries and requests for approval of bid specifications and auditor selection:

Department of Administration

Office of Accounts and Control
One Capitol Hill
Providence, RI 02908-5890
401.222.2271

Office of the Auditor General

33 Broad Street – Suite 201
Providence, RI 02903
401.222.2435

Peter Keenan, CPA State Controller

Dennis E. Hoyle, CPA Auditor General

Direct inquiries and requests for approval of bid specifications and auditor selection to:

email: Peter.Keenan@doa.ri.gov

email: dennis.hoyle@rioag.gov

Due Dates for Completion of Audit and Delivery of Reports

1. The audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements must be delivered to the agency, Department of Administration – Office of Accounts and Control, and the Office of the Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws).

Failure to comply with the statutory submission date may result in termination of a firm’s audit engagement.

Compliance with due dates for submission of the final audit report requires anticipation of and allowance for (1) sufficient review time by the Office of Accounts and Control and the Office of the Auditor General of draft audit reports and other audit communications; and (2) sufficient review time and acceptance by the audit committee, board of directors, or individuals constituting those charged with governance for the entity.

Draft reports shall be provided to the Office of Accounts and Control and the Office of the Auditor General not less than 7 days prior to the required final audit completion and submission date. Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm’s internal quality control review process prior to submission.

Submission of audit reports and communications in electronic form is preferred.

2. The additional audit reports relating to federal awards and required by the federal Single Audit Act and OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements) (if required) shall be submitted no later than **November 30** of each year.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid practice permit in the State of Rhode Island (issued by the Rhode Island Board of Accountancy).
2. The senior accountant in charge of the fieldwork shall be a certified public accountant.
3. The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
4. The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. The audit organization shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the quasi-public entity, the Auditor General and the Director of Administration.
6. The audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million.

Process to Evaluate Audit Proposals

An evaluation committee will be formed comprised of individuals knowledgeable about auditing and financial reporting matters to evaluate the audit firms submitting proposals. Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum points
Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*)	30
Maximum evaluation points	100

* Evaluation technique – audit fees

Audit fee score = (lowest bid/bid for firm being evaluated) X 30 points

Example: Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

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Firm C	awarded 24 points	$\$40,000/\$50,000 \times 30 \text{ points} = 24$

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking which supports the agency’s request for approval of the selected audit firm. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

Audit Contract

1. Audit contracts can cover a maximum period of 5 years – a three (3) year initial contract period with two (2) one-year extensions. Before extending the audit contract beyond the initial three (3) contract period the quasi-public entity shall seek approval from the Department of Administration and the Auditor General. When an initial contract period has been for a total of five years and the same firm is engaged through a new procurement, the second contract period shall be for no more than 3 years to limit the total continuous engagement period to no more than eight (8) consecutive years. The engagement of auditors for more than eight consecutive years can be made when deemed necessary and when approved jointly by the Auditor General and Director of Administration.
2. Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee for the financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses.

The contract shall also specify an hourly rate for all audit work and reporting requirements related to major federal programs due to the variable scope of work in applying the risk-based approach outlined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements. Once the scope of testing required for major programs is determined, the auditor and agency will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs.

Audit Standards

1. The audit specifications shall require that the audit be conducted in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants.
2. The audit specifications shall also require that the audit be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
3. If a single audit is required then the standards contained in the amended (July 1996) Single Audit Act of 1984 and the provisions of OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, must also be followed.

Audit Scope

1. The scope of the audit shall be clearly defined by the agency in the request for proposals.
2. The basic financial statements to be presented, audited and reported upon by the private auditor shall be identified:
 - a. Format and presentation - e.g., special purpose government model with a single opinion unit, government-wide and fund level statements, combined financial statements, combining financial statements, single year or comparative statements, etc.
 - b. Required Supplementary Information (e.g., Management's Discussion and Analysis, Schedules related to defined benefit pension plans and OPEB plans, etc.) to accompany the basic financial statement should be identified.
3. Supplementary financial statements, schedules and information to be presented and reported upon by the private auditor shall be identified.
4. A detail schedule of travel and entertainment expenses shall be included as supplementary information with reference in the auditor's opinion on the financial statements to the supplementary information. Guidance on the preparation of the Schedule of travel and entertainment expenses is included as Appendices 3 (A) and 3 (B).
5. Supplementary Schedule of Expenditures of Federal Awards with auditor's opinion thereon (required if the agency receives federal funds, regardless of whether there are any major programs). The following defines federal awards for these purposes

Single Audit Act (July 1996) - Section 7501 - Definitions:

"Federal awards" means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

"Federal financial assistance" means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance, but does not include amounts received as reimbursement for services rendered to individuals in accordance with guidance issued by the Director (Director of the (federal) Office of Management and Budget).

6. Major Federal Programs - this section is only applicable if the agency has expenditures of federal awards (as defined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements):

The auditors shall audit major programs as required by OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and express an opinion on compliance for each major program.

Major programs shall be determined in accordance with guidance provided in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

If the entity is a component unit for financial reporting purposes, the entity's expenditures of federal awards will be combined with all other expenditures of federal awards for the State reporting entity for the purpose of determining the Type A program threshold. The following procedures should be followed when the entity is a component unit of the State reporting entity and will be included in the State's Single Audit Report.

Identify Type "A" Programs

Type "A" programs will be determined using the State reporting entity's total expenditures of federal awards. Accordingly, an estimate of total federal awards expended by the State of Rhode Island for the fiscal year will be provided by the Office of the Auditor General to the agency under audit and its auditors.

Risk Assessment

In accordance with criteria outlined in OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements, perform a risk assessment of Type "A" programs identified above to determine if they can be considered low-risk. Consider all Type "A" programs not qualifying for a low-risk assessment to be major programs and perform required audit procedures as outlined in the OMB Circular.

The auditor should seek approval from the Auditor General's Office before declaring any Type "A" program to be low risk.

No risk assessment shall be performed for programs which are less than the Type "A" dollar threshold unless specifically requested by the Office of the Auditor General.

If the entity is subject to these Guidelines for Audit Bid Specifications but is **not** included as a component unit of the State reporting entity, the Type A threshold shall be determined based solely on the entity's expenditures of federal awards consistent with the requirements of OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

Audit Reports

1. **Draft copies of all audit report(s) and other audit communications** shall be submitted to:

- (1) those charged with governance for the entity (executive director, audit committee, board of directors or equivalent, members of the audit committee of the agency, and

- (2) Office of the Auditor General and the Department of Administration - Office of Accounts and Control prior to completion and issuance and in advance of the required due date (September 30) to allow sufficient time for review and comment. **Draft reports shall be provided to the Office of Accounts and Control and the Office of the Auditor General not less than 7 days prior to the required final audit completion and submission date.** Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm's internal quality control review process prior to submission.

Final audit reports (inclusive of all audit communications) related to the financial statements must be delivered to the agency, Department of Administration – Office of Accounts and Control, and the Office of the Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws).

Compliance with due dates for submission of the final audit report requires anticipation of and allowance for (1) sufficient review time by the Office of Accounts and Control and Office of the Auditor General of draft audit reports and other audit communications; and (2) sufficient review time and acceptance by the audit committee, board of directors, or individuals constituting those charged with governance for the entity.

Failure to comply with the statutory submission date may result in termination of a firm's audit engagement.

2. Reports to be submitted, depending on the scope of the engagement, may include:

- a. Reports on:

- (1) basic financial statements, (as specified in the Audit Scope section) based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.
- (2) supplementary financial statements, schedules and information (including the State required format supplementary schedules to be submitted to the Office of Accounts and Control for component units).
- (3) internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

- b. Reports required under trust agreements, loan agreements, etc.

- c. Reports and summaries related to federal financial assistance (as appropriate in the circumstances) as required by OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.

- d. Other reports requested by the agency and/or the Department of Administration - Office of Accounts and Control and/or the Office of the Auditor General or as required by the applicable section of the General Laws.

Note: Auditors should not prepare the Federal Data Collection Form referenced in Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements when the audited entity is a component unit of the State for financial reporting purposes. This form will be prepared by the Office of the Auditor General for the State reporting entity. When the quasi-public entity is not a component unit of the State for financial reporting purposes, a reporting package, including the federal Data Collection Form should be submitted to the federal single audit clearinghouse for the quasi-public entity.

3. A detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of \$200 or greater shall be itemized and a total shown for all expenditures less than \$200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit. (*Guidance on the preparation of the Schedule of travel and entertainment expenses is included as Appendices 3 (A) and 3 (B).*)

Management Letter

1. The audit specifications shall provide for the submission of a management letter upon completion of the audit to the executive director, audit committee, and board of directors, with copies to the Department of Administration – Office of Accounts and Control and the Office of the Auditor General.
2. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:
 - a. policies, procedures and practices employed by the agency.
 - b. immaterial weaknesses in the internal controls that are not "significant deficiencies."
 - c. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
 - d. compliance with state laws pertaining to the agency and with rules and regulations established by the agency.

SPECIFIC INFORMATION TO BE REQUIRED OF THE PROPOSER

Offeror's technical qualifications and other information - the proposer shall, at a minimum, describe, and/ or provide the following:

- a. Experience with governmental audit engagements and entities similar to the entity,
- b. Firm organization and leadership team and professional staff resources,
- c. Engagement staff qualifications and experience,
- d. Understanding of work to be performed, including planned audit procedures, process to gain an understanding of internal control sufficient to plan the audit, estimated hours and other pertinent information, and
- e. Understanding regarding data to be provided and completed by entity that is needed for the audit.
- f. Project management approach and procedures the proposing firm will employ to ensure compliance with final audit completion delivery dates.

- g. Identification of any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.
- h. Audit client references that may be contacted regarding professional services provided previously.
- i. Proof of professional liability insurance coverage in effect in an amount not less than \$1 million.
- j. A listing or description of other professional services provided by the proposer to the State of Rhode Island (primary government) or any other component unit (see Appendix 5 for identification of State component units).

Representations – the following representations shall be provided as part of the proposal:

- k. a written representation that the auditor is independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*.
- l. a written representation that the auditor of a quasi-public entity meets the continuing educational requirements of *Government Auditing Standards*.
- m. a written representation that the auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The firm will provide the entity requesting auditing services and the Auditor General with a copy of the firm's most recent external quality control review report and any subsequent reports received during the term of the contract, if awarded.
- n. a written representation that the auditor is familiar with generally accepted accounting principles for state and local government units as prescribed by the Governmental Accounting Standards Board and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements and will conduct the audit and will report in accordance with those standards.
- o. A written representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.
- p. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the auditor has filed, or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.
- q. A certification that no Rhode Island "Major State decision-maker", or spouse or dependent child of such person as defined in RIGL § 42-6-1 holds either a ten percent or greater equity interest or a five thousand dollar or greater cash interest in the business.

Coordination Between the Auditor of the Agency and the Office of the Auditor General and Department of Administration – Office of Accounts and Control

- The auditor shall invite the attendance of the Auditor General at entrance, exit and other conferences between the private auditor and the agency.

- The auditor shall submit ALL "draft" copies of the audit report(s) and other audit communications not less than 7 days prior to the scheduled delivery date for the final audit report. Draft reports and other communications submitted for review to the Office of Accounts and Control and the Office of the Auditor General shall have undergone review by the firm's internal quality control review process prior to submission.
- The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor becomes aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.
- The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.
- Audit workpapers of the auditors shall be made available upon request of the Director of Administration and/or the Auditor General for their review, at the completion of the agency audit.

For audits of quasi-public entities which are also considered component units of the State of Rhode Island:

The Office of Rhode Island Auditor General, in serving as the Group Auditor for the audit of the State of Rhode Island's (State's) financial statements will provide the communication in **Appendix 4** of these Audit Bid Specifications to each component auditor annually in conjunction with their component audit. This communication will include certain required representations that each component auditor must provide to the Auditor General as their documented understanding of their requirements as component auditors within the group audit of the State's financial statements. This communication also provides certain information regarding the State's financial reporting entity and established planning materiality levels for the various opinion units represented within the audit of the State's financial statements. Component auditors will also be required to submit letters of understanding (engagement letters), materiality levels, management representation letters (with corresponding schedules of unbooked adjustments), and communications with those charged with governance as required by generally accepted auditing standards in accordance with their component audits.

The private auditor selected for the agency audit shall cooperate with the Auditor General, as Group Auditor, in his coordination of the Single Audit of the State. **This will include communications between the Auditor General and the private auditor regarding the determination of major federal financial assistance programs using the risk-based approach prescribed by OMB Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements.**

Other

The audit specifications should include such other provisions as may be deemed appropriate:

- Pre-bid conference
- availability of specifications,
- delivery and opening of bids, etc.
- terms of payment,
- required presentations to audit committee, board of directors
- representations concerning federal nondiscrimination,
- supplementary services,
- number of reports,
- access to and retention of records,

REQUEST FOR APPROVAL OF QUASI-PUBLIC AUDIT BID SPECIFICATIONS

Requesting Agency _____

Audit Services Required:

Audit period _____

INFORMATION CONCERNING PRIOR AUDITS:

PRIOR AUDIT YEAR	AUDITOR	BID AMOUNT	ACTUAL AUDIT FEE
FIRST	_____	_____	_____
SECOND	_____	_____	_____
THIRD	_____	_____	_____

INDICATE ANY CHANGE IN SCOPE OF AUDIT BETWEEN CURRENT AND PRIOR YEAR AND REASON FOR CHANGE

PLANNED METHOD OF SOLICITATION OF BIDS (e.g. advertisement):

REQUESTED BY: _____
 NAME TITLE DATE

ACTION ON REQUEST

	<u>DEPARTMENT OF ADMINISTRATION</u>	<u>AUDITOR GENERAL</u>
APPROVED (AS DRAFTED)	<input type="checkbox"/>	<input type="checkbox"/>
DISAPPROVED (SEE COMMENTS)	<input type="checkbox"/>	<input type="checkbox"/>
REQUEST AND SPECIFICATIONS APPROVED SUBJECT TO COMMENTS	<input type="checkbox"/>	<input type="checkbox"/>

COMMENTS:

 SIGNATURE DATE SIGNATURE DATE

Guidelines for preparing the required travel and entertainment schedule to be included as supplementary information by quasi-public entities

Statutory references:

§ 35-7-14. Travel and entertainment expenses of quasi-public agencies.

Quasi-public agencies, as set forth in § 35-7-13, shall prepare and maintain documentation for all travel and entertainment expenses in sufficient detail to allow for post audit.

History of Section. (P.L. 1985, ch. 181, art. 27, § 1.)

§ 35-7-13. Audit of quasi-public agencies.

All quasi-public agencies including corporations, authorities, commissions, and boards created by the authority of the general assembly, executive order, or state law, excluding cities and their subdivisions, towns and their subdivisions, regional school districts and school committees, water districts, fire districts, and any other municipal corporations and their agencies, subject to post audit, are hereby required to obtain the approval of the director of administration and the auditor general prior to the employment of private auditors. Audit workpapers of the private auditors shall be made available upon request, at the completion of the audit, to the auditor general and/or the director of administration for their review. The audit report shall be furnished to the auditor general and the director of administration.

History of Section. (P.L. 1985, ch. 181, art. 27, § 1.)

Requirements from the Guidelines for Audit Bid Specifications

A detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of \$200 or greater shall be itemized and a total shown for all expenditures less than \$200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.

Objective – Preparation of the Travel and Entertainment Schedule is to promote transparency and facilitate review and oversight.

Format and required elements of the Travel and Entertainment Schedule:

1. The Schedule should be consistent with general ledger expenses meeting the categories of travel and entertainment expenses.
2. Definition and interpretation of expenses meeting the criteria should be broadly rather than narrowly interpreted.
3. A travel “item” should be considered all components of a business trip including for example – conference registration, airfare, hotel, and per diem reimbursement.
4. Credit card companies or travel agents should not be listed as payees.
5. Minimum data elements:

Travel related -

- Traveler
- Travel date(s)

Guidelines for preparing the required travel and entertainment schedule to be included as supplementary information by quasi-public entities

- Travel location
- Total \$ expended
- Purpose of travel

5. Minimum data elements (continued):

Entertainment related –

- Vendor
- Date
- Location
- Total \$ expended
- Purpose of entertainment related expenditure

6. In-state mileage reimbursement can be presented in the Schedule as one aggregate amount for all employees for the fiscal year.

7. The term “entertainment” for these purposes is inclusive of events, sporting events and meals attended by employees, employee candidates, vendors, consultants, or customers for which the costs are paid by the quasi-public agency. These items include both on-site and external events.

See sample schedule on the next page

Guidelines for preparing the required travel and entertainment schedule to be included as supplementary information by quasi-public entities

Rhode Island Component Unit Corporation				
Schedule of Travel and Entertainment Expenses -- Fiscal Year Ended June 30, 2018				
Travel:				
Traveler	Travel Date(s)	Travel Location	Total amount expended	Purpose of Travel
John Doe	March 2-5, 2018	Nashville, TN	\$ 1,199	Attend annual conference of national component unit financial reporting association
Various	fiscal year	various	\$ 8,000	mileage reimbursement - personal vehicles
Total Travel			\$ 9,199	
Entertainment:				
Vendor	Date(s)	Location	Total amount expended	Purpose of entertainment related expenditure
ABC Catering	December 21, 2017	Quasi-public board room	\$ 923	Catered holiday lunch for board members and senior staff following 12-21-2017 board meeting - 35 attendees
Total Entertainment			\$ 923	
Travel and entertainment - individual items less than \$200			\$ 412	
Total Travel and Entertainment			\$ 10,534	

Guidelines for preparing the required travel and entertainment schedule to be included as supplementary information by the University and Colleges

Statutory references:

§ 35-7-14. Travel and entertainment expenses of quasi-public agencies.

Quasi-public agencies, as set forth in § 35-7-13, shall prepare and maintain documentation for all travel and entertainment expenses in sufficient detail to allow for post audit.

History of Section. (P.L. 1985, ch. 181, art. 27, § 1.)

§ 35-7-13. Audit of quasi-public agencies.

All quasi-public agencies including corporations, authorities, commissions, and boards created by the authority of the general assembly, executive order, or state law, excluding cities and their subdivisions, towns and their subdivisions, regional school districts and school committees, water districts, fire districts, and any other municipal corporations and their agencies, subject to post audit, are hereby required to obtain the approval of the director of administration and the auditor general prior to the employment of private auditors. Audit workpapers of the private auditors shall be made available upon request, at the completion of the audit, to the auditor general and/or the director of administration for their review. The audit report shall be furnished to the auditor general and the director of administration.

History of Section. (P.L. 1985, ch. 181, art. 27, § 1.)

Requirements from the Guidelines for Audit Bid Specifications

A detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of \$200 or greater shall be itemized and a total shown for all expenditures less than \$200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.

Objective – Preparation of the Travel and Entertainment Schedule is to promote transparency and facilitate review and oversight.

Format and required elements of the Travel and Entertainment Schedule:

1. The Schedule should be consistent with general ledger expenses meeting the categories of travel and entertainment expenses.
2. Definition and interpretation of expenses meeting the criteria should be broadly rather than narrowly interpreted.
3. A travel “item” should be considered all components of a business trip including for example – conference registration, airfare, hotel, and per diem reimbursement.
4. Credit card companies or travel agents should not be listed as payees.
5. Minimum data elements:

Travel related -

- Traveler
- Travel date(s)

Guidelines for preparing the required travel and entertainment schedule to be included as supplementary information by the University and Colleges

- Travel location
 - Total \$ expended
 - Purpose of travel
5. Minimum data elements (continued):
- Entertainment related –*
- Vendor
 - Date
 - Location
 - Total \$ expended
 - Purpose of entertainment related expenditure
6. In-state mileage reimbursements can be presented as one aggregate amount in the Schedule for all employees for the fiscal year.
7. The term “entertainment” for these purposes is inclusive of events, sporting events and meals, etc. attended by employees, employee candidates, vendors, consultants, or customers for which the costs are paid by the university or college. These items include both on-site and external events (see specific exclusion for university and colleges in item 12 below).
8. Athletic team travel can be presented as an annual aggregate amount for each sport.
9. Other group travel can be presented in the aggregate for the group rather than by individual.
10. When travel or entertainment is for a student, the student's name should not be included in the schedule.
11. The purpose of the travel can be presented in major categories (e.g., faculty academic conferences, administration - training, recruitment, etc.)
12. University and/or college on-site sponsored events for students, faculty, parents, and alumni that are within the normal operations of the university or college (e.g., student enrollment, freshman orientation, graduation, etc.) can be excluded from the schedule.
13. Due to the volume of activity for the university and colleges, flexibility in the format and content of the schedule can be requested in advance when the entity's accounting system does not contain all the minimum data elements.

See sample schedule on the next page

Guidelines for preparing the required travel and entertainment schedule to be included as supplementary information by the University and Colleges

Rhode Island University or College				
Schedule of Travel and Entertainment Expenses -- Fiscal Year Ended June 30, 2018				
Travel:				
Traveler	Travel Date(s)	Travel Location	Total amount expended	Purpose of Travel
John Doe	March 2-5, 2018	Nashville, TN	\$ 1,199	Faculty academic conference
Jane Doe	June 1, 2018	Chicago	\$ 1,122	Administration - training
Men's basketball team	fiscal year	various	\$ 702,000	team travel
Women's soccer team	fiscal year	various	\$ 519,000	team travel
Various	fiscal year	various	\$ 225,000	mileage reimbursement - personal vehicles
Total Travel			\$ 1,448,321	
Entertainment:				
Vendor	Date(s)	Location	Total amount expended	Purpose of entertainment related expenditure
ABC Catering	March 6, 2018	Board Room -- CCRI Warwick Campus	\$ 523	CCRI faculty recognition awards presented by Board of Education - coffee and pastry - 200+ attendees
Total Entertainment			\$ 523	
Travel and entertainment - individual items less than \$200			\$ 9,234	
Total Travel and Entertainment			\$ 1,458,078	

(Sample Representations/Assurances Required When Quasi-Public Entity is a Component Unit of the State for Financial Reporting Purposes)

Re: Audit of (Component Unit Name)

Section AU-C 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, contains requirements relevant to our audit of the State's financial statements for the period ending June 30, 20XX. In conjunction with your audit of a component unit of the State of Rhode Island, the Office of the Auditor General, as the Group Auditor of the State's financial statements, is responsible for communicating the following information:

- The State's reporting entity includes all agencies and departments of State of Rhode Island listed in the diagram shown in *Attachment* to this communication.
- The State's reporting entity also includes the component units listed in Attachment B to this communication. Attachment B also details the opinion units and related financial statements that include those entities.
- The component unit's audited financial statements will be incorporated into the financial statements of the State, as the reporting entity. We will rely upon the financial statements and make reference to the reports of the other auditors in our opinions on the opinion units contained within the State's financial statements. The Office of the Auditor General will be relying solely on the component auditor's opinion and will not accept any responsibility for the work performed by the component auditors.
- We will also rely upon and make reference to the reports of the other auditors in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards* and include any significant deficiencies and material weaknesses in internal control and material noncompliance reported by the component auditor.
- The State's Office of Accounts and Control has provided instructions regarding the State's financial reporting framework and related matters to all component units, which requires all component units to report their financial information in a State-specified format as supplementary information. Component auditors should include either a reference to this supplementary information in their opinion on the component unit's financial statements or by issuing a separate report with the supplementary information. Component auditors are responsible for ensuring that this supplementary information is fairly stated, in all material respects, in relation to the component unit's basic financial statements as a whole.
- Component auditor engagement personnel must be independent under the requirements of the American Institute of Certified Public Accountants including those in the AICPA Code of Professional Conduct and *Government Auditing Standards*.

- Component auditor engagement personnel must meet the continuing educational requirements of *Government Auditing Standards*.
- Component auditor firms must have an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The firm will provide the Office of the Auditor General, as the group auditor, with a copy of the most recent external quality control review report.
- As communicated by the Office of Accounts and Control, component unit financial statements must conform to generally accepted accounting principles for state and local government units.
- Component Unit audits must be performed in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
- In addition, component auditors whose components receive federal funding must ensure that their audits comply with the requirements of the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F – Audit Requirements. We will communicate an estimate of the major program expenditure threshold for the State of Rhode Island in conjunction with the Single Audit.
- All component auditors should consult with the Auditor General on any significant audit or accounting issues encountered during their audit.
- All component auditors have a responsibility to perform reasonable procedures to identify, assess, and respond to the risks of material misstatements arising from the component entity's failure to account for and disclose related party relationships, transactions, or balances. This responsibility includes transactions between the component and the State's reporting entity (including State agencies, departments, funds, and component units defined in [Attachments](#)).
- The Office of the Auditor General has provided materiality guidance in Attachment C regarding the performance of component audit work being relied on in conjunction with the audit of the State's reporting entity. Component auditors should consult with the Auditor General in regards to any questions regarding the materiality levels established for component unit audits. Materiality levels established by component auditors should be materially consistent with those detailed in [Attachment](#).
- Component auditors should discuss any instances where, in their professional judgment, there is concern that an uncorrected misstatement in a component's financial statements could be significant to the State's reporting entity.
- All component auditors must submit Letters of Understanding and Management Representation Letters (with attached Schedules of Unbooked Adjustments, if applicable) obtained in conjunction with component audits to the Office of the Auditor General. Such information is required for the Auditor General to document his responsibilities as the group auditor.
- All component auditors must submit all required communications to those charged with governance in conjunction with component audits to the Office of the Auditor General.
- All components must notify Auditor General and the Director of Administration if they become aware of fraud, abuse, or illegal acts or indications of such acts affecting the component entity or the State.

- Component unit draft financial statements and audit reports will be provided to The Office of the Auditor General and the Office of Accounts and Control for review prior to issuance.
- Component auditor reports must conform to the illustrative examples included in the AICPA Audit Guides - *State and Local Governments* and *Government Auditing Standards and Single Audits*.

This letter documents our required communications as group auditor of the State's financial statements.

Your assistance to us in meeting our group auditor requirements is greatly appreciated. If, at any time, you have questions, concerns, or issues relating to your role as a component auditor, feel free to contact me at 222-2435 or at dennis.hoyle@rioag.gov

Sincerely,

Dennis E. Hoyle, CPA
Auditor General

Our firm acknowledges receipt of this communication and agrees to comply with the requirements stated herein in our component audit for fiscal 20XX:

Component Auditor Representative

Title

Date

TITLE 35 - Public Finance - CHAPTER 35-7 - Post Audit of Accounts

§ 35-7-13 Audit of quasi-public agencies. – All quasi-public agencies including corporations, authorities, commissions, and boards created by the authority of the general assembly, executive order, or state law, excluding cities and their subdivisions, towns and their subdivisions, regional school districts and school committees, water districts, fire districts, and any other municipal corporations and their agencies, subject to post audit, are hereby required to obtain the approval of the director of administration and the auditor general prior to the employment of private auditors. Audit workpapers of the private auditors shall be made available upon request, at the completion of the audit, to the auditor general and/or the director of administration for their review. The audit report shall be furnished to the auditor general and the director of administration.

§ 35-7-14 Travel and entertainment expenses of quasi-public agencies. – Quasi-public agencies, as set forth in § 35-7-13, shall prepare and maintain documentation for all travel and entertainment expenses in sufficient detail to allow for post audit.

TITLE 22 - General Assembly - CHAPTER 22-13 - Auditor General

§ 22-13-6 Requests for auditing and accounting services. – (a) Every state department and agency which contemplates securing the services of an independent accounting firm to perform an audit of a federal assistance grant program shall first request the written approval of the auditor general.

(b) The request to the auditor general shall indicate the period of audit, the services to be rendered, the requirement for services (grant provisions, statutory requirements, etc.), the source(s) of funding, and any other pertinent information. The request shall be transmitted in writing to the auditor general on a form provided for that purpose at least ninety (90) days in advance of any contractual negotiations with independent public accountants by any state department or agency.

(c) Upon receipt of the request, the auditor general shall conduct an analysis of the request to determine the scope and requirements of the audit services requested in coordination with the audit responsibilities of all state audit agencies.

(d) The auditor general shall notify, in writing, the requesting state department or agency of the results of his or her analysis.

TITLE 35 - Public Finance - CHAPTER 35-6 - Accounts and Control

§ 35-6-37 Financial statements required from state departments, agencies, and instrumentalities. – The department of administration, from time to time, as it deems expedient or necessary, may require statements of financial condition and operations from the several state departments, agencies, and public authorities or corporations in such form and in such detail as it shall prescribe. The several state departments, agencies, and public authorities and corporations shall submit, as required by the state controller, a copy of audited financial statements for the most recent completed fiscal year to the state controller no later than ninety (90) days after the close of the state's fiscal year (June 30th). A waiver from this year-end schedule may be granted upon approval by the director of administration and the auditor general.

State of Rhode Island Component Units (as of June 30, 2018)

- Tobacco Settlement Financing Corporation
- RI Convention Center Authority
- Ocean State Investment Pool
- RI Housing and Mortgage Finance Corporation
- RI Commerce Corporation
- RI Resource Recovery Corporation
- RI Public Transit Authority
- University of Rhode Island
- Rhode Island College
- Community College of Rhode Island
- Central Falls School District
- RI Turnpike and Bridge Authority
- RI Higher Education Assistance Authority
- RI Industrial Facilities Corporation
- RI Industrial-Recreational Building Authority
- RI Airport Corporation
- Quonset Development Corporation
- I-195 Redevelopment District Commission
- The Metropolitan Regional Career and Technical Center
- HealthSource Rhode Island Trust
- Rhode Island Infrastructure Bank
- Rhode Island Health and Educational Building Corporation.

Related organizations of the State of Rhode Island include the Narragansett Bay Water Quality Management District Commission and the Rhode Island Student Loan Authority