



Best Practices in Auditor Procurement

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Agenda

- **Introduction and Background**
- **Rotation Rule**
- **Bid vs. Request for Proposal (RFP)**
- **Criteria and Weighting**
- **Uniform Guidance for Federal Awards Requirements**
- **Discussion and Feedback**

Introduction and Background

Background, *Audit Rule Requirements*

- **Section 2.2.2.8.J addresses procedures to obtain professional services from an IPA for both annual financial audits and agreed-upon procedures engagements**
- **Common elements:**
 - **Financial statement audit**
 - **Federal single audit**
 - **Financial statement preparation**

Background, *Audit Rule Requirements (cont'd)*

- **See 2.2.2.10.A for required elements and services for annual financial audits**
- **See 2.2.2.16.A & B for required elements and services for agreed-upon procedures engagements**

Rotation Rule

Rotation Rule, *New for 2016 – six year maximum*

- **Regardless of audit contract price, an IPA that has conducted a specific agency audit or agreed upon procedures engagement for a period of six years cannot conduct those services for that agency for a period of two years (2.2.2.8.K(1)(b)(i))**
 - **Limited exceptions apply for auditors who have performed > 6 years but are in the middle of a multi-year proposal**
 - **Draft wording was amended in response to comments received at public hearing**

Bid vs. Request for Proposal (RFP)

Bid vs. RFP, *Bid/Small Purchase*

- **Cost less than \$60,000 per year excluding GRT = bid/small purchase**
- **Contract for one year only, but entities are encouraged to request multiple year proposals**
 - **Cannot exceed three years**
 - **New contract each year**
- **Obtain at least three (3) quotations and retain documentation in the procurement file**
 - **Written preferred, but oral is acceptable**

Bid vs. RFP, *RFP/Competitive Sealed Proposal*

- **Cost over \$60,000 per year excluding GRT = RFP/competitive sealed proposal**
- **Statutes and Rules potentially applicable:**
 - Procurement Code (Chapter 13, Article 1 NMSA 1978)
 - Home rule procurement provisions
 - GSD Rule, 1.4.1 NMAC, Procurement Code Regulations
 - DFA Rule, 2.40.2 NMAC, Governing the Approval of Contracts for the Purchase of Professional
 - Uniform guidance for federal awards procurements requirements from 2 CFR Sections 200.317 to 200.326 and Section 200.509
 - Section 13-1-191.1 NMSA 1978, campaign contribution disclosure form

Bid vs. RFP, *RFP/Competitive Sealed Proposal (cont'd)*

- **Contract for one year only, but entities are encouraged to request multiple year proposals**
 - **Proposal cannot exceed three years**
 - **New contract each year**

Criteria and Weighting

Criteria and Weighting, *Key Criteria*

Criteria to consider:

- The firm's responsiveness to the procurement (integrity, past performance, financial and technical resources)**
- Relevant experience of firm as a whole, and proposed engagement team (Partner, On-Site Manager)**
- Peer review, OSA workpaper review, and external quality control review results**

Criteria and Weighting, *Evaluation Process*

Evaluate all offers using a standard evaluation process

- Use a selection committee if possible**
- Consider including members of component units**
- Document evaluation for procurement file**

Criteria and Weighting, *Price*

OSA recommends that price be weighted not more than fifteen (15) percent of the total criteria

Criteria and Weighting, *IPA Selection for Agreed-Upon Procedures*

Entities that qualify for agreed-upon procedures engagements pursuant to the tiered system are strongly encouraged to select an IPA on the OSA's list of approved firms that are approved to perform audits and agreed-upon procedures engagements

Uniform Guidance for Federal Awards Requirements

Uniform Guidance for Federal Awards, *Procurement Impact*

- **Agencies that receive and expend federal awards must follow the Uniform Guidance for Federal Awards procurements requirements from Sections 200.317 to 200.326 (Subpart D) and Section 200.509 (Subpart F)**
 - **In RFP for audit services, the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS**
 - **Written standards of conduct covering conflicts of interest**

Uniform Guidance for Federal Awards, *Conflicts of Interest*

Guidance expanded to include organizational conflict of interest

Expansion will require non-Federal entities to have strong policies preventing organizational conflicts of interest which will be used to protect the integrity of procurements under Federal awards and subawards

Uniform Guidance for Federal Awards, *Procurement Standards*

- **Uniform Guidance standards must be used by awardees**
- **Allowable methods of procurement**
 - **Micro Purchase \$3,000 max**
 - **Small Purchase \$150,000 max**
 - **Over \$150,000, Sealed Bid (lowest price) or Competitive Proposal (most advantageous, may not be lowest price)**
 - **Sole Source**
 - **Express written authorization from federal agency required**

Discussion and Feedback

Questions?