

State of Rhode Island
GUIDELINES FOR AUDIT BIDS AND SPECIFICATIONS
FOR MUNICIPALITIES AND REGIONAL SCHOOL DISTRICTS

DECEMBER 2025

ISSUED BY THE AUDITOR GENERAL
State of Rhode Island
General Assembly
Office of the Auditor General

Guidelines for Audit Bids and Specifications – Municipalities and Regional School Districts

INSTRUCTIONS

Rhode Island General Law [45-10-4](#) requires that municipalities and regional school districts obtain the approval of the Auditor General prior to the employment of private auditors. The Auditor General issues these guidelines for audit bids and specifications in order to provide for consistency in the approval process. These are only guidelines. Municipal and regional school district officials should consult their city/ town solicitor or legal counsel to ensure compliance with state and local laws regarding procurement of services and the issuance of bid specifications.

As part of the approval of a municipality's or regional school district's selection of an independent auditor, the Auditor General will consider several factors, including but not limited to the following:

- the municipality's or regional school district's basis for selecting an audit firm;
- the audit firm's qualifications and responses relative to the RFP;
- the audit firm's capacity and track record for meeting required deadlines (e.g. staffing levels and other government engagements with similar due dates); and
- the audit firm's cost proposal for the engagement relative to the other proposals.

By approving the municipality's or regional school district's selection of an audit firm, the Auditor General is not ensuring that the audit firm will (1) meet all contractual terms including the municipality's or regional school district's deadline for completion of the audit or (2) comply with professional standards in the conduct of the audit.

Approval of a firm to conduct the audit does not limit our authority to review, make further inquiries, and/or reject the audit report.

APPROVAL PROCESS

1. The municipality or regional school district shall submit audit specifications along with the completed "**Request for Approval of Municipality Audit Bid Specifications**" ([Appendix 1](#)) to the Auditor General at least sixty (60) days in advance of solicitation of bids from independent public accountants. Both documents will be reviewed and, if necessary, recommendations for modifications will be sent to the municipality or regional school district. When approved, the municipality or regional school district will be sent a copy of the "approved" forms so that it can proceed with the bid process.
2. When the municipality or regional school district has completed the bid process as outlined under "BIDS" (below), it shall follow the process for bid evaluations below and submit to the Auditor General a comparative analysis of all audit firms that have responded to the RFP which must contain the key elements included in the "**Audit Firm Summary Proposal Evaluation Grid**" ([Appendix 3](#)) as well as any other pertinent information considered by the municipality or regional school district in making its selection. In addition to this comparative analysis, the

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municipality or regional school district must submit to the Auditor General for review and approval, the complete response package from the professional firm for which approval is requested along with the "**Request for Approval of Selection of Auditor**" ([Appendix 2](#)). The municipality or regional school district will be contacted should there be any question concerning the selection of auditors.

3. When approved, a copy of the "approved" forms will be sent to the municipality or regional school district so that it can notify the auditors selected.

BIDS

1. Written audit specifications, drafted by the municipality or regional school district and approved by the Auditor General, shall be prepared for distribution to prospective bidders. The specifications should be tailored in accordance with these guidelines.
2. Professional auditing firms shall be invited to submit a proposal to complete an audit in accordance with the approved specifications. Sealed proposals shall be delivered directly by interested firms to the municipality or regional school district and shall be opened, at the time and place specified, in the presence of representatives of the bidders and the municipality or regional school district.
3. A pre-bid conference may be scheduled, depending on the complexity of the audit, to familiarize interested professional firms with the audit requirements.
4. The municipality or regional school district may reserve the right to reject the lowest bidder if it deems that it does not possess the personnel, experience and other resources to complete the audit in accordance with the audit specifications. It may also reject all bids. In either case, the reason for its action shall be documented.

PROCESS FOR BID EVALUATIONS

An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters. 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	30
Maximum evaluation points 100	100

* Evaluation technique – audit fees

Audit fee score = (lowest qualified 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

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 X 30 points = 26
Firm C	awarded 24 points	\$40,000/\$50,000 X 30 points = 24

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

FEDERAL AWARDS

An audit of a municipality or regional school district, which expends federal awards, must also meet the provisions of 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Uniform Guidance is the U.S. government's single, unified set of rules for managing federal grants, streamlining administrative requirements, cost principles, and audit rules for non-federal entities. It replaces older OMB circulars, providing a comprehensive framework for pre-award, post-award, and financial management for entities receiving federal funds.

Municipalities and regional school districts must refer to Subpart F of the Uniform Guidance, *Audit Requirements*, for determining the applicability of audit requirements relating to federal awards. Please note that circumstances could change between fiscal years regarding the expenditure of federal awards and therefore the applicability of federal Uniform Guidance must be made each fiscal year.

Please refer to the definitions below in determining whether your municipality or regional school district expends federal awards.

Uniform Guidance Definitions:

Federal award has the meaning, depending on the context, in either paragraph (1) or (2) of this definition:

- (1)
 - (i) The Federal financial assistance that a recipient receives directly from a Federal agency or indirectly from a pass-through entity, as described in § 200.101; or
 - (ii) The cost-reimbursement contract under the Federal Acquisition Regulation that a non-Federal entity receives directly from a Federal agency or indirectly from a pass-through entity, as described in § 200.101.
- (2) The instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (2) of the definition of Federal financial assistance in this section, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations.
- (3) Federal award does not include other contracts that a Federal agency uses to buy goods or services from a contractor or a contract to operate government-owned, contractor- operated (GOCO) facilities.
- (4) See also definitions of Federal financial assistance, grant agreement, and cooperative agreement.

Federal financial assistance means:

- (1) Assistance that recipients or subrecipients receive or administer in the form of:
 - (i) Grants;
 - (ii) Cooperative agreements;
 - (iii) Non-cash contributions or donations of property (including donated surplus property);
 - (iv) Direct appropriations;

(v) Food commodities; and

(vi) Other financial assistance (except assistance listed in paragraph (2) of this definition).

(2) For [§ 200.203](#) and [subpart F of this part](#), *Federal financial assistance* also includes assistance that recipients or subrecipients receive or administer in the form of:

(i) Loans;

(ii) Loan Guarantees;

(iii) Interest subsidies; and

(iv) Insurance.

(3) For [§ 200.216](#), Federal financial assistance includes assistance that recipients or subrecipients receive or administer in the form of:

(i) Grants;

(ii) Cooperative agreements;

(iii) Loans; and

(iv) Loan Guarantees.

(4) Federal financial assistance does not include amounts received as reimbursement for services rendered to individuals as described in [§ 200.502\(h\)](#) and [\(i\)](#).

(5) For [part 184 of this title](#), in addition to the forms of assistance listed in paragraph (1) of this definition, *Federal financial assistance* also includes assistance that recipients or subrecipients receive or administer in the form of:

(i) Loans; and

(ii) Loan Guarantees.

Grant agreement or grant means a legal instrument of financial assistance between a Federal agency and a recipient or between a pass-through entity and a subrecipient, consistent with 31 U.S.C. 6302, 6304:

(1) Is used to enter into a relationship, the principal purpose of which is to transfer anything of value to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal agency or pass-through entity's direct benefit or use;

(2) Is distinguished from a cooperative agreement in that it does not provide for substantial involvement of the Federal agency in carrying out the activity contemplated by the Federal award.

(3) Does not include an agreement that provides only:

(i) Direct United States Government cash assistance to an individual;

(ii) A subsidy;

(iii) A loan;

(vi) A loan guarantee; or

(v) Insurance.

Cooperative agreement means a legal instrument of financial assistance between a Federal agency and a recipient or between a pass-through entity and subrecipient, consistent with 31 U.S.C. 6302-6305:

- (1) Is used to enter into a relationship the principal purpose of which is to transfer anything of value to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal Government or pass-through entity's direct benefit or use;
- (2) Is distinguished from a grant in that it provides for substantial involvement of the Federal agency or pass-through entity in carrying out the activity contemplated by the Federal award.
- (3) The term does not include:
 - (i) A cooperative research and development agreement as defined in 15 U.S.C. 3710a; or
 - (ii) An agreement that provides only:
 - (A) Direct United States Government cash assistance to an individual;
 - (B) A subsidy;
 - (C) A loan;
 - (D) A loan guarantee; or
 - (E) Insurance.

UNIFORM CHART OF ACCOUNTS (UCOA) – SCHOOL DISTRICTS

Section [16-2-9.4](#) of the Rhode Island General Laws required the Office of Auditor General and the Department of Elementary and Secondary Education (RIDE) to promulgate a uniform system of accounting, including a chart of accounts and required all accounts of the school districts, regional school districts, state schools and charter schools to be kept in accordance with the chart of accounts.

Each municipal school district, regional school district, collaborative, or charter school, required to comply with UCOA reporting requirements, must have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements.

Each municipal school district, regional school district, collaborative, or charter school, must include these additional UCOA Agreed-Upon Procedures within the audit scope of services outlined in their bid specifications. Please note that the agreed-upon procedures may be subject to subsequent modification.

Auditors should have performed the test work necessary to complete the UCOA Agreed-Upon Procedures before issuing the audited financial statements. The agreed-upon procedures report, along with the audited financial statements, shall be provided to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or the revised timeline established by the Rhode Island Department of Education and the Office of the Auditor General.

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AUDIT SPECIFICATIONS

Due Dates for Completion of Audit and Delivery of Reports

1. An annual audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the municipality, State Auditor General and State Director of Revenue within six months after the close of the fiscal year for each year (as required by Section [45-10-5](#) of the General Laws). For example, for a municipality with a fiscal year ending June 30, the reports must be filed by December 31 of each year.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid certification in the State of Rhode Island or from another state having equal professional standards. 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 private auditor must meet the independence requirements of the American Institute of Certified Public Accountants including the provisions of the AICPA Code of Professional Ethics and the independence requirements of *Government Auditing Standards*.
3. The senior accountant in charge of the fieldwork shall be a certified public accountant.
4. 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.
5. The audit organization shall identify any sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal.
6. The audit organization shall have an appropriate internal quality control system complying with professional standards in place and participate in an external quality control review program as required by *Government Auditing Standards*.
7. 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 municipality engaging the auditor.

Audit Contract

1. The audit contract shall not exceed five fiscal years. The audit contract period may be less than five years if mandated by local requirements. Each year must be treated as a separate audit.
2. Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee shall be inclusive of all expenses.
3. The dollar cost bid should specifically identify the fee for the audit services and the fee for the agreed-upon procedures.
4. Continuation beyond the initial fiscal year of the contract will be at the discretion of the municipality or regional school district.
5. Any representations made with the submission will be relied upon and if proven to be false will be grounds for termination of the contract, if awarded. False representations will also be grounds for forfeiture of all payments under the contract. This will not limit the municipality or regional school district from seeking any other legal or equitable remedies.

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 set forth in *Government Auditing Standards* issued by the Comptroller General of the United States. If a single audit is required then the provisions of 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) must also be followed.

Audit Scope

The auditor shall express an opinion on the fair presentation of the basic financial statements, which will include government-wide financial statements, fund financial statements, and notes to the financial statements in conformity with generally accepted accounting principles.

The auditor shall also be responsible for performing certain limited procedures, as required by generally accepted auditing standards, involving required supplementary information mandated by the Governmental Accounting Standards Board.

Required Supplementary Information shall include:

- Management's Discussion and Analysis
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
- Schedules related to defined benefit pension plans and OPEB plans, if applicable

The auditor shall express an "in-relation-to" opinion on the supplementary financial statements and schedules based on the auditing procedures applied during the audit of the basic financial statements.

Supplementary financial statements, schedules and information shall include:

- Combining fund financial statements shall be presented as supplementary information for all non-major governmental funds. Each non-major fund (included within the Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds) shall be presented as separate columns in the combining fund financial statements. Similarly, combining financial statements shall also be presented for each of the other fund types when there is more than one internal service fund, enterprise fund, and fiduciary fund.
- Combining financial statements shall be presented for the General Fund when separate funds are maintained within the accounting system but the funds do not qualify as special revenue funds, in accordance with generally accepted accounting principles, and are merged with the General Fund for financial reporting purposes.

If applicable, an audit of major programs shall be performed in accordance with the criteria outlined in OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.

- The auditors shall audit major programs as required by OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - 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 Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.
- The auditor is not required to audit the supplementary schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

Other schedules may be required by the City/Town and/or the State of Rhode Island Director of Revenue, Auditor General, and Department of Education or as required by the applicable section of the general laws such as, Rhode Island General Law Section (RIGL) [45-10-6](#) (Contents of Audit Report).

- The Tax Collector's Annual Report shall be presented within Other Supplementary Information to meet the requirements of RIGL [45-10-6](#) for additional information to the basic financial statements. The Tax Collector's Annual report should be presented in accordance with the revised format requirements of the RI Department of Revenue - Division of Municipal Finance (contact the Division for the most current template). The auditors engaged to audit the municipality's financial statements shall also report on the Tax Collector's Annual Report, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").
- Municipal Transparency Portal (MTP) - Enacted legislation amended Rhode Island General Laws [§45-12-22.2](#) and [§44-35-10](#) to improve required reporting by creating the Municipal Transparency Portal (MTP) which will represent a centralized location for municipal financial information. Each municipality shall include their Annual Supplemental Transparency Report, MTP2, within their annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements.

The auditors engaged to audit the municipality's financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Auditors are not required to opine on the municipality's determination of "reportable government services" (RGS) as defined in Section 2.1 of the Municipal Transparency Portal Implementation Guidance. The municipality will make the determination of "reportable government services" for inclusion in the various reports required to be submitted through the municipal transparency portal. However, auditors will be expected to review the reconciliations as part of the Annual Supplemental Transparency Report, MTP2, (required for inclusion in the audited financial statements as supplementary information) to assess the inclusion of amounts reported which are not within the municipality's or school's general fund.

The format of the required MTP schedules and related reconciliations, as well as, the typical timeline for filing of the annual municipal data report and coordination with annual financial statement audit, are detailed in the MTP Implementation Guidance (available on the RI Division of Municipal Finance website: [Municipal Transparency Portal | RI Division of Municipal Finance](#)).

The Independent Auditor's Report shall include reference to the Annual Supplemental Transparency Report, MTP2, as supplementary information. See the Municipal Transparency Portal Implementation Guidance for additional information.

Audit Reports

1. Draft copies of all audit report(s) and the management letter shall be submitted to the (*insert required recipient, e.g.: chief executive officer, chief finance officer, City or Town Council, members of the audit committee, etc.*) of the municipality or regional school district prior to the exit conference so that there will be adequate time for review.
2. Following the completion of the audit of the fiscal year's financial statements, the auditor shall report on:
 - a. The fair presentation of the financial statements in conformity with generally accepted accounting principles based upon an audit performed in accordance with generally accepted auditing standards and Government Auditing Standards. The auditor shall also make reference to, but not opine on, required supplementary information consistent with reporting guidance in the applicable AICPA Audit Guide.
 - b. Supplementary financial statements, schedules and information being fairly stated in all material respects in relation to the basic financial statements as a whole.
 - The supplementary information shall include combining fund financial statements (and if applicable, General Fund combining financial statements), the Annual Supplemental Transparency Report (MTP2, including the reconciliations), and the Tax Collector's Annual Report.
 - c. Internal control over financial reporting and on compliance and other matters based upon an audit of financial statements performed in accordance with Government Auditing Standards.
 - d. Reports and summaries related to federal financial assistance (as appropriate in the circumstances) required by Uniform Guidance (the auditor should refer to applicable OMB guidance in effect and the applicable AICPA Audit Guide for reporting guidance) and complete SF-SAC Data Collection Form to be submitted in accordance with the current method of submission for Single Audit reporting packages (per OMB public Notice), to the Federal Audit Clearinghouse Internet Data Entry System.
 - e. The supplementary schedule of expenditures of federal awards (SEFA) - the auditor is to provide an "in-relation-to" opinion on the SEFA, based on the auditing procedures applied during the audit of the financial statements.

- f. Other reports requested by the municipality or regional school district and/or the Director of Revenue and/or the Auditor General or as required by the applicable section of the general laws.
- g. Reports required under trust agreements, loan agreements, etc., if applicable.
- h. Other communications required by *Government Auditing Standards*.

Management Letter

1. The audit specifications shall provide for the submission of a management letter upon completion of the audit to (insert required recipient, e.g.: chief executive officer, chief finance officer, City or Town Council, members of the audit committee, etc.) of the municipality or regional school district, with copies to the Director of Revenue and 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 municipality or regional school district.
 - b. control deficiencies that are not significant deficiencies or material weaknesses.
 - 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 municipality or regional school district and with rules and regulations established by the municipality or regional school district.

Additional Information To Be Provided To the Municipality or Regional School District

The following information must be contained in a written representation by the audit firm to the municipality or regional school district:

- the current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of the fieldwork;
- staffing information including:
 - firm size,
 - number of staff allocated to the audit job,
 - relevant qualifications and experience of each person assigned to the audit job;
- the amount and type of professional liability coverage, the audit organization shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million;
- list of any professional complaints pending or resolved against the firm or any of its partners with the state boards of accountancy, or any self-regulatory, professional or government authority including but not limited to the AICPA, or Rhode Island Board of Accountancy;
- information regarding any lawsuits or claims against the firm, pending or resolved;
- a statement of relevant experience including a list of municipal or other governmental audits performed in the last five years;
- expected time budget and completion date for the audit;
- a statement that there exist no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards;

- representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants including those in the AICPA Code of Professional Ethics and *Government Auditing Standards*;
- representation that the private auditor of a municipality meets the continuing educational requirements of *Government Auditing Standards*;
- 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.
- representation that the private 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 Auditor General with a copy of its most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract; and
- representation that the private auditor is familiar with generally accepted accounting principles for state and local government units 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; 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and will conduct the audit and will report in accordance with those standards.

Access to Audit Information and Audit Documentation by Auditor General:

As required by Section [45-10-4](#) of the RI General Laws, it is understood that the contract between the municipality or regional school district and the audit firm shall require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his designee). This information includes but is not limited to financial data, analysis, audit documentation, and memorandum. Audit documentation of the independent auditors shall be made available to the Auditor General (or his designee) upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision.

Other

The audit specifications should include such other provisions as may be deemed appropriate, e.g., terms of payment, representations concerning federal nondiscrimination, supplementary services, number of reports, access to records, availability of specifications, delivery and opening of bids, etc.