



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

**Acquisition
Bulletin (AB)**
No.05-01
Feb 23, 2005

MEMORANDUM FOR BUREAU CHIEF PROCUREMENT OFFICERS

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FROM: Thomas A. Sharpe, Jr.
Director,
Office of the Procurement Executive

SUBJECT: CONTRACTING FOR AUDIT OR CERTAIN NON-AUDIT
SERVICES

Purpose: This Acquisition Bulletin (AB) provides procedural guidance for the acquisition of audit and certain non-audit services.

Effective Date: This AB is effective immediately.

Expiration Date: This AB will expire when cancelled or superseded.

Background: In accordance with the Inspector General Act of 1978, the Inspector General of an agency determines when it is appropriate to use non-Federal auditors for audit work, and for assuring that work performed by non-Federal auditors complies with standards established by the Government Accountability Office (GAO). In addition, the Inspector General of an agency must evaluate whether non-audit services performed by firms that also provide independent public accounting services could create an independence impairment either in fact or appearance. The Treasury Inspector General for Tax Administration (TIGTA) is the cognizant authority for the Internal Revenue Service, and the Treasury Inspector General (TIG) is the cognizant authority for all other Department of Treasury components and for the consolidated Department of Treasury.

In 2002 GAO issued an amendment to its *Government Auditing Standards*, commonly known as the *Yellow Book*. The amendment introduced some significant revisions, particularly related to the principle of auditor independence and the types of non-audit or consulting services an auditor can perform for a client. These revisions were incorporated into the current 2003 version of the *Yellow Book*.

Though auditors have the capability of performing a wide range of services for their clients, for audits required to be

conducted in accordance with *Government Auditing Standards*, it is not always appropriate for auditors to perform both audit and certain non-audit services for the same client. In these cases, the auditor and/or the client will have to make a choice as to which of the services will be provided. This issue is addressed, in depth, in the *Yellow Book*, and in "Answers to Independence Standard Questions" (dated July 2002). These documents are available at GAO's Internet Home Page at www.gao.gov under the GAO Policy and Guidance Materials and Special Publications sections.

Government Auditing Standards uses a principles-based approach to deal with the issue of auditor independence. The independence standard for non-audit services is based on two overarching principles:

1. Auditors should not perform management functions or make management decisions; and
2. Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Some non-audit services do not impair an auditor's independence. However, there are other non-audit services that, by their very nature, impair the audit organization's ability to meet either or both of the overarching principles. An audit organization cannot both provide the non-audit service and perform the audit if either of the two overarching principles is violated.

Examples of non-audit services likely to affect an auditing organization's independence are listed in Attachment 1.

Definitions of key terms are provided in Attachment 2.

Action: This section applies to all procurements, including task and delivery orders under existing contracts and agreements, by Treasury Bureaus and other Treasury offices of audit and non-audit services from non-federal auditors. This section applies, regardless of whether the acquisition function is performed within Treasury or by another agency. In accordance with FAR 9.504, "Contracting Officers should obtain the advice of counsel and assistance of appropriate technical specialists in evaluating potential conflicts and in developing any necessary solicitation provisions and contract clauses" to resolve conflicts. This Acquisition Bulletin, however, adds a further Treasury requirement that must be complied with any time audit or certain non-audit services are being procured. Treasury Contracting Officers shall obtain the **concurrence or non-concurrence** of the TIG or TIGTA when contemplating the

acquisition of:

1. audit services, or
2. any non-audit services (non-audit as defined in *Government Auditing Standards*, reiterated in Attachment 2 to this memo under ``Definitions''), if the non-audit service will be performed by one of the audit organizations listed under GSA Schedule 520 ``Financial and Business Solutions,' ' Special Item Number (SIN) 520-7, ``Financial and Performance Audits.' ' (See Attachment 3; for the up to date listing of firms under this SIN, check the website at <http://www.gsaelibrary.gsa.gov/ElibMain/ElibHome>

Contracting Officers shall request concurrence to proceed with the acquisition by forwarding statements of work to TIG or, in the case of IRS, to TIGTA addressed as follows:

Statements of work that support Treasury bureaus, other than IRS, are to be forwarded to the TIG, Assistant Inspector General for Audit.

Statements of work that support IRS are to be forwarded to the TIGTA, Deputy Inspector General for Audit.

The TIG or TIGTA will promptly review statements of work for the contemplated services described above, and provide reasons in cases of non-concurrence. Contracting Officers must consider non-concurrences and determine whether to proceed with acquisition of services. If the TIG or TIGTA does not concur, the Contracting Officer must obtain the approval, in writing (email or memorandum), from the Treasury Senior Procurement Executive (SPE) before issuing the solicitation. Additionally, the Treasury Procurement Executive shall consult with the TIG or TIGTA prior to granting approval.

Contracting Officers should alert TIG/TIGTA if at any time a target award date is being adversely impacted during the TIG/TIGTA review interval. BCPOs may bring turn-around time concerns, if any, to the attention of the SPE.

Attachment 4, Process Flowchart, is provided to assist the Contracting Officer in following procedural guidance.

Questions about this AB may be directed to the Office of the Procurement Executive.

Attachments:

- Attachment 1: Examples of Non-audit Services That May Impair An Audit Organization's Independence (Not All-Inclusive)
- Attachment 2: Definitions of Key Terms
- Attachment 3: FIRMS LISTED UNDER GSA Schedule 520; Special Item Number (SIN) 520-7: Financial & Performance Audits
- Attachment 4: Process Flowchart

EXAMPLES OF NON-AUDIT SERVICES THAT MAY IMPAIR AN AUDIT ORGANIZATION'S INDEPENDENCE - THIS IS NOT AN ALL-INCLUSIVE LIST

The following are examples of non-audit services that may impair an audit organization's independence in the event of any ongoing or future audit work. In such circumstances, the audit organization and/or audited entity will have to make a choice as to which of the services, that is audit or non-audit, will be performed. The examples follow:

- Bookkeeping
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions or human resources
- Broker or dealer, investment advisor, or investment banking services
- Legal services and expert services unrelated to the audit

DEFINITIONS OF KEY TERMS:

Audit services:

Generally Accepted Government Accounting Standards (GAGAS) define "audit services" as financial audits, attestation engagements, and performance audits.

Non-audit services:

Non-audit services generally differ from financial audits, attestation engagements, and performance audits in that auditors may (1) perform tasks requested by management that directly support the entity's operations, such as developing or implementing accounting systems; determining account balances; developing internal control systems; establishing capitalization criteria; processing payroll; posting of transactions; evaluating assets; designing or implementing information technology or other system; or performing actuarial studies, or (2) provide information or data to a requesting party without providing verification, analysis, or evaluation of the information or data, and therefore the work does not usually provide a basis for conclusions, recommendations, or opinions on the information or data. These other services may or may not result in a report. In the case of nongovernment auditors that perform audits under GAGAS, the term non-audit services is synonymous with consulting services. (Reference - *Government Auditing Standards*)

Attachment 3

*FIRMS LISTED UNDER GSA Schedule 520; Special Item Number (SIN)
520-7: Financial & Performance Audits:

AHMAD ASSOCIATES LTD
ALLMOND, MARVIN C
ALTSCHULER, MELVOIN AND GLASSER
BDO SEIDMAN L.L.P.
BERT W SMITH JR & CO CHARTERED
BIRNBAUM, LEONARD G AND CO LLP
BLAND & ASSOCIATES, P.C.
BROWN & COMPANY CPAS, PLLC
CARMICHAEL, BRASHER, TUVELL & CO
CHERRY, BEKAERT & HOLLAND, L.L.P
CLIFTON GUNDERSON LLP
COLEMAN & WILLIAMS, LTD
CONRAD AND ASSOCIATES, L.L.P.
COTTON & COMPANY LLP
DELOITTE & TOUCHE L.L.P.
DEMBO, JONES, HEALY, PENNINGTON
DEVA & ASSOCIATES, P.C.
DUNNE CHAVARRIA LAMEY LLC
EKE, DANIEL & ASSOCIATES PC
ERNST & YOUNG LLP
FOXX & COMPANY
FRYE, WILLIAMS & CO PA
FUENTES-FERNANDEZ & COMPANY
GAMBLE GIVENS & MOODY, LLC
GARDINER, KAMYA & ASSOCIATES, P.
GHENENE & ASSOCIATES, CPAS
GILLILAND AND ASSOCIATES
GONZALES CONSULTING SERVICES, IN
GRANT THORNTON LLP
HAGOOD, NESBITT AND CO CPA'S
HARMAN, THOMPSON, MALLORY & ICE,
HARPER, RAINS, KNIGHT, & COMPAN
HAYES & ASSOCIATES LLC

KEARNEY & COMPANY, P.C.
KPMG L.L.P.
L R COMPTON II LLC
LEON SNEAD & COMPANY, P.C.
M.D. OPPENHEIM & COMPANY PC
MARTIN & WALL, P.C.
MAYER HOFFMAN MCCANN PC
MCBRIDE, LOCK & ASSOCIATES
MILLIGAN & COMPANY, LLC
MITCHELL & TITUS, L.L.P.
NAVARRO, R & ASSOCIATES, CPA'S
NUNEZ & ASSOCIATES, INC
NWABUKWU LIMERICK & ASSOCIATES,
OCONNOR & DREW, PC
OLLIE GREEN& COMPANY, CPA S
PARKER, WHITFIELD & CO., PC
PRICewaterHOUSECOOPERS L.L.P.
REED & ASSOCIATES, CPAS
REGIS & ASSOCIATES, PC
REZNICK, FEDDER & SILVERMAN CPA'
SMART & ASSOCIATES L.L.P.
THOMPSON, COBB, BAZILIO & ASSOCI
TICHENOR & ASSOCIATES
TRONCONI SEGARRA & HORE LLP
URBACH, KAHN & WERLIN ADVISORS I
WALKER & COMPANY, L.L.P.
WATKINS, MEEGAN, DRURY & CO LLC
WATSON RICE LLP
WILLIAM F. GURRIE & CO., LTD.
WILLIAMS, ADLEY & COMPANY, LLP
WINGATE, CARPENTER & ASSOCIATES,
ZAYAS MORAZZANI & CO

* Current list as of 01/26/05; for complete up to date list
check website at:
<http://www.gsaelibrary.gsa.gov/ElibMain/ElibHome>

Services Acquisition Flow Chart

