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AMENDED STATE EXAMINER DIRECTIVE 2015-2

Date: April 7, 2016

Subject: Engagement of Private Examiners

Authority: Ind. Code §§ 5-11-1-7, 10, 24; Ind. Code Chs. 25-2.1-3, 4, 5; Ind. Code § 25-2.1-12-3

Application: This Directive applies to all audited entities subject to examination under Ind. Code Ch. 5-11-1.

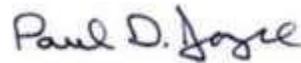
From: Paul D. Joyce, CPA, State Examiner

Indiana Code Ch. 5-11-1 contains several provisions regarding the engagement of a private examiner. First, the State Examiner may allow the engagement of a private examiner to the extent the State Examiner determines necessary to satisfy the requirements of Ind. Code Art. 5-11. Ind. Code § 5-11-1-7(b). Second, a private examiner is subject to the direction of the State Examiner while performing examinations under Ind. Code Art. 5-11. *Id.* Third, if the State Examiner authorizes the engagement of a private examiner to perform an examination under Ind. Code Art. 5-11, the examination and report must comply with the uniform compliance guidelines established by the State Board of Account under Ind. Code § 5-11-1-24(a). Ind. Code § 5-11-1-24(d). Fourth, if an audited entity subject to examination under Ind. Code Ch. 5-11-1 engages a private examiner, the contract with the private examiner must require the examination and report to comply with the uniform compliance guidelines established by the State Board of Accounts. *Id.* Finally, if proposals for performing a private examination of an audited entity are required, an entity may not request such proposals unless the request has been submitted to and approved by the State Board of Accounts first. Ind. Code § 5-11-1-24(e). In addition, uniform compliance guidelines require that contracts agreed upon between an audited entity and a private examiner be submitted to and approved by the State Board of Accounts. *See* Ind. Code § 5-11-1-24(d); *Guidelines for the Audits of Charter Schools Performed by Private Examiners*; *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*; and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance From Governmental Sources*.

A private examiner engaged under Ind. Code § 5-11-1-7 must hold (1) a valid certificate for a certified public accountant (CPA) or public accountant issued or renewed under Ind. Code Chs. 25-2.1-3 or 4, and (2) a permit issued under Ind. Code Ch. 25-2.1-5 in order to provide applicable reports on financial or attested statements of an audited entity. Individuals and firms not holding a valid CPA or public accountant certificate and permit are prohibited from issuing a report conventionally used by licensees with respect to: (1) a review of financial statements and (2) a compilation of financial statements. Ind. Code § 25-2.1-12-3.

In summary, before engaging a private examiner, an audited entity must: (1) obtain the prior approval of the State Examiner, (2) submit any required requests for proposals to the State Board of Accounts for approval prior to issuing the requests, (3) ensure the contract with the private examiner requires the examination and report to comply with the uniform compliance guidelines established by the State Board of Accounts, (4) submit the agreed upon contract for approval by the State Board of Accounts, and (5) ensure that the private examiner has the required certificate and permit issued under Ind. Code Chs. 25-2.1-3, 4, and/or 5. Failure to follow the steps outlined above will prevent the accountant from being considered a private examiner engaged under Ind. Code § 5-11-1-7.

This Directive may be amended from time to time and may be rescinded at any time in writing by the State Examiner or a Deputy State Examiner.



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State Examiner