

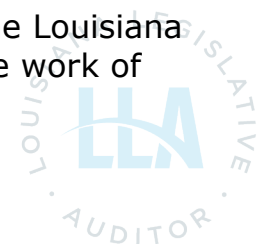
AUDIT RISK ALERT # 54

DATE: October 09, 2023

SUBJECT: Specific Engagement Agreement Language Required When a CPA Firm Engages with a Third-Party Agent to Provide Staff for the Engagement**Summary**

If a CPA firm that performs the audit and other attest engagements (assigning CPA firm) engages with another CPA firm (third-party agent) to provide staff for the engagement, then **in the body of the engagement agreement** (not in terms and conditions, attachments, exhibits, etc.) the assigning CPA firm is required to notify the auditee of the potential of any audit work being assigned to employees and/or third-party agents and clearly state that the assigning CPA firm is ultimately responsible for the quality of the engagement and that bearing ultimate responsibility is defined as

- The assigning CPA firm remains responsible for every employee of their own staff and/or for every third-party agent who performs work in the audit;
- The assigning CPA firm shall also attest to the qualifications of every employee and/or every third-party agent;
- Every employee and/or third-party agent shall be trained as required by governmental auditing standards;
- Every employee and/or third-party agent shall be subject to all confidentiality requirements as mandated by R.S. 24:513(I);
- Every employee and/or third-party agent must have the cybersecurity training required by R.S. 42:1267; and
- The assigning CPA firm agrees to indemnify the auditee, the Louisiana Legislative Auditor (LLA), and the State of Louisiana for the work of every employee and/or third-party agent.



Background

[Section 400-1040](#) of the *Louisiana Governmental Audit Guide* addresses the use of other CPA firms (third-party agents) as engagement staff. The LLA encourages interaction and collaboration between CPA firms, especially those on LLA's [Approved list](#) (third-party agents are not *required* to be on LLA's Approved list). The assigning CPA firm, however, is ultimately responsible for the quality of the engagement, whether they use their own staff or the staff of third-party agents to perform the engagement.

[Section 400-1080](#) of the *Louisiana Governmental Audit Guide* addresses auditor requirements for engagement agreements. Effective September 26, 2023 if a CPA firm that performs the audit and other attest engagements (assigning CPA firm) engages with another CPA firm (third-party agent) to provide staff for the engagement, then **in the body of the engagement agreement** (NOT in terms and conditions, attachments, exhibits, etc.) the assigning CPA firm is required to notify the auditee of the potential of any audit work being assigned to employees and/or third-party agents and clearly state that the assigning CPA firm is ultimately responsible for the quality of the engagement and that bearing ultimate responsibility is defined as

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Michael J. "Mike" Waguespack

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Contact Information

If you have any additional questions please contact Sudha Jindia at sjindia@lla.la.gov or by calling (225) 339-3813.