

(H. B. 746)

(No. 124)

(Approved October 17, 2009)

## **AN ACT**

To add subsection (g) to Section 2 of Act No. 273 of September 10, 2003, known as the “Contractual Standards for Independent External Audits of Government Entities Act,” in order to provide that the reports rendered by external auditors of government entities shall also include their opinions about whether or not the recommendations of the Office of the Comptroller of Puerto Rico have been implemented, and the corrections regarding findings stated in previous reports have been made.

### **STATEMENT OF MOTIVES**

Act No. 273, *supra*, was promulgated under the premise that external auditors have become one of the essential elements to achieve a sound administration, both in the public and the private sector. Their interventions in evaluating controls, detecting irregularities, and preparing financial statements, as well as their recommendations for improving procedures, caused their presence to become increasingly stronger. In the public sector, the work of external auditors also complements the overseeing function of the Office of the Comptroller of Puerto Rico.

On the other hand, this Act has a legitimate purpose in that it provides for external auditors to carry out certain functions, insofar as they are not materially significant to the audit. Some of these functions are those related to bookkeeping, payroll processing, asset valuation, information technology, human resources, and preparing returns and proposals. These professionals can participate in advisory

committees, offer routine assessment, cooperate in the establishment of internal control systems, answer technical queries, provide training, tools, and methodology for result assessment procedures, and for conducting studies, among others.

Even though the basis for Act No. 273 is avowedly well-intended, a 2008 Report from the Comptroller titled “Recommendations to Encourage Good Public Administration Practices and to Counter Corruption” [translation supplied] stated that said Act should be amended in order to provide that reports rendered by external auditors in government entities include an opinion about whether or not the recommendations of the Office of the Comptroller have been implemented, and the corrections regarding findings stated in previous reports have been made. Considering this to be an excellent idea, it is hereby proposed that the same be enacted into law.

***BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:***

Section 1. – Subsection (g) is hereby added to Section 2 of Act No. 273 of September 10, 2003, to read as follows:

“Section 2. – Contract – Requirements

Every contract for advisory services, non-audit services, or audit services conducted by external auditors executed by any government or private entity that receives public funds in excess of two hundred thousand dollars (\$200,000) a year shall include provisions establishing that:

- (a) ...
- (b) ...
- (c) ...
- (d) ...
- (e) ...
- (f) ...

(g) The audit report rendered by the external auditor shall contain a section that includes his/her opinions about whether or not the recommendations of the Office of the Comptroller of Puerto Rico have been implemented, and the corrective actions regarding findings stated in previous reports have been made.”

Section 2. – This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 124 (H. B. 746)** of the **2nd Session of the 16<sup>th</sup> Legislature** of Puerto Rico:

**AN ACT** to add subsection (g) to Section 2 of Act No. 273 of September 10, 2003, known as the “Contractual Standards for Independent External Audits of Government Entities Act,” in order to provide that the reports rendered by external auditors of government entities shall also include their opinions about whether or not the recommendations of the Office of the Comptroller of Puerto Rico have been implemented, and the corrections regarding findings stated in previous reports have been made.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on the 1<sup>st</sup> day of September, 2011.

María del Mar Ortiz Rivera, Esq.  
Director