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From: Auditor of State's Audit Administration
To: All IPA Firms
Subject: Modifications to Auditor of State Request for Proposal Process
Date: December 13, 2013

As we mentioned this past August at the IPA Conference, we are implementing a few modifications to the Auditor of State's Request for Proposals (RFP) process to solve some recurring issues and address changes to the standards. The changes will begin to be implemented on December 15, 2013. We have summarized the changes to the RFP and related documents as follows:

Summary of Request for Proposal (RFP) Modifications:

-Various terminology changes and references have been made throughout the RFP to incorporate the Clarity Standards.

-Section I(A)(1) – This section has been modified to incorporate a reference to a new editable PDF form the IPA firms will be required to incorporate into their proposals to document the Mandatory Elements – Required Affirmations. Please refer to the description of the form in the “Documents Related to the RFP” below.

-Sections I(A)(2) and IV(D) – In the section related to insurance consortiums, language has been included indicating health insurance consortiums subject to ORC 9.833 must have the audit completed within 90 days of the fiscal year-end.

-Section I(C) – Language was added to indicate the specific office of the IPA firm which originally expressed interest in the contract must be the office that submits the proposal. If more than one office of a firm expresses interest, the region will need to determine which office intended to express interest prior to sending the RFPs. There are several reasons we need to identify the office expressing interest: 1) location of the firm's office to the client is a consideration in determining firms to receive the RFP; 2) we want to ensure all offices of the IPA firm that intend to perform audits/AUPs for our office are registered in the IPA Portal; and 3) in the future, we plan to provide additional functionality through the IPA Portal that will require the office of the firm expressing interest to be the office responsible for fulfilling the contract.

-Section I(D)(1) – Clarified the language to indicate the available extensions are exercisable only at the discretion of the Auditor of State and only for extenuating circumstances. There

must be a compelling reason to extend and the extension cannot be initiated by the client or the IPA firm.

Section I(D)(7) & II(C) –Clarifying language was added to indicate the firm must provide work paper copies to the AOS, if requested. In addition, this section emphasizes that IPA work papers, even in the possession of the AOS, are not public records and may not be released by the AOS without obtaining a waiver from the IPA firm. This most commonly occurs when IPA work papers support a finding for recovery and a limited waiver is required.

-Sections I(D)(11) and I(E) – Clarified the language to indicate subcontracting requirements apply to all subcontractors, rather than just MBE/EDGE firms.

-Section I(D)(12) – A new requirement was added requiring the winning IPA firm to complete the Independent Contractor Acknowledgement Form. Please refer to the description of the form in the “Documents Related to the RFP” below.

-Section III(E) –Added a requirement for each firm’s proposal to indicate the number of major federal programs anticipated for each period of the contract, if applicable.

-Section III(G) – Due to the Clarity Standards, the section was modified to separately identify component units and all other components. Changes were made to specify that if the client is a component of another entity, the IPA firm will need to respond to the group engagement team (GET) as part of the contract, including an update of subsequent events, if required, without a modification to the agreement.

-Section IV(D) – Clarified this section to indicate reports should not be submitted to IPAREports@ohioauditor.gov until after the post audit is held with the client’s governing board; however, firms may release the reports upon submission to the AOS with the paragraph specified in the RFP.

-Section IV(D) and Exhibit B –We have removed the standard shell language referencing 6 months. The specific due date will be included in the RFP, and this date, as amended by any AOS approved extensions, will be used in calculating the firm’s timeliness and backlog scores.

-Section IV(D), Appendix A (Sections A and E8) and Exhibit F – These sections only apply to State region audits. Due to the Clarity Standards, IPA firms are no longer required to prepare a separate independent accountants report on the “Supplemental Information Package”; therefore Exhibit F and references to Exhibit F have been removed. The firm will be required to respond to the communications from the group engagement team (GET).

-Section VI(A) – For consistency, references to “capacity score” and “delinquency score” have been eliminated. The score will now only be referred to as the “backlog score.” All three terms had previously been used interchangeably.

-Section VI(B)(4) – Clarified the language to indicate if the contract requires MBE/EDGE participation, any modification to the contract must be evaluated to determine the impact on the 15% cost requirements. Any change in cost would impact the dollar amount required to be set aside for the MBE/EDGE firm. If the modification causes the hours to exceed 800, an MBE/EDGE firm must be added to the engagement for the affected period.

-Section VI(B)(5) – Clarified the language to indicate IPA firms should not submit invoices to clients for payment until approved by the AOS.

-Appendix A (Section A) –Updated the section for changes to AUPs and Basic Audits per Bulletin 2012-007 and added clarification that AUP procedures **may not commence** until the firm receives the approved Modification/Extension form from the AOS.

-Appendix A (Section D) –Updated the section to reference the *Ohio Compliance Supplement* section regarding additional AUP requirements for schools and community schools.

-Appendix A (Section E(7)) – Modified the section to indicate if the entity is a significant component of another entity, the IPA shall prepare a “Component Auditor Representation Letter,” and additional instructions concerning the responsibilities of the component auditor will be provided annually to the IPA by the group engagement team (GET).

-Exhibit A – The example form was modified to reflect MBE/EDGE hours/cost separately for the Schedule of Professional Fees and Expenses.

-Exhibit E – Non-Audit Services Form - Added language to the instructions to clarify by completing and submitting this form to the AOS, the IPA firm asserts the firm and all assigned key professional staff (and subcontractor, if applicable) are independent of the public office listed as defined by U.S. Government Accountability Office’s *Government Auditing Standards*, the firm and all assigned key professional staff (and subcontractor, if applicable) are, and will remain, in compliance with GAO rules relating to auditor independence, and that in providing such nonaudit services, the firm neither performed management functions, made management decisions for the Public Office nor would lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude the firm would be auditing its own work. This form is only required to be filed with the AOS if a contracted firm engages to perform non-audit services for the client after the contract has been executed.

Documents Related to the RFP:

New Forms:

Mandatory Elements – Required Affirmations Form – For ease in ensuring firms meet the required affirmations, we have developed a separate editable PDF document to be partially completed by the AOS and provided to the firms with the RFP. The firms must check the appropriate boxes to ensure all affirmations are accurate, and incorporate the document into their proposal immediately following the table of contents.

Independent Contractor Acknowledgement (ICA) Form - In order to ensure the winning IPA firm acknowledges the firm is aware in accepting the contract the firm and its staff are not considered public employees and will not have contributions made to OPERS. The form will be sent to the winning firm to sign with the Memorandum of Agreement.

Modified Form:

Modification/Extension Agreement Form - Since a few contracted engagements are agreed-upon procedure (AUP) engagements rather than audit engagements, and several modifications relate to changing from an audit to an AUP, the reference to “audit” was modified to “engagement.” Additionally, in Section II, added “for Impacted Period” to the descriptions of the lines and added a column for subcontractor impact, and in Section III, added item 5 for subcontractors other than MBE/EDGE firms to differentiate between the type of subcontractor.

Note:

1. The Modification/Extension Agreement Form must be fully executed and approved by the Auditor of State **before** the firm performs any procedures associated with the proposed modification(s) or the contract period is extended. This includes modifying an audit to an agreed upon procedures engagement. Any additional compensation sought via a modification form submitted after procedures have been performed will be denied by the Auditor of State after December 15, 2013 unless extenuating circumstances exist.
2. Although audits for some entities may be contracted in a bundle, a separate, approved Memorandum of Agreements is required for each entity. Therefore, if a modification or extension is required for an entity or entities that were contracted in a bundle, separate Modification/Extension Agreement Forms are also required.

Eliminated Form:

Township Data Collection Form – With few exceptions, the required information has been collected; therefore, unless specifically directed by the Center for Audit Excellence, firms contracted to performed audits or AUPs of townships are no longer required to submit this form.

Questions and Concerns

We appreciate your firm’s continued support and cooperation as we enhance the IPA contracting process. If you have any questions or concerns, please email IPACorrespondence@ohioauditor.gov .