

OHIO AUDITOR OF STATE KEITH FABER



From: Auditor of State’s Center for Audit Excellence

To: All IPA Firms

Subject: IPA Contracting Score Changes

Date: February 12, 2020

The Auditor of State’s (AOS) office relies on the assistance of, and contracts with, Independent Public Accountants (IPA) to satisfy its obligation to perform statutorily required audits of each public office. Contract proposals submitted by IPAs are scored using established criteria. The IPA Firm with the highest score is awarded the contract. All AOS clients are designated as either Tier 1, 2 or 3. The Tier 1 clients are large, complex and/or high profile clients which require specialized IPA experience as determined by the AOS. Tier 3 clients are small and/or low risk clients where customization and specialized IPA experience are not required as determined by the AOS. All clients which are not classified as Tier 1 or Tier 3 are classified as Tier 2. IPA firms can receive a maximum of 100 points for Tier 1 and 2 contracts and a maximum of 50 points for Tier 3 contracts.

The table below reflects current vs. changes to IPA contract scoring as described in this memo effective for contracts after fiscal year period ended December 31, 2019. Changes are highlighted.

Category	Tier 1 & 2 Previous Points	% of Total Points	Tier 1 & 2 Revised Points	% of Total Points	Tier 3 Previous Points	% of Total Points	Tier 3 Revised Points	% of Total Points
QA Timeliness Score	10	10%	10	10%	10	20%	10	20%
QA Report Quality Score	5	5%	10	10%	5	10%	10	20%
QA Workpaper Quality Score	5	5%	5	5%	5	10%	5	10%
QA Current Backlog Score	5	5%	5	5%	5	10%	5	10%
Understanding of Scope	28	28%	28	28%	-	-	-	-
Relevant Recent Experience, Expertise & Training	15	15%	15	15%	-	-	-	-
Qualified MBE/EDGE Firm	2	2%	2	2%	2	4%	1	2%
Cost - AOS Formula	10	10%	10	10%	15	30%	10	20%
Client Preference Points	5	5%	6	6%	3	6%	3	6%
Compliance with Bidding Requirements and Objectives	15	15%	3	3%	5	10%	3	6%
AOS Discretionary Score	0	0%	6	6%	0	0%	3	6%
Total	100	100%	100	100%	50	100%	50	100%

The score categories are described as follows.

QA Timeliness Score

No change. The timeliness score is automatically calculated based on the due date versus the date received by AOS. This score is a positive number or zero score from the appropriate CFAE Quality Assurance (QA) report. Points are deducted for recalled reports. To promote participation by new IPA firms, 6 points (60%) will be awarded to firms that have no record with AOS.

QA Report Quality Score

This score is a positive number or zero score from the appropriate CFAE QA report. The QA Report Quality Score is a two-year average rolling score generated from the review of IPA submitted reports by the Center for Audit Excellence (CFAE). Points are assigned by CFAE staff based on established criteria related to written comments which do not require report modifications for the current period as well as written comments which do require report modifications for the current period, as noted during the CFAE review process. The increase from five (5) points to ten (10) points would put more emphasis on quality reports being submitted to CFAE for review. To promote participation by new firms, 6 points (60%) will be awarded to firms that have no record with AOS.

QA Workpaper Quality Score

No change. This score is a positive number or zero score from the appropriate CFAE QA report. The QA Workpaper Quality Score is a two-year average rolling score generated from the review of selected IPA workpapers. Points are assigned by CFAE staff based on established criteria related to written comments noted during a workpaper review. To promote participation by new IPA firms and in fairness to firms that have not received a review, firms with no Work Paper Quality score will receive all 5 points.

QA Current Backlog Score

No change. This score is a positive number or zero score from the appropriate CFAE QA report. This score is a real time computation of each IPA firm's current backlog based on the total percentage of reports submitted on or before the IPA Due Date. The total percentage of reports past due for each IPA is calculated using all audits with an IPA Due Date within the 12 months, plus any reports beyond the last 12 months which are currently past the IPA Due Date but not yet received by the Auditor of State. To promote participation by new IPA firms, those firms having no record with AOS will receive all 5 points.

Understanding of Scope

No change. A maximum of 28 points may be awarded for Tier 1 2 contracts. Considerations are given to key testing areas appropriate for public office, appropriate hours assigned to key testing areas, appropriate staff assigned to key testing areas, appropriate testing approach to key testing areas, required criteria appropriately addressed, preferred criterial appropriately addressed.

Relevant Recent Experience, Expertise and Training

No change. A maximum of 15 points may be awarded for Tier 1 and 2 contracts. Considerations are given to detailed information provided regarding the relevant recent experience, education and training/continuing education of assigned staff relevant to the performance of the contracted audit.

Qualified MBE/EDGE Firm

The points for MBE/EDGE qualified firms will remain at two (2) points for Tier 1 and 2 entities; however, only one (1) point will be awarded for Tier 3 entities. The change balances the MBE/EDGE percentages for all tiers, representing 2% of the total score for all contracts.

Cost – AOS Formula

A maximum of ten (10) points may be awarded for all entities. This represents a reduction from fifteen (15) to ten (10) points for Tier 3 contracts. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive fixed fee, except as noted in the section below. Appropriate fractional scores will be assigned to other proposals as follows.

SAMPLE CALCULATION:

- Lowest Cost of All Bids = \$5,000, receives 10 points

- Next lowest bid = \$6,000: $\$5,000 / \$6,000 = .833$
.833 X 10 points = 8.33 points

- Next lowest bid = \$7,000: $\$5,000 / \$7,000 = .714$
.714 X 10 points = 7.14 points

Concerns of outlier costs, where one firm bids a cost significantly lower than other firms have continued to be raised by IPA firms. If the lowest total all-inclusive fixed fee proposed is 35.1% lower than the second lowest total all-inclusive fixed fee proposed, both the lowest fee proposal and second lowest fee proposal will be awarded the maximum ten (10) points. Appropriate fractional scores will be assigned to other proposals using the second lowest fee proposal as follows:

SAMPLE CALCULATION:

- Lowest Cost of All Bids = \$5000, receives 10 points

- Second lowest bid = \$10,000, receives 10 points

- Next lowest bid = \$12,000: $\$10,000 / \$12,000 = .833$
.833 X 10 points = 8.33 points

(Optional) Client Preference Points

Client preference points have increased to six (6) points for Tier 1 and 2 contracts and continue to be three (3) points for Tier 3 contracts. Client preference points represents 6% of the total score for all Tiers. Client preference points will continue to be averaged by the AOS to determine the overall “preference points” awarded for bundled contracts.

Compliance with Bidding Requirements and Objectives

A maximum of 3 points may be awarded for all contracts. These points are impacted by specifically defined actions/inactions of IPA firms. One half (.5) point will be deducted for every identified action/inaction of a firm from the specified list, for a designated period of time from the date identified (i.e. one year). If a firm reaches a zero (0) score, the firm could be suspended from expressing interest to bid until the score recovers to a level above zero.

Defined actions/inactions resulting in one half (.5) point deduction:

- Submission of an AUP report without a contract modification in place;

- Failure to ensure necessary contract modifications are implemented for scope changes (change in financial statement accounting basis, Single Audit, etc.);
- Failure to notify the AOS of potential findings for recovery or findings for adjustment;
- Failure to notify AOS of fraud related issues;
- Failure to respond to AOS communications (email, phone calls, etc.);
- Submission of an audit report without required post audit/communications with client completed;
- Circumventing the required AOS approval of invoices by failure to submit invoices for approval via the IPA Portal and submitting directly to the entity for payment;
- Failure to submit a Nonaudit Services form;
- Failure to follow specific AOS identified procedures for an engagement.

AOS Discretionary Score

Tier 3 Contracts

A maximum of three (3) points may be awarded. The maximum score for AOS Discretionary will be assigned to the firm with the lowest number of current outstanding awarded contracts as identified on the QA - IPA Awarded Contracts Report. Appropriate fractional scores will be assigned to other firms as follows:

SAMPLE CALCULATION:

- Lowest number of awarded contracts = 45, receives 3 points
- Next lowest number of awarded contracts = 110: $45 / 110 = .41$
 $.41 \times 3 \text{ points} = 1.23 \text{ points}$
- Next lowest number of awarded contracts = 350: $45 / 350 = .13$
 $.13 \times 3 \text{ points} = .39 \text{ points}$

Tier 1 and 2 Contracts

A maximum of six (6) points will be assigned at the discretion of the Auditor of State.

Questions can be directed to IPACorrespondence@ohioauditor.gov.