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From: Auditor of State's Center for Audit Excellence
To: All IPA Firms
Subject: Contract Extensions, Client Tiers and Contract Bundling
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Contract Extensions

The Auditor of State (AOS) is pleased to introduce a new process regarding one-time extensions of the contract period for expiring IPA contracts. This new process allows existing contracts to receive a one-time extension without utilizing the bidding process as long as certain conditions are met and all parties are in agreement. The extension period cannot exceed the number of years of the original contract and cannot result in a firm performing an engagement for the same client for more than ten (10) consecutive years.

Extensions will only apply to individual clients. If clients were originally contracted in a bundle, each client's contract will be considered separately for extension unless the bundle included only related entities.

The AOS will take the following steps to determine whether a contract is eligible for a one-time contract extension:

1. The AOS will determine if the subsequent audit of the client will be conducted by the AOS.
2. For any client which the AOS determines should continue to be audited by an independent public accounting (IPA) firm, the AOS will determine if the incumbent IPA firm is in good standing and meets minimum quality score requirements
3. The AOS will contact the client representative to determine if the client agrees to proceed with a contract extension.
4. The AOS will contact the incumbent IPA firm representative to determine if the firm also agrees to proceed with a contract extension.
5. The AOS will prepare the extension documentation and provide it to the client and IPA to complete, approve, and return to the AOS for final approval.

As part of the contract extension process change, the Modification-Extension Form has been converted into two separate forms. The new Modification Agreement Form will be used for all firm-initiated modification requests related to existing contracts and is available on the AOS website at: [Modification Agreement Form](#). Modifications are only appropriate for engagement services that were not known at the time of the original proposal and could not have reasonably been anticipated by the parties during the bid process. The new Extension Agreement Form will be utilized for all contract extensions and will be initiated by the AOS.

This policy change hereby modifies Section I.D.1 of the Request for Proposal for all contracts currently in place.

Client Tiers and Contract Bundling

We have updated the client tier definitions and have assigned a tier to every AOS client. The new definitions are as follows:

- Tier 1 – Entities which are large, complex, high profile and/or require specialized IPA experience. An updated list of Tier 1 entities is available at: [Tier 1 Clients](#).
- Tier 3 – Entities which are small and/or lower risk, with no customization or specific IPA experience required, and reflect no unusual transactions. Entities which prepare CAFRs are excluded from Tier 3.
- Tier 2 – All other entities.

With regard to contract bundling, no Tier 1 or Tier 2 clients will be included in a bundled contract unless the clients are related. Tier 3 clients will continue to always be bundled and include unrelated entities in order to alleviate the time and effort in contracting the smaller clients.

The Auditor of State Request for Proposal (RFP)/Independent Public Accountant (IPA) Contracting Process Frequently Asked Questions (FAQ) and Answers has been updated for the changes communicated above. The FAQs are available on the AOS website at: [FAQs for IPA Firms](#).

If you have any questions, please submit them to IPACorrespondence@ohioauditor.gov.