

XYZ Association Three Year Audit Request for Proposal

Background

XYZ Association (XYZ) is requesting a three-year proposal from several CPA firms that have extensive experience in providing audit and tax reporting services for not-for-profit organizations. XYZ is an association classified as a 501(c)(6) tax-exempt organization by the IRS and is headquartered in (City/State). The organization employs approximately X employees.

The most recent audit was performed by X, who will have an opportunity to re-bid on the engagement. In the event they are not selected, X will cooperate with the new auditor by providing access to their working papers and discussing any significant issues relative to our audit and tax work.

The Association concentrates on standards, codes and related technical endeavors, government affairs, economics and market development for approximately X member organizations engaged in X. Members are invoiced twice a year (June and December) on a tiered system based on sales data provided by member companies.

The Association manages an education foundation with minimal activity and net assets. An audit of this entity is also requested to be part of your bid.

Association policies are determined by a board of directors composed of CEOs of member companies. The XYZ president is the senior staff executive. Key operating elements include the executive committee, the finance committee, and the chairman of the board and the president. The Association's approximate share of budgeted operating expenses are as follows: Operations (XX), Engineering (XX %), Special Services (xx%), Communications (x%), Economics (x%), and Government Affairs (x%), Meetings (x) and Membership (x)

Financial Status

XYZ revenues for fiscal year 1999 were approximately \$12 million and expenses amounted to approximately \$11.5 million. Association revenues were comprised of the following: Dues (60%), Meetings and Exposition (20%), Publications (12%) and investment income primarily accounted for the remaining 8 percent.

XYZ writes an average of X checks per month. The Association's semi-monthly payroll is processed by an outside vendor and the payroll is paid primarily through direct deposit. The Association earns unrelated business income in the form of advertising and therefore files an annual Form 990-T.

Computer Equipment and Accounting Software

In 1998, XYZ successfully transitioned its member and accounting databases to iMIS and Great Plains Dynamics, respectively.

Retirement Plans

XYZ sponsors a defined benefit plan and cooperative 401k savings plan. We are not requesting as part of this RFP audit or tax work connected with these plans other than those procedures necessary for disclosure in XYZ's audit report and tax returns.

Timing

XYZ utilizes a calendar year which ends December 31. We anticipate that we would be prepared for the audit to begin fieldwork in early May 2000 and would expect the delivery of financial statements and management letter by June 30, 2000. Tax returns are expected to be delivered at least five days prior to their due date for review by management with no more than one extension requested.

Services Requested

The Association requests a bid from your firm for:

Consolidated audit of the financial statements for the years ending December 31, 1999 through 2001;

Management letters containing comments and recommendations with respect to accounting and administrative controls and efficiency;

Review of XYZ and Foundation tax returns (Forms 990 and 990T);

Be available to answer any questions throughout the year;

Other work as assigned.

If you decide to submit a proposal, we will make available all records and accounts as well as all other information required for you to respond. XYZ has contracted all its accounting services to an independent accounting firm, Langan Associates, P.C.. Account Supervisor (name) will provide requested information on our behalf, including:

working trial balances;

detailed general ledger reports;

lead schedules and work papers, as necessary, to contain costs;

retrieval and refilling of documents based on pre-submitted lists;

preparation of confirmations and other required letters;

adequate workspace and access to XYZ staff;

all board and committee minutes; and

all other requests necessary to complete the audit work.

Proposal Specifications

Each vendor, as a part of the response to the Request for Proposal (RFP), must supply the name, telephone number, and fax number of the individual assigned responsibility for the RFP.

Since we will be comparing the qualifications of several firms, please provide the information in the order requested as follows:

A. Firm Philosophy in Providing Audit and Tax Services to Associations

Provide a one page or less description of your firm. Describe what audit and tax engagements your firm currently has in the association industry. If partners or other staff serve in association industry advisory capacity, please list such positions.

In one page or less, describe your firm's philosophy concerning retention of staff and the experience levels of individuals who would be assigned to our account. Specifically, explain how your firm plans to provide continuity of staff on our audit.

In one page or less, describe your firm's basic approach to performing an audit and the resulting advantages which will accrue to XYZ. You should identify how a job is planned, scheduled, partner and management commitment, your quality control, and other areas in which you feel are unique.

B. Other Services Available Through Your Firm

Provide information regarding other professional resources and services which will be available to XYZ, particularly your firm's expertise in the areas of new accounting standards such as SFAS Nos. 106, 116, 117 and 124 and SOP 94-3 as well as tax issues, including lobby tax, advertising income, intermediate sanctions, and IRS and ERISA pension regulations.

C. Scheduling and Staffing of Engagement

1. Identify the engagement team which will be performing our audit and include a resume of the qualifications and experience for partners, managers and staff assigned to our account. Comment on the impact of transition to new auditors on the Association and any associated start-up charges or staff work.

2. Indicate the expected timing and completion of the audit and the expected delivery of the financial statements and management letter. (Your timing should directly correlate with the deadlines mentioned in this proposal.)

3. Indicate any specific assistance you will require of our accounting staff.

4. For each request listed above, please provide the estimated number of hours to be spent by each staff person and the expected rate per hour of each. State whether or not out-of-pocket expenses are included in your fee structure.

5. Describe whether and how you plan to bill for cost overruns. State how your firm can reduce any overruns and how we can be assured of no "surprise" billings. Do you propose a maximum

cap on your audit fee? If so, please indicate.

6. Explain your firm's availability, philosophy and billing rate for minor advice and counsel during the year.

D. References

1. Please provide a list of clients that we can freely contact to discuss your audit work with them. Clients listed should be of similar size and nature to our organization and be serviced by the same partner, manager, and senior assigned to our audit. Such listing of clients should include clients' contact name, title, and telephone number.

E. Other Proposal Information

1. Please give any additional information, not specifically requested previously, you consider essential to the proposal. If there is no additional information to present, state so.

2. It should be noted that either party may cancel the audit for the second or third year by written notice to the other party no later than September 1 of the year to be audited.

3. The Association is not liable for any costs incurred by the prospective auditor replying to the request for proposal.

F. Proposal Deadline

The deadline for receipt of your proposal is close of business September 30, 1999. No proposal received after this date will be considered. Representatives of Langan Associates, P.C., our accountants, will be available to answer specific questions with regard to this RFP in an open forum for all proposers at XYZ's offices on Tuesday, September 10th at 3:00 p.m. Please indicate your willingness to respond to this RFP and whether you and/or your representatives will be attending this meeting by contacting John P. Langan, CPA, President of Langan Associates, P.C. at 202/ 730-4205. All submissions will receive a response once a decision has been made by XYZ. Top candidates will be asked to make brief presentations to XYZ's Finance Committee on October 15, 1999. We appreciate your consideration of our request.

Please send five copies of your proposal to:

CONFIDENTIAL

John Doe
President
XYZ Association
(Address)

Thank you in advance for your efforts in this process.

Sincerely,

John Doe
President

Attachments:

1997 and 1998 XYZ & Foundation Audit Reports
1998 XYZ & Foundation Forms 990
1998 XYZ Form 990-T
Current Accounting Policies & Procedures