

TO: Finance & Audit Committee

RE: **Audit Firm RFP**

ACTION REQUESTED:

Approval to send an RFP to engage a new audit firm

ACTION REQUESTED BY:

Keith Michael Fiels, Executive Director
Gregory L. Calloway, AED, Finance
Russell D. Swedowski, Controller

DATE: April 12, 2012

DRAFT MOTION:

The Finance and Audit Committee recommend to the Executive Board to direct ALA management to submit an RFP to several audit firms in order to secure a new audit firm for the FY 2012 audit process.

BACKGROUND:

RFP and Auditor Selection process:

This is a follow-up document regarding a potential change of the external, independent audit firm. The following schedule would need to be considered. In addition, staff will discuss with Finance and Audit the merits of including the four major CPA firms (Ernst and Young, Price WaterhouseCoopers, Deloitte and KPMG as well as the middle market accounting/audit firms such as Grant Thornton, McGladrey, Crowe Horwath, Blackman Kallick and BDO USA. Note that in preparation for the May interview and presentation by the audit firms, staff recommends that an evaluation form with specific criteria be developed.

Staff identified the strengths and weaknesses of the Grant Thornton auditors:

Strengths:

- Knowledge of ALA
- UBIT knowledge
- Lease accounting knowledge
- Professionalism
- Knowledge of non-profits
- Communication of accounting pronouncements/business issues
- Assistance with issued throughout the year

Weaknesses:

- Staff turnover/continuity
- Audit cost
- Loss of experienced manager
- Inflexibility, lack of compromise
- Occasional lack of organization/control of documents
- Untimely communication of issues and concerns
- Audit senior lacks accounting capabilities in recognizing potential issues

Time line for RFP regarding external independent auditors:

-April 30, 2012 issue RFP to firms listed as desirable

- Develop evaluation form
- Set interview dates week of May 29, 2012

May 18, 2012 replies to RFP due

May 29, 2012 schedule 1 day to interview firms responding to the RFP

- Staff and Treasurer recommendation
- Rationale for changing/retaining audit firm

June 4, 2012 F&A conference call to discuss recommendation

June 7, 2012 Executive Board conference call to discuss F&A recommendation

June 15, 2012 Notify selected audit firm

July 17, 2012 Begin preliminary audit work

November 2012 FY 2012 audit work begins.

Attachment

DRAFT

Request for Proposal

The American Library Association is undertaking a market search for professional audit and tax services. It has been several years since we have engaged in this process, and the market for these services has changed quite a bit. This search is based upon due diligence and best practices for our organization and is not in any way indicative of audit issues or disagreements with our current provider.

The accompanying consolidated financial statements represent the accounts of the American Library Association (the Association) and its affiliate, the ALA Allied Professional Association, Inc. (the ALA-APA).

The Association, a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (the Code) and the oldest and largest national library association in the world, is organized to promote libraries and librarianship. Governed by a Council of 186 members (the Council) and representing more than 59,400 personal and organizational members, the mission of the Association is to provide leadership for the development, promotion, and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.

The ALA-APA, governed by the Council, is organized to promote the mutual professional interests of librarians and other library workers. The ALA-APA was incorporated in July 2003 as a not-for-profit corporation under Section 501(c)(6) of the Code. Significant inter-company transactions have been eliminated in consolidation.

Attached you will find a document which describes in detail the information we would like to receive from your firm in the form of a written proposal. In addition, you will find included basic financial information about the American Library Association.

Proposals should be returned to the Association no later than May 18, 2012 and directed to the attention of Gregory Calloway. We require 15 copies of each proposal. Finalists will be invited to present their firm's information to a select group of Association members and staff on or around May 29, 2012. Should your firm be selected for interview, you will be notified on or around May 21, 2012.

In the interim, questions can be directed to Gregory Calloway, at 312-280-3209. We look forward to learning more about the services and strengths of your firm.

Very truly yours,

Gregory Calloway

Associate Executive Director, Finance

Request for Proposals – Financial Audit

Section I - General Description

This Request for Proposal (RFP) solicits bids to perform a financial audit of the American Library Association and its affiliated entities for the 2012-200X fiscal year.

The American Library Association is a 501 (c)(3) and also comprises a 501 (c)(6), with membership dues representing the primary source of recurring revenue, but also with a considerable amount of non-dues revenue. The Association and its affiliated entities provide members with educational products and services, identify and analyze emerging public issues, and take action with respect to legal issues for the benefit of its members.

The Association consists of the American Library Association and the ALA-Allied Professional Association. For the year ended August 31, 2011, the total revenues and expenses from operations were approximately \$46,582,000 and \$48,073,000, respectively. Total net revenue from operations was \$(1,491,000), and additional income from investment activity was \$1,960,000. Attached is a copy of the combined 2011 audit report.

Section II -Scope of Work

1. The Association seeks complete financial audits for fiscal year 2012 for:
 - The consolidated financial statements of the Association and the ALA-APA.
 - Compliance audit in accordance with OMB Circular A-133.

The above audit should be conducted in accordance with generally accepted auditing standards and performed simultaneously, within the same audit time period. The selected vendor will perform the audit, prepare required financial statement reports, and issue an independent auditor's report on the financial statements of the Association as of August 31, 2012.

2. The selected vendor should start their audit work as soon as possible after the accounting close of the fiscal year, but no later than the second week of November 2012.
3. The selected vendor may also be requested by the Association's management to perform a review of a specific area. If so, this will be viewed as an "agreed-upon engagement" for which a separate fee-based report would be prepared.
4. The selected vendor will also issue as part of the regular audit, a separate management letter to the Association and to the Association's Finance and Audit Committee, addressing its study of internal controls, and providing any significant deficiencies or material control weaknesses noted, by entity. The engagement partner will be expected to attend the Midwinter Meeting of the Association, generally held in January to present the audit findings to the Finance and Audit Committee and the Executive Board.

5. The selected vendor will also review the Association's annual U.S. federal and state income tax returns. The returns will be prepared by Association personnel and complete drafts will be presented to the vendor prior to review. In addition to the review of the returns, the vendor should be prepared to advise the Association regarding specific tax problems it may encounter as well as on specific tax planning issues.

Section III - Proposals

Interested parties should submit:

1. A description of their firm's operations.
2. A list of the personnel of the firm who will be directly involved in working with the Association staff, including a brief description of each individual's experience with similar relevant assignments. Policy of rotation of personnel assigned to the engagement.
3. A list of comparable clients of the firm (current and past) including name, address, and e-mail addresses/phone/fax numbers. Also provide references for two recent clients where similar work has been performed.
4. Plan of services, including a detailed project agenda and timelines, which completely address the Scope of Work in Section II.

Provide a clear and concise work plan identifying:

- All major phases of the work to be performed.
 - The estimated amount of time.
 - Anticipated completion date(s) for each phase.
 - Detailed list of work to be performed by Association's accounting personnel.
 - Other required assistance from the Association.
5. Proposed price schedule commensurate with the detailed list of services.
 6. An estimate of the cost of providing each service listed in Section II, including an estimate of hours to complete each task, and a total price to complete the entire audit. The proposal should include the fee charged by classification of employee (partner, manager, associate, etc.).
 7. A draft of financial statements is expected to be completed by December 14, 2012, and will be made available for review to the Association. The final audit report is due no later than December 21, 2012.

Section IV- Criteria for Selection

1. Plan of services to be provided, including a detailed project agenda and timelines. Please provide a clear and concise work plan identifying all major phases of the project and the targeted completion date(s). The appropriateness and adequacy of the detail comprising the scope of the audit and the adequacy of the detailed work plan will be significant factors.
2. Reputation, stability, expertness, and experience of designated personnel, including emphasis on partner and manager background and experience. The qualification of the staff assigned to the audit will be a significant factor.
3. Reputation of the firm based upon references and the technical experience of the firm. The firm must have a regional or national reputation to be successful.
4. Cost.

Section V - Submission and Acceptance of Proposals

I. Proposals should:

- a) Be mailed to: American Library Association
50 East Huron Street
Chicago, Illinois 60611
Attention: Gregory Calloway
- b) Include fifteen copies.
- c) Be received at the address above by May 18, 2012.

2. Questions pertaining to this RFP should be directed to: Gregory Calloway
312-280-3209

Section VI- Award of Contract

The Association anticipates that a three-year contract will be awarded to the selected firm by June 15, 2012.