

TO: ALA Executive Board

DATE: June 29, 2013

RE: Director of Financial Reporting and Compliance Report

ACTION REQUESTED/INFORMATION REPORT:

Information only

CONTACT PERSON:

L. Denise Moritz, Director of Financial Reporting and Compliance, 312-280-5834

BACKGROUND:

This report highlights the following:

- *Form 990 and Form 990-T*
- *403(b) audit*
- *Audit for the fiscal year ending August 31, 2013*
 - Δ *Impairment testing*
 - Δ *Actuarial analysis*
- *Internal control*
- *Change management policy*
- *Cash flow projections*
- *Endowment Fund settlement*
- *Bill Payment Process (BPP) SharePoint*

Report of the Director of Financial Reporting and Compliance

Form 990 and Form 990-T for the fiscal year ended August 31, 2012 submission

- △ The Form 990-T was filed with the Internal Revenue Service on April 25, 2013.
- △ The Form 990 was filed with the Internal Revenue Service on June 6, 2013. The form was distributed to the Executive Board by the Executive Director prior to filing.

403(b) audit preparation

The engagement letter for the audit for the year ended December 31, 2012 has been finalized and fieldwork is planned for the middle of June 2013.

Audit for fiscal year ending August 31, 2013

△ Impairment testing

The scope of the valuation work for Neal Schuman has been discussed with our valuation specialists at Plante Moran and our financial statement auditors at Mueller & Co., LLP. After initial discussions, we have determined that the best timing for the performance of the valuation work will be September and October 2013 as the last fiscal quarter is the most significant quarter for the Neal Schuman business segment, in terms of revenue production. Any work prior to the fiscal year end would most likely need to be reworked due to the anticipated sales activity occurring between June and August 2013.

Consideration is being given to goodwill impairment and the possible write down of intangible assets related to Neal Schuman, specifically distribution lists related to Chandos.

The valuation work will be tightly coordinated between our valuation specialists and ALA's financial statement auditors.

Our plan is to have preliminary results of the valuation work ready to share with the Finance and Audit Committee and the Executive Board in October 2013 with a follow-up teleconference to share final results of the valuation work.

△ Actuarial analysis

The initial planning meeting was held on June 10, 2013 with the actuary and auditors. Assumptions to be used in the calculation of the post-retirement benefit obligation were discussed. The yield curve analysis as of May 31, 2013 produced a discount rate of 4.5%. The yield curve analysis will be calculated again at August 31, 2013 by our actuary and the resulting analysis will be used to determine the discount rate for the fiscal year-end calculation. Based on current market indicators, we are expecting a 5.0% discount rate, which will lower ALA's post retirement obligations, the estimated decrease could be between \$400,000 - \$600,000.

Internal Control

Δ Accounts Payable Improvement Status

▪ Internal Review

Over the next two months staff will be conducting an Internal review. This assessment will be conducted by pulling a sample of cash disbursements over a period of time and examining the underlying documentation to test for certain attributes such as:

- Timeliness of payment
- Accuracy of coding
- Attachment of supporting documentation
- Appropriate and required approvals

The results of the Internal review will be compiled and shared with appropriate Accounting staff and other ALA staff in order to identify areas where improvements are needed.

Δ MS Dynamics GP Rights and Permissions

The Accounting Department has added personnel and shifted responsibilities to provide for optimal segregation of duties. The rights and permissions are currently under review so that there is no overlap or access into areas of processing accounting transactions that is not intended.

Change Management Policy

Finance personnel have been working with ITTS personnel to develop and implement a Change Management Policy that is appropriate for ALA. ALA's ITTS Director has identified a software package that will assist with Change Management. Due to limited resources, the software is budgeted for purchase during fiscal year 2014.

In the interim, ITTS personnel are moving toward full implementation and use of the existing Track-it! ticket system in order to prioritize projects and assign staff.

Staff will continue to work toward the identification of opportunities where elements of the Change Management policy can be incorporated into ALA's current business practices with its existing resources.

Cash Flow Projections

Monthly cash flow projections have been prepared for fiscal year ending August 31, 2013. Monthly or quarterly cash flow projections for the fiscal year ending August 31, 2014 will be prepared over the next two to three months. The goal is to better estimate ALA's monthly cash needs and better manage the line of credit and cash flow.

Projected cash flow at:

June 30, 2013	\$4,437,522
July 31, 2013	\$2,560,671
August 31, 2013	\$1,689,262

Endowment Fund settlement

In May 2013, \$328,845 was transferred from the Endowment Fund investment account to ALA's Operating bank account. In accordance with a recently developed Liquidity Outlook Plan, we are preparing for scholarship distributions and avoiding situations where we would need to liquidate investments quickly and/or on less favorable terms. The plan was discussed and accepted at the May Endowment Trustees' meeting.

Bill Payment Process (BPP) SharePoint

- △ Staff continue to work to stabilize the system.

- △ Staff are currently under discussions with our IT consultants regarding a Phase II upgrade. Some of the key areas of focus are:
 - Processing bulk payments
 - Setting up satellite offices with access to BPP SharePoint
 - Setting up remote access to BPP SharePoint

In order to implement upgrades identified for Phase II, a test server will be required in order to minimize disruption to the production environment and to properly test changes. Finance personnel are working with ITTS personnel, along with our outside consultants, to set up a test server.