

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: Industry Operations (21%), Engineering (26%), Associated and Special Services (31%), Communications (10%), Economics (4%), and Government Affairs (8%).

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

XYZ Association

Request for Proposal for Banking Service Relationship

I. ABOUT XYZ

The XYZ Association (XYZ) is headquartered in (City/State). We are a membership organization made up of approximately 500 companies and are tax-exempt under Section 501(c)(6) of the Internal Revenue Code.

XYZ has a staff of approximately 90 and an annual operating budget of approximately \$12 million.

The following items are included in your packet to help you understand our association as well as the volume and level of banking needs we require:

- Audited financial statements for the years ending December 31, 1997 and 1998.
- Twelve months of account analyses from our current bank that includes average ledger balances. These analyses are grouped for all accounts other than the commercial NOW Account for which separate monthly analyses are included.

II. CURRENT BANKING SERVICE NEEDS

XYZ currently operates the following bank accounts:

- Operating
- Sweep Account (Excess Operating)
- Payroll
- Interest Checking-Foundation

- Commercial NOW Account (Deposit Account)
- Pension Plan Trustee Account
- Pension Plan Savings Account

Please include in the proposal your bank's ability to meet the following requirements:

1. Deposits of cash receipts. Deposits are made 3 times a week representing various types of payments for member dues, publications, assessments and billings, advertising, education programs and other income generating activities for XYZ. An indication of the volume can be found on the enclosed monthly account analyses.

Deposits of all credit card receipts for Master card and Visa are made on-line from our offices.

2. Prompt wire transfer capabilities. Please indicate daily deadline and fees for wire transfers placed by phone or fax.
3. Lock box services. XYZ currently does not utilize lock box services but would like to do so to the extent justified by improved controls and interest earnings and not compromised by increased fees and/or declines in efficiency in administering our programs.
4. Monthly account statements. Monthly statements must include all paid checks during the month, plus copies of debit and credit memos. XYZ requires bank statements to be mailed or be available for pick-up at the bank by the fifth working day of the following month.
5. We currently do not maintain a line of credit. Please indicate your ability to provide a line of credit and specific requirements related thereto, including limits, interest rates and other fees.
6. Employee banking services and direct deposits. We use Paychex to process our payroll. We currently provide direct deposit for all of our employees at no charge to them. Please indicate your bank's ability to handle this service as well as any other employee banking services we may offer our employees such as no fee checking.

III. SERVICES WE WANT TO CONSIDER

1. In addition to the aforementioned potential move to lock box services, we are also very interested in exploring XYZ's potential use of on-line banking services, electronic

payments, company purchasing/credit cards and safe deposit box. Please provide your recommendations, capabilities and fees with respect to these other available services.

IV. REQUESTED INFORMATION FROM BANKING INSTITUTION

1. Please address your ability to meet the banking services that XYZ currently requires and the new services outlined in the previous section of this RFP. Please indicate all fees involved, how long they will be in effect and at what activity levels or based on what indices they will change and by how much.
2. Please address your ability to provide new/additional services we would like to consider indicated in Section III of this RFP, as well as provide alternatives to the way we currently operate to enhance our banking relationship or reduce banking and/or processing costs.
3. Your ability to provide quality customer service to XYZ. This is as important to us as your bank pricing and financial stability. Please let us know how your bank can exceed our expectation for customer service to include the following:
 1. How you operate? (size, history, ownership etc.)
 2. Who are your clients? What is your not-for-profit customer base? (member, account size range, number of bank staff dedicated to not-for-profit customer base)
 3. What level of account executive would be assigned to our banking relationship? What kind of personal relationship can we expect (i.e., knowledge of our account activities?)
 4. Please provide a minimum of five references for other nonprofit trade associations that have similar needs to ours and to whom you have provided the services outlined herein.
 5. Please include the following financial information as part of your response:
 - Last three annual reports
 - Most recently submitted ~Call Report sent to the Federal Reserve
 - Security Ratings - Most recent Moody's and Standard & Poor ratings

V. PROPOSAL DEADLINE AND SUPPORT IN PREPARING PROPOSAL

The deadline for receipt of your proposal is close of business (Date). 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 (Date). 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, Managing Partner of Langan Associates, P.C. at 202/ 730-4205. All submissions will receive a response once a decision has been made by XYZ. We appreciate your consideration of our request.

Please send five copies of your proposal to:

CONFIDENTIAL
John Doe
President
XYZ Association
(City/State/Zip)

Thank you in advance for your efforts in this process.

Sincerely,

John Doe
President

Attachments:

- 1997 and 1998 Audited Financial Statements
- Account Analyses Statements

Request for Proposal

Investment Consulting Services

XYZ Association

Part I – General Background Information

Description of the RFP

The purpose of this Request for Proposal (RFP) is to identify and ultimately select a qualified Investment Consultant to provide advisory services to the XYZ Association (the “Association”) within the scope and in accordance with the provisions of the Association’s board approved Investment Policy (enclosed).

This RFP process is being conducted by the Association’s accountant’s Langan Associates, PC. Please provide the information requested in the order outlined herein.

Five copies of your proposal should be submitted to the attention of John Doe, Executive Director, XYZ Association (City/State/Zip) on or before (Date). No proposal received after this date will be considered. John P. Langan, CPA, Managing Partner of Langan Associates, P.C., our accountants, will be available to answer specific questions with regard to this RFP. He may be reached at (202) 730-4205. Please indicate your willingness to respond to this RFP by contacting Mr. Langan upon receipt of this RFP. Interviews will be conducted with top candidates at the Association’s offices on (Date). A final decision is expected to be rendered by the Association’s board of directors on or about (Date). All proposers will be notified in writing of the decision at that time.

Background on the XYZ Association

Organization

The Association is a trade association exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The Association’s purpose is to provide education, certification, networking, government relations and other resources to members of the XYZ industry.

The Association is incorporated in the state of Delaware. The Association has an active Investment committee to oversee the Associations investment reserves on behalf of the board of directors. The activities of the Association include membership, meetings, government relations, publications and certification.

Funding

The Association currently has long-term reserves under management of approximately \$50 million that is currently invested in short-term government instruments through a local brokerage firm.

Investment Objective

In order to meet its needs, the investment strategy of the Association is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary investment objectives of the Association are to 1) maximize the performance of its long-term reserves to ensure the long-term financial health of the Association and 2) maintain an adequate operating reserve fund to provide for adequate cash flow over the operating cycle. The Association's draft Investment Policy and Cash Flow and Reserve Plan is enclosed with this RFP. These documents include a full discussion of the expected funding and investment objectives with respect to these funds.

Part II – Questions for Response

Section 1 – General Information on the Bidder

1. Please provide a description of your firm's consulting services organization including history, ownership, and revenues derived from consulting to non-profit organizations. A representative client list should be included here.
2. Please provide an organizational chart for your consulting unit.
3. Please list the names, experience, academic credentials, and background of your investment consulting personnel.
4. Please describe the experience of the professionals who will act as primary contacts for the account. Please include any titles, education, experience or certifications specifically for investment management consulting.
5. Describe your investment consulting philosophy and process.

Section 2 – Investment Policy and Asset Allocation Services

1. Describe how you assist a client in the development or modification of their investment policy.
2. Describe your asset allocation optimization modeling and process.

Section 3 – Investment Management Research

1. Describe the information sources and databases you employ for manager research. Please describe if these databases are proprietary or externally generated. If externally generated, please state the source.
2. Describe your proprietary investment manager research capabilities and process.
3. Please describe the structure of your investment manager research department along with a description of the professionals involved in the research process.

4. What types of qualitative and quantitative factors do you look for in evaluating a manager? How are factors monitored? How quickly is the client notified of qualitative changes? How often are managers in your database visited by staff?
5. Please describe your investment manager search process and your ability to customize this process.
6. Describe any other research resources provided by your firm, including educational programs for clients.

Section 4 – Performance Measurement Capabilities

1. Describe your performance measurement capabilities.
2. Please include examples of all types of reports: quantitative performance reports, performance attribution reports, manager research reports, capital markets commentaries.
3. Describe and show examples, if possible, of your ability to customize reports.
4. Describe the time frame in which you deliver standard reports.
5. Confirm that you will provide reports and returns on both a calendar and fiscal year (i.e., June 30) basis.
6. Confirm that you will provide secure Internet access to our account data on a real-time basis.
7. Confirm that you will provide full cost-basis accounting tracking realized and unrealized gains and losses at the transaction level.
8. Confirm that you will provide consolidated reporting of all investment returns quarterly by individual manager including an assessment of performance and compliance with the board approved investment policy. That you will provide written commentary as to why individual managers have or have not met their goals and your specific recommendations for continuing or discontinuing the employment of said manager as a result.

Section 5 – General Questions

1. Describe your firm's methodology for analyzing a client's investment portfolio structure, the mix and type of managers and the optimal number of managers for multi-million dollar portfolios.
2. What do you perceive as the strengths and weaknesses of your firm? Describe services that your firm offers that may not be offered by other investment consulting firms.

Section 6 – Fees for Investment Consulting Services

1. Please describe all fees associated with the services requested in this RFP. Provide a separate schedule of fees for each class of allowable asset held by the Association (e.g., equity, fixed income, money market funds, etc.) pursuant to the draft investment policy. Such schedules should state each fee

as a percentage for the various asset categories at their dollar limit thresholds (e.g., fixed income \$1-\$500,000, etc.) and not simply as an overall effective rate. Confirm for us that such fees will not change for the first two years of our contract.

Section 7 - Specific Disclosures

1. Non-discrimination

Please confirm for us that your organization and any subsidiary or related entity that may provide services to the Association under this relationship does not discriminate against any employee or applicant on the grounds of race, color, religion, sex, sexual orientation, age, disability, national origin, or ancestry.

2. Conflicts of Interest

Please provide a comprehensive conflict of interest disclosure regarding any business relationship with or work for any State in the (e.g., tobacco, alcohol, fire arms, etc.) industries.