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## Writing an Audit RFP to Get Results

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Choosing a new firm to audit your organization's financial statements does not need to be an overwhelming endeavor. Since most not-for-profit organizations do not change auditors frequently, you may be unsure how to best proceed. However, developing a results-producing Request for Proposal (RFP) process can be simplified by a few easy steps.

### Determine Needs

Begin the process by summarizing the reasons why you are considering a change. Consider the following:

- Are you dissatisfied with current service?
- Does your organization seem too big or too small for the current auditor? Organizations may feel they have outgrown their current firm and could benefit from a firm with more resources. Conversely, if you find the level of service has dropped and bills have increased, your firm may be gently hinting that they have outgrown you.
- Are you looking for more value for your audit dollars?
- Have you heard about things that another auditor is doing for a colleague's organization?
- What are your service needs?
- Do your funding sources list any specific audit guidelines?
- Does your Board require a bidding process?
- What are the key factors in your decision (experience, service, price, etc.)?

### Research

Based on your needs, you should conduct due diligence to determine which firms should be considered. Key points of action may include:

- Review various reference sources for firms with not-for-profit experience (i.e., Philadelphia Business Journal, American and Pennsylvania Institutes of Certified Public Accountants, Accounting Today, etc.)
- Consult colleagues
- Consult other service providers (lawyers, bankers, etc.)

Efforts should be made to reduce your firm list in order to make the first round easily manageable. Identify an appropriate mix of large, mid-sized, and/or small firms. Due diligence can help ensure that only the best candidates receive an RFP. When an organization solicits too many proposals, some qualified audit firms may view earning the engagement as a long shot. Soliciting from too many firms may signal that an organization is merely price shopping. Since many firms will request at least one face to face meeting to learn more about the organization, they may deem the probability of earning the work to be low and remove themselves from consideration.

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NPO Perspectives

Winter-Spring 2006

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## Organize It - What's Important Here?

Your key issues should be organized in a formal RFP and cover the following:

- How long is the bid contract?
- What are the deadlines?
- What are the bidder's qualifications to perform this audit?  
Who will be on the engagement team and what experience do they have?
- What similar experience does the firm possess? While most auditors agree that it is not necessary to have experience that exactly matches this engagement, many would agree that similar experience is beneficial.
- Ask the bidder to confirm their understanding of the scope of work requested.
- What does the auditor expect from your staff?
- Request a 'not-to-exceed' price quote. This is important for the sake of comparison, since sometimes firms may bid low and bill for extras you may not anticipate. Provided that you share current financial statements, and assuming that the scope of the engagement stays similar to prior years, an experienced bidder should be able to provide an accurate quote after seeing your organization's financial information.
- Ask the bidder to summarize reasons you should choose them – make it easier on yourself and let them tell you why you will be an important client and why they should be chosen!
- Would you like to see a copy of the firm's Peer Review letter? Most firms are having quality reviews done by other firms, and letters of findings should be available for your review.

## Write It

Be clear and concise. Lay out the key issues you would like to see bidders address, in the order that makes sense. Bidders should follow your format exactly, so be sure to provide a section for additional information. Bidders that do not follow your format should be red-flagged. They are making things difficult before they have even earned the right to work for you!

## Follow-up

By clearly organizing your RFP, you should have an 'apples to apples' comparison to help make your evaluation process easier. You may choose to conduct follow-up meetings with a 'short list' of firms. Make sure that you provide guidance to the firms on what you are looking for during a follow up presentation - you do not need someone to read excerpts from their proposal! A question and answer session can help you and your board/audit committee to get a better feel for the proposing team members.

## A Note About References

References are perhaps the most important source of information on a bidder, but only if you actually contact them! Many times, RFPs ask for references, but it is good to have a plan for what you would like to accomplish by requesting them. Keep in mind that references are busy people, so they may be hard to contact. Leave them a message with your name, organization, phone, reason for the call, and a few good times for them to return your call.

Make it easy for them to share their opinions by having a list of prepared questions ready. Questions you may wish to ask include:

- What do you like about this firm?
- What could this firm do better?
- Do you work with the management team listed in the RFP?
- How would you describe the working relationship?
- Do you feel that the firm or audit team is pro-active/responsive?
- Does the firm or audit team provide meaningful non-audit suggestions?

**By clearly organizing your RFP, you should have an 'apples to apples' comparison to help make your evaluation process easier.**

## Conclusion

Your objective is to efficiently gather the appropriate information to make the best decision for your organization. By developing a process, performing research, and striving for consistency, soliciting bids via an RFP can be a worthwhile endeavor to further the cause of your organization.

For more information and tips on how to write an RFP that gets results, contact Jack Kolmansberger at 215-564-1900. Good luck! ●



## When Does an Organization Need to e-File Form 990?

Jennifer L. Silvan  
Tax Senior

The 990 series of forms are used by tax-exempt organizations including charities, private foundations and other tax-exempt organizations to provide information about their programs and activities to verify that they are operating in accordance with their stated tax-exempt purpose. For the 2005 tax year returns due in 2006, the IRS has released regulations that require organizations with total assets of \$100 million or more and with 250 returns filed during a calendar year to file electronically. For example, if an organization has 245 employees and \$101 million in assets, it must file Form 990 electronically. Each Form W-2 and quarterly Form 941 is considered a separate return; therefore, the organization files a total of 250 returns (245 W-2's, four 941's, and one Form 990).



Jennifer Silvan

Beginning in 2007 (2006 tax year return), public charities with assets of \$10 million, as well as all private foundations and charitable trusts who file at least 250 returns during a calendar year will be required to electronically file.

While the regulations require certain organizations, as indicated above, to electronically file, it is important to note that any exempt organization can voluntarily participate in this program by electronically filing their returns through an Approved IRS 990 e-file Provider. If you are uncertain of your requirements, or have any questions, it is important to speak with a tax professional as early as possible to avoid any threat to an organization's tax-exempt status.

For more information contact Jennifer Silvan at 215-564-1900. ●

Tax News

### Ensuring Tax Benefits for Charitable Contributors

Donations to religious, charitable, educational, and other qualified organizations can be deducted on federal income tax returns. However, in order to preserve this tax benefit, the donation must meet certain substantiation requirements. The following is a summary of the supporting documentation rules so your donors will receive full tax benefits.

#### Contributions Less than \$250

This category requires a receipt showing the name of the organization, the date and the amount. As an alternative, a cancelled check would be sufficient. For contributions of property, an acknowledgement from the organization showing the name, date, place of contribution and a description of the property is needed. If it is not practical to obtain a receipt or acknowledgement, reliable written records must be maintained.

#### Contribution of \$250 or More

Donors must get a written acknowledgement from the organization since a cancelled check is not sufficient. The acknowledgement should state the name of the organization, the date, the amount and whether the organization provided any goods or services in return for the contribution. If property is donated, the written acknowledgement must also describe the property but the organization does not have to value the property. If the property contribution is \$5,000 or more the deduction must be supported by a written appraisal and the appraiser must sign the taxpayer's Form 8283. An appraisal is not required for donations of publicly traded securities.

#### Vehicle Donations

Beginning in 2005, in order for a taxpayer to deduct a charitable contribution of a vehicle for which the fair market value exceeds \$500, the following rules apply. If the charity makes material improvements to the vehicle prior to selling it, or it regularly uses it to help carry out the charity's exempt purpose for an extended period of time, the fair market value on the date of the donation can be used. If the organization does not make material improvements or use it in its tax-exempt activities, but instead sells the vehicle, the donor's deduction is limited to the gross proceeds received by the charity from the sale. Also, effective for 2005, if the vehicle donation exceeds \$500, the taxpayer must include a contemporaneous written acknowledgement from the donee organization with their return.

For more information, contact Robin Fritz or Jennifer Silvan at 215-564-1900. ●



# NPO Seminars

Wednesday, April 12, 2006 (Check your calendars, this is a new date!)

## Accounting for "Advanced" Contributions

Presented by Elizabeth F. Pilacik, CPA, Senior Manager and NPO Services Chair, Asher & Company, Ltd.

You've received a letter indicating that your organization will receive income from a trust or will share income with other NPOs from another gift vehicle. How do you account for this contribution? Join us as we discuss recognition and measurement principles for these types of "advanced" contributions, commonly know as split-interest agreements. We'll review the most common kinds of agreements, including charitable lead trusts, perpetual trusts held by a third parties, charitable remainder trusts, charitable gift annuities, and pooled (life) income funds.

Wednesday, May 17, 2006

## Preparing for Your Audit

Presented by Megan McBride, CPA, Supervising Senior Accountant, Asher & Company, Ltd.

Preparing for the year-end audit can be disruptive and stressful to you and your staff, but it doesn't need to be that way. Join us as we discuss the "dos" and "don'ts" of preparing for your audit, and provide tips on how you can work with the auditor to make the audit process go smoothly. Whether you are an experienced auditee or new to the audit process, we're sure that you will be able to benefit from this session.

Seating is limited, so register today! Three Easy Ways to Register

- ① Fax to 215-564-3940
- ② Send an email to [info@asherco.com](mailto:info@asherco.com)
- ③ Register on-line at [www.asherco.com](http://www.asherco.com)

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## Did You Know...

The Pennsylvania Institute of Certified Public Accountants has a full schedule of upcoming NPO workshops. For more information, check out [www.picpa.org](http://www.picpa.org).