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Lindley & Associates LLC newsletter is written by Martha Lindley CPA, providing timely articles for nonprofits. As a national speaker on nonprofit issues and Omni Circular compliance, she personally writes and provides this quarterly newsletter to over 400 nonprofits as a contribution to our nonprofit community. If you would like to receive future editions, please contact us. There is no charge.

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SUBMIT YOUR COMMUNITY ANNOUNCEMENT

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The information in this newsletter is necessarily brief. No final conclusions on these topics should be drawn without further review and consultation. For additional information, PLEASE CONTACT US.

BID REQUIREMENTS—SHOULD I CARE?

Adapted by Martha Lindley CPA

Government regulations are a driver of procedures for many nonprofits, whether they have a Single Audit or not. For example, a NFP may have received a state or local grant or contract which states the organization is to follow the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200".

One new requirement is a significant change in how the purchase of goods and services over certain dollar thresholds are to be handled.

The new requirements, and arguably could be best practices, are classified as follows:

(a) Micro-purchases

Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable. The threshold applies to the individual purchase itself, not the vendor purchases in total. The government advises that NFPs prepare an annual purchase plan to consolidate purchases for better pricing.

A file of should be retained a file showing the price was fair and reasonable.

(b) Small purchases

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the "Simplified Acquisition Threshold" (\$150,000). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Sealed bids (formal advertising)

Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder.

Continued page 2 column 2

SKE

By Martha Lindley CPA
Auditors may perform nonattest services (drafting and/or preparing the financial statements and footnotes, preparing tax returns, and preparing AJES) for audit clients, but must also be independent of their clients. That is being emphasized in the changes effective 12/15/15.

ET 1.295 states that management should oversee the practitioner's nonattest services (by designating an individual who has suitable skill, knowl-

edge, and/or experience (SKE). The practitioner should assess and be satisfied that the individual adequately understands the services to be performed in order to oversee them. However, the designated individual does not need to have the expertise to perform (or re-perform) the practitioner's nonattest services.

The engagement letter will also include the following statement, "You are also responsible for all management decisions and responsibilities

and for designating an individual with suitable skills, knowledge, and experience (SKE) to oversee our bookkeeping services and the preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services."

Failure by the auditor to comply with these guidelines may be an ethics violation, for which CPAs can have their license revoked.

BEST NFPS-TO-WORK-FOR HAVE:

Best Companies Group (BCG) derived the top 10 key drivers in the NPT Best Nonprofits-To-Work- For from their survey of NFP employees:

- ◆ I like the type of work that I do;
- ◆ I have confidence in the leadership of this NFP;
- ◆ Most days, I feel like I have made progress at work;
- ◆ I feel part of a team working toward a shared goal;
- ◆ My pay is fair for the work I perform;
- ◆ At this organization, employees have fun at work;
- ◆ My supervisor handles my work-related issues satisfactorily;
- ◆ The organization provides the technology, equipment and resources I need to do my job well; and,
- ◆ I feel I am valued in this organization!

BID REQUIREMENTS CONT PG 1

ble bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction.

(d) Competitive proposals

This criteria is used for purchases over \$150K which are fixed price or cost reimbursement based. A competitive Request for Proposal (RFP) should be issued with specific evaluation criteria.

(e) Sole Source

This criteria is used for purchases that are unique, in a public emergency, sole source authorized is by agency and there is no competition.

Other provisions that have changed or been updated:

► During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally-funded programs or projects is also permissible.

► When the grant is completed, assets with a FMV over \$5,000 may be retained by the NFP, so program-purchased computers will probably become NFP property.

► § 200.321 Contracting with small and minority businesses, women’s business enterprises, and labor surplus area firms.

(a) The non-Federal entity must take all necessary affirmative steps to assure that minority business and women’s business enterprises.

(b) Affirmative steps must include:

- (1) Placing qualified small and minority businesses and women’s business enterprises on solicitation lists;
- (2) Assuring that small and minority businesses, and women’s business enterprises are solicited whenever they are potential sources;
- (3) Dividing total requirements, when economically feasible, into smaller tasks participation by small and minority businesses, and women’s business enterprises.



EMPLOYEE SATISFACTION

According to the 2015 Unemployment Services Trust (UST) Nonprofit Employee Engagement & Retention Report, the largest contributing factors to employee job satisfaction are:

Strong affinity for mission, culture or office environment, flexibility work life balance, sense of purpose. At the bottom of the list are job advancement and growth, performance evaluations, compensation and training opportunities.

Recommendation – focus on mission communication and how employee’s jobs are directly tied to the mission.

Demonstrate positive culture by having attitude of mission-based work and accomplishment. Define the core values, communicate them, establish rewards for demonstrating them and ensure they are part of the employee’s work experience.

organizations (over 100 employees) have higher than average stress and higher turnover. Training - most nonprofits do not have extensive training (on-boarding). One third of supervisors provide 1 – 2 weeks training, but 29% receive no training.

19% of employees say they never receive goals from managers.

Recommendation – training in the first three months is excellent time to engage employees for long-term satisfaction, setting expectations and job responsibilities at this time is important

Job perks – compensation as part of job satisfaction ranked 13 out of 16, while benefits ranked sixth. For-profit organizations, benefits ranked third and compensation ranked fourth. 70% of NFPs surveyed offered some type of retirement plan. Over half provided flexible hours.

AUDIT FIRM ROTATION

By Martha Lindley CPA

Much has been written regarding the pros and cons of audit firm rotation. Some NFPs hold to rotation as being a best practice, but some studies have shown that audit failure increases in the first two years following turnover. At one time, a five year rotation was included in the IRS-driven best practices report, but the recommendation was dropped in the final version. Rotation supporters believe long term relationships may impair auditor independence and second, auditors may not be taking a fresh look each year and providing a rote audit.

Where is the “truth” about CPA firm rotation? That depends on facts and circumstances for the NFP and the CPA firm. If there is high turnover in NFP management, the audit is new to the auditor – the auditor is forced to adopt new procedures. However, continued turnover of CPA staff on the audit is not good – they do rely heavily on the prior year work papers. If the NFP complains to the auditor, we did not do that last year, or you haven’t

asked for that before, then the auditor is doing a good job.



What are benefits to the NFP?

- 1) Bidding process provides a time to review expectations and how those are met with the current firm.
- 2) Bidding process provides management the impetus to review current accounting policies and internal control systems effectively so they can communicate them to others.
- 3) Bidding process provides the opportunity to interface with professionals and update the NFPs knowledge of what is current in CPA practice. Some first time NFP clients are surprised to learn that their software is wholly inadequate,

that bank statement reviews are essential, and that flash drives are not considered an adequate backup system.

Rotation tips and traps:

- 1) Going out to bid to see if the current auditor will lower their price. Not every CPA firm’s pricing structure may be right for you. If the fee seems too high, is it not a better reflection on the ethical culture of the NFP to find a firm’s whose fee is agreeable.
- 2) Going out to bid every year. There are only so many firms that specialize in NFPs – this type of turnover/rotation will reflect negatively on the NFP.
- 3) The proposal is a marketing tool – auditors majored in accounting, not marketing. The proposal may be the best marketing can buy (on which the average firm spends 4% of revenue) but you may wish to focus on the auditors, not the great marketing packet.



Tech Corner

Windows 10 releases to the world

The latest MS operating system, Windows 10, which is a free upgrade, has been released. Should your organization migrate? What are the advantages/disadvantages to adopting this new operating system?

The first question when considering migrating operating systems should be, “Why?”. Does it represent an advantage in either function, performance or security?

Cortana (a clever new personal assistant who finds files on your PC, manages your calendar, etc) is vastly improved and will be your go-to search function.

The start menu is back (after being removed from Windows 8) and improved. Desktops can be customized like never before, including custom desktops by function.

Ultimately though, functionality with your existing software and cost to convert other hardware/ software may make the decision for you.

-Ryan Kauzlarich, Audit Manager