



**National Pork Board
Request for Proposal
Year End National & State Audit Program
Proposal Date: September 20, 2021
Deadline: Friday, October 14, 2021 @ 5pm**

Introduction

National Pork Board (NPB) is soliciting proposals from Certified Public Accounting firms to provide independent audit services for years ending December 31st for the next three years starting for the year ending 2021. At the end of the three years, NPB will initiate a new request for proposals. NPB reserves the right to initiate a request for a proposal prior to the end of the three years and to select a different Certified Public Accounting firm. NPB is required by the Pork Promotion, Research, and Consumer Information Act of 1985 and the Pork Promotion, Research, and Consumer Information Order to have an audit each year because the funds it receives from the pork producers (Checkoff Revenue) exceed \$30,000 annually. NPB is also required by USDA/AMS guidelines to have an audit using Generally Accepted Government Auditing Standards (GAGAS). In addition to the financial audit, we are also required to have a letter from the audit firm that indicates we comply with the Act and Order and the current USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs, which includes lobbying and investment policies and ensuring no deficiencies in internal controls that could be a material weakness were identified.

We currently have 42 state associations that are non-profit 501(c)'s and consist of checkoff and non-checkoff revenues. Each of these state associations receives Checkoff funding from NPB. Attached is a list of the "state share" Checkoff revenue that each state received in 2020. In addition to the revenue for each, there is a description of what type of organization it is along with each state's fiscal year.

This request for Proposal represents a competitive process for independent certified public accountants to provide the above referenced annual audits, and other services. This RFP will allow NPB to select a CPA firm on the basis of demonstrated competence and qualification to perform the services described

herein and the flexibility to negotiate a fair and reasonable price for those services.

Background

The National Pork Board was enacted by Congress in 1986 under the Pork Act and the Order. This requires that for every hog sold, the person selling the hog has to pay .4% of the total sales price (this is called checkoff). The Checkoff can only be used to promote, educate and research.

The NPB accounting department consists of four staff members and one Assistant VP of Finance. In 2021, we are projecting \$94.4 million in Checkoff revenue with \$63.7 million in reserves. Please view 2020 audited financial statements [here](#). On a monthly average we process 900 checkoff reports, 450 A/P invoices and 200 checks are generated.

The state associations receive about 20% of NPB's total Checkoff revenue. Each state received a percentage ranging from 16.5 percent to 39 percent based on the number of hogs sold in each respective state. The checkoff funds that they receive from us can only be spent on promotion, research, education, and the administrative costs associated with carrying out these functions, as set forth in the Pork Act and Order. Each state association is an independent entity with its own Board of Directors and staff related to its resources and needs.

Accounting System

The NPB utilizes Great Plains version 13 as its financial and accounting system. NPB has utilized the software since 1995 to provide financial, budgeting, encumbrance, fixed asset and purchase order management. Internal systems are in place to manage our budgeting, purchase orders, time off, and expense reporting. NPB utilizes an outside service for its payroll and payroll taxes. In 2021, NPB began transitioning accounting processes to Financial Force, which will be 100% deployed and fully functioning on October 4, 2021.

Ten state associations utilize NPB for general bookkeeping services, while all other active states have their own accounting systems used to record and report financial activity.

Taxes

NPB is an instrumentality of the government and not recognized by the IRS. We are tax exempt at all tax levels and are not required to file any returns.

Lobbying/Investments/Internal Controls for NPB and State Associations

Lobbying - Per the Pork Order 1230.74(a), “no funds collected under this subpart shall in any manner be used for the purpose of influencing legislation or for the purpose of influencing governmental policy or action except in recommending to the Secretary amendments to this part”.

Investment – Based on the AMS Directive 2210.2, a formal agreement or memo of understanding must be signed between the NPB and the financial institution. This agreement is to state the responsibilities of both the association and the financial institution and must conform to the policies and guidelines established by the U.S. Treasury with respect to deposit of, and collateral for, public funds. All investments must be short term (one year or less), risk free (all investments must be federally insured or fully collateralized) and have insurance coverage (fully secured).

Internal Controls – Per the Pork Order 1230.74(b) and 1230.115, the NPB is required to have an annual audit which includes accessing our internal controls. In addition to the standard audit/report on internal controls, AMS/USDA requires that we have a separate letter indicating that we have no deficiencies in internal controls that would be considered a material weakness.

Scope of Services

The Pork Act and Order requires that an annual audit of the NPB’s financial records and accounts be performed by an independent Certified Public Accountant that is licensed in the State of Iowa. In addition, the NPB requires confirmation letters stating we are in compliance with the Pork Act and Order. These documents are specific to Lobbying, Investments, and Internal Controls, and are required by USDA.

The required annual audit is to be performed in accordance with generally accepted accounting principles (GAAP) and generally accepted government auditing standards (GAGAS) adopted by the American Institute of Certified Public Accountants. These standards require that the audit be planned and performed to obtain reasonable assurance the financial statements are free of material misstatement.

In addition to the NPB audit, we are also requesting a bid on a consolidated state association audit in accordance with generally accepted auditing standards (GAAS). The audit would be for the checkoff revenue/expenses only, and would ensure that there is competency, consistency and timeliness in the association. The attachment with state information indicates states that will most likely participate in the consolidated audit for 2021. Efforts to recruit more states will

occur in future years. The state audit should deliver consolidated financial statements for all participating states along with supporting schedules for each individual state's revenue/expenses.

Each state has an audit in accordance with the requirements established by the Pork Act and Order. Each state is different and can range from accrual basis of accounting to cash accounting. Most state associations operate on a calendar year, except for six states whose FY cycle is ahead of the calendar year (see attachment for exceptions). In addition to the audit, each state is also required to have the same letters that NPB is required to have.

The NPB and states audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. It will also include a review of the system of internal controls and tests of transactions to the extent necessary. The objective of the audit will be an expression of an opinion of which the wording of the opinion will be dependent on the facts and circumstances at the date of the reports. However, if the resulting opinion is other than "unqualified" the reason will be required to be fully disclosed.

NPB understands that the first 3 months of the year are very busy for accounting firms, but we would like to schedule the NPB and State audits in January and February which completion in March. We would like to see the cost associated with each of these time frames.

Staff Role/Audit Assistance

During the audit process, staff of NPB and the state associations will be responsible for the preparation of the financials, related note disclosures, other required information/schedules and supporting work papers. In addition, NPB and state associations will prepare any additional schedules deemed necessary by the selected firm.

Auditors Role

The selected firm will be required to perform or provide the following but not limited to:

- A. Be sufficiently staffed with personnel qualified to render the professional services as requested. This includes appropriate licensing to fulfill the scope of auditing the various state associations.
- B. Advise NPB and state associations on pending/upcoming accounting issues.

- C. Conduct the audit with minimal disruption and interference with the NPB's and state association's normal day-to-day operations.
- D. Provide a rough draft and final set of audited financials including any disclosures,
 - notes and any other letters associated with the audit.
- E. Provide normal consultation on various matters.
- F. Be independent in accordance with financial and auditing standards.
- G. Conduct internal audits, agreed upon procedures and other tasks as assigned.

Selection Timeline

Proposal submissions are due by Friday, October 14. A selection will be made by NPB by Friday, October 21. Fieldwork would begin for planning and interim purposes in late November/early December 2021.

Proposal Requirements

Respondent's Proposal shall include the following items:

- A. Signed proposal indicating that you have accepted the terms of this RFP
- B. Pricing schedule/structure for the **three (3) proposals** including NPB's audit for the next three years (2021-2023)
- C. Certificate of insurance
- D. Summary of your audit process, experience, background and qualifications
- E. Staffing plans
- F. Three (3) references

Please send this information to:

Email: nlenhardt@pork.org

Mail: National Pork Board
Attn: Nick Lenhardt
1776 NW 114th St
Des Moines, IA 50325

Please contact Nick Lenhardt at nlenhardt@pork.org or 515-223-2775 with any questions that may arise.

The respondent is expected to examine this RFP carefully, understand the terms and conditions for providing the services listed herein and respond completely.

The undersigned certifies that (s)he is authorized to submit this proposal on behalf of the firm listed below, that the firm accepts the conditions of this proposal and that all information is true to the best of the undersigned's knowledge.

Firm's Name

Signature

Print Name

Title

Date

<u>State Association</u>	<u>Cash/Accrual</u>	<u>501 (C)</u>	<u>Fiscal Year</u>	<u>NPB</u>	
				<u>Accounting</u>	<u>2020 Checkoff Revenue</u>
Alabama Pork Producers	Cash	5	31-Dec		\$ 4,608
Arizona Pork Council	Accrual	3	31-Dec		\$ 55,104
Arkansas Pork Producers	Accrual	3	31-Dec		\$ 22,350
California Pork Producers	Accrual	5	31-Dec		\$ 32,254
Colorado Pork Producers	Accrual	5	31-Dec		\$ 92,164
Delaware Pork Producers	Cash	6	31-Dec	X	\$ 1,100
Florida Pork Improvement Group	Cash	5	30-Jun	X	\$ 2,569
Georgia Pork Producers	Accrual	5	31-Dec		\$ 14,514
Hawaii Pork Industry Assoc	Cash	6	31-Dec	X	\$ 279
Idaho Pork Producers	Cash	5	31-Dec	X	\$ 2,425
Illinois Pork Producers	Accrual	5	31-Dec		\$ 674,309
Indiana Pork Producers	Accrual	5	31-Dec		\$ 752,192
Iowa Pork Producers	Accrual	5	30-Sep		\$ 4,178,680
Kansas Pork Association	Modified	5	31-Dec		\$ 394,279
Kentucky Pork Producers	Modified	5	31-Dec		\$ 151,772
Louisiana Pork Producers	Cash	6	28-Feb		\$ -
Maine Pork Producers	Cash	NA	31-Dec		\$ -
Maryland Pork Producers	Cash	5	31-Dec	X	\$ 9,325
Michigan Pork Producers	Accrual	5	31-Dec		\$ 318,613
Minnesota Pork Producers	Cash	5	30-Sep		\$ 1,518,656
Mississippi Pork Producers	Cash	5	31-Dec		\$ 4,968

Missouri Pork Association	Accrual	5	31-Dec		\$	512,238
Montana Pork Producers	Cash	5	31-Dec		\$	61,142
Nebraska Pork Producers	Accrual	5	31-Dec		\$	596,729
Nevada Pork Producers	Cash	5	31-Dec		\$	-
New Hampshire Pork Producers	Cash	NA	31-Dec		\$	-
New York Pork Producers	Cash	5	31-Dec	X	\$	20,208
North Carolina Pork Council	Accrual	5	31-Dec		\$	1,108,710
North Dakota Pork Producers	Cash	5	31-Dec	X	\$	18,619
Ohio Pork Producers	Accrual	5	30-Apr		\$	621,409
Oklahoma Pork Council	Accrual	3	31-Dec		\$	426,303
Oregon Pork Producers	Cash	5	31-Dec	X	\$	2,762
Pennsylvania Pork Producers	Cash	5	31-Dec		\$	408,013
South Carolina Pork Board	Accrual	5	30-Jun		\$	78,837
South Dakota Pork Producers	Accrual	5	31-Dec		\$	402,636
Tennessee Pork Producers	Cash	5	31-Dec		\$	153,628
Texas Pork Producers	Modified	5	31-Dec		\$	-
Utah Pork Producers	Cash	5	31-Dec		\$	289,540
Virginia Pork Industry Assoc.	Cash	5	31-Dec		\$	120,486
Washington Pork Producers	Cash	5	31-Dec	X	\$	2,699
Wisconsin Pork Assoc.	Accrual	5	31-Dec		\$	71,667
Wyoming Pork Producers	Cash	3	31-Dec	X	\$	5,389
					\$	13,131,176

