

ADVANTAGE SOLUTIONS



For Association Professionals And Volunteers



WHEN CHANGE IS GOOD— AUDIT PARTNER ROTATION

By John Dee

The concept of audit partner rotation has its roots in the Sarbanes-Oxley Act of 2002, which Congress passed in response to high-profile failures in corporate financial reporting. Although Sarbanes-Oxley largely applies to public corporations, many private companies and not-for-profit organizations have adopted its provisions as the act has become a best practice for corporate responsibility. Adherence to its tenets, such as audit partner rotation, can demonstrate forward-thinking leadership and a strong commitment to fiduciary duties.

Audit partner rotation should not be confused with audit firm rotation. Audit firm rotation involves hiring a different CPA firm, while audit partner rotation involves appointing a different accounting professional within the same firm to oversee the audit process. As one would expect, audit firm rotation can be a costly proposition in terms of the bidding and hiring processes and, more importantly, the time required to bring the new firm up to speed on the fine points of an organization’s operations.

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GETTING THE MESSAGE: EMAIL DELIVERABILITY (PART II) *By Chris Hecht*

Organizations have come to depend on email as a valuable tool for communicating with their constituents. It offers a fast, paperless, and cost-effective channel for dues renewal statements, newsletters, meeting notices, product and conference announcements, and more. But email loses value and, in fact, can prove costly if communications never reach constituents’ mailboxes because the messages are either blocked or diverted by SPAM-fighting technologies. A study by Return Path, an e-mail performance management company,

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NAVIGATING CHANGE AT THE TOP: TRANSITION ALIGNMENT AND THE INTERIM CEO

By Ken Monroe



Transitions at the top of an organization are always somewhat traumatic, even if they are planned, but especially if they are sudden and unexpected. One such transition is when a vacancy occurs in the association's chief executive position. This can occur for many reasons—some positive, others not. It's cause for celebration when a leader retires after many years of exemplary service. Sometimes, however, the staff chief does not depart on a voluntary basis or the best of terms. Whatever the case, the association must search for a new leader, and this marks a point of important change within the organization.

Naturally, change creates some level of discomfort, but it also presents an opportunity for reflection, assessment, redirection, and growth. An association's leadership has an obligation to approach this opportunity with deliberate steps; however, too often boards rush into the decision to hire a new, permanent CEO as soon as possible. When an opening for their CEO occurs, association leaders should not forgo the chance to step back and examine not only what they expect of their next chief executive but also what they expect from the organization as a whole. This exercise will prove particularly valuable in the recruitment process because, after all, board members should be

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able to tell prospective candidates what they require their CEO to deliver.

How does an association manage this broad rethinking while at the same time meeting members' demands and expectations, particularly with a

vacancy in the top job? The solution lies in a two-part strategy of applying the principles of transition alignment and engaging an interim CEO.

Transition Alignment

Transition alignment refers to a best practice for addressing serious change within an organization—in this case, a new CEO. It includes three inter-related components that guide association leaders to arrive at a thoughtful response to change:

Organization assessment. This step involves a thorough review of the organization and how it

measures up against best practices in the association world. All aspects of an organization come under scrutiny: governance, advocacy, education, financial management, staff, technology, member services, etc. Organization assessment can reveal areas of strong performance and areas requiring improvement. If an organization, for example, has a history of rapid turnover in the CEO position, it may discover some of the contributing factors.

Strategic positioning. This strategic process starts with identifying the organization's vision—its mission, goals, and strategies. At this point, operational plans can be developed that identify specific objectives, outcomes, and indicators of success. With these tools in hand, a board can better craft an accurate position description for its prospective CEO, increasing the likelihood of a good match.

Volunteer and staff development. Board and staff members must have a clear understanding of their roles within the organization. In order to achieve success for the organization, both must undergo training and development to identify how best to work together to carry out the results of the assessment and positioning processes.

Associations should note that assessment, positioning, and training and development are not reserved for exclusive use during periods of transition. While they are extremely important in a transition, they also must be integrated into the ongoing strategic management and governance of the organization to achieve a necessary clarity of purpose and performance.

Interim CEO

In the absence of a CEO, carrying out transition alignment would pose major challenges. This is where the interim CEO comes in. Hiring an interim CEO is a solution that offers a number of important benefits to an association during this period of change:

- > The appointment of an interim executive allows an association board to undertake the stages of transition alignment and maintain momentum in current programs and activities.
- > An interim CEO provides a time buffer in which staff members can get accustomed to the idea of change. This may be particularly helpful when the outgoing CEO is long tenured.
- > An interim executive affords board members the time to assess the performance of the organization, reconsider directions, and ultimately make the right choice in hiring a permanent CEO.

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CASE STUDY: ICPI's Certification Program Posts Significant Gains

By Charles McGrath

Background

The mission of the Interlocking Concrete Pavement Institute (ICPI), founded in 1993, is to increase the use of segmental concrete pavement systems throughout North America. To achieve this mission, ICPI provides an array of technical and marketing resources to its membership of concrete paver producers, contractors, suppliers, design professionals and consultants.

ICPI's Level I Concrete Paver Installer Certification program is among the important services the organization offers to promote proper installation and advance industry guidelines. Experienced concrete paver installers must complete a two-day training session and pass an exam to earn certification. ICPI's certification program began in 1996, and in the first two years 410 concrete paver installers participated in the program. In 1998, ICPI enlisted the support of Bostrom in strengthening the program and growing the number of certified installers.

Solutions for Success

Bostrom enhanced marketing and administrative aspects of ICPI's Level I Concrete Paver Installer Certification Program. First, the program was marketed to all member manufacturing companies to sponsor courses in their local market area for their installer customers. Bostrom promoted this and developed 10 steps to hosting a certification course and telemarketed the benefits to member companies. For certification to have worth in the marketplace, potential customers need to understand the value of hiring a certified concrete paver installer. Bostrom applied its marketing expertise by creating a four-color brochure that educates consumers on the benefits of having certified concrete paver installers construct their paver driveways, walkways, and patios. These brochures reach the hands of thousands of consumers when contractors distribute them in the bidding process.

With the application of new technology, Bostrom also introduced real-time posting of newly certified concrete paver installers on the ICPI web site and integrated it into the certified concrete paver installer database. This feature adds value to certification because those passing the certification exam immediately join ICPI's online directory of certified concrete paver installers—a direct link to prospective customers. Once on the list, certified concrete paver installers continue to receive business leads and value from the program. Scantron technology replaced manual certification exam scoring and school evaluation, which resulted in more efficient and timely

reporting of results.

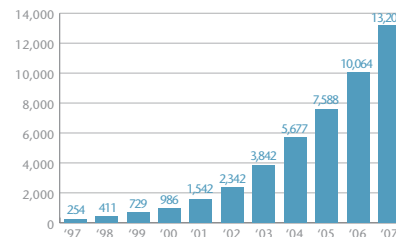
Results

Bostrom's partnership with ICPI has shown strong results. After starting with 410 certified concrete paver installers in the program's first two years, the total number of Level I ICPI Certified Concrete Paver Installers will grow to more than 13,000 by June of 2007 with 3,200 certified at 114 schools in this fiscal year.

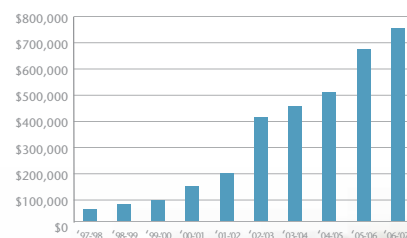
The program's administrative costs per person have decreased, which made additional resources available for ICPI to invest in other programs for its members. ICPI introduced an advanced certification program on March 1, 2007, and the organization has also begun construction of an online education program.

Bostrom's experience with ICPI demonstrates how information technology know-how and marketing expertise can leverage an organization's program assets for expanded benefits to members and the public.

ICPI Certified Concrete Paver Installer Growth



Paver Installer Certification Revenue Growth



GETTING THE MESSAGE: EMAIL DELIVERABILITY (PART II) continued from page 1

reports that more than 19 percent of email gets blocked by the top Internet Service Provider (ISP) and commercial filtering programs. Imagine the crimp in your revenue flow if almost one-fifth of your members did not receive their dues renewal notices. To effectively use email, organizations must be aware of and adhere to current standards for deliverability.

“Email is much more sophisticated and complicated than hitting Send,” says Trevor Hughes, Executive Director of the Email Sender and Provider Coalition (ESPC). ESPC is a group of industry stakeholders that has taken a leadership role in establishing standards for enhancing the deliverability of legitimate email. The organization has developed a best practices guide for email senders. Highlights appear below for helping your organization get its messages to the right people.

Obtain consent. If an organization will be fundraising or marketing through email, then it is a best practice to ask constituents if they would like to be included in mailings. Describe for constituents the type of mail that the organization will be sending so they have an understanding of what they are consenting to receive. Also, provide a Web-based opt-out feature, in case the member changes his or her mind.

Reinforce recognition. Using standard “From” addresses and names allows your constituents to easily identify your organization as the sender. Also, including your brand and logo in the message facilitates recognition. When members sign on to your mail service, suggest they add your standard address to their address book.

Consider message dynamics. Messages can appear differently depending on the ISP, a fact organizations will want to keep in mind as they design content. If the right factors are not taken into account, a recipient could see a blank or unreadable message due to security controls in their mail program. Display unsubscribe instructions and the postal address as text. Stay away from HTML messages composed only of images.

In support of deliverability, ESPC promotes three areas of technological compliance for ISPs—authentication, accreditation, and reputation. While these standards for the most part apply to ISPs, email senders will want to know what requirements their messages need to meet in order to get to their intended audience. Authentication affirms the identity of an email sender, in effect confirming that you are who you say you are. ISPs and corporate servers employ either IP-based or cryptographic solutions to authenticate messages from senders. Likewise, senders can use authentication protocols to facilitate more favorable receipt. Accreditation refers to how a mail client categorizes a particular message and thus directs it in the mail system. Finally, reputation is like a credit score for email senders based on recipient feedback, sender identity, bad addresses, and bounce management. Reputation service providers (RSPs)—independent, third-party companies—collect this data and affirm an email senders positive reputation.

As the industry continues to grow, email deliverability will become increasingly complex. If organizations are to maximize the utility of email, they must either build the technological expertise in-house or retain outside experts. Email service providers (ESPs), RSPs, and deliverability consultants are all part of an emerging field of outside support to organizations.

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Third-party vendors, such as ExactTarget and SKYLIST, who specialize in email marketing are a subset of ESPs that an organization should consider when planning a campaign, whether it is growing membership or selling the national convention. These firms can help ensure mail is delivered and not dropped or blacklisted as SPAM. They can also track and provide statistics on outgoing mail, supply message templates, and integrate data with membership databases. In short, they supply the technological infrastructure so that your organization can focus on its constituents and service domain. Of course, this technology comes with a cost, and it is up to each organization to weigh the costs and benefits against alternative channels such as print, fax, and telephone.

For more information on ESPC, including a list of its ESP members and a copy of its guide to best practices, visit www.espcalition.org.

CAN-SPAM ACT Refresher

All organizations—for profit and not-for-profit—must comply with the CAN-SPAM Act when they send any email with commercial content or content promoting the sale of a good or service. This applies to fundraising campaigns, product and conference advertisements, training program announcements, etc. Compliance basics for email senders include the following:

- > Do not use information that could be misleading in the “To,” “From,” or “Subject” lines.
- > Provide the recipient with a Web-based feature to unsubscribe to or opt out.
- > Include the organization’s physical postal address in the message.
- > Make sure the message is clearly distinguishable as an advertisement or solicitation.

For more information, visit www.ftc.gov/bcp/online/pubs/buspubs/canspam.htm.

WHEN CHANGE IS GOOD—AUDIT PARTNER ROTATION continued from page 1

The goal of audit partner or auditor rotation is to strengthen audit quality. The reasoning behind the concept maintains that if the same person performs an organization's audit year after year, he or she may be more likely to overlook discrepancies or aspects for improvement in an organization's financial reporting. A not-for-profit can benefit from having an auditor with a fresh perspective review its records especially when the auditor finds ways to improve financial processes. New auditors often ask different questions than their predecessors, thereby shedding light on new areas.

How often should a not-for-profit change audit partners? Generally, every three years because organizations experience enough change in this period to warrant an "independent" examination. Extending beyond three years can allow an auditor to enter the comfort zone. Above all, not-for-profits should make sure that the person being rotated in as auditor has an understanding of their organization and the not-for-profit sector.

Small organizations that contract with smaller accounting firms may find it difficult to fulfill both requirements of a new auditor and one with the requisite expertise. In this case, it may make sense to simply rotate the audit manager instead of the audit partner. Switching to another firm altogether simply for the sake of making a change would be ill-advised, particularly when the organization enjoys a solid relationship with the existing service provider.

Along with the other measures in the Sarbanes-Oxley Act, the government intended audit partner rotation to restore investor confidence in public corporations. Similarly, not-for-profit corporations can employ this best practice as means to sustain members' trust in the organization's commitment to fiscal responsibility.

Sarbanes-Oxley Essentials

Two provisions of Sarbanes-Oxley apply to all corporations:

- > **Whistleblower procedures.** Not-for-profit corporations should establish procedures for employees to anonymously and confidentially report concerns about possible unethical practices or situations to senior management and the audit committee, if appropriate.
- > **Record retention.** Not-for-profit corporations should adopt a written records retention policy, including specific periods for document retention and management of electronic files.

In addition to the requirements above, not-for-profit corporations may voluntarily comply with Sarbanes-Oxley in the following areas:

- > **Internal controls.** Establish internal accounting practices that ensure the reliability of financial statements.
- > **Auditor independence.** Auditors should not be involved in management activities or perform non-audit services (bookkeeping, appraisals, investment advice, etc.) for the organization.
- > **Audit committee.** Establish an audit committee with at least one financial expert and composed of individuals not employed by the organization.
- > **CEO and CFO certification.** The organization's CEO and CFO attest that its financial statements are accurate and complete.
- > **Disclosure.** The organization informs stakeholders of any material changes to its financial position.

For a more detailed discussion of the Sarbanes-Oxley Act, read the article on page 1 of *SOLUTIONS*, Issue Two, available at <http://www.bostrom.com/uploadedFiles/Solutions2.pdf>.



NAVIGATING CHANGE AT THE TOP: TRANSITION ALIGNMENT AND THE INTERIM CEO *continued from page 2*

- > A good interim CEO can often bring a fresh set of eyes to the organization and be a valuable contributor to the overall assessment process by identifying opportunities for change that are apparent to someone in a day-to-day management situation but not to a board member or search consultant.
- > An interim CEO's contract can be structured in a way that he or she is available to help the new permanent CEO through an orientation period. An interim CEO who has several months experience can bring such assistance to the new CEO without the emotional baggage that might accompany the same support from an outgoing CEO whose legacy may be at stake.

Organizations can select an interim CEO in the same way as they would select other consultants; check their track record and ensure it aligns with the association's needs. As with other high-level consultants, association leaders should spell out what they expect, including duties, reporting relationships, and timelines. In the end, hiring an interim executive may prove key to reshaping the association for long-term success.

ABOUT BOSTROM

Bostrom Corporation is a professional services firm offering comprehensive management, consulting and outsourcing to associations and other not-for-profits. Since its founding in 1932, Bostrom continues to meet the needs that define our clients' success. For more information please visit our Web site at www.bostrom.com or call 312.644.0828.

