



# Request for Proposal - Annual independent audit

18 March 2014

## 1.0 Introduction

### 1.1 About this Document

By issuing this Request for Proposal (“RFP”), the Internet Corporation of Assigned Names and Numbers (“ICANN”) is requesting your best offer to annual independent audit of ICANN. In seeking a comprehensive proposal for these services, ICANN is placing maximum emphasis on several key components of value including expertise with similar processes, demonstrated practices, value-added services, and the ability to work within the guidelines established in this RFP. The full set of criteria used by ICANN to evaluate the responses to this RFP is provided in appendix A.

### 1.2 Overview of ICANN

The mission of ICANN, pursuant to its Bylaws, is to coordinate, at the overall level, the global Internet's systems of unique identifiers, and in particular to ensure the stable and secure operation of the Internet's unique identifier systems. In particular, ICANN:

1. Coordinates the allocation and assignment of the three sets of unique identifiers for the Internet, which are
  - a. Domain names (forming a system referred to as "DNS");
  - b. Internet protocol ("IP") addresses;
  - c. Autonomous system ("AS") numbers; and
  - d. Protocol port and parameter numbers.
2. Coordinates the operation and evolution of the DNS root name server system.
3. Coordinates policy development reasonably and appropriately related to these technical functions.

ICANN is dedicated to preserving the operational security and stability of the Internet; to promoting competition; to achieving broad representation of global Internet communities; and to developing policy appropriate to its mission through bottom-up, consensus-based processes.

ICANN does not set policy for the Internet. Rather, it manages the process to facilitate a multi-stakeholder collaborative policy building effort. Please go to [www.icann.org](http://www.icann.org) for more information on its processes and scope of activities.

ICANN has launched the new gTLD program in 2012. Further information on the new gTLD program can be found below.

If you use the Internet today, you will most likely access an Internet site from one of the 22 generic Top Level Domains (“gTLD”) on the Internet. Examples of gTLDs include .COM, .ORG, .NET, and .GOV (a complete listing of all gTLDs is available at <http://www.iana.org/gtld/gtld.htm>). Until just recently, the top-level domain name space consisted of 22 gTLDs and approximately 250 ccTLDs operating on various models. Each of the gTLDs has a designated “registry operator” and, in most cases, a Registry Agreement between the operator (or sponsor) and ICANN. The registry operator is responsible for the technical operation of the TLD, including all of the names registered in that TLD. The gTLDs are served by over 1,000 registrars that interact with registrants to perform domain name registration and other related services. The New gTLD Program has created a means for prospective registry operators to apply for new gTLDs, and create new options for consumers in the market. Upon the program launch of its first application round, ICANN saw a diverse set of applications for new gTLDs, including IDNs, creating significant potential for new uses and benefit to Internet users across the globe.

ICANN’s work next focused on implementation: creating an application and evaluation process for new gTLDs that is aligned with the policy recommendations and provides a clear roadmap for applicants to reach delegation, including Board approval. This implementation work is reflected in the drafts of the applicant guidebook that were released for public comment, and in the explanatory papers giving insight into rationale behind some of the conclusions reached on specific topics. Meaningful community input led to numerous versions of the applicant guidebook. In parallel, ICANN established the resources needed to successfully launch and operate the Program. This process resulted with the decision by the ICANN Board of Directors in June 2011 to launch the New gTLD Program.

The application window opened on 12 January 2012, and ICANN received 1,930 applications for new gTLDs. On 17 December 2012, ICANN held a prioritization draw to determine the order in which applications would be processed during Initial Evaluation and subsequent phases of the Program. These applications continue to be processed by ICANN staff and evaluated by expert, independent third-party evaluators according to priority numbers. On 22 March 2013, ICANN released the first set of Initial Evaluation results to applicants and the public. Applications that pass Initial Evaluation (and that do not face any objections or string contention) are being invited into, and then proceeding to, contracting without delay. Those facing objections or are in contention because they are the same or confusingly similar must conclude various phases before entering into contract. On 23 October 2013, the first gTLDs coming through the New gTLD Program were delegated into the Internet.

For current information, timelines and activities related to the New gTLD Program, please go to <http://www.icann.org/en/topics/new-gtld-program.htm>.

## Section 2.0 Audit Services Requirements

### 2.1 Period to be audited

The first period of the audit is the fiscal year ended June 30, 2014. The contract may be renewed at the sole discretion of ICANN for each subsequent year, depending upon successful negotiations with the Auditor.

### 2.2 Scope / standards

The audit to be conducted is the one of the Internet Corporation for Assigned Names and Numbers, a California-based non profit corporation with a tax exempt status Section 501(c)(3).

The audit needs to be conducted in accordance with US generally accepted accounting principles and under the standards established by the AICPA.

It is also expected that the selected firm has extensive capabilities and experience with performing similar assignments under IFRS.

### 2.3 Audit schedule

Previous audits have including the following steps:

1. Audit Committee entrance meeting – April
2. Interim field work – May/June
3. Fiscal year end – 30 June
4. Final field work – August
5. Audit report finalization – September

ICANN is required as per its bylaws (article XVI) to publish its annual independent audit report within 120 following its fiscal year end.

## Section 3.0 Required Response Items

### 3.1 Company Information and Background

- Firms must provide the following information regarding the organization:
  - Name
  - Street Address
  - City, State & Zip
  - State/Country of Incorporation
  - Phone
  - Website
- Please indicate if the organization is a subsidiary of any other company? If so, please indicate the parent company and how you are managed by the parent (actively or autonomously)
- List the responding organization's Directors, Officers and their titles, any party that owns 15% or more of the organization.
- Please indicate any past or present work that your firm or its affiliates has or is currently performing for ICANN, or any relationship with significant customer or firm, or any party with which ICANN interacts on a regular basis. Please describe any and all potential conflict of interest. Please indicate if your organization, or anyone working on behalf of your organization, provides any services in relation to ICANN to anyone, including but not limited to new gTLD applicants, advisors to new gTLD applicants, existing TLD registries, back-end registry providers.

### 3.2 Qualifications & Approach

- The selection criteria as indicated in Appendix constitute the qualifications and requirements that the responses to this RFP should address.
- It is expected that the audit firm has an office with qualified personnel in the area of Los Angeles, California.

## Section 4.0 Instructions to Firms

### 4.1 Definition of Firm

“Firm” means any person or firm submitting a proposal in response to this RFP.

### 4.2 Timeline

The following dates have been established as milestones for this RFP. ICANN reserves the right to modify or change this timeline in its absolute discretion.

This is an estimated timetable for the written proposal process, and possible oral presentations.

RFP released to firms	18 March 2014
Proposal delivery deadline	2 April 2014
ICANN RFP review and analysis due date	9 April 2014
Firm presentations	16 April 2014
Anticipated firm selection announcement	28 April 2014

### 4.3 Submission for Request for Proposal

Your written proposal should include explanations of how your firm satisfies the selection criteria set forth in Appendix A. For ease of evaluation, please limit your proposal to no more than 15 pages, plus necessary appendices, including team resumes. Please arrange to have an electronic copy delivered to [Xavier.calvez@icann.org](mailto:Xavier.calvez@icann.org) by 23.59 PDT on 2 April 2014.

### 4.4 Discrepancies, Omissions and Additional Information

Each firm is responsible for examining this RFP and all requirements. Failure to do so will be at the sole risk of Firm. Should Firm find discrepancies, omissions, unclear or ambiguous intent or meaning, or should any question arise concerning this RFP, each firm must notify ICANN of such findings immediately in writing via email no later than three (3) days prior to the deadline for bid submissions to [Xavier.calvez@icann.org](mailto:Xavier.calvez@icann.org).

Should such matters remain unresolved by ICANN, in writing, prior to the firm’s preparation of its submission, such matters must be addressed in the firm’s Expression of Interest.

ICANN is not responsible for oral statements made by its employees, agents, or representatives concerning this RFP. If a firm requires additional information, the firm must request that the issuer of this RFP furnish such information in writing.

A firm's submission is presumed to represent its best efforts to respond to the RFP. Any significant inconsistency, if unexplained, raises a fundamental issue of the firm's understanding of the nature and scope of the work required and of its ability to perform the contract as proposed and may be cause for rejection of the proposal. The burden of proof as to cost credibility rests with the firm.

#### **4.5 Proposal Evaluation and Selection of Providers**

ICANN will evaluate Firm's proposal and other pertinent information to arrive at a provisional award decision. Firm's entire proposal will be reviewed for responsiveness to the RFP and for clarity and conciseness of the information presented. ICANN will review the information presented to determine which proposals best meet the outlined criteria. Firms may be asked to submit updates to their original proposals. A Selection Committee will then evaluate the submitted proposals using the criteria outlined below. Each proposal will be evaluated on the basis of its technical, management and cost merits after a review of all aspects of each category in relationship to the requirements of this RFP. The ultimate basis for selection will be in the absolute discretion of ICANN.

Proposals are required to be valid for a minimum of one hundred twenty (120) days following the deadline for submission of the proposal. A proposal may not be modified, withdrawn or canceled by the Firm for a 120-day period following the deadline for submission of the proposal. The Firm so agrees to this condition by submission of the proposal.

#### **4.6 Ownership of Documents**

All supporting documentation submitted by the Firm with a proposal shall become the property of ICANN unless the Firm specifically requests **in writing** that the documentation be returned. If Respondent's proposal contains any proprietary information, which should not be disclosed or used by ICANN other than for the purposes of evaluating the proposal, that information should be marked with appropriate confidential markings.

#### **4.7 Disclaimer**

This RFP shall not be construed in any manner to create an obligation on the part of ICANN to enter into any contract, or to serve as a basis for any claim whatsoever for reimbursement of costs for efforts expended. The scope of this RFP may be revised at the sole option of ICANN at any time. ICANN shall not be obligated by any proposals or by any statements or representations, whether oral or written, that may be made by ICANN. ICANN shall be held free from any liability resulting from the use or implied use of the information submitted in any

proposal. Submission of a proposal shall constitute Firm's acknowledgment and acceptance of all the specifications and requirements in this RFP.

## **Appendix A                      Selection criteria**

External audit firms proposing to bid for ICANN's annual independent audit should be evaluated on the basis of:

- Written proposal submitted in response to a request for proposal
- Presentation at ICANN's headquarters of the firm's expertise and key points in their response to the request for proposal
- Any clarifications submitted by the firm concerning the above in response to questions about its proposal

Performance of bidders against the selection criteria should be assessed based on all three sources.

Criteria weightings should ensure that technical criteria are decisive, with price determining selection only when technical requirements are fully met.

Suggested selection criteria and items to consider when evaluating against the criteria and criteria weightings, are set out below:

### **Overall capabilities of the firm (suggested weight: 30%)**

- Affiliation with worldwide firm–nature of professional quality assurance and other interactions to ensure that international auditing standards are maintained as they are evolving (including impacts of the U.S. Sarbanes-Oxley Act and similar requirements in other countries).
- Presence of offices in countries where the Organization has operations/offices, and the ease with which those offices could be called on where necessary
- Experience in audit of international not-for-profit organizations/international organizations/enterprises reporting according to international financial reporting standards

- Number of partners and professional staff; partner-staff ratio, ability to substitute staff at similar levels of qualifications and experience if necessary
- Firm specialties that may be advantageous to the audit of the Organization (e.g., IT, enterprise risk management, reserve fund, large programs, regulatory agencies...)
- Types of clients/sectors, number of large clients/client spread (not overly reliant on few clients)
- Experience/references provided and potentially available to interview
- Any legal actions or reputational issues relating to firm that may impact the ability of the firm to provide services to the Organization
- Feedback on performance from other clients

#### **Professional team assigned (suggested weighting: 20%)**

- Organization of team (lead partner, review partner, number of manager-level staff) ; whether the team includes staff qualified to review IT systems)
- The curriculum vitae of lead partner, review partner, manager(s) – professional and academic qualifications, years of external audit experience, recent professional development activities, experience with audit of not-for-profit entities, experience with auditing against international financial reporting standards, any experience with hi-tech companies, any experience with the Organization?
- Number of hours allocated in proposal by resources.

#### **Proposed methodology (suggested weighting: 10%)**

- Risk assessment methodology–how would they see this fitting in with the Institute’s own risk management activities?
- Balance between reviews of controls and substantive testing
- Reporting approach–interim reports, management reports, presentations to management and Board
- Number of hours allocated to the assignment, and breakdown
- Number of visits to the Organization for the audit

- Approach to reviewing the financial systems
- Proposed interaction with internal audit function

#### **Understanding of the assignment (suggested weighting: 10%)**

- Familiarity or at least knowledge of types of financial reporting and control issues facing an entity like ICANN
- Approach taking into account the not-for-profit status, international organization
- Ability to identify important risks that would affect the audit and ability of the Organization to report against IFRS

#### **Costs (suggested weighting: 20%)**

- Proposed fee
- Relationship to the number of hours (should be neither excessive nor low that the quality of the audit or ability of the firm to deliver within the fee is doubted)
- Estimated out-of-pocket expenses