

Torres Rojas, Genara

FOI # 12758

From: amber.miller@crowehorwath.com
Sent: Wednesday, November 02, 2011 10:20 AM
To: Duffy, Daniel
Cc: Torres Rojas, Genara; Van Duyne, Sheree
Subject: Freedom of Information Online Request Form

Information:

First Name: Amber
Last Name: Miller
Company: Crowe Horwath LLP
Mailing Address 1: 10 W. Broad Street
Mailing Address 2: Suite 1700
City: Columbus
State: OH
Zip Code: 43215
Email Address: amber.miller@crowehorwath.com
Phone: 614.469.4035
Required copies of the records: Yes

List of specific record(s):

All technical proposals, price proposals and best and final offers received, with the exception of the proposal submitted by Crowe Horwath LLP, by the public body in conjunction with your Request for Proposals for Audit Department Quality Assurance Peer Review Services 23669 due on March 7, 2011. Scoring sheet evaluation notes pertaining to the public body's evaluation of the proposals received in conjunction with Request for Proposals stated above.

Daniel D. Duffy
FOI Administrator

June 20, 2012

Mr. Amber Miller
Crowe Horwath LLP
10 W. Broad Street, Suite 1700
Columbus, OH 43215

Re: Freedom of Information Reference No. 12758

Dear Ms. Miller:

This is a response to your November 2, 2011 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code", copy attached) for copies of all technical proposals, price proposals and best and final offers received with the exception of the proposal submitted by Crowe Horwath LLP, for Audit Department Quality Assurance Peer Review Services No. 23669.

Material responsive to your request and available under the Code can be found on the Port Authority's website at <http://www.panynj.gov/corporate-information/foi/12758-C.pdf>. Paper copies of the available records are available upon request.

Certain material responsive to your request is exempt from disclosure pursuant to exemption (1) of the Code.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,



Daniel D. Duffy
FOI Administrator

Attachment

March 4, 2011

Mr. Tim Volonakis
Manager – Professional, Technical, and Advisory Services Division
Procurement Department
The Port Authority of New York & New Jersey
One Madison Avenue, 7th Floor
New York, NY 10010

Dear Mr. Volonakis:

Thank you for your interest in the IIA's external quality assessment service. The Institute of Internal Auditors cannot enter into the RFP 23669. referenced service agreement as it currently reads in the following areas:

- 6. Paragraph 1
- 7. D- Paragraph 8 – expense excess of \$1000
- 10. Paragraph 1 – require greater notice
- 20. D – Will require mutual indemnification

Any Negotiations on the aforementioned terms will be appreciated. Thank you.

Sincerely,



Tracy Darakjian, CIA
Manager, Quality
The Institute of Internal Auditors

**External Quality Assessment Proposal
for RFP Number 23669**

THE PORT AUTHORITY
OF NEW YORK & NEW JERSEY

March 4, 2011

 **The Institute of
Internal Auditors**

ORIGINAL



March 4, 2011

Mr. Tim Volonakis
Manager – Professional, Technical, and Advisory Services Division
Procurement Department
The Port Authority of New York & New Jersey
One Madison Avenue, 7th Floor
New York, NY 10010

Dear Mr. Volonakis:

Thank you for your interest in the IIA's external quality assessment service. We are excited at the prospect of performing an external quality assessment of the Internal Audit Department (internal audit activity) at The Port Authority of New York & New Jersey. The Institute of Internal Auditors' service provides an independent review by internal auditing peers. The reviews fully comply with the requirements set forth in The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*. Review teams are led by senior-level auditing professionals with broad experience and excellent credentials. They are versed in leading edge internal auditing techniques and are knowledgeable about "successful practices".

Attached is our proposal, and related information for the external quality assessment of your internal audit activity. The Quality Assessment Manual, 6th Edition will be used for this engagement. It emphasizes the role and relationships of the internal audit activity in your organization's governance, enterprise risk management, and other processes you have adopted for managing the internal audit practice and resources from the Chief Audit Executive's (CAE's) viewpoint. The assurance processes, consulting and advisory services and a wide array of successful practices will be examined for review and discussion. Foremost, the review will determine your conformance with the *Standards*.

Since the external quality assessment service began in 1986, The IIA has completed over 400 reviews for virtually every industry and various levels of government. If you choose to have The IIA perform your external quality assessment, you'll be in good company with organizations such as those shown on our list of completed reviews in Section B of our proposal. At that time, we will confirm a timeline for the process that works for you. We will also provide the Quality Assessment Manual, which will include all the necessary tools needed.

We would appreciate your response on the status of our proposal at your earliest convenience. This proposal will remain in effect for 90 days from the date of this letter; however, schedules are subject to change. If you should have any questions, please contact me.

Sincerely,

Tracy Darakjian, CIA
Manager, Quality
The Institute of Internal Auditors

ATTACHMENT B

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (RFP #23669)

AGREEMENT ON TERMS OF DISCUSSION

The Port Authority's receipt or discussion of any information (including information contained in any proposal, vendor qualification, ideas, models, drawings, or other material communicated or exhibited by the undersigned or on its behalf) shall neither impose any obligations whatsoever on the Port Authority nor entitle the undersigned to any compensation therefore (except to the extent specifically provided in such written agreement, if any, as may be entered into between the Port Authority and the undersigned). Any such information given to the Port Authority before, with or after this Agreement on Terms of Discussion ("Agreement"), whether orally or in writing, is not given in confidence. Such information may be used, or disclosed to others, for any purpose at any time without obligation or compensation and without liability of any kind whatsoever. Any statement which is inconsistent with this Agreement, whether made as part of or in connection with this Agreement, shall be void and of no effect. This Agreement is not intended, however, to grant to the Port Authority rights to any matter, which is the subject of valid existing or potential intellectual property rights. The foregoing applies to any information, whether or not given at the invitation of the Authority.

Notwithstanding the above, and without assuming any legal obligation, the Port Authority will employ reasonable efforts, subject to the provisions of the Authority's Freedom of Information Policy and Procedure adopted by the Port Authority's Board of Commissioners on November 20, 2008, which may be found on the Authority website at <http://www.panynj.gov/corporate-information/freedom-of-information.cfm>, not to disclose to any competitor of the undersigned, information submitted which are trade secrets or is maintained for the regulation or supervision of commercial enterprise which, if disclosed, would cause substantial injury to the competitive position of the enterprise, and which information is identified by the Proposer as proprietary, which may be disclosed by the undersigned to the Port Authority as part of or in connection with the submission of a proposal.

The Institute of Internal Auditors, Inc.
(Company)


(Signature)

Vice President, North American Svcs
(Title)

3/3/11
(Date)

**ORIGINAL AND PHOTOCOPIES OF THIS PAGE ONLY.
DO NOT RETYPE.**

Vendor # 110022

ATTACHMENT C
COMPANY PROFILE

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSUANCE (PEER) REVIEW (RFP #23669)

1. Company Name (print or type):

The Institute of Internal Auditors, Inc.

2. Business Address (to receive mail for this RFP):

247 Maitland Ave., Altamonte Springs, FL 32701

3. Business Telephone Number: 407-937-1399

4. Business Fax Number: 407-937-1101

5. Firm website: theiia.org

6. Federal Employer Identification Number (EIN): (Ex. 1)

7. Date (MM/DD/YYYY) Firm was Established: 11/10/1941

8. Name, Address and EIN of Affiliates or Subsidiaries (use a separate sheet if necessary):

See attached listing

9. Officer or Principal of Firm and Title:

Hal Garryn, Vice President North American Svs

10. Name, telephone number, and email address of contact for questions:

Tracy Darakjian 407-937-1399
tracy.darakjian@theiia.org

11. Is your firm certified by the Authority as a Minority-owned, Woman-owned or Small Business Enterprise (M/W/SBE)? Yes No

If yes, please attach **Port Authority** certification as a part of this profile.

If your firm is an M/WBE not currently certified by the Authority, see the Authority's web site - <http://www.panynj.gov/business-opportunities/supplier-diversity.html>, to receive information and apply for certification.

George J. Shemo, CPA, CFE – Team Leader

Professional Experience

George is the former Director of Internal Audit at the New York State Office of the State Comptroller, a position he held for twenty years prior to his retirement in 2003. During his tenure, he was directly responsible to the State Comptroller (an elected statewide official) for directing all internal control reviews, financial audits, operational evaluations, information system reviews, data center operations and security evaluations, and served as chief investigator of any fraud and inappropriate activity within the organization. He reported directly to the State Comptroller and provided him with executive summaries of all activities, and shared his reports with various legislative oversight committees. His office coordinated with the external auditors and participated in the annual financial audit. He provided a program of extensive professional development for his staff in conjunction with the IIA; ensured complete compliance of the internal audit function with the IIA *Standards*; and retained independent consultants to conduct periodic quality assessments of his operations according to IIA guidelines.

Prior to joining the New York State Office of the State Comptroller, George worked for the New York State Teachers Retirement System from June, 1973 through November, 1983. During that time he held positions as Finance Officer, Chief Fiscal Systems Analyst, and Director of Management Analysis. Before his service with Teachers Retirement, George was a member of the audit staff in the public accounting firm of Arthur Young and Company. He began his career with them in September, 1969, in the New York City Office. When he left the firm in June 1973, he was a Supervising Senior. Through his career in government service and public accounting, George has experience in the following industries: Pension funds, Government, Investments, Banking, University systems, Mortgage and Real Estate, Insurance, Employee Benefit Plans, Manufacturing, Service Industry, Retail, and Professional Service Groups. His specific experience includes audit operations, accounting operations, designing internal control systems and management self evaluation systems, and information technology.

External Quality Assessments

George has conducted IIA external quality assessments to include:

First Financial Bancorp
PRA-Envision Credit Union
Pennsylvania State Employees' Credit Union
UNICEF
Colorado Housing and Finance Authority
Utah Retirement Systems
New Mexico Student Loans



The Institute of Internal Auditors

State Compensation Fund of California
HCC Insurance Holdings, Inc.
Internal Audit Agency of Ghana
Oregon Office of the State Treasurer
City of New York Office of the Comptroller
State of Washington Department of Labor, Licensing and Regulation
Hillsborough County Florida, Clerk of the Circuit Court
State of Washington Department of Licensing
State of Maryland Department of Labor
Government of Nova Scotia
Metro Wastewater Reclamation Division
New York Power Authority
Douglas County
Woodmen of the World Life Insurance
Centene Corporation
Health Net, Inc.
Independent Electricity System Operator
Providence Health & Services
Amedisys, Inc.
Pacific Life Insurance
SAIF Corporation
International Brotherhood of Teamsters
Oregon Health & Science University
University of Kentucky
University of Manitoba
University of Alberta
East Carolina University
Public School District of Manatee County
City University of New York
OGE Energy
NJR Service Corporation
Pepco Holdings
Alcoa, Inc.
Sun Microsystems, Inc.
Memphis Light, Gas, and Water Division
International Organization for Migration

George graduated from Manhattan College in 1970, with a major in accounting. He has been a CPA since 1973, and was a charter member of the Association of Certified Fraud Examiners. He is a member of the American Institute of Certified Public Accountants, the NYS Society of CPAs, past member of APPFA (Association of Public Pension Fund Auditors), and a founding member and past president of NYSAGIA (New York State Association of Government Internal Auditors), and a member of The IIA.



The Institute of Internal Auditors

Kenneth F. Clarke, M.P.A., C.G.F.M. – Advocate Team Member

Professional Experience

Ken is a former federal Inspector General with more than 30 years experience identifying critical audit and investigative issues and effecting necessary improvement, including audit quality assessment reviews, across a variety of federal agencies. Successful team builder with outstanding communication and presentation skills as evidenced by developing and presenting intergovernmental leadership workshops and audit training to all organizational levels.

Ken was also a former President at Kendia Corporation. There he conducted internal quality assessment reviews of the Public Company Accounting Oversight Board's IOPA, in 2008, 2009, and 2010. Ken conducted external quality assessment reviews of the Texas Department of Criminal Justice Internal Audit Division and developed auditor training as a faculty associate of the U.S.D.A. Graduate School Government Auditor Training Institute.

Prior, Ken was a former Inspector General of the U.S. International Trade Commission. He directed investigations, audits and inspections in accordance with the Inspectors General Act of 1978, as amended. He planned and managed oversight of complex mission and financial status of major operations and conducted external peer reviews of the National Endowment for the Arts Inspector General's audit operations. He coordinated investigations of alleged fraud, waste and abuse, served on the President's Council on Integrity and Efficiency's (PCIE) Human Resource Committee, cultivating development of leadership training for Office of Inspector General (OIG) professionals. Ken coordinated initial identification of OIG professional core competencies, co-authored an article published in the Journal of Public Inquiry, and briefed the Institute of Internal Auditors Washington Conference. He has presented leadership workshops and audit training for intergovernmental Offices of Inspector General as well as lead a panel discussion on lessons learned from external peer reviews at the Association of Inspectors General National Conference in New York.

He has worked as an Audit Manager with the U.S. Department of Energy, where he directed audits of the Strategic Petroleum Reserve in New Orleans, LA, and the Savannah River Plant in Aiken, SC. And Ken has been a Supervisory Auditor with the U.S. Government Accountability Office where he managed on site review of federal program regulating transportation costs of importing crude oil into the United States. Ken participated as a team member on the IIA Quality Assessment of Memphis Light, Gas, and Water Division, and City of New York, Office of the Comptroller.

M.P.A. University of Tennessee, Knoxville, TN
B.A. Rhodes College, Memphis, TN
Association of Government Accountants
Certified Government Financial Manager
OTCI Instrument Administrator

Robert C. Riegel, CIA, CISA, CFE, CFSA, MA – Advocate Team Member

Professional Experience

Robert Riegel currently is a professor for Emory University (Center for Lifelong Learning) in Atlanta, Georgia. There he is a Lead Instructor for the IIA Certified Internal Auditor (CIA) Review Course instructing professional internal auditors on the Institute of Internal Auditor's International Professional Practices Framework.

Concurrently, Robert conducts external quality assessments for The IIA. He has worked with The IIA on external quality assessments for Boeing Company, National Commercial Bank of Jamaica, Chemung Financial, William Beaumont Hospitals, Eclipsys, Federal Signal, Internal Audit Agency of Ghana, and MetroPCS, Quest Diagnostics, Astellas US LLC, ING, Steelcase, Siemens AG, U.S. AgBank, FCB, Inter-American Development Bank, Oregon Health & Science University and Pride International.

Prior Robert has worked as an instructor of Finance and Accounting at Tianjin University of Finance & Economics, Tianjin, China. Robert also has experience in manufacturing environments to include Tech Data Corporation, Clearwater, Florida, a \$20 Billion global provider of IT products and services as Director of Internal Audit. There he directed all audit activities and a professional audit staff of twelve (USA and Germany). Robert worked for a global auto parts manufacturer as Director of Internal Audit for Arvin Industries in Columbus, Indiana, as well. Robert was Audit Manager for Sandvik a Swedish global specialty steel and capital equipment manufacturer.

In the financial sector Robert has worked as an audit supervisor for ITT Financial Corporation, a diversified financial services company (commercial and consumer lending, credit cards, insurance, commercial banking). Robert also served as an internal auditor for Landmark Bancshares, a multiple-branch regional commercial bank.

Credentials

Masters of Finance / International Business, Webster University, St. Louis, Missouri
Bachelor of Science in Accounting, University of Missouri, St. Louis, Missouri
Certificate in Data Processing, St. Louis Community College
Certified Internal Auditor (CIA)
Certified Information Systems Auditor (CISA)
Certified Fraud Examiner (CFE)
Certified Financial Services Auditor (CFSA)
Certified Systems Professional, Association for Systems Management
Fellow Life Management Institute (FLMI), insurance certification, LOMA
Forensic Accounting & Fraud Investigations, University of Indianapolis

Christie J. O'Loughlin, CGAP – TBD Example Team Member

CURRENT POSITION

Christie retired after 30 years working in a wide variety of progressively responsible positions with the State of Washington, 20 years in internal and external audit. Her professional volunteer activities include serving on the boards of her IIA chapter (two years as president when the chapter won platinum awards), her homeowners' association, the Lacey Library, and the committee hosting the annual Washington State Quality Award Symposium.

She served a two-year term as the IIA's Western North District 1 Representative from 2005-07. She is a current member of the IIA's Global Public Sector Committee and just completed researching and writing a white paper on "Guidance upon Opening a New Internal Audit Shop" for the PS committee.

QA EXPERIENCE

She participated as a team member on the IIA Quality Assessment team for the City of New York, Office of the Comptroller (GAGAS/yellow book standards). She conducted an external Quality Assessment of the City of Seattle's Audit Department (IIA and ALGA standards melded). She also led an external review Quality Assessment team for the WA State Department of Corrections (IIA standards).

PRIOR WORK EXPERIENCE

For six years Christie was the Internal Auditor for the Washington State Department of Agriculture (WSDA), overseeing and performing both internal and external audits. In this capacity she was responsible for directing all internal control reviews and special projects in the financial, compliance, and operational areas of the agency.

Prior to that, Christie was a Performance Auditor and Internal Audit manager in the Audit Division of the WA State Department of Social and Health Services. As a performance auditor she was a member of multi-disciplinary audit teams that primarily performed external contract compliance audits in aging and adult services, children's services, vocational rehabilitation, mental health, developmental disabilities, and alcohol and drug treatment programs, etc. She also performed change of administrator and internal control reviews of agency administrative functions and at state-run institutions.

EDUCATION & Certifications

Christie graduated from Smith College in 1964 with a major in history. She attended the Far Eastern Institute at the University of WA in Seattle, studying Chinese language and history for two years. She received a Masters degree in Education from the University of Washington.

She has been a Certified Government Audit Professional (CGAP). Christie is a member of the Nisqually Chapter of the Institute of Internal Auditors (IIA) in Olympia, WA.



Gordon M. Babey – TBD Example Team Member

Mr. Babey is in the position of Audit and Privacy Coordinator at the Office of the City Auditor, City of Edmonton, Alberta, Canada. Responsibilities include project management, and risk-based planning of assigned projects; coordinating multiple, diverse projects simultaneously; evaluating performance, effectiveness and efficiency of organizations being reviewed; presentation of project results through written and verbal reports to senior staff; conducting special investigations, often of a highly sensitive nature; and recommending process improvement opportunities. He applies his knowledge of accounting principles, auditing standards, organizational theory, risk analysis, management concepts, finance, economics and engineering to further the City Auditor's Vision of "Committed to Adding Value". He has had some involvement and experience in recruiting and mentoring of new audit staff.

He joined the Office of the City Auditor following eleven years progressive experience in transportation engineering from both the public and private sectors. His eighteen years of progressively responsible experience in operational and organizational audits and investigative reviews covered the following business areas (sample but not limited to): Police Governance, Transit Bus Pass Theft, Police Comprehensive – Issue Identification & Prioritization, Corporate Overtime, Skyreach (Sports) Centre, Corporate Access to Information and Protection of Privacy, Environmental Management System – Moving Towards ISO 14001 Certification, Natural Areas Conservation, City Centre Airport Operations, Water Contracting Investigation, Corporate Project Management Training, Drainage Efficiency Review, Project Management & Cost Estimating, Towing Services Contract, Un-metered Energy Review, Mobile Equipment & Fleet Services, Assessment to Determine Reasons for Inaccurate Ambulance Stations Budget Estimates, Electrical Transmission and Distribution Operations, Transportation Planning, Building Maintenance, Drainage Maintenance, Wastewater Treatment Operations, Highlands Combined Trunk Relief Sewer Investigation, Establishment of a New Sludge Disinfection/ Recycling Facility, Enquiry Into City Vehicles Being Used Outside City Limits, Edmonton Power Authority, Audit of the City's Project Management Framework, Water Branch, Waste Branch, Ambulance Authority, Fire Department, Vehicle Utilization, etc.

Mr. Babey graduated from the University of Alberta in 1977 with a Bachelor of Science in Civil Engineering, and in 1984 with a Master of Science in Civil Engineering. He is a registered Professional Engineer in the Province of Alberta. In 2002 he graduated from the University of Alberta, School of Business through the Centre for Executive and Management Development as part of the City of Edmonton's Leadership Development Program. In 2005 he has received his Accreditation in Internal Quality Assessment/Validation as established by the Institute of Internal Auditors. He is a member of the Institute of Internal Auditors; the Association of Professional Engineers, Geologists and Geophysicists of Alberta; and the Project Management Institute. He participated as a team member for the IIA's Quality Assessment of The Williams Companies, City of New York Office of the Comptroller, ATCO Ltd., and City of New York, Office of the Comptroller - Audit Bureaus.



COMPLETED EXTERNAL QUALITY ASSESSMENTS BY YEAR

2011

- *AMERICAN UNIVERSITY*
Douglas Kudravetz, Associate Vice President and Assistant Treasurer– Phone: 202-885-3283
- *CAFAM*
Jairo Alberto Rodriguez Bello, Jefe departamento auditoria interna– Phone: +571-646-8000

2010

- *AFRICAN DEVELOPMENT BANK*
Edward Ouko, Auditor General– Phone: +216 7110-2683
- *AMERICAN ELECTRIC POWER*
Richard Mueller, Vice President Audit Services – Phone: 614-223-2610
- *ASTELLAS US LLC*
Brian O'Brien, Vice President Internal Audit – Phone: 847-317-1481
- *BLUE CROSS BLUE SHIELD OF ARIZONA*
Katherine Osbourne, Chief Audit Executive– Phone: 602-864-4433
- *BOMBARDIER, INC.*
Francois Monette, Internal Audit Senior Director– Phone: 514-861-9481
- *CEDARS SINAI HEALTH SYSTEM*
Mark Ruppert, Director of Internal Audit – Phone: 323-866-6900
- *CITY OF NEW YORK, OFFICE OF THE COMPTROLLER*
Dennis Hochbaum, Director of Quality Assurance– Phone: 212-669-8887
- *COLORADO HOUSING AND FINANCE AUTHORITY*
Dana Pearce, Manager of Internal Audit – Phone: 303-297-7319
- *COPA AIRLINES*
Edna Watters, Senior Director– Phone: 507-304-2582



The Institute of Internal Auditors

- *E.ON U.S.*
Debbie Shelton, Director, Audit Services– Phone: 502-627-4614
- *EPM TELECOMUNICACIONES S.A E.S.P (UNE)*
Oscar Alberto Cano Castrillon, Director of Internal Control – Phone: +574-325-1993
- *FEDERAL HOME LOAN BANK OF DALLAS*
N. Earl Willey, Director of Internal Audit– Phone: 214-441-8434
- *FEDERAL HOME LOAN BANK OF DES MOINES*
Kelly Rasmuson, Chief Audit Executive– Phone: 515-281-1097
- *FEDERAL HOME LOAN BANK OF NEW YORK*
Stephen Angelo, Chief Audit Officer– Phone: 212-441-6789
- *FNB*
Christine Tvaroch, General Auditor– Phone: 724-983-3542
- *FOREST LABORATORIES, INC.*
Jasmine de Nully, Senior Director of Internal Audit– Phone: 212-224-6813
- *ING GROUP*
Berry Wilson, Chief Auditor Professional Practices Management– Phone: +31-20-576-9222
- *INSTITUTO NACIONAL DE SEGUROS*
Leonel Fernand Chave, General Auditor– Phone: +506-22-8-6-081
- *INTER-AMERICAN DEVELOPMENT BANK*
Alan N. Siegfried, Auditor General– Phone: 202-623-1450
- *M&T BANK*
John D'Angelo, Vice President & Deputy Auditor– Phone: 716-842-5551
- *MEMPHIS LIGHT, GAS AND WATER DIVISION*
Lesa J.B. Walton, Director, Internal Audit– Phone: 901-528-4102
- *NORTHEAST UTILITIES*
Ron Smith, Director - Internal Audit & Security– Phone: 860-665-3606
- *NORTHWESTERN ENERGY CORPORATION*
Michael Nieman, Internal Audit and Controls Officer– Phone: 605-978-2969



- *OTTER TAIL CORPORATION*
Lisa Helbling, Director of Internal Audit– Phone: 218-998-7132
- *PEPSICO*
Bruce Miller, Manager– Phone: 312-821-2199
- *PPL CORPORATION*
Martin F. Urban, Executive Director – Corporate Audit Services– Phone: 610-774-4801
- *SALT RIVER PROJECT*
Rick Wardrip, Corporate Auditor– Phone: 602-236-5800
- *SEVERSTAL JSC*
Voronchikhin Artem, Head of Internal Audit Department– Phone: +7-495-926-7767 x 6456
- *SIEMENS AG*
Anthony O'Reilly, Corporate Finance/Audit– Phone: +49-89-636-74248
- *STEELCASE, INC.*
Robert Lowry, Director, Global Audit Services– Phone: 616-890-5432
- *TELUS COMMUNICATIONS*
Ron Henderson, Manager– Phone: 780-493-3927
- *THQ, INC*
Albert Hunt, Director of Internal Audit– Phone: 818-871-5138
- *U.S. AGBANK*
Tom Kruse, Senior Vice President - Internal Audit– Phone: 316-266-5250
- *UNITED NATIONS POPULATION FUND*
Dr. Oliver Brasseur, Director– Phone: 212-297-5214
- *WHITNEY NATIONAL BANK*
Thomas Allen, Senior Vice President & Auditor– Phone: 504-586-7353
- *WORLD BANK*
Clare Brady, Vice President and General Auditor– Phone: 202-458-4870

2009

- *ATHENS INTERNATIONAL AIRPORT*
Panagiotis Valantassis, Manager Internal Audit – Phone: +30-210-35-36484
- *BATTELLE ENERGY ALLIANCE*
Fredrick G. Pieper, Director of Audits– Phone: 208-526-4513
- *BOEING*
Kimberly Wilhelm, Internal Auditor – Phone: 314-402-0369
- *CENTERPOINT ENERGY*
Carla Kneipp, Vice President Internal Audit Services– Phone: 713-572-0162
- *CHINA NUCLEAR POWER ENGINEERING CO., LTD*
Yan Zhongxin, Deputy Branch Head of Audit Department – Phone: +86-755-8447-8102
- *COMFAMA*
Fernando Yepes Barrera, Jefe Unidad Control de Gestión – Phone: +574-510-51-75
- *DOMINION EEI*
Ms. Patty Shell, Vice President & General Auditor – Phone: 804-775-5240
- *ECLIPSYS CORPORATION*
Trey LeGuerrier, VP Corporate Audit – Phone: 404-847-5950
- *FEDERAL HOME LOAN BANK OF BOSTON*
Robert Abisla, Director of Internal Audit – Phone: 617-292-9600
- *FEDERAL SIGNAL*
Rajan Sachar, VP Internal Audit – Phone: 630-247-4987
- *FINCA INTERNATIONAL*
Luke Tornero, Regional Internal Audit Manager – Phone: 202-682-1510
- *GENERAL MOTORS CORPORATION*
James K. Keller, General Director – Phone: 313 665-3632
- *GOVERNMENT OF NORTHWEST TERRITORIES*
Tejinder Bob Shahi, Director – Phone: 867-873-7700



The Institute of Internal Auditors

- *GOVERNMENT OF ONTARIO*
Marisa Fernandez, AIAudit Development Manager – Phone: 416-212-6357
- *HOUSING BANK OF TRADE AND FINANCE, THE*
Waleed Al-Shibli, General Auditor Assistant – Phone: +962-551-3861
- *IBERIABANK*
Roger Lewis, Audit Manager– Phone: 985-764-1394
- *INTERNAL AUDIT AGENCY OF GHANA*
Patrick Nomo, Director-General – Phone: +233-21-784088
- *ISRAEL DISCOUNT BANK*
Ronni Silver, Senior Vice President 1 & Chief Internal Auditor – Phone: 212-551-8807
- *LOCKHEED MARTIN*
Philip Tenney, Director of Ethics Operations – Phone: 301-897-6987
- *MANATEE COUNTY SCHOOL DISTRICT*
D. Edward Daugherty, Chief Internal Auditor – Phone: 941-708-8770, Ext. 2158
- *MEADWESTVACO CORPORATION*
Alan Pickett, Senior Audit Manager – Phone: 804-201-2037
- *NATIONAL COMMERCIAL BANK JAMAICA LIMITED*
Mukisa Wilson Ricketts (Mrs.), Chief Internal Auditor – Phone: 876-977-5209
- *NATIONAL FOOTBALL LEAGUE*
Kenneth Pimpton, Vice President Internal Audit – Phone: 212-450-2573
- *NOVA SCOTIA GOVERNMENT*
Ted Doane, Executive Director– Phone: 902-722-1310
- *PHILADELPHIA INSURANCE COMPANIES*
Jennifer Schultz, Assistant VP & Director of Internal Audit – Phone: 610-538-2143
- *PROGRESS ENERGY*
Bob Bazemore, Audit Services Audit – Phone: 919-546-4083
- *REGION OF PEEL*
Paul Wallis, Director, Internal Audit – Phone: 905-791-7800 ext. 4557

- *SAIF CORPORATION*
Cathy Pollino, Chief Internal Officer – Phone: 503-373-208
- *SEGUROS BOLIVAR, S.A.*
Napoleón Imbett Otero, V.P. Internal Audit – Phone: +57-1-381-1600
- *TATA MOTORS*
A. Gagendradagadkar, Chief Internal Auditor – Phone: +91-22-661-58539
- *UNIVERSITY OF KENTUCKY*
Joseph Reed, Senior Director of Internal Auditing – Phone: 859-257-9734
- *UNIVERSITY OF PITTSBURGH MEDICAL CENTER*
Linn Swanson, Chief Audit and Compliance Officer – Phone: 412-623-6641
- *UTAH RETIREMENT SYSTEMS*
Steve West, Internal Audit Director – Phone: 801-366-7356
- *WAYNE COUNTY AIRPORT AUTHORITY*
Istakur Rahman, V.P. Internal Audit – Phone: 734 247-7365
- *WAYNE STATE UNIVERSITY*
Carolyn Hafner, Assistant V.P. – Phone: 313-577-6802
- *WELLPOINT, INC.*
John Gallina, Senior Vice President, Internal Audit and Ethics & Compliance – Phone: 317-488-6246
- *WORLD METEOROLOGICAL ORGANIZATION*
Alok Kumar Ojha, Senior Internal Auditor– Phone + 41-22-730-8472

2008

- *ALLEGHENY ENERGY, INC.*
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The Institute of Internal Auditors

FIXED FEES		Unit Price/day	Qty Day	Unit Price/Hour	Qty Hour	FEE SUB TOTAL	EXPENSE	TOTAL
Task A - Presentation/Preliminary Meeting, and Pre-site Planning and Review								
George Shemo	Team Leader	\$ 1,400	3	\$ 175	24	\$ 4,200	\$ -	\$ 4,200
Ken Clarke	Advocate	\$ 700	1	\$ 88	8	\$ 700	\$ -	\$ 700
Robert Riegel	Advocate	\$ 700	1	\$ 88	8	\$ 700	\$ -	\$ 700
TBD - Example provide	Team Member	\$ 345	1	\$ 43	8	\$ 345	\$ -	\$ 345
TBD - Example provide	Team Member	\$ 345	1	\$ 43	8	\$ 345	\$ -	\$ 345
Task B - Quality Assessment								
George Shemo	Team Leader	\$ 1,400	10	\$ 175	80	\$ 14,000	\$ 5,200	\$ 19,200
Ken Clarke	Advocate	\$ 700	10	\$ 88	80	\$ 7,000	\$ 4,200	\$ 11,200
Robert Riegel	Advocate	\$ 700	10	\$ 88	80	\$ 7,000	\$ 4,200	\$ 11,200
TBD - Example provide	Team Member	\$ 345	10	\$ 43	80	\$ 3,454	\$ 4,200	\$ 7,654
TBD - Example provide	Team Member	\$ 345	10	\$ 43	80	\$ 3,454	\$ 4,200	\$ 7,654
Task C - Report Preparation								
George Shemo	Team Leader	\$ 1,400	2	\$ 175	16	\$ 2,800	\$ -	\$ 2,800
TOTAL:			59			\$ 44,000	\$ 22,000	\$ 66,000

Anticipated itemized expenses

Hotels	13500
Meals	4500
Car expenses	1050
Airfare	2700
Incidentals	250
Expense total:	22000

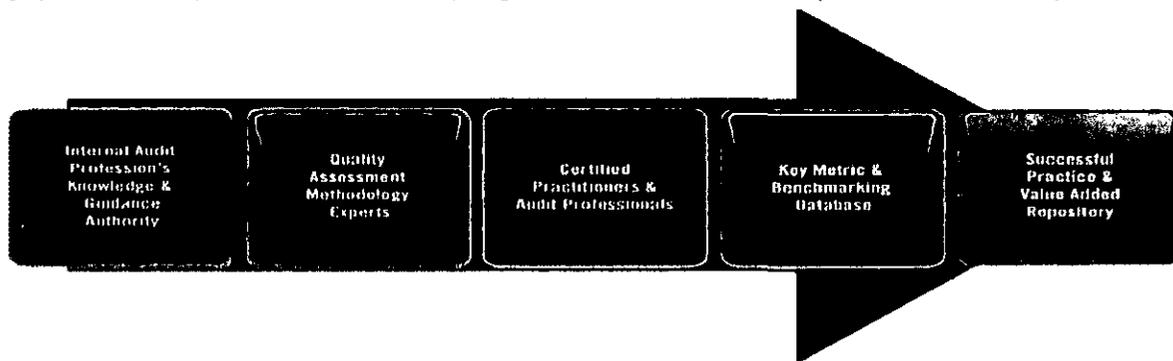
Technical Approach

The IIA is in a unique position to provide a high quality, value-added External Quality Assessment service to its clients. First, it is a true peer review by the world's recognized authority on internal auditing. Second, internal auditors developed and tested the program. Third, our experience has covered all sectors of the economy - business, industry, and government. Our database of over 6,000 Client Surveys allows you to benchmark your performance as viewed by your clients against an extensive set of worldwide clients.

The IIA's program based on the Manual, while available to all, is best applied by practicing internal auditors. The program reaches into every aspect of the IA activity, addressing internal audit issues with expertise and the knowledge of what works. Because practitioners apply the procedures, depth of review is quickly achieved, culminating in practical enhancements. Appendix I suggests the preparation and on-site review activities.

PERFORMED BY PEERS

A very positive aspect of The IIA's program is the use of experienced audit professionals as



team members. The client CAE assists in selecting the team members. These professionals are or have been managers and CAEs of IA activities within their own organizations. Because auditing is their daily profession, these candidates are in the best position to offer practical advice for improving an IA activity. An often-discussed benefit among prior clients is the problem-solving discussions between team members and the client CAE and staff.

TEAM SELECTION

The IIA headquarters staff provides over-all direction to all QA engagements. The team leader will be a CAE or senior management member with broad experience and excellent credentials, who has been kept abreast of leading-edge techniques by The IIA, through on-going communications, periodic on-site training, and exposure to the latest research publications and benchmarking data.

The review of The Port Authority of New York & New Jersey will involve four team members in addition to the team leader. The team will have the specialty knowledge as required to complete this engagement. The team will be in the field for two weeks and will be under the direction of



the team leader. Credentials of the proposed team are included in Section C, but we will gladly accept any input you have. The team members are enlisted after the proposal is accepted and bios of the team members are provided for your approval. If you have any reservations or concerns about a particular candidate, we will provide you with another candidate for approval.

DELIVERABLES

You will receive the following:

- Results of a survey of your clients' satisfaction and a comparison of your clients' responses to over 6,000 worldwide audit client responses;
- Guidance in interpreting your GAIN data;
- Personal consultation on techniques that may benefit your activity; and
- A detailed report covering:
 - Your conformance with the *Standards*;
 - Areas for improvement both on a governance level and a performance level; and
 - Recommendations of application of "successful practices".

QA PROCESS

PREPARATION

In preparing for an External Quality Assessment, a blend of activities involves the clients served by internal auditing.

Tool 2: QA Advanced Preparation

Tool 2: External Quality Assessment Advanced Preparation is prepared under CAE supervision. The Advanced Preparation provides valuable information for the review team to examine before conducting the on-site work. The Advanced Preparation format is provided at the following Web site link: [Tool 2](#).

Preliminary Meeting

A preliminary conference will be conducted to gather background information about the IA activity and its organizational environment. The team leader will conduct the preliminary conference approximately three weeks before the on-site date.

Audit Client Survey

Invitations for a survey to selected clients, usually covering the last 12 months, will be distributed. This questionnaire seeks client opinions of your audit organization's independence, professional proficiency, scope of work, performance, and management. The Audit Customer Survey is conducted using a web based URL and summarized by us to assure anonymity. The Audit Customer Survey instructions will be provided to you in advance of the on-site dates.



Internal Audit Activity Staff Survey

You may also want to consider conducting a Staff Survey of the members of the internal audit activity. It is intended to get their impression of their work environment. It would be handled the same way an Audit Customer Survey. The Staff Survey instructions will be provided to you in advance of the on-site dates.

Gain Benchmarking

GAIN is a broad benchmarking tool provided by The IIA. It provides displays of your data for various measures compared against the average of other organizations in your industry and against the average of the database as a whole.

ON-SITE ACTIVITIES

Senior management, the audit committee, and the IA activity will be involved in on-site activities. A thorough review of internal auditing policies, procedures, and reports takes place then.

Interviews

Discussions will be held regarding expectations, satisfaction, and opportunities with: the chairman of your audit committee, your chief executive, other senior officials, your public accountant, and IA activity members.

Record Review

The planning and scheduling of internal audits will be assessed. The methodology used to examine The Port Authority of New York & New Jersey's system of control will also be appraised. This appraisal includes a review of a sample of audits completed, concentrating on the last 12 months and examining working papers and reports in detail.

Policies and Procedures

The organizational/departmental policies for the internal audit activity will be reviewed. This review focuses on processes enhancing independence, hiring and developing staff, supervision, the audit life cycle, long-range planning and coordination with your external auditors.

Reporting

A closing conference will be held with the CAE and other key personnel, usually early in the morning of the final day. The team will prepare a final written report. It will include the observations of the review team, recommendations for improvement, and the actions taken or scheduled to be taken.

Recommendations will increase the effectiveness of the internal audit activity and your conformance with the *Standards*. The report should be sent to a senior official and the chairman of the audit committee.

Management Approach

The IIA has been helping to improve internal Audit (IA) activities by offering External Quality Assessment (QA) for over 20 years. Having conducted over 400 reviews involving hundreds of locations worldwide, virtually every industry and various levels of government have been encompassed. Audit staffs varying in size from one to over 300 have been reviewed. This expertise gives The IIA a particular advantage for reviewing the IA activity at your organization. Enclosed is a complete client listing from 2007 through the present date (See Section B).

The QA process reflects coverage of the areas contained in the definition of internal auditing. The review utilizes the Quality Assessment Manual, 6th Edition (Manual) that involves interaction with the various governance participants. The Manual responds to the increasing expectations of Chief Audit Executives (CAEs) as to how their activities can improve performance and services provided to their clients, the audit committee, and executive managers. Concepts and ideas for doing so have general application to internal audit activities of any size and industry.

Over the past several years, the scopes of our QAs have evolved from that of "conformance" to the *International Standards for the Professional Practice of Internal Auditing (Standards)* to the present practice where the primary focus is to determine how to improve the efficiency and effectiveness of the activity through an interactive approach with the CAE. This "business focused" QA approach can provide the audit committee, executive management, and the CAE not only an opinion as to the degree to which the IA activity conforms to the *Standards* and its charter, plans, and policies, but also provides recommendations as to how it can improve its effectiveness and add more value to the organization.

The *Standards* and related Practice Advisories were designed to assist the CAE in managing a professional auditing practice. One of the premises of our current review process is that a well-managed IA activity helps ensure conformance to the *Standards* and Code of Ethics that are part of the International Professional Practices Framework.

This approach is consistent with the expectations of CAEs who are more interested in receiving ideas, counsel, and suggestions from an informed, experienced and objective team of peers to improve the management of the activity and the value it provides to the parties involved in the organization's governance process. The Manual has been developed to provide guidance, criteria, and open-ended questions to stimulate ideas and deeper insights into the:

- Corporate governance process flowing from the audit committee, the board, and executive management;
- Enterprise risk assessment process;

- Control environment established by executive management;
- Opportunities for consulting services; and
- Operations of the audit activity as observed through the eyes and ears of CAEs, their staffs, and their audit customers.

OBJECTIVES

The objectives during the QA of The Port Authority of New York & New Jersey will be to accomplish the following:

- Provide an opinion as to whether the internal audit activity conforms to The IIA's *Standards* and its Code of Ethics;
- Review implementation of the *Standards* including the existence of a quality assurance process;
- Assess the efficiency and effectiveness of the IA activity in light of (a) its charter, (b) expectations of the audit committee, executive management, and the CAE, and (c) its current needs, exposures to performing at less than an effective level, and the future direction and goals of the organization;
- Identify opportunities and offer ideas and counsel for improving performance. By implementing selected "successful practices", your IA activity can add increased value to management and the audit committee and further promote the image and credibility of the IA activity within the organization;
- Review your interaction with the other members of the governance process and your involvement in the enterprise risk assessment process, the building of your audit universe and preparation of your audit schedule. This would include assessing your annual and long-range audit plans to see whether audit areas represent current and future business plans, strategy, exposures, and operations;
- Determine the perception of internal auditing through interviews and surveys with executive management and your customers. Provide insights into their level of satisfaction with internal auditing's services, along with appropriate suggested changes;
- Review and identify ways to enhance your policies and practices, as well as coordination with your external auditors.

BENEFITS

Some of the benefits that can be derived from the QA are as follows:

- The review fully satisfies the *Standards* requirement to have an external review at least every five years;
- The effectiveness of your organization's communications can be enhanced through improved access to management and heightened dialogue with the audit committee;
- Improvements in staff readiness and expectations, along with more effective supervision, will augment value-added efforts;

- Special attention to the audit schedule planning will result in suggestions for assuring that the focus is on auditing the right things;
- "Auditing things right" observations may redirect attention in the audit life cycle. This may assist your efforts to increase productivity;
- Organization structure, practices, and client satisfaction remarks may challenge you and your staff to have a greater impact on the bottom line; and
- The IIA will also provide a recognition plaque to the organization upon receiving a general conformance opinion.

SUCCESSFUL PRACTICES

The core competency portion of the review will include all phases of auditing such as: customer interaction, universe creation, risk assessment, internal controls, report writing, follow-up, tracking, managing an audit effort, use of metrics, interaction with the audit committee, and use of information technology. Use of "successful practices" will be considered. A determination will be made of which practices are being used by The Port Authority of New York & New Jersey and whether they are being utilized as intended and advertised.

The present operations of the internal audit activity will be compared against an array of "successful practices" and other leading-edge companies. To help identify successful practices, The IIA benchmarking service - GAIN (Global Auditing Information Network) will also be used. It allows measurement of the frequency with which these practices are used by the client base. It will also be used to point out where The Port Authority of New York & New Jersey appears to be different than the average. GAIN will be provided at no additional cost; however, you will need to complete the questionnaire which will be provided once the proposal is accepted.

The IIA experience at determining "successful practices" comes from a variety of sources including past QAs; in-house publications, courses and conferences; and, in particular, from GAIN. The Manual embraces successful practices of the profession that include concepts such as:

- Conducting enterprise risk assessment;
- Utilizing risk and control self assessment;
- Using internal control processes based on COSO, CoCo or other recognized internal control frameworks;
- Partnering with management;
- Contributing counsel and ideas of value to management;
- Integrating concepts of corporate governance into practice;
- Increasing staff performance;
- Providing consulting services;
- Communicating more effectively;
- Developing staff, both personally and professionally;



- Using more technology to increase staff efficiency;
- Establishing an assurance function;
- Utilizing team auditing;
- Stressing customer focus;
- Conducting audits in emerging areas such as environmental auditing; and
- Utilizing performance measurements.

The team will include a person knowledgeable in IT auditing, who will perform the following functions:

1. Review the entity IT environment: hardware, software and network environments, extent of use of e-commerce, and significant IT outsourced services, if any; and
2. Review the internal audit activity's coverage of IT as follows:
 - ♦ The IT auditing organization and objectives;
 - ♦ Computer equipment and software packages available for use by the internal audit activity;
 - ♦ Involvement in and awareness of strategic/tactical planning for implementing IT throughout the organization;
 - ♦ Audit planning, policies and procedures, scope of work, tools, and objectivity with the IT audit manager;
 - ♦ Audits performed in the last year, universe of IT areas subject to audit, and how the universe is updated and how IT risk is assessed; and
 - ♦ Qualifications of IT auditors, the ongoing training and the ability to utilize outside experts when required.

A model audit organization is one that is interested in providing value, has customer focus, utilizes new approaches, is interested in improving its productivity and that of its company, conducts audits in emerging areas such as environmental auditing, works in new and innovative ways with its external auditors, and utilizes technology effectively. Audit reporting and documentation is changing. More often reports are concise and include auditees' actions to address exceptions; consistent, clearly defined documentation that includes only essential but not unnecessary material; and many other innovative and effective styles. As you can see, this approach goes well beyond the issue of conformance with the *Standards*.

CONFIDENTIALITY

Since the confidentiality of your organization's information is of the utmost importance, each team member selected must sign a confidentiality agreement. The team will follow procedures in place or requested to ensure safeguarding of restricted information. Restricted information will not be removed from the premises.

TIMING

For your convenience, a sample schedule is enclosed, which allows you to view project milestones and the interconnection of these events. A schedule was prepared using July 11-22, 2011, as on-site dates. However, an alternate schedule could be accommodated, if necessary.

TOTAL TIME REQUIRED

The Port Authority of New York & New Jersey

ACTIVITY	TEAM MEMBERS	STAFF DAYS
Pre-site Planning and Review	1	1
Preliminary Meeting	1	1
Team Meeting	5	5
On-site Review	5	50
Report Preparation	1	2
Review Total		59

**PROPOSED QA SCHEDULE
THE PORT AUTHORITY OF NEW YORK & NEW JERSEY**

• Survey	<u>2011</u>
♦ Decide on Number of Copies and Contents (Shortly Before Mail-out)	6/1
♦ Mail Out Surveys to Customers (Two Weeks Before Responses Due)	6/6
♦ Responses to IIA from Customers (Three Weeks Before On-Site)	6/20
• Tool 2: Quality Assessment Advanced Preparation (Three Weeks Before Preliminary Meeting)	6/1
• GAIN Data Input on IIA Web Site (Two Weeks Before Preliminary Meeting)	6/6
• Preliminary Meeting (Three Weeks Before On-Site)	6/20
• On-Site	7/11-22
• Issue Draft Report to Customer (Two Weeks After On-Site)	8/5
• IIA Receives Reply to Draft Report Recommendations (Two Weeks After Draft Is Sent)	8/19
• Issue Final Report to Customer (One Week After Customer Responses Received)	8/26



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LATVIA

LEBANON

IIA Lebanon
Verdun, Rachid Karamah Street
PO Box 11-1912 Riad El Solh
Verdun
Beirut, 1107-2807
LEBANON

LESOTHO

IIA Lesotho
PO Box 395, Maeru 100
Maseru 100 LESOTHO



LITHUANIA

IIA Lithuania
Blindziu 17
Vilnius, LT-08111 LITHUANIA

LUXEMBOURG

IIA Luxembourg
10 Rue Goethe
Luxembourg L-2954
LUXEMBOURG

MALAWI

IIA Malawi
P/Bag 122
Blantyre 256 MALAWI

MALAYSIA

IIA Malaysia
160 3 3 Kompleks Maluri
Jalan Jejayka
Taman Maluri Cheras
Kuala Lumpur
Wilayah Persekutuan 55100
MALAYSIA

MALI

IIA Mali
BP 106
Bamako, 206 MALI

MAURITIUS

IIA Mauritius
30, St George Street
Port-Louis 230
MAURITIUS

MEXICO

IIA Mexico
Montecio 38, Piso 28, Oficina 20, 21 y 22
Col. Napoles, Del Benito Juarez
Mexico, D.F. 03810
MEXICO

MONTENEGRO

IIA Montenegro
Vranjske Njive BB
Podgorica
MONTENEGRO

MOROCCO

IIA Morocco
2eme etage
Casablanca 2000 MOROCCO

MOZAMBIQUE

IIA Mozambique
Rua Joaquim Lapa, NR 22, 4th Andar
Sala 7
Maputo MOZAMBIQUE

NETHERLANDS

IIA Netherlands
Apollostraat 7
Sassenheim
Zuid Holland 2172 CN
NETHERLANDS

NEW ZEALAND

IIA New Zealand
Partner Advisory
PO Box 2146 NEW ZEALAND

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Instituto de Auditores Internos de
Nicaragua
4 c rotonda Gueguense North 1 ½ West
Managua
NICARAGUA

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IIA Nigeria
P.O. Box 74237
Victoria Island
20 Dunmoye St., Oke Ira Nla, Ajah, Lekki
Lagos, 101241 NIGERIA



NORWAY

IIA Norway
Postboks 1166 Sentrum
Oslo NO-0107 NORWAY

OMAN

IIA Oman
PO BOX 3772, PC 112
Ruwi, Sultanate of Oman
Muscat OMAN

PAKISTAN

The Instituto of Internal Auditors-Pakistan
805-C, Faisal Town
Lahore
Punjab 54600 PAKISTAN

PANAMA

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Calle 50 Entre Calle 56 y 57
Panama 832-2607 WTC
PANAMA

PAPUA NEW GUINEA

The IIA Papua New Guinea Chapter
PO Box 705
Port Moresby,
National Capital District
PAPUA NEW GUINEA

PARAGUAY

IIA Paraguay
Alonso y Testanova
Asuncion,
PARAGUAY

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IIA Peru
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Urb. Prolongacion Benavides
Surco - Lima 33
PERU

PHILIPPINES

IIA Philippines
Cityland Herrera Tower, Unit 1803/07
Cor Valero Sts Salcedo Village
Makati City, 1227
PHILIPPINES

POLAND

IIA Polska
Ogrodowa 28/30 lok. 106
Warsaw 00-896
POLAND

PORTUGAL

IIA Portugal (IPAI)
Av Duque de Loulé 5 - 2º B Andar Dto.
Lisboa, 1050-085
PORTUGAL

QATAR

IIA Qatar
PO Box 5825
Doha, QATAR

ROMANIA

IIA Romania
Street no 3, Sector 3
Cod 030774
Bucharest ROMANIA

RUSSIA

IIA Russia
Narishkinskaya Alleya 5
Moscow, 125167
RUSSIA

SAUDI ARABIA

IIA Saudi Arabia
PO Box 2459
Riyadh, Central Province 11525
SAUDI ARABIA



The Institute of Internal Auditors

SENEGAL

IIA Senegal
Caisse De Securite Sociale
Place De L'Oit Colobane Dakar
Dakar, SENEGAL BP 102

SERBIA

IIA Serbia
Kicevska 15
Belgrade 11000, SERBIA

SINGAPORE

The Institute of Internal Auditors,
Singapore
The Corporate Office
138 Robinson Road #18-08
Singapore, 068906
SINGAPORE

SLOVAKIA

IIA Slovakia
Stefanovicova 5
Bratislava 817 82
SLOVAKIA REPUBLIC

SLOVENIA

IIA Slovenia
Dunajska Cesta 106
Ljubljana 1000
SLOVENIA

SOUTH AFRICA

IIA South Africa
PO Box 2290
Bedfordview, 2008
SOUTH AFRICA

SPAIN

IIA Spain
C/Santa Cruz de Macenado
33 1ra Planta 2d
Madrid 28015 SPAIN

SRI LANKA

IIA Sri Lanka
24/2/ Sri Siddartha Road
Kirulapona, Colombo 5
SRI LANKA

SWAZILAND

IIA Swaziland
PO Box 1341
Mbabane H100
SWAZILAND

SWEDEN

IIA Sweden
Strandvagen 7 A SE
Stockholm, 114 56
SWEDEN

SWITZERLAND

IIA Switzerland
Vulkanstrasse 120
Zurich, ZH 8048
SWITZERLAND

TANZANIA

The Institute of Internal Auditors
Tanzania
Raha Towers Building – 3rd Floor
Junction of Azikiwe/Bibi Titi Mohamed
Street
PO Box 80517
Dar Es Salaam 225
TANZANIA

THAILAND

IIA Thailand
2, St. Gabriel's Foundation Bldg.
Søi Thong lor 25,
Sukhumvit 55 Road, Khet Wattana
THAILAND



**THE FORMER YUGOSLAV REPUBLIC
OF MACEDONIA**

IIA the former Yugoslav Republic of
Macedonia
ul. Sava Kovachevik 113A
Skopje
Macedonia 1000

TUNISIA

IIA Tunisia (ATAI)
Rue 8011 Espace Tunis
Bloc H Bureau 1-2
Tunis 1073
TUNISIA

TURKEY

IIA Turkey
Esensehir mah. No. 36
Umraniye
Istanbul 34766
TURKEY

UGANDA

IIA Uganda
Plot 63 Buganda Road
After Primary School and Near Red
Cross Society
P.O. Box 6594
Kampala 256
UGANDA

UKRAINE

IIA Ukraine
Proreznay, 19b
Kiev, 01034
UKRAINE

UNITED ARAB EMIRATES

IIA United Arab Emirates
PO Box 17000 Dubai
Dubai
UNITED ARAB EMIRATES

UNITED KINGDOM

IIA UK & Ireland
13 Abbeville Mews
88 Clapham Park Road
London SW4 7BX
UNITED KINGDOM

URUGUAY

Instituto Uruguayo de Auditoria Interna -
IUAI
Cerrito 420 Oficina 505
Montevideo, 11100
URUGUAY

VENEZUELA

IIA Venezuela
Edificio 4ta. Avenida Suites, Ste #41
4ª Av. Entre 1ra y 2da Transversal
Los Palos Grandes, Chacao
Estado Miranda
VENEZUELA

ZAMBIA

IIA Zambia
10th Floor-Internal Audit
Chainda Place
Cairo Road, South End
Lusaka,
ZAMBIA

ZIMBABWE

IIA Zimbabwe
No 1 Meredith Drive
Eastlea
Harare,
ZIMBABWE



The Institute of Internal Auditors

March 4, 2011

Mr. Tim Volonakis
Manager – Professional, Technical, and Advisory Services Division
Procurement Department
The Port Authority of New York & New Jersey
One Madison Avenue, 7th Floor
New York, NY 10010

Dear Mr. Volonakis:

The Institute of Internal Auditors, Inc., is not aware of any conflict of interest or potential conflict of interest between your organization and the team members whose names we will be submitting to you. When you receive our list, if you are aware of any conflict of interest, please notify us immediately.

Sincerely,

Tracy Darakjian, CIA
Manager, Quality
The Institute of Internal Auditors

SERVING THE GOVERNMENT WITH CUSTOM SOLUTIONS TO BE IN A POSITION OF STRENGTH

MARCH 7, 2011

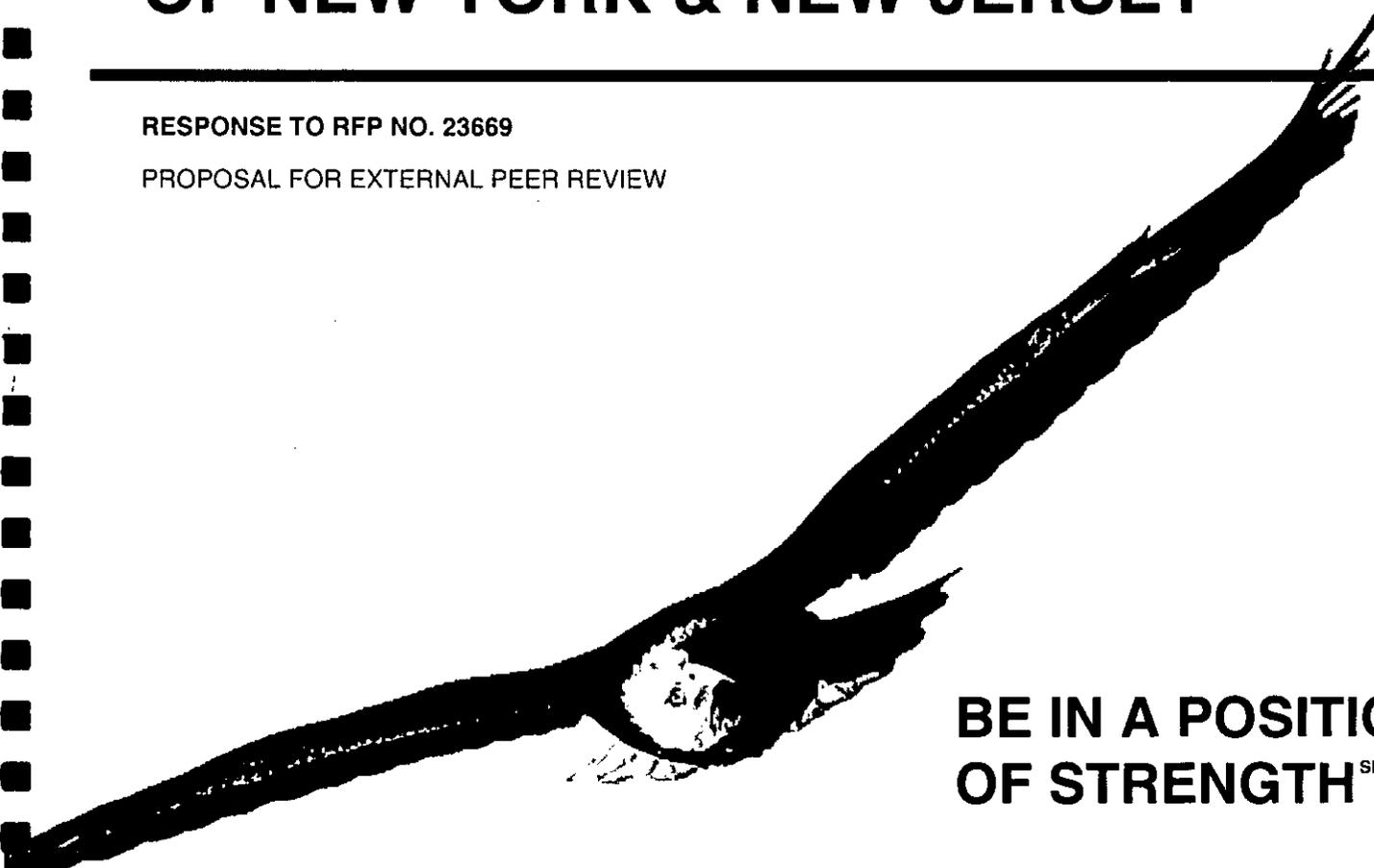
THE PORT AUTHORITY OF NEW YORK & NEW JERSEY



THE PORT AUTHORITY
OF NEW YORK & NEW JERSEY

RESPONSE TO RFP NO. 23669

PROPOSAL FOR EXTERNAL PEER REVIEW



**BE IN A POSITION
OF STRENGTHSM**

EIN: 22-2027092 • DUNS NO.:119218741



WithumSmith+Brown, PC
Certified Public Accountants and Consultants
New Jersey. New York. Pennsylvania. Maryland. Florida. Colorado.



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, NJ 08901
732.828.1612 . fax 732.828.5156
www.withum.com

Additional Offices in New Jersey,
New York, Pennsylvania, Maryland,
Florida, and Colorado

March 7, 2011

ATTN: RFP Custodian
The Port Authority of New York & New Jersey
One Madison Avenue, 7th Floor
New York, New York 10010

Dear Sir or Madam:

We are pleased to submit our proposal to provide an External Peer Review to The Port Authority of New York & New Jersey in response to RFP Number 23669.

Should you require additional information, please do not hesitate to call us. The contact for this proposal is Joseph J. Scudese. We look forward to an opportunity to work with the staff of the City of New York, Comptroller's Office.

Very truly yours,

WithumSmith+Brown, PC

WithumSmith+Brown, PC

BE IN A POSITION OF STRENGTH

A member of HLB International, a world-wide network of independent professional accounting firms and business advisors.

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY



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ATTACHMENT B

AGREEMENT ON TERMS OF DISCUSSION

ATTACHMENT B

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (RFP #23669)

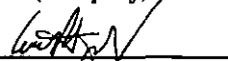
AGREEMENT ON TERMS OF DISCUSSION

The Port Authority's receipt or discussion of any information (including information contained in any proposal, vendor qualification, ideas, models, drawings, or other material communicated or exhibited by the undersigned or on its behalf) shall neither impose any obligations whatsoever on the Port Authority nor entitle the undersigned to any compensation therefore (except to the extent specifically provided in such written agreement, if any, as may be entered into between the Port Authority and the undersigned). Any such information given to the Port Authority before, with or after this Agreement on Terms of Discussion ("Agreement"), whether orally or in writing, is not given in confidence. Such information may be used, or disclosed to others, for any purpose at any time without obligation or compensation and without liability of any kind whatsoever. Any statement which is inconsistent with this Agreement, whether made as part of or in connection with this Agreement, shall be void and of no effect. This Agreement is not intended, however, to grant to the Port Authority rights to any matter, which is the subject of valid existing or potential intellectual property rights. The foregoing applies to any information, whether or not given at the invitation of the Authority.

Notwithstanding the above, and without assuming any legal obligation, the Port Authority will employ reasonable efforts, subject to the provisions of the Authority's Freedom of Information Policy and Procedure adopted by the Port Authority's Board of Commissioners on November 20, 2008, which may be found on the Authority website at <http://www.panynj.gov/corporate-information/freedom-of-information.cfm>, not to disclose to any competitor of the undersigned, information submitted which are trade secrets or is maintained for the regulation or supervision of commercial enterprise which, if disclosed, would cause substantial injury to the competitive position of the enterprise, and which information is identified by the Proposer as proprietary, which may be disclosed by the undersigned to the Port Authority as part of or in connection with the submission of a proposal.

WithumSmith+Brown, PC

(Company)



(Signature)

William Hagaman, Jr. CEO/Managing Partner

(Title)

3/7/11

(Date)

ORIGINAL AND PHOTOCOPIES OF THIS PAGE ONLY.
DO NOT RETYPE.

ATTACHMENT C

COMPANY PROFILE

ATTACHMENT C

COMPANY PROFILE

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSUANCE (PEER) REVIEW (RFP #23669)

1. Company Name (print or type):

WithumSmith+Brown, PC

2. Business Address (to receive mail for this RFP):

One Spring Street

New Brunswick, New Jersey 08901

3. Business Telephone Number: 732.828.1614

4. Business Fax Number: 732.964.9364

5. Firm website: www.withum.com

6. Federal Employer Identification Number (EIN): (Ex. 1)

7. Date (MM/DD/YYYY) Firm was Established: 03 / 21 / 1974

8. Name, Address and EIN of Affiliates or Subsidiaries (use a separate sheet if necessary):

N/A

9. Officer or Principal of Firm and Title:

William Hagaman, Jr. CEO/Managing Partner

10. Name, telephone number, and email address of contact for questions:

Joseph J. Scudese - 732.828.1614 - jscudese@withum.com

11. Is your firm certified by the Authority as a Minority-owned, Woman-owned or Small Business Enterprise (M/W/SBE)? Yes No

If yes, please attach **Port Authority** certification as a part of this profile.

If your firm is an M/WBE not currently certified by the Authority, see the Authority's web site – <http://www.panynj.gov/business-opportunities/supplier-diversity.html>, to receive information and apply for certification.

FIRM HISTORY

WITHUMSMITH+BROWN, PC

Named a 2010 "INSIDE Public Accounting Top 50 Accounting Firm"



Successfully passed all ten SEC Practice Section peer reviews, the last six without a Letter of Comment, a distinction accomplished only by a minority of firms

In 2009, WS+B was named an "INSIDE Public Accounting's All-Star Firm" for our performance in the areas of practice management.

Named "Best of the Best" for ten of the last 15 years by INSIDE Public Accounting, based on fiscal and management performance



Named a "Practice Innovation Award Winner" for 2008 by Practical Accountant magazine for two separate entries

Seventh largest firm in New Jersey

One of the top 37 accounting firms in the U.S.

Staff of approximately 400, with more than 300 professionals and almost 200 CPAs providing accounting, audit, tax and business consulting services

Member of the Center for Public Company Audit Firms since 1977

Partnering for CPA Practice Success of the American Institute of Certified Public Accountants

Registered with the Public Company Accounting Oversight Board



Ranked in the "Best Places to Work in New Jersey" list by the Best Companies Group through a survey conducted in partnership with NJBIZ magazine for the sixth consecutive year, maintaining our position as a Top 5 Company in the "large company" category in 2009.

Ranked number 11 in the Vault Accounting 50, 2011, published by Vault Inc.

Named the "2008 Business of the Year" for companies with over 100 employees by NJBIZ magazine



In 2010, WithumSmith+Brown was named as one of the "Best Accounting Firms to Work For" in the large-sized company category by Accounting Today.



WS+B was the recipient of the Philadelphia Business Journal's 2010 Corporate Philanthropy Award as the Top Volunteer Donor in the medium size business category, recognizing our firm for the number of volunteer hours dedicated to the not-for-profit community in the Greater Philadelphia area.

SIZE OF THE FIRM

WithumSmith+Brown is organized in a manner which is typical of a public accounting firm. Our organizational structure includes an accounting and audit staff, a tax department, management advisory services personnel and support staff members.

Distribution of personnel among the several categories is as follows:

	TOTAL
Accounting/Audit	229
Taxation	47
Litigation Support	21
Computer Specialists/Management Advisory Services	16
Support Staff	<u>108</u>
Total Personnel	<u>421</u>

The firm's personnel are currently classified as follows:

	TOTAL
Partners	70
Managers	101
Senior Accountants	56
Staff Accountants	70
Computer Specialists/Management Advisory Services	16
Support Staff	<u>108</u>
Total Personnel	<u>421</u>

All of the above employees are full time.

PRIOR EXPERIENCE

PEER REVIEW

WithumSmith+Brown has performed over 60 external audits over the past 4 years of CPA firms as well as a Governmental Unit, similar to that of The Port Authority of New York & New Jersey.

The peer reviews were performed for CPA firms located in NY, NJ, MA and RI. The firms varied in size from sole – practitioners to multi-office firms with up to 90 professionals. Several of these CPA firms performed audits in accordance with Government Auditing Standards which required us to tailor our peer review procedures to encompass those engagements.

The Governmental Unit consisted of a Director and Assistant Director. The Organization consisted of three branches which were headed by Audit Managers. The Audit Managers each had a staff of approximately 10 to 15 individuals of varying experience. The Organization performed engagements under Government Auditing Standards, Agreed Upon Procedures and Consulting Engagements. We performed the audit in accordance with the National Association of Local Government Auditors Standards (NALGA) at the request of the Director. These standards required that we perform our peer review procedures in order to render an opinion on whether the Organization's quality control policies and procedures were complied with and that the policies and procedures were in accordance with the applicable Government Auditing Standards.

PRIOR EXPERIENCE - CITY OF NEW YORK

We have an immense experience understanding of the operations for many of the City of New York Agencies that are providing various socio and economic support to various community based organizations that operate in the City of New York. This understanding of the program operations of these City Agencies would greatly benefit the Office of Management and Budget ("OMB") in WS+B performing the various anticipated accounting, auditing and consulting services anticipated under this Request For Proposal. On the following pages we have presented our previous work for the following City Agencies (which have been substantially completed and finalized as of the date of this proposal):

- Department For The Aging
- Department of Health and Mental Hygiene
- Department of Homeless Services

PRIOR EXPERIENCE - CITY OF NEW YORK

DEPARTMENT FOR THE AGING (DFTA)

We have been performing auditing and consulting services for DFTA for over the last 30 years. These services include performing audits of DFTA grant funds to various senior citizen centers located throughout the City. These reports included various financial schedules on the revenues and expenditures the senior center received/incurred in order to operate the program. These reports also included supplementary information on the various levels of service that the senior center provided, which include the number of meals served and the type of social activities the center provided to the seniors. Also, many of these audits were on performance based contracts that DFTA had in effect with various community based organizations. In addition to these audit services we have performed the following consulting services to DFTA:

- Preparing a manual on how to allocate costs to a DFTA program where the funded agency has multiple services with various City Agencies.
- Writing and updating of the DFTA Fiscal Management Manual. This Manual provides an agency who receives funding from DFTA guidance in:
 - Budget management
 - Accounting and internal control procedures
 - Bookkeeping procedures
 - Processing claims to DFTA
 - Procurement and processing
 - Filing and payment of payroll taxes
 - Computing indirect costs
 - Accounting and reporting on performance based contracts.

When the latest update to the Fiscal Management Manual was completed the firm conducted City wide training seminars for DFTA. These training seminars which had five different training sessions, in which each session lasted for three hours, took place at DFTA headquarters but were viewed at three other locations simultaneously via closed circuit television.

PRIOR EXPERIENCE - CITY OF NEW YORK

- Writing and updating the DFTA Audit Guide which is to be utilized by an independent public accountants in performing an audit of any entity receiving funds from DFTA.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE (DOHMH)

We have performed audits of various delegate agencies and hospitals for DOHMH under a contract over the last three years. These audits were for DOHMH contracts covering the years ended June 30, 2004, 2005, 2007 and 2008. The entities audited received contracts from DOHMH which we audited to determine the entities' compliance with City and contract regulations and requirements. All of the audits were performed in accordance with the following:

- AICPA Auditing Standards
- Government Auditing Standards (Yellow Book)
- The DOHMH Audit Guide
- City of New York, Comptroller's Office Directive 5
- Terms and Conditions of the Contract

Each of the audit reports included the following:

- Independent Auditors' Report on financial statements
- Statement of Contract Status (program expenses and revenues—budget to actual)
- Notes to financial statements
- Schedule of questioned costs and revenues
- Independent Auditors' Report on internal control and compliance and other matters
- Findings and recommendations (internal control and compliance and other matters)
- DOHMH requested disclosures
- Exit Conference

PRIOR EXPERIENCE - CITY OF NEW YORK

DEPARTMENT OF HOMELESS SERVICES (DHS)

We have performed auditing and information and technology internal control review for the Department of Homeless Services. During the audit services part we have audited over 70 entities receiving contract funding from DHS to operate homeless services programs throughout the five boroughs of the City of New York. This would include auditing on yearly funding ranging from \$50,000 to \$14,000,000. These audit reports include schedules on the financial activity of the funding along with an opinion on said financial schedules and a report on the entity's internal accounting control and compliance with contract provisions. In addition to the auditing assignments we have recently completed a Information Technology General Controls ("ITGC") review for the DHS Work Advantage Program. This ITGC encompassed:

- A review of Rehousing Computer Application, Client Tracking System and Mobile Application and Linking for changes controls and user access.
- Data Center Controls at DHS headquarters which encompassed reviewing the procedures for physical access, reviewing the disaster recovery policy and reviewing the computer systems backup policy.

PRIOR EXPERIENCE - CITY OF PHILADELPHIA

WithumSmith+Brown's professional staff have been providing audit and consulting services to the government of the City of Philadelphia for the past twenty years. We have worked for or with virtually every department throughout the City. Below and on the pages that follow we have presented a sampling of the many projects recently completed. These projects demonstrate our firm's ability to handle a variety of projects.

REDEVELOPMENT AUTHORITY

We were engaged to perform an agreed-upon procedures audit of \$44 million of funds related to the City of Philadelphia's, Neighborhood Transformation Initiative ("NTI") project for the period July 1, 2002 to June 30, 2008. The NTI project was a multi-faceted program that seeks to rebuild and preserve Philadelphia's neighborhoods and improve the City's ability to assemble land for future development.

FINANCE DEPARTMENT & CONTROLLER'S OFFICE

City of Philadelphia Sub-recipient Audit Guide

The firm was jointly engaged by the City of Philadelphia - Department of Finance and the Controller's Office to prepare the City of Philadelphia Sub-recipient Audit Guide. When the need arose as a result of regulatory changes, we were called upon to update the Guide.

The purpose of the City of Philadelphia Sub-recipient Audit Guide is to implement the City of Philadelphia's audit requirements to be utilized by organizations and their independent auditors in preparing for and performing audits of organizations which receive financial assistance under an award from the City of Philadelphia.

The *Audit Guide* was authored by Joseph J. Scudese CPA, Partner, who is a partner on the External Peer Review.

PRIOR EXPERIENCE - CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER

Our firm has performed special projects for the City of Philadelphia - Office of the Controller for many years. We have performed numerous engagements for the Office of the Controller over the past several years, some of which are described below.

- We were engaged to perform an analysis of the number of uniformed personnel in the field using the City of Philadelphia Police Department's "Daily Activity Report Database" for the Operations Bureau. This Database was provided by the Police Department IT Department to account for the deployed uniformed police officers on duty throughout the City. Utilizing IDEA Software, we performed various sorting of data that will be utilized by the Controller's Office to analyze police officer assignments in the City of Philadelphia police Department.
- We performed a special purpose assignment related to the Deployment of Uniformed Police Officers in the City.
- We performed several agreed-upon procedures audits of the District Council 47 Health and Welfare Fund.
- We were engaged to perform agreed upon procedures pertaining to the Co-Counsel program of delinquent tax collection administered by private contractors (collection agencies) under contract to the City.
- We have performed the complex task of compiling the records and preparing the financial statements for the City of Philadelphia 911 Program. This engagement was a three-year task and encompassed our firm working with several City Departments including, Police, Fire, Finance and Public Property.
- We were engaged to perform the financial and compliance, Single Audit of the City of Philadelphia – Department of Human Services for inclusion in the City of Philadelphia Single Audit Report.
- We are frequently called upon by the Office of the Controller to consult on issues relating to Single Audit.

REFERENCES

CONTACTS

Mr. John Jones, CPA
Controller

City of New York,
 Department for the Aging
 2 Lafayette Street
 New York, NY 10007-1392

Phone: 212.442.1156

Mr. Mark Talbot, CPA
Assistant Director

State of New Jersey
 Office of Auditing
 Department of Human Services
 P.O. Box 700
 Trenton, NJ 08625-0700

Phone: 609.292.9752

Mr. Gerald Micciulla, CPA
Deputy City Controller

Office of the Controller
 City of Philadelphia
 1230 Municipal Services Building,
 12th Floor
 Philadelphia, PA 19102

Phone: 215.686.6684

CONTACTS

Ms. Lauren Koren, CPA
Audit Manager

Office of Inspector General
 US National Science Foundation
 4201 Wilson Boulevard
 Arlington, VA 22230

Phone: 703.292.8456

Mr. Donald J. Troy, CPA

DiCicco, Gulman & Company LLP
 150 Presidential Way, Suite 510
 Woburn, MA 01801

Phone: 781.937.5358

ATTACHMENT D

PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE
(PEER) REVIEW (RFP #23669)

WITHUMSMITH+BROWN, PC

Task A - Meetings/Presentations

Name	Title	Company	Hours	Billing Rate	Cost
(Ex. 1)	Partner - Team Leader	WithumSmith+Brown, PC	7	\$ 250.00	\$ 1,750.00
	Partner - Team Member	WithumSmith+Brown, PC	7	\$ 225.00	\$ 1,575.00
	Partner - Team Member	WithumSmith+Brown, PC	7	\$ 225.00	\$ 1,575.00
	Manager - Team Member	WithumSmith+Brown, PC	4	\$ 175.00	\$ 700.00
Total Hours Task A:			25		\$ 5,600.00

Task B - Quality Assurance Review

Name	Title	Company	Hours	Billing Rate	Cost
	Partner - Team Leader	WithumSmith+Brown, PC	32	\$ 250.00	\$ 8,000.00
	Partner - Team Member	WithumSmith+Brown, PC	36	\$ 225.00	\$ 8,100.00
	Partner - Team Member	WithumSmith+Brown, PC	16	\$ 225.00	\$ 3,600.00
	Manager - Team Member	WithumSmith+Brown, PC	44	\$ 175.00	\$ 7,700.00
Total Hours Task B:			128		\$ 27,400.00

Task C - Reports

Name	Title	Company	Hours	Billing Rate	Cost
	Partner - Team Leader	WithumSmith+Brown, PC	4	\$ 250.00	\$ 1,000.00
	Partner - Team Member	WithumSmith+Brown, PC	4	\$ 225.00	\$ 900.00
	Manager - Team Member	WithumSmith+Brown, PC	4	\$ 175.00	\$ 700.00
Total Hours Task C:			12		\$ 2,600.00

Anticipated Itemized Expenses

Description of Expense	Cost
N/A	\$ -

TOTAL PROJECT	Hours =	165	\$ 35,600.00
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USE OF MINORITY SUBCONTRACTORS

While your RFP requests the use of a minority subcontractor, we believe that our Firm will fulfill this request because of its ethnically diverse workforce. In addition, because peer review engagements necessitate the use of experience personnel, such as partners and managers, we will provide a compliment of such personnel with the prerequisite skills and ethnic backgrounds. Therefore, we request a "waiver" for the utilization of a minority subcontractor.

SCOPE OF WORK

We will plan our review to render an opinion as to whether the Audit Department's internal quality control system was adequate and whether their policies and procedures were in compliance with required standards. Our opinion is based on our review of the Audit Department's quality control document, audit engagement files and interviews of the Audit Department personnel. We will utilize checklists approved by the American Institute of Certified Public Accountants for peer reviews and the requirements of the Authority's "Charter" and the Institute of Internal Auditors.

Specifically, we will:

1. Perform an evaluation of the knowledge, skills and abilities of all staff of the Department as they relate to performance of their specific Department functions.
2. Evaluate the adequacy and appropriateness of the scope of services being performed (as defined in the Department Charter) by the Department.
3. Review the quality of the work being performed by the Department.
4. Assess the overall management approach of the Department consistent with the aforementioned standards.
5. Assess the Department's ability to independently carry out its role within the Authority.

OUTLINE ON OVERALL APPROACH

We will plan the engagement to insure we have obtained a sufficient understanding of the quality control policies and procedures in place and will test those policies and controls by reviewing certain engagements we deem necessary based on a risk approach. We would also interview several staff members as well and review CPE documentation and CPA licenses where applicable.

We would request an introductory meeting with the Senior Managers and the Quality Assurance department to discuss our plan and to ask general questions to give us a better understanding of the control environment and types of engagements performed by the Audit Department.

PROVIDING DELIVERABLES AND DETAILED WORK PLAN

The following describes our plan regarding our on-site review.

ON-SITE REVIEW

1. Prior to our on-site visit (which would occur within three weeks after receiving our contract), we would require a listing of all engagements performed by the Audit Department. The listing will include the type of engagement, who reviewed the engagement, and who were on the engagement team. It should also include the number of hours to complete the engagement.
2. We would also require that the Audit Department send us their quality control document in advance of our on-site visit. If one does not exist, we would supply a checklist that should be completed. This step is to allow us to gain an understanding of the quality control policies and procedures in place and to make a preliminary determination of overall risk.
3. Based on the above and assessment of risk, we will make our preliminary selection of engagements to review.
4. In our selection, we will be looking to cover all Senior Managers and as many audit managers as possible while, allowing us to reduce the number of possible engagement selections, so that we will be able to render an opinion on the Audit Department's compliance with the standards.
5. We will submit the list of engagements to you approximately two weeks prior to our scheduled visit. We will withhold several "surprise" engagements which we will give to you during our on-site visit.
6. Our on-site visit would follow two weeks after we have made our initial selections.
7. We would like to have the Senior Managers and Audit Managers available on the days that we choose the engagements they worked on. This will allow us to speak with them to clarify any issues we may have while we are reviewing their respective engagements. Our goal would be to make sure we stick to our timetable so as not to disrupt the Audit Department's work process.

PROVIDING DELIVERABLES AND DETAILED WORK PLAN

8. During our on-site visit, in addition to reviewing engagements, we will also be interviewing staff to ascertain their perspective on the policies and procedures followed by the Audit Department.
9. We will review the Audit Department's policies and procedures for Continuing Professional Education (CPE), and will test those policies by reviewing the CPE documents for several of the professionals to ensure that they meet the statutory requirements.
10. We will review the Audit Department's hiring policies and review several new hires personnel files to determine that the Audit Department is in fact complying with its policies.
11. We will also review the Audit Department's independence policy and the procedures in place to identify any potential independence issues. We will test the policies by reviewing individual staffs compliance with those policies.
12. We anticipate that we would spend two weeks reviewing the engagements. We can do the work in consecutive days, or split up the days and perform the work over several weeks. We are flexible and can work around your staff's schedules.

PRELIMINARY REPORT

As we approach the end of the field work, the Senior Managers would have a good understanding of any deficiencies so that there are no "surprises" when we provide our preliminary report. Our preliminary report will indicate the review standards we followed, as well as objective, scope and methodology, and our opinion on the Audit Department's compliance with the required standards.

CLOSING CONFERENCE

We will meet with the Audit Department's management within 5 days of issuing our Preliminary Report. During this conference we would discuss our findings and discuss the Audit Department's responses.

As with all the peer reviews we perform, we will try to impart some of the best practices we have encountered in performing our audits of similar engagements. We view the peer review process not of one that looks to reprimand auditors, but one that hopes to increase the efficiency and proficiency of the professional as a whole.

PROVIDING DELIVERABLES AND DETAILED WORK PLAN

FINAL WRITTEN REPORT

Within 5 working days of our closing conference, we would submit our final report. We will be available at the convenience of the Audit Department to meet again to discuss any items in the report or any items mentioned in the exit conference. All the work, including this final report, will be completed within 70 days from the date of commencement of the review.

PREPARATION OF REPORT / SAMPLE REPORTS

We will issue a report on whether the Audit Department's quality control policies and procedures were adequate and whether they complied with them in order to provide them with reasonable assurance that they conform with the required audit standards.

APPROACH TO PREPARING REPORTS

During our review of the Audit Department's quality control policies and procedures and inspection of audit engagements and reports, we will be documenting the compliance with applicable standards by completing various checklists.

For each engagement reviewed or quality control policy and procedure tested, as we encounter areas or items we need clarification, we will discuss them with the appropriate individuals at the Audit Department. Upon clarification and agreement with those individuals we will complete the checklists. For items that we are in agreement, and are in fact findings, we will note them and carry them to a master finding spreadsheet.

After all engagements and tests of controls have been completed, we will make an overall evaluation of the Audit Department's quality control system and its compliance with it and prepare our peer review report. The Audit Department will be fully aware of our findings throughout the peer review process so that when we draft the report any findings listed will have been thoroughly vetted.

SAMPLE REPORTS

On the following pages are samples of peer review reports we have issued for CPA firms, and a Governmental Unit.

PREPARATION OF REPORT / SAMPLE REPORTS

SAMPLE 1

Peer review of CPA firm located in Massachusetts. The firm consisted of 10 Partners and approximately 75 staff accountants. The firm performed many different types of engagements including GA-GAS engagements. The review was performed in accordance with AICPA Peer Review Standards with an emphasis on the GAGAS standards.

SYSTEM REVIEW REPORT

To the Members of CPA FIRM, LLP
and the Peer Review Committee of the MSCPA

We have reviewed the system of quality control for the accounting and auditing practice of CPAFIRM, LLP (the firm) in effect for the year ended June 30, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards, and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of, CPAFIRM, LLP in effect for the year ended June 30, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. CPA FIRM, LLP has received a peer review rating of pass.

WithumSmith+Brown, PC
New Brunswick, New Jersey

PREPARATION OF REPORT / SAMPLE REPORTS

SAMPLE REPORT 2

Peer review of a governmental unit. The Organization consisted of a Director and Assistant Director who oversaw the 3 branch offices. Each branch was headed by an Audit Manager and employed approximately 10-15 staff. The Director had requested that we perform the audit in accordance with the National Association of Local Government Auditors (NALGA). We also issued a comment letter.

William X, Director
Office of Auditing
Department of X
222 South Warren Street
Trenton, NJ 08625-0700

Dear Mr. X:

We have completed our peer review of the Department of X's Office of Auditing for the year ended June 30, 2008. In conducting our review, we followed that standards and guidelines contained in the Peer Review Guide published in May 2004, by the National Association of Local Government Auditors (NALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that, except for the deficiencies noted below, the Office of Auditing's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the year ended June 30, 2008.

PREPARATION OF REPORT / SAMPLE REPORTS

Deficiencies found in your internal quality control system include (XXXXX). These control deficiencies resulted in recurring noncompliance with reporting and planning and supervision standards. We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

WithumSmith+Brown, PC
New Brunswick, NJ

William X, Director

PREPARATION OF REPORT / SAMPLE REPORTS

Office of Auditing
Department of X

Dear Mr. X

We have completed our peer review of the Department of X's Office of Auditing for the year ended June 30, 2008, and issued our report thereon dated July 6, 2009. We are issuing this companion letter to offer certain observations and suggestions derived from our peer review.

We offer the following to help your Organization achieve full compliance with Government Auditing Standards.

- **OBSERVATION ON PLANNING STANDARDS**

On all audit engagements we reviewed with a year end of December 31, 2007, the Organization failed to implement the new auditing risk standards covered under SAS 109 and 110. These Risk Assessment Standards established standards and provided guidance concerning the auditors' assessment of the risks of material misstatement; design and performance of tailored audit procedures to address assessed risks; audit risk and materiality; planning and supervision and audit evidence.

While the engagements we reviewed did not address the above standards specifically, we did not detect that an insufficient audit was performed.

- **RECOMMENDATION**

The Organization should implement the risk assessment standards on all engagements. Implementation of these standards would increase the effectiveness and efficiency of the audits.

- **OBSERVATION ON REPORTING STANDARDS**

On all the governmental entity audit engagements (CWA) selected for review, we noted that

PREPARATION OF REPORT / SAMPLE REPORTS

Governmental Auditing Reporting and Disclosure Standards were not followed but the Audit Opinions failed to report this departure.

- RECOMMENDATION

The Organization should either following GASB reporting and disclosure requirements or include a GAAP departure in the audit opinion.

- OBSERVATION ON REPORTING STANDARDS

On many engagements proper disclosure checklists were not completed as result, disclosures in certain areas were either missing or inadequate.

- RECOMMENDATION

The Organization should implement utilizing a comprehensive financial disclosure checklist.

- OBSERVATION ON SUPERVISION

There were two engagements noted during our review where adequate supervision was not performed, which resulted in the following:

- A-133 disbursement tests were not completed
- State Major program compliance testing was not performed
- Audit program for single audit was not completed
- The review notes were left in the file and follow up was not noted prior to issuance in the report

- RECOMMENDATION

The Organization should have all workpapers properly reviewed by the audit manag-

PREPARATION OF REPORT / SAMPLE REPORTS

ers and more oversight by the Director and/or his assistant.

We have also provided a summary of detailed remarks the review team made that will be presented at your staff meeting in the future. We trust that those comments are constructive and will also lead to improved compliance with Government Auditing Standards.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,

WithumSmith+Brown, PC
New Brunswick, NJ

QUESTIONNAIRES AND CHECKLISTS

In performing the peer review we will utilize various questionnaires and checklists to document our review. We will utilize a staff questionnaire, which we would request the selected staff complete prior to our interview with them. This will enable us to perform the interview in a more efficient and focused manner. We also use general questionnaires to document the Audit Department's quality control policies and procedures and adherence to those procedures as well as determining if those policies and procedures comply with the required standards.

WORK PLAN

WORK PLAN

Our approach to the engagement will be designed to ensure that we meet the following schedule.

DELIVERABLE	DATE
Contract Award	April 15, 2011
Kick-Off Meeting	April 25, 2011
Commencement of On-Site Review	May 2, 2011
Preliminary report Issued to NY & NJ Port Authority	June 16, 2011
Closing Conference	June 23, 2011
Final Report Delivered	June 30, 2011



Grant Thornton

Proposal to perform quality assurance audit services

The Port Authority of New York & New Jersey

RFP No. 23669

March 7, 2011



March 7, 2011

Attn: RFP Custodian
Re: Quality Assurance Services RFP No. 23669
The Port Authority of New York and New Jersey
One Madison Avenue, 7th Floor
New York, NY 10010

Audit • Tax • Advisory

Grant Thornton LLP
686 Third Avenue, 13th Floor
New York, NY 10017-4011
T 212.599.0100
F 212.370.4520
www.GrantThornton.com

We are pleased to submit our proposal to provide quality assurance audit services for The Port Authority of New York and New Jersey. Our proposal outlines our understanding of your needs, our approach to addressing your needs, and related professional fee estimates.

Some of the attributes that differentiate Grant Thornton as a service provider include:

- Executing the engagement will be seasoned Partners, Senior Managers and Managers that have experience in Internal Audit and EQAs
- We have a formal Quality Assurance Program which includes a second Partner review and assures a quality product is produced.
- While we are one of the Global Six Accounting firms and recognized around the world for our capabilities, depth of resources and uniform methodologies, we couple these strengths with local, personalized service delivery.

In short, Grant Thornton LLP is eager to assist The Port Authority of New York and New Jersey and to build our relationship as your trusted business advisors. We look forward to an opportunity to discuss our proposal in greater detail. In the meantime, if you have any questions, please don't hesitate to call me at 215.376.6020.

Sincerely,

A handwritten signature in cursive script that reads "Michael P. Rose".

Michael P. Rose, Partner
Regional Practice Leader Business Advisory Services

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A. Attachment B (Agreement on Terms of Discussion)

ATTACHMENT C
COMPANY PROFILE

**REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL
SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSUANCE (PEER) REVIEW
(RFP #23669)**

1. Company Name (print or type):

Grant Thornton, LLP

2. Business Address (to receive mail for this RFP):

666 Third Avenue, 13th Floor

New York, NY 10017-4011

3. Business Telephone Number: (212) 599-0100

4. Business Fax Number: (212) 370-4520

5. Firm website: http://www.GrantThornton.com

6. Federal Employer Identification Number (EIN): (Ex. 1)

7. Date (MM/DD/YYYY) Firm was Established: Aug / 1 /1924

8. Name, Address and EIN of Affiliates or Subsidiaries (use a separate sheet if necessary):

Grant Thornton Corporate Finance, LLC, Grant Thornton China Management Corporation,

Grant Thornton Management Advisory & Consultancy Services Limited, Grant Thornton
Consulting Services Corporation

9. Officer or Principal of Firm and Title:

Michael P. Rose, Partner, Regional BAS Practice Leader, Northeast

10. Name, telephone number, and email address of contact for questions:

William Donehower - Phone: (610) 724-0055 - E-mail: bill.donehower@us.gt.com

11. Is your firm certified by the Authority as a Minority-owned, Woman-owned or Small
Business Enterprise (M/W/SBE)? Yes No

If yes, please attach **Port Authority** certification as a part of this profile.

If your firm is an M/WBE not currently certified by the Authority, see the Authority's web site –
<http://www.panynj.gov/business-opportunities/supplier-diversity.html>, to receive information
and apply for certification.

B. Attachment C (Company Profile)

Practice Overview

You need a professional services firm that understands your company's needs and can hit the ground running. Grant Thornton has a depth of experience serving the public sector and our Audit, Tax and Advisory professionals are among the most experienced in the industry. This translates into spending less time and money briefing your engagement team and more time receiving practical insights that can help improve your overall strategy.

Grant Thornton LLP

Revenue: \$1.109B
Personnel: 5,241
Partners: 523
Offices: 49

U.S. member firm of Grant Thornton International Ltd

Statistics as of 7/31/2010

Grant Thornton International Ltd.

Revenue: \$3.6B
Personnel: 30,379
Partners: 2,568
Offices: 529

Statistics as of 9/30/2009

Depth of resources to serve you

Grant Thornton LLP is the U.S. member firm of Grant Thornton International, one of the six global audit, tax and advisory organizations. Through member firms in over 100 countries, including 49 offices in the United States, the partners and employees of Grant Thornton member firms provide personalized attention and the highest quality service to public and private clients around the globe.

The firm has over 5,000 partners and employees in the United States, including 700 dedicated Business Advisory Services professionals – the group that provides Governance Risk and Compliance (GRC) services.

Some of the services in our GRC space include providing Internal Audit Co-Sourcing and Out-Sourcing, Information Technology security, risk management consulting as well as a breath of Compliance consulting. We have approximately 300 professionals in our Northeast GRC practice in which approximately one third provide our Internal Audit and risk management services which would include executing Quality Assessment Reviews (QAR's). Our Business Advisory Practice operates on a regional basis with a GRC leader in each of the five regions. While your organization will be served primarily by personnel in the Northeast Region as necessary we regularly have personnel from other regions assist on client projects to assure all the appropriate skill sets are in place.

As part of our GRC practice we have seasoned professional with on average 15 years experience in the Internal Audit, information technology and risk management space both in consulting and/or previously in a variety of private services organizations. It is a combination of these people that will be assigned to this project.

QAR Services and quality process

Execution of all of our services is based on our global values. These values serve as the foundation for each step we take toward executing our firm strategy and achieving our vision. These values underpin our global strategy, support our vision and represent our beliefs. They guide our decision making and help us ensure that our people take correct and appropriate actions in all they do.

To achieve Grant Thornton's vision, we capitalize on our strengths by embracing the following values:

- Unite through global **collaboration**
- Demonstrate **leadership** in all we do
- Promote a consistent culture of **excellence**

- Act with **agility**
- Ensure deep **respect** for people
- Take **responsibility** for our actions

In addition, some of our quality and competitive advantages and techniques include the following:

- **Service quality** – Our annual Service Quality Measurement (SQM) survey enables you to rate your satisfaction based on the performance of our engagement teams. We use SQM to assess our past services and to identify areas where we can improve. We also benchmark against other firms for an objective view of how our service compares with that of our competitor.
- **Ideas and recommendations** – Clients appreciate the ideas and recommendations our professionals provide. That comes from our partners' understanding of clients' industry trends, which provide context for strategic decision making as well as an understanding of the issues C-level leaders face.
- **Access to resources** – When accounting, business or tax issues arise, you want easy access to experienced technical experts. At Grant Thornton, regional technical resources provide more direct access and quicker turnaround.
- **International strength** – Grant Thornton International Ltd member and correspondent firms are in more than 110 countries, just about anywhere you want to go. Whether it's Hong Kong or Houston, Cairo or the Carolinas, the people of Grant Thornton International Ltd firms provide the high quality service and personalized attention our clients deserve.
- **Thought Leadership:** In January 2007, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) selected Grant Thornton to develop new guidance designed to help organizations effectively monitor the quality of their internal control systems. In February 2009 Grant Thornton authored COSO's "Guidance on Monitoring Internal Control Systems".
- **Member of the Institute of Internal Auditor's (IIA) Partnership Program:** Choosing to embark upon this strategic alliance further emphasizes our spirit of cooperation and our enthusiasm for working hand-in-hand for the betterment of the internal audit profession. Grant Thornton follows the IIA standards and industry best practices in development and delivery of internal audit services. In fact, our methodology is based upon these standards. We commit to delivering our services in accordance with the International Standards for the Professional practice of Internal Auditing.



In addition to the use of our SQM process and other quality components noted above in executing any Internal Audit service including a QAR, our quality assurance program described further within this document provides assurance work is reviewed at all levels.

D. Relevant Experience



One of the best ways you can be comfortable that we will provide the Port Authority of NY and NJ with proactive service and industry experience is to talk to our current clients. In that regard, please feel free to contact the following client references to ask them about their Grant Thornton Experience. The Port Authority of NY and NJ will receive the same distinctive, high quality service.

Company	Contact	Telephone number	Services	Service dates	Team Members
Selective Insurance Company Branchville, NJ	Bruce Monahan Vice-President and Chief Audit Executive	973-948-1751	Internal Audit Out-Sourcing	2009-Current	Mike Rose Bill Mellon Bill Donehower
PMA Insurance Company Blue Bell, PA	Tom Klaus Vice –President and Chief Audit Executive	610-397-5432	Internal Audit Out-Sourcing	2008-Current	Mike Rose Bill Mellon
Long Island University Brookville, NY	Robert N. Altholz, VP Finance and Treasurer	516-299-2535	Internal Audit Quality Assessment Review	2009	Mike Rose Ruth Stevens
Ingersoll-Rand	David Butler Director Audit Services	704-655-5923	Internal Audit Quality Assessment Review	2008	Bailey Jordan
Martin Marietta Materials	Cesar Perez Chief Audit Executive	919-788-4396	Internal Audit Quality Assessment Review	2009	Bailey Jordan
Arrowpoint Capital (formerly Royal & Sun Alliance USA, Inc.)	David Payseur, Jr. Vice President and Chief Auditor	704-522-2964	Internal Audit Quality Assessment Review	2009	Bailey Jordan
Corporate Office Properties Trust	Sandeep Sokhey, Internal Audit Director	443-285-5574	Internal Audit Out-Sourcing	2006-Current	Mike Rose Bill Mellon Bill Donehower

Additional sample QAR and Internal Audit clients are shown below:

Client name	Service
Delaware River Port Authority	Internal Audit
Pemco Insurance Company	QAR
Rowan University	Internal Audit
U.S. Dept of Transportation	Internal Audit
DeVry	QAR
PC Connection	QAR
Ocwen Financial Corporation	QAR
Krispy Kreme Doughnut Corporation	QAR
U.S. HUD	Internal Audit
U.S. Veteran's Administration	Internal Audit
Centers for Medicare and Medicaid	Internal Audit
U.S. Bureau of Indian Affairs	Internal Audit
Philadelphia Gas Works	Internal Audit

E. Billing Rates

Billing rates for the Grant Thornton QAR team are as follows:

Name	Level	Full Rate (\$)	Discount	Discount Rate (\$)
(Ex. 1)	Partner	585	63%	216
	Partner	585	63%	216
	Senior Manager	510	63%	189
	Senior Manager	510	63%	189
	Manager	450	63%	167
	Senior Technical Staff	355	63%	131
	Senior Technical Staff	355	63%	131

While the above represent our discounted billing rates, for this engagement as is noted in Section F we will offer a blended hourly rate of \$174 for all services.

F. Staffing Analysis Sheet

The total cost for professional fees and related administrative expenses for this project will range from a minimum of \$25,600 to a not to exceed maximum of \$29,262 using a blended hourly rate of \$174. As noted in Section E. Billing rates, this represents a discount of approximately 63% from our standard rates. A range of hours between 140 hours to 160 hours will be necessary to complete the work. The staffing analysis presented below provides an overview of project staffing using the upper end range of 160 hours.

ATTACHMENT D

PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (RFP #233669)

Grant Thornton LLP

Task A - Meetings/Presentations

Name	Title	Company	Hours	Billing Rate	Cost
	Partner	Grant Thornton	1	216	\$216
	Senior Manager	Grant Thornton	16	189	\$3,024
	Manager	Grant Thornton	3	167	\$501
Total Hours Task A:					\$3,741.00

Task B - Quality Assurance Review

Name	Title	Company	Hours	Billing Rate	Cost
	Partner	Grant Thornton	7	216	\$1,512
	Partner	Grant Thornton	6	216	\$1,296
	Senior Manager	Grant Thornton	12	189	\$2,268
	Senior Manager	Grant Thornton	22	189	\$4,158
	Manager	Grant Thornton	22	167	\$3,674
	Manager	David Lopez & Co.	16	167	\$2,672
	Technical Staff	Grant Thornton	24	131	\$3,144
	Technical Staff	David Lopez & Co.	8	131	\$1,048
Total Hours Task B:					\$19,772.00

(Ex. 1)

Task C - Reports

Name	Title	Company	Hours	Billing Rate	Cost
	Partner	Grant Thornton	1	216	\$216
	Partner	Grant Thornton	1	216	\$216
	Senior Manager	Grant Thornton	16	189	\$3,024
	Senior Manager	Grant Thornton	3	189	\$567
	Manager	Grant Thornton	2	167	\$334
Total Hours Task C:					\$4,357.00

Anticipated Itemized Expenses

Description of Expense	Cost
Administration Fee for Misc Project Ex	1,392
Reimb. Total Cost:	\$1,392.00

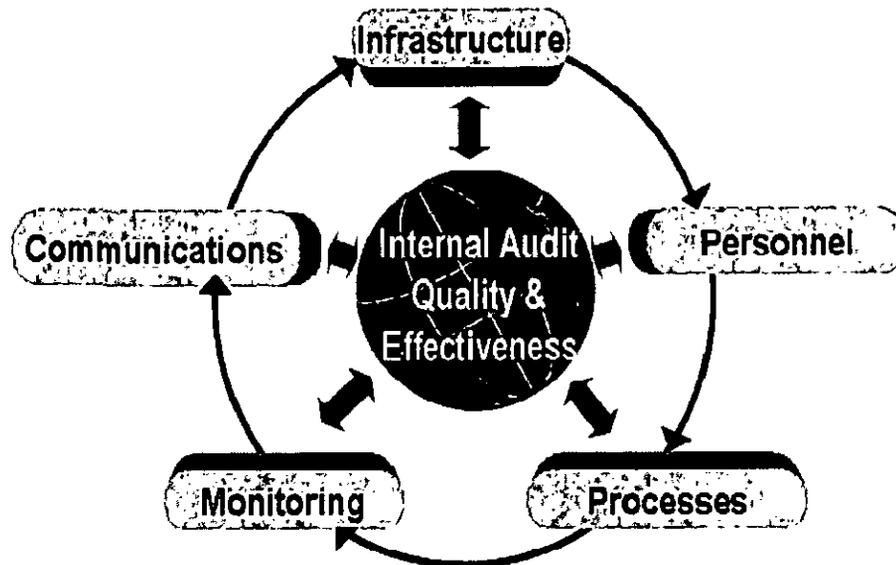
TOTAL PROJECT	Hours =	160	\$29,262.00
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Please refer to Appendix 1 for additional information on Grant Thornton's relationship with David Lopez and Company LLC.

G. Technical approach

The Grant Thornton QAR Methodology

Our approach to evaluating the quality and effectiveness of an internal audit function is based on our Quality Assurance Review (QAR) methodology which is closely aligned to the IIA's Quality Assessment manual. This methodology was designed to assess the effectiveness and efficiency of internal audit operations, by assessing the five key elements of Infrastructure, People, Processes, Monitoring and Communications. Our experience tells us that the ultimate strength, quality and effectiveness of an internal audit function is dependent on key factors within each of these five broad areas to efficiently and effectively succeed in carrying out its mission. Through our experience, we believe that our QAR approach is well-suited to measure the quality, efficiency and effectiveness of any internal audit function for any organization of any size and complexity around the world. Our model is depicted as follows:



Experienced professionals are key

Our people are the drivers of the methodology. Without qualified and experienced professionals, the methodology cannot be applied. Grant Thornton's Business Advisory

Services practice is comprised of professionals who specialize in providing internal audit and IT audit services. Our professionals are articulate, highly-skilled interviewers whose experience brings a real-world perspective to suggested improvements with recommendations that are practical and implementable. Our client service team will provide you with the level of service and knowledge you expect—specialists in internal auditing, information technology, best practices, risk management processes, all with industry-specific perspectives.

Five focal points of the QAR

As described previously, our QAR methodology revolves around five key areas of focus that directly impact the level of quality, efficiency and effectiveness of an internal audit function. As a part of our QAR activities, within each of the five key areas we consider a number of specific elements as outlined below:

Infrastructure

- Internal Audit ("IA") Organizational stature and structure within the company
- "Tone at the Top" and Management attitudes towards controls and audit
- IA Mission and focus of department goals and objectives
- Adequacy of financial budgets in relation to the audit plan, customer expectations, business risks, and to carry out internal audit mission

Communications

- Frequency of access to senior management and Audit Committee
- Management involvement in audit scoping and planning activities
- Format and frequency of audit reports
- Frequency and nature of communication/coordination with management, IA, and other key stakeholders and third-parties regarding issues and status
- Management responses to audit findings and recommendations

Personnel

- Efforts to properly staff and execute the current year plan
- Channels used to recruit new staff
- Matching skill sets with specific audit projects
- Engaging the use of specialists or contractors to supplement or complement existing skill sets and resources
- Appropriate training to maintain professional proficiency
- Performance review procedures to improve individual performance
- Career paths and opportunities for advancement

Processes

- Risk assessment methodology used to identify risks and timing of audits
- Adequacy of audit risk scale rating system
- Correlation between risk assessment, audit universe and audit plan

- Use of electronic work papers and other audit tools
- Adequacy of audit scope, budget and reporting procedures
- Consideration of core competencies involved in audits (IT, Operations, Fraud, Finance, Compliance)
- Appropriate supervision of audit staff
- Sampling methodology used to perform audit tests
- Methods used to track audit progress and open issues

Monitoring

- Audit plan execution against plans and budgets
- Compliance with IIA standards (Independence, Professional Proficiency, Scope of Work, Performance of Audit Work, Management Internal Audit)
- Adequacy of the operating policies and procedures
- Quality assurance process, including continuous improvement plans
- Performance measures and benchmarks used to assess the effectiveness and efficiency of the department
- Use of customer satisfaction surveys to determine customer expectations and evaluate the quality of the audit process

Tailoring the QAR approach for the needs of the organization

One size does not fit all: the internal audit needs of an organization may vary significantly depending on the size and nature of the organization, industry, regulations, management views and perspectives, or according to the expectations of key internal or external stakeholders. Our experience in performing these types of reviews has enabled us to develop a proven approach that can be tailored to each organization: one that combines an objective evaluation of the role and work of the internal audit function with an understanding of management's expectations and requirements and the challenges of continually assessing and transforming an internal audit function to add value to the organization and to satisfy the expectations of key stakeholders. Our approach in assessing the quality of an internal audit function typically involves the following high-level steps:

- Compare the company's internal audit practices with leading practices
- Compile internal audit and management perceptions and expectations of the internal audit function via interviews and discussion with senior management and audit customers
- Review fieldwork completed by internal audit and assess work standards, using IIA or other industry-specific standards as the benchmark
- Review and assess Internal Audit staffing, credentials and training programs in comparison to the company's business risks and the expectations of key stakeholders

Compare internal audit against leading practices

We will use our experience as internal audit service providers and a former chief audit executive to evaluate your internal audit function in comparison to leading practices, based on our experiences with numerous internal audit departments and other quality control programs,

and from our experiences in serving companies as their outsourced internal audit service provider.

Compile internal audit and management expectations of internal audit

We will use a combination of interviews and surveys (to be approved and distributed by company management) to compile expectations and perceptions of the internal audit function. This includes interviews with the Audit Committee Chairperson, Senior Management and other stakeholders.

Review field work and assess work standards

Using IIA standards, and/or other designated requirements or expectations that the company may have, we will review the critical elements of the internal audit function, including:

- Audits of internal audit's compliance with policies, laws, regulations and contracts
- Audit of economical and efficient use of resources
- Internal audit planning activities
- Fieldwork and audit plan execution
- Reporting

Review internal audit staffing, credentials and training

Our approach typically includes an evaluation of the company's practices for assessing and maintaining the skills and competencies of its personnel in comparison to its business risks and internal audit needs of the organization. Our procedures typically include the following elements:

- Interviews of internal audit management and staff
- Review inventory of the skills and competencies of internal audit personnel
- Review adherence to certification requirements
- Review continuing education requirements
- Review training program and tracking mechanisms
- Analyze staffing levels and skills in comparison to annual audit plan requirements

The combination of our QAR methodology and our expert team will produce the innovative questions and recommendations which will better position the internal audit function, management and the Audit Committee to achieve its collective mission. Our assessment will help focus internal audit's attention on its effectiveness as an oversight group and as an agent of change in the organization.

J. Firm's affiliates

A complete list of your firm's affiliates.

The following are Grant Thornton affiliates:

Grant Thornton Corporate Finance LLC

Grant Thornton China Management Corporation

Grant Thornton Management Advisory and Consultancy Services Limited

Grant Thornton Consulting Services Corporation

K. Conflict of interest

Grant Thornton believes it has no conflicts of interest with The Port Authority of NY and NJ.

As part of the independence quality control requirements of the Public Company Accounting Oversight Board (PCAOB) and the U.S. Securities and Exchange Commission (SEC), the Firm is required to audit, on a test basis, the independence certifications (INC) and the submissions in the independence tracking system, Global Independence System of our partners, senior managers, managers, executive directors and directors. To meet the PCAOB requirements and the SEC's safe harbor provisions for inadvertent independence violations, the Firm has been performing these audits since we became subject to these requirements in 2001. Independence audits are only conducted on those individuals who are required under Firm policy to submit an annual INC and maintain information on the Global Independence System.

Financial interests and business relationships

The Port Authority of New York and New Jersey wants an auditor that is free of conflict so that opinions can be given without being affected by influences that compromise professional judgment and skepticism. As prescribed by the International Federation of Accountant's Code of Ethics, and in keeping with our guiding principles and firm policies, **all Grant Thornton personnel must be independent of the firm's audit clients. This includes avoiding actions and relationships that could create even the appearance of conflict.**

Independence monitoring

Grant Thornton monitors independence to avoid conflicts before they happen so you don't have to worry about your auditor's independence.

Grant Thornton policies, except in rare circumstances, prohibit professionals working on the engagement, or any professional in the office where the lead partner principally operates, to hold a financial interest in any restricted entity on the firm's Reportable Investment List or Global Restricted List. Also, no Grant Thornton International member firm or their associated entities may hold a financial interest in any restricted entity.

The firm's Reportable Investment List (RIL) includes publicly held clients and their affiliates, registered investment companies, investment advisors, broker-dealers, financial institutions, governmental entities, and limited partnerships. The RIL is updated weekly.

Grant Thornton recently implemented a Global Independence System (GIS) to record publicly traded companies, mutual funds, corporate debt, and bonds held by our managers and partners. Now, when any member firm restricts an entity in the Global Restricted List, any partner, manager or entity with financial interests in that restricted entity will receive an email notification that a conflict exists. They are then required to dispose of the conflicting interest or attempt to go through a series of rule sets to attempt to self-clear.

Our monitoring tools allow our professionals, their spouses, spousal equivalents and dependents to determine whether an entity is restricted prior to acquiring a security, obtaining a loan, opening or modifying a brokerage account or entering into a business relationship.

Grant Thornton has also established a system for monitoring compliance with the system including auditing, on a sample basis, the information received. **All Grant Thornton professionals are required to complete an independence certification near the start of their employment and on an annual basis.**

Failure to cooperate with the system is subject to disciplinary procedures ranging from letters of reprimand to termination.

Client acceptance policy

As a part of our client acceptance policy, we require that a background search of the organization and each key decision makers be conducted as the final step in the acceptance process - usually after you have agreed to engage us.

L. Agreement

Port Authority Of New York and New Jersey RFP # 23669

Exceptions to Terms and Conditions

Grant Thornton anticipates the opportunity and reserves the right to negotiate the terms and conditions applicable to an award under this RFP, to include any terms and conditions as applicable to the final negotiated scope of services. We are confident that we'll be able to come to a mutually satisfactory agreement regarding terms and conditions, as we have many times in the past in similar procurement situations with public sector entities.

RFP LANGUAGE	EXCEPTION REQUESTED	Notes
<p>VI. Liability Insurance and Workers' Compensation Insurance</p> <p>C. Professional Liability Insurance The Consultant shall procure and maintain Professional Liability Insurance with limits of not less than \$2 million for each occurrence, covering negligent acts, errors, mistakes, and omissions arising out of the work or services performed by Consultant, or any person employed by Consultant. All endorsements and exclusions shall be evidenced on the certificate of insurance. The coverage shall be written on an occurrence form or may be written on a claims-made basis with a minimum of a three-year reporting/discovery period.</p> <p>D. Compliance: Prior to commencement of work at the site, the Consultant shall deliver a certificate from its insurer evidencing policies of the above insurance stating the title of this Agreement, the P. A. Agreement number, compliance with notice of cancellation provisions, and containing a separate express statement of compliance with each of the requirements above set forth to the Project Manager.</p> <p>1) Upon request of the General Manager, Risk Management/Treasury, the Consultant shall furnish to the Authority a certified copy of each policy described herein, including the provisions establishing premiums.</p> <p>2) Renewal certificates of insurance or policies shall be delivered via e-mail to the Authority's Project Manager at least fifteen (15) days prior to the expiration date of</p>	<p>Please modify the language as follows:</p> <p>C. Professional Liability Insurance The Consultant shall procure and maintain Professional Liability Insurance with limits of not less than \$2 million for each occurrence <u>claim</u>, covering negligent acts, errors, mistakes, and omissions arising out of the work or services performed by Consultant, or any person employed by Consultant. All endorsements and exclusions shall be evidenced on the certificate of insurance. The coverage shall be written on an occurrence form or may be written on a claims-made basis with a minimum of a three-year reporting/discovery period.</p> <p>1) Upon request of the General Manager, Risk Management/Treasury, the Consultant shall furnish to the Authority a certified copy of each policy described herein, including the provisions establishing premiums.</p> <p>2) Renewal certificates of insurance or policies shall be delivered via e-mail to the Authority's Project Manager at least fifteen (15) days prior</p>	

<p>each expiring policy. The General Manager, Risk Management must approve the renewal certificate(s) of insurance before work can resume. If at any time any of the certificates or policies shall become unsatisfactory to the Authority, the Consultant shall promptly obtain a new and satisfactory certificate and policy.</p>	<p>to the expiration date of each expiring policy. The General Manager, Risk Management must approve the renewal certificate(s) of insurance before work can resume. If at any time any of the certificates or policies shall become unsatisfactory to the Authority, the Consultant shall promptly obtain a new and satisfactory certificate-and policy.</p>	
<p>P.A. Agreement #**-11-**</p>		
<p>#3. Your services shall be performed as expeditiously as possible and at the time or times required by the Director. Time is of the essence in the performance of all your services under this Agreement.</p>	<p>Please add the following language:</p> <p>“The Authority acknowledges that the Consultant’s work is highly dependent on the availability of the Authority’s personnel, other contractors and/or representatives of the Authority, and other factors beyond the Consultant’s control. The Consultant will use commercially reasonable efforts to assist the Authority in meeting in stated deadlines, but the Authority acknowledges that despite these efforts, due to such factors, any stated deadlines and timelines may not be met. The Authority acknowledges that it is responsible for adjustments in deadlines due to delay or lack of availability on the part of its personnel.”</p>	
<p>5. The Consultant shall meet and consult with Authority staff as requested by the Director in connection with the services to be performed herein. All items to be submitted or prepared by the Consultant hereunder shall be subject to the review of the Director. The Director may disapprove, if in his sole opinion said items are not in accordance with the requirements of this Agreement or professional standards. If any of the said items or any portion thereof are so disapproved, the Consultant shall forthwith revise them until they meet the approval of the Director, but the</p>	<p>Please modify the language as follows:</p> <p>The Consultant shall meet and consult with Authority staff as requested by the Director in connection with the services to be performed herein. All items to be submitted or prepared by the Consultant to the <u>Authority</u> hereunder shall be subject to the review of the Director. The Director may disapprove, if in his sole</p>	

<p>Consultant shall not be compensated under any provision of this Agreement for performance of such revisions. No approval or disapproval or omission to approve or disapprove, however, shall relieve the Consultant of its responsibility under this Agreement to furnish the requested services in accordance with an agreed upon schedule and in accordance with professional standards.</p>	<p>opinion said items are not in accordance with the requirements of this Agreement or <u>reasonable</u> professional standards. If any of the said items or any portion thereof are so disapproved, the Consultant shall forthwith revise them until they meet the approval <u>specifications</u> -of the Director <u>Agreement</u>, but the Consultant shall not be compensated under any provision of this Agreement for performance of such revisions. No approval or disapproval or omission to approve or disapprove, however, shall relieve the Consultant of its responsibility under this Agreement to furnish the requested services in accordance with an agreed upon schedule and in accordance with <u>reasonable</u> professional standards.</p>	
<p>7A. An amount equal to the actual hourly billing rate billed by you for professional and technical personnel times the total number of hours actually spent by said personnel in the performance of services hereunder... ...The Authority reserves the right of approval of all personnel and billing rates for said personnel performing services under this Agreement. For compensation purposes under this Agreement, no such salary or amount shall exceed the salary or amount received by said personnel or rate customarily billed for a partner or principal as of the effective date of this Agreement unless the Director has been notified in advance, in writing, of the increased salary, rate or amount and approves the increase... ... For adjustments submitted after the effective date of this Agreement it is the intention of the Authority to grant an increase if the Consultant demonstrates compliance with all of the following conditions: that increases in salary, or partner's or principal's billing rate or amount are in a) accordance with the</p>	<p>7A. An amount equal to the actual hourly billing rate billed by you for professional and technical personnel times the total number of hours actually spent by said personnel in the performance of services hereunder... ... The Authority reserves the right of approval of all personnel and billing rates for said personnel performing services under this Agreement, <u>such approval not to be unreasonably withheld</u>. For compensation purposes under this Agreement, no such salary or amount shall exceed the salary or amount received by said personnel or rate customarily billed for a partner or principal as of the effective date of this Agreement unless the Director has been notified in advance, in writing, of the increased salary, rate or amount and</p>	

<p>program of periodic merit and cost of living increases normally administered by it, b) are warranted by increased costs of providing services under this Agreement, c) are based upon increases in salaries and billing rates that are generally applicable to all of Consultant's clients and d) are in accordance with the Authority's salary rate increase policy for the current year for Authority employees possessing comparable skills and experience. If during any calendar year, Authority limits are not available to the Consultant in a timely fashion, increases falling within such limits may be approved retroactively, as appropriate. The amount of increase in salary or billing rate, if any, to be applicable under this Agreement shall in all cases be finally determined by the Director or his designee, in their sole and absolute discretion.</p>	<p>approves the increase... ... For adjustments submitted after the effective date of this Agreement it is the intention of the Authority to grant an increase if the Consultant demonstrates compliance with all of the following conditions: that increases in salary, or partner's or principal's billing rate or amount are in a) accordance with the program of periodic merit and cost of living increases normally administered by it, b) are warranted by increased costs of providing services under this Agreement, c) are based upon increases in salaries and billing rates that are generally applicable to all of Consultant's clients, and d) are in accordance with the Authority's salary rate increase policy for the current year for Authority employees possessing comparable skills and experience. If during any calendar year, Authority limits are not available to the Consultant in a timely fashion, increases falling within such limits may be approved retroactively, as appropriate. The amount of increase in salary or billing rate, if any, to be applicable under this Agreement shall in all cases be finally determined by the Director or his designee, in their sole and absolute discretion.</p>	
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<p>7B. An amount equal to the premium payments for overtime work or night work or for performing hazardous duty, actually paid to partners, principals, project/program management or other professional and technical employees for time actually spent by them in the performance of services hereunder when such overtime or other premium payments have been demonstrated to be in accordance with the Consultant's normal business practice and have been authorized in advance by the Director in writing. The Project Manager for the Authority shall have the right to authorize and approve premium payments up to a total amount of \$1,000 per occasion. Payments above said total amount shall be subject to the prior written authorization of the Director. Such premium payments to supervisory employees, who do not receive such payments in the Consultant's normal business practice, shall not be given under this Agreement.</p>	<p>Please modify the language as follows:</p> <p>An amount equal to the premium payments for overtime work or night work or for performing hazardous duty, actually paid to partners, principals, project/program management or other professional and technical employees for time actually spent by them in the performance of services hereunder when such overtime or other premium payments have been demonstrated to be in accordance with the Consultant's normal business practice and have been authorized in advance by the Director in writing. The Project Manager for the Authority shall have the right to authorize and approve premium payments up to a total amount of \$1,000 per occasion. Payments above said total amount shall be subject to the prior written authorization of the Director. Such premium payments to supervisory employees, who do not receive such payments in the Consultant's normal business practice, shall not be given under this Agreement.</p>	
<p>8. You shall keep, and shall cause any subconsultants under this Agreement to keep, daily records of the time spent in the performance of services hereunder by all persons whose salaries or amounts paid thereto will be the basis for compensation under this Agreement as well as records of the amounts of such salaries and amounts actually paid for the performance of such services and records and receipts of reimbursable expenditures hereunder, and, notwithstanding any other provisions of this Agreement, failure to do so shall be a conclusive waiver of any right to compensation for such</p>	<p>Please modify the language in the second paragraph as follows:</p> <p><u>At its own expense and no more than once every twelve (12) months, The Authority shall have the right, upon ten (10) days' advance written notice,</u> to inspect your records, and those of your subconsultants, pertaining to any compensation to be paid hereunder, such records to be maintained by you and your subconsultants for a period of one year after completion of services to be performed under this Agreement.</p>	

<p>services or expenses as are otherwise compensable hereunder. The Authority shall have the right to audit all such records.</p> <p>The Authority shall have the right to inspect your records, and those of your subconsultants, pertaining to any compensation to be paid hereunder, such records to be maintained by you and your subconsultants for a period of one year after completion of services to be performed under this Agreement.</p>		
<p>9. On or about the fifteenth day of each month, you shall render a bill for services performed and reimbursable out-of-pocket expenses incurred in the prior month, accompanied by such records and receipts as required, to the Project Manager. Each invoice shall bear your taxpayer number and the purchase order number provided by the Director. Upon receipt of the foregoing, the Director will estimate and certify to the Authority the approximate amount of compensation earned by you up to that time. As an aid to you the Authority shall, within fifteen days after receipt of such certification by the Director, advance to you by check the sum certified minus all prior payments to you for your account.</p>	<p>Please modify the language as follows:</p> <p>On or about the fifteenth day of each month, you shall render a bill for services performed and reimbursable out-of-pocket expenses incurred in the prior month, accompanied by such records and receipts as required, to the Project Manager. Each invoice shall bear your taxpayer number and the purchase order number provided by the Director. Upon receipt of the foregoing, the Director will estimate and certify to the Authority the approximate amount of compensation earned by you up to that time. As an aid to you the Authority shall, within fifteen days after receipt of such certification by the Director, advance to you by check the sum certified minus all prior payments to you for your account.</p> <p><u>If the Authority breaches any payment obligation under this Agreement, and such breach is not cured within fifteen (15) days of its receipt of written notice of such breach, the Consultant may immediately: (a) suspend performance of the services; (b) change the payment conditions under this Agreement so that the Authority must pay weekly and in advance; or (c) terminate this Agreement. If the Consultant</u></p>	

	<p><u>elects to suspend performance due to nonpayment, the services will not be resumed until the account is paid as agreed. Alternatively, if the Consultant elects to terminate the services due to nonpayment, the Authority will be obligated to compensate the Consultant for all time expended and to reimburse the Consultant for all expenses through the date of termination.</u></p>	
<p>10. The Authority may at any time for cause terminate this Agreement as to any services not yet rendered, and may terminate this Agreement in whole or in part without cause upon three (3) days notice to you. You shall have no right of termination as to any services under this Agreement without just cause. Termination by either party shall be by certified letter addressed to the other at its address hereinbefore set forth. Should this Agreement be terminated in whole or in part by either party as above provided, you shall receive no compensation for any services not yet performed, but if termination is without fault on your part, the Authority shall pay you as the full compensation to which you shall be entitled in connection with this Agreement the amounts computed as above set forth for services completed to the satisfaction of the Director through the date of termination, minus all prior payments to you.</p>	<p>Please modify the language as follows:</p> <p><u>The Authority Upon thirty (30) days' written notice, either party may at any time for cause terminate this Agreement as to any services not yet rendered, provided the material breach is not cured within such thirty (30) day period, and either party may terminate this Agreement in whole or in part without cause upon forty-five ^{three (3)} days notice to you. You shall have no right of termination as to any services under this Agreement without just cause. Also, it is possible that because of unexpected circumstances the Consultant may determine that it cannot complete the services. If, in the Consultant's professional judgment, such circumstances exist, the Consultant may terminate this Agreement prior to completion without incurring any liability. In addition, the Consultant reserves the right to in whole or in part decline to perform services if information comes to the Consultant's attention indicating that performing any services could cause the Consultant to be in violation of applicable law, regulations or standards or in a conflict of interest, or to suffer damages to the Consultant's reputation.</u> Termination by either party shall be by certified letter addressed to the other at its address hereinbefore set forth. Should this Agreement be</p>	

	<p>terminated in whole or in part by either party as above provided, you shall receive no compensation for any services not yet performed, but if termination is without fault on your part, the Authority shall pay you as the full compensation to which you shall be entitled in connection with this Agreement the amounts computed as above set forth for services completed to the satisfaction of the Director through the date of termination, minus all prior payments to you.</p>	
<p>11. You shall not issue or permit to be issued any press release, advertisement, or literature of any kind, which refers to the Authority or the services performed in connection with this Agreement, unless you first obtain the written approval of the Director. Such approval may be withheld, if for any reason the Director believes that the publication of such information would be harmful to the public interest or is in any way undesirable.</p>	<p>Please modify the language as follows:</p> <p>You <u>Neither party</u> shall not issue or permit to be issued any press release, advertisement, or literature of any kind, which refers to the Authority <u>other party</u> or the services performed in connection with this Agreement, unless you <u>that party</u> first obtain the written approval of the Director <u>other party</u>. Such approval may be withheld, if for any reason that Director <u>party</u> believes that the publication of such information would be harmful to the public interest or is in any way undesirable.</p>	
<p>15. Originals of estimates, reports, records, data, charts, documents, renderings, computations, computer tapes or disks, and other papers of any type whatsoever, whether in the form of writing, figures or delineations, which are prepared or compiled in connection with this Agreement, shall become the property of the Authority, and the Authority shall have the right to use or permit the use of them and any ideas or methods represented by them for any purpose and at any time without other compensation than that specifically provided herein. The Consultant hereby warrants and represents that the Authority will have at all times the ownership</p>	<p>Please modify the language as follows:</p> <p>Originals of estimates, reports, records, data, charts, documents, renderings, computations, computer tapes or disks, and other papers of any type whatsoever, whether in the form of writing, figures or delineations, which are prepared or compiled <u>specifically for delivery to the Authority</u> in connection with this Agreement, shall become the property of the Authority, <u>provided, however that the Consultant shall retain an unlimited, royalty-free license to utilize such deliverables for its internal business purposes.</u> and the Authority shall have the right</p>	

and rights provided for in the immediately preceding sentence free and clear of all claims of third persons whether presently existing or arising in the future and whether presently known to either of the parties of this Agreement or not. This Agreement shall not be construed, however, to require the Consultant to obtain for the Consultant and the Authority the right to use any idea, design, method, material, equipment or other matter which is the subject of a valid patent, unless owned by the Consultant, or subconsultant, or an employee of either. Whether or not your Proposal is accepted by the Authority, it is agreed that all information of any nature whatsoever which is in any way connected with the services performed in connection with this Agreement, regardless of the form of which has been or may be given by you or on your behalf, whether prior or subsequent to the execution of this Agreement, to the Authority, its Commissioners, officers, agents or employees, is not given in confidence and may be used or disclosed by or on behalf of the Authority without liability of any kind, except as may arise under valid existing or pending patents, if any.

~~to use or permit the use of them and any ideas or methods represented by them for any purpose and at any time without other compensation than that specifically provided herein.~~ The Consultant hereby warrants and represents that the Authority will have at all times the ownership and rights provided for in the immediately preceding sentence free and clear of all claims of third persons whether presently existing or arising in the future and whether presently known to either of the parties of this Agreement or not. This Agreement shall not be construed, however, to require the Consultant to obtain for the Consultant and the Authority the right to use any idea, design, method, material, equipment or other matter which is the subject of a valid patent, unless owned by the Consultant, or subconsultant, or an employee of either. Whether or not your Proposal is accepted by the Authority, it is agreed that all information of any nature whatsoever which is in any way connected with the services performed in connection with this Agreement, regardless of the form of which has been or may be given by you or on your behalf, whether prior or subsequent to the execution of this Agreement, to the Authority, its Commissioners, officers, agents or employees, is not given in confidence and may be used or disclosed by or on behalf of the Authority without liability of any kind, except as may arise under valid existing or pending patents, if any.

Notwithstanding the foregoing, all deliverables are prepared solely for the internal use of the Authority's management, employees and board of directors. If the Authority wishes to make reference to the Consultant or to

disclose or disseminate in any manner any portion of a deliverable to a third party, including, if applicable outside auditors, the Authority agrees to first: (a) provide the Consultant with a draft of the proposed disclosure; (b) obtain the Consultant's prior written consent; and (c) if requested by the Consultant, obtain from any third party and provide to the Consultant a non-disclosure agreement and/or release in a form satisfactory to the Consultant in the Consultant's sole discretion.

The Consultant shall retain sole and exclusive ownership of and all right, title and interest in and to the related intellectual property, including, without limitation, the know-how, concepts, techniques, methodologies, ideas, processes, models, templates, tools, utilities, routines, and trade secrets that existed prior to this engagement or that, to the extent they are of general application, may have been discovered, created or developed by the Consultant during this engagement (collectively, the "Consultant Property"). The Authority shall acquire no right or interest in the Consultant Property, except for a non-exclusive, non-transferable, royalty-free right to use such Consultant Property solely in connection with the Authority's permitted use of the deliverables. The Authority will not sublicense or otherwise grant any other party any rights to use, copy or otherwise exploit or create derivate works from the Consultant Property.

<p>16. If research or development is furnished in connection with the performance of this Agreement and if in the course of such research or development patentable subject matter is produced by the Consultant, his officers, agents, employees, or subconsultants, the Authority shall have, without cost or expense to it, an irrevocable, non-exclusive royalty-free license to make, have made, and use, either itself or by anyone on its behalf, such subject matter in connection with any activity now or hereafter engaged in or permitted by the Authority. Promptly upon request by the Authority, the Consultant shall furnish or obtain from the appropriate person a form of license satisfactory to the Authority, but it is expressly understood and agreed that, as between the Authority and the Consultant the license herein provided for shall nevertheless arise for the benefit of the Authority immediately upon the production of said subject matter, and shall not await formal exemplification in a written license agreement as provided for above. Such license agreement may be transferred by the Authority to its successors, immediate or otherwise, in the operation or ownership of any real or personal property now or hereafter owned or operated by the Authority but such license shall not be otherwise transferable.</p>	<p>Please delete the last sentence.</p>	<p>AUTHORITY: Grant Thornton cannot allow the license to transfer without knowing who it might transfer to. It could be an entity that impairs Grant Thornton's independence.</p>
<p>18. This Agreement being based upon your special qualifications for the services herein contemplated, any assignment, subletting or other transfer of this Agreement or any part hereof or of any moneys due or to become due hereunder without the express consent in writing of the Authority shall be void and of no effect as to the Authority, provided, however, that you may sublet services to subconsultants</p>	<p>Please modify the language as follows:</p> <p>This Agreement being based upon your special qualifications for the services herein contemplated, any assignment, subletting or other transfer of this Agreement <u>by either party</u> or any part hereof or of any moneys due or to become due hereunder without the express consent in writing of the Authority <u>other</u></p>	

<p>with the express consent in writing of the Director. All persons to whom you sublet services, however, shall be deemed to be your agents and no subletting or approval thereof shall be deemed to release you from your obligations under this Agreement or to impose any obligation on the Authority to such subconsultant or give the subconsultant any rights against the Authority.</p>	<p>party shall be void and of no effect as to the Authority, provided, however, that you may sublet services to subconsultants with the express consent in writing of the Director. All persons to whom you sublet services, however, shall be deemed to be your agents and No subletting or approval thereof shall be deemed to release you from your obligations under this Agreement or to impose any obligation on the Authority to such subconsultant or give the subconsultant any rights against the Authority.</p>	
<p>20. NOTIFICATION OF SECURITY REQUIREMENTS The Authority has facilities, systems, and projects where terrorism or other criminal acts may have a significant impact on life safety and key infrastructures. The Authority reserves the right to impose multiple layers of security requirements on the Consultant, its staff and subconsultants and their staffs depending upon the level of security required, as determined by the Authority. These security requirements may include but are not limited to the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Consultant/subconsultant identity checks and background screening, including but not limited to: inspection of not less than two forms of valid/current government issued identification (at least one having an official photograph) to verify staff's name and residence; screening federal, state, and/or local criminal justice agency information databases and files; screening of any terrorist identification files; multi-year check of personal, employment and/or credit history; access identification to include some form of biometric security methodology such as fingerprint, facial or iris scanning, or the like; <input type="checkbox"/> Requiring that the Consultant/subconsultant execute 	<p><u>Please modify the language as follows:</u></p> <p><u>***</u></p> <p>The Authority reserves the right to impose <u>commercially reasonable</u>, multiple layers of security requirements on the Consultant, its staff and subconsultants and their staffs depending upon the level of security required, as determined by the Authority.</p> <p><u>***</u></p> <p>The Consultant may be required to have its staff, and any subconsultant's staff, authorize the Authority or its designee to perform <u>commercially reasonable</u> background checks. Such authorization shall be in a form acceptable to the Authority <u>and Consultant</u>.</p>	

<p>a Non-Disclosure and Confidentiality Agreement regarding the disclosure of Confidential Information;</p> <p><input type="checkbox"/> Issuance of Photo Identification cards;</p> <p><input type="checkbox"/> Access control, inspection, and monitoring by security guards.</p> <p>The Consultant may be required to have its staff, and any subconsultant's staff, authorize the Authority or its designee to perform background checks. Such authorization shall be in a form acceptable to the Authority. The Consultant may also be required to use an organization designated by the Authority to perform the background checks. The cost for said background checks shall be reimbursable to the Consultant as an out-of-pocket expense as provided herein. The Authority may impose, increase, and/or upgrade security requirements for the Consultant and its staff and subconsultants during the term of this Agreement to address changing security conditions and/or new governmental regulations.</p>		
<p>21. The Consultant assumes the following distinct and several risks to the extent arising from the negligent or willful intentional acts or omissions of the Consultant or its subconsultants in the performance of services hereunder:</p> <p>A. The risk of loss or damage to Authority property arising out of or in connection with the performance of services hereunder;</p> <p>B. The risk or loss or damage to any property of the Consultant or its subconsultants arising out of or in connection with the performance of services hereunder;</p> <p>C. The risk of claims, arising out of or in connection with the performance of services hereunder, whether made against</p>	<p>Please modify the language as follows:</p> <p>A. The risk of loss or damage to Authority <u>tangible</u> property <u>caused by Consultant or its subconsultants</u> arising out of or in connection with the performance of services hereunder;</p> <p>B. The risk or loss or damage to any <u>tangible</u> property of the Consultant or its subconsultants <u>caused by Consultant or its subconsultants</u> arising out of or in connection with the performance of services hereunder;</p> <p>C. The risk of claims, arising out of or in connection with the performance of services hereunder, whether made against the Consultant or its subconsultants or the Authority, for loss or damage to any</p>	

<p>the Consultant or its subconsultants or the Authority, for loss or damage to any property of the Consultant's agents, employees, subcontractors, subconsultants, materialmen or others performing services hereunder;</p>	<p>property of the Consultant's agents, employees, subcontractors, subconsultants, materialmen or others performing services hereunder;</p>	
<p>D. The risk of claims, just or unjust, by third persons made against the Consultant or its subconsultants or the Authority on account of injuries (including wrongful death), loss or damage of any kind whatsoever arising in connection with the performance of services hereunder including claims against the Consultant or its subconsultants or the Authority for the payment of workers' compensation, whether such claims are made and whether such injuries, damage and loss are sustained at any time both before and after the completion of services hereunder. The Consultant shall indemnify the Authority against all claims described in subparagraphs A through D above and for all expense incurred by it in the defense, settlement or satisfaction thereof, including expenses of attorneys. If so directed, the Consultant shall defend against any claim described in subparagraphs B, C and D above, in which event the Consultant shall not without obtaining express advance permission from the General Counsel of the Authority raise any defense involving in any way jurisdiction of the tribunal, immunity of the Authority, governmental nature of the Authority or the provisions of any statutes respecting suits against the Authority, such defense to be at the Consultant's cost. The provisions of this clause shall also be for the benefit of the Commissioners, officers, agents and employees of the Authority, so that they shall have all the rights which they would have</p>	<p>Please modify the language as follows:</p> <p>The risk of claims, just or unjust, by third persons made against the Consultant or its subconsultants or the Authority on account of <u>bodily injuries (including wrongful death), loss or damage of any kind whatsoever arising from infringement of third-party intellectual property rights caused by the Consultant or its personnel in the performance of this Agreement,</u> in connection with the performance of services hereunder including and claims against the Consultant or its subconsultants or the Authority for the payment of workers' compensation, whether such claims are made and whether such injuries, damage and loss are sustained at any time both before and after the completion of services hereunder. The Consultant shall indemnify the Authority against all claims <u>made against the Authority</u> described in subparagraphs A through D above and for all expense incurred by it in the defense, settlement or satisfaction thereof, including <u>the reasonable expenses of attorneys.</u> If so directed, <u>The Consultant shall defend, and shall have the sole right to control the defense,</u> against any claim described in subparagraphs B, C and D above, in which event the Consultant shall not without obtaining express advance permission from the General Counsel of the Authority raise any defense involving in any way jurisdiction of the tribunal, immunity of the Authority, governmental nature</p>	

under this clause if they were named at each place above at which the Authority is named, including a direct right of action against the Consultant to enforce the foregoing indemnity, except, however, that the Authority may at any time in its sole discretion and without liability on its part cancel the benefit conferred on any of them by this clause, whether or not the occasion for invoking such benefit has already arisen at the time of such cancellation. Neither the completion of services hereunder nor the making of payment (final or otherwise) shall release the Consultant from his obligations under this clause. Moreover, neither the enumeration in this clause or the enumeration elsewhere in this Agreement of particular risks assumed by the Consultant or of particular claims for which he is responsible shall be deemed (a) to limit the effect of the provisions of this clause or of any other clause of this Agreement relating to such risks or claims, (b) to imply that he assumes or is responsible for risks or claims only of the type enumerated in this clause or in any other clause of this Agreement, or (c) to limit the risks which he would assume or the claims for which he would be responsible in the absence of such enumerations. No third party rights are created by the Agreement, except to the extent that the Agreement specifically provides otherwise by use of the words "benefit" or "direct right of action". Inasmuch as the Authority has agreed to indemnify the Cities of New York and Newark against claims of the types described in subparagraph D above made against said cities, the Consultant's obligation under subparagraph D above shall include claims by said cities

of the Authority or the provisions of any statutes respecting suits against the Authority, such defense to be at the Consultant's cost. ~~The provisions of this clause shall also be for the benefit of the Commissioners, officers, agents and employees of the Authority, so that they shall have all the rights which they would have under this clause if they were named at each place above at which the Authority is named, including a direct right of action against the Consultant to enforce the foregoing indemnity, except, however, that the Authority may at any time in its sole discretion and without liability on its part cancel the benefit conferred on any of them by this clause, whether or not the occasion for invoking such benefit has already arisen at the time of such cancellation.~~ Neither the completion of services hereunder nor the making of payment (final or otherwise) shall release the Consultant from his obligations under this clause. Moreover, neither the enumeration in this clause or the enumeration elsewhere in this Agreement of particular risks assumed by the Consultant or of particular claims for which he is responsible shall be deemed (a) to limit the effect of the provisions of this clause or of any other clause of this Agreement relating to such risks or claims, (b) to imply that he assumes or is responsible for risks or claims only of the type enumerated in this clause or in any other clause of this Agreement, or (c) to limit the risks which he would assume or the claims for which he would be responsible in the absence of such enumerations. No third party rights are created by the Agreement, except to the extent that the Agreement specifically provides otherwise by use of the words "benefit" or "direct right of

<p>against the Authority for such indemnification.</p>	<p>action". Inasmuch as the Authority has agreed to indemnify the Cities of New York and Newark against claims of the types described in subparagraph D above made against said cities, the Consultant's obligation under subparagraph D above shall include claims by said cities against the Authority for such indemnification.</p>	
<p>22. CERTIFICATION OF NO INVESTIGATION (CRIMINAL OR CIVIL ANTI-TRUST), INDICTMENT, CONVICTION, DEBARMENT, SUSPENSION, DISQUALIFICATION AND DISCLOSURE OF OTHER INFORMATION</p> <p>By proposing on this Agreement, each Consultant and each person signing on behalf of any Consultant certifies, and in the case of a joint proposal each party thereto certifies as to its own organization, that the Consultant and each parent and/or affiliate of the Consultant has not:</p> <p>A. been indicted or convicted in any jurisdiction;</p> <p>B. been suspended, debarred, found not responsible or otherwise disqualified from entering into any agreement with any governmental agency or been denied a government agreement for failure to meet standards related to the integrity of the Consultant;</p> <p>C. had an agreement terminated by any governmental agency for breach of agreement or for any cause based in whole or in part on an indictment or conviction;</p> <p>D. ever used a name, trade name or abbreviated name, or an Employer Identification Number different from those inserted in the Proposal;</p> <p>E. had any business or professional license suspended or revoked or, within the five years prior to proposal opening, had any sanction imposed in excess of</p>	<p><u>Please delete and replace this section with the following language:</u></p> <p><u>By proposing on this Agreement, each Consultant and each person signing on behalf of any Consultant certifies to the best of the responding partner's or principal's actual knowledge:</u></p> <p><u>A. In the normal course of Grant Thornton LLP's business as a national accounting firm, Grant Thornton LLP may be made a party to litigation alleging various common law and statutory violations. While Grant Thornton LLP expects to resolve all pending matters without any material detrimental impact to the firm, like most accounting firms of any size, Grant Thornton LLP does not disclose or discuss its litigation. Litigation is generally disposed of in the normal course of business and under any applicable professional indemnity insurance policy.</u></p> <p><u>B. No Consultant employee working on this engagement has been suspended, debarred, found not responsible or otherwise disqualified from entering into any agreement with any governmental agency or been denied a government agreement for failure to meet standards related to the integrity of the Consultant.</u></p> <p><u>C. In the normal course of Grant Thornton LLP's business as a</u></p>	

<p>\$50,000 as a result of any judicial or administrative proceeding with respect to any license held or with respect to any violation of a federal, state or local environmental law, rule or regulation;</p> <p>F. had any sanction imposed as a result of a judicial or administrative proceeding related to fraud, extortion, bribery, proposal rigging, embezzlement, misrepresentation or anti-trust regardless of the dollar amount of the sanctions or the date of their imposition; and</p> <p>G. been, and is not currently, the subject of a criminal investigation by any federal, state or local prosecuting or investigative agency and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency.</p>	<p><u>national accounting firm, Grant Thornton LLP and its clients may be contacted by state regulatory agencies or professional organizations with respect to either informal inquiries or formal investigations. These agencies typically do not reveal which parties are witnesses, and which are targets. As with litigation, Grant Thornton LLP does not disclose or discuss its contact with state regulatory entities or professional bodies and such issues are generally disposed of in the normal course of business.</u></p> <p><u>D. Grant Thornton LLP has not been disciplined by the PCAOB or the SEC within the last five years.</u></p> <p><u>E. Grant Thornton LLP was formed as Alexander Grant & Co, subsequently changed its name in 1986 to Grant Thornton, and became Grant Thornton LLP in 1995.</u></p>	
<p>23. NON-COLLUSIVE PROPOSING, AND CODE OF ETHICS CERTIFICATION, CERTIFICATION OF NO SOLICITATION BASED ON COMMISSION, PERCENTAGE, BROKERAGE, CONTINGENT OR OTHER FEES</p> <p>By proposing on this Agreement, each Consultant and each person signing on behalf of any Consultant certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that:</p> <p>A. the prices in its proposal have been arrived at independently without collusion, consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such prices with any</p>	<p><u>Please modify the language as follows:</u></p> <p>By proposing on this Agreement, each Consultant and each person signing on behalf of any Consultant certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that <u>to the best of the responding partner's or principal's actual knowledge:</u></p> <p>***</p>	

<p>other Consultant or with any competitor;</p> <p>B. the prices quoted in its proposal have not been and will not be knowingly disclosed directly or indirectly by the Consultant prior to the official opening of such proposal to any other Consultant or to any competitor;</p> <p>C. no attempt has been made and none will be made by the Consultant to induce any other person, partnership or corporation to submit or not to submit a proposal for the purpose of restricting competition;</p> <p>D. this organization has not made any offers or agreements or taken any other action with respect to any Authority employee or former employee or immediate family member of either which would constitute a breach of ethical standards under the Code of Ethics dated April 11, 1996 (a copy of which is available upon request to the Authority) nor does this organization have any knowledge of any act on the part of an Authority employee or former Authority employee relating either directly or indirectly to this organization which constitutes a breach of the ethical standards set forth in said Code;</p> <p>E. no person or selling agency other than a bona fide employee or bona fide established commercial or selling agency maintained by the Consultant for the purpose of securing business, has been employed or retained by the Consultant to solicit or secure this Agreement on the understanding that a commission, percentage, brokerage, contingent, or other fee would be paid to such person or selling agency;</p> <p>F. the Consultant has not offered, promised or given, demanded or accepted, any undue advantage, directly or indirectly, to or from a public official or</p>		
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employee, political candidate, party or party official, or any private sector employee (including a person who directs or works for a private sector enterprise in any capacity), in order to obtain, retain, or direct business or to secure any other improper advantage in connection with this Agreement; and

G. no person or organization has been retained, employed or designated on behalf of the Consultant to impact any Authority determination with respect to (i) the solicitation, evaluation or award of this Agreement; or (ii) the preparation of specifications or request for submissions in connection with this Agreement.

The foregoing certifications, shall be deemed to be made by the Consultant as follows:

- * if the Consultant is a corporation, such certification shall be deemed to have been made not only with respect to the Consultant itself, but also with respect to each parent, affiliate, director, and officer of the Consultant, as well as, to the best of the certifier's knowledge and belief, each stockholder of the Consultant with an ownership interest in excess of 10%;
- * if the Consultant is a partnership, such certification shall be deemed to have been made not only with respect to the Consultant itself, but also with respect to each partner.

Moreover, the foregoing certifications, if made by a corporate Consultant, shall be deemed to have been authorized by the Board of Directors of the Consultant, and such authorization shall be deemed to include the signing and submission of the proposal and the inclusion therein of such certification as the act and deed of the corporation. In any case where the Consultant cannot make the foregoing certifications,

the Consultant shall so state and shall furnish with the signed proposal a signed statement, which sets forth in detail the reasons therefor. If the Consultant is uncertain as to whether it can make the foregoing certifications, it shall so indicate in a signed statement furnished with its proposal, setting forth in such statement the reasons for its uncertainty. With respect to the foregoing certification in paragraph "23G.", if the Consultant cannot make the certification, it shall provide, in writing, with the signed proposal:

- (i) a list of the name(s), address(es), telephone number(s), and place(s) of principal employment of each such individual or organization; and
- (ii) a statement as to whether such individual or organization has a "financial interest" in this Agreement, as described in the Procurement Disclosure policy of the Authority (a copy of which is available upon request to the Director of the Procurement Department of the Authority). Such disclosure is to be updated, as necessary, up to the time of award of this Agreement. As a result of such disclosure, the Authority shall take appropriate action up to and including a finding of nonresponsibility. Failure to make the required disclosures shall lead to administrative actions up to and including a finding of nonresponsibility. Notwithstanding that the Consultant may be able to make the foregoing certifications at the time the proposal is submitted, the Consultant shall immediately notify the Authority in writing during the period of irrevocability of proposals on this Agreement or any extension of such period of any change of circumstances which might under this clause make it unable to make the foregoing certifications

or require disclosure. The foregoing certifications or signed statement shall be deemed to have been made by the Consultant with full knowledge that they would become a part of the records of the Authority and that the Authority will rely on their truth and accuracy in awarding this Agreement. In the event that the Authority should determine at any time prior or subsequent to the award of this Agreement that the Consultant has falsely certified as to any material item in the foregoing certifications or has willfully or fraudulently furnished a signed statement which is false in any material respect, or has not fully and accurately represented any circumstance with respect to any item in the foregoing certifications required to be disclosed, the Authority may determine that the Consultant is not a responsible Consultant with respect to its proposal on the Agreement or with respect to future proposals on Authority agreements and may exercise such other remedies as are provided to it by the Agreement with respect to these matters. In addition, Consultants are advised that knowingly providing a false certification or statement pursuant hereto may be the basis for prosecution for offering a false instrument for filing (see, e.g. New York Penal Law, Section 175.30 et seq.). Consultants are also advised that the inability to make such certification will not in and of itself disqualify a Consultant, and that in each instance the Authority will evaluate the reasons therefor provided by the Consultant. Under certain circumstances the Consultant may be required as a condition of this Agreement award to enter into a Monitoring Agreement under which it will be required to take certain

<p>specified actions, including compensating an independent Monitor to be selected by the Authority. Said Monitor shall be charged with, among other things, auditing the actions of the Consultant to determine whether its business practices and relationships indicate a level of integrity sufficient to permit it to continue business with the Authority.</p>		
<p>30. [New Section]</p>	<p>Per the Authority's request, please add the following language: "This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles."</p>	
<p>31. Warranty [New Section]</p>	<p>Please add the following language: "The Consultant warrants that it will perform the services on a reasonable, professional efforts basis. This warranty is in lieu of, and the Consultant expressly disclaims, all other warranties, express, implied or otherwise, including, without limitation any implied warranties of merchantability or fitness for a particular purpose."</p>	
<p>Section 32: Dispute Resolution [New Section]</p>	<p>Please add the following language: "Any controversy or claim arising out of or relating to the services or related fees shall first be submitted to voluntary mediation. A mediator shall be selected by agreement of the parties, or if the parties cannot agree, a mediator acceptable to all parties will be appointed by the American Arbitration Association ("AAA"). In the unlikely event that a dispute cannot be resolved by mediation, the parties recognize that the matter will probably involve complex business issues</p>	

	<p>that would be decided most equitably by a judge hearing the evidence without a jury. Accordingly, the parties agree to waive any right to trial by jury in any action, proceeding or counterclaim arising out of or related to the services and the related fees.</p> <p>If the above jury trial waiver is determined to be prohibited by applicable law, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitrator shall be selected from the AAA or JAMS and will proceed in accordance with the current rules of the AAA. The arbitrator shall have no right to award non-monetary, equitable relief and will not have the right to award punitive damages. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential mediation or arbitration.</p> <p>It is expressly agreed by the parties that any claim by, or on behalf of either party, arising out of the services, whether it be in contract, tort or otherwise, shall be deemed waived if a claim is asserted more than two (2) years from the earlier of: the date that the deliverable is issued or when the claim becomes known.”</p>	
<p>Section 33: Limitation of Liability</p> <p>[New Section]</p>	<p>Please add the following language</p> <p>“With respect to the services, the parties agree that the liability of the Consultant and its present, future and former partners, principals and employees for any claim (including the Consultant’s negligence) shall not exceed the fees it receives for the portion of the work giving rise to such liability. In addition, the parties</p>	

	<p>agree that the Consultant and its present, future and former partners, principals and employees shall not under any circumstances be liable for any special, consequential, punitive, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity).</p> <p>Because of the importance of the information that the Authority provides to the Consultant with respect to the Consultant's ability to perform the services, the Authority hereby releases the Consultant and its present, future and former partners, principals and employees from any liability, damages, fees, expenses and costs (including defense costs) relating to the services, that arise from or relate to any information."</p>	
<p>Section 34: Authority Indemnification</p> <p>[New Section]</p>	<p>Please add the following language:</p> <p>"The Authority shall indemnify, defend and hold harmless the Consultant and its present and former partners, principals, directors, employees, agents and contractors from and against any liability, damages, expenses, losses, demands and costs (including defense costs) associated with any claim arising from or relating to: (a) the Authority misrepresentations; or (b) false or incomplete information provided to the Consultant by the Authority or its agents."</p>	
<p>Section 35: Confidential Information</p> <p>[New Section]</p>	<p>Please add the following language:</p> <p>"The documentation for this engagement (including working papers) is not part of the deliverables, is the property of the Consultant, and constitutes the Consultant's confidential information. The Consultant has a responsibility to retain the documentation for a period of time sufficient to satisfy any</p>	

	<p>applicable legal or regulatory requirements for record retention. However, the Consultant may be requested to make certain documentation available to regulators pursuant to law or regulations. If requested, access to the documentation will be provided to the regulators under the supervision of the Consultant's personnel and at a location designated by the Consultant. Furthermore, upon request, the Consultant may provide photocopies of selected documentation to the regulators. The regulators may intend, or decide, to distribute the photocopies or information contain therein to others, including other governmental agencies. The Authority hereby authorizes the Consultant to allow the regulators access to, and photocopies of, the documentation in the manner discussed above."</p>	
<p>Section 36: Non-Solicitation [New Section]</p>	<p>Please add the following language:</p> <p>"When the Consultant loses a valued member of its engagement team, it incurs significant expenses in hiring and training replacements. Also, in some situations, a client's employment of an engagement team member may raise independence issues. Accordingly, for the term of this Agreement and for a period of one (1) year after the services are completed, the Authority agrees not to solicit, directly or indirectly, or hire any of the Consultant's personnel who participate on this engagement without the express written consent of the Consultant. If this provision is violated, the Authority will pay to the Consultant a fee equal to the hired person's annual salary in effect at the time of the violation to reimburse the Consultant for the costs of hiring and training replacement personnel."</p>	

<p>Section 37: Severability</p> <p>[New Section]</p>	<p>Please add the following language:</p> <p>“If any portion of this Agreement if held invalid, it is agreed that such invalidity shall not affect any of the remaining portions. Furthermore, if the services are subject to the independence rules of the Securities and Exchange Commission, such that any provision in this Agreement would impair the Consultant’s independence under the SEC’s rules, such provision shall, to that extent, be of no further force and effect and the Agreement shall consist of the remaining provisions.”</p>	
<p>Section 38:</p> <p>[Previously Section 30]</p>	<p>If the foregoing meets with your approval, please indicate your acceptance by signing the original and the additional enclosed copy in the lower right-hand corner and returning them to the Authority.</p>	

Appendix 1 – Firm Demographic and Minority Business Enterprise (MBE) Participation

Commitment to Minority Business Enterprise (MBE) Participation

We have partnered with David A. Lopez & Company, LLC, a Minority Business Enterprise (MBE) organization registered with the city of Philadelphia. David A. Lopez & Company, LLC has individuals with complementary skills, experience and qualifications in providing audit, management consulting, and other advisory services to a variety of organizations, including the Philadelphia Housing Authority Development Corporation (PHADC) and other not-for-profit organizations. Depending on staff level assigned to the project Grant Thornton will typically apply a 0% to 20% mark up on fees paid to David A. Lopez & Company LLC.

Prior to forming David A. Lopez and Company, LLC, Mr. Lopez was employed by regional and Big Five accounting firms. He has performed audits for multi-billion dollar SEC clients in the manufacturing, retail, and financial services industries as well as small privately held businesses. He has a B.S. in Accounting, with a minor in Economics, from the University of Pittsburgh (1995). He has also published in various articles focusing on the accounting and finance professions. He is a Certified Public Accountant in the Commonwealth of Pennsylvania, State of New Jersey, and the District of Columbia and a member of numerous professional and civic associations.

Grant Thornton's commitment to diversity

Grant Thornton is dedicated to providing a workplace that engages and includes people of diverse and differing backgrounds. We understand that the more our Partner and employee population represents our communities and our clients, the more successful we will be in our business. As such, the firm demonstrates its commitment to diversity through our recruiting practices, operational policies and innovative approach to building a culture of inclusiveness.

A commitment to recruiting diverse candidates

Grant Thornton's entry level recruiting efforts are focused on colleges and universities with diverse student bodies. Through active relationships on campuses across the country and diversity organizations — such as the National Association of Black Accountants (NABA), the National Asian American Society of Accountants (NAASA) and the Association of Latino Professionals in Finance and Accounting (ALPFA) — we are able to recruit and hire a population of top candidates with extremely varied backgrounds. Our experienced and lateral

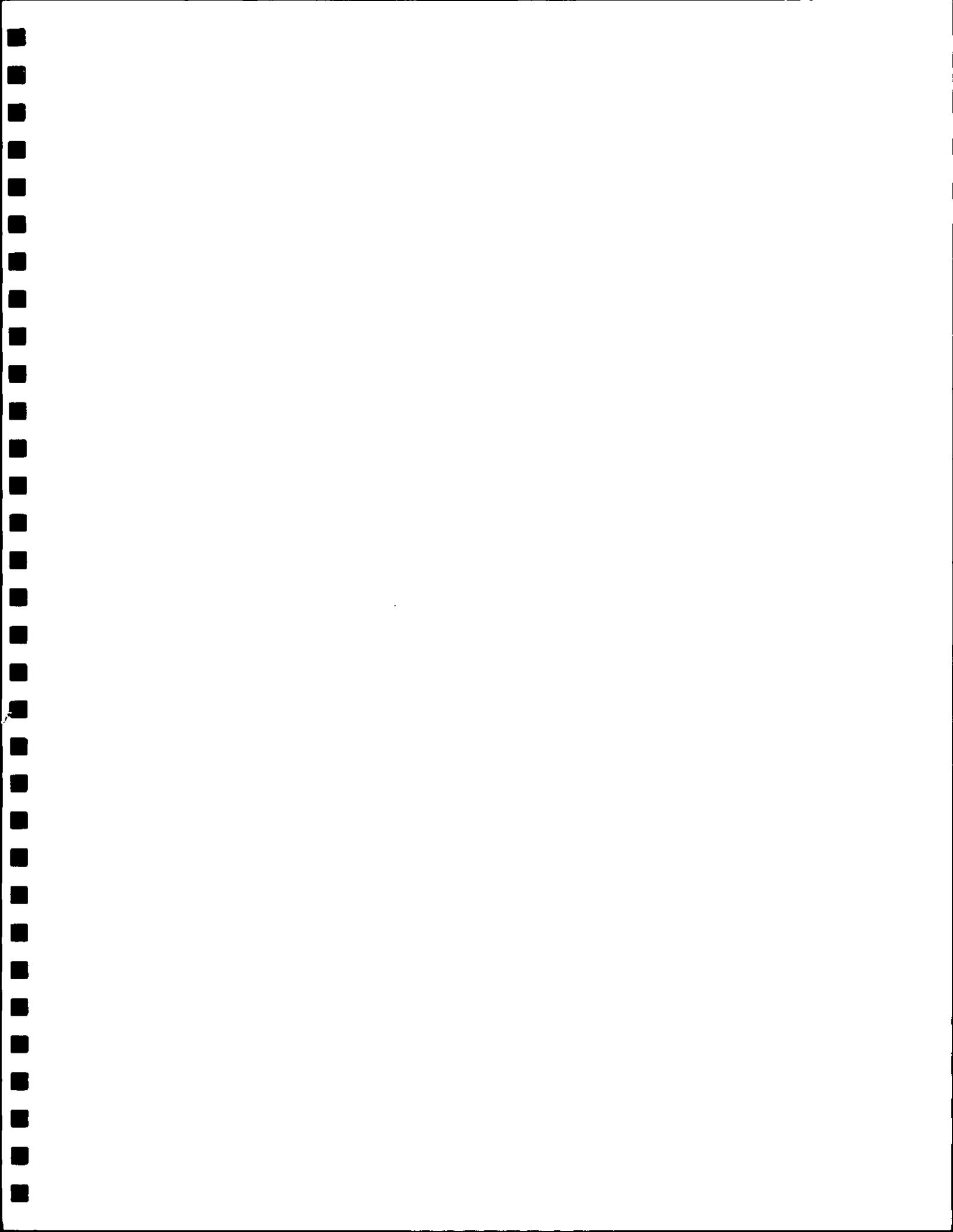
level recruiting efforts mirror these practices, as we actively seek opportunities to attend career and job fairs that attract women and candidates of diverse backgrounds.

A commitment to ensuring diversity operationally

As a government contractor, Grant Thornton complies with governmental requirements surrounding the diversity of our work force. To ensure that we closely track our efforts to employ a diverse population, the firm participates in both the EEO-1 and Vets 100 filings for each of our 50 offices on an annual basis. Furthermore, each of our offices prepare comprehensive Affirmative Action Plans each year that describe our employee populations and include action plans that outline the good faith efforts we make to attract, recruit, retain and promote women and minorities.

A commitment to building a culture of inclusiveness

Grant Thornton offers a host of opportunities for its partners and employees to meet their personal and professional goals. The Women @ Grant Thornton, Work Life Integration Task Force, Flexible Work Arrangements Policies, leadership development and technical training opportunities, and cutting edge technology resources are but a few examples of how we are supporting our people of varied backgrounds in pursuing successful and fulfilling careers. Additionally, Grant Thornton seeks opportunities to enhance the culture of the firm as one that not only accepts but encourages diversity in its workforce. To this end, the firm has built strategic alliances with organizations renowned for their efforts in workplace diversity, including: Catalyst; Working Mother Media; and the AICPA Diversity, Work/Life & Women's Initiatives Task Force.



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THE PORT AUTHORITY OF
NEW YORK AND NEW JERSEY
RFP #23669

Proposal to Provide
Expert Professional Services for an Audit Department
Quality Assurance (Peer) Review

THE PORT AUTHORITY OF
NEW YORK AND NEW JERSEY
RFP #23669

Proposal to Provide
Expert Professional Services for an Audit Department
Quality Assurance (Peer) Review

Submitted to:

RFP Custodian
The Port Authority of New York and New Jersey
One Madison Avenue, 7th Floor
New York, New York 10010

Submitted by:

Bonadio & Co., LLP
171 Sully's Trail, Suite 201
Pittsford, New York 14534

March 7, 2011

RFP Custodian

The Port Authority of New York and New Jersey
One Madison Avenue, 7th Floor
New York, New York 10010

Re: Proposal to Provide Expert Professional Services for an Audit
Department Quality Assurance (Peer) Review

It is a pleasure to submit this proposal to provide professional services pursuant to The Port Authority of New York and New Jersey's requirements for Audit Department Quality Assurance Review (the Authority). We appreciate this opportunity to present our credentials.

It is our understanding that the Authority seeks a firm that can provide a review in compliance with the Government Accountability Office's Government Auditing Standards, following the guidelines contained in the Institute of Internal Auditors' International Standards for the Practice of Internal Auditing, as well as the Authority's Charter document. Bonadio & Co., LLP's (Bonadio) service delivery style is built around timeliness and attention to detail. We work with many State and Local Public Authorities throughout New York.

While we have mobilized a team of experienced professionals to serve you, I will be your point of contact so that the delivery of the services you have requested will be seamless. We will be working with MSPC, Certified Public Accountants and Advisors (MSPC) located in Cranford, NJ to assist with this engagement. As we will discuss later, our affiliation with Moore Stephens International Limited allows our clients the expertise of the largest CPA firms with the personal service you'd expect from a local firm.

While the attached proposal provides details, I would like to highlight the following:

- Bonadio has a significant amount of experience in performing quality reviews relative to a wide variety of auditing standards.
- We are well-versed and experienced in internal audit activities, both for governmental, tax-exempt, and commercial entities.
- Our experience in working with state and local governments in New York is extensive.
- Our fees are very reasonable and reflect our desire to be the Authority's internal audit department reviewers.

The opportunity to serve as your professional service providers is important to our team; we want to work with you.

171 Sully's Trail
Suite 201
Pittsford, NY 14534
p (585) 381-1000
f (585) 381-3131

ROCHESTER • BUFFALO
PERRY • GENEVA
SYRACUSE

The balance of this proposal outlines our services, qualifications and estimated fees. If you have any questions regarding the information contained in this proposal or on any other matter, please contact me at (585) 249-2873.

We are available, at your convenience, to meet with you to discuss any additional questions you may have.

Very truly yours,

BONADIO & CO., LLP

A handwritten signature in black ink, appearing to read "Randall R. Shepard", with a long horizontal flourish extending to the right.

By:
Randall R. Shepard, CPA
Partner

The Port Authority of New York and New Jersey
Proposal to Provide Expert Professional Services for an Audit Department Quality
Assurance (Peer) Review

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ATTACHMENT B

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL
SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER)
REVIEW (RFP #23669)

AGREEMENT ON TERMS OF DISCUSSION

The Port Authority's receipt or discussion of any information (including information contained in any proposal, vendor qualification, ideas, models, drawings, or other material communicated or exhibited by the undersigned or on its behalf) shall neither impose any obligations whatsoever on the Port Authority nor entitle the undersigned to any compensation therefore (except to the extent specifically provided in such written agreement, if any, as may be entered into between the Port Authority and the undersigned). Any such information given to the Port Authority before, with or after this Agreement on Terms of Discussion ("Agreement"), whether orally or in writing, is not given in confidence. Such information may be used, or disclosed to others, for any purpose at any time without obligation or compensation and without liability of any kind whatsoever. Any statement which is inconsistent with this Agreement, whether made as part of or in connection with this Agreement, shall be void and of no effect. This Agreement is not intended, however, to grant to the Port Authority rights to any matter, which is the subject of valid existing or potential intellectual property rights. The foregoing applies to any information, whether or not given at the invitation of the Authority.

Notwithstanding the above, and without assuming any legal obligation, the Port Authority will employ reasonable efforts, subject to the provisions of the Authority's Freedom of Information Policy and Procedure adopted by the Port Authority's Board of Commissioners on November 20, 2008, which may be found on the Authority website at <http://www.panynj.gov/corporate-information/freedom-of-information.cfm>, not to disclose to any competitor of the undersigned, information submitted which are trade secrets or is maintained for the regulation or supervision of commercial enterprise which, if disclosed, would cause substantial injury to the competitive position of the enterprise, and which information is identified by the Proposer as proprietary, which may be disclosed by the undersigned to the Port Authority as part of or in connection with the submission of a proposal.

Bonadio & Co, LLP
(Company)


(Signature)

Partner
(Title)

3/7/11
(Date)

ORIGINAL AND PHOTOCOPIES OF THIS PAGE ONLY.
DO NOT RETYPE.

ATTACHMENT C
COMPANY PROFILE

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSUANCE (PEER) REVIEW (RFP #23669)

1. Company Name (print or type):

BONADIO & CO., LLP

2. Business Address (to receive mail for this RFP):

171 SULLY'S TRAIL, SUITE 201

PITTSFORD, NY 14534

3. Business Telephone Number: 585-381-1000

4. Business Fax Number: 585-381-3131

5. Firm website: www.bonadio.com

6. Federal Employer Identification Number (EIN): (Ex. 1)

7. Date (MM/DD/YYYY) Firm was Established: 11 / 1 / 1978

8. Name, Address and EIN of Affiliates or Subsidiaries (use a separate sheet if necessary):

SEE ATTACHED

9. Officer or Principal of Firm and Title:

SEE ATTACHED

10. Name, telephone number, and email address of contact for questions:

RANDALL R. SHEPARD 585-249-2873 rshepard@bonadio.com

11. Is your firm certified by the Authority as a Minority-owned, Woman-owned or Small Business Enterprise (M/W/SBE)? Yes No

If yes, please attach **Port Authority** certification as a part of this profile.

If your firm is an M/WBE not currently certified by the Authority, see the Authority's web site – <http://www.panynj.gov/business-opportunities/supplier-diversity.html>, to receive information and apply for certification.

Bonadio & Co, LLP
Names and Addresses of Affiliates of Bonadio & Co., LLP

Entity	EIN	Address
Bonadio Payroll Services, LLC		171 Sullys Trail, Pittsford NY 14534
Bonadio Wealth Advisors, LLC		171 Sullys Trail, Pittsford NY 14534
Bonadio Receivable Solutions, LLC		171 Sullys Trail, Pittsford NY 14534
MS Consultants, LLC		171 Sullys Trail, Pittsford NY 14534
Valuquest, LLC		171 Sullys Trail, Pittsford NY 14534
Bonadio Financial Services LLC		171 Sullys Trail, Pittsford NY 14534
Bonadio Capital Advisors LLC		171 Sullys Trail, Pittsford NY 14534
Bonadio Agency LLC		171 Sullys Trail, Pittsford NY 14534

Section D – Specific Relevant Experience of Firm

This section of our proposal provides insights on our firm's qualifications (who we are, who we serve, what we do) and our philosophy of customer service. It is our hope that the Authority will view these as additional reasons why Bonadio is the professional services firm that is best suited to assist you.

Big Firm Capabilities / Small Firm Personality

Bonadio & Co., LLP (Bonadio), founded in 1978 in Rochester, NY with two partners and one part-time employee, has grown to be the largest independent provider of accounting, business advisory and financial services in Upstate New York.

We serve organizations that desire quality professional accounting advice at a reasonable cost, who need personalized and timely services. Bonadio provides an environment where creative, people-oriented professionals practice accounting without some of the constraints inherent in very large firms. We believe that our size is a reflection of the outstanding service level we provide to all our clients. It is this combination that has made us successful and is responsible for our growth.

We provide highly technical and quality service commensurate with that of the largest certified public accounting firms. However, we are able to respond quickly and personally to the needs of our clients because we are structured to service our clients in this way. You will interact regularly with our most experienced personnel, i.e., partners and principals. This is in sharp contrast to the national accounting firms where involvement of their most experienced personnel is limited.

Overview of Bonadio

- Largest independent accounting firm in Upstate New York
- 6 locations
 - Albany
 - Rochester
 - Buffalo
 - Perry
 - Geneva
 - Syracuse
- Over 300 Employees
- More than \$40 million/year revenues
- 54 Partners/Principals
- Over 50 Managers

Client Types and Services

Who We Serve:

Government	Accounting & Auditing
Healthcare	Business Advisory
Individual	Healthcare Consulting
Mid-Sized Privately-Held	
Not-for-Profit	
Public Company	
Small-Business	
Union	

Section D – Specific Relevant Experience of Firm (Continued)

There is no national office hierarchy to contend with so, any matters requiring consultation can be dealt with in our office. This enables prompt turnaround and the ability to deliver timely and outstanding service to our clients.

Bonadio has grown and diversified from a firm offering only public accounting and auditing services to a multi-dimensional accounting, business advisory and financial services organization:

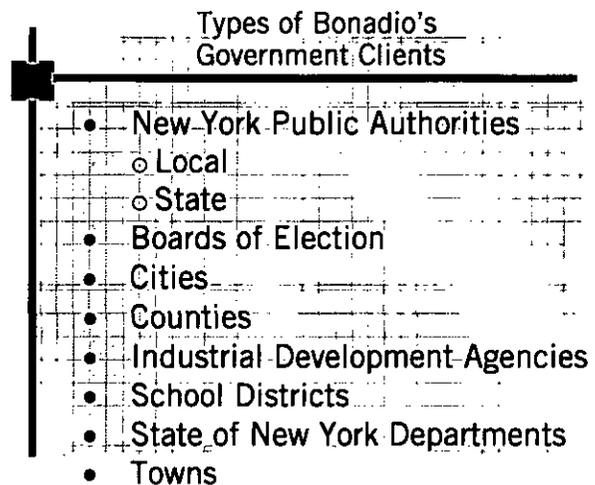
- Out of the 46,000 firms nationwide, Bonadio & Co., LLP was recently nationally ranked 71st in *Accounting Today's* 2010 list of Top 100 Firms.
- Named a Rochester Top 100 company each of the last eleven years.
- Named a Top 100 CPA Firm in the U.S. by *Public Accounting Report* and *Inside Public Accounting*.
- Named by The American Institute of Certified Public Accountants as a “Firm to Watch”.
- Identified by the Rochester Business Journal as the Top CPA firm in the Finger Lakes market.
- Identified by *Practical Accountant* as an “Innovative CPA Firm”.



TBG is a Leading CPA & Management Advisory Firm to Government

When it comes to the business of government, Bonadio is all business. Whether it's performing an annual financial statement audit, analyzing cost containment and savings opportunities, or attacking Medicaid fraud and abuse, Bonadio is prepared to deliver outstanding results for remarkably reasonable fees. The results our government clients have realized as a product of our mix of traditional accounting and consulting services, the quality of our services, and the expertise of our staff have made us one of the most successful CPA firms in New York State.

We have a dedicated team of experienced auditors and consultants serving the government sector. At any given time, you might see them presenting audit findings to a town board, reviewing a cash flow analysis, or testing financial and IT internal controls for a public authority. It's not unusual for us to go that extra step. After all, we're not only compliance and consulting experts, we're taxpayers too.



Section D – Specific Relevant Experience of Firm (Continued)

On an annual basis, Bonadio conducts hundreds of different types of audits for a variety of governmental entities. We audit financial statements, perform compliance and operational audits, help our clients assess and remediate risk, & More. Our auditors are charged with understanding and applying the most recent GASB, Yellow Book, and other auditing standards, and are known for their responsiveness, dedication to detail, insightful management reports, and ability to communicate findings in an understandable manner.

Beyond audits, Bonadio works with governmental entities to find ways to cut operational costs, streamline operations, eliminate waste, and uncover fraud. Our CPAs and MBAs bring real world, hands-on experience backed by academic and professional credentials in internal auditing, information systems auditing, forensic accounting, integrated resource management, and purchasing management, among other services.

Our mission is to help you minimize risk through delivering major improvement, business process change, and compliance initiatives that create excellence and integration in people, processes, and systems.

National and International Resources

As businesses grow and change, so do their needs. To meet those needs, we offer clients access to experience around the globe. Our engagements are enhanced through our Firm's affiliation with Moore Stephens. Moore Stephens International Limited (MSIL) is a worldwide organization consisting of over 330 leading independent accounting and consulting firms with close to 600 offices in over 90 countries with total worldwide revenues of \$1.54 billion. Moore Stephens North America, Inc. (MSNA) is the North American Regional member body of MSIL and is represented by 33 firms with gross revenues of over \$700 million,

making it one of the largest CPA firm associations, based on revenues, in the United States. The association comprises independently owned and operated member firms with offices in all major metropolitan market areas in Canada, Mexico and the United States.

Partial Listing of Government Clients

New York Power Authority
Rochester-Genesee Regional
Transportation Authority
Western Regional Off-Track Betting
Corporation
NYS Office of General Services
NYS Office of Parks and Recreation
NYS Legislative Bill Drafting
Commission
Erie County Internal Audit Department
Peer Review
County of Monroe, NY Industrial
Development Agency-County of
Monroe (over 100 projects)
Cayuga County
Livingston County
Schoharie County

Section D – Specific Relevant Experience of Firm (Continued)

Our Moore Stephens connection allows us to offer the resources of a national firm with local firm responsiveness and personal attention. We believe this unique relationship makes us best positioned to help you meet challenges, as effectively as possible. With Moore Stephens you will receive the local, hands-on attention you deserve with the global resources you need.

An independent member firm of
MOORE STEPHENS
INTERNATIONAL LIMITED

Philosophy of Customer Service

Bonadio's philosophy of customer service is best expressed through our mission of helping to ...



... (1) grow our client's wealth, (2) protect our client's assets, and (3) ensure statutory / regulatory compliance. We accomplish this through providing an integrated set of tax, audit, financial, business consulting and compliance services delivered by highly trained, credentialed professionals committed to helping clients realize their fiscal goals."

This is summarized in our logo and slogan - "& More". From our client's perspective, we bring this mission and slogan to life through delivering:

1. A well-balanced account team with appropriate industry and technical experience/expertise
2. Regular interaction with account team partners and principals
3. A commitment to continuity of the engagement team
4. Utilization of state-of-the-art research tools
5. A quality assurance program anchored by continuous training and a dedicated QA partner
6. Proactivity, in terms of identification and discussion of tax minimization, operational improvement and business development opportunities
7. Highly competitive and reasonable fees

We strive to move beyond client satisfaction to client delight.

Complementing these items is a client satisfaction process including informal, "open door" opportunities to discuss account service or delivery issues. Our management team will also meet with your management at regular intervals to discuss service and review "measured value" against your needs and expectations.

Section D – Specific Relevant Experience of Firm (Continued)

Bonadio References:

Michael Szukala, MBA, CIA
Deputy Comptroller for Audit
Erie County, New York
716.858.8430

Lew Holloway
General Manager
Niagara Falls Bridge Commission
Niagara Falls, New York
716.285.6322 x4150

Geralyn Ruhle
Director of Administration
Legislative Bill Drafting Commission
Albany, New York
518.455.7602

Section E – Names, Titles, and Billing Rates

<u>Name</u>	<u>Title</u>	<u>Billing Rate</u>
<i>Bonadio & Co., LLP</i>		
(Ex. 1)	Partner	\$ 280
	Partner	240
	Manager	180
	Staff	110
<i>MSPC</i>		
(Ex. 1)	Principal	\$ 240
	Manager	180
	Staff	110

ATTACHMENT D

PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (RFP #23669)

BONADIO & CO., LLP

Task A - Meetings/Presentations

Name	Title	Company	Hours	Billing Rate	Cost
	Partner	Bonadio & Co., LLP	20	240	\$4,800
	Principal	MSPC	20	240	\$4,800
					\$0
Total Hours Task A:			40		\$9,600.00

Task B - Quality Assurance Review

Name	Title	Company	Hours	Billing Rate	Cost
	Partner	Bonadio & Co., LLP	40	240	\$9,600
	Manager	Bonadio & Co., LLP	110	180	\$19,800
	Principal	MSPC	40	240	\$9,600
	Manager	MSPC	40	180	\$7,200
	Staff	MSPC	150	150	\$22,500
	Staff	Bonadio/MSPC	150	110	\$16,500
Total Hours Task B:			530		\$85,200.00

(EX. 1)

Task C - Reports

Name	Title	Company	Hours	Billing Rate	Cost
	Partner	Bonadio & Co., LLP	20	240	\$4,800
	Manager	Bonadio & Co., LLP	20	180	\$3,600
	Partner	MSPC	10	240	\$2,400
	Manager	MSPC	10	180	\$1,800
Total Hours Task C:			60		\$12,600.00

Anticipated Itemized Expenses

Description of Expense	Cost
Reimb. Total Cost:	\$0.00

TOTAL PROJECT	Hours =	630	\$107,400.00
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Section G – Proposed Technical Approach

Our understanding is that the Authority is seeking an external quality review of its Internal Audit Department. This review should be completed in compliance with the Authority's Charter, and the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. We understand the scope of the review will be determined based so as to provide adequate coverage of the departments issued reports and operations. Prior to any review of the issued reports, we anticipate the review would cover the period of January 1, 2008 through December 31, 2010. We would draw an appropriate sample from the universe of reports issued to provide adequate coverage for your needs. We understand that the Authority would like the final report issued within 70 calendar days from the date of commencement. We will coordinate our work efforts to meet the established deadlines subject to the availability and cooperation of the Authority.

The objectives of the review are as follows:

- To assess whether the Authority's system of internal controls is adequate to ensure that the Authority can independently carry out its role within the Authority by evaluating:
 - Knowledge, skills, abilities, and independence (in fact and appearance) of the staff of the Department,
 - Appropriateness and scope of services being performed (as defined in the Charter),
 - Quality of work performed,
 - Overall management approach of the Department.

We propose to meet these objectives through executing the following work plan; which is broken down into three primary phases:

Planning and Preparation

1. Gain an understanding of the size and structure of the Authority's Audit Department as well as the type and number of audits completed on an annual basis.
2. Document our understanding of the background and Quality Control System (QCS) of the Authority with the assistance of management and staff.
3. Document our understanding of the Authority's procedures, including the environment in which it operates.
4. Assess the QCS and plan the review, including the types of engagements to be reviewed, additional documents to be checked, and potential interviews

Section G – Proposed Technical Approach Continued)

5. Obtain copy of Authority Audit Department's annual work plan for the prior three years and compare said review to the actual reports issued over the same period.
6. Based on the above assessment, select the engagements for detailed review during fieldwork. The engagements should represent a reasonable cross-section of types of work, audit supervisors, and time span.

Fieldwork and Site Visit

1. Obtain and review the policies and procedures of the Audit Department.
2. Conduct interviews with the management and staff as necessary to clarify actual practices and assess their understanding of the internal quality control procedures.
3. Review selected sample of audit and attestation reports to test whether the Authority followed its system of internal control and complied with applicable standards.
4. Obtain and review Continuing Professional Education records and personnel management files related to education, training, hiring, evaluating, and assigning employees.
5. Review any exceptions noted during the fieldwork to identify potential weaknesses in the Authority's system.

Reporting

1. Discuss preliminary findings and conclusions with management.
2. Determine the Authority's overall level of compliance:
 - o Full Compliance
 - o Satisfactory Compliance
 - o Noncompliance
3. Prepare management letter to recognize strengths and to make recommendations for improvements.
4. Draft the report.
5. Obtain and review comments from management regarding draft report.
6. Prepare final report for management.

Section G – Proposed Technical Approach (Continued)

Quality Control

Bonadio has a strong and continual commitment to quality and education, and dedicates significant professional resources necessary to ensure that our clients receive the highest possible quality of attestation services and deliverables.

The firm maintains a partner level position of Director of Professional Excellence, responsible for all of the firm's quality control processes and procedures (including peer review and inspection) and to direct and coordinate all training for the firm. Three manager-level personnel are also fully committed to the Professional Excellence Department. Specific responsibilities include:

- Performing all second partner quality reviews for the Firm (all offices).
- Coordinating annual inspection and tri-annual peer review activities and ensure the Firm's compliance with the related requirements to maintain successful results from these activities.
- Researching all new technical accounting and auditing pronouncements and providing personnel with the appropriate communication (technical memoranda, training sessions, etc.).
- Developing and delivering, where appropriate, a comprehensive training curriculum for all personnel of the accounting firm (all divisions and offices).

The centerpiece of our quality assurance/control system is a policy that requires every audit report issued by us to be reviewed and approved by the Director - Kristen Clark, CPA.

Bonadio is a member of the following AICPA Audit Quality Centers, membership in which requires Bonadio to undergo considerable additional continuing professional education and increased scrutiny by the AICPA:

- Employee Benefit Plan Audit Quality Center
- Governmental Audit Quality Center

Last but not least, our quality assurance program is complemented by periodic peer reviews, which has included a review of governmental and municipal engagements. The most recent was executed in October 2008, and a copy of this report follows this section.



A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

To the Partners of
Bonadio & Co, LLP
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Bonadio & Co. LLP (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2008. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Bonadio & Co. LLP, in effect for the year ended April 30, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 17, 2008



Attachment to the Peer Review Report of Bonadio & Co. LLP

Description of the Peer Review Process

Overview

Firms enrolled in the AICPA Center for Public Company Audit Firms (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objective of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, not absolute, assurance of complying with professional standards. Consequently a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments, and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The Center's staff plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments, and reviewed firms' responses, these documents are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore we did not review the firm's accounting and auditing practice applicable to SEC issuers.



Planning the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

To plan the review of Bonadio & Co. LLP, we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's quality control system in preventing the performance of engagements that do not comply with professional standards.

Performing the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's quality control system. The engagements selected for review included audits performed under the Government Auditing Standards and audits of Employee Benefit Plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity, and objectivity; personnel management; and acceptance and continuance of clients and engagements. Prior to concluding the review, we reassessed the adequacy of scope and conducted a meeting with firm management to discuss our findings and recommendations.

Section H – Proposed Management Approach

Based on the information we have obtained, and our extensive experience providing internal audit and control services to a variety of local government, tax-exempt, and commercial entities, we have developed an understanding of your issues and needs, including:

- Personalized and responsive service.
- Increased interaction with our most experienced personnel, i.e., partners and principals.
- Completion of the review in a timely and cost effective manner.
- Maximizing value for fees paid.

We are particularly sensitive to your needs to maintain the highest possible quality of services and deliverables, yet we understand that cost is an issue. Our proposal is organized to show you that we can deliver the highest quality and a diverse scope of services at reasonable rates.

In addition to a “battle-tested” approach to the Scope of Work and what we believe is a more than competitive fee structure, there are five key reasons, discussed further in Sections 2 and 3, why the Authority should engage Bonadio:

1. The relevant experience and expertise of our proposed project staff
2. Our big firm capabilities and small firm personality
3. The firm’s experience with government
4. National and International Resources
5. Our philosophy of customer service: grow / protect / comply

Our success in serving the Authority will be a function of our standards of quality and responsiveness; the scope, breadth and integration of services we can deliver; and the combination of management and staff expertise we bring. It is these attributes that differentiate us from other firms. Ultimately we want the Authority to view us as a business asset, not an overhead cost.

By partnering with our Moore Stephens International Limited Affiliate – MSPC, Certified Public Accountants and Advisors, A Professional Corporation (MSPC) headquartered in Cranford, NJ. This partnership brings local expertise to the table and provides the Authority with the talents and expertise of some of the largest firms in the industry.

The account will be serviced jointly by a Randy Shepard, a Partner with Bonadio, and Michael Mullen, a Principal with MSPC. They will participate in all meetings with the Authority personnel and be directly involved in the engagement process throughout. We believe this dual approach will give you what you need – flexibility in accomplishing the objectives, and expertise to get results. Our goal is to help you assess the Department and provide practical, useful recommendations for improvement.

Overall, our objectives are to: (1) demonstrate our depth of experience and capabilities; (2) affirm our ability to provide a review of the Internal Audit Division; and (3) provide the resources and expertise to help you achieve your objectives

Section I – Schedule of Deliverables

Please note that the dates below are based upon an estimated date of approval by the Authority Board. To the extent this date varies from what is presented below, Bonadio will push the remaining dates accordingly to satisfy the reporting deadlines of the Authority.

March 14, 2011

Anticipated appointment by the Authority

March 21, 2011

Execution of Agreement between the Authority and Bonadio

Week of April 4, 2011

Preliminary kick-off meeting with Authority and Bonadio/MSPC personnel

Week of April 11, 2011 – April 29, 2011

Commencement of Quality Assurance Review and fieldwork

Week of April 11, 2011 – April 29, 2011

Commencement of Quality Assurance Review and fieldwork

Week of May 2, 2011

Delivery of Draft Report to the Authority

Week of May 9, 2011

Delivery of Draft Report comments from the Authority to Bonadio

Week of May 16, 2011

Delivery of six (6) final bound copies to the Authority

Section J – List of Firm's Affiliates

The following is a list of Bonadio's affiliates and associations. If necessary, further information can be provided to the Authority.

Bonadio Subsidiaries

- Bonadio Financial Services, LLC
- Bonadio Capital Advisors, LLC
- Bonadio Agency, LLC
- Bonadio Payroll Services, LLC
- Bonadio Wealth Advisors, LLC
- Bonadio Receivable Solutions, LLC
- Valuquest, LLC
- MS Consultants, LLC

International Associations:

- Moore Stephens International Limited

Section K – Statement of Conflict of Interest

Bonadio, nor any employee, agent or subcontractor has, or gives the appearance of a possible conflict of interest relating to the Authority.

Section L – Form of Agreement

Bonadio shall comply with the form of agreement and its terms and conditions as set forth in the Request for Proposal #23669.



BDO USA, LLP

PROPOSAL FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN
AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW FOR
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
RFP NUMBER 23669

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of
BDO International Limited, a UK company limited by guarantee, and forms part
of the international BDO network of independent member firms.

MARCH 2011



100 Park Ave.
New York, New York 10017
Telephone (212) 885-8000
Fax (212) 697-1299

March 4, 2011

RFP Custodian
The Port Authority of New York and New Jersey
One Madison Avenue, 7th Floor
New York, NY 10010

Dear Sirs:

We are pleased to have the opportunity to submit a proposal to The Port Authority of New York and New Jersey ("Port Authority") to provide Internal Audit Quality Assurance Review Services ("QAR") and demonstrate the commitment of BDO USA, LLP ("BDO") to addressing the Port Authority's needs.

From our understanding of your requirements stated in your RFP, we are confident that the Port Authority will benefit from having BDO as your external service provider. The Port Authority will be a priority client of BDO and will receive the full attention of an experienced and knowledgeable client service team. This proactive group of professionals will bring the highest level of business acumen and knowledge to the Port Authority through a responsive, flexible and personalized approach to client service and a service philosophy of extensive partner involvement. Our team has performed similar services and holds the experience required to provide a value-added service to your organization.

We are serious about client satisfaction and the exceptional standards our clients require for excellence in the services we deliver. We are driven by a culture of Honesty & Integrity, Dedication, Professionalism, and Responsibility & Accountability that pervades our organization and translates to service leadership and quality. Our partners and managers are available, accessible, and responsive to your needs. This active involvement enables BDO to identify and propose ideas to make a positive impact on the Port Authority and your targeted goals. We continually request feedback to ensure that we are meeting and exceeding your expectations.

All of us at BDO are very enthusiastic about the opportunity to serve the Port Authority. As detailed in our proposal, we are confident that the services we offer and our proactive service delivery approach match your needs. We look forward to the opportunity to personally present our ideas to the Port Authority.

Very truly yours,

Ben Termini
Partner
Risk Advisory Services
btermini@bdo.com



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A. SIGNED AGREEMENT ON TERMS OF DISCUSSION (ATTACHMENT B)

ATTACHMENT B

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL
SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER)
REVIEW (RFP #23669)

AGREEMENT ON TERMS OF DISCUSSION

The Port Authority's receipt or discussion of any information (including information contained in any proposal, vendor qualification, ideas, models, drawings, or other material communicated or exhibited by the undersigned or on its behalf) shall neither impose any obligations whatsoever on the Port Authority nor entitle the undersigned to any compensation therefore (except to the extent specifically provided in such written agreement, if any, as may be entered into between the Port Authority and the undersigned). Any such information given to the Port Authority before, with or after this Agreement on Terms of Discussion ("Agreement"), whether orally or in writing, is not given in confidence. Such information may be used, or disclosed to others, for any purpose at any time without obligation or compensation and without liability of any kind whatsoever. Any statement which is inconsistent with this Agreement, whether made as part of or in connection with this Agreement, shall be void and of no effect. This Agreement is not intended, however, to grant to the Port Authority rights to any matter, which is the subject of valid existing or potential intellectual property rights. The foregoing applies to any information, whether or not given at the invitation of the Authority.

Notwithstanding the above, and without assuming any legal obligation, the Port Authority will employ reasonable efforts, subject to the provisions of the Authority's Freedom of Information Policy and Procedure adopted by the Port Authority's Board of Commissioners on November 20, 2008, which may be found on the Authority website at <http://www.panynj.gov/corporate-information/freedom-of-information.cfm>, not to disclose to any competitor of the undersigned, information submitted which are trade secrets or is maintained for the regulation or supervision of commercial enterprise which, if disclosed, would cause substantial injury to the competitive position of the enterprise, and which information is identified by the Proposer as proprietary, which may be disclosed by the undersigned to the Port Authority as part of or in connection with the submission of a proposal.

BDO USA, LLP

(Company)

Ben Termini

(Signature)

PARTNER

(Title)

03/04/11

(Date)

ORIGINAL AND PHOTOCOPIES OF THIS PAGE ONLY.
DO NOT RETYPE.

B. COMPANY PROFILE (ATTACHMENT C)

ATTACHMENT C
COMPANY PROFILE

**REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL
SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSUANCE (PEER) REVIEW
(RFP #23669)**

1. Company Name (print or type):

BDO USA, LLP

2. Business Address (to receive mail for this RFP):

100 PARK AVENUE, 9TH FLOOR

NEW YORK, NY 10017

3. Business Telephone Number: 212-885-8000

4. Business Fax Number: 212-697-1299

5. Firm website: WWW.BDO.COM

6. Federal Employer Identification Number (EIN): Ex. 1)

7. Date (MM/DD/YYYY) Firm was Established: / / 1910

8. Name, Address and EIN of Affiliates or Subsidiaries (use a separate sheet if necessary):

It is not expected at this time that any affiliates or subsidiaries of BDO USA, LLP
will be providing services that are related to this QAR Request for Proposal.

9. Officer or Principal of Firm and Title:

BEN TERMINI - PARTNER

10. Name, telephone number, and email address of contact for questions:

BEN TERMINI, 212-885-8124, BTERMINI@BDO.COM

11. Is your firm certified by the Authority as a Minority-owned, Woman-owned or Small
Business Enterprise (M/W/SBE)? Yes No

If yes, please attach **Port Authority** certification as a part of this profile.

If your firm is an M/WBE not currently certified by the Authority, see the Authority's web site --
<http://www.panynj.gov/business-opportunities/supplier-diversity.html>, to receive information
and apply for certification.

D. RELEVANT EXPERIENCE OF THE FIRM

The BDO Government Services Practice is a valued business advisor to more than 2,000 government agencies, Inspector General and non-profit organizations.

BDO's Government Services professionals have an in-depth knowledge and understanding of federal and industry accounting and auditing standards and requirements, financial management rules and requirements, information technology system auditing standards, economic stimulus program and reporting requirements, and applicable state and local government rules and regulations. Our methodologies and program management approach are designed to deliver repeatable and reliable processes that help clients achieve their goals, facilitate communications, assure accurate and timely reporting, and enable effective operations.

BDO's Government Services professionals offer the hands-on experience and technical skills required to serve the distinctive needs of our government clients. We provide a wide range of services including the following:

- Quality Assurance Reviews
- Internal Audits
- Enterprise Risk Management
- Business Process Enhancement
- Regulatory and Statutory Compliance Reviews
- Program and Contract Compliance Reviews
- Internal Control Audit/Evaluation per OMB Circular A-123
- OMB Program Review and Submissions
- Information Technology Controls and Audit/Evaluation
- Technology Audit and Support
- Fraud and Misconduct Risk Assessment and Investigations
- Investigative Due Diligence
- Financial Audit
- Performance Audit
- A-133 Single Audit
- Audit Readiness Support and Remediation
- Accounting Procedures Design and Implementation
- Outsourced CFO Act Accounting Support
- Budget and Performance Integration
- Cost Accounting Advisory Support
- Financial Statement Compilation
- Loan and Securities Evaluation and Advisory Services
- Anti-Money Laundering
- Large-Scale Data Recovery and Analysis
- Computer Forensics
- Compliance Testing, Audit and Monitoring
- Benchmarking Survey

We work hard to keep up to date with developments in the non-profit and government sector but will never pretend to know your operations better than you. We subscribe to a proactive approach to industry specialization, and ensure our teams attend regular seminars and technical updates related to these areas.

SELECT LIST OF BDO NONPROFIT AND GOVERNMENT SECTOR CLIENTS	
<ul style="list-style-type: none">• Government of the District of Columbia• District of Columbia Department of Health• District of Columbia Department of Human Services• District of Columbia Public Schools• District of Columbia Department of Housing and Community Development• District of Columbia Department of Employment Services• District of Columbia Metropolitan Police Department• Department of Homeland Security• District of Columbia Department of Transportation	<ul style="list-style-type: none">• Algoma Township• Bay Shore School District• American Red Cross• City of Wyoming• Kent County Employees Retirement Plan• Kalamazoo County• City of Portage• City of Grand Rapids• NYS Urban Development Corp.• World Vision Inc.• World Wildlife Fund• Lions Club International• Waterfront Commission of NY Harbor• The Town of Greenwich, CT

BDO's Risk Advisory Services practice has a proven track record assisting clients on various industries including non-profit and government sector on internal audit, quality assurance reviews, compliance reviews and financial audit. We invite you to contact the individuals listed below for an independent reference on the quality of our service.

Quality Assurance Review References

- 1. Name of Firm : Brightpoint Inc.
Address : 7635 Interactive Way, Suite 200, Indianapolis, IN 46278
Contact Person : Anthony Mackle, Internal Audit Director
Telephone : (317) 707-2355

- 2. Name of Firm : BJ Wholesale Club, Inc.
Address : Natick, MA
Contact Person : Lynn Whelan, Director of Internal Audit
Telephone : (508) 651-7400

- 3. Name of Firm : The Sumitomo Trust and Banking Co. Ltd.
Address : 527 Madison Avenue, New York, NY 10022
Contact Person : Victoria Yan, Sr. VP and Manager
Telephone : (212) 326-0500

Internal Audit Client References

- 4. Name of Firm : American Red Cross
Address : 520 West 49th Street, New York, NY 10019
Contact Person : Brett Baehr, CFO
Telephone : (212) 875-2341

- 5. Name of Firm : Bay Shore Union Free School District
Address : 75 West Perkal Street, Bay Shore, NY 11706
Contact Person : Maureen B. Dutcher- Virsinger, Asst. Superintendent for
Business
Telephone : (631) 968-1111

E. ENGAGEMENT TEAM BILLING RATES

We are committed to providing a quality service to the Port Authority that represents value for money and is completely transparent when it comes to fees. As a valued client, we want you to feel able to contact us at any point without worrying that "the clock is ticking". Ben Termini and the team value a collaborative relationship with you and are committed to investing time to identify potential issues that may impact you and your business.

We believe in complete transparency which means:

- we do not quote unrealistic low fees to win work, in the hope of recovering our costs through selling additional services at inflated rates or increasing the fees significantly in subsequent years
- you can be assured that you will not be charged over and above our agreed fees unless we discuss and agree an additional fee due to a change in scope
- we will agree a fee with you in advance of any work being undertaken on other advisory projects

The project will be billed on a time and materials basis, at a discounted hourly rate of \$150. We estimate to incur 160 hours for the project, broken down by level as follows:

Level	Estimated Hours
Partner	15
Senior Manager	45
Manager	100

Note: Refer to Attachment D for details on the estimated hours.

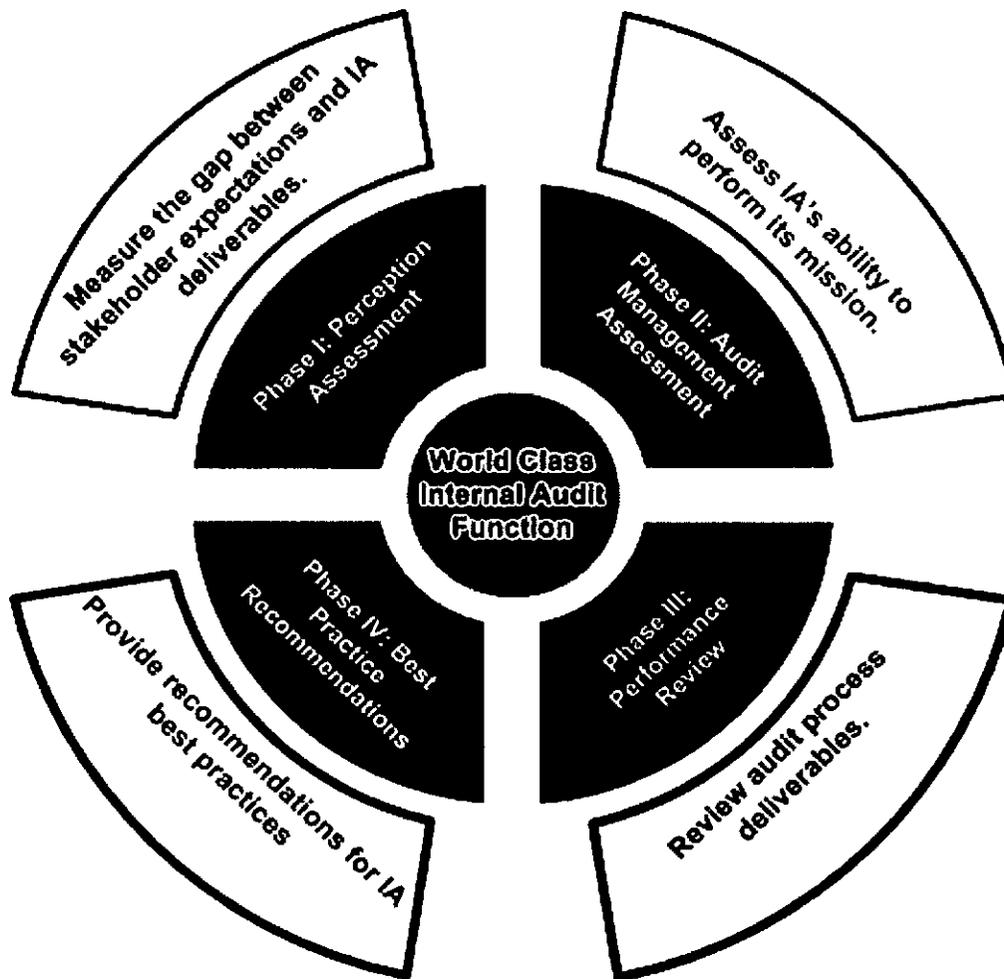
Out-of-pocket expenses are additional and will be billed as incurred. Expenses include, as applicable, mileage, meals and out-of-town travel costs. As an investment in establishing a relationship with the Port Authority, we will waive an internal support charge to cover our expenses related to general office services, such as computer usage, telephone charges, facsimile transmissions, postage, and photocopying.

F. STAFFING ANALYSIS SHEET (ATTACHMENT D)

G. DESCRIPTION OF THE PROPOSED TECHNICAL APPROACH

We have developed a four-phased approach that not only satisfies but exceeds this definition. It entails reviewing and assessing the manner in which the Internal Audit department operates, and provides management with an assessment based upon industry standards, comparative data, and recognized leading practices.

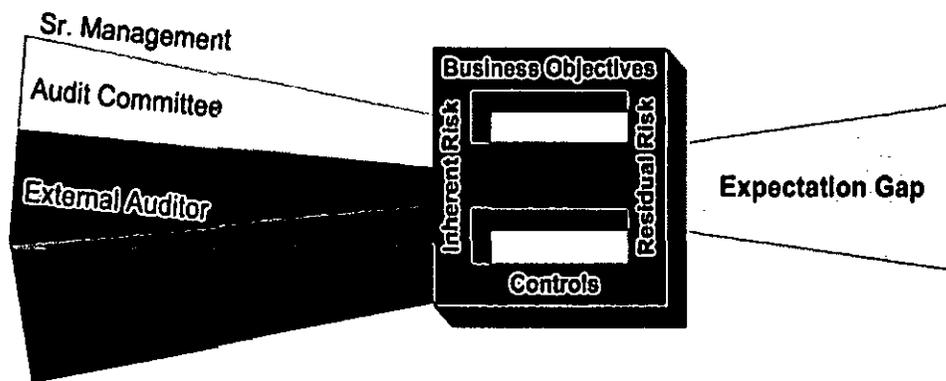
Below is a diagram depicting the BDO approach to QARs:



Phase I: Perception Assessment

Phase I consists of a high level assessment of the Internal Audit department focusing on internal and external perceptions of the quality and effectiveness of the audit function and addresses the IIA's Attribute Standards of:

- 1) Purpose, Authority and Responsibility
- 2) Independence and Objectivity
- 3) Proficiency and Due Professional Care
- 4) Quality Assurance and Improvement Program.

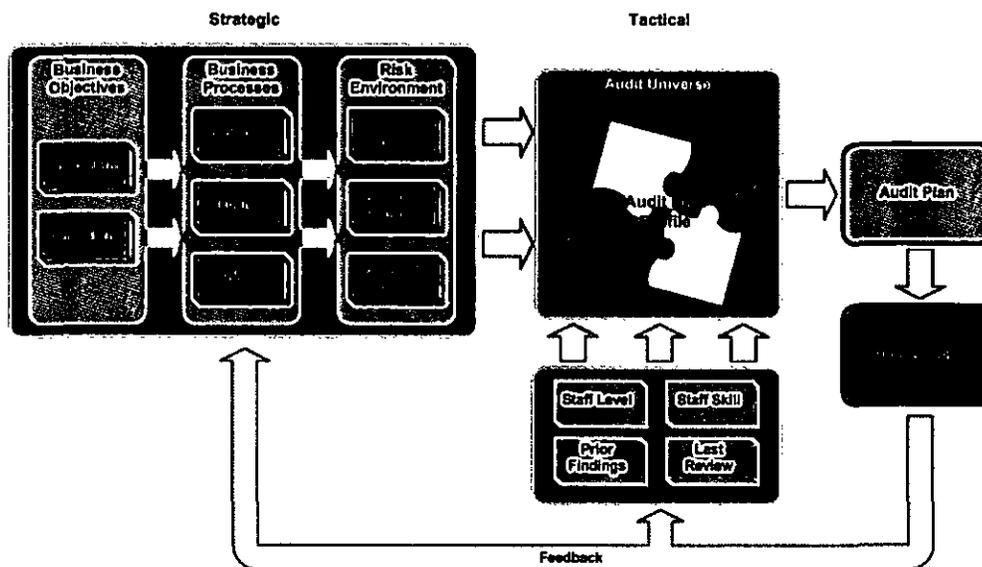
**Steps:**

- Using questionnaires and interviews of key members of the Port Authority's Internal Audit Department, Audit Committee, Executive Management and key line managers and develop a profile of their expectations.
- Couple this understanding with our examination of the Internal Audit Charter and Mission statement.
- Evaluate how closely the objectives of the Internal Audit Department are aligned to the expectation and perceptions of the Executive Management, identifying any expectation gaps.
- Provide Internal Audit department management with a roadmap to closing the gaps.

Phase II: Audit Management Assessment

Phase II focuses on the management of the Internal Audit department. Through a review of the Internal Audit department's audit planning process, we will provide management with a focused assessment of the ability of the department to perform its overall mission. This Phase tests compliance with the IIA's Performance Standards, specifically:

- 1) Managing the Internal Audit
- 2) Department Activity
- 3) Nature of the Work
- 4) Engagement Planning.



Steps:

- Review the Internal Audit department's ability to remain objective and independent.
- Evaluate Internal Audit's process/methodology for identifying the audit universe, assessing the risk level for each entity and developing the audit plan.
- Evaluate Internal Audit's emphasis on operational, compliance, regulatory and financial audits.
- Evaluate the Internal Audit's internal administrative policies on: scheduling, planning, documentation, audit testing and reporting.
- Assess the adequacy of Internal Audit's staffing mix (i.e. experience level, education and prior work experience), as well as the sufficiency of any training programs.
- Provide feedback on ability of the Internal Audit department to accomplish its plan.

Phase III: Performance Review

Phase III provides an assessment of Internal Audit's compliance with the remainder of the IIA's Performance Standards. A sample of internal audits is reviewed and compared to the following standards:

- 1) Performing the audit
- 2) Communicating results
- 3) Monitoring progress
- 4) Management's acceptance of risk.

Steps:

- Perform a detailed review of Internal Audit's audit process, including:
 - > Planning
 - > Analysis
 - > Testing
 - > Work paper development and documentation
 - > Reporting.
- Review Internal Audit's reports (10-15 sample reports) and management's responses as well as the Internal Audit department's follow-up on the implementation of their recommendations.
- Obtain auditee feedback on Internal Audit's planning, performance and reporting through administration of questionnaires and interviews.
- Identify opportunities for improvement and areas of departmental strength.

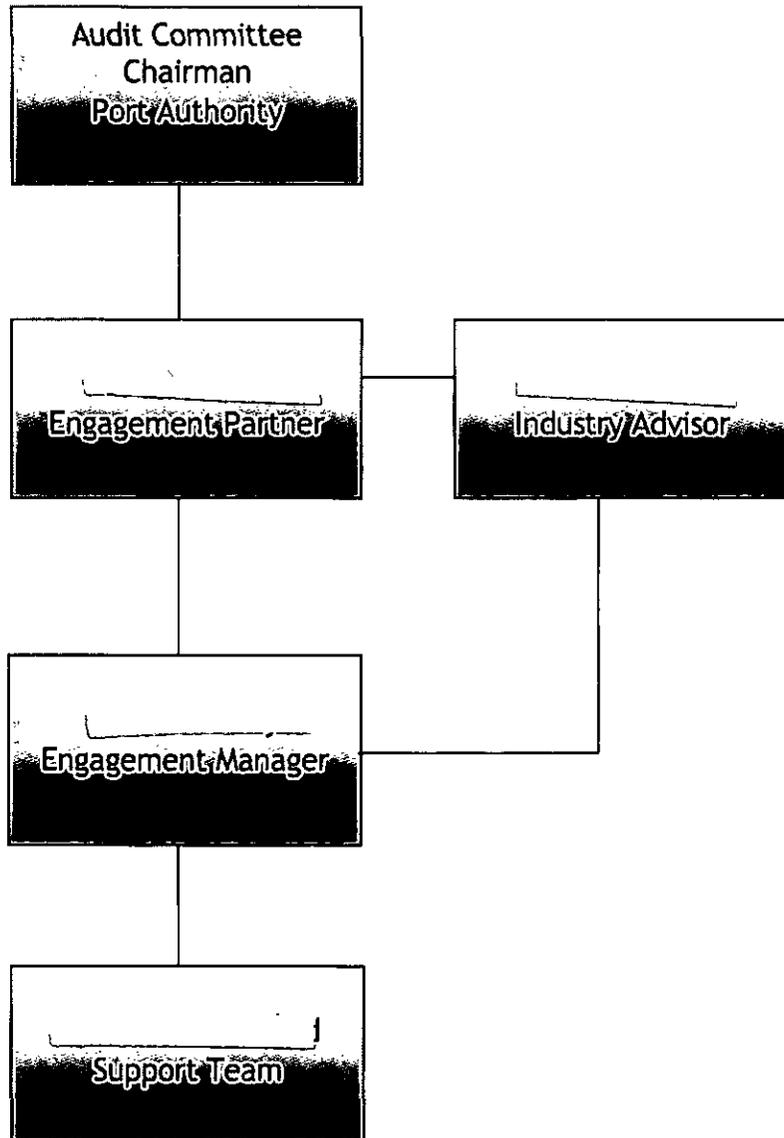
Phase IV: Leading Practices Recommendations

Once results from Phases I, II and III have been documented, BDO will provide recommendations that will help elevate the Internal Audit department to not only meet minimum standards but to exceed them by:

- Evaluating your Internal Audit department against BDO's model of Leading Practices.
- Providing recommendations on how to increase Internal Audit's efficiency and effectiveness.
- Presenting advice on how to internally market Internal Audit's accomplishments.

H. DESCRIPTION OF THE PROPOSED MANAGEMENT APPROACH

Client Engagement Structure



QAR Engagement Management

<p>Engagement Planning</p>	<p>An initial planning meeting will be held to define the engagement including: definition, scope and objectives, roles and responsibilities, engagement methodology, timeline, status reporting and deliverables</p>
<p>Engagement Control</p>	<p>Reporting procedures will be implemented to ensure that any scope changes (e.g., timeline, resource allocation, budget, etc.) are discussed immediately with Management. Changes will be communicated to all appropriate parties and necessary approvals obtained.</p>
<p>Issue Identification</p>	<p>Any issues that may arise will be promptly documented and brought to the attention of Management and where appropriate, the Audit Committee</p>
<p>Issue Tracking and Resolution</p>	<p>We will establish an efficient and effective method for tracking and communicating issues and work with Management for timely and effective resolution.</p>
<p>Reporting</p>	<p>Detailed report will be provided to Management and Audit Committee. Status reports on the progress of work will also be provided.</p>
<p>Knowledge Transfer</p>	<p>QAR team will transfer its knowledge to Management through the completion and delivery of key deliverables.</p>
<p>Professional Standards</p>	<p>To deliver a consistent and high quality product, we will conduct our work in accordance with the Standards for Professional Practice in Internal Auditing as defined by the Institute for Internal Auditing.</p>

I. PROJECTED TIMELINE AND COMPLETION

The projected timeline provided here has considered the tasks stated in your RFP. At the initiation of the project, the team will create a more detailed project plan to track against for the remainder of the engagement.

Timeline	Task/Activities
Week 1	Project Kickoff/Planning <ul style="list-style-type: none"> • Kick-off meeting with the Port Authority Management • Confirm Port Authority's objectives and expectations • Present and discuss the QAR activities and timeline • Develop communication protocols
Weeks 1-3	Quality Assurance Review Execute Phases I-III of BDO's QAR Methodology and perform the following: <ul style="list-style-type: none"> • Evaluate the knowledge, skills and abilities of all staff of the Department as they relate to performance of their specific Department functions • Evaluate the adequacy and appropriateness of the scope of services being performed (as defined in the Department Charter) by the Department • Review the quality of the work being performed by the Department • Assess the overall management approach of the Department consistent with the IIA standards • Assess the Department's ability to independently carry out its role within the Port Authority
Weeks 4-6	Delivery of Final Report Execute Phase IV of BDO's QAR Methodology and perform the following: <ul style="list-style-type: none"> • Document findings and develop recommendations • Submit the draft report to the Port Authority Management • Obtain the Port Authority Management's responses • Incorporate the responses in the report • Submit the final report to the Port Authority Management
Week 6	Project Wrap Up <ul style="list-style-type: none"> • Meet with Port Authority Management • Client Satisfaction Survey

J. LIST OF FIRM'S AFFILIATES

It is not expected at this time that any affiliates or subsidiaries of BDO USA, LLP will be providing services that are related to this QAR Request for Proposal.

K. CONFLICT OF INTEREST

BDO USA, LLP has completed its conflict check procedures and confirms there are no conflicts of interest between the firm/individual and The Port Authority of New York and New Jersey.

Confidential

The Port Authority of New York and New Jersey

07 March 2011



Success through service

Ernst & Young LLP response to RFP Number 23669 -
Performance of expert professional services for an
audit department quality assurance (peer) review

Original

RFP Custodian
The Port Authority of New York and New Jersey
One Madison Avenue, 7th floor
New York, New York 10010

07 March 2011

RE: Response to RFP # 23669 - Proposal for performance of expert professional services for an audit department quality assurance (peer) review

Dear Sir or Madam:

On behalf of our firm and our team, we are delighted to present our proposal to perform an external quality assessment of the Office of Inspector General Audit Department (the Department) of The Port Authority of New York and New Jersey (the Authority). As a leading provider of Internal Audit (IA) services, we have successfully worked with numerous organizations in this capacity. In the pages that follow, we describe our qualifications and approach to perform this very important project for the Authority. We believe we have assembled an excellent team and have adapted our proven methodology to your particular circumstances and goals for assessing the Department's ability to independently carry out its role within the Authority.

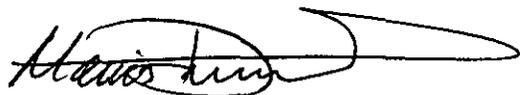
As you read our proposal, I would like to draw your attention to four key elements of our service delivery that position Ernst & Young LLP as the firm of choice to help the Authority achieve its goals during this Quality Assessment Review (QAR). These are:

- ▶ **People** – We have assembled a senior team of experienced professionals with extensive IA experience who can speak from a position of authority on IA related matters. Our team also includes members with institutional knowledge of your organization that will enable us to rapidly develop a comprehensive baseline assessment of the Authority's current IA function and highlight critical areas for development
- ▶ **Process** – We believe QARs should be more than a compliance exercise; a successful QAR should provide a practical, sustainable platform for the improvement of the Department for the long term. Through a proposed joint design session, actions arising from our observations will be co-developed with your leadership team. The intention of the design session is to allow Ernst & Young LLP professionals to share relevant and practical examples of the benchmarked practices of leading organizations to enable a targeted action plan to be developed
- ▶ **Experience** – Ernst & Young LLP is the market leader in providing IA services, construction and real estate advisory services and performing QARs for organizations similar in size and scale. For the Authority, this means we have the distinct ability to provide the Authority with insights into leading IA practices
- ▶ **Diversity** – We meet the Authority's commitment to supplier diversity. Ernst & Young LLP will engage Mitchell & Titus LLP to be a member of the engagement team. Mitchell

& Titus LLP is the largest minority-owned certified public accounting and business advisory firm in the United States. This will help the Authority achieve its 12% goal for minority owned companies. Ernst & Young LLP and Mitchell & Titus LLP team in the market and are committed to building strong, rewarding relationships with companies wishing to do business with a diverse supplier. This unique relationship offers our clients a "diversity differentiator" that no other Big Four accounting firm can offer. We understand that supplier diversity is important to the Authority and we believe this approach supports the Authority's goals

A successful QAR engagement is very important to our overall relationship with the Authority and we are committed to providing you the most responsive and highest quality service to meet your needs. We look forward to presenting our credentials in person and to answering your questions. In the meantime, should you have any questions regarding any aspect of our proposal, please contact me at +1 212 773 5776 or via email at marios.damianides@ey.com. Our team is extremely excited about the opportunity to work with you to support your IA function.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marios Damianides', with a long, sweeping horizontal line extending to the right.

Marios Damianides
Engagement Partner

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Our proposal contains information that is proprietary and confidential to Ernst & Young LLP, the disclosure of which could provide substantial benefit to competitors offering similar services. Thus, this proposal may not be disclosed, used or duplicated for any purposes other than to permit you to evaluate Ernst & Young LLP to determine whether to engage Ernst & Young LLP. If no contract is awarded to Ernst & Young LLP, our proposal and any copies must be returned to Ernst & Young LLP or destroyed.

Section III. Submission requirements

A. Attachment B

Instructions

- ▶ In the front of your Proposal, a copy of Attachment B (Agreement on Terms of Discussion), signed by an officer of your company.

ATTACHMENT B

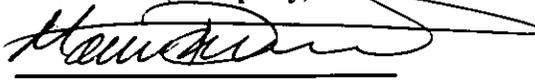
REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (RFP #23669)

AGREEMENT ON TERMS OF DISCUSSION

The Port Authority's receipt or discussion of any information (including information contained in any proposal, vendor qualification, ideas, models, drawings, or other material communicated or exhibited by the undersigned or on its behalf) shall neither impose any obligations whatsoever on the Port Authority nor entitle the undersigned to any compensation therefore (except to the extent specifically provided in such written agreement, if any, as may be entered into between the Port Authority and the undersigned). Any such information given to the Port Authority before, with or after this Agreement on Terms of Discussion ("Agreement"), whether orally or in writing, is not given in confidence. Such information may be used, or disclosed to others, for any purpose at any time without obligation or compensation and without liability of any kind whatsoever. Any statement which is inconsistent with this Agreement, whether made as part of or in connection with this Agreement, shall be void and of no effect. This Agreement is not intended, however, to grant to the Port Authority rights to any matter, which is the subject of valid existing or potential intellectual property rights. The foregoing applies to any information, whether or not given at the invitation of the Authority.

Notwithstanding the above, and without assuming any legal obligation, the Port Authority will employ reasonable efforts, subject to the provisions of the Authority's Freedom of Information Policy and Procedure adopted by the Port Authority's Board of Commissioners on November 20, 2008, which may be found on the Authority website at <http://www.panynj.gov/corporate-information/freedom-of-information.cfm>, not to disclose to any competitor of the undersigned, information submitted which are trade secrets or is maintained for the regulation or supervision of commercial enterprise which, if disclosed, would cause substantial injury to the competitive position of the enterprise, and which information is identified by the Proposer as proprietary, which may be disclosed by the undersigned to the Port Authority as part of or in connection with the submission of a proposal.

ERNST & YOUNG LLP
(Company)


(Signature)

PARTNER
(Title)

MARCH 7, 2011
(Date)

**ORIGINAL AND PHOTOCOPIES OF THIS PAGE ONLY.
DO NOT RETYPE.**

B. Attachment C

Instructions

- ▶ Complete a copy of Attachment C (Company Profile).

ATTACHMENT C
COMPANY PROFILE

REQUEST FOR PROPOSALS FOR PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT DEPARTMENT QUALITY ASSUANCE (PEER) REVIEW (RFP #23669)

1. Company Name (print or type):

Ernst & Young LLP

2. Business Address (to receive mail for this RFP):

5 Times Square, New York, NY 10036

3. Business Telephone Number: +1 212 773 3000

4. Business Fax Number: + 1 212 773 6350

5. Firm website: www.ey.com

6. Federal Employer Identification Number (EIN): (Ex. 1)

7. Date (MM/DD/YYYY) Firm was Established: 1894

8. Name, Address and EIN of Affiliates or Subsidiaries (use a separate sheet if necessary):

N/A (Please see our response to Requirement J)

9. Officer or Principal of Firm and Title:

Marios Damianides, Partner and Northeast Area Risk Advisory Services Leader

10. Name, telephone number, and email address of contact for questions:

Marios Damianides, Tel: +1 212 773 5776, Email: marios.damianides@ey.com

11. Is your firm certified by the Authority as a Minority-owned, Woman-owned or Small Business Enterprise (M/W/SBE)? Yes No

Please refer to our response to Requirement C for a description of Mitchell & Titus LLP, our minority-owned certified public accounting and business advisory member firm.

If yes, please attach **Port Authority** certification as a part of this profile.

If your firm is an M/WBE not currently certified by the Authority, see the Authority's web site – <http://www.panynj.gov/business-opportunities/supplier-diversity.html>, to receive information and apply for certification

D. Specific relevant experience of Ernst & Young LLP

Instructions

- ▶ This shall include, but not be limited to, a list of entities for which similar services have been provided. Provide a list of the projects, and a contact as required, for the Authority to confirm said information.

Our Internal Audit practice

Ernst & Young LLP is a leading internal audit service provider. Our client and industry-specific experience along with the investment in our people, tools and methodologies has allowed us to become significant and strategic internal audit and risk advisors and has enabled us to effectively align the right people, methodology and technology to serve our clients. As part of Ernst & Young LLP's commitment to providing world-class IA services, we have:

- ▶ Established the largest global Internal Audit practice of any Big Four firm, generating over \$1.0 billion globally per annum. Our more than 20,000 internal audit and IT professionals provide a full suite of internal audit services and operate under the same high standards and professional development training and expectations
- ▶ Invested more than \$350 million over the past three years in our internal audit people, process and technology, including the development of a single technology platform designed to drive consistency in internal audit procedures being performed around the world
- ▶ Provided internal audit services to 175 Fortune 1000 companies in over 100 countries. In the past four years, more companies have chosen Ernst & Young LLP for internal audit outsourcing and teaming than all of the other Big Four firms
- ▶ Established a single global platform for service delivery so clients receive the same high quality service and results wherever they do business

Our client and industry-specific experience, as well as our significant investments in internal audit methodologies, technology, knowledge and learning, will prove invaluable in providing a successful QAR of your IA function.

Our QAR leadership and experience

Performing in-depth reviews of internal audit functions is a core Ernst & Young LLP competency. Since introducing our proprietary Audit Performance Blueprint (APB) in 1997, we have gained extensive experience working with global internal audit functions to benchmark and then develop plans to drive efficiencies and value to their constituents. In recent years, we have incorporated many aspects of our APB methodology and insights into our QAR approach.

Ernst & Young LLP has performed several hundred QARs globally and developed a clear and documented methodology for performing such reviews, supported by a comprehensive range of tools. Our knowledge-base of leading IA practices has been derived from our vast experiences performing QARs, benchmarking reviews and collaborating with major IA functions.

We have listed below general descriptions of some QAR and APB engagements we have been involved in recently:

- ▶ **Government of Canada Agency** - Canadian-based agency reporting to Parliament and responsible for oversight of public health system
- ▶ **Government of Canada Agency** - Canadian-based agency responsible for linking immigration services with citizenship registration and overseeing Canada's multicultural programs
- ▶ **US provider of electric energy** - Fortune 500 provider of wholesale power to utilities, cooperatives, municipalities and other energy companies throughout North American Energy Reliability Council regions
- ▶ **Global manufacturer and provider of home care products** - Fortune 25 company with global distribution in 160 countries; acquisitions have been part of growth strategy
- ▶ **Global supplier of consumer goods** - European-based supplier of consumer goods, including foods, home and personal product categories
- ▶ **Global integrated oil and gas company** - Fortune 25 company with global operations
- ▶ **One of North America's largest pharmaceutical distribution companies** - Fortune 25 company that provides supply, information and care management products; acquisitions have been part of growth strategy
- ▶ **Leading global information technology company** - Fortune 25 company that provides IT, business, technology and consulting services
- ▶ **Leading global financial services firm** - Fortune 50 provider of investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis
- ▶ **Leading global software products company** - Fortune 50 developer of software and operating systems for servers, personal computers and intelligent devices
- ▶ **Global financial services firm** - Fortune 50 leader in serving individual investors, institutional investors and investment banking clients around the world
- ▶ **One of the nation's largest financial services firms** - Fortune 500 provider of securities brokerage, banking, wealth management and related financial services
- ▶ **Leading insurance provider** - Fortune 500 company that provides creditor-placed homeowners insurance, manufactured housing, homeowners insurance, debt protection administration, credit insurance, warranties and extended service contracts

References

We realize one of the best ways for you to evaluate our firm and our team is to talk with some of the clients we have served. We are proud of the internal audit work and QAR services the firm performs and the contributions we have made to organizations around the globe. As such, we are providing the following three references for your consideration. As a courtesy to our clients, we request that you contact **Marlos Damianides**, your Engagement Partner, prior to contacting these individuals so as to help facilitate your communications. We would also be happy to provide you with further references upon request.

Mr. Adam Losner

Vice President, Internal Audit and Chief Audit Executive
Broadridge Financial Solutions, Inc.
1981 Marcus Avenue Suite 200, Lake Success, NY 11042
+1 516 472 5476
adam.losner@broadridge.com
Engagement: External Quality Assessment Review
Date: July - August 2009

Mr. Robert Tyler

Vice President - Internal Control Department
The Estee Lauder Companies, Inc.
767 Fifth Avenue, New York, NY 10153
+1 212 277 2100
rtyler@estee.com
Engagement: External Quality Assessment Review
Date: September - November 2008

Mr. Lou Belivacqua

Vice President - Internal Audit
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Engagement: External Quality Assessment Review and Internal Audit functional performance assessment
Date: January - December 2007

E. Proposed technical personnel

Instructions

- ▶ The names, titles, and corresponding billing rates for technical personnel and partners/principals referred to in subparagraph 7A of the Agreement.

Our commitment to the Authority is demonstrated in our approach and desire to make a significant investment in our current and future relationship. Our goal is to provide the Authority with the highest quality service at a fair price. We are committed to the Authority and recognize the significance of this engagement both from the value you will receive and the exposure we, as a firm, will receive during the execution of this engagement. Given the priority of this engagement, the work will be performed, primarily, by professionals at the Partner, Senior Manager and Manager level.

All billings for professional services are invoiced at the hourly rates specified below.

Name*	Title	Hourly rate
(Ex. 1)	Partner	\$310
	Senior Manager	\$250
	Senior Manager	\$250
	Senior Manager	\$250
	Manager	\$170
	Senior	\$125

***Note:** To the best of our knowledge, no employee, agent or subcontractor of Ernst & Young LLP proposed to perform the requested services was formerly an employee of the Authority.

F. Attachment D

Instructions

- ▶ Complete Attachment D (Staffing Analysis Sheet) for performance of each of the Tasks outlined in Attachment A.
- ▶ The staffing analysis shall identify the names, titles, and billing rates of specific staff to be assigned to the performance of each task, and the total number of hours to be spent by each of them in the performance of each task, including out-of-pocket expenses. Please note that out-of-pocket expenses shall not include daily commutation or housing costs or any relocation costs incurred by your staff in the performance of the required services.
- ▶ If proposing the use of subconsultant(s), provide the terms and conditions for their compensation (including their multiplier, and/or billing rates as appropriate), their Minority/Women-owned Business Enterprise (M/WBE) status and the technical qualifications of their key personnel to be assigned to the subject project.
- ▶ Your attention is directed to Paragraph 19 of the Agreement in which the Authority has stated the M/WBE goals for participation in this project. Submit details on how you intend to meet these goals. A listing of certified MBE/WBE firms will be provided upon request.

***Notes for Attachment D:**

A. Our estimated total costs as outlined in Attachment D are based upon the following assumptions:

- ▶ Interviews/surveys will be defined and planned by Ernst & Young LLP, the Department and Senior Management at the beginning of the project
- ▶ Authority Senior Management and the Department will actively support Ernst & Young LLP in scheduling the interviews with Authority leadership and the Department staff members
- ▶ Authority Senior Management and the Department will actively support Ernst & Young LLP in compiling Department staff information for surveys/questionnaires to be distributed in week three and collected until week five
- ▶ Authority Senior Management and the Department will make themselves available to Ernst & Young LLP, and all interviews will take place between week three and five of the project
- ▶ Authority Senior Management and the Department will assist in scheduling interviews so that they are concentrated to a minimum number of days
- ▶ Audit work paper selections will be defined by Ernst & Young LLP at the beginning of the project, and Department members will provide this information to us in a timely fashion (within week 1-2 of the project)
- ▶ Internal audit mission/charter, policy, procedures/manuals and methodology documents as well as items such as the internal audit budget, risk assessment, audit planning and reporting information will be available for review and provided to us upon arrival in week 1
- ▶ Internal audit roles description, training confirmations and staff files are available for review and will be provided to us upon arrival in week 1
- ▶ Internal audit staff and/or team leaders will be available to validate open issues and answer questions with regards to the audit work paper sample selected and/or any other Department documentation required for our review

B. Financial relationship with subcontractor

We intend to serve the Authority in partnership with Mitchell & Titus LLP. In doing so, there will be no markup of Mitchell & Titus LLP fees, and no discounts of such fees extended to Ernst & Young LLP. Anticipated hourly or other charges by Mitchell & Titus LLP will be billed for at Mitchell & Titus LLP's own discounted rates. As such, there is no compensation for the provision of the proposed services flowing between Ernst & Young LLP and Mitchell & Titus LLP.

G. Proposed technical approach

Instructions

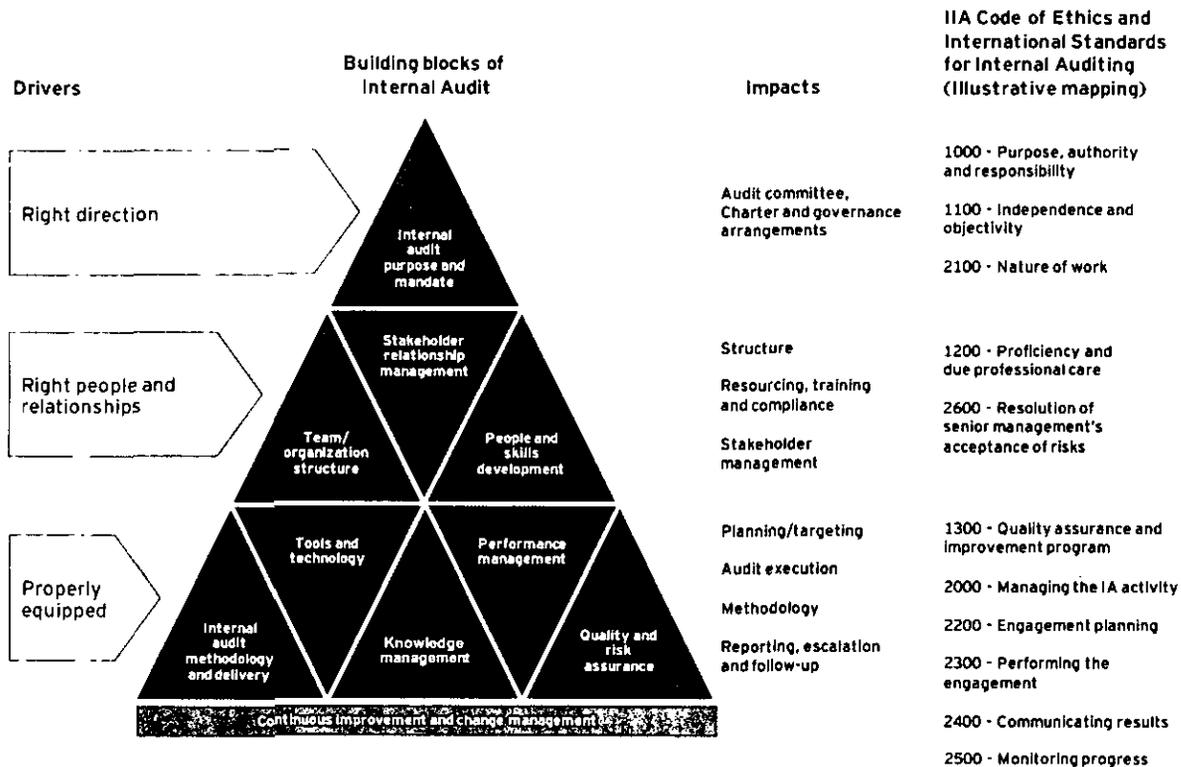
- ▶ A detailed description of the proposed technical approach to be taken for the performance of the required services for each task in Attachment A. Factors addressed in your technical approach shall include, but are not limited to, your proposed methodology and strategy for performing the services in Attachment A as well as any specific software or other technology you may employ in the performance of these services.

Technical approach and methodology

Our approach

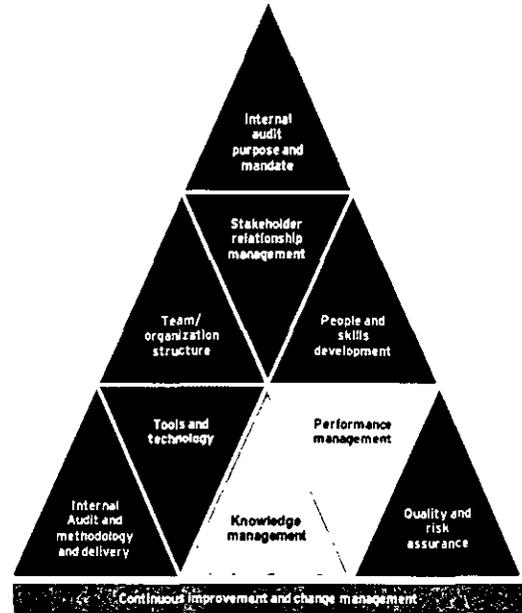
Our leading practice framework

Our approach can best be summarized as having the right-skilled team, with access to leading practice benchmarking information to execute a proven methodology. Drawing upon our experience of working with more internal audit functions than any other professional services firm, Ernst & Young LLP has developed unrivaled knowledge of leading IA practices globally. While there is no substitute for personal experience and knowledge, Ernst & Young LLP continues to capture examples of leading practices around each element of our internal audit framework. We have aligned this framework with the IIA Standards to create a structured approach for QARs as summarized in the following graphic.



Maturity model and benchmarking

Ernst & Young LLP's Internal Audit Operating Framework triangle forms the bedrock of our QAR methodology. Underlying this triangle, Ernst & Young LLP has a leading practices database that provides quality benchmarking data that can be used to determine the level of maturity at which your function currently operates and to develop customized improvement opportunities for the Department. Our experience tells us that this analysis assists internal audit leadership to determine their desired future state in relation to leading practices and in the development of an implementation plan to achieve this goal.



We recognize that IA organizations may not strive to achieve "leading practice" status in all aspects depending on the organization's particular mandate and cost parameters. However, our Internal Audit Operating Framework and leading practices database provide a useful tool for organizing and prioritizing an improvement agenda specific to the Department. Our position as market leaders in IA also gives us the unique ability to provide recommendations to the Department that are 'fit for purpose' and pragmatic in the context of the Department's organization.

To allow you to develop a robust action plan, for each component of our framework and for each IIA Standard, we will evaluate the Department's relative maturity and will provide details and characteristics of leading practices.

<p>Basic Limited activities exist for this performance factor</p>	<p>Evolving Some parts of this performance factor exist; application on different levels is inconsistent</p>	<p>Established Performance factor is pragmatically defined; consistently applied on some levels involved</p>	<p>Advanced Performance factor is defined in more detail; consistently applied on most levels involved</p>	<p>Leading Performance factor is defined in more detail and consistently applied on all levels involved</p>
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Our methodology

We will employ a tailored five-step approach (as outlined below) which will include a combination of interviews and surveys of key functional leads, the Department and others, evaluation of the skill sets of your people, your staff development programs, your risk assessment planning and execution methodologies, your use of technology and the effectiveness of your work paper quality review program. Our assessment will culminate in an evaluation session where we will share our observations and perspectives.

The following table outlines Ernst & Young LLP's methodology, including the key activities and outputs our QAR team will utilize to perform the assessment.

	RFP Task A	RFP Task B	RFP Task C		
	Co-develop	Assess	Benchmark	Roadmap	
	Results				
Objectives	<ul style="list-style-type: none"> Confirm scope, approach key points of contact, work products and set the overall project logistics 	<ul style="list-style-type: none"> Perform review of the Department's role, people, processes and work products. Three key inputs: staff surveys, interviews, and review of internal audit materials 	<ul style="list-style-type: none"> Perform ongoing analysis of materials and compare with leading practices of other organizations 	<ul style="list-style-type: none"> Share results of QAR, highlighting potential areas for improvement 	<ul style="list-style-type: none"> Present final report and provide informal feedback to Department leadership
Key activities	<ul style="list-style-type: none"> Develop project plan, scope and timing, including progress to delivery of reports Agree on progress checkpoints with Department leadership Agree on key interviewees across the Authority and schedule meetings Use information requirements checklist and gather documentation to quickly assimilate team with understanding of the Authority 	<ul style="list-style-type: none"> Survey Department staff Interview Department and perform other key interviews Review materials supporting all aspects of Department operations: <ul style="list-style-type: none"> Role within overall governance framework People including structure and talent management Process including risk assessment, plan, work papers and reporting 	<ul style="list-style-type: none"> Analyze materials for IIA compliance, highlighting any gaps Review Ernst & Young LLP's leading practices knowledgebase for examples of relevant leading practices Conduct review sessions to analyze findings and possible areas of improvement 	<ul style="list-style-type: none"> Hold individual sessions with Department leadership to confirm results and consider barriers to change Hold internal audit design session(s) involving Department leadership and Ernst & Young LLP's core team. Session will review identified issues and explore how they may be addressed by implementing relevant leading practices Draft report 	<ul style="list-style-type: none"> Finalize report and provide informal feedback to Department leadership Finalize report with Department leadership Discuss (confidentially) findings from key interviewee meetings and staff survey with respective members of Department leadership Present findings to Authority leadership
Key outcomes and work products	<ul style="list-style-type: none"> Agreed project plan, including progress checklist milestones Interviews scheduled Key documentation obtained 	<ul style="list-style-type: none"> Validated Department staff survey Stakeholder feedback on performance Results of review of risk assessment, annual plan, work papers, technology and delivery-related processes 	<ul style="list-style-type: none"> Evaluation of performance against IIA standards Identified relevant leading practices Gap analysis between actual performance and that of leading IIA functions 	<ul style="list-style-type: none"> Draft report to include: <ul style="list-style-type: none"> IIA compliance assessment Report, including agreed-upon action plans incorporating leading practices 	<ul style="list-style-type: none"> Final report and action plans Tailored and relevant feedback to Department leadership and staff Feedback to Authority leadership

Description of QAR steps

RFP Task A:

1. Co-develop expectations and plan the assessment

We firmly believe each QAR will only be successful with agreement and clarity around objectives, participants, work products, timelines and protocols for sharing progress and findings.

Consequently, we will start the QAR with a series of meetings between our core team and your leadership team(s) and assessment co-coordinator, if applicable, designed to reach agreement on such protocols. These meetings will also incorporate discussions of Department operating practices, the result of your own quality assurance activities and your own Assessment of the function's strengths and weaknesses.

Our Co-Develop Expectations stage is also critically important, as this is the stage when our team quickly becomes acclimated with the environment of the Authority. Through our established relationship with the Authority, and our engagement on prior projects, our firm has acquired good knowledge of the Authority and its internal processes. Based on our discussions with your leadership team and our QAR experience and knowledge of the Authority, we will establish priority areas for assessment prior to beginning the assessment phase.

Finally, from our experience performing QARs, we have identified a number of key documents we would request be made available to us. This is formalized in an Information Requirements Checklist. Once the information is available, we will carry out a desktop review to help determine our focus areas.

RFP Task B:

2. Assessment

During the assessment phase, we capture many data inputs primarily through three key activities:

- ▶ Department staff surveys and Department leadership interviews
- ▶ Interviews with individuals or groups with a vested interest in the success of Department
- ▶ Documentation review

Department staff surveys and Department leadership interviews

We believe that surveying the Department team is an important step that sharpens the focus of our subsequent assessment activities. We will use our web-based survey tool to confidentially survey all Department staff. The survey is designed to obtain feedback on all elements of the Ernst & Young LLP Internal Audit Operating Framework and has been aligned with the IIA Standards. We will populate our survey with the typical questions we generally ask, and then customize these questions in conjunction with Department leadership prior to execution of the survey.

We will also hold individual interviews with Department leadership. Ideally, these sessions are scheduled after the survey has concluded so that survey results can be considered during interviews.

Other interviews

Interviews with those individuals or groups with a vested interest in the success of the Department are a critical step in the QAR process. Typically, we interview between 10 and 15 individuals and will confirm the interview list with the Department leadership team. If needed, an appropriate subject matter advisor may be included in the interview team.

The focus of these interviews, which again we will validate with you, is around five keys areas of the Department:

- ▶ Role of the Department, including interaction with other risk functions
- ▶ Capability of Department's people
- ▶ Department's risk assessment and plan
- ▶ Quality of Department's work
- ▶ Relevance of Department's reporting

Documentation review

A key aspect of our assessment involves the review of various Department documents to understand and assess the audit methodology, processes, staff proficiency and training, and communications with clients and organizational leaders. The experience of our team and the resources available for the project will allow us to quickly understand IA processes, assess conformance to IIA Standards, identify areas of divergence from IA processes and leading practices and recommend potential corrective actions.

In addition, we propose to proactively leverage your internal quality assurance practices to further focus our procedures while allowing for broader coverage of existing processes. We will do this by reviewing the quality assurance process, results of quality assurance work and performing a 'walk-through' of a sample of completed audit workpapers to provide a broad representation of audit execution.

3. Gap analysis and benchmarking

This stage involves a comparison of Department processes with all relevant IIA Standards. We will also compare and contrast Department with other leading IA functions across the globe. To achieve this last step we will start by accessing our global knowledge databases, which contain the characteristics and examples of leading IA functions. However, more critically, we will leverage the knowledge and experience of our team members. These team members bring real hands-on experience of running IA functions, performing QARs, and having QARs performed on them. These experiences will result in tangible, relevant and pragmatic recommendations for improvement.

RFP Task C:

4. Develop a roadmap

As the Department addresses the suggestions resulting from our assessment, it is essential that any action plans are relevant and practical. Accordingly, we believe that your acceptance/agreement around any issues, observations and recommendations we make is critical.

We will conduct meetings with your Department leadership team to discuss our findings, recommendations and relevant leading practices, with particular emphasis on the root causes and barriers to change.

Internal audit design session

To demonstrate our commitment to our relationship, we will invest in a one-day session with your internal audit team to walk through our report, and assist you in developing an implementation plan to turn our recommendations into action. This session will include a careful analysis of the factors to be considered in implementing change, as well as assisting you in prioritizing the action items to meet your needs. We have worked with many of our clients in conducting similar sessions, and believe that this will be a differentiator and will "bring the assessment to life". After this session, your team will be equipped to put the implementation plan into action and begin to further drive value throughout the organization.

5. Communicate results

We will work with you to determine the exact format of how we report QAR results. However, we anticipate that the content of our report will highlight the Department's performance against the baseline of the IIA Standards, which will be discussed and agreed with Department management before we finalize the report. This assessment will be prepared based on our firm's standard QAR reporting template. Each area will be assessed against each Standard using a scale of "generally conforms", "partially conforms", and "does not conform".

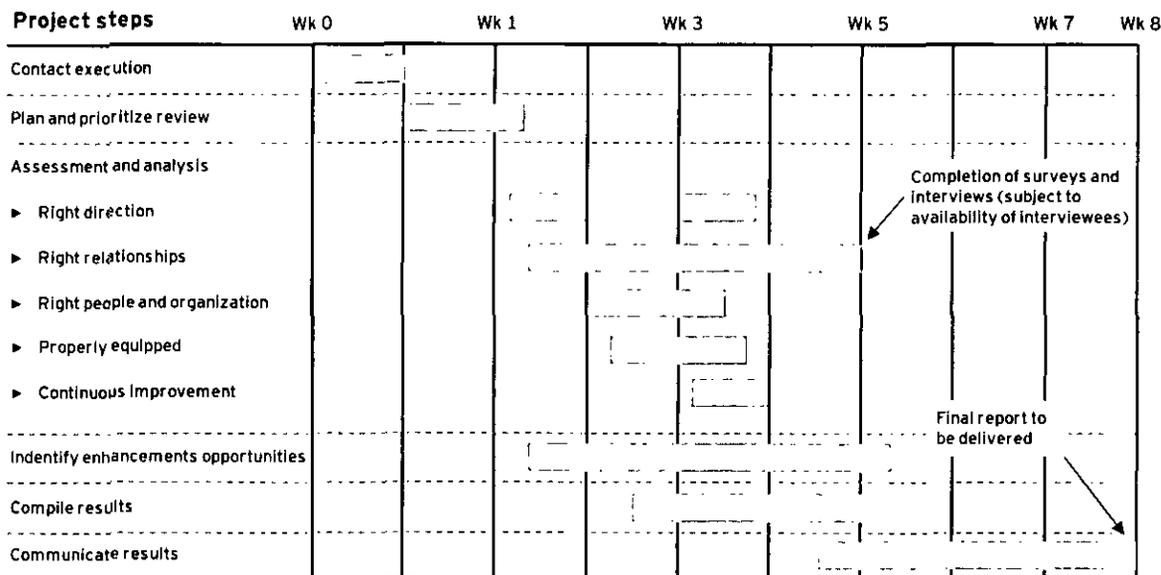
Our report will also highlight where you exceed or differ from leading practices, and include associated recommendations and enhancement opportunities for improvement of existing IA practices in carrying out Department mission and mandates. These recommendations will be discussed and agreed with you before we finalize our report. We will also provide a report detailing and analyzing the staff survey results and make ourselves available to deliver the QAR results to the Audit Committee of the Board of Commissioners, key stakeholders and / or other members of the Authority, should you so desire.

I. Schedule of completion dates

Instructions

- ▶ Submit a schedule that corresponds to the various completion dates contained in Attachment A, however, if those dates cannot be adhered to, you may submit revised dates. The fact that you were not able to adhere to the original dates will be a factor in analyzing Proposals. The Authority reserve all rights referred to in the last paragraph hereunder.

Based on our QAR experience, we have outlined below a timeline designed to demonstrate our ability to complete the QAR over a six to eight week period, with a final report provided within 70 calendar days from the mutually agreed upon start date. Completion of the QAR within the six to eight week period will be dependent on the availability of interviewees and completion of the stakeholder interviews within the timeline specified.



Although our focus for QAR interviews is primarily within the Authority's IA function, we do suggest that limited interviews (typically 8 to 10) be conducted with selected key internal audit stakeholders (CFO, members of the Audit Committee of the Board of Commissioners, General Counsel, External Audit Partner, etc.). As with all such QAR projects, our experience has shown that the main challenge in meeting these timelines is the availability of executive stakeholders and audit committee members. We will work closely with you at the inception of the project to schedule the key stakeholder interviews and will provide sufficient advance planning for the successful completion of the engagement within the proposed timeline and budget.

J. Ernst & Young LLP's affiliates

Instructions

- ▶ A complete list of your firm's affiliates.

Not applicable - Ernst & Young LLP, a global leader in professional services, is a limited liability partnership. As such, we operate as a global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young LLP Global Limited, a UK company limited by guarantee, does not provide services to clients.

K. Possible conflict of interest

Instructions

- ▶ If the Proposer or any employee, agent or subcontractor of the Proposer may have, or may give the appearance of, a possible conflict of interest, the Proposer shall include in its Proposal a statement indicating the nature of the conflict. The Authority reserves the right to disqualify the Proposer if, in its sole discretion, any interest disclosed or ascertained from any source could create, or give the appearance of, a conflict of interest. The Authority's determination regarding any question(s) of conflict of interest shall be final.

To the best of our knowledge, no employee, agent or subcontractor of Ernst & Young LLP has a conflict of interest that would preclude us from providing an objective assessment of the Authority's Audit Department.

L. Specific exceptions to Agreement

Instructions

- ▶ The selected firm(s) shall comply with the form of agreement and its terms and conditions. Proposers should therefore neither make any changes in the Agreement nor restate any of its provisions in their Proposal or supporting material. However, if a Proposer has any specific exceptions, such exceptions should be set forth in a separate letter included with its response to this RFP. The Authority is under no obligation to entertain or accept any such specific exceptions. Failure to raise issues at the time of Proposal submission shall preclude the raising of such issues at a later time.

Please see the separately enclosed **CERTIFICATION STATEMENT** letter for specific exceptions.

ATTACHMENT D

**PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN AUDIT
DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (RFP #23669)**

Ernst & Young, LLP

Task A - Meetings/Presentations

Name	Title	Company	Hours	Billing Rate	Cost*
(Ex. 1)	Partner	Ernst & Young	8	310	\$2,480
	Partner	Ernst & Young	1	310	\$310
	Partner	Ernst & Young	1	310	\$310
	Partner	Ernst & Young		310	\$0
	Partner	Ernst & Young		310	\$0
	Senior Manager	Ernst & Young	9	250	\$2,250
	Senior Manager	Mitchell & Titus	2	250	\$500
	Senior Manager	Ernst & Young	2	250	\$500
	Manager	Ernst & Young	2	170	\$340
	Senior	Ernst & Young		125	\$0
Total Hours Task A:			25		\$6,690

Task B - Quality Assurance Review

Name	Title	Company	Hours	Billing Rate	Cost*
	Partner	Ernst & Young	16	310	\$4,960
	Partner	Ernst & Young	5	310	\$1,550
	Partner	Ernst & Young	5	310	\$1,550
	Partner	Ernst & Young	5	310	\$1,550
	Partner	Ernst & Young	5	310	\$1,550
	Senior Manager	Ernst & Young	40	250	\$10,000
	Senior Manager	Mitchell & Titus	35	250	\$8,750
	Senior Manager	Ernst & Young	35	250	\$8,750
	Manager	Ernst & Young	55	170	\$9,350
	Senior	Ernst & Young	24	125	\$3,000
Total Hours Task B:			225		\$51,010

Task C - Reports

Name	Title	Company	Hours	Billing Rate	Cost*
	Partner	Ernst & Young	8	310	\$2,480
	Partner	Ernst & Young	5	310	\$1,550
	Partner	Ernst & Young	3	310	\$930
	Partner	Ernst & Young	3	310	\$930
	Partner	Ernst & Young	3	310	\$930
	Senior Manager	Ernst & Young	16	250	\$4,000
	Senior Manager	Mitchell & Titus	4	250	\$1,000
	Senior Manager	Ernst & Young	4	250	\$1,000
	Manager	Ernst & Young	4	170	\$680
	Senior	Ernst & Young		125	\$0
Total Hours Task C:			50		\$13,500

Anticipated Itemized Expenses

Description of Expense	Cost
N/A	

Reimb. Total Cost: \$0.00

TOTAL PROJECT Hours = 300 \$71,200.00