

From: chris@breakpointassurancecompany.com
Sent: Thursday, November 07, 2013 4:20 PM
To: Duffy, Daniel
Cc: Torres Rojas, Genara; Van Duyne, Sheree; Qureshi, Ann
Subject: Freedom of Information Online Request Form

Information:

First Name: Christopher
Last Name: Arunkumar
Company: Breakpoint Assurance Company A CPA Firm
Mailing Address 1: 116 Village Boulevard
Mailing Address 2: 200
City: Princeton,
State: NJ
Zip Code: 08540
Email Address: chris@breakpointassurancecompany.com
Phone: 609-734-7420
Required copies of the records: No

List of specific record(s):

Names-List of CPA Firms, Consulting Firms who have provided Audit, Internal Controls, Fraud Investigation services to the Port Authority. Current and in the Past at least 3 years back.

THE PORT AUTHORITY OF NY & NJ

FOI Administrator

June 26, 2014

Mr. Christopher Arunkumar
Breakpoint Assurance Company A CPA Firm
116 Village Boulevard
Princeton, NJ 08540

Re: Freedom of Information Reference No. 14393

Dear Mr. Arunkumar:

This is in response to your November 7, 2013 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code") for copies of "Names-List of CPA Firms, Consulting Firms who have provided Audit, Internal Controls, Fraud Investigation services to the Port Authority. Current and in the Past at least 3 years back."

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/14393-O.pdf>. Paper copies of the available records are available upon request.

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

Very truly yours,



Daniel D. Duffy
FOI Administrator

*225 Park Avenue South, 17th Floor
New York, NY 10003
T: 212 435 3642
F: 212 435 7555*



THE PORT AUTHORITY OF NY & NJ

September 3, 2009

Doar Ricck Kaley & Mack
217 Broadway, Suite 707
New York, NY 10007

Attention: Walter Mack, Managing Partner

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTEGRITY
MONITORING SERVICES AS REQUESTED ON A "CALL-IN" BASIS
DURING 2009 - 2011 (RFP #17750)**

Dear Mr. Mack:

I am pleased to inform you that your firm has been selected to be on a "call-in" list of firms that will be solicited as the need arises for performance of the subject work, in the following categories: Contract Monitoring projects valued at less than \$3 million; Contract Monitoring projects valued at greater than \$3 million; and Service Monitoring contracts.

As the Authority determines the need for an Integrity Monitor(s), firms on the "call-in" list in a specific category shall be requested to submit proposals outlining its proposed staff, technical approach, management approach, and cost. The Authority will review the proposals, and select the most qualified firm, on a best buy basis, to perform the required services. The selected Consultant shall, at that time, enter into an agreement with the Authority, vendor, contractor, or other entity being monitored as determined by the Authority.

If you have any questions regarding the above, please contact Kim Payne at kpayne@panynj.gov or (212) 435-3977.

Sincerely,


Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

One Madison Avenue
New York, NY 10010
T: 212 435 7000



THE PORT AUTHORITY OF NY & NJ

September 3, 2009

Fortress Monitoring Group
350 Fifth Avenue, Suite 6024
New York, NY 10118

Attention: Stanley Lupkin, Executive Director

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTEGRITY
MONITORING SERVICES AS REQUESTED ON A "CALL-IN" BASIS
DURING 2009 - 2011 (RFP #17750)**

Dear Mr. Lupkin:

I am pleased to inform you that your firm has been selected to be on a "call-in" list of firms that will be solicited as the need arises for performance of the subject work, in the following categories: Contract Monitoring projects valued at greater than \$3 million; and Service Monitoring contracts.

As the Authority determines the need for an Integrity Monitor(s), firms on the "call-in" list in a specific category shall be requested to submit proposals outlining its proposed staff, technical approach, management approach, and cost. The Authority will review the proposals, and select the most qualified firm, on a best buy basis, to perform the required services. The selected Consultant shall, at that time, enter into an agreement with the Authority, vendor, contractor, or other entity being monitored as determined by the Authority.

If you have any questions regarding the above, please contact Kim Payne at kpayne@panynj.gov or (212) 435-3977.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

One Madison Avenue
New York, NY 10017
T: 212 435 7000



THE PORT AUTHORITY OF NY & NJ

September 3, 2009

KPMG LLP
345 Park Avenue
New York, NY 10154

Attention: Steven Fishner, Principal

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTEGRITY
MONITORING SERVICES AS REQUESTED ON A "CALL-IN" BASIS
DURING 2009 – 2011 (RFP #17750)**

Dear Mr. Fishner:

I am pleased to inform you that your firm has been selected to be on a "call-in" list of firms that will be solicited as the need arises for performance of the subject work, in the following categories: Contract Monitoring projects valued at less than \$3 million; Contract Monitoring projects valued at greater than \$3 million; and Service Monitoring contracts.

As the Authority determines the need for an Integrity Monitor(s), firms on the "call-in" list in a specific category shall be requested to submit proposals outlining its proposed staff, technical approach, management approach, and cost. The Authority will review the proposals, and select the most qualified firm, on a best buy basis, to perform the required services. The selected Consultant shall, at that time, enter into an agreement with the Authority, vendor, contractor, or other entity being monitored as determined by the Authority.

If you have any questions regarding the above, please contact Kim Payne at kpayne@panynj.gov or (212) 435-3977.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

One Madison Avenue
New York, NY 10010
1: 212 435 7000



THE PORT AUTHORITY OF NY & NJ

September 3, 2009

Navigant Consulting, Inc.
666 Third Avenue, 27th Floor
New York, NY 10017

Attention: Richard Faughnan, Director

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTEGRITY
MONITORING SERVICES AS REQUESTED ON A "CALL-IN" BASIS
DURING 2009 - 2011 (RFP #17750)**

Dear Mr. Faughnan:

I am pleased to inform you that your firm has been selected to be on a "call-in" list of firms that will be solicited as the need arises for performance of the subject work, in the following categories: Contract Monitoring projects valued at greater than \$3 million; and Service Monitoring contracts.

As the Authority determines the need for an Integrity Monitor(s), firms on the "call-in" list in a specific category shall be requested to submit proposals outlining its proposed staff, technical approach, management approach, and cost. The Authority will review the proposals, and select the most qualified firm, on a best buy basis, to perform the required services. The selected Consultant shall, at that time, enter into an agreement with the Authority, vendor, contractor, or other entity being monitored as determined by the Authority.

If you have any questions regarding the above, please contact Kim Payne at kpaync@panynj.gov or (212) 435-3977.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

One Madison Avenue
New York, NY 10010
T 212 435 7000



THE PORT AUTHORITY OF NY & NJ

September 3, 2009

Thacher Associates, Inc.
330 West 42nd Street, 23rd Floor
New York, NY 10036

Attention: Joseph DeLuca, Executive Vice President & COO

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTEGRITY
MONITORING SERVICES AS REQUESTED ON A "CALL-IN" BASIS
DURING 2009 - 2011 (RFP #17750)**

Dear Mr. DeLuca:

I am pleased to inform you that your firm has been selected to be on a "call-in" list of firms that will be solicited as the need arises for performance of the subject work, in the following categories: Contract Monitoring projects valued at greater than \$3 million; and Service Monitoring contracts.

As the Authority determines the need for an Integrity Monitor(s), firms on the "call-in" list in a specific category shall be requested to submit proposals outlining its proposed staff, technical approach, management approach, and cost. The Authority will review the proposals, and select the most qualified firm, on a best buy basis, to perform the required services. The selected Consultant shall, at that time, enter into an agreement with the Authority, vendor, contractor, or other entity being monitored as determined by the Authority.

If you have any questions regarding the above, please contact Kim Payne at kpayne@panynj.gov or (212) 435-3977.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

One Madison Avenue
New York, NY 10010
T: 212 435 7000



THE PORT AUTHORITY OF NY & NJ

September 23, 2010

Guidepost Solutions, LLC
415 Madison Avenue, 17th Floor
New York, NY 10017

Attention: Thomas McShane, President, Monitoring and Compliance

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTEGRITY
MONITORING SERVICES AS REQUESTED ON A "CALL-IN" BASIS
DURING 2010 – 2011 (RFP #21546)**

Dear Mr. McShane:

I am pleased to inform you that your firm has been selected to be on a "call-in" list of firms that will be solicited as the need arises for performance of the subject work, in the following categories: Contract Monitoring projects valued at greater than \$3 million and Service Monitoring contracts.

As the Authority determines the need for an Integrity Monitor(s), firms on the "call-in" list in a specific category shall be requested to submit proposals outlining its proposed staff, technical approach, management approach, and cost. The Authority will review the proposals, and select the most qualified firm to perform the required services. The selected Consultant shall, at that time, enter into an agreement with the Authority, vendor, contractor, or other entity being monitored as determined by the Authority.

If you have any questions regarding the above, please contact Kim Payne at kpayne@panynj.gov or (212) 435-3977.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

One Madison Avenue
New York, NY 10010
F: 212 435 7000



THE PORT AUTHORITY OF NY & NJ

June 13, 2011

The Institute of Internal Auditors, Inc.
247 Maitland Avenue
Altamonte Springs, FL 32701

Attention: Hal Garyn, Vice President of North American Services

**SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL SERVICES FOR AN
AUDIT DEPARTMENT QUALITY ASSURANCE (PEER) REVIEW (P.A.
AGREEMENT #AUD-11-001)**

Dear Mr. Garyn:

I am pleased to inform you that your firm has been selected for performance of the subject services.

Transmitted herewith are two copies of the Authority's standard agreement. Sign both original copies and return them to The Port Authority of New York and New Jersey, Attention: Ms. Isabel Amado, Principal Contract Specialist, One Madison Avenue, 7th Floor, New York, NY 10010. The return of one copy executed by the Authority will effectuate the Agreement.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

Enclosures

One Madison Avenue
New York, NY 10010
1 212 435 7000



THE PORT AUTHORITY OF NY & NJ

August 5, 2011

Altran Control Solutions, Inc.
1120 Avenue of the Americas
4th Floor
New York, NY 10036

Attention: Margaret Gesualdi, Vice President & Managing Partner

SUBJECT: PERFORMANCE OF EXPERT PROFESSIONAL INTERNAL AUDITING SERVICES AS REQUESTED ON AN "AS NEEDED" BASIS DURING 2011-2014 (AUD-11-002)

Dear Ms. Gesualdi:

I am pleased to inform you that your firm has been selected for performance of the subject services.

Transmitted herewith are two copies of the Authority's standard agreement. Please sign both original copies and return them to The Port Authority of New York and New Jersey, Attention: Ms. Tracy Tieman, Senior Staff Contract Specialist, One Madison Avenue, 7th Floor, New York, NY 10010. The return of one copy executed by the Authority will effectuate the Agreement.

Sincerely,

Tim Volonakis
Manager
Professional, Technical & Advisory Services Division
Procurement Department

Enclosure



Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281-1414
USA

Tel: +1 212 436 2000
Fax: +1 212 436 5000
www.deloitte.com

July 7, 2010

Honorable David S. Steiner
Chair of the Audit Committee and
Members of the Audit Committee
The Port Authority of New York and New Jersey
225 Park Avenue South, 15th Floor
New York, New York 10003-1064

Dear Audit Committee Members:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for The Port Authority of New York and New Jersey and its wholly owned entities (collectively, the "Port Authority"), for the year ending December 31, 2010. Mr. Michael Fritz will be responsible for the services that we perform for the Port Authority. Mr. Fritz will, as he considers necessary, call on other individuals with specialized knowledge, either in this office or elsewhere within D&T, to assist in the performance of our services.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Port Authority on issues as they arise throughout the year. Hence, we hope that you will call Mr. Fritz whenever the audit committee of the Port Authority (the "Audit Committee") and management believe D&T can be of assistance.

No Commissioner of the Port Authority shall be charged personally with liability or held liable under this letter agreement, or because of its execution or attempted execution, or because of any breach or attempted or alleged breach thereof.

We will perform this engagement subject to the terms and conditions set forth herein and in the accompanying appendices A, B, C, D and E.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"); standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("generally accepted government auditing standards"); Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*; and Passenger Facility Charge Audit Guide for Public Agencies (Revised September 2000).

In addition, we will also perform agreed-upon procedures with respect to Port Authority's preparation of the Federal Funding Allocation Statistics Form FFA-10 of the annual National Transit Database ("NTD") report for the year ending December 31, 2010, as required by the Federal Transit Administration under Title 49 U.S.C 5335(a) of the Federal Transit Act, as amended. These procedures will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The audit contemplated by this engagement and conducted in accordance with the standards described below includes the issuance of a report on:

- Whether the Port Authority's consolidated financial statements and schedules are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and Port Authority bond resolutions — by February 25, 2011 (tentative)
- The internal control structure related to the audit of the consolidated financial statements and schedules — by November 24, 2010
- Compliance with laws and regulations, when noncompliance may be material to the consolidated financial statements and schedules — by February 25, 2011 (tentative)
- Compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* — by February 25, 2011 (tentative)
- Compliance with requirements applicable to each major Federal program and internal control over compliance in accordance with OMB Circular A-133. This also involves the preparation of a schedule of findings and questioned costs to summarize the results of the audit in accordance with the requirements of OMB Circular A-133 — by February 25, 2011 (tentative)
- Whether the Port Authority's schedules of base rent and annual gross revenue of the New York City Municipal Air Terminals is fairly presented, in all material respects, in conformity with the lease agreement with the City of New York — by March 31, 2011
- Whether the Port Authority's Statement of Common Teleport O&M Costs is fairly presented, in all material respects, in conformity with the Teleport lease agreements — by March 31, 2011
- Compliance with Federal Aviation Administration requirements related to Passenger Facility Charge Program — by March 31, 2011

Appendix A contains a description of our responsibilities and an audit under generally accepted auditing standards, generally accepted government auditing standards, and OMB Circular A-133.

The report on our understanding of the Port Authority's internal control and the assessment of control risk made as part of the Port Authority's consolidated financial statements and schedules audit will include (1) the scope of our work in obtaining an understanding of the Port Authority's internal control and in assessing the control risk and (2) the reportable conditions, including the identification of material weaknesses, if any, identified as a result of our work in understanding and assessing the control risk.

In addition, we will render a report on illegal acts, as required, depending on the results of our audit procedures.

We will complete and sign one copy of the auditor's information section of the Data Collection Form. The Port Authority's management must prepare all other sections of the form and sign the form prior to its submission to the Federal Bureau of the Census.

Our ability to express opinions and render those reports, and the wording of our opinions and reports, will, of course, be dependant on the facts and circumstances at the date of such reports. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if the reports require modification, the reasons therefor will be discussed with the Audit Committee and the Port Authority's management.

We understand that our reports on the Port Authority's internal control, as part of the financial statement audit and on compliance with laws and regulations, are intended for the information of the Board of Commissioners, Audit Committee, management and others within the Port Authority and applicable Federal agencies.

Management's Responsibilities

Appendix B describes management's responsibilities for (1) the financial statements and schedules, (2) representation letters, (3) independence matters relating to providing certain services, and (4) independence matters relating to hiring.

Audit Committee's Responsibility

As independent auditors of the Port Authority, we acknowledge that the Audit Committee is directly responsible for the appointment, compensation, and oversight of our work and, accordingly, except as otherwise specifically noted, we will report directly to the Audit Committee. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities as subcontractors in connection with this engagement, have been approved by the Audit Committee in accordance with the Audit Committee's established pre-approval policies and procedures.

Other Communications Arising from the Audit

Appendix C describes various matters that we are required by generally accepted auditing standards and generally accepted government auditing standards to communicate with the Audit Committee and management.

Access to Working Papers by Regulators

In accordance with the requirements of generally accepted government auditing standards, we are required to make all audit-related documents, including auditor's reports, working papers, and management letters, available to a federal agency or the Comptroller General of the United States upon their request for their regulatory oversight purposes. If such a request is made, we will inform you prior to providing such access. The working papers for this engagement are the property of D&T and constitute D&T's confidential information. We may request confidential treatment of D&T information. If we are requested to make photocopies of audit-related documents, we will maintain control over duplication of all information. The Port Authority hereby grants us permission to provide access to and to make and permit others to make photocopies of all audit-related documents, including auditor's reports, working papers, and management letters, to representatives of the United States Government Accountability Office (GAO) or other appropriate government audit staffs. D&T may require its personnel to supervise the photocopying of audit-related documents and may specify the location at which such documents may be photocopied. The working papers relating to this audit will be retained by us for a minimum of three years from the dates of the reports issued, or such longer period as required to satisfy legal and administrative requirements.

Termination

D&T understands that our services under this Agreement are subject to annual renewal on recommendation by the Audit Committee of the Port Authority. The Port 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 days notice to us. We 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, we shall receive no compensation for any services not yet performed, but if termination is without fault on our part, the Port Authority shall pay us as the full compensation to which we 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 us.

Marketing

D&T shall not issue or permit to be issued any press release, advertisement, or literature of any kind, which refers to the Port Authority or the services performed in connection with this Agreement, unless we 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.

Fees

As used herein, "Director" shall mean the Chief Financial Officer of the Port Authority, acting either personally or through his duly authorized representatives acting within the scope of the particular authority vested in them, unless specifically stated to mean acting personally. For the purpose of administering this "Agreement", the Director has designated Robert Sudman, Acting Comptroller, to act as the Director's duly authorized representative.

Our fees for these services will be based on the actual time spent at the applicable billing rates shown below, plus out-of-pocket expenses which include amounts for travel and local transportation, meals and lodging on overnight trips, mailing and delivery charges of required materials, long distance calls, rentals of equipment, report production and typing, approved in advance by the Director and necessarily and reasonably incurred and actually paid by us in the performance of our services.

We will obtain the Director's written approval prior to making expenditures for out-of-pocket expenses in excess of \$1,000 per specific expenditure and for any overnight trips, which are reimbursable expenditures as set forth above. We will substantiate all billings for out-of-pocket expenses in excess of \$25 with receipted bills and provide said receipts upon request.

In addition to the services described above, D&T will provide accounting, audit and review services that may be required from time to time during the engagement period, at the Port Authority's request, providing that such services do not have any adverse impact on our independence.

The following schedule of hourly rates covers the services to be provided by us:

	Audit Hourly Rates*	ERS Hourly Rates*
Partner	\$474	\$500
Director	\$434	\$-
Senior Manager	\$368	\$479
Manager	\$255	\$351
Senior	\$194	\$300
Senior Assistant	\$151	\$-
Assistant	\$145	\$-

*Fully loaded hourly rates encompassing salary, overhead, and profits.

In addition, we shall participate in the disclosure process in connection with the issuance from time to time of Port Authority obligations. The fees for the services in connection with each issuance of the Port Authority obligations shall not exceed \$21,000.

The Port Authority shall have the right to inspect our records and those of our subconsultants, pertaining to any compensation to be paid hereunder, such records to be maintained by us and our subconsultants for a period of one year after the completion of services to be performed under this Agreement.

We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Additional services provided beyond the described scope of services described herein will be billed separately.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Port Authority intends to publish or otherwise reproduce in any document our report on the Port Authority's consolidated financial statements and schedules, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Port Authority agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report. D&T acknowledges that the Port Authority intends to post the consolidated financial statements and schedules as well as its Annual Report, in each case including the auditors' opinion, on the Port Authority's website. The Port Authority also agrees that its management will notify us and obtain our approval prior to including our report on any other electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Port Authority. Any request by the Port Authority to reissue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on any other electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such services (and their scope) would be subject to the mutual agreement of the Port Authority and D&T at such time as D&T is engaged to perform the services and would be described in a separate engagement letter.

* * * * *

This engagement letter, including the appendices attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services outlined are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Deloitte & Touche LLP

Acknowledged and approved on behalf of
The Port Authority of New York and New Jersey

By: *Daniel S. Shen*

Title: *Chairman, Audit Committee*

Date: *7/16/10*

**DESCRIPTION OF OUR RESPONSIBILITIES AND AN AUDIT UNDER
GENERALLY ACCEPTED AUDITING STANDARDS, GENERALLY ACCEPTED
GOVERNMENT AUDITING STANDARDS, AND OMB CIRCULAR A-133
The Port Authority of New York and New Jersey
Year Ending December 31, 2010**

Our Responsibilities

Our responsibilities under generally accepted auditing standards and generally accepted government auditing standards include:

- Forming and expressing an opinion about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in conformity with generally accepted accounting principles
- Reporting on the scope and results of testing of the Port Authority's internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements.

The audit of the financial statements does not relieve the management of its responsibilities.

The Audit Committee shall (1) have oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing, and financial reporting processes; select pursuant to a competitive process, determine the compensation for, and have oversight of the activities of all independent accountants retained for auditing purposes, who shall report directly to the Committee; arrange for the audit of the books and accounts of the Port Authority by the independent accountants no less than annually (which audit shall require a written certification by the Executive Director and Chief Financial Officer that the financial information provided to the auditor is accurate and fairly represents the financial condition and operating results of the Port Authority); and keep informed regarding the management of the Port Authority; (2) establish formal guidelines in the form of a charter that it shall follow in connection with the satisfaction of its responsibilities, and review and reassess such charter from time to time; (3) recommend, establish, maintain, and reassess procedures for processing complaints regarding accounting, internal controls, or auditing matters, as well as confidential anonymous submission of concerns about questionable accounting or auditing practices; (4) review the annual financial statements of the Port Authority (including appropriate certification by the Executive Director and the Chief Financial Officer) and recommend to the board of Commissioners the inclusion of such financial statements in the Port Authority's annual report and other publications, as appropriate; and (5) receive from the Inspector General reports regarding concerns and complaints received by the Office of Inspector General involving wrongdoing, fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority, or third party individuals or organizations doing business with the Port Authority, including the progress of any investigation thereof, as well as referrals made or other matters pursued in connection therewith, and it shall be the duty of the Inspector General to report such information to the Audit Committee. The Audit Committee shall assist the Board of Commissioners in fulfilling its oversight responsibility relating to the Port Authority's compliance with legal or regulatory requirements relating to accounting, auditing, financial reporting, and/or internal controls, all subject

to and consistent with the principle that compliance matters which are not primarily related to accounting, auditing, financial reporting, and/or internal controls shall be submitted to the Governance and Ethics Committee.

Components of an Audit in Accordance With Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards

An audit includes the following:

- Obtaining an understanding of the Port Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and schedules and to design the nature, timing, and extent of further audit procedures.
- Consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting.
- Consideration of internal control and compliance over major federal programs, as a basis for determining the Port Authority's internal control over compliance with federal laws and other laws and regulations
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules.
- Tests of documentary evidence supporting the transactions recorded in the accounts, which may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institution. We will make audit inquiries and request written responses from your General Counsel as part of the engagement.
- Inquiring directly of the Audit Committee regarding its views about the risks of fraud and whether the Audit Committee has knowledge of any fraud or suspected fraud affecting the Port Authority
- Assessing the accounting principles used and significant estimates made by management.
- Evaluating the overall financial statements and schedules presentation.

We will also perform tests of the Port Authority's compliance with certain provisions of laws, regulations, and the provisions of contracts and grant agreements. However, it is not our objective to provide an opinion on overall compliance with those provisions and, accordingly, we will not express such an opinion.

As required by OMB Circular A-133, our audits of compliance will also include tests of transactions related to federal award programs for compliance with applicable laws and regulations. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us. We will advise you, however, of any matters of that nature that come to our attention, and will include such matters in the reports required for an audit in accordance with OMB Circular A-133. Our responsibility as auditors is limited to the period covered by our audit and does

not extend to matters that arise during any subsequent periods for which we have not been engaged as auditors or for which we have performed no substantive auditing procedures.

Generally accepted accounting principles provide for certain required supplementary information (RSI), such as a management's discussion and analysis, to accompany the Port Authority's financial statements. As part of our engagement, we will apply certain limited procedures to the Port Authority's RSI. Those limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management will affirm to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with our procedures relating to it, we will disclaim an opinion on the RSI.

Supplementary information other than RSI, such as the schedule of expenditures of federal awards, and statistical data, also accompany the Port Authority's financial statements. We will subject all supplementary information that is financially oriented to the audit procedures applied in our audit of the financial statements and render our opinion on whether that information is fairly presented, in all material respects, in relation to the financial statements taken as a whole. We will disclaim an opinion on supplementary information that comprises nonaccounting information or accounting information not directly related to the basic financial statements. We will also make specific inquiries of management about supplementary information, which management will affirm to us in its representation letter.

Reasonable Assurance

We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud and we will perform tests of the Port authority's compliance with certain provisions or laws, regulations, contracts, and grants. However, because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement. Therefore, an audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. An audit is not designed to detect error or fraud that is immaterial to the financial statements or to detect immaterial instances of noncompliance, nor is it designed to provide assurance on internal control or to identify deficiencies in internal control.

We will also plan and perform our audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that are applicable to the Port Authority's major federal programs could have a direct and material effect on each of its major federal programs. An audit of compliance includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

MANAGEMENT'S RESPONSIBILITIES
The Port Authority of New York and New Jersey
Year Ending December 31, 2010

Financial Statements and Schedules, Internal Control, and Compliance

The overall accuracy of the financial statements and schedules and their conformity with generally accepted accounting principles and the Port Authority bond resolutions is the responsibility of the Port Authority's management. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Establishing and maintaining effective internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements
- Identifying and ensuring that the Port Authority complies with the laws and regulations applicable to its activities and the provisions of contracts or grant agreements, and informing us of any known material violations of such laws, regulations, or provisions
- Adjusting the financial statements and schedules to correct material misstatements
- Making all financial records and related information available to us
- Properly recording transactions in the accounting records and schedules
- Taking timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that we report.
- Having a process to track the status of audit findings and recommendations
- Identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of our audit and the corrective actions taken to address significant findings and recommendations.
- Providing its view on our current findings, conclusions, and recommendations, as well as management's planned corrective actions, for our reports. The corrective action plan that the Port Authority develops for its OMB Circular A-133 reporting package may fully or partially satisfy this responsibility.
- Submitting the reporting package and OMB Data Collection Form to the Federal Bureau of the Census

Additionally, management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the Port Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) other where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud

affecting the Port Authority received in communication from employees, former employees, analysts, regulators, short sellers, or others.

Representation Letters

We will make specific inquiries of the Port Authority's management about the representations embodied in the financial statements and schedules. Additionally, we will request that management provide to us the written representations the Port Authority is required to provide to its independent auditors under generally accepted auditing standards and *Government Auditing Standards*. As part of our audit procedures, we will request that management provide us with a representation letter acknowledging management's responsibility for the preparation of the financial statements and schedules and for compliance with laws and regulations applicable to federal award programs and affirming management's belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We will also request that management confirm certain representations made to us during our audit. The responses to those inquiries and related written representations of management required by generally accepted auditing standards are part of the evidential matter that D&T will rely on in forming its opinion on the Port Authority's consolidated financial statements and schedules.

Process for Obtaining Preapproval of Services

Management is responsible for obtaining the pre-approval of the Audit Committee, in accordance with the Audit Committee's pre-approval process, for any services to be provided by D&T to the Port Authority.

Independence Matters Relating to Providing Certain Services

In connection with our engagement, D&T, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. Management of the Port Authority will ensure that the Port Authority has policies and procedures in place for the purpose of ensuring that the Port Authority will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants ("AICPA") or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Fritz.

Audits of Related Entities

Not included under this engagement, but also being undertaken by D&T for the year ending December 31, 2010, are audits of the Port Authority Insurance Captive Entity, LLC, and of The Port Authority of New York and New Jersey Retiree Health Benefits Trust. Such audits, the costs of which are borne by those entities, are being undertaken pursuant to authorization of the Captive's Board of Directors and the Trustee, respectively.

Independence Matters Relating to Hiring

Management will coordinate with D&T to ensure that D&T's independence is not impaired by the Port Authority's employment of former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*, that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the Port Authority for a former or current D&T partner,

principal, or professional employee should be discussed with Mr. Fritz before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

Independence Communications

In accordance with Independence Standards Board Standard No. 1, Independence Discussions With Audit Committees ("Independence Standard No.1"), we will disclose to the Audit Committee, in writing, with a copy to the General Counsel of the Port Authority, all relationships between D&T and its related entities and the Port Authority and its related entities that in our professional judgment may reasonably be thought to bear on our independence and confirm to the Audit Committee in such letter whether, in our professional judgment, we are independent of the Port Authority within the meaning of the securities acts administered by the Securities and Exchange Commission (the "SEC"). We also will discuss our independence with the Audit Committee together with General Counsel in accordance with Independence Standard No. 1.

For purposes of the preceding two paragraphs, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu and its member firms; and, in all cases, any successor or assignee.

COMMUNICATIONS WITH THE AUDIT COMMITTEE
The Port Authority of New York and New Jersey
Year Ending December 31, 2010

Significant Matters

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee.

Fraud and Illegal Acts

We will report directly to the Audit Committee and General Counsel any fraud of which we become aware that involves senior management and any fraud (whether caused by senior management or other employees) of which we become aware that causes a material misstatement of the financial statements and schedules. We will report to senior management any fraud perpetrated by lower-level employees of which we become aware that has not already been reported by the Port Authority's Audit Department, Inspector General or any other vehicle of reporting even if such fraud does not cause a material misstatement of the financial statements and schedules; however, we will not report such matters directly to the Audit Committee, unless otherwise directed by the Audit Committee.

We will inform the appropriate level of management of the Port Authority and determine that the Audit Committee is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal acts are clearly inconsequential.

If, after determining that the Audit Committee has been adequately informed of an illegal act that has been detected or which has otherwise come to our attention in the course of our audit, we conclude that (1) the illegal act has a material effect on the consolidated financial statements and schedules; (2) senior management has not taken, and the Board of Commissioners has not caused senior management to take, timely and appropriate remedial actions with respect to the illegal act; and (3) the failure to take appropriate remedial actions is likely to result in a departure from the standard auditors' report or warrant our resignation from the audit engagement, we will directly report our conclusions to the Board of Commissioners and take such actions as are required by state or federal law to report such matters to funding agencies and appropriate legal authorities.

Internal Control and Other Matters

We will report directly to management and the Audit Committee all significant deficiencies and material weaknesses identified during the audit as required by AICPA AU 325, *Communicating Internal Control Related Matters Identified in an Audit*. Our written communication will identify those matters considered by D&T to be significant deficiencies and those that are considered by D&T to be material weaknesses.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port Authority's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material

misstatement of the financial statements will not be prevented or detected.

Other Matters

We will communicate to management and the Audit Committee the following, if any of the following are identified during our audits: material noncompliance with laws, regulations, and provisions of contracts or grant agreements related to major programs; certain known questioned costs; fraud affecting federal awards; abuse that is material to a federal program; and other federal award audit findings as required by generally accepted government auditing standards and OMB Circular A-133.

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Audit Committee. However, we will communicate to the Audit Committee, or determine that the Audit Committee is informed, about certain other matters related to the conduct of our audit matters required by AU 380, *The Auditor's Communication With Those Charged With Governance*, including, when applicable:

- Our responsibility as auditors under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133
- Significant accounting policies
- Management judgments and accounting estimates
- Audit adjustments
- Other information in documents containing audited consolidated financial statements
- Disagreements with management
- Consultation by management with other accountants on significant matters
- Difficulties encountered in performing the audit
- Major issues discussed with management prior to our retention as auditors

We may also have other comments for management on matters we have observed and possible ways to improve the efficiency of the Port Authority's operations or other recommendations concerning internal control.

With respect to these other communications, it is our practice to discuss all comments with the level of management responsible for the matters, prior to their communication to the Audit Committee.

GENERAL BUSINESS TERMS
The Port Authority of New York and New Jersey
Year Ending December 31, 2010

1. Independent Contractor. It is understood and agreed that D&T is an independent contractor and that D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Port Authority.
2. Survival. The agreements and undertakings of the Port Authority contained in the engagement letter to which these terms are attached (the "engagement letter"), together with the appendices to the engagement letter including these terms, will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other party. The Port Authority hereby consents to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter, including its appendices, is determined to be invalid or unenforceable, such term shall not affect the other terms hereof and thereof, but such invalid or unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein and therein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter (including its appendices) as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order, or requirement of any governmental agency or authority.
6. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter, including its appendices, or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.

DISPUTE RESOLUTION PROVISION
The Port Authority of New York and New Jersey
Year Ending December 31, 2010

The Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, JAMS, at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in New York, New York. The arbitration shall be solely between the parties and shall be conducted in accordance with JAMS' Comprehensive Arbitration Rules and Procedures (effective March 26, 2007), except to the extent modified by the Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators each of whom shall be neutral and interdependent. Each of the Port Authority and Deloitte & Touche LLP shall designate one such arbitrator in accordance with the Rules and the two party-designated arbitrators shall jointly select the third consistent with JAMS Rule 15. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of the Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of New York (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

Unless the parties agree otherwise in writing, and consistent with the Port Authority's policy on Freedom of Information, the parties, the arbitrators and JAMS shall treat the proceedings, any related discovery and the decisions of the arbitrators, as confidential. The parties may disclose the existence, content, or results of the arbitration in accordance with the Rules, applicable professional standards and regulatory requirements. To the extent reasonable under the circumstances, issues of confidentiality shall be raised with and resolved by the arbitrators. Before making any disclosure permitted by the Rules or this paragraph, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators and all arbitration case management fees and expenses equally.



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August 24, 2012

AUD-12-001

Honorable David Steiner
Audit Committee Chairman and
Members of the Audit Committee
The Port Authority of New York and New Jersey
225 Park Avenue South, 15th Floor
New York, NY 10003-1064

Dear Mr. Steiner:

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to The Port Authority of New York and New Jersey (the Authority) related to the Authority's fiscal year ending December 31, 2012.

Objectives and Limitations of Services

Financial Statement Audit Services

We will issue a written report upon our audit of the Authority's financial statements prepared in accordance with accounting principles generally accepted in the United States of America and upon our audit of the financial information and schedules of revenues and reserves, assets and liabilities, and analysis of reserve funds prepared pursuant to the Authority's bond resolutions as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements, that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by management, and evaluate the overall financial statement presentation.

Our audit of the financial statements is planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the



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characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements performed in accordance with the auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect matters that are immaterial to the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* does not expect auditors to provide reasonable assurance of detecting abuse.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

Our report will be addressed to the Board of Commissioners of the Authority. We cannot provide assurance that an unqualified opinion will be rendered. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.

While our report may be sent to the Authority electronically for your convenience, only the hard copy report is to be relied upon as our work product.

Internal Control over Financial Reporting and Compliance and Other Matters

In planning and performing our audit of the financial statements, we will consider the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting. In accordance with *Government Auditing Standards*, we are required to communicate that the limited purpose of our consideration of internal control may not meet the needs of some users who require additional information about internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, violations of which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. While the objective of our audit of the financial statements is not to report on the Authority's internal control over financial reporting and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements, this report will include any material weaknesses and significant



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deficiencies to the extent they come to our attention. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. This report will also include illegal acts and fraud, unless clearly inconsequential, and material violations of provisions of contracts and grant agreements and abuse. It will indicate that it is intended solely for the information and use of the audit committee of the Authority (Audit Committee) and management of the Authority and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential that come to our attention.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud or illegal acts directly to parties outside the auditee.

OMB Circular A-133 Audit Services

We will also perform audit procedures with respect to the Authority's major federal programs in accordance with the provisions of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). OMB Circular A-133 includes specific audit requirements, mainly in the areas of internal control and compliance with laws, regulations, contracts, and grant agreements that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of OMB Circular A-133, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with laws, regulations, contracts, and grant agreements applicable to each of the Authority's major programs. The tests of internal control performed in accordance with OMB Circular A-133 are less in scope than would be necessary to render an opinion on internal control.

Compliance with laws, regulations, contracts, and grant agreements applicable to federal programs is the responsibility of management of the Authority, including:

- Identifying the Authority's federal programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the Authority administers federal programs in compliance with the compliance requirements.



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- Evaluating and monitoring the Authority's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.
- Informing us of any known material violations of compliance requirements.

We will perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grant agreements we determine to be necessary based on the *OMB Circular A-133 Compliance Supplement (Compliance Supplement)*. The procedures outlined in the *Compliance Supplement* are those suggested by each federal agency and do not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance.

As required by OMB Circular A-133, we will prepare a written report which provides our opinion on the schedule of expenditures of federal awards in relation to the Authority's financial statements. In addition, we will prepare a written report (A-133 report) which 1) provides our opinion on compliance with laws, regulations, contracts, and grant agreements that could have a direct and material effect on a major federal program and 2) communicates our consideration of internal control over major federal programs. The A-133 report will indicate that it is intended solely for the information and use of the Audit Committee and management of the Authority and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

Passenger Facility Charge Program Audit Services

We will also perform audit procedures with respect to the Authority's passenger facility charge program in accordance with the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (PFC Audit Guide). As part of our audit procedures performed in accordance with the provisions of the PFC Audit Guide, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with the laws and regulations applicable to the Authority's passenger facility charge program. The tests of internal control performed in accordance with the PFC Audit Guide are less in scope than would be necessary to render an opinion on internal control.

Compliance with the laws and regulations applicable to the passenger facility charge program is the responsibility of management as more fully described in the "OMB Circular A-133 Audit Services" section above. We will perform tests of the Authority's compliance with certain provisions of laws and regulations we determine to be necessary based on the PFC Audit Guide. The procedures outlined in the PFC Audit Guide are those suggested by the Federal Aviation Administration and do



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not cover all areas of regulations governing the passenger facility charge program. Program reviews by the Federal Aviation Administration may identify additional instances of noncompliance.

As required by the PFC Audit Guide, we will prepare a written report which provides our opinion on the schedule of passenger facility charges collected and expended for the year and each quarter within the year ended December 31, 2012, in relation to the Authority's financial statements. In addition, we will prepare a written report (PFC report) which 1) provides our opinion on compliance with laws and regulations that could have a direct and material effect on the passenger facility charge program and 2) communicates our consideration of internal control over the passenger facility charge program. The PFC report will indicate that it is intended solely for the information and use of the Audit Committee and management of the Authority and the Federal Aviation Administration, and that it is not intended to be and should not be used by anyone other than these specified parties.

Circumstances Involving KPMG Consent to Use Financial Statement Audit Report

Other than as described below, circumstances in which the Authority includes or incorporates by reference KPMG's audit report with the Authority's financial statements shall not require KPMG consent.

1. Offering Documents

Should the Authority wish to include or incorporate by reference these financial statements and our audit report(s) thereon into Authority offering statements and other Authority debt or equity offerings including those related to private placements (Offering Statements), the Authority will provide KPMG LLP (KPMG) with a draft of such Offering Statement to read and obtain KPMG's consent to include or incorporate by reference these financial statements and our audit report(s) thereon, which will be considered based on the facts and circumstances existing at the time of the request, but shall not be unreasonably withheld. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the Offering Statement and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the Offering Statement will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of any additional services with respect to future Offering Statements will be determined at the time the services are to be performed.

Should the Authority wish to include or incorporate by reference these financial statements and our audit report(s) thereon into an Offering Statement without obtaining our consent to include or incorporate by reference our report(s) on such financial statements, and we are not otherwise associated with the Offering Statement, then the Authority agrees to include the following language in the Offering Statements:



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“KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement.”

2. Inclusion of KPMG Report on Electronic Sites

KPMG’s consent to the inclusion of or incorporation by reference of these financial statements and KPMG’s audit report(s) in Authority Offering Statements, shall also be deemed consent to the Authority’s posting of such Offering Statements on any electronic site.

KPMG also acknowledges that the Authority intends to post the consolidated financial statements and schedules as well as its Annual Report, in each case including the auditors’ opinion, on the Authority’s website. Authority management will notify KPMG and obtain KPMG’s approval, which shall not be unreasonably withheld, prior to including KPMG’s report on any other electronic site.

Our Responsibility to Communicate with the Audit Committee

We will report to the Audit Committee, in writing, the following matters:

- Corrected misstatements arising from the audit that could, in our judgment, either individually or in aggregate, have a significant effect on the Authority’s financial reporting process. In this context, corrected misstatements are proposed corrections of the financial statements that were recorded by management and, in our judgment, may not have been detected except through the auditing procedures performed.
- Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in aggregate.
- Any disagreements with management or other significant difficulties encountered in performance of our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of Audit Committee meetings for consistency with our understanding of the communications made to the Audit Committee and determine that the Audit Committee has received copies of all material written communications between ourselves and management. We will also determine that the Audit Committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual



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transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

If, in performance of our audit procedures, circumstances arise which make it necessary to modify our report or withdraw from the engagement, we will communicate to the Audit Committee our reasons for modification or withdrawal.

Annually, KPMG will disclose to the Audit Committee, in writing, with a copy to General Counsel of the Authority, all relationships between KPMG and its related entities and the Authority and its related entities that in KPMG's professional judgment may reasonably be thought to bear on KPMG's independence and confirm to the Audit Committee in such letter whether, in KPMG's professional judgment, KPMG is independent of the Authority as determined under applicable professional standards promulgated by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*.

Management Responsibilities

The management of the Authority is responsible for the fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the Authority complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known material violations of such laws and regulations and provisions of contracts and grant agreements. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal controls and procedures for financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Management of the Authority also agrees that all records, documentation, and information we request in connection with our audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of the Authority's personnel. As required by the auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.



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In addition to the OMB Circular A-133 requirements to maintain internal control and comply with the compliance requirements applicable to federal programs as discussed above in the section titled "OMB Circular A-133 Audit Services", OMB Circular A-133 also requires the Authority to prepare a:

- Schedule of expenditures of federal awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Part I).

Further, the PFC Audit Guide requires the preparation of a schedule of passenger facility charges collected and expended for the year and each quarter within the fiscal year. While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the Authority.

Certain provisions of OMB Circular A-133 allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The Authority agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this Engagement Letter as necessary to accommodate such a request.

In accordance with *Government Auditing Standards*, as part of our planning of the audit we will evaluate whether the Authority has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements. To assist us, management agrees to identify previous audits, attestation engagements, or other studies that relate to the objectives of the audit, including whether related recommendations have been implemented, prior to the start of fieldwork.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon. Because of the importance of management's representations to the effective performance of our services, the Authority will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.



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Management is also responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS, OMB Circular A-133 report, or PFC report within 15 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report(s), the report(s) will indicate the status of management's responses.

Management is responsible for the distribution of the reports issued by KPMG.

Independence Matters

In connection with this engagement, KPMG, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist KPMG in maintaining independence. Management of the Authority will ensure that the Authority has policies and procedures in place for the purpose of ensuring that the Authority will not act to engage KPMG or accept from KPMG any service that under the professional standards of the American Institute of Certified Public Accountants ("AICPA"), *Government Auditing Standards*, or other applicable rules would impair KPMG's independence. All potential services are to be discussed with KPMG, specifically engagement partners Gregory Driscoll or Edward Lee, and are subject to approval by the Chair of the Audit Committee.

Management also will coordinate with KPMG to ensure that KPMG's independence is not impaired by the Authority's employment of former or current KPMG partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*, *Government Auditing Standards*, or other applicable independence rules. Any employment opportunities with the Authority for a former or current KPMG partner, principal, or professional employee should be discussed with KPMG, specifically engagement partners Gregory Driscoll or Edward Lee, before entering into substantive employment conversations with the former or current KPMG partner, principal, or professional employee.

Dispute Resolution Provision

This section (Dispute Resolution Provision) sets forth the dispute resolution process and procedures applicable to the resolution of any controversy or claim between the parties arising out of or relating to this Engagement Letter, including its appendices, or this engagement (a "Dispute") and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise.

Mediation

All Disputes shall be first submitted to nonbinding confidential mediation by written notice to parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, JAMS, at the written request of a party, shall designate a mediator.



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Arbitration Procedures

If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in New York, New York. The arbitration shall be solely between the parties and shall be conducted in accordance with JAMS' Comprehensive Arbitration Rules and Procedures (effective October 1, 2010), except to the extent modified by the Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators each of whom shall be neutral and independent. Each of the Authority and KPMG shall designate one such arbitrator in accordance with the Rules and the two party-designated arbitrators shall jointly select the third consistent with JAMS Rule 15. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of this Engagement Letter (including its appendices) of which this Dispute Resolution Provision is a part and to abide by the terms of the Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of New York (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

Unless the parties agree otherwise in writing, and consistent with the Authority's policy on Freedom of Information, the parties, the arbitrators and JAMS shall treat the proceedings, any related discovery and the decisions of the arbitrators, as confidential. The parties may disclose the existence, content, or results of the arbitration in accordance with the Rules, applicable professional standards and regulatory requirements. To the extent reasonable under the circumstances, issues of confidentiality shall be raised with and resolved by the arbitrators. Before making any disclosure permitted by the Rules or this paragraph, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs

Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators and all arbitration case management fees and expenses equally.

Other Matters

This Engagement Letter shall serve as the Authority's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the Authority and between KPMG and outside specialists or other entities engaged by



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either KPMG or the Authority. Notwithstanding the above sentence, if the Authority and KPMG enter into a non-disclosure agreement as discussed below, the provisions of such non-disclosure agreement shall govern the transmission of any information shared subject thereto. The Authority acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this Engagement Letter only, the Authority hereby grants to KPMG a limited, revocable, nonexclusive, nontransferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the Authority solely for presentations or reports to the Authority or for internal KPMG presentations and intranet sites.

For the purposes of marketing and publicizing or selling services and/or for the purposes of presentation to the Authority or our internal use, KPMG, KPMG International and its member firms may disclose that it has performed services for the Authority, in which event it may identify the Authority by name and/or its logo and will indicate only the general nature or category of such services and any details that have properly entered the public domain.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter.

In connection with the performance of services under the Engagement Letter, KPMG may utilize the services of KPMG controlled entities, KPMG member firms and/or third party service providers within and without the United States to complete the services under the Engagement Letter. Moreover, KPMG may utilize third party service providers within and without the United States to provide, at KPMG's direction, administrative and clerical support services to KPMG.

The Authority agrees to provide prompt notification if the Authority or any of its related entities currently are or become subject to the laws of a foreign jurisdiction that require regulation of any securities issued by the Authority or such related entities.

The work papers for this engagement are the property of KPMG. Pursuant to *Government Auditing Standards*, we are required to make certain work papers available in a full and timely manner to regulators upon request for their reviews of audit quality and for use by their auditors. In addition, we may be requested to make certain work papers available to regulators pursuant to authority provided by law or regulation. Access to the requested work papers will be provided under supervision of KPMG personnel. Furthermore, upon request, we may provide photocopies of selected work papers to regulators. Such regulators may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.



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In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents and/or testimony relating to this engagement for the Authority in judicial or administrative proceedings to which KPMG is not a party, the Authority shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

In circumstances in which KPMG requests access to documents relating to sensitive security issues, the Authority may request that KPMG, through appropriate personnel, execute a non-disclosure agreement (NDA) related to such documents. KPMG will consider executing such an NDA upon the Authority's request and upon its review of the terms and conditions of the NDA. The Port Authority may decline access to such documents relating to sensitive security issues if KPMG does not execute an NDA agreed to by the Authority. Lack of access to such documents may result in a limitation on the scope of the audit that would be disclosed in our audit report.

The Authority shall have the right to inspect KPMG's records (and those of any permitted subconsultants) pertaining to any compensation to be paid hereunder, such records to be maintained by KPMG (and any permitted subconsultants) for a period of three years after the completion of services to be performed under this Engagement Letter. If KPMG is notified of any litigation pertaining to these services, such records shall be maintained until the litigation is completed.

No Commissioner of the Authority shall be charged personally with liability or held liable under this Engagement Letter, or because of any breach or attempted or alleged breach hereof.

Collaboration Site

KPMG has developed a collaborative, virtual workspace (Collaboration Site) in a protected, online environment. This Collaboration Site allows for the placement of certain documents into the Collaboration Site to be used by those providing the Services to you. The Collaboration Site will be decommissioned at the end of the Engagement, unless otherwise required by applicable law or professional standards, or other requirements of the engagement team.

In order to maintain the confidentiality of the information contained in the Collaboration Site, KPMG has taken certain steps to provide protection against unauthorized access. Access to the Collaboration Site is limited to KPMG authenticated and authorized users and the Collaboration Site is protected by encryption and a secure network.

Other Government Auditing Standards Matters

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.



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Additional Reports and Fees for Services

Appendix I to this Engagement Letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed per this Engagement Letter. All reports included in Appendix I are subject to the provisions, terms and conditions detailed above, as applicable.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues beyond the level of routine assistance considered customary as part of the audit, as agreed to by the Audit Committee and management, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter. The applicable hourly rates detailed in Appendix I will be used to determine the fees for such services. Terms and conditions related to any non-audit services to be provided will be negotiated and agreed to separately.

* * * * *

Our engagement herein is for the provision of annual audit services for the period ended December 31, 2012. Pursuant to our arrangement as reflected in this Engagement Letter we will provide the services set forth in Appendix I as a single annual engagement for each of the Authority's subsequent fiscal years, subject to our reappointment as auditors by the Audit Committee each fiscal year, until the Audit Committee or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year through 2016 are detailed in Appendix I.

The Authority may at any time for cause terminate this Engagement Letter as to any services not yet rendered, and may terminate this Engagement Letter in whole or in part without cause upon three days notice to KPMG.

KPMG shall have no right of termination as to any services under this Engagement Letter except for circumstances under which termination is provided for under applicable professional standards. Termination by either party shall be by certified letter addressed to the other at its address set forth on the first page of this Engagement Letter. Should this Engagement Letter be terminated in whole or in part by either party as above provided, KPMG shall receive no compensation for any services not yet performed, but if termination is without fault on KPMG's part, the Port Authority shall pay KPMG as the full compensation to which KPMG shall be entitled in connection with this Engagement Letter the amounts computed as set forth in Appendix I for "services completed" to the satisfaction of the Comptroller of the Port Authority, acting either personally or through his duly authorized representatives acting within the scope of the particular authority vested in them, through the date of termination, minus all prior payments to KPMG. In this context, "services completed" relates to audit effort incurred as of the date of termination, regardless of whether the associated deliverable has been issued.



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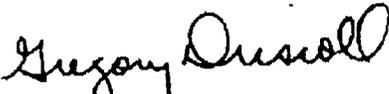
As independent auditors of the Authority, we acknowledge that the Audit Committee is directly responsible for the appointment, compensation, and oversight of our work and, accordingly, except as otherwise specifically noted, we will report directly to the Audit Committee.

This Engagement Letter, including the appendix attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

We shall be pleased to discuss this Engagement Letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this Engagement Letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

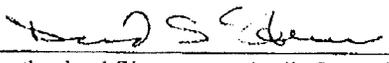

 Gregory Driscoll
 Partner

ACCEPTED

The Port Authority of New York and New Jersey

approved
 by law
 J. Blush
 9-10-12

BF


 Authorized Signature - Audit Committee David S Steiner

CHAIR AUDIT COMMITTEE
 Title

SEPT 11 2012
 Date