

Proposal for Professional Auditing Services for The City of Rye, New York

Presented by:
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The logo for SaxBST, featuring the company name in white capital letters on a dark purple background. The background of the entire page is a photograph of a highway with a guardrail and trees in the distance.

SAXBST

ACCOUNTING / TAX / ADVISORY

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December 1, 2014

Mr. Joseph S. Fazzino, Deputy Comptroller
City of Rye
1051 Boston Post Road
Finance Department
Rye, New York 10580

Dear Mr. Fazzino:

SaxBST LLP (SaxBST) is eager to submit this proposal to provide auditing services for the City of Rye, New York (Rye or the City) for each of the years ending December 31, 2014, 2015, and 2016, with the option to renew for up to two additional years.

SaxBST is a premiere professional services firm that has a proud history serving governmental organizations throughout New York. Our prior experience with cities and other governmental organizations similar to Rye, coupled with the qualifications and experience of our professionals, makes SaxBST highly qualified to provide the auditing and financial compliance services required.

As partner in the Firm, I confirm our understanding of the scope of services to include:

1. An audit and opinion on the City's basic financial statements.
2. An audit and opinion on the City's compliance for Each Major Federal Program; Report on Internal Control and Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (if required).
3. An opinion on the City's compliance with Draft Part 43 of the New York State Codification of Rules and Regulations (if required).
4. Preparation and publication of the City's Comprehensive Annual Financial Report (CAFR).
5. Adherence to professional standards, including generally accepted auditing standards (Statements of Auditing Standards), *Government Auditing Standards* issued by the Comptroller General of the United States, the Single Audit Act of 1984 and the revision to OMB Circular A-133, *Audits of State and Local Governments*.

I commit the Firm (SaxBST) to complete the aforementioned professional services within the time period stipulated by the City. This proposal to provide professional services represents an irrevocable offer for ninety (90) days.

Our client service approach is based on our core values of integrity, respect, and excellence. Our mission is to be your most highly valued advisor, by demonstrating our unique understanding of your needs, and exceeding your expectations in every interaction and solution we present. We strive to bring additional value to our audits by identifying issues that you may not see and to help initiate ideas to enhance your organization. We bring insights gained from working with other organizations similar in structure and operations to yours. You benefit from this knowledge and expertise.



Thinking Differently / Achieving More

Please contact me by phone (212) 661-8640 or email at jroude@saxbst.com with any questions about our Firm, our proposal, or to schedule an oral presentation. Simply put, we want to be your auditors! We would be honored to serve the City of Rye.

Very truly yours,

SaxBST LLP

A handwritten signature in black ink, appearing to read 'Jeff P. Roude', with a long horizontal flourish extending to the right.

Jeffrey P. Roude, CPA, Partner

Executive Summary

Throughout this proposal, we identify the many reasons why we feel that the strengths of SaxBST create the optimal model to provide the auditing and financial compliance services required by the City. We feel the most important of these strengths are as follows:

- ❖ **Government is a strategic industry for SaxBST.** We are on the forefront of issues impacting local governments in the State of New York, and we look forward to sharing this knowledge with the City. As a show of our commitment to the government industry, we are active members in the Government Finance Officers Association (GFOA), the Association of Government Accountants (AGA), New York Municipal Electric Unities Association (MEUA) and the New York Conference of Mayors (NYCOM). Our objective is to add value beyond the basic financial statement audit by sharing knowledge gained from our vast experience and professional associations.
- ❖ **Fresh Perspective.** Auditor change does not have to be difficult. The professionals at SaxBST are excited about providing the City with a fresh perspective on internal controls, compliance risks, and other operational matters. As noted throughout our proposal, our objective is to provide value beyond our financial and compliance audits.
- ❖ **Large Complex Organizations Choose SaxBST.** On October 20, 2014, the New York State Thruway Authority's Board of Trustees unanimously approved SaxBST to serve as its external financial statement auditors. This appointment demonstrates not only our commitment to the governmental industry, but the growing number of high profile organizations that choose to be serviced by SaxBST.
- ❖ **The right people.** Your engagement partner, **Jeffrey (Jeff) P. Roude**, is a Westchester County resident. As the lead partner on some of SaxBST's largest governmental audit and accounting services, Jeff will ensure Rye is provided with our most experienced professionals. Given the importance of Rye to SaxBST, we are placing veteran Senior Manager, **Brendan Kennedy**, directly in the field to ensure your audit needs are met on a timely basis. Your proposed engagement team will also include technical assistance from **Paul Goetz**, Engagement Quality Control Reviewer, who also serves as a Special Reviewer for *GFOA's Certificate of Excellence in Financial Reporting* program. Jeff, Brendan, and Paul are all certified public accountants licensed to practice in the State of New York.
- ❖ **Touch points with your regulators.** SaxBST has retired New York State Office of the State Comptroller (OSC) professionals on staff. These individuals maintain regular contact with the OSC and stay abreast of audit trends and commonly identified issues. They also serve as excellent resources to the filing requirements of the OSC's Annual Update Document (AUD). We will ensure these professionals are available to serve Rye as needed.
- ❖ **Communication.** We at SaxBST believe in frequent communication not only during the audit but throughout the year. Our mission is to proactively work with management and those charged with governance to ensure concerns are addressed before they become problems. If we do identify a problem, we will immediately discuss with management and our audit liaison.

Technical Proposal

Independence and Conflict of Interest

SaxBST is independent of the City and its component units, and there are no existing professional relationships that would present a conflict of interest. We will provide the City written notice of any relationships entered into during the period of the agreement that would present either a question concerning our independence or a conflict of interest.

License to Practice in New York State

The Firm and all assigned key professional staff are licensed to practice as Certified Public Accountants in the State of New York.

Qualifications and Experience

SaxBST is a regional certified public accounting firm, registered to do business in New York State, with over 40 partners and a staff of 220. The present organization is the result of the January 1, 2014, merger of regional accounting firms Bollam, Sheedy, Torani & Co. LLP and Sax Macy Fromm, P.C. This merger represents an important progression for both firms, creating a client-focused firm with even greater depth of expertise in our core practice areas. Our office locations are as follows:

New York

28 West 44th Street, New York, New York 10036
26 Computer Drive West, Albany, New York 12205
200 Old Country Road, Suite 570, Mineola, New York 11501

New Jersey

855 Valley Road, 3rd Floor, Clifton, New Jersey, 07013

Our philosophy is guided by a common sense approach utilizing good business judgment. We seek to understand the unique features and economies of our clients. Among the SaxBST resources you can count on:

- *Professionals who are highly skilled in working with New York State local governments;*
- *Continuous interaction with your management throughout the year. We get involved...and stay involved;*
- *Specialists who can bring forward-looking methods of planning and savings to bear on the City's financial situation;*
- *Prompt and responsive service. Your needs will be met with a sense of urgency;*
- *A strong and experienced service team supported by top talent in the Firm, and*
- *An outstanding professional track record. We know and understand local government.*

The foundation of our philosophy includes ongoing communication with our client's financial and operational management team. Our objective is not growth for growth sake, but to work with those organizations that value the highly skilled professionals and additional value they bring to each engagement. Therefore, our goal is to develop a close, long-term relationship with our clients. To strengthen this relationship, we stress continuity of the professionals servicing your account. Staff members assigned to the engagement will operate as a team in providing the required professional services.

The primary mission of our Firm, since inception, has always been helping our clients succeed. As business, technology, human resource, and financial climates continue to become more sophisticated and complex, being able to help our clients succeed has meant delivering services targeted to each client's critical needs and industry niche.

Peer Review Report

We have included a copy of our most recent peer review report in Appendix A to this proposal. SaxBST is proud to state that we received a pass (clean opinion) on our system of quality controls relative to our accounting and auditing practice.

Disciplinary Action

There has been no disciplinary action taken or pending against the Firm with any state regulatory bodies or professional organizations.

Principal Supervisory and Management Staff

Excellence in service requires stringent attention to a host of quality objectives, not the least of which is the hiring, training, and supervision of our professional advisors. It also involves a high level of quality controls. These include, among other factors, exhaustive AICPA sanctioned peer review procedures and thorough documentation support in all areas of service.

The rewards of such a strong commitment to quality and excellence in client service are many. Among them is a high standing among our peers and, most importantly, a satisfied clientele and high rate of client retention.

Our professional standards are high. All of our professional staff members have a minimum of a bachelor's degree in accounting from a reputable college or university. Our commitment to quality is also evident in the Firm's policy of continuing professional education (CPE). Each of our professionals must receive a minimum of at least 40 hours of CPE annually, which exceeds the requirements of the AICPA. Focused training in specialized areas is also emphasized. All participants in the engagement meet the required continuing professional education requirements of auditing standards generally accepted in the United States of America as defined by the American Institute of Certified Public Accountants and as described in *Government Auditing Standards* issued by the U.S. Government Accountability Office (GAO).

It is our objective to provide consistent service to our clients by keeping the same staff members involved with the same clients during multi-year arrangements. If selected, our team has the ability to respond rapidly and effectively to assignments and any other requests of the City. We do not intend to rotate key staff members or substitute others. We intend to use the service team identified in this proposal throughout the term of the arrangement. Should there be a need to change any staff, we will discuss such changes with you prior to making the changes.

The composition of the City's engagement team is as follows:

Engagement Partner	1
Quality Control Partner	1
Senior Managers	1
Senior Associates	1
Associates	2
Support	<u>2</u>
Total	<u>8</u>

Our service team approach is an integrated one, wherein we can best support all required professional services with a specialist in each designated area. The roles of the personnel who will comprise the engagement team are summarized below. Complete resumes are shown in Appendix B of this proposal.

Engagement Partner - Jeffrey P. Roude, CPA will serve as the partner in-charge of SaxBST's relationship with the City of Rye. Jeff will oversee all services provided and ensure that they are delivered in a timely and efficient manner. He will be responsible for all matters concerning accounting policy and practice, participate in the planning phases of our engagement, review all working papers and reports prepared by the field staff, and attend meetings with management or designated personnel. Jeff has a significant background related to governmental audits and consulting engagements in addition to over 30 years of public accounting experience. Jeff is a certified public accountant licensed to practice in the State of New York.

Engagement Quality Control Review Partner - Paul L. Goetz, CPA will play a significant role on the engagement team by providing a secondary review of all deliverables and critical engagement decisions, and leading the preparation and review of the City's CAFR. Paul will be available throughout the engagement to consult and review on any auditing and/or accounting questions that may arise. Paul has over 30 years of public accounting experience which includes a significant background relating to governmental audits and consulting engagements including authorities, cities, counties, and towns. Paul is a certified public accountant licensed to practice in the State of New York.

Engagement Senior Manager - Brendan K. Kennedy, CPA will serve as the Engagement Senior Manager, overseeing the day-to-day performance of the audit, and managing the audit team. Brendan has 13 years of public accounting experience, predominantly in governmental auditing and accounting, including experience at the manager level for several New York State municipal and agency engagements. Brendan is a certified public accountant licensed to practice in the State of New York.

Engagement Senior Associate - Jonathan B. Gibbs, CPA will perform a significant amount of fieldwork, supervise all staff accountants, participate in the planning phase of the engagement, including the development of the overall audit plan and programs, and be heavily involved in the review and preparation of all reports. Jonathan has over three years of public accounting and auditing experience, specializing in the governmental and not-for-profit industries. Jonathan is a certified public accountant licensed to practice in the State of New York.

Senior Governmental Advisor - George F. Person brings over 35 years of experience with the New York State Comptroller's Office, Division of Local Government Services. He will be available throughout the engagement to serve the City or the engagement team. His experience with SaxBST includes both financial and compliance audits of cities, counties, towns, villages and school districts. During his three decades with the Office of the New York State Comptroller, George was directly involved in virtually every aspect of local governmental operations, with special expertise in governmental accounting and finance-related operations.

In addition to the above key personnel, we will utilize members of our professional staff throughout the course of our engagement. These staff people will generally be supervised and their work will be reviewed by the partners and manager described above. All staff members assigned to the engagement will be drawn from the pool of professionals within the *Governmental and Municipal Services Group* assuring the City will receive service from experienced personnel on all aspects of the engagement.

Serving New York State Local Government

Our *Governmental and Municipal Services Group* is comprised of over 25 staff, all of whom have strong relevant experience and are specially trained to offer a wide range of services from traditional auditing, accounting, and financial consulting to highly diverse and specialized services that meet the needs of our governmental and municipal clients. As opposed to many CPA firms, our proposed service team is not involved with income tax services and will be available year-round with governmental expertise. This service team, as further detailed in this proposal, is comprised of experts and financial specialists in governmental auditing and accounting.

Our Firm offers in-depth experience and serves a variety of governmental clients including counties, cities, towns, villages, federal departments and agencies, New York State departments, government funds and programs, fire districts, and authorities (industrial development, water, electric, solid waste, and local development corporations). Our services include:

- Audits of general purpose financial statements
- Program Audits and Single Audits in accordance with OMB Circular A-133
- Assistance with GASB accounting standard implementations
- Assistance with Certificate of Achievement for Excellence in Financial Reporting Program (CAFR)
- Budget reviews
- Assistance with preparation of New York State Annual Financial Report Update Documents and PARIS submissions
- Risk assessments and analysis
- Internal audit plan development and implementation
- Laws and regulations implementation assistance and compliance testing
- System and internal control reviews
- Utility Rate revision studies
- Records reconstruction
- Computer needs assessments, conversion plans and implementation
- Fraud, defalcation and malfeasance research and documentation
- Assessment of employee benefits alternatives
- Acquisition or valuation studies
- Expert witness and valuation services for eminent domain condemnation proceedings
- Revenue bond issuance and refinancing research and documentation

Professional Affiliations and Quality Control

AICPA

SaxBST is a member in good standing of the Center for Public Company Audit Firms of the American Institute of Certified Public Accountants. Membership in the “Center” is voluntary and is evidence of the Firm’s commitment to maintain the highest levels of quality control in the profession. All partners and managers are also members of the AICPA and the New York State Society of CPA’s.

To verify our compliance with Center standards, SaxBST undergoes an exhaustive external peer review every third year, in accordance with the standards established by the Center. Our most recent triennial peer review resulted in an unqualified opinion that our quality control standards met the objectives of the AICPA. We have attached a copy of that report to this proposal.

Several of our Firm’s partners have extensive experience conducting peer reviews and have assisted the AICPA Division for Firms in conducting peer reviews of other CPA firms throughout the United States.

AICPA Governmental Audit Quality Center

The Firm is a founding member of the AICPA Governmental Audit Quality Center (GAQC). Membership in the GAQC demonstrates our Firm’s commitment to audit quality in the critical areas of governmental accounting. The GAQC serves as a comprehensive resource provider for member firms in the performance of governmental audits and provides the opportunity to network and exchange information with others within the community of member firms.

Government Finance Officers Association

The Firm is a member of the *Government Finance Officers Association* (GFOA). Membership in the Association demonstrates our Firm’s commitment to quality in governmental financial reporting. As mentioned previously, **Brendan Kennedy**, Engagement Administrator, and **Paul Goetz**, Engagement Quality Control Reviewer, serve as financial statement reviewers for the GFOA’s certificate of excellence program. In addition, SaxBST professionals are frequent instructors at GFOA events, including the Annual Meeting, and GFOA Finance/Accounting School.

McGladrey Alliance

SaxBST is proud to have been chosen to be a member of the McGladrey Alliance, a premiere affiliation of independent accounting and consulting firms in the United States, with nearly 100 members in 42 states and Puerto Rico. As a member of the McGladrey Alliance, SaxBST has access to the resources and services McGladrey, LLP provides its own clients. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

The McGladrey Alliance is a business of McGladrey, LLP which operates under the McGladrey brand as the fifth largest U.S. provider of assurance, tax and consulting services with nearly 6,500 professionals and associates in more than 70 offices nationwide. Our access to McGladrey, along with the 425 partners and staff that make up the independent New York State McGladrey Alliance, allows us to continue to provide the personalized attentive service of a local firm, combined with the wide variety of technical services available through a national firm.

Similar Engagements with Other Governmental Entities

City of Saratoga Springs
 City Hall, 474 Broadway
 Saratoga Springs, NY 1286
 Scope of work: Annual financial statement audit, Single Audit, DOT audit
 Dates: 20-year client
 Engagement partner: Will Reynolds
 Total hours: 300
 Ms. Christine Gillmet-Brown, Director of Finance
 (518) 587-3550
 christine.brown@saratoga-springs.com

City of Oneonta
 City Hall
 258 Main Street
 Oneonta, NY 13820
 Scope of work: Annual financial statement audit, Single Audit, DOT audit
 Dates: 20+ year client
 Engagement partner: Paul Goetz
 Total hours: 250

County of Albany
 Harold L. Joyce Albany County Office Building
 112 State Street, Room 1030
 Albany, NY 12207
 Scope of work: Annual financial statement audit, Single Audit, DOT audit
 Dates: 2008 to present
 Engagement partner: Paul Goetz

Village of Lynbrook
 One Columbus Drive
 Lynbrook, NY 11563
 Scope of work: Annual financial statement audit, Single Audit, DOT audit
 Dates: 2011 to present
 Engagement partner: Jeff Roude
 Total hours: 250
 John Giordano, Village Administrator
 (516) 599-8300

Materials Innovation and Recycling Authority
 100 Constitution Plazas 6th Floor
 Hartford, CT 06103-1722
 Scope of work: Annual financial audit, single audit, CAFR review
 Dates: 2009-2014 (mandatory audit firm rotation)
 Total Hours: 600
 Thomas Kirk, President
 Mark Daley, Chief Financial Officer
 (860)757-7700

We currently provide auditing and related financial consulting services to approximately 100 New York State counties, cities, towns, villages and other governmental agencies. The following represents a sample of our current or recent governmental engagements:

Cities

- City of Saratoga Springs
- City of Troy
- City of Oneonta
- City of Mechanicville

Towns

- Town of Ballston
- Town of Colonie
- Town of Halfmoon
- Town of Queensbury

Villages

- Village of Greenport
- Village of Mohawk
- Village of Hamilton
- Village of Sherburne
- Village of Tupper Lake
- Village of Theresa
- Village of Fairport

Counties

- Albany County
- Fulton County
- Montgomery County
- Saratoga County
- Essex County

States

- New York
- New Jersey
- Connecticut
- Arizona
- Delaware

- Village of Green Island
- Village of Ilion
- Village of Lake Placid
- Village of Lynbrook
- Village of Northport
- Village of Penn Yan
- Village of Solway

Authorities and other governmental entities

- Albany Parking Authority
- City of New York - New York City Fiscal Year 2005 Securitization Corporation
- City of Schenectady Industrial Development Agency
- City of Troy Municipal Assistance Corporation for the City of Troy
- City of Troy Capital Resource Corporation
- City of Troy Industrial Development Agency
- City of Troy Local Development Corporation
- Clifton Park Water Authority
- Connecticut Resources Recovery Authority
- Cities of Gloversville-Johnstown Joint Wastewater Treatment Facility
- Green Island Power Authority
- Greene County Industrial Development Authority
- Hamilton County Industrial Development Agency
- Montgomery-Schoharie-Otsego Solid Waste Management Authority
- New York Local Government Assistance Corporation
- New York Municipal Power Agency
- New York State Association of Counties
- New York State Higher Education Services Corporation
- New York State Housing Trust Fund Corporation
- Oneida-Herkimer Solid Waste Management Authority

- Over 30 New York State Fire Districts
- Over 40 Municipal Electric Utilities
- Saratoga County Water Authority
- Schenectady Metroplex Development Authority
- Town of Clifton Park Industrial Development Agency
- Town of Colonie Industrial Development Agency
- Town of Colonie Local Development Corporation
- Town of Islip Resource Recovery Agency
- Town of North Hempstead Community Development Agency
- Town of Southampton Community Preservation Fund
- Village of Green Island Industrial Development Agency
- Village of Greenport Housing Authority
- Village of Sherburne Local Development Corporation
- Waterfront Commission of New York Harbor

CAFR Experience

- Materials Innovation and Recycling Authority (Jeff Roude and Paul Goetz)
- State of New York (Brendan Kennedy)
- GFOA Special Reviewers - Brendan and Paul review numerous CAFR's each year as part of the Excellence in Financial Reporting program.

Specific Audit Approach

In the Company Profile section of the proposal, SaxBST affirmed our understanding of the scope of services. Our audit will be to the extent necessary for SaxBST to express an opinion on the fairness with which the financial statements present the financial position, results of operations, and changes in financial position, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We will review for accuracy and comparability purposes, Management's Discussion and Analysis, as prepared by the City, which provides financial highlights; an overview of the financial statements; a financial analysis of the City; a financial analysis of the City's funds; capital asset and debt administration; factors bearing on the future of the City; and information pertaining to contacting the City's management. In addition, we will audit the City's compliance with Federal program administration and New York State Department of Transportation program administration.

We will communicate any significant deficiencies found during the audit. Significant deficiencies that are also material weaknesses will be identified in the report on internal controls. Deficiencies discovered will be reported in a management letter. In addition, our management letter will be used to communicate other internal control matters or operational deficiencies. We will make an immediate, written report of any irregularities or illegal acts of which we might be made aware and will report such findings immediately to the City. We will notify the City of any of the following:

- Audit adjustments required or compliance matter identified; including adequate time for the city to respond;
- If a regulatory or other government agency requests a review of the audit workpapers concerning the City;
- If any disciplinary actions or complaints are filed with any regulatory bodies against SaxBST or any employees of SaxBST.

Audit Approach

With an unwavering commitment to accuracy, our audit process is based on a thorough initial planning process, open and honest lines of communication throughout the year, and a specific methodology of analysis and quality review that will ensure a successful audit, as well as a successful relationship with the City and its professionals year after year. We have developed this successful methodology and are recognized for the quality and thoroughness of our audit process.

Audit Methodology

Segment I. Pre-Audit

- Agree on terms
- Assess inherent risk, for each opinion unit
- Review the Town's budget and operational priorities, to assess reporting impact
- Determine materiality
- Agree on PBC schedules

Segment II. Planning

- Assess risk at account and potential error level
- Enhance understanding of component units' business
- Plan tests of controls
- Assess IT reliance
- Obtain scope approval from those in charge of governance
- Design substantive tests

Segment III. Fieldwork

- Test Town-wide areas
- Perform dual test of internal controls and substantive attributes
- Evaluate control errors
- Write recommendations
- Hold periodic status meetings

Segment IV. Reporting

- Review subsequent events
- Obtain management reps
- Accounting and checklists
- Assess engagement quality
- Report to those in charge of governance
- Obtain feedback



Risk Based Audit Approach

Our audit approach is focused on listening to and understanding you and your organization, not only the flow of transactions and internal controls, but also your strategies and business risks. This enables us to identify key audit components and tailor our procedures to the unique aspects of the City's business. We hire the most competent people and invest heavily in systems that ensure consistency, objectivity, and accountability for results in strict compliance with professional standards. We also rely on experience. Our senior people are extensively involved in the audit process and will seek active dialogue with the City's leadership. The benefit to the City is an effective, cost-efficient, independent audit performed within your time requirements by experienced professionals.

Our audit process is continuous, whereby we address and resolve issues, new accounting standards, and changes in your business, etc., throughout the year, not just at year end. A "no-surprises" audit is always our goal.

As part of our commitment to you, we have developed a business advisory approach to audit services, which looks beyond accounting entries to underlying transactions and business systems. We place substantial emphasis on understanding your operations and fundamental business strategies. We don't view your audit as a commodity. Instead, we see it as a tool that you can use to improve your operations and service delivery. We contribute recommendations about your internal controls, operating and accounting procedures, and other important matters. These are communicated both orally and in a written management letter.

In summary, development of the specific audit plan is accomplished through:

- Meeting with City management to obtain an understanding of your business concerns and challenges;
- Thoroughly understanding and documenting the financial management and information systems;
- Evaluating economic and industry factors affecting operations;
- Identifying major areas of audit risk;
- Coordinating the audit process with the accounting and finance personnel, and
- Performing testing on interim balances to minimize the amount of year-end testing.

Transition from Current Auditor

Changing auditors for the City should not be a difficult task. Fortunately, your proposed engagement team has had many opportunities over the years to step in as the new auditor. This experience helps ensure that the transition goes as smoothly as possible. From communicating with the predecessor auditor, reviewing their working papers, documenting and understanding your business processes, to building a set of audit permanent files, we will focus on minimizing the challenges that sometimes come with an auditor change. We will obtain as much information as possible from your predecessor auditor and then assemble a list of any items needed from City management, along with mutually agreed-upon response dates. Our objective as your professional service provider will be to front load as much work as possible, including our transition as your external auditor. Because of your engagement team's experience with similar entities, SaxBST will hit the ground running, resulting in minimal disruption to management's day-to-day schedules. During the Pre-Audit stage, we will work with management of the City to establish a preliminary timetable to ensure a smooth audit process. During this phase, we will also obtain significant contracts and agreements and establish understandings as to documentation and schedules required for both the planning and fieldwork dates of the audit.

Planning Phase

The first step of the audit is preplanning, which involves meeting with City management to clearly identify the lines of communication, perform a risk analysis, discuss audit scopes and alternatives, discuss any concerns, and set expectations. We will also establish a preliminary timetable to ensure a smooth audit process.

A thorough understanding of your organization and its operating environment is essential for the development of an audit plan for an efficient, cost effective audit. During this phase, we will meet with appropriate personnel to update and document our understanding of your operations, including business concerns and challenges and, at the same time, give you the opportunity to express your expectations with respect to the services that we will provide. Our work effort will be

coordinated so that there will be minimal disruption to your staff. During this phase we will perform the following activities:

- Review the regulatory and statutory compliance requirements within which the City operates. This will include a review of applicable federal laws, state statutes, ordinances, resolutions, debt instruments, contracts, other agreements, and minutes of meetings of City management and various committees;
- Review major sources of information such as the City's budgets, organization charts, procedures manuals, financial systems, and management information systems;
- Review of the City's internal control processes;
- Review of accounting and information systems;
- Consider the methods that the City uses to process accounting information which influence the design of the internal control. This understanding includes knowledge about the design of relevant policies, procedures, and records, and whether they have been placed in operation by the City, and
- Identify and resolve accounting, auditing, and reporting matters noted during planning.

SaxBST will evaluate the City's system of internal control to assess the extent it can be relied upon to ensure accurate information, to ensure compliance with laws and regulations, and to provide for efficient and effective operations. Our evaluation will include:

1. Review of the system, which is primarily the process of obtaining information about the organization and the procedures prescribed and is intended to serve as the basis for tests of compliance and for evaluation of the system.
2. Tests of compliance, which are made to provide reasonable assurance that the accounting control procedures are being applied as prescribed.

The development of our audit plan is dependent on our understanding of your operations and our assessment of current risk factors. This approach requires the careful exercise of professional judgment developed through extensive experience with audits and is based on our assessment of risk of error in the financial statement line items and for the City as a whole. As a result, we will focus our audit effort in the important, high risk areas and minimize our time in the low risk areas ensuring you of a cost-effective and efficient audit.

Fieldwork Phase

Fieldwork is the largest part of the audit process and includes both substantive audit tests, such as confirmation work, and analytical review, such as variance examination. Interim fieldwork includes many planning activities mentioned earlier, including detailed risk assessments, interviews of key employees, and systems documentation. Interim testwork includes testing of controls and preliminary testing on compliance and other areas.

At this point, we will have performed our risk assessment, developed a preliminary audit plan, gained a thorough understanding of the accounting system, and evaluated, and, if determined to be cost-justified, compliance tested the system of internal accounting control. Based upon the preceding work, we will perform substantive audit procedures tailored to your specific accounts to the extent determined by the results of our evaluation and testing of internal accounting controls. Preliminarily we have identified the following audit areas to be tested:

Account/Process	Summarized Audit Approach	Audit Risks Addressed
Cash/Investments and Treasury Management	<ul style="list-style-type: none"> Cash/investment confirmations with custodian. Review of bank account reconciliations and material reconciling items. Investment compliance with NYS Laws and Regulations. 	<ul style="list-style-type: none"> Completeness/accuracy of cash and investment balances. Compliance with laws/regulations.
Revenues and Receivables	<ul style="list-style-type: none"> Walkthroughs of key revenue processes. Trace revenues to cash receipts. Evaluate revenue cutoff for completeness. Review subsequent cash collections to assess the reasonableness of accounts receivable balances. 	<ul style="list-style-type: none"> Fraudulent revenue recognition. Revenue cutoff/ completeness. Collectability of account receivable balances.
Capital Assets	<ul style="list-style-type: none"> Review of capitalized interest, if applicable. Evaluate reasonableness of useful lives. Review of capital asset additions/ deletions/ transfers. Consideration of intangible assets (software, easements, etc.). 	<ul style="list-style-type: none"> Incomplete capital asset listings. Improper capitalization whether due to fraud/error. Unreasonable useful lives.
Accounts Payable and Accrued Expenses	<ul style="list-style-type: none"> Search for unrecorded liabilities via examination of payments made subsequent to year-end and review of open payables listing. Review of significant accruals (landfill, judgment and claims, compensated absences), including management's estimation process. Review of OPEB valuation, including inputs (census data), assumptions, and external actuary qualifications. 	<ul style="list-style-type: none"> Completeness of liabilities/expenses. Subjective estimation processes, including management bias.
Bonds Payable and Related Accounts	<ul style="list-style-type: none"> Confirmation of debt with external financial organizations. Review of interest expense for reasonableness. Recalculation of premium/discounts, gains/losses on refunding, bond issuance costs. Review of compliance with bond covenants. 	<ul style="list-style-type: none"> Completeness and presentation of debt balances. Compliance with bond covenants.
Net Position	<ul style="list-style-type: none"> Review classification of net position balances for adherence to U.S. GAAP (net investment in capital assets, restricted, unrestricted). 	<ul style="list-style-type: none"> Presentation of net position balances.
Operating Expenses	<ul style="list-style-type: none"> Analytical review of operating expenses, comparing budgets to actuals, examining unusual fluctuations. Selection of a sample of cash disbursements and review of underlying documentation (invoices, agreements, etc.). 	<ul style="list-style-type: none"> Appropriateness of expenditures reported.
Consideration of Fraud	<ul style="list-style-type: none"> Select a sample of journal entries and obtain source documentation. Consider need to perform: confirmation of payables, examination of cancelled checks, and review of authorized signatories. Periodic involvement of forensic professionals. 	<ul style="list-style-type: none"> Misappropriation of assets. Fraudulent financial reporting. Corruption negatively impacting the organization's reputation.

SaxBST uses sampling in selecting items for testing by compliance and/or substantive tests where it is determined to be cost beneficial to sample the population. Our Firm has an Audit Methodology Manual which contains procedures for the control and evaluation of sampling risk, selection of samples, and evaluation of sample results.

Audit sampling will normally be used in audits of governmental units to perform the following tests:

- Substantive tests as part of the audit of the governmental unit's basic financial statements;
- Compliance tests to provide reasonable assurance that internal control (accounting and administrative) procedures used in administering federal and state financial assistance programs, if any, are being applied as prescribed, and
- Substantive tests of compliance with laws and regulations as part of the audit of the basic financial statements and for the purpose of reporting on compliance with laws and regulations as they relate to the schedule of federal and state financial assistance, if applicable.

For the audit of the City's financial statements, we anticipate that our sampling methodology will be used to determine sample sizes for tests of payroll, expenditures, fixed assets additions, and certain revenue sources.

Our audit approach requires the use of analytical procedures to assist in planning the nature, timing, and extent of other auditing procedures.

The primary focus of analytical procedures employed at the planning stage is the identification of specific risks or errors in the financial statements or of compliance violations. By considering unusual or unexpected balances or relationships, analytical procedures help to direct our attention to areas with the highest potential for material misstatement. Preliminary analytical procedures may also identify unfavorable trends or other matters.

Analytical procedures will be performed at both the government-wide and fund level and will include the following, where applicable:

- Comparison of original budget (revenue sources and appropriations) to actual amounts.
- Comparison of major balance sheet balances to:
 1. Preliminary expectations based on budgets and forecasts.
 2. Prior year amounts.
- Consideration, to the extent applicable, of the certain key financial relationships in relation to preliminary expectations to determine if there are unusual or unexpected balances or unexpected relationships.

For the Single Audit, the following procedures will also be included:

- Review past compliance findings, if any.
- Obtain any federal or state agency monitoring reports received by the City.
- Determine the major federal programs of the City.
- Review any communication with the funding agencies.
- For each major program, complete the SaxBST audit program and the Compliance Supplement, issued by the Office of Management and Budget.
- Review the financial and personnel policies of the City.
- Review accounting and administrative control systems, including general and specific requirements.

Reporting Phase

Our approach to the audit will include, at a minimum, the following reviews of the financial statements, audit reports, and workpaper files:

- Engagement Performance and Administration - engagement senior manager Brendan Kennedy will review the work of all staff in detail, including workpapers, financial statements, audit report, compliance report, and management letter.
- Partner Review - the engagement partner Jeff Roude will perform a review of the financial statement audit report, compliance reports, management letter, workpaper files for significant and critical areas, and concurrence with conclusions of the engagement team.
- Engagement Quality Control Review – we have designated Paull Goetz to review critical audit decisions made by the engagement team and conduct a final technical review of all deliverables.

At the conclusion of the audit process, we will issue the required opinions. Our management letter will discuss internal control recommendations and suggestions for procedural improvements we identified as part of the audit. The letter will also include observations about accounting methods and procedures, business and industry practices or issues, operational ideas, and suggestions to further enhance the City’s operations. We will advise you of any new accounting pronouncements that have been or may be issued and indicate their potential impact.

Future Audit Periods

We understand the City’s need to supply an audited Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) as part of the Certificate of Excellence in Financial Reporting program. Accordingly, we propose in future audit periods to “front-load” as much work as possible to an interim date. SaxBST’s front-loading of audit testing may have several advantages for the City including:

- Decompression of the audit timeframe, resulting in cushion when preparing the CAFR;
- Reduction in the “audit burden” to City employees involved in the audits;
- Proactive identification and resolution of potential audit matters;
- More timely feedback on internal control and compliance assessments.

Areas we have “front-loaded” audit testing on an interim basis include:

- Evaluation of the design and operating effectiveness of internal controls;
- Substantive tests of details over:
 - Expenditures;
 - Revenues;
 - Fixed asset additions;
- Federal and State DOT Single Audit Compliance Testing

Identification of Anticipated Audit Problems

In the event that audit problems arise, our overriding Firm philosophy toward issue resolution is the fact that the financial statements are the representation of and by the City. Therefore, we believe that as long as the City has a rational or defensible position that is compliant with U.S. GAAP, the City should be able to employ that accounting treatment without any negative audit impact. SaxBST will work with the City toward this end.

In addressing any issue, communication and timely resolution are critical. SaxBST prides itself in developing professional relationships and rapport with clients, which facilitate open and honest communication. Once again, SaxBST's stance would be based on reporting meaningful information to the financial statement users. To do less would compromise our independent status.

We use the following approach to seek a mutually agreeable resolution of accounting and reporting issues.

Step 1 - Define and understand the issue through discussion with the City's management and verified audit information.

Step 2 - Make an initial assessment of the impact of alternative accounting treatments.

Step 3 - If the impact has significant potential, gather research which may include the following: obtain the City's research and rationale for their positions; gather additional details; draw on common practices within other counties; inquire with McGladrey's National Office of Audit and Accounting; and utilize recognized Firm experts.

Step 4 - Discuss with the City's staff the Firm's preferred position and rationale.

Step 5 - Resolve the issue.

Timeline

Based on our review of your RFP, we propose the following audit schedule:

- **Detailed Audit Plan** - At a mutually agreed-upon time, we will provide the City both a detailed audit plan and a list of all schedules to be prepared. Expect this plan to be delivered in February or March 2015.
- **Interim Field Work** - Interim fieldwork will be conducted in conjunction with year-end fieldwork, typically during the month of April 2015.
- **Fieldwork** - We anticipate completing fieldwork and providing proposed audit adjustments to the City by May 8, 2015.
- **Draft Reports** - We will conduct our exit conference, and have drafts of the audit reports and recommendations to management available for review by the City within two weeks of the end of fieldwork, May 22, 2015.
- **Final Reports** - We will issue all final reports with the City's response to the findings included and management letter by the dates established by management and those charged with governance, which we expect to be June 5, 2015.

Estimated Hours

<u>Staff Level</u>	<u>Pre-Audit</u>	<u>Planning</u>	<u>Fieldwork</u>	<u>Reporting</u>	<u>Total</u>
Partner	5	10	15	5	35
Senior Manager	10	15	45	20	90
Senior Associate	10	40	110	20	180
Associate	-	50	130	20	200
Administrative	<u>2</u>	<u>1</u>	<u>-</u>	<u>12</u>	<u>15</u>
Total	<u>27</u>	<u>116</u>	<u>300</u>	<u>77</u>	<u>520</u>

Report Issuance and Attendance at Meetings

We will plan to meet with the City during the preplanning phase as well as at the conclusion of the audit to discuss the planning and the results of our work.

At the end of our engagement, we will meet with those charged with governance to present our reports and letters, and to discuss our audit findings. We will provide a memorandum on business matters, which includes our recommendations for improving your operations, as well as information regarding any new accounting pronouncements, and other issues that impact the City. We will also be available to meet with you during the year to answer any questions that may arise.

Price Proposal

SaxBST
28 West 44th Street
New York, New York 10036

Contact: Jeffery P. Roude, CPA
Phone: (212) 661-8640
Fax: (212) 972-7495
E-Mail: jroude@saxbst.com

As a Partner in the Firm, I am entitled to represent the Firm, and am empowered to submit the proposal and authorized to sign a contract with the City.



Jeffrey P. Roude, CPA, Partner

Our all-inclusive fees for professional services outlined in the transmittal letter portion of the proposal are as follows:

Audit of Fiscal Year Ending December 31, 2014			
Personnel:	Hours	Hourly Rate	Total
Partners	35	\$350	\$12,250
Managers	90	\$250	\$22,500
Supervisors	180	\$160	\$28,800
Specialists	-	-	-
Staff	200	\$120	\$24,000
Other	15	90	\$1,350
Subtotal Personnel			\$88,900
Expenses:			-
Travel			-
Lodging			-
Meals			-
Incidentals			-
Other - 5% Fee Discount			(\$4,445)
Subtotal Expenses			
All-Inclusive Maximum ("Not-to Exceed") Price			\$84,445

Audit of Fiscal Year Ending December 31, 2015			
Personnel:	Hours	Hourly Rate	Total
Partners	35	\$350	\$12,250
Managers	90	\$250	\$22,500
Supervisors	180	\$160	\$28,800
Specialists	-	-	-
Staff	200	\$120	\$24,000
Other	15	90	\$1,350
Subtotal Personnel			\$88,900
Expenses:			-
Travel			-
Lodging			-
Meals			-
Incidentals			-
Other - 5% Fee Discount			(\$4,445)
Subtotal Expenses			
All-Inclusive Maximum ("Not-to Exceed") Price			\$84,445

Audit of Fiscal Year Ending December 31, 2016			
Personnel:	Hours	Hourly Rate	Total
Partners	35	\$350	\$12,250
Managers	90	\$250	\$22,500
Supervisors	180	\$160	\$28,800
Specialists	-	-	-
Staff	200	\$120	\$24,000
Other	15	90	\$1,350
Subtotal Personnel			\$88,900
Expenses:			-
Travel			-
Lodging			-
Meals			-
Incidentals			-
Other - 5% Fee Discount			(\$4,445)
Subtotal Expenses			
All-Inclusive Maximum ("Not-to Exceed") Price			\$84,445

Total All-Inclusive Maximum Price Summary – All Years			
FYE December 31	Personnel	Expenses	Total
2014	\$84,445	---	\$84,445
2015	\$84,445	---	\$84,445
2016	\$84,445	---	\$84,445
Total	\$253,335	---	\$253,335

Audit of Fiscal Year Ending December 31, 2017			
Personnel:	Hours	Hourly Rate	Total
Partners	35	\$360	\$12,600
Managers	90	\$258	\$23,220
Supervisors	180	\$165	\$29,700
Specialists	-	-	-
Staff	200	\$124	\$24,800
Other	15	93	\$1,395
Subtotal Personnel			\$91,715
Expenses:			-
Travel			-
Lodging			-
Meals			-
Incidentals			-
Other - 5% Fee Discount			(\$4,586)
Subtotal Expenses			
All-Inclusive Maximum ("Not-to Exceed") Price			\$87,129

Audit of Fiscal Year Ending December 31, 2018			
Personnel:	Hours	Hourly Rate	Total
Partners	35	\$360	\$12,600
Managers	90	\$258	\$23,220
Supervisors	180	\$165	\$29,700
Specialists	-	-	-
Staff	200	\$124	\$24,800
Other	15	93	\$1,395
Subtotal Personnel			\$91,715
Expenses:			-
Travel			-
Lodging			-
Meals			-
Incidentals			-
Other – 5% Fee Discount			(\$4,586)
Subtotal Expenses			
All-Inclusive Maximum (“Not-to Exceed”) Price			\$87,129

Appendix

- A. Detailed Engagement Team Resumes
- B. Peer Review Report
- C. Required Forms

A. Detailed Engagement Team Resumes



Jeffrey P. Roude, CPA

Jeff is a Certified Public Accountant with over 30 years of public accounting experience. He is a senior member of the Firm's *Governmental and Municipal Services Group*, and has served as an audit partner on several of the firm's governmental engagements. He has also led several of the Firm's fire district engagements.

Jeff also has extensive real estate auditing experience that includes Common Interest Reality Engagements for cooperative housing corporations and condominium associations, as well as residential and commercial properties. His other experience includes the hospitality and hotel industry, medical practices, not-for-profit companies and private foundations. Jeff also has experience with the New York State Supreme Court and Surrogate Court accountings for guardianships.

Representative Engagements

Waterfront Commission of New
York Harbor
Village of Lynbrook
Village of Northport
Town of Islip Resource
Recovery Agency
Connecticut Resources
Recovery Authority
Eastchester Fire District
New York City Fiscal Year 2005
Securitization Corporation

Jeff has met all AICPA, New York State and "Yellow Book" continuing professional education requirements. Jeff graduated in 1980 from the State University of New York at Binghamton with a Bachelor of Science degree. He is a member of the firm's Quality Control Committee.

A. Detailed Engagement Team Resumes



Paul L. Goetz, CPA

Paul is a Certified Public Accountant with over 25 years of public accounting experience. He is a member of the Firm's *Governmental Services Group*, and has served as an audit partner on several of the firm's governmental engagements.

Paul also has extensive accounting and auditing experience with organizations in the insurance industry. His other experience includes commercial, not-for-profit, and employee benefit plan auditing and accounting. He is a member of the Firm's *Pension Audit Services Group*, *Governmental and Municipal Services Group*, and serves as a quality control reviewer on a number of the Firm's governmental audits.

Representative Engagements

Albany County
City of Oneonta
City of Troy – IDA, LDC, CRC
Fulton County
Materials Innovation and
Recycling Authority
Montgomery, Otsego,
Schoharie Solid Waste
Management Authority
Oneida-Herkimer Solid Waste
Management Authority
Town of Queensbury

Paul has met all AICPA, New York State and "Yellow Book" continuing professional education requirements. Paul graduated from Siena College with a Bachelor of Science degree.

Prior to joining SaxBST, Paul was a Partner in another regional accounting firm where he managed a diverse client base including public and privately held companies and governmental entities, with a focus on manufacturing, service industries, and emerging technology. He also served as the Assistant Director of Quality Control, actively participated in recruiting efforts, and conducted training seminars to develop future leaders.

A. Detailed Engagement Team Resumes



Brendan K. Kennedy, CPA

Brendan joined the Firm in 2012 following 10 years with a “Big Four” firm. He has a proven track record of delivering high quality audit and advisory services to large and intricate governmental organizations. Brendan is well versed in complex governmental accounting standards and audit requirements under OMB Circular A-133 (single audits). Brendan’s skills go beyond a government’s basic audit requirements and include assistance with water/sewer rate studies, accounting standard implementation, and internal control assessments.

Within SaxBST, Brendan is responsible for delivering governmental training materials, including live instruction, to partners and staff. In addition, Brendan serves as a financial statement reviewer for GFOA’s certificate of excellence in financial reporting program.

Brendan is a member of the American Institute of Certified Public Accountants, the Association of Governmental Accountants, and the Government Finance Officers Association. He has a Bachelor’s Degree in Business Administration from Siena College, and has met all AICPA, New York State and “Yellow Book” continuing professional education requirements. Brendan also serves on the New York State Society of Certified Public Accountants Government Audit and Accounting Committee and as the Treasurer for the New York Capital Chapter Association of Government Accountants.

In addition to performing financial and single audits, Brendan has provided an array of advisory services including:

- Supervision of the New York State Lottery drawing programs for compliance with gaming regulations;
- Assisting the City of New York with their adoption of Governmental Accounting Standards Board Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*;
- Records reconstruction for billion dollar farm and forestry equipment dealer;
- Review of water and sewer rate structure for the City of Saratoga Springs;
- Served as an expert in a professional services litigation matter.

Representative Engagements

Albany County
City of New York
City of Saratoga Springs
Fulton County
Gloversville-Johnstown
Wastewater Treatment Facility
Hugh L. Carey Battery Park City
Authority
New York Local Government
Assistance Corporation
New York Power Authority
Saratoga County Water Authority
State of New York
State University Construction
Fund
State University of New York
Town of Colonie
Town of Halfmoon
Town of Islip Resource Recovery
Agency
Town of North Hempstead
Community Dev. Agency
Town of Southampton
Community Preservation Fund
Village of Greenport
Village of Hamilton
Village of Lake Placid
Village of Lynbrook

A. Detailed Engagement Team Resumes



Jonathan B. Gibbs, CPA

Jonathan has been employed with SaxBST since May of 2010, and currently serves as a Senior Associate in the Accounting and Auditing Department. He has served on a wide range of engagements, with a concentration in the government and not-for-profit industries.

Jonathan graduated from the State University of New York at Oneonta with a Bachelor's Degree in Accounting, and is a member of the American Institute of Certified Public Accountants and New York State Society of Certified Public Accountants. He has met all of the AICPA, New York State and "Yellow Book" Continuing Professional Education requirements, and is a member of the Firm's *Governmental and Municipal Industry Services Group*.

Representative Engagements

City of Saratoga Springs
City of Oneonta
Albany County
Town of Islip Resource
Recovery Agency
Village of Greenport
Village of Lynbrook
Village of Rouses Point
Materials Innovation and
Recycling Authority (formerly
CRRA)
Schenectady Metroplex
Development Authority

A. Detailed Engagement Team Resumes



George F. Person

George joined SaxBST in 2003 and has served as a Special Technical Consultant for many of SaxBST's New York State governmental and municipal clients. His experience with SaxBST includes the audits of numerous counties, cities, authorities, and fire districts. George served over three decades with the Office of the New York State Comptroller and during that time was directly involved in virtually every aspect of local governmental operations, with special expertise in governmental accounting and finance-related operations.

George's experience and reputation led to his appointment to the New York State Comptroller's Office FAST (Financial Assistance Strategy Team) program, where he was charged with developing the "early warning" financial indicators of this progressive program to identify fiscally stressed governments in New York State.

George has earned statewide recognition for the scores of presentations and training programs he developed and presented across the state, including the Comptroller's basic and advance accounting schools which he directed for five years. During his tenure with the Comptroller's office, he was a presenter at virtually all of the statewide conferences hosted by the Comptroller's office and local government associations. George currently serves on the NYS GFOA Governmental Accounting Committee, and for the past several years, has been an instructor at the Cornell Pelletier School of Government. In 2001 George was awarded the New York State Conference of Mayors (NYCOM) Director's Award for providing professional assistance and counsel to members of that organization.

George received an Associate's degree in Accounting from Hudson Valley Community College and also received a Bachelor of Science degree in Management from Western New England College. George also attended Siena College's School of Accounting.

Representative Engagements

Albany County
City of Oneonta
Town of Ballston
Town of Colonie
Town of Halfmoon
Town of Queensbury
Village of Fairport
Village of Ilion
Village of Lake Placid

B. Peer Review Report



Certified Public Accountants

3325 Saw Mill Run Blvd.
Pittsburgh, PA 15227-2736
412/885-5045
Fax 412/885-4870
www.gbaco.com

SYSTEM REVIEW REPORT

December 12, 2013

To the Partners

SaxBST, LLP (formerly Bollam, Sheedy, Torani & Co., LLP)
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of SaxBST, LLP (formerly Bollam, Sheedy, Torani & Co., LLP) (the firm) applicable to non-SEC issuers in effect for the year ended August 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a system review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and examinations of service organizations (Service Organizations Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of SaxBST, LLP (formerly Bollam, Sheedy, Torani & Co., LLP) applicable to non-SEC issuers in effect for the year ended August 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. SaxBST, LLP (formerly Bollam, Sheedy, Torani & Co., LLP) has received a peer review rating of *pass*.

Goff Backa Alfera & Company, LLC

GOFF BACKA ALFERA & COMPANY, LLC
PITTSBURGH, PENNSYLVANIA

*Member: American and Pennsylvania Institutes of Certified Public Accountants
Center for Public Company Audit Firms • Employee Benefit Plan Audit Quality Center • Governmental Audit Quality Center • Private Companies Practice Section*

- This proposal, including all attachments and any additional information submitted herewith, constitute merely an offer to negotiate with the City;
- Submission of this proposal, attachments and additional information shall not obligate or entitle the proposer to enter into a contract or agreement with the City for the required services;
- The City is not obligated to respond to this proposal nor is it legally bound in any manner whatsoever by the submission of same;
- Any and all proposals and negotiations shall not be binding or valid against the City, its elected officials, directors, officers, employees or agents, unless a contract or agreement is approved by the City's Corporation Counsel and City Council and signed by a duly authorized officer of the City;
- The City reserves the right to reject consideration of any and all proposals including, but not limited to proposals that are conditional or incomplete;
- The City reserves all rights specified in this RFP, and,
- Except as disclosed in the proposal, no official, officer, employee, or member of a board or commission of the City is directly or indirectly a party to, or in any other manner interested in this proposal or any subsequent contract or agreement that may be entered into with the City.



Proposer Signature

JEFFREY P. ROWE, PARTNER

Printed Proposer Name and Title

11/25/14

Date

APPENDIX B: REQUIRED DISCLOSURE OF RELATIONSHIPS TO CITY

A POTENTIAL CITY CONTRACTOR MUST COMPLETE, SIGN AND RETURN THIS FORM TO THE DEPUTY COMPTROLLER PRIOR TO EXECUTION OF A CONTRACT WITH THE CITY OF RYE (CITY)

Contract Name: Professional Auditing Services 2014-2016

Name, Federal TIN and Address of Contractor:

SaxBST LLC 46-4001827
28 West 44th Street
New York, NY 10036

A.) Related Employees:

Are any of the employees that you will use to carry out this contract with the City also an official, officer, employee, or member of any board or commission of the City, or the spouse, child, or dependent of such City official, officer, employee, board or commission member?

Yes _____ No ☒

If yes, please provide details:

B.) Related Owners, Officers and Directors:

Are any owners, officers, or directors of your firm also an official, officer, employee, or member of any board or commission of the City, or the spouse, child, or dependent of such City official, officer, employee, board or commission member?

Yes _____ No ☒

If yes, please provide details:

C.) Interest in Contract

To answer the following question, the definition of the word "interest" shall mean a direct or indirect pecuniary or material benefit accruing to a City official, officer, employee, or member of any board or commission of the City, or the spouse, child, or

dependent of such City official, officer, employee, board or commission member, whether as the result of a contract with the City or otherwise.

For purposes of this question, a City official, officer, employee, or member of any board or commission shall be deemed to have an "interest" in a firm or a subcontractor of a firm when the City official, officer, employee, board or commission member, or the spouse, child, or dependent of such City official, officer, employee, board or commission member:

- Has a contract with the firm or a subcontractor of the firm; and/or,
- Is an officer, director, member, or employee of the firm; and/or,
- Is an officer, director, member, or employee of a subcontractor of the firm; and/or,
- Owns more than five (5%) percent of the outstanding capital stock of the firm or a subcontractor of the firm.

Does any City official, officer, employee, board or commission member, or the spouse, child, or dependent of any City official, officer, employee, board or commission member have an interest in the firm or in any subcontractor that will be used by the firm for this contract?

Yes _____ No ✓

If yes, please provide details:



Proposer Signature

JEFFREY P. LOUDE PARTNER

Printed Proposer Name and Title

11/25/14

Date