

**REQUEST FOR PROPOSALS FOR
AUDITING SERVICES**

LOWER MANHATTAN DEVELOPMENT CORPORATION

*The Lower Manhattan Development Corporation, a subsidiary of
the New York State Urban Development Corporation
d/b/a Empire State Development Corporation, seeks proposals and
statements of qualifications for auditing services in connection
with its fiscal year ending March 31, 2003.*

April 29, 2002

Due date for responses: May 20, 2002

Corporation Contact: James P. Angley
Chief Financial Officer
Tel. - (212) 962-2300
Fax – (212) 962-2431
jangley@empire.state.ny.us

General Information

The Lower Manhattan Development Corporation (“LMDC”) is a newly established subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development Corporation, and is soliciting firms to provide annual audit services to LMDC for the fiscal year ending March 31, 2003.

Bidding firms are requested to follow the recommended guidelines and instructions contained in this Request for Proposals (RFP). Proposals should be prepared providing a straightforward and concise description of the audit firm’s capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. Each copy of the proposal should be bound in a single volume and include any documentation you may wish to submit.

Subject to annual review and yearly approval by the LMDC Board of Directors, the successful bidder will be retained for two years with an option for LMDC to renew for two additional years.

LMDC reserves the right to reject any or all proposals submitted if such election is deemed to be in the best interest of LMDC.

In the event it becomes necessary to revise any part of this RFP, revisions will be provided to all firms who received the initial RFP.

LMDC assumes no responsibility and no liability for costs incurred by the bidder prior to the issuance of a contract.

If you choose to respond to this RFP, please prepare ten (10) copies of your proposal and deliver them to:

Mr. James P. Angley
Chief Financial Officer
Lower Manhattan Development Corporation
One Liberty Plaza – 20th Floor
New York, N.Y. 10006

Proposals must be received no later than 5:00 PM, Monday, May 20, 2002

Oral Presentation

Firms submitting a proposal in response to this RFP may be required to give an oral presentation of their proposal to LMDC. This will provide an opportunity for the firm to clarify or elaborate on the proposal but will in no way change the original submission.

Contract Terms and Other Requirements

The contents of the proposal prepared by the successful bidder will become a part of the contract awarded as a result of these specifications. The terms outlined should be considered all inclusive.

The successful bidder will be required to, among other things:

- (1) maintain accurate accounting records and other evidence pertaining to costs incurred on the audit and to make such records available to LMDC at all reasonable times during the contract period and for five (5) years after the date of the final payment to the bidder under the contract, upon request of LMDC;
- (2) assume sole responsibility for the complete effort as required by this RFP, and be the sole point of contact with regard to contractual matters, and;
- (3) refrain from assigning, transferring, conveying, subletting or otherwise disposing of this agreement or its rights, titles or interest therein or its power to execute such agreement to any other person, company or corporation without prior consent and approval in writing of LMDC.

LMDC reserves the right to terminate the contract entered into as a result of this RFP at any time provided that written notice has been given to the firm at least thirty (30) days prior to such proposed termination date.

The Lower Manhattan Development Corporation

Introduction

The Lower Manhattan Development Corporation is a subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development Corporation (“ESDC”). ESDC is a political subdivision and public benefit corporation of the State of New York created by Chapter 24 of the Laws of New York, 1968, as amended. LMDC will file annually with certain state and federal agencies their annual audited financial statements

LMDC was established to oversee the rebuilding and revitalization of Lower Manhattan, and is governed by a 14-member Board of Directors. LMDC is funded by federal appropriation to be administered by the U.S. Department of Housing and Urban Development through its Community Development Block Grant program. (See Defense Appropriations Act of 2002, Public Law 107-117.) To date, \$2 billion has been allocated to LMDC under such appropriation.

At LMDC’s direction, ESDC will perform certain administrative and financial functions on behalf of LMDC, namely accounting, personnel, procurement, facilities management and information technology.

Accounting Systems

ESDC will utilize a General Ledger and Accounts Payable system. In addition, ESDC utilizes a Time and Attendance System that calculates the percentage of shared administrative expenses to be allocated to LMDC in connection with services provided.

ESDC will process payroll on behalf of LMDC. The payroll system is managed by ADP.

LMDC will prepare an annual budget for income and expenses and monitor the actual income and expense with the prepared budget on a monthly basis.

Internal Auditors

The ESDC Internal Audit Unit has a staff of 3 professionals, with responsibilities for performing internal audits of ESDC’s subsidiaries, including LMDC. They will be able to provide some assistance to the auditors. **In your response, please indicate if you wish to avail yourself of their services, and if so, to what extent.**

Audit Proposals

A. Scope of Work

The Audit

The scope of the audit engagement will be to perform all necessary tasks required to render an opinion on the annual financial statements of LMDC. **The audit will commence with the fiscal year ending March 31, 2003.** The audit is to be conducted in accordance with generally accepted auditing standards. The successful firm will be retained by LMDC for two years with an option for LMDC to renew for an additional two years, subject to annual review and yearly approval by the LMDC Board of Directors. In addition to the annual audits, the auditor will be responsible for the Single Audit in connection with the use of an appropriated \$2.0 billion Community Development Block Grant.

The objective of each audit is to express an opinion on the financial statements of LMDC. Your ability to express the opinion and wording contained in that opinion would depend on the results of your audit. In addition to the opinion, you are required to issue to the LMDC Board of Directors **a Report on Compliance, including Compliance with Investment Guidelines, and on Internal Control over Financial Reporting Based on an Audit of Financial Standards Performed in Accordance with Government Auditing Standards.**

LMDC understands that it is management's responsibility to prepare the financial statements. As previously stated, ESDC will enter into a Memorandum of Understanding with ESDC to properly record its transactions in the accounting records, make appropriate accounting estimates and utilize established controls to safeguard assets. Every effort is made by LMDC to present accurate statements prepared according to generally accepted accounting principles and where appropriate, generally accepted governmental standards.

Single Audit

LMDC is both a recipient expending Federal awards (the CDBG funds) received directly from HUD and a subrecipient expending CDBG funds received from a pass-through entity (ESDC), and as such must comply with the federal Single Audit Act of 1984, as amended. Accordingly, the audit engagement will also require the preparation of a Single Audit in compliance with Government Audit Standards issued by the Comptroller General of the United States and pursuant to the Office of Management and Budget Circular A-133. The Single Audit is in connection with the above-referenced \$2.0 billion Community Development Block Grant to be distributed by HUD.

B. Policies of the Auditing Firm

It is LMDC's goal to award contracts to those personal service contractors who have evidenced compliance with the laws of the State of New York prohibiting discrimination in employment. LMDC recognizes that this goal may be achieved by awarding personal service contracts to those firms who have demonstrated that they do not discriminate in

employment. Accordingly, the following shall be submitted:

- (1) Bidders shall submit to LMDC data regarding the race and sex of their partners, members and employees by job category.
- (2) All bidders with fifty or more employees shall submit to LMDC a copy of their affirmative action plan. Proposals of bidders whose plans are not found to be acceptable to LMDC shall be rejected. Bidders with less than fifty employees shall submit a statement of commitment to equal opportunity and affirmative action executed by the chief executive officer.

The affirmative action information will be included in the evaluation of the competency of the firm. LMDC will give preference to those bidders who best comply with LMDC's goals for minority participation and non-discrimination.

C. Profile of the Firm and the Staff

Provide a profile of your firm, including firm size, number of years in business and location of offices from which work will be performed. Also describe the types of services offered by the firm in addition to audit services. Indicate the firm's computer capabilities and describe how such capabilities will support the audit effort. Indicate any pending litigation and/or regulatory action by an oversight body, such as the FDIC, SEC, IRS, Stockholders' Group, Trustee or any other person(s) or entity that could have an adverse material impact on the firm's ability to successfully perform the audit.

Provide a profile of the proposed audit staff for this engagement including detailed resumes of the partner(s), management staff and associates who would be assigned to manage and complete the engagement.

D. Qualifying Experience

Provide in detail your firm's experience with governmental agencies, public authorities and not-for-profit companies. Include client references and a description of the type of engagements.

E. Audit Approach

Your response must include a general outline of your auditing approach. Include any special expertise that your firm will bring to this engagement.

F. Terms of Compensation

Provide the cost of the audit with the Single Audit shown separately. Include details relating to the total hours allocated among partners, managers and associates, etc., the respective hourly rates, and out of pocket costs. This amount shall be an all inclusive annual fee for each audit engagement.

Although proposed fees will be taken into account, LMDC reserves the right to negotiate a lower or different fee structure with any firm that is selected.

The fees submitted in the bid proposal must remain firm for a consecutive two year period for the scope of the work outlined in the RFP. In the event there should be any reduction in the scope of work, the fees will be reduced accordingly.

Criteria for Selection

In evaluating proposals submitted pursuant to this request, LMDC places high value on the following factors, not necessarily in order of importance:

- (1) Profile of the Firm and the Staff
 - o Qualifying Experience
 - o Qualifications of the Staff
- (2) Audit Approach
 - o Responsiveness to Proposal - understanding of RFP with realistic estimates of hours.
 - o Plan of Action
- (3) Cost
- (4) Affirmative Action Policy
- (5) Oral Presentation

Miscellaneous Conditions

- (a) The issuance of this RFP and the submission of a response by any firm or the acceptance of such response by LMDC does not obligate LMDC in any manner. Legal obligations will only arise on the execution of a formal contract by LMDC and the firm(s) selected by LMDC.

- (b) LMDC reserves the right (i) to amend, modify, or withdraw this RFP, (ii) to revise any requirements of this RFP, (iii) to require supplemental statements or information from any responding party, (iv) to accept or reject any or all responses hereto, (v) to extend the deadline for submission of responses thereto, (vi) to negotiate or hold discussions with any respondent and to correct deficient responses which do not completely conform to the instructions contained herein, and (vii) to cancel this RFP, in whole or in part, if LMDC deems it in its best interest to do so. LMDC may exercise the foregoing rights at any time without notice and without liability to any respondent or any other party for their expenses incurred in the preparation of the responses hereto or otherwise. Responses to this RFP will be prepared at the sole cost and expense of the responding party.

- (c) LMDC's nondiscrimination and affirmative action policy will apply.

Appendix A

**Lower Manhattan Development Corporation
Request for Proposal
External Auditors
Estimated Timetable**

Mailing of RFP	April 23, 2002
Response Date	May 20, 2002
Oral Presentation	May 28-30, 2002 (if requested)
Evaluation of Proposals	June, 2002
Board Approval	June, 2002