



NYS Legislative Bill Drafting Commission

TECHNICAL PROPOSAL
BID FOR PROFESSIONAL AUDITING SERVICES 07-31-14

July 31, 2014

Submitted to:

Ms. Geralyn Ruhle, Director of Administration
NYS Legislative Bill Drafting Commission
55 Elk Street
Albany, New York 12210

Submitted by:

Randall R. Shepard, CPA, Partner
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THE BONADIO GROUP
CPAs, Consultants & More

NYS Legislative Bill Drafting Commission Proposal to Provide Internal Controls Audit

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July 31, 2014

Ms. Geralyn Ruhle, Director of Administration
NYS Legislative Bill Drafting Commission
5 Elk Street
Albany, New York 12210

Re: Proposal for Professional Auditing Services – Internal Controls Audit

Dear Geralyn:

It is a pleasure to submit this proposal to continue to provide professional auditing services pursuant to the New York State Legislative Bill Drafting Commission ("LBDC") requirements for performing an audit of internal controls. We appreciate this opportunity to present our credentials.

It is our understanding that the Commission seeks a firm that can perform an audit of your internal controls pursuant to the NYS Governmental Accountability, Audit and Internal Control Act. The Bonadio Group (Bonadio) will complement this audit with a service delivery style built around working as a member of your team. Bonadio accepts the terms and conditions set forth in the Commission's request for proposals, and is committed to performing the work within the time periods proposed by the LBDC.

While we have mobilized a team of experienced professionals to serve you, I will be your point of contact so that the delivery of the services you have requested will be seamless. As the Engagement Partner, on behalf of Bonadio, I certify the accuracy of the information contained in our proposal and have the authority to commit the firm to this engagement. The balance of this proposal outlines our services, qualifications and estimated fees.

As you know, we have the experience and expertise to successfully audit your internal controls, and have performed this type of work for LBDC for the past two cycles.

The opportunity to continue to serve as your professional service providers is important to our team; we want to work with you. The Commission is an important client for our firm.

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

We look forward to having the opportunity to work with the LBDC and are committed to assisting you in achieving your goals and making all of the resources of our firm available to you.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

We want to work for you!

If you have any questions regarding the information contained in this proposal or on any other matter, please contact me directly: Randy Shepard at (585) 249-2873 or rshepard@bonadio.com. We are available, at your convenience, to meet with you or other LBDC representatives to discuss any questions you may have and to further demonstrate our interest in serving you.

Very truly yours,

BONADIO & CO., LLP

A handwritten signature in black ink, appearing to read "Randy", written over a horizontal line.

By:

Randall R. Shepard, CPA
Partner

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License to Practice in New York State

License to Practice in New York State

All Bonadio professionals assigned to the LBDC are properly registered and licensed to practice in New York State.

Bonadio is a properly licensed certified public accounting firm in New York State.

Bonadio meets or exceeds all continuing education requirements and meets the external quality control review requirements contained in Government Auditing Standards, as discussed under the Quality Control section.

Independence

Bonadio is independent with respect to LBDC in accordance with Rule 101 of the AICPA's "Code of Professional Conduct," and its interpretations and rulings. Bonadio is independent of LBDC as defined by auditing standards generally accepted in the United States of America, the U.S. General Accounting Office's Government Auditing Standards and no conflicts of interest exist.

In order to ensure that we are independent with all existing and new attest clients, we have an annual process of surveying all employees and obtaining a response in writing as to any potential conflicts, which are then reviewed in detail and resolved. This process involves an individual, detail review of our full firm client list and answering a questionnaire with specific independence-related issues. In addition, on an ongoing basis, we inform our people of proposal opportunities to identify any potential conflicts that arise throughout the year.

Firm Qualifications and Experience

The Bonadio Group

The Bonadio Group (Bonadio), founded in 1978 in Rochester, NY with two partners and one part-time employee, has grown to be the largest independent provider of accounting, business advisory and financial services in Upstate New York. Bonadio & Co., LLP currently employs over 480 personnel, including a *governmental client service group consisting of 12 partners, 8 principals, 5 managers and numerous staff accountants*. Firm wide, there are over 200 senior and staff accountants available to serve the municipal client base, and all firm clients. Our Albany, NY office, with assistance from our Syracuse or Rochester offices, will be servicing this engagement. We do not utilize part-time personnel in our engagements.

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

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

We perform our audits on-site, which means we don't gather data and information by flooding the fieldwork with staff and taking it back to our offices. We are a "hands on" firm and do our work on-site with qualified staff where answers to questions can be quickly obtained through discussions with Authority staff.

Overview of The Bonadio Group

Largest independent accounting firm in Upstate New York!

- 10 locations
 - Albany
 - Batavia
 - Buffalo
 - East Aurora
 - Geneva
 - New York City
 - Rochester
 - Syracuse
 - Utica
 - Rutland, VT
- Approximately 480 employees
- Over \$62 million/year in firm revenues
- 105 partners/principals
- 77 managers

Client Types & Services

Who We Serve:

Government
Healthcare
Individual
Union
Tax Exempt
Public Company
Small Business
Mid-Sized Privately-Held

Services:

Accounting & Auditing
Business Advisory
Healthcare Consulting
IT Consulting
Risk Management
Tax Planning & Preparation

Firm Qualifications and Experience

The Bonadio Group (Continued)

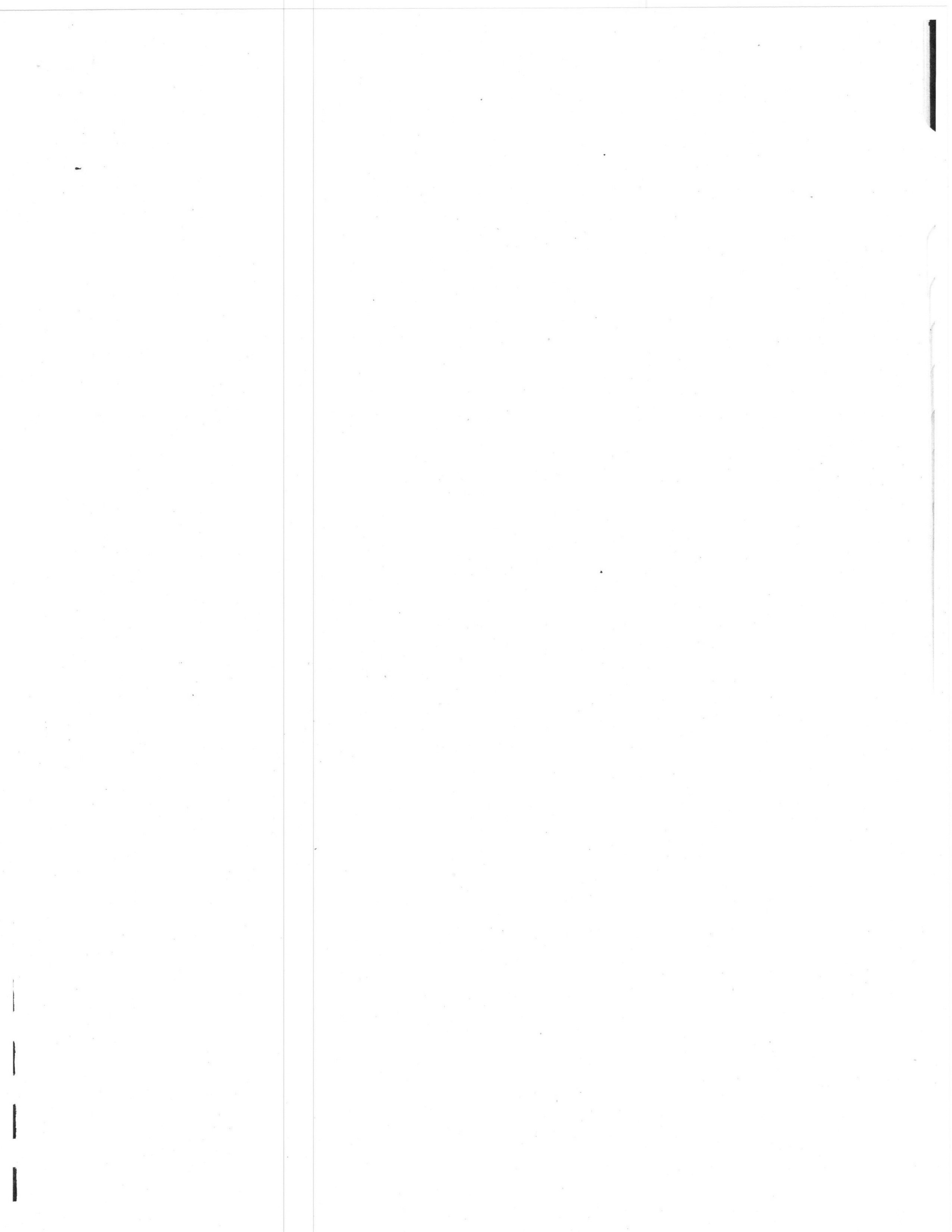
There is no national office hierarchy to contend with, so any matters requiring consultation can be dealt with in our office. This enables prompt turnaround and the ability to deliver timely and outstanding service to our clients.

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

- A Top 100 CPA Firm in the U.S. by *Public Accounting Report* and *Inside Public Accounting*.
 - Ranked 50th in 2013 by Accounting Today's Top 100 Firms
- Ranked by *Accounting Today* as a Best Accounting Firm to Work For 2010, 2011, 2012 and 2013.
- Identified by *Practical Accountant* as a CPA Innovative Firm.
- Identified by *Accounting & Financial Women's Alliance (AFWA)* and the *American Women's Society of Certified Public Accountants (AWSCPA)* as a Best Accounting Firm for Women.

Conflict of Interest

Bonadio affirms that our engagement with the LBDC will not create any potential conflict of interest or appearance of impropriety relating to other clients/customers of Bonadio or former officers and employees of the LBDC.



Assigned Staff Qualifications and Experience

Partner, Supervisory and Staff Qualifications and Experience

We believe that our people make the difference. The personnel assigned to serve you; Randy Shepard, Alan Walther, Timothy Ball, Kristen Clark, and Carl Cadregari have a LBDC audit will be serviced from our Albany office, and as you know we are available on a moment's notice to meet with you or for phone discussions.

As a professional service firm, we understand that a primary concern of most clients is continuity of people assigned. We are sensitive to this issue and assure you that we will make every effort to maintain continuity of personnel on your engagement. Our proposed LBDC team is committed to developing and maintaining a long-term professional relationship. Please be aware that we maintain continuing professional education as required by professional standards and meet the independence requirements of *Government Auditing Standards*, published by the U.S. General Accounting Office.

Randy Shepard, CPA, Engagement Partner (rshepard@bonadio.com)



Randy is a partner in The Bonadio Group's Government Division. He has been with Bonadio for over 15 years with experience in many areas of attestation engagements. Randy provides consulting, accounting, and auditing services for a variety of clients such as municipalities, public authorities, and local development corporations. As a result of this work, Randy has developed extensive experience with respect to compliance and reporting requirements for these organizations, knowledge of Governmental Accounting Standards Board (GASB) pronouncements, the NYS Public Authorities Reform Act, as well as the evaluation and design of internal accounting systems. Randy has also been a speaker on various governmental topics for the NYS Association of Counties as well as Governmental Finance Officers Association, including most recently GASB 54 regarding fund balance reporting.

Randy received his B.S. degree in accounting from the State University of New York at Geneseo. He is a member of the American Institute of Certified Public Accountants and Government Finance Officers Association (National and Local level). Randy is on the Finance Committee of the Seneca Park Zoo Society. Randy is a 2008 recipient of the Rochester Business Journal's Forty Under 40 award for leadership and service in their jobs and in the community. Randy is also one of the initial leaders identified by the firm to participate in the Bonadio Leadership University.

Alan Walther, CPA, Partner (awalther@bonadio.com)



Alan is a partner in Bonadio's Government Division. Alan provides business, accounting, and auditing services for a variety of clients including NYS agencies, towns, cities, counties, villages, libraries, and school districts. He has a concentration in large, multi-faceted audits and is accustomed to dealing with clients with complex organizational structures, multiple locations, and sophisticated IT operations. As a result of this work, Alan has developed extensive experience with respect to compliance and reporting requirements for these organizations, knowledge of Governmental Accounting Standards Board (GASB) pronouncements, as well as the evaluation and design of internal accounting systems.

Alan received his B.S. degree in accounting from the State University of New York at Albany. He is a member of the American Institute of Certified Public Accountants, NYS Society of Certified Public Accountants, Government Finance Officers Association, the Capital Chapter of the NYS ASBO, and serves on both the Public School Accounting Committee and Government Accounting Committees of the NYS Society of CPAs.

Assigned Staff Qualifications and Experience

Partner, Supervisory and Staff Qualifications and Experience (Continued)

Alison M. Blessing – CPA, Manager (ablessing@bonadio.com)



Alison is a manager in Bonadio's Government Division. Alison has over sixteen years of accounting experience, which is predominantly in public accounting, specifically in governmental auditing and accounting.

Alison has experience in providing accounting, auditing, and consulting services for a variety of clients including NYS agencies, cities, counties, towns, villages, school districts, and public authorities.

Alison's experience also includes co-managing a complex multi-phase consulting contract for a Mid-West State retirement fund with net assets approximating \$17 billion. Some of her responsibilities included reconciling several components of the fund's net assets, developing reconciliation policies and procedures and training client personnel on those policies and procedures.

Alison is a member of the American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants and the New York State Government Finance Officers' Association (NYSGFOA). She is an At-large member of the NYSGFOA Board of Governors.

Alison has an AS in Business Administration from SUNY Adirondack as well as a BBA in Accounting from Siena College. She received her certification as a Certified Public Accountant from New York State in March 2004. Alison has met all of the New York State and "Yellow Book" Continuing Professional Education requirements.

Kristen M. Clark, CPA, FHFMA, Quality Assurance Partner (kclark@bonadio.com)



Kristen is an audit partner and director of the firm's Quality Assurance and Education Division with over 25 years of experience with the firm. In this capacity, she is responsible for all of The Bonadio Group's quality control processes and procedures (including peer review and inspection) and directs and coordinates all training for the firm. Her responsibilities include performing all second partner quality reviews for the firm (all offices); coordinating annual inspection and tri-annual peer review activities and ensuring the firm's compliance with the related requirements to maintain successful results from these activities; and researching all new technical accounting and auditing pronouncements and providing personnel with the appropriate communication and training.

Relative to this engagement, Kristen will be responsible for review and approval of all audit reports and related financial statements and will act as an advisor to the engagement's client service team on technical matters.

Kristen received her B.S. degree in Accounting from St. John Fisher College and joined Bonadio in 1986. She is a fellow of the Healthcare Financial Management Association (HFMA), a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants, where she is a member of a statewide committee on peer reviews. She is also active in the local civic community as a member and past president of the Rochester Regional Chapter of the HFMA, the United Way of Greater Rochester's Women's Leadership Council Steering Committee, and a member of St. John Fisher College Accounting Advisory Board, as well as a past member of the Geva Theatre Center Board, and the National Association of Women Business Owners Board. Kristen was a recipient of the *Rochester Business Journal's* 40 Under Forty Award.

Assigned Staff Qualifications and Experience

Partner, Supervisory and Staff Qualifications and Experience (Continued)

Carl Cadregari, CISA, MCF, ACFE, GPCI, Certified HIPAA Consultant, Executive Vice President
(ccadregari@bonadio.com)



Carl is an Executive Vice President and the Practice Lead of Bonadio's IT/IS Enterprise Risk Management Team. Carl also serves as the Chief Information Security Director at one of the area's largest insurance companies. Prior to joining Bonadio, Carl served as a Technical Marketing Manager with a \$1 billion information technology supplier, a Business Development consultant with a national engineering and consulting firm, and a Systems Engineer with an international electronics distribution company.

Carl has more than 28 years of experience in Information Technology and Information Systems Security and Architecture, Deployment, Project Management, Security by Design, and Governance. His expertise in Technology Controls, Physical, Administrative, and Technical Security, System Development Life Cycling, Enterprise Risk Management, Business Impact Analysis, and Disaster Recovery Planning has been applied across companies with 10 to 17,000+ employees across almost all vertical markets. That, along with over 14 years in auditing and standards compliance experience in HIPAA, HITECH, Red Flag Rule, Sarbanes Oxley, SAS70/SSAE16, WebTrust, SysTrust, Graham-Leach Bliley, PCI DSS, ISO 27001/2, FERPA, FISMA controls, and the successful application of the best practices of ISACA, OWASP, CSA, GTAG, COBIT, COSO, OAG, OVAL, ITIL Foundation, and IIA/AICPA, creates a valuable and unique blend of talent.

He is a member of the Information Systems Audit and Control Association (ISACA), HIMSS, Healthcare Financial Management Association (HFMA), Systems Administration Networking and Security Institute (SANS), and the Association of Certified Fraud Examiners (ACFE). He is a certified HIPAA Privacy and Security Auditor, Certified Information Systems Auditor (CISA), and Certified GIAC PCI Auditor and holds a Master Certification in Computer Forensics from the IEEE. Carl is a member on the Healthcare Information Technology Standards Panel of the American National Standards Institute (ANSI). He has also published articles on: The CIA Triad: Confidentiality, Integrity and Availability - Ethical Hacking for Internal Risk Management - Document Retention: How to Avoid Six Figure Legal Fees and Cloud Computing Audit and Security Requirements.

Carl and his team will complete the IT component of the audit.

Assigned Staff Qualifications and Experience

Partner, Supervisory and Staff Qualifications and Experience (Continued)

CPE Requirements

Please note that each member of the staff assigned to this engagement has met or exceeded all of the continuing education requirements necessary to satisfy the Single Audit Act and the United States General Accountability Office (GAO) standards. Bonadio and all assigned key personnel staff are properly credentialed to practice in New York State. Our commitment and dedication to continuing professional education is second to none among our competitors. Our involvement in the AICPA Audit Quality Center requires that our staff receive more education than firms who choose to obtain only the minimum hours.

Affirmative Action

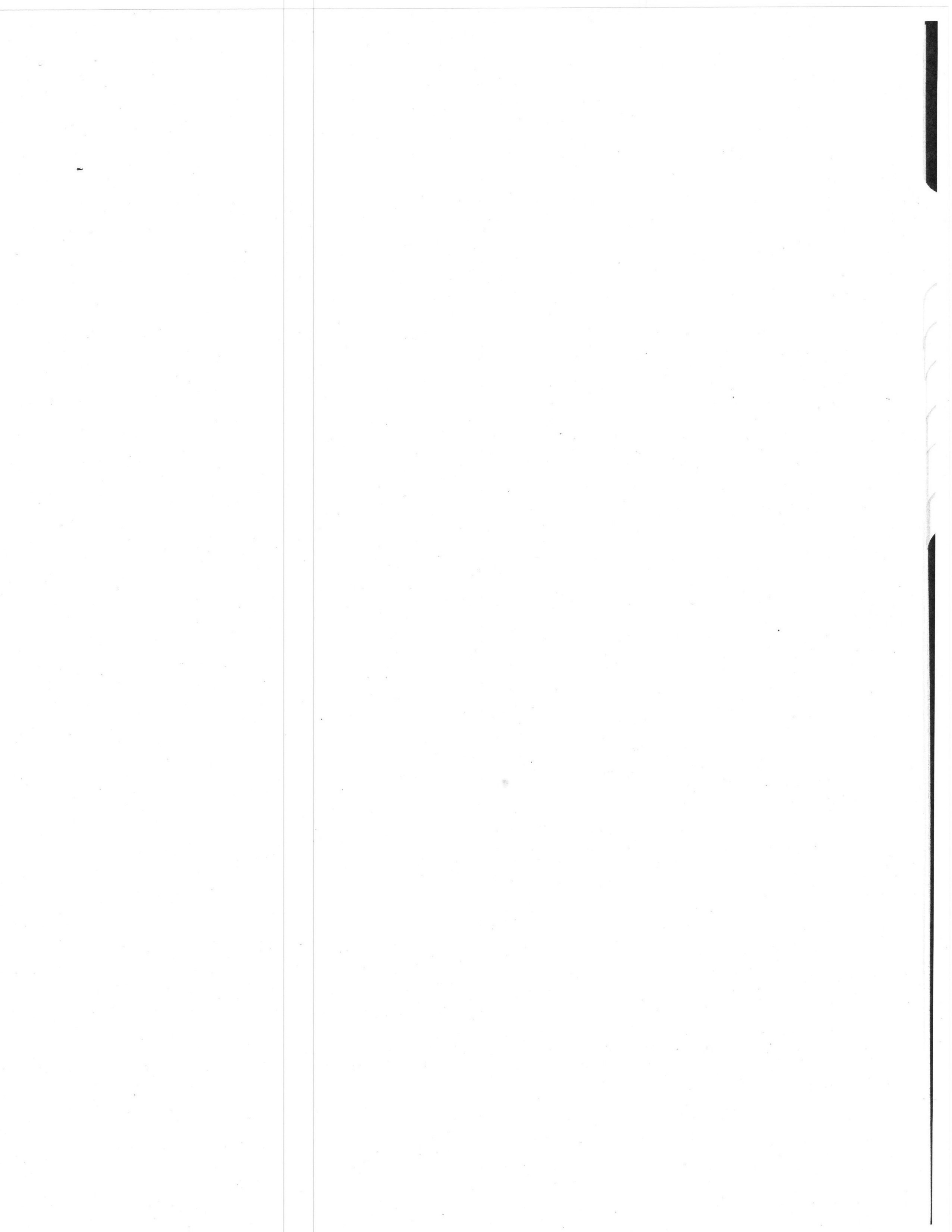
Bonadio & Co., LLP (Bonadio) is committed to equal employment opportunity. No employee or applicant for employment will be discriminated against because of gender, race, color, religion, national origin, ancestry, age, marital status, sexual orientation, pregnancy, physical or mental disability, citizenship, veteran status, creed, arrest records, genetic predisposition or carrier status, gender expression and/or identity, or any other class protected by federal, state or local laws.

Staff Continuity

As a professional service firm, we understand that a primary concern of most clients is continuity of people assigned. We are extremely sensitive to this issue and assure you that we will make every effort to maintain continuity of personnel on your engagement to ensure that you will be served by the individuals most familiar with your account. Our proposed team is committed to maintaining a long-term professional relationship that will benefit you in future years.

Bonadio's current staff turnover rate is approximately 12% per year, well below the accounting industry norms of up to 30%. We are strongly committed to driving our retention rate up as a means of ensuring staff continuity for our clients. To this end, we have installed a set of core values called "The Promise" that represent commitments between the firm and our staff. In addition, we have initiated a strong mentoring and training program; and recently, graduated the third class of future leaders of our firm from The Bonadio Leadership University. The University is a 2-year long program that incorporates internal and external speakers to teach our emerging leaders the skills necessary to lead our firm into the future. Sessions are multi-day, off-site seminars that include group projects and individual study. Participants are nominated by division leaders and approved by the university coordinators.

We strive to maintain continuity of staff including Partners, principals, and managers. However, should team members change for any reason during our engagement; new team members will receive a package of background materials and attend a team orientation session prior to starting fieldwork at the County. We understand that the County retains the right to approve or reject replacements and that the request must be in writing. The Firm does not have a partner/manager rotation policy. We will, however, accommodate client requests for rotation.



Prior Governmental Audit Engagements

Prior Governmental Audit Engagements with NYS Entities

Prior to the State discontinuing the approved vendor services contract, we were approved in Lots I, II, and III of Audit Services. If you require additional information relative to our New York State experience we can provide that at a later date. The following is a list of our most significant engagements.

Organization	Rochester-Genesee Regional Transportation Authority	New York State Division of Industries (Corcraft)
Scope	Financial statement audit	Financial statement audit
Date	1998-Present	1995-2012
Partner/Location	Randy Shepard /Kristen Clark	Alan Walther
Hours	1000	300
Contact	Mr. Scot Adair Chief Financial Officer 585-254-0230	Mr. James Hoffman Director of Correctional Industries 518-436-6321 ext. 2305

Organization	Hudson-River Black River Regulating District	Olympic Regional Development Authority (ORDA)
Scope	Financial statement audit	Financial statement audit
Date	2008-2013	2011 - Present
Partner	Randy Shepard	Alan Walther
Hours	200	300
Contact	Mr. Rick Ferrara Chief Financial Officer 518-465-3491	Mr. Ted Blazer President & CEO 518-523-1655

Organization	SUNY Geneseo
Scope	Bonadio performs agreed-upon procedures which the State University of New York (SUNY) has specified in the SUNY Internal Control Guidelines. We perform internal control testing in areas specified by SUNY Geneseo in accordance with the guidelines established by SUNY. Our engagements to apply agreed upon procedures were conducted in accordance with attestation standards established by the American Institute of Public Accountants.
Date	1999-present
Partner	Gerald Archibald
Hours	75 – 100 per audit
Contact	Dr. Kenneth Levison VP for Administration 585-245-5601

Prior Governmental Audit Engagements

Bonadio currently has over 200 government clients. These clients include Cities, Counties, Industrial Development Agencies, Local Public Authorities, School Districts, State of New York Departments, State of New York Public Authorities, Towns, and Villages. The results our government clients have realized as a product of our mix of traditional accounting and consulting services, the quality of our services, and the expertise of our staff have made us one of the most successful CPA firms in New York State

We encourage you to contact any of these individuals to learn more about our audit approach and client service from their perspective. Our mission is to help you minimize risk through delivering major improvement, business process change, and compliance initiatives that create excellence and integration in people, processes, and systems. The quality of our work and our service effort is best understood by speaking with our references.

Prior Governmental Audit Engagements

Prior Engagements with Government Entities (Continued)

When it comes to the business of government, Bonadio is all business. Whether it's performing an annual financial statement audit, analyzing cost containment and savings opportunities, or attacking Medicaid fraud and abuse, Bonadio is prepared to deliver outstanding results for remarkably reasonable fees.

The results our government clients have realized as a product of our mix of traditional accounting and consulting services, the quality of our services, and the expertise of our staff have made us one of the most successful CPA firms in New York State.

We have a dedicated team of experienced auditors and consultants serving the government sector. At any given time, you might see them presenting audit findings to a town board, reviewing a cash flow analysis, or testing financial and IT internal controls for a public authority.

Types of Bonadio's Government Clients

- Cities
- School Districts and BOCES
- Villages
- Towns
- Counties
- Cities
- State of New York Public Authorities
- Local Public Authorities
- Industrial Development Agencies
- Boards of Election

Partial Listing of Government Clients

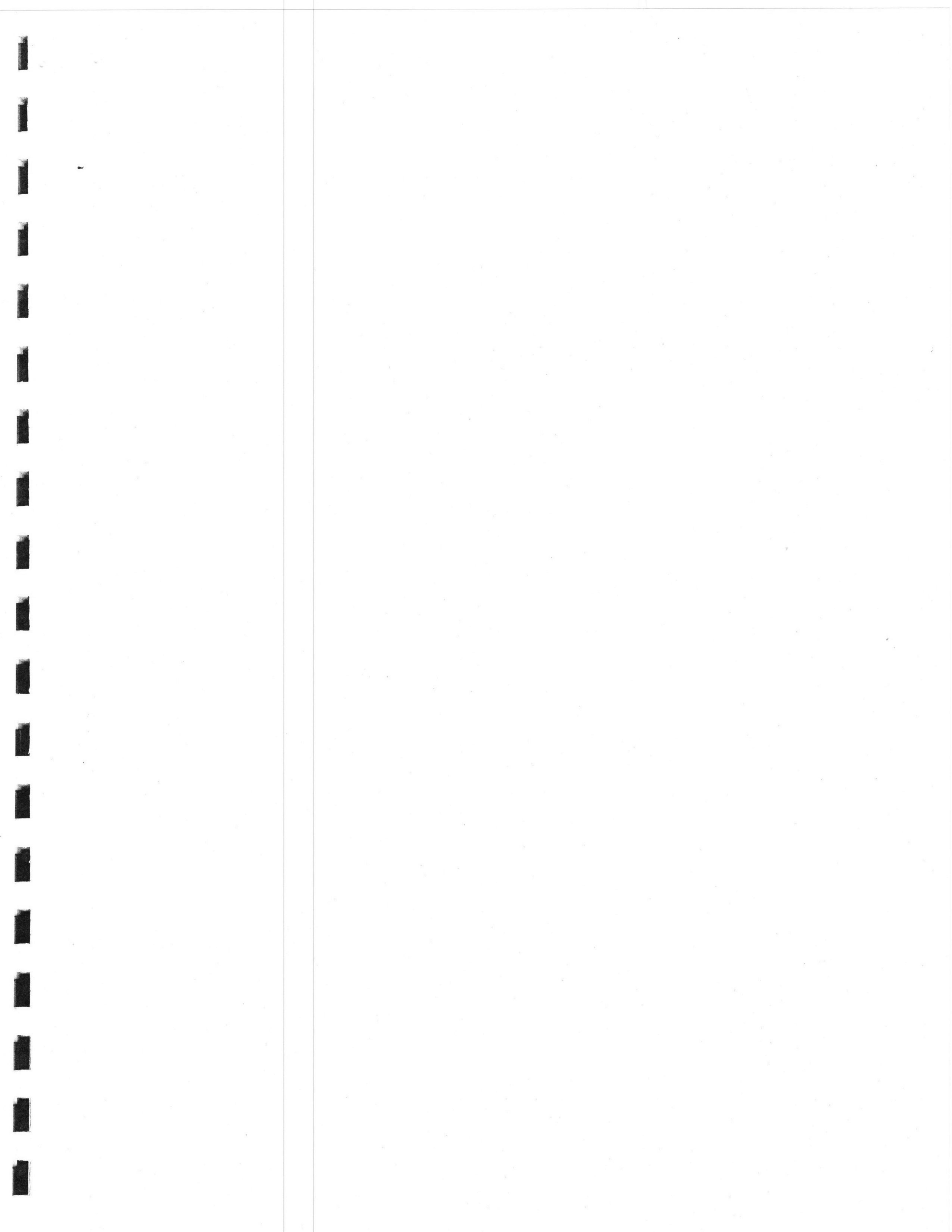
City of Canandaigua
City of Cortland*
City of Ogdensburg
City of Troy*
City of Utica*
City of Niagara Falls*
Erie County (Internal audit review and consulting)
County of Livingston*
County of Seneca*
County of Steuben*
County of Ontario (Health facility and project work)
County of Monroe Industrial Development Agency
County of Monroe (projects and component units)
Niagara County (consulting)
Chautauqua County (consulting)
Town of Canadice
Town of Farmington
Town of Grand Island
Town of Greece (over a dozen consulting projects)*
Town of Pittsford
Town of Perry
Town of Richmond
Town of Seneca Falls
Town of Victor
Town of Brunswick
Town of Hoosier
Town of Pownal
Village of Perry
Rochester-Genesee Regional Transportation Authority*
Monroe County Airport Authority
Monroe County Water Authority*
Niagara Falls City School District
Western Regional Off-Track Betting Corporation
NYS Office of General Services
NYS Office of Parks and Recreation
50 School Districts (many include single audit)
*OMB Circular A-133 Audits

It's not unusual for us to go that extra step. After all, we're not only compliance and consulting experts; we're New York State taxpayers too.

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

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

Bonadio provides a comprehensive array of services to its clients. Our current divisions include audit and accounting, tax, consulting (including both systems and operational review capabilities), health care consulting, payroll services and our small business bookkeeping division. The breadth of services we are able to provide ensures that your needs are met both timely and effectively by your client service team.



Specific Audit Approach

Overview of the Bonadio 5-Step Audit Process

We propose to employ a five-step approach to conducting the audit of the Commission's internal controls as required by the NYS Governmental Accountability, Audit and Internal Control Act.

Step 1

Bonadio's approach starts by identifying material or high risks within the eight major operational departments of the Commission and then reviewing the processes and procedures currently in place. This will be accomplished through detailed interviews with appropriate personnel, process walkthroughs as needed, and review of current policies, procedures and other available documentation. By the end of Step 1, Bonadio will have identified the types of transactions and the related controls that could materially affect the operations of the Commission.

Step 2

Bonadio will assess the current controls that are in place to address these identified risks within the significant functional areas of the Commission, and determine if there are potential design gaps in the cycles or specific controls. It is here we would identify weak or missing controls, segregation of duties issues, unnecessary controls, and other internal control design gaps.

Step 3

We utilize the results from Steps 1 and 2 to allow us to determine the highest priority functions/departments within the Commission to direct our resources toward testing.

Consideration will be given to the organizational structure, nature and size of the departments and administrative functions, degree of independence of the department, compatibility of operating systems, and the number of personnel and budget levels. Once an area has been selected for testing, we will then review the key controls identified and determine which specific controls need to be tested.

Overview of Our Audit Approach

Step 1. Project Initiation and Risk Assessment

Project planning, risk assessment of each of the eight major operational departments.

Step 2. Assess Design Effectiveness of Controls

Review of internal control documentation, identification of areas of risk, assessment of controls in place, and identification of control gaps, if any.

Step 3. Identify Key Controls to be Tested

Review risk assessments and each department's major function to determine the highest priority areas. Determine which of the key controls identified will be tested.

Step 4. Test Operating Effectiveness of Internal Controls

Design the appropriate testing for controls being relied upon and perform testing procedures on those controls.

Step 5. Report on the Findings

Summarize and report on the outcome of the test work performed.

Specific Audit Approach

Overview of the Bonadio 5-Step Audit Process (Continued)

Step 4

Bonadio will determine the level of internal control testing to be performed, the method for performing that testing, and conduct the testing. This will also include documentation and assessment of the test results. Consistent with the testing plan, Bonadio will maintain sufficient records of testing to explain the findings and demonstrate how often the key controls were not followed. Most importantly, Bonadio will determine whether any evidence of non-compliance would result in significant material weaknesses that must be reported in the Audit Report developed in Step 5 of our audit approach.

Step 5

Summarize and report on the outcome of the test work performed

Preliminary Work Plan

Step 1. Project Initiation and Risk Assessment

Project planning and review of internal risk assessments of the eight major operational departments within the Commission.

- Review the existing organizational structure to gain an understanding of:
 - Nature and size of the departments and their functions
 - Degree of independence of the department and its oversight
 - Nature and extent to which the departments and its functions have been subjected to internal and/or external internal control audit/review
 - Integration of technology between the departments and/or functions
 - Number of personnel within the departments
 - Budget levels of the departments
- Identify the types of transactions and the related controls that could materially affect the operations of the Commission as a whole.
- Determination of the higher-risk departments and functions within the Commission.

Step 2. Assess Design Effectiveness of Controls

Review of internal control documentation, identification of areas of risk, assessment of controls in place, and identification of control gaps, if any.

- Review and assess the documentation of the processes and procedures in place for each department.
 - Interviews with appropriate personnel
 - Process walkthroughs, where appropriate
 - Detailed review of current policies, procedures and other documentation where available
- Evaluate whether procedures are designed to achieve the goals of the department and the control objectives.
- Identify potential internal control design gaps.
- Identify weak or missing controls.
- Identify unnecessary controls.

Specific Audit Approach

Preliminary Work Plan (Continued)

Step 3. Identify Key Controls to be Tested

Review risk assessments and each department's major function to determine the highest priority areas. Determine which of the key controls identified will be tested.

- Make assessment of the highest priority areas within the Commission to direct our resources and testing.
- Identify the significant transactions within each department to be tested and the key controls which support each transaction. The key controls are those steps which are most critical to achieve the control objectives of the department/function and which may be subject to the greatest risk of breakdown.

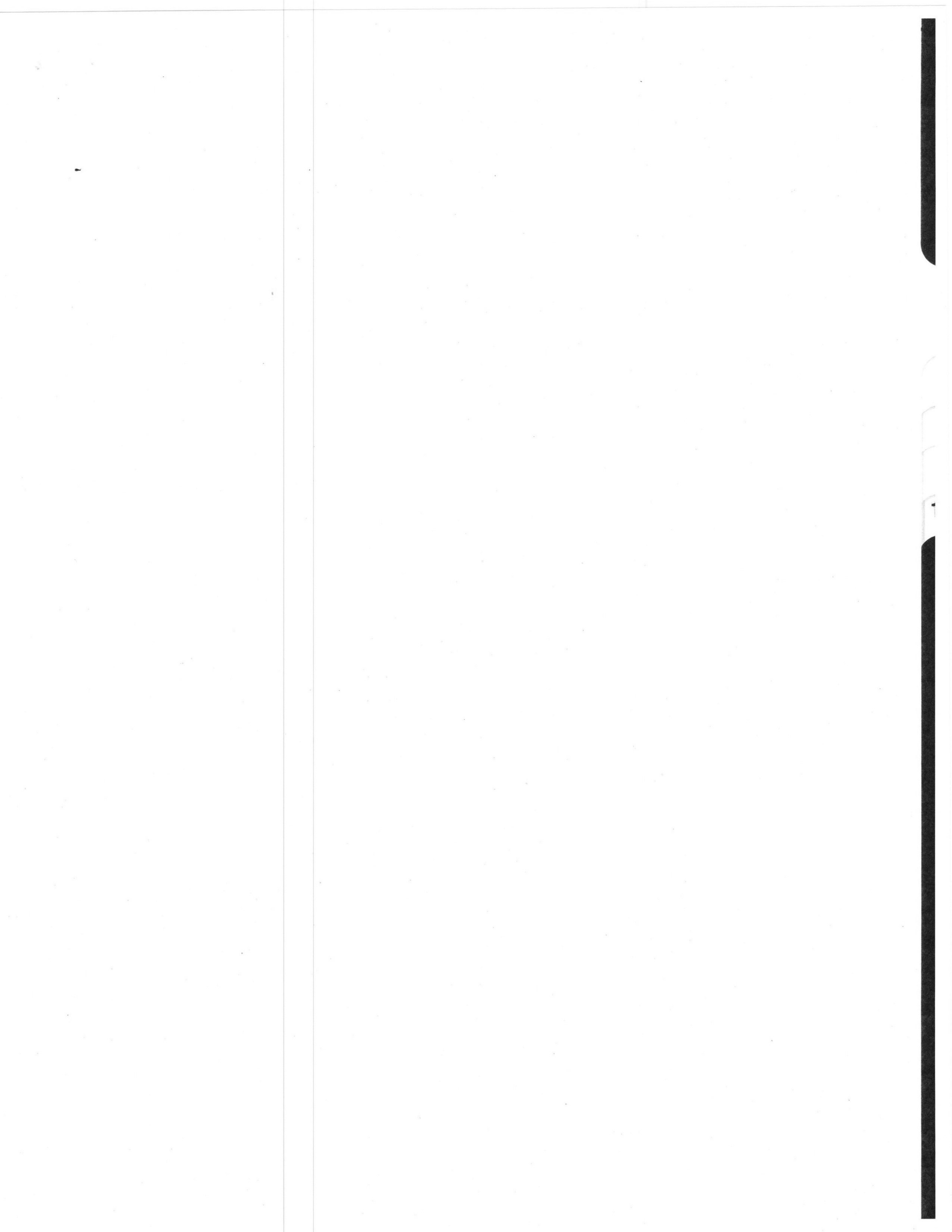
Step 4. Test Operating Effectiveness of Internal Controls

Design the appropriate testing for controls being relied upon and perform testing procedures on those controls.

- Determine the standards that apply to the transaction to be tested.
- Select the test method.
 - Sample documentation of the transactions using files and other documentation sources
 - Interview staff to learn the procedures they follow to complete a specific task
 - Observe the procedure and control in action
- Determine how much testing is necessary.
 - Consider the number of transactions involved in the process or function
 - Consider the type of documentation supporting the transactions
 - Consider the number of key control points in the procedure
 - Consider the cost-benefit of the testing
- Plan the testing process.
- Prepare an audit work program that explains what will be tested and how it will be tested.
- Conduct the test of controls.
- Document and assess the test results.

Step 5. Report on the Findings

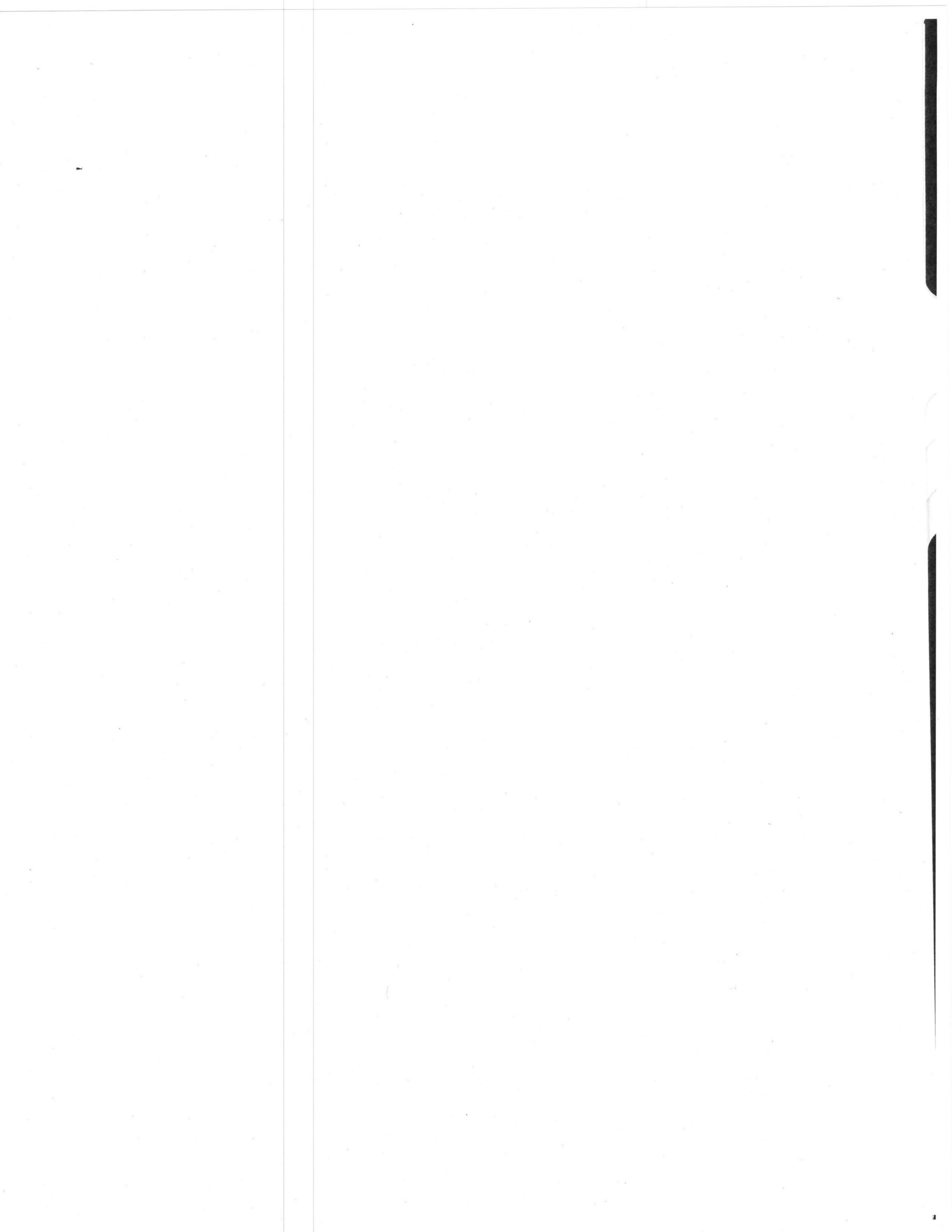
- Summarize and report on the outcome of the test-work performed.
- Prepare the audit report on the outcome of the test-work



Identification of Concerns or Problem Areas Anticipated

Identification of Specific Audit Problem Areas Anticipated

The latest audit of internal controls at the Commission was reported on in 2011 and did not identify any material weaknesses in the Internal Control System in regard to the criteria contained in the New York Governmental Accountability, Audit and Internal Control Act. Based on our review of the previous audit report, we do not anticipate any audit problem areas that would require us to alter our preliminary work plan.



Deliverables

In accordance with dates specified in the RFP, Bonadio will accomplish the following:

Date:	Accomplishment:
09/12/14	Detailed Audit Plan and programs for reviewing all major internal control areas provided to the Commission
09/29/14	On-site fieldwork begins no earlier than this date
10/31/14	On-site fieldwork ends no later than this date
11/18/14	Draft Audit Report (including Management Recommendations) available for review by the Commission
12/12/14	Signed Audit Report delivered to the Commission (Eight (8) audit reports)

Progress Meetings

At a minimum, our proposed plan for periodic meetings or reports to brief the project director or other appropriate Commission personnel on audit progress and results is as follows:

Date:	Accomplishment:
Date TBD	An entrance meeting will be scheduled to review and discuss the detailed audit plan and program with applicable Senate representatives. Adjustments will be made to the audit plan and programs as necessary.
09/29/14	Once the on-site fieldwork commences, a preliminary close-out meeting will be scheduled to review audit progress and preliminary findings with a Commission representative.
11/14/14	A meeting will be scheduled at the time of submitting the draft audit report to review any findings or recommendations.

Quality Control and Peer Review Report

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

We have a partner level Director of Professional Excellence, with responsibilities for all of the firm's quality control processes and procedures (including peer review and inspection) including:

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

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

The centerpiece of Bonadio's quality assurance/control system is a policy that requires every audit report issued by us to be reviewed and approved by the Professional Excellence Division. Last but not least; our quality assurance program is complemented by periodic peer reviews, the most recent of which was executed in September 2011 and has been included as an appendix for your review. These reviews are required on an every three-year basis. Our quality assurance program includes peer reviews, which always includes a review of governmental and municipal engagements because of the significance of this practice to our firm. The most recent peer review included a review of twenty of our audit engagements statewide.



Form of Report To Be Provided

Report Format

It is anticipated that Bonadio will follow the requirements beginning on page 8 of the Request for Proposal when issuing the report of our findings. In addition, we anticipate the utilization of an appendix containing a Table Format to illustrate the significant objectives and essential control areas tested during the audit.

A sample report is included in Appendix A.



Staff Hours

Projected Hours by Staff and Major Engagement Sector

<u>- Staff</u>	<u>Total Hours</u>	<u>Audit Plan</u>	<u>Fieldwork & Progress Meetings</u>	<u>Draft Report</u>	<u>Final Report</u>
Partners/Principal	15	4	5	3	3
Manager	25	8	10	4	3
Supervisory Staff	35	6	25	3	1
Staff	35	2	32	1	—

Use of Subcontractors

Bonadio will perform the Internal Controls Audit and will not use subcontractors for any part of the work.

5.1.2.9 Sample Report Form

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INDEPENDENT ACCOUNTANTS' REPORT

October 10, 2011

To the Commissioners of the
New York State Legislative Bill Drafting Commission:

We have examined management's assertion that the New York State Legislative Bill Drafting Commission's (the Commission) maintained effective internal control over internal accounting and administration for the period from April 1, 2011 to June 30, 2011 to adequately achieve the Commission's internal control objectives as described in the accompanying Appendix and to meet the criteria established by the "New York State Governmental Accountability, Audit and Internal Control Act of 1999" (the Act). The Commission's management is responsible for the assertion. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over internal accounting and administration to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, for the period from April 1, 2011 to June 30, 2011 to adequately achieve the Commission's internal control objectives, as described in the accompanying Appendix, and to meet the criteria established by the Act.

This report is intended solely for the information and use of the Commissioners, Office of the State Comptroller, and management of the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

6 Wembley Court
Albany, NY 12205-5808
p (518) 464-4080
f (518) 464-4087

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ATTACHMENT #7

APPENDIX

NEW YORK STATE LEGISLATIVE BILL DRAFTING COMMISSION

INTERNAL CONTROL OBJECTIVES

April 1, 2011

CONTROL ENVIRONMENT, RISK ASSESSMENT, CONTROL
ACTIVITIES, INFORMATION AND COMMUNICATION AND
MONITORING OBJECTIVES

A. Services

1. Budgets, including amendments, are prepared and approved in accordance with legal requirements.
2. Budgetary compliance is monitored and noncompliance is prevented or detected and properly corrected.
3. The authorized budget is the total, to the appropriate degree of accuracy, of anticipated appropriations.
4. Financial reports are provided to management with sufficient and accurate information and analysis to monitor performance.
5. Salaries, wages, and benefits are incurred only for assignments authorized and performed.
6. Salaries, wages, and benefits are calculated at the proper rate.
7. Salaries, wages, benefits and related liabilities are recorded correctly as to fund, account, amount, and period.
8. Goods (including capital items) or services are purchased with proper authorization, based on available budget, established purchase price, terms and in compliance with legal requirements.
9. Encumbrances are properly recorded and eliminated.
10. Travel taken and travel advances received by employees and members are properly authorized and for valid Commission business.
11. Goods (including capital items) or services received and related liabilities are recorded correctly as to fund, account, amount, and period.
12. Property and equipment are purchased only with proper authorization, based on available budget and are recorded correctly as to account, amount and period.
13. Commitments and contingences are identified, monitored, and if appropriate, recorded and disclosed.

APPENDIX

NEW YORK STATE LEGISLATIVE BILL DRAFTING COMMISSION

INTERNAL CONTROL OBJECTIVES

April 1, 2011

(CONTINUED)

CONTROL ENVIRONMENT, RISK ASSESSMENT, CONTROL
ACTIVITIES, INFORMATION AND COMMUNICATION AND
MONITORING OBJECTIVES

A. Services (Continued)

14. Goods and services provided and properly priced and recorded at the proper amount, in the proper accounts and in the correct time period.
15. Receivables are collected within a reasonable time period.
16. Orders for services are accepted if they meet management's authorized criteria.
17. Services provided have been authorized.

B. Finance

1. Cash receipts are recorded correctly as to fund, account, amount, and period and are promptly deposited.
2. Cash disbursements are for goods and services authorized and received.
3. Cash disbursements are recorded correctly as to fund, account, amount, and period.

C. Personnel

1. Proper employee information (personnel records) are obtained, on file, and safeguarded.
2. Employees are properly informed of the benefit programs they are eligible to participate in and the employees have made the appropriate elections.
3. Benefit program participation is monitored to ensure employees are accredited/participating in the elected or required programs.
4. Employees are adequately trained.
5. Employees are hired in compliance with applicable federal and state law.

APPENDIX

NEW YORK STATE LEGISLATIVE BILL DRAFTING COMMISSION

INTERNAL CONTROL OBJECTIVES

April 1, 2011

(CONTINUED)

CONTROL ENVIRONMENT, RISK ASSESSMENT, CONTROL ACTIVITIES,
INFORMATION AND COMMUNICATION AND MONITORING OBJECTIVES

D. Property and Equipment

1. Property and equipment are stored in a secured place until moved to their destination.
2. Property and equipment are recorded on the inventory tracking system in a timely manner.
3. The location of property and equipment are known and reconciled periodically. Physical loss of property and equipment is prevented.
4. The location of supplies is known and reconciled periodically.
5. The physical loss of supplies is prevented.

From RFP

Affirmation of Understanding §139-j (3) and §139-j (3) (6) (b)

LEGISLATIVE BILL DRAFTING COMMISSION
DEPARTMENT OF ADMINISTRATION

Offerer's Affirmation of Understanding of and Agreement pursuant to
State Finance Law §139-j (3) and §139-j (6) (b)

(See reverse side for Background and Instructions)

This form must be completed by any Offerer/Bidder which intends to participate in the procurement process specified below and returned to LBDC's Department of Administration at the following address upon receipt of the solicitation package.

LBDC
Department of Administration
55 Elk Street, Albany, New York 12210

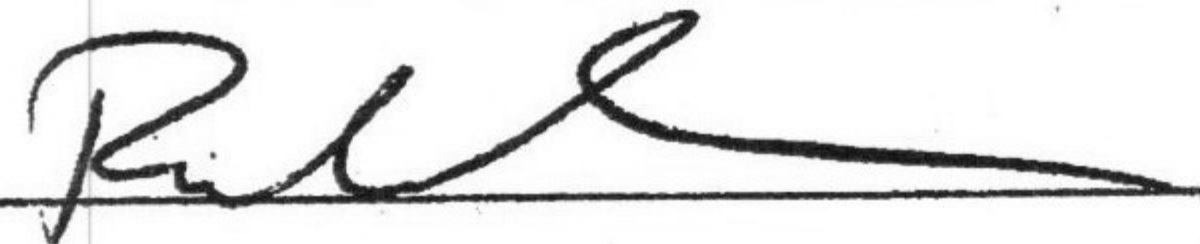
(Phone: 518-455-7602)

Contract/Procurement Identifier: Bid For Professional Auditing Services 07-31-14

Offerer/Bidder Affirmation:

Offerer/Bidder affirms that it understands and agrees to comply with the LBDC'S procedures relative to permissible Contacts as required by State Finance Law §139-j (3) and §139-j (6) (b) and as described in LBDC's Guidelines for Implementing the Procurement Lobbying Law.

Signature:



Date: July 31, 2014

Print Name:

Randall R. Shepard

Title:

Partner

Offerer/Bidder Name:

Bonadio & Co., LLP

Offerer/Bidder Address:

6 Wembley Court

Albany NY 12205-4080

From RFP

- Disclosure of Prior Non-Responsibility Determinations

**LEGISLATIVE BILL DRAFTING COMMISSION
DEPARTMENT OF ADMINISTRATION
Offerer's Disclosure of Prior Non-Responsibility Determinations**

Contract/Procurement Identifier: Bid For Professional Auditing Services 07-31-14
Offerer/Bidder Name: Bonadio & Co., LLP
Address: 6 Wembley Court Albany NY 12205-4080

1. Has any Governmental Entity made a finding of non-responsibility regarding the individual or entity seeking to enter into the Procurement Contract in the previous four years? (Please circle): No Yes

If yes, please answer the next questions:

2. Was the basis for the finding of non-responsibility due to a violation of State Finance Law §139-j (Please circle): No Yes

3. Was the basis for the finding of non-responsibility due to the intentional provision of false or incomplete information to a Governmental Entity? (Please circle): No Yes

4. If you answered yes to any of the above questions, please provide details regarding the finding of non-responsibility below.

Governmental Entity: _____

Date of Finding of Non-responsibility: _____

Basis of Finding of Non-Responsibility: _____

(Add additional pages as necessary)

5. Has any Governmental Entity or other governmental agency terminated or withheld a Procurement Contract with the individual or entity named in this form due to the intentional provision of false or incomplete information? (Please circle): No Yes

6. If yes, please provide details below.

Governmental Entity: _____

Date of Termination or Withholding of Contract: _____

Basis of Termination or Withholding: _____

(Add additional pages as necessary)

Offerer certifies that all information provided to the Legislative Bill Drafting Commission with respect to State Finance Law § 139-k is complete, true and accurate.

Signature: 

Date: July 31, 2014

Print Name/Title: Randall R. Shepard, Partner

From RFP

Certification of Compliance with State Finance law §139-k (5)

LEGISLATIVE BILL DRAFTING COMMISSION
Offerer's Certification of Compliance with State Finance Law § 139-k (5)

Contract/Procurement Identifier: Bid for Professional Auditing Services 07-31-14

Offerer Certification:

I certify that all information provided to the Legislative Bill Drafting Commission with respect to State Finance Law § 139-k is complete, true and accurate.

Signature:  Date: July 31, 2014

Print Name: Randall R. Shepard

Title: Partner

Offerer/Bidder Name: Bonadio & Co., LLP

Offerer/Bidder Address: 6 Wembley Court

Albany NY 12205-4080