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ERIE COUNTY COMPTROLLER  
HON. STEFAN I. MYCHAJLIW

September 14, 2015

The Honorable  
Erie County Legislature  
92 Franklin Street, Fourth Floor  
Buffalo, New York 14202

**IMMEDIATE CONSIDERATION REQUESTED**

**RE: Quality Assurance Review**

Dear Honorable Members:

In accordance with the Erie County Charter and standards published by the Comptroller General of the United States, attached is an accompanying memorandum and proposed resolution requesting authority to contract for an external quality review of our audit division and their work.

The Comptroller General, head of the Government Accounting Office (GAO), requires that all audit offices, following GAO standards, have an external quality review conducted every three years.

An external quality review will result in assurance that established policies and procedures and applicable auditing standards are being followed. If the review results in recommendations for changes to our audit procedures and processes, our team will work with the reviewer to implement those.

As Comptroller, I am excited to get this process started. I believe it will be a very valuable tool in maintaining the high standards set by our audit professionals. I respectfully ask for your immediate consideration and approval.

Sincerely,

STEFAN I. MYCHAJLIW  
Erie County Comptroller

Attachments: RFP#: 1529VF  
The Bonadio Group's Proposal

## MEMORANDUM

**TO:** Honorable Members of the Erie County Legislature  
**FROM:** Honorable Stefan I. Mychajliw, Erie County Comptroller  
**RE:** Quality Assurance Review  
**DATE:** September 14, 2015

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### SUMMARY OF RECOMMENDED ACTION

That the Legislature authorizes the County Executive to enter into a contract for the purpose of having an external quality control review of the operations of the Division of Audit and Control.

### FISCAL IMPLICATIONS

The Comptroller forwarded requests for proposals to local accounting firms as well as electronically posted the request online. Only one firm, The Bonadio Group, submitted a bid and therefore was selected. Their proposed fee for this engagement is \$8500, a cost the Comptroller considers fair and reasonable.

### REASONS FOR RECOMMENDATION

The Erie County Charter, Section 1202, paragraph (e) states that the Comptroller shall conduct financial and compliance audits of the records and accounts of all officers and employees charged with any duty relating to county funds or funds for which the county is responsible in conformity with generally accepted auditing standards as prescribed by the American Institute of Certified Public Accountants and the Comptroller General of the United States, and submit such reports to the Legislature. The Comptroller General, head of the Government Accounting Office (GAO), requires that all audit offices, following GAO standards, have an external quality control review conducted every three years. Erie County's last quality control review was completed in 2012, for the three year period beginning January 1, 2009 through December 31, 2011.

### BACKGROUND OF PROPOSAL

The Comptroller General of the United States has prescribed that each audit organization conducting audits in accordance with GAO standards should have an appropriate internal quality control system in place and undergoes an external quality review every three years.

### CONSEQUENCES OF NEGATIVE ACTION

Erie County will not be in compliance with the Erie County Charter and provisions prescribed by the Comptroller General of the United States.

### STEPS FOLLOWING APPROVAL

An engagement letter, prepared by The Bonadio Group, which confirms the arrangements for the external quality control review will be agreed to by the County Comptroller and County Attorney. Then, the County Executive will be asked to approve a contract with The Bonadio Group for the engagement.

**A RESOLUTION SUBMITTED BY:  
ERIE COUNTY COMPTROLLER STEFAN I. MYCHAJLIW**

**WHEREAS**, the Erie County Charter requires that the Comptroller conduct audits of county operations in accordance with standards published by the Comptroller General of the United States, and

**WHEREAS**, the Comptroller General of the United States requires that all municipalities conducting audits under GAO standards have an external quality review at least once every three years, and

**WHEREAS**, the Comptroller prepared and published a request for proposals to local Certified Public Accounting Firms, and

**WHEREAS**, the Comptroller received one reply from The Bonadio Group, and

**NOW, THEREFORE, BE IT**

**RESOLVED**, that the County Executive is authorized to enter into a contract with the firm The Bonadio Group for a quality assurance/control review of the Comptroller's Division of Audit and Control at a cost of \$8500.00, and be it further

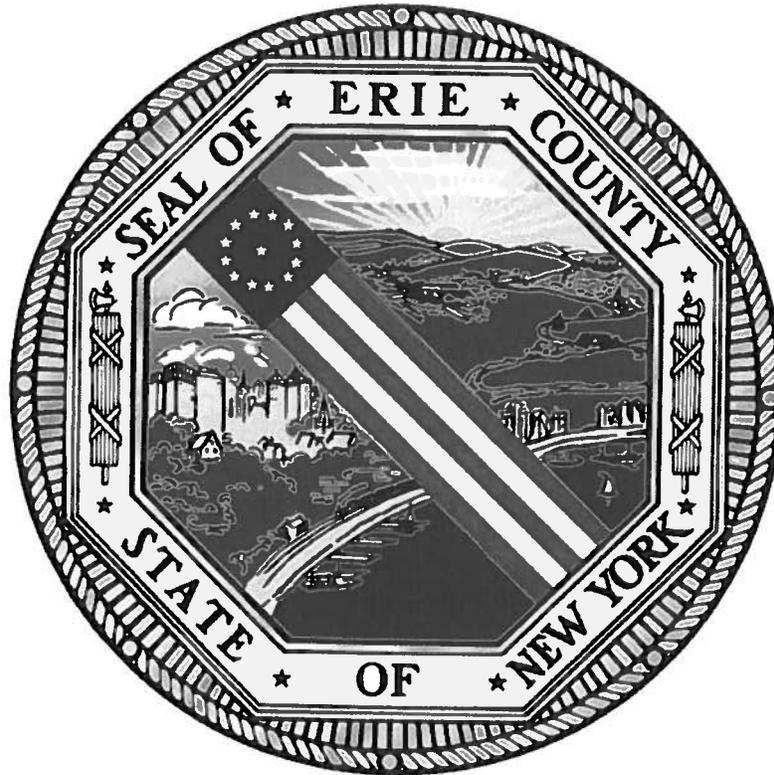
**RESOLVED**, that the Comptroller is authorized to appropriate funds for this contract from the Comptroller's account #516020 for Professional Services, Contracts and Fees, and be it further

**RESOLVED**, that certified copies of this resolution be forwarded to the County Executive, County Comptroller and County Attorney.

**COUNTY OF ERIE  
OFFICE OF THE COMPTROLLER**

**Hon. Stefan I. Mychajliw**

*Erie County Comptroller*



**REQUEST FOR PROPOSALS  
RFP#: 1529VF  
EXTERNAL QUALITY REVIEW – DIVISION OF AUDIT**



ERIE COUNTY COMPTROLLER  
HON. STEFAN I. MYCHAJLIW

August 5, 2015

To Whom It May Concern:

The Erie County Comptroller is seeking proposals from professional accounting or auditing firms to conduct an external quality review (peer review) of the County's Division of Audit and Control.

All correspondence, communications and/or contact with the County in regard to any aspect of this proposal shall be made to Associate Deputy Comptroller Bryan Fiume. Mr. Fiume can be reached at 716-858-4745 or through e-mail at [bryan.fiume@erie.gov](mailto:bryan.fiume@erie.gov).

Final sealed proposals are due to the Erie County Comptroller by 4:00pm on August 31, 2015. In your response, please include 3 hard copies of your proposal. Please mail your proposal to the following address:

Erie County Comptroller's Office  
Attn: Audit Peer Review RFP Committee  
95 Franklin Street – 11<sup>th</sup> Floor  
Buffalo, New York 14202

Erie County reserves the right to reject any and all proposals and waive any informality.

Sincerely,

A handwritten signature in black ink, appearing to read "Stefan I. Mychajliw".

STEFAN I. MYCHAJLIW  
Erie County Comptroller

OFFICE OF ERIE COUNTY COMPTROLLER STEFAN I. MYCHAJLIW • 95 FRANKLIN STREET • ROOM 1100 • BUFFALO, N.Y. • 14202  
PHONE: (716) 858-8400 • FAX: (716) 858-6195 • E:MAIL: [COMPTROLLER@ERIE.GOV](mailto:COMPTROLLER@ERIE.GOV)  
WHISTLEBLOWER HOTLINE FOR REPORTING WASTE, FRAUD & ABUSE: (716)858-7722 OR E-MAIL: [WHISTLEBLOWER@ERIE.GOV](mailto:WHISTLEBLOWER@ERIE.GOV)

## **I. INTRODUCTION**

Erie County Comptroller Stefan I. Mychajliw is seeking proposals from professional accounting/auditing firms to conduct an external quality review of the Erie County Comptroller's Division of Audit and Control (the Division). The Division's last quality control review was completed in 2012, for the three year period ended December 31, 2011. This RFP is for a review for the period January 1, 2012 through December 31, 2014.

The review shall be completed in compliance with the Government Accountability Office's Government Auditing Standards, following the guidelines contained in the National Association of Local Government Auditors Quality Control Review Guide.

The review should be completed by December 1, 2015, with a final report issued no later than December 31, 2015. Attached is background information concerning the Division.

## **II. PROPOSAL PROCEDURES**

### **A . ANTICIPATED SCHEDULE OF PROPOSAL**

ISSUE RFP: Monday, August 10, 2015

PROPOSALS DUE: Monday, August 31, 2015 – by 4:00pm

INTERVIEWS: Week of September 7<sup>th</sup> (if necessary)

SELECTION MADE: Monday, September 14, 2015

CONTRACT SIGNED: Following all necessary county approvals

### **B. REQUIREMENTS**

If you choose to respond, please submit three (3) copies of your proposal to the Erie County Comptroller's Office, Attn: Audit Peer Review RFP Committee, 95 Franklin Street, 11<sup>th</sup> Floor, Buffalo, NY 14202 by 4:00pm on Monday, August 31, 2015.

### **C. RIGHT OF REJECTION BY THE COUNTY**

Notwithstanding any other provisions of this RFP, the County reserves the right to award this contract to the firm that best meets the requirements of the RFP and not necessarily to the lowest bidder. Further, the County reserves the right to reject any or all proposals prior to execution of the contract for any or no reason and without penalty to the County.

### **D. AWARD OF CONTRACT**

The firm selected by the Comptroller's Office to be awarded this contract will be asked to enter into negotiations with Erie County, with the intentions of awarding the contract. Neither the selection of a

firm nor the issuance of a Notice of Award shall constitute the County's acceptance of the proposal or a binding commitment on behalf of the County to enter into a services contract with the firm, as any binding arrangement must be set forth in definitive documentation signed by both parties and subject to all requisite approvals.

#### **E. CONTRACT NEGOTIATIONS**

After issuance of the Notice of Award, the County intends to enter into contract with the winning firm who shall be required to enter into a written agreement, in a form approved by legal counsel for the County. The winning respondent's proposal, or any part thereof, may be incorporated into and made a part of the final contract(s).

#### **F. LEGISLATIVE APPROVAL**

The County reserves the right to require that acceptance of any proposal and the execution of the contract are and shall be expressly subject to the approval of the Erie County Legislature.

### **III. STATEMENT OF RIGHTS**

#### **UNDERSTANDINGS**

Please take notice, by submission of a proposal in response to this request for proposals, the proposer agrees to and understands:

- that any proposal, attachments, additional information, etc. submitted pursuant to this RFP constitute merely a suggestion to negotiate with the County of Erie and is not a bid under Section 103 of the New York State General Municipal Law;
- submission of a proposal, attachments, and additional information shall not entitle the proposer to enter into an agreement with the County for the required services;
- by submitting a proposal, the proposer agrees and understands that the County is not obligated to respond to the proposal, nor is it legally bound in any manner by submission of same;
- that any and all counter-proposals, negotiations or communications received by a proposing entity, its officers, employees or agents from the County, its elected officials, officers, employees or agents, shall not be binding against the County, its elected officials, officers, employees or agents unless and until a formal written agreement for the services sought by this RFP is duly executed by both parties and approved by the Erie County Legislature, and if necessary, the Erie County Attorney.

In addition to the foregoing, by submitting a proposal, the proposer also understands and agrees that the County reserves the right, and may at its sole discretion exercise, the following rights and options with respect to this RFP:

- To reject any or all proposals;
- To issue amendments to this RFP;
- To issue additional solicitations for proposals;
- To waive any irregularities in proposals received after notification to proposers affected;

- To select any proposal as the basis for negotiations of a contract, and to negotiate with one or more of the proposers for amendments or other modifications to their proposals;
- To conduct investigations with respect to the qualifications of each proposer;
- To exercise its discretion and apply its judgment with respect to any aspect of this RFP, the evaluations of proposals, and the negotiations and award of any contract;
- To enter into an agreement for only portions (or not to enter into an agreement for any) of the services contemplated by the proposals with one or more of the proposers;
- To select the proposal that best satisfies the interests of the County and not necessarily on the basis of price or any other single factor;
- To interview the proposer(s);
- To request or obtain additional information the County deems necessary to determine the ability of the proposer;
- To modify dates;
- All proposals prepared in response to this RFP are at the sole expense of the proposer, and with the express understanding that there will be no claim for reimbursement from the County for the expenses of preparation. The County assumes no responsibility or liability of any kind of costs incurred in the preparation or submission of any proposal;
- While this is a RFP and not a bid, the County reserves the right to apply the case law under General Municipal Law Section 103 regarding bidder responsibility in determining whether a proposer is a responsible vendor for the purpose of this RFP process;
- The County is not responsible for any internal or external delivery delays which may cause a proposal to arrive beyond the stated deadline. To be considered, proposals MUST arrive at the place specified herein and be time stamped prior to the deadline.

## **EVALUATION**

The following criteria, not necessarily listed in order of importance, will be used to review the proposals. The County reserves the right to weigh its evaluation criteria in any manner it deems appropriate:

- Proposers demonstrated capability to provide the services.
- Evaluation of the professional qualifications, personal background and resume(s) of individuals involved in providing the services.
- Proposer's experience in performing the proposed services.
- Evaluation of the proposer's fee submission.
- A determination that the proposer has submitted a complete and responsive proposal as required by this RFP.
- Proposer's projected approach and plans to meet the requirements of this RFP.
- Proposer's presentation at and the overall results of any interview conducted with the proposer.
- Proposers may be requested to give an oral presentation of their proposal.
- No contract or agreement will be awarded to any proposer that is in arrears upon any debt or in default of any obligation owed to the County.

## **CONTRACT**

After selection of the successful proposer, a formal written contract will be prepared by the County and will not be binding until signed by both parties, and if necessary, approved by the Erie County

Legislature. No rights shall accrue to any proposer by the fact that a proposal has been selected by the County for submission to the Erie County Legislature for approval. The approval of the Erie County Legislature may be necessary before a valid and binding contract may be executed by the County.

#### **INDEMNIFICATION AND INSURANCE**

The proposer accepts and agrees that language in the following form will be included in the contract between the proposer and the County:

"In addition to, and not in limitation of the insurance requirements contained herein the consultant agrees:

- (a.) That except for the amount, if any, of damage contributed to, caused by or resulting from the negligence of the County, the consultant shall indemnify and hold harmless the County, its officers, employees and agents from and against any and all liability, damage, claims, demands, costs, judgments, fees, attorneys' fees or loss arising directly or indirectly out of the acts or omissions hereunder by the consultant or third parties under the direction or control of the consultant; and
- (b.) To provide defense for and defend, at its sole expense, any and all claims, demands or causes of action directly or indirectly arising out of this agreement and to bear all other costs and expenses related hereto.

Upon execution of any contract between the proposer and the County, the proposer will be required to provide proof of the insurance coverage. Insurance coverage in amount and form shall not be deemed acceptable until approved by the County Attorney's Office.

#### **INTELLECTUAL PROPERTY RIGHTS**

The proposer accepts and agrees that language in substantially the following form will be included in the contract between the proposer and the County:

All deliverables created under this Agreement by the Consultant are to be considered "works made for hire." If any of the deliverables do not qualify as "works made for hire," the Consultant hereby assigns to the County all right, title and interest (including ownership of copyright) in such deliverables and such assignment allows the County to obtain in its name copyrights, registrations and similar protections which may be available. The Consultant agrees to assist the County, if required, in perfecting these rights. The Consultant shall provide the County with at least one copy of each deliverable.

The Consultant agrees to indemnify and hold harmless the County for all damages, liabilities, losses and expenses arising out of any claim that a deliverable infringes upon an intellectual property right of a third party. If such a claim is made, or appears likely to be made, the Consultant agrees to enable the County's continued use of the deliverable, or to modify or replace it. If the County determines that none of these alternatives is reasonably available, the deliverable will be returned. All records compiled by the Consultant in completing the work describes in this Agreement, including but not limited to written reports, source codes, studies, drawings, blueprints, negatives of photographs, computer printouts, graphs, charts, plans, specifications and all other similar recorded data, shall become and remain the property of the County. The Consultant may retain copies of such records for its own use.

#### **NON-COLLUSION**

The proposer, by signing the proposal, does hereby warrant and represent that any ensuing agreement has not been solicited, secured or prepared directly or indirectly, in a manner contrary to the laws of the State of New York and the County of Erie, and that said laws have not been violated and shall not be violated as they relate to the procurement or the performance of the agreement by any conduct, including the paying or the giving of any fee, commission, compensation, gift, gratuity or consideration of any kind, directly or indirectly, to any County employee, officer or official.

### **CONFLICT OF INTEREST**

All proposers must disclose with their proposals the name of any officer, director or agent who is also an employee of the County of Erie. Further, all proposers must disclose the name of any County employee who owns, directly or indirectly, an interest of ten percent or more in the firm or any of its subsidiaries or affiliates. There shall be no conflicts in existence during the term of any contract with the County. The existence of a conflict shall be grounds for termination of a contract.

### **COMPLIANCE WITH LAWS**

By submitting a proposal, the proposer represents and warrants that it is familiar with all federal, state and local laws and regulations and will conform to said laws and regulations. The preparation of proposals, selection of proposers and the award of contracts are subject to provisions of all federal, state and County laws, rules and regulations.

### **CONTENTS OF PROPOSAL**

The New York State Freedom of Information Law as set forth in Public Officers Law, Article 6, Sections 84 et seq., mandates public access to government records. However, proposals submitted in response to this RFP may contain technical, financial background, or other data, public disclosure of which could cause substantial injury to the proposer's competitive position or constitute a trade secret. Proposers who have a good faith belief that information submitted in their proposals is protected from disclosure under the New York Freedom of Information Law shall:

a) insert the following notice in the front of its proposal:

#### **"NOTICE**

**The data on pages \_\_\_ of this proposal identified by as asterisk (\*) contains technical or financial information constituting trade secrets or information the disclosure of which would result in substantial injury to the proposer's competitive position. The proposer requests that such information be only for the evaluation of the proposal, but understands that any disclosure will be limited to the extent that the County considers proper under the law. If the County enters into such an agreement with this proposer, the County shall have the right to use or disclose such information as provided in the agreement, unless otherwise obligated by law."**

and

b) clearly identify the pages of the proposals containing such information by typing in bold face on the top of each page "**\* THE PROPOSER BELIEVES THAT THIS INFORMATION IS PROTECTED FROM DISCLOSURE UNDER THE STATE FREEDOM OF INFORMATION LAW."**

The County assumes no liability for disclosure of information so identified, provided that the County has made a good faith legal determination that the information is not protected from disclosure under





## County of Erie, New York

### Proposal to Provide External Quality Review of the Division of Audit

RFP#: 1529VF

August 31, 2015

Submitted to:

**Bryan Fiume, Assoc. Deputy Comptroller**  
Erie County Comptroller's Office  
95 Franklin Street-11<sup>th</sup> Floor  
Buffalo, New York 14202

**Randall R. Shepard**  
Partner  
The Bonadio Group  
100 Corporate Parkway Ste 200  
Amherst, New York 14226  
Tele: 716-250-6600  
Fax: 716-250-6605  
Email: [rshepard@bonadio.com](mailto:rshepard@bonadio.com)  
[www.bonadio.com](http://www.bonadio.com)



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August 31, 2015

Bryan Fiume, Assoc. Deputy Comptroller  
Erie County Comptroller's Office  
95 Franklin Street-11<sup>th</sup> Floor  
Buffalo, New York 14202

**Re: Proposal for External Quality Review of the Division of Audit and Control  
(RFP #11529VF)**

Dear Mr. Fiume:

It is a pleasure to submit this proposal to provide professional services pursuant to Erie County's (the County) requirements for an external quality review of the Erie County Comptroller's Division of Audit and Control. We appreciate this opportunity to present our credentials.

It is our understanding that Erie County seeks a firm that can provide a review in compliance with the Government Accountability Office's Government Auditing Standards, following the guidelines contained in the National Association of Local Government Auditors Quality Control Review Guide. The Bonadio Group (Bonadio) will complement these deliverables with a service delivery style built around working as a member of your team. We have worked with the County's Division of Audit and Control on this before, so we are familiar with the key personnel as well as the departmental procedures.

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.

The attached proposal provides details; however, I would like to highlight the following:

- Bonadio has a significant amount of experience in performing quality reviews relative to a wide variety of auditing standards.
- We are well-versed and experienced in internal audit activities, both for governmental, tax-exempt, and commercial entities.
- Our experience in working with local governments in upstate New York is second to none.
- Our fees are very reasonable and reflect our desire to be your internal audit department reviewers.

The opportunity to again serve as your professional service providers is important to our team.

The balance of this proposal outlines our services, qualifications and estimated fees. This is a firm proposal, the terms of which are good for 180 days from the issuance of this response. If you have any questions regarding the information contained in this proposal or on any other matter, please contact me at (716) 580-1639.

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

Very truly yours,  
**THE BONADIO GROUP**



By:

Randall R. Shepard, CPA, Partner

Comm. 17E-2

100 Corporate Parkway  
Suite 200  
Amherst, New York 14226  
p (716) 250-6600  
f (716) 250-6605

www.bonadio.com

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## Background and Understanding

The County seeks a CPA firm to provide an external quality review of the Erie County Comptroller's Division of Audit and Control. The Bonadio Group (Bonadio) is pleased to have the opportunity to provide those services.

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

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

Overall, our objectives are to: (1) demonstrate our depth of experience and capabilities; (2) affirm our ability to provide quality service at a reasonable cost; and (3) provide the resources and expertise to help you achieve your objectives.

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

In addition to our approach to the Scope of Work and what we believe is a more than competitive fee structure, there are four key reasons, discussed further in Sections 2 and 3, why the County should engage Bonadio:

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

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

### **Core Services**

Our understanding is that the County Comptroller's Office is seeking an external quality review of its Internal Audit Division. This review will be completed in compliance with the Government Accountability Office's Government Auditing Standards (Yellow Book) following the guidelines contained in the National Association of Local Government Auditors Quality Control Review Guide. We understand the scope of the review to be the three year period of January 1, 2012 through December 31, 2014. We understand that the County would like the final report issued by December 31, 2015. We will coordinate our work efforts to meet the established deadlines.

The objectives of the review are as follows:

- To assess whether the County's system of internal controls is adequate to ensure that the County is following applicable Government Auditing Standards (GAS).
  - Did the County have an internal quality control system that provided reasonable assurance that audit work was conducted in accordance with applicable GAS.
  - Did the County follow its system of internal control and comply with applicable GAS standards in the work it conducted during the period under review.

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

#### ***Planning and Preparation (As practical following appointment)***

1. Gain an understanding of the changes in the size and structure of the Erie County Comptroller's Internal Audit Division since our last review, as well as the type and number of audits completed on an annual basis
2. Document our understanding of any changes in the background and Quality Control System (QCS) of the Erie County Internal Audit Division with the assistance of management and staff
3. Document our understanding of any changes in the County's procedures, the environment in which it operates, and the types of work the County conducts
4. Assess the QCS and plan the review, including the types of engagements to be reviewed, additional documents to be checked, and potential interviews
5. Obtain copy of Erie County Division of Audit and Control's annual work plan for the prior three years
6. Based on the above assessment, select the engagements for detailed review during fieldwork. The engagements should represent a reasonable cross-section of types of work, audit supervisors, and time span

#### ***Fieldwork and Site Visit (Completed by October 1, 2015)***

1. Obtain and review the policies and procedures of the Division of Audit and Control
2. Conduct interviews with the management and staff as necessary to clarify actual practices and assess their understanding of the internal quality control procedures

**Fieldwork and Site Visit (Completed by October 1, 2015) (Continued)**

3. Review selected sample of audit and attestation reports to test whether the County followed its system of internal control and complied with applicable GAS standards
4. Obtain and review Continuing Professional Education records and personnel management files related to hiring, evaluating and assigning employees
5. Review any exceptions noted during the fieldwork to identify potential weaknesses in the County's internal control system

**Reporting (issued by December 31, 2015)**

1. Discuss preliminary findings and conclusions with management
2. Determine the County's overall level of compliance
  - o Full Compliance
  - o Satisfactory Compliance
  - o Noncompliance
3. Prepare management letter to recognize strengths and to make recommendations for improvements
4. Draft the opinion report for review by the County, followed by issuance once approved

**Quality Control**

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

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

- Performing all second partner quality reviews.
- 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, education sessions, etc.).
- Developing and delivering a comprehensive education 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.*

**Quality Control (Continued)**

The centerpiece of Bonadio's quality assurance/control system is a policy that requires audit reports 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. 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. A copy of the Peer Review is included in the Appendix's. The most recent peer review included a review of twenty of our audit engagements statewide.

**Fee Proposal**

Our dual objective is to provide you with professional services at the lowest cost, while complying with the highest professional standards. Our proposed for this engagement will be \$8,500.

We do not bill for routine telephone conversations or office overhead items such as copies, faxes or secretarial support.

While fees may not be the primary basis of your decision, differences in proposed fees many times are not clearly understandable. If our proposed fees are not consistent with your expectations, please let us know and we will attempt to resolve any differences to your satisfaction.

### Randall Shepard, CPA



Role:  
Primary Engagement Partner

Duties:

Randy is the overall engagement partner for this project. With his experience in the Municipality environment coupled with his extensive statewide consulting and lecturing background, he is able to provide invaluable assistance. Randy will be the County's primary contact point and will ultimately be responsible for delivery of the engagement as the signing partner. All members of the team report to him.

### Jeffrey Couchman, CPA



Role:  
Co-Engagement Partner

Duties:

Jeff is responsible for the day-to-day engagement relationship. He will be responsible for the technical matters and production of all deliverables. In this way, Jeffrey is the point of contact to ensure the consistent and timely delivery of every aspect of this account. Jeff will directly oversee the on-site team in the completion of the engagement. All staff report to him.

### Kristen Clark, CPA



Role:  
Quality Control Partner

Duties:

Kristen will be responsible for the second partner review and assisting as necessary on technical matters as they arise. Kristen and the entire Professional Excellence Division are critical resources for all of our engagement teams as matters arise. This allows matters to be resolved timely and accurately, and they are also available to meet with you as necessary.

#### Audit Staff

Bonadio's audit staff consists of assistants through senior level individuals. Seniors in our firm are supervisory level auditors that have a minimum of four years of experience with the firm. The engagement team may include an assistant, supervisory staff, and a manager along with the audit partner as the direct engagement team. Other professionals complement the audit team as needed.

**Why the Bonadio Group**

Erie County (County) needs an efficient, well-organized audit prepared by a firm with the expertise, capabilities, and personnel to perform an External Quality Review of the Division of Audit and Control. The technical complexities of the current and diverse environment of the County require a firm that is proactive and has the ability to address all of your needs. We are one of the only firms in New York State who can provide the balance of governmental experience and expertise you need, as well as having the scope, depth, and breadth of resources necessary to help you achieve the economies of scale you seek.

Like you, Bonadio strives to deliver excellence. We are confident in our abilities to deliver all services at quality and professional levels that will exceed your expectations.

There are a number of issues and needs that merit attention in this response, including:

**Firm Qualifications**

Bonadio was founded in 1978 and has grown to be the largest independent provider of accounting, business advisory and financial services in Upstate New York. Bonadio now currently employs approximately 600 personnel, including a **governmental client service group consisting of 15 partners, 6 principals, 8 managers, and numerous staff accountants**. Firm wide, there are over 350 senior and staff accountants available to serve the municipal client base, and all firm clients. Our Rochester, NY office, would be servicing the County's engagement. We do not utilize part-time personnel in our engagements.

We serve municipalities 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.

**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 600 employees
- Over \$87 million/year in firm revenues
- 134 partners/principals
- 88 managers

**Client Types and Services**

<u>Who We Serve:</u>	<u>Services:</u>
Government	Accounting and auditing
Healthcare providers	Business advisory
Individuals	Healthcare consulting
Privately-held businesses	IT consulting
Public companies	Risk management
Small businesses	Tax planning and preparation
Tax-exempt organizations	
Unions	
College and Universities	

**Firm Qualifications (Continued)**

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 the County's staff.

What's important with our approach is that we build several review steps into our preparation for issuance. These include internal and external processes to ensure your issued financial statements meet your expectations. We will meet with management prior to final issuance to review all draft documents. This ensures that all materials are accurate and clear for their indented users.

There is no national office hierarchy to contend with, so any matters requiring consultation can be dealt with in any of our offices. 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:

**Relevant Experience and Expertise**

The Bonadio Group is one of the leading audit and advisory firms to municipal governments and related agencies in Upstate New York. As a result of this experience, our clients benefit from having the ability to discuss technical or operational matters with a team of individuals who know and understand your needs. This experience will allow us to continue to provide effective and efficient services of the highest quality.

- A Top 100 CPA Firm in the U.S. by *Public Accounting Report* and *Inside Public Accounting*.
  - Ranked 40<sup>th</sup> in 2015 by Accounting Today's Top 100 Firms
- 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.

**Audit Quality Center Participation**



**Governmental  
Audit Quality Center**

We are also a member of the AICPA's Government Audit Quality Center.

We are proud of the quality of our work. In order to ensure that this high level of quality is maintained, we have established a comprehensive quality assurance program. This program starts with hiring the best people available and continues with extensive training - 80 hours annually, per person, on average. We are also members of the AICPA Center for Public Company Audit Firms and Moore Stephens International. We annually attend the AICPA National Government Conference and all managers, seniors and staff are required to attend annual in-house training on audits of government agencies.

Of most importance to us is our commitment to the AICPA Government Audit Quality Center. Involvement in this is optional, but indicates a level of commitment above all other non-member CPA firms. Our participation requires that our firm and personnel attain additional continuing professional education on an annual basis.

We have an established program which ensures that all audit engagement personnel possess current knowledge, appropriate to their level of involvement in the engagement, of applicable professional standards, rules, and regulations.

Our clients all benefit from Bonadio's commitment to quality. Quality is not an add-on process at Bonadio. Rather, it is engrained in our corporate culture and is integral to all aspects of our client service.

The quality process begins with a well thought out approach to service delivery. From the selection of experienced personnel to serve you and development of a client specific comprehensive audit plan, you will gain from our commitment to quality in providing the requested services.

**Partial Listing of Government Clients**

- City of Canandaigua
- City of Cortland\*
- City of Lockport
- City of Niagara Falls\*
- City of Ogdensburg
- City of Troy\*
- City of Utica\*
- Erie County (Internal audit review and consulting)
- County of Broome\*
- County of Livingston\*
- County of Monroe\*
- County of Onondaga\*
- County of Schoharie\*
- County of Seneca\*
- County of Steuben\*
- County of Ontario (Health facility and project work)
- County of Monroe Industrial Development Agency
- County of Ulster (internal audit project work)
- Niagara County (consulting)
- Chautauqua County (consulting)
- Rochester-Genesee Regional Transportation Authority\*
- Monroe County Airport Authority
- Monroe County Water Authority\*
- Niagara Falls City School District
- Western Regional Off-Track Betting Corporation
- over 50 School Districts (many include single audit)

**\*OMB Circular A-133 Audits**

### Philosophy of Customer Service

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



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

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

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

We strive to move beyond client satisfaction to client delight.

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

### Non-discrimination Clause

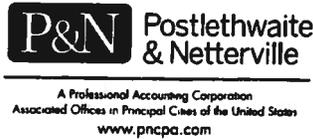
Bonadio & Co., LLP (Bonadio) is committed to equal employment opportunity. No employee or applicant for employment will be discriminated against because of gender, race, color, religion, national origin, ancestry, age, marital status, sexual orientation, pregnancy, physical or mental disability, citizenship, 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.

### Conclusion

We believe our firm has a unique combination of technical ability, relevant experience, and a commitment to service that makes us the best firm for this important assignment. We will provide you with creative, capable people who are dedicated to developing meaningful planning and business suggestions while maintaining an open communicative style to meet your needs.

If selected as your auditors, we give you our commitment that you will receive our closest attention. We look forward to working with you.

If you have any questions regarding the information contained in this proposal or on any other matter, please contact us at (716) 633-8885. Again, we appreciate the opportunity to provide you with this proposal and to further demonstrate our sincere interest in serving Erie County.



**SYSTEM REVIEW REPORT**

To the Partners of Bonadio & Co., LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Bonadio & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2014. 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 a 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](http://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, audits performed under FDICIA, and examinations of Service Organizations Control (SOC) 2 engagements.

In our opinion, the system of quality control for the accounting and auditing practice of Bonadio & Co., LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2014, 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*. Bonadio & Co., LLP has received a rating of *pass*.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
September 12, 2014

We believe that our people make the difference. The personnel assigned to serve you – Randy Shepard, Jeffrey Couchman, and Kristen Clark – have a unique blend of consulting, audit, governmental, and business consulting experience.

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 County engagement 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.

Our proposed client service team is outlined below.

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



Randy is a partner in The Bonadio Group's Government Division. He has been with Bonadio for over 18 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 a trustee and 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.

**Jeffrey H. Couchman, CPA, Co-Engagement Partner** (jcouchman@bonadio.com)



**Jeffrey H. Couchman, CPA**, is a Partner in the The Bonadio Group's Government Division-Buffalo office, located in Amherst, New York. Jeffrey holds over 20 years of public accounting experience, with expertise in auditing and accounting services.

As a partner, Jeff is responsible for the successful delivery of services the firm provides to clients in various industries. These services include: annual financial statement audits; reviews and compilations; employee benefit plan audits; audits of Chapter 7 and Chapter 13 bankruptcy trustees; and also works on special projects.

Jeff is a graduate of Canisius College in Buffalo, New York, and joined the firm upon graduation with a dual Bachelor's degree in Accounting and Management Information Systems.

Jeff is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. He is also a member of the Canisius College Council on Accountancy, and the Accounting and Auditing Committee and past board member of the Buffalo Chapter of the New York State Society of Certified Public Accountants

**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