

August 28, 2013

ADDENDUM #1 TO

REQUEST FOR QUALIFICATIONS/PROPOSALS

FOR

Independent Auditing Services

Issued by the

FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY

Date Issued: August 17, 2013

Responses due by 12:00 P.M. EDT on September 18, 2013

Addendum #1
Questions & Answers
Independent Auditing Services
August 28, 2013

1. Q: What was the fee for the last five years' audits?
A: 2010 year end for the period September 29, 2010 through December 31, 2010 \$5,440
Year Ended December 31, 2011 \$14,490
Year Ended December 31, 2012 \$30,000
2. Q: Who is the current auditor and for how long have they been the auditor?
A: Schneider & Company Certified Public Accountants have been the auditors since the Authority's 2010 inception.
3. Q: Are you looking to change the auditor?
A: Yes
4. Q: Please confirm that the management of the Authority prepares the financial statements, including footnotes and MD&A.
A: Authority will prepare the financial statements, footnotes and management discussion and analysis.
5. Q: Regarding the completion dates set forth on page 12 of the RFP, the 2012 audit was completed on June 19, 2013. Did something unusual occur during the 2012 audit to cause the audit to not be issued by mid-March as set forth in the required completion date section of the RFP?
A: 2012 marked the initiation of economic development conveyance (edc) reporting as well as other unique circumstances which will not be repeated.
6. Q: When does the Authority anticipate having its general ledger finalized, sub-ledger reconciliations complete and financial statements prepared for the 2013 audit?
A: The Authority anticipates having its general ledger finalized, sub-ledger reconciliations and financial statements prepared by the end of January
7. Q: The agreement between the Army and the Authority lists and exhibit 4 in Article 19, FMERA Annual Accounting Form, but is not included in the agreement posted on the Authority's website. Can you provide bidders a copy of this form?
A: Exhibit 4 of agreement between Army and the Authority is attached to this addendum
8. Q: In 2012, the Authority authorized additional work to certify the Authority's Economic Development Conveyance Reports. Is this part of the scope of work defined in section 12.0 or was this a one-time engagement and not part of the scope of work as

defined in this RFP? Can you please provide us additional information regarding this?

A: The certification of the Authority's Economic Development Conveyance reports is ongoing. The agreement between the Army and the Authority is posted on Authority's website. Exhibit 4 referenced in the agreement between Army and the Authority is attached to this addendum. The memorandum to the Board regarding the the additional work required as a result of the Economic Development Conveyance Agreement is attached to this addendum.

9. Q: What were the prior year audit fees?

A: See answer to Question 1.

10. Q: What is the level of effort/hours that the incumbent firm has provided for the previous years audits?

A: Incumbent firms fees were set at maximum not to exceed amount.

11. Q: Is the incumbent firm permitted to bid?

A: No

12. Q: Are there any improvements you would like to see in the audit process?

A: Authority is open to discussion by selected firm as to improvement in audit process.

13. Q: What prompted FMERA to issue the RFP for audit services?

A: The Authority chose to issue the RFP because of the change in engagement with the Economic Development Conveyance Agreement for Phase 1 being in place and the Phase 2 Economic Development Conveyance Agreement under negotiation.

14. Q: Are there any significant changes in operations in the current year vs. the prior year including changes in policies and procedures, personnel, or the reporting entity?

A: The Authority is negotiating the terms of the Phase 2 Economic Development Conveyance Agreement with Army and the Phase 1 Economic Development Conveyance Agreement has been in effect for all of 2013. The Authority anticipates the transfer of property under the terms of the Phase 1 EDC agreement prior to 2013 year end.

15. Q: What level of federal funding, (including conveyances) are you expecting in the current year? Do you anticipate the continuing need for a Single Audit over the next several years?

A: The Authority anticipates federal funding in line with prior years. The Authority's need for a Single Audit will continue over the next several years.

16. Q: The RFP states that the reporting deadlines are significantly earlier (March) than the date of the last auditors report (June). Was there a reason for the previous delay?

A: See answer to Question 4.

17. Q: When are the books closed and ready for audit after year end?

- A: See answer to Question 6.
18. Q: What are the fees that have been charged by previous auditors for 2012, 2011 and 2010 audits?
A: See answer to Question 1.
19. Q: Have there been any change orders or amendments to existing auditor contracts?
A: See answer to Question 8.
20. Q: Are the financial schedules (balance sheet, statement of revenues, expenses and changes in net position, statement of cash flows and other related schedules) and footnotes to the financials prepared by the Authority management or by the auditors?
A: See answer to Question 4.
21. Q: Does the Authority anticipate an increase in grant funding during years 2013 through 2017?
A: The Authority does not anticipate a marked increase in grant funding during years 2013 through 2017
22. Q: Does the Authority anticipate any major changes to its operations from 2013 – 2017?
A: See answer to Question 14.
23. Q: Have all the audit findings from 12/31/2012 audit been resolved?
A: The Corrective Action Plan for the 12/31/2012 audit has been put in place.
24. Q: Section 8.1.1 IMPORTANT
“The proposing firm shall NOT include or make any reference to its “Fee Proposal” information in its cover letter *or elsewhere in its proposal.*”
Where are we supposed to put the fee proposal? In a separate document? Under a separate mailing?
A: Signed Fee Schedules are to be submitted in a separate envelope. The fee schedule is for tasks set forth in the Scope of Services.



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
INSTALLATIONS ENERGY AND ENVIRONMENT
110 ARMY PENTAGON
WASHINGTON, DC 20310-0110

Bruce Steadman
Executive Director
Fort Monmouth Economic Revitalization Authority
2-12 Corbett Way, Suite C
Eatontown, New Jersey 07724

Dear Mr. Steadman:

The purpose of this letter is to emphasize the requirements of preparing and submitting annual financial statements in accordance with current Economic Development Conveyance (EDC) legislation, as well as in accordance with Article 4 of the Agreement between the Army and the Fort Monmouth Economic Revitalization Authority (FMERA) for the conveyance of the Phase 1 Parcels at Fort Monmouth.. The National Defense Authorization Act for FY 2010 provides for the transfer of real and personal property to a local redevelopment authority (LRA), below estimated fair market value in consideration for a share of revenues that the LRA receives from third party buyers and/or lessee of the conveyed property. This legislation also requires all EDC recipients to reinvest proceeds received from the sale, lease or equivalent use of former military base assets into job-generation and economic redevelopment activities at or related to the former military installation. These activities include reinvestment into 12 allowable categories. A listing of these categories is at **Enclosure 1**. In addition, activities that are performed on or to the conveyed property that directly relate to the 12 categories are also considered appropriate and allowable uses of proceeds.

For approved EDCs , the Department of Defense and the Army require that the FMERA submit annual financial statements, certified by an independent Certified Public Accountant (CPA) that account for the reinvestment of proceeds generated from the EDC property into one or more of the allowable categories. The Army also requires a U.S. Army Audit Agency review and report on the annual statements. In order for the Army to fully evaluate whether the proceeds were properly invested, the Army requires the following from the FMERA:

- Submit financial statements certified by an independent certified public accounting firm. The CPA's audit report should express an opinion on the FMERA's financial position, results of its operations, and whether the financial statements were presented fairly in all material respects, in conformity with generally accepted accounting principles (GAAP).
- Include in the statements (or as supplemental statements) a breakdown of the revenues and expenditures generated from the EDC parcel. Expenditures need to be broken down into the 12 categories to show where the proceeds were reinvested. In addition, the Army requires the notes to the financial statements and supplemental schedules to provide explanations of the sources of revenues and expenditures and its future plans for redeveloping the discounted EDC property.

For your consideration, [Enclosure 2](#) is a framework for financial statements that the Army finds acceptable. These examples are intended to provide only a framework for the minimum amount of data required for preparing financial statements. [Enclosure 3](#) is an example of notes to the financial statement explaining revenues, expenses, and future plans for the discounted EDC property. [Enclosure 4](#) is an example of a supplemental schedule detailing sources of revenues. [Enclosure 5](#) contains the mailing addresses for the annual financial statements.

Your accounting reports must also factor the definitions of “Gross Sales Revenues” and “Gross Lease Revenues” as defined in the Army-FMERA “Agreement” and include accurate statements of gross revenues for Army review and verification of income as related to our revenue sharing agreement. The Army will review your annual reports to include monthly totals of gross income for each source of income being shared by the Army. Annual Reports need to include certified copies of each Promissory Note and/or Security Interest applicable to the real property sales of the Property. Each source of revenue must be reported separately, i.e. agricultural leases, real property sales, land and building lease revenues, etc. in line with the revenue sharing sources of income. These reports must be supported by transactional details that would be made available if requested by the Army. The Army will require these annual reports of gross income until the time that all revenue sharing obligations are paid to the Army. This reporting of gross revenues by source of income can be inclusive in the reporting required to show reinvestment of revenues and expenditures under the EDC legislation as discussed in the prior paragraphs above but must include the required detail to support annual payments to the Army.

The Army requests your timely submission of all appropriate financial statements. If you have any questions or concerns, please contact James Briggs in the Army BRAC Division, 703-545-2513.

Sincerely,

Paul Cramer
Acting Deputy Assistant Secretary of the Army
(Installations, Housing, and Partnerships)

Enclosure 1 - Listing of 12 Allowable Categories

Allowable activities include reinvestment in the following 12 Categories:

1. Road construction.
2. Transportation management facilities.
3. Storm and sanitary sewer construction.
4. Police and fire protection facilities and other public facilities.
5. Utility construction.
6. Building rehabilitation.
7. Historic property preservation.
8. Pollution prevention equipment or facilities.
9. Demolition.
10. Disposal of hazardous materials generated by demolition.
11. Landscaping, grading, and other site or public improvements.
12. Planning for or the marketing of the development and reuse of the installation.

Enclosure 2 – Framework for Financial Statements

Below are examples of a Balance Sheet, Statement of Revenues and Expenditures, Changes in Fund Equity, and Statement of Cash Flows. These examples are intended to provide only a framework for the minimum amount of data required for preparing the financial statements. The lines items listed are not and were not intended to be all inclusive of the line items required for the statements. Local authorities are in a better position to know what line items they should include to ensure the financial statements reasonably present, without material misstatement, their operations and financial position. DoD and the Army require certified statements to ensure local authorities comply with the 2010 National Defense Authorization Act.

**Reuse Authority
Balance Sheet
Date
(\$ in thousands)**

| <u>Assets</u> | <u>EDC</u> | <u>Other</u> | <u>Grants</u> | <u>Total</u> |
|--|--------------------------|---------------------|----------------------|---------------------|
| Cash | <u>(Operating</u> | <u>(*)</u> | | |
| Accounts receivable (Net of Allowance for Doubtful Accounts) | <u>Fund of</u> | | | |
| Inventory | <u>Authority)</u> | | | |
| Property, Plant and Equipment (Net of Depreciation) | | | | |
| Other Assets | | | | |
| Total Assets | | | | |
| <u>Liabilities and Fund Equity</u> | | | | |
| Liabilities | | | | |
| Accounts Payable | | | | |
| Contracts Payable | | | | |
| Accrued Liabilities | | | | |
| Deferred Revenue | | | | |
| Other Liabilities | | | | |
| Total Liabilities | | | | |
| Fund Equity | | | | |
| Investment in General Fixed Assets | | | | |
| Unrestricted/Undesignated Equity | | | | |
| Restricted/Designated Equity | | | | |
| Total Fund Equity | | | | |
| Total Liabilities and Fund Equity | | | | |
| <p>(*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases.</p> <p>The accompanying notes are an integral part of the financial statements. Notes should include, at a minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statement</p> | | | | |

Framework for Financial Statements (Cont'd)

Statement of Revenues and Expenses

| Reuse Authority Statement of Revenues and Expenses For the Period Ended [Date] (\$ in Thousands) | | | | |
|--|--|------------------|---------------|--------------|
| <u>Revenue</u> | <u>EDC</u> <u>(Operating</u> <u>Fund of</u> <u>Authority)</u> | <u>Other (*)</u> | <u>Grants</u> | <u>Total</u> |
| Sales Income Rent/Lease Income | | | | |
| Utility Income | | | | |
| Housing Income | | | | |
| Income from Sale of Property | | | | |
| Interest Income | | | | |
| Other Income | | | | |
| Total Revenue | | | | |
| <u>Expenditures</u> | | | | |
| Road Construction | | | | |
| Transportation management facilities | | | | |
| Storm and sanitary sewer construction | | | | |
| Police and fire protection facilities | | | | |
| Utility construction | | | | |
| Building rehabilitation | | | | |
| Historic property preservation | | | | |
| Pollution prevention equipment/facilities | | | | |
| Demolition | | | | |
| Disposal of hazardous materials | | | | |
| Landscaping and other site improvements | | | | |
| Planning and marketing | | | | |
| Total Expenditures | | | | |
| Net Revenues Less Expenditures | | | | |
| <p>(*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases.</p> <p>The accompanying notes are an integral part of the financial statements. Notes should include, at minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statements.</p> | | | | |

Framework for Financial Statements (Cont'd)
Statement of Changes in Fund Equity

| Reuse Authority Statement of Changes in Fund Equity For the Period Ended [Date] (\$ in Thousands) | | | | |
|---|---|--|----------------------|---------------------|
| Net Revenues Less Expenditures Other Financing Sources (Uses) Transfers in Transfers out Total Other Financing Sources (Uses) Net of Revenues and Other Sources Less Expenditures Changes in Fund Equity Fund Equity at Beginning of Period Fund Equity at End of Period | <u>EDC (Operating</u> <u>Fund of</u> <u>Authority)</u> | <u>Other</u> <u>(*)</u> | <u>Grants</u> | <u>Total</u> |
| (*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases. The accompanying notes are an integral part of the financial statements. Notes should include, at a minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statements. | | | | |

Framework for Financial Statements (Cont'd)
Statement of Cash Flows

| Reuse Authority Statement of Cash Flows For the Period Ended [Date] (\$ in Thousands) | | | | |
|---|--|----------------------|---------------|----------------------|
| | <u>EDC (Operating Fund of Authority) XXX</u> | <u>Other (*)</u> | <u>Grants</u> | <u>Total XXX</u> |
| Cash at Beginning of Year | | | | <u>XXX</u> |
| Cash Flows from Operating Activities | | | | |
| Cash received from: | | | | |
| Leases | | | | |
| Developer Fees | | | | |
| Other | | | | |
| Cash paid for: | | | | |
| Wages | | | | |
| Costs of Providing Services | | | | |
| Net Cash Flow From Operations | | | | |
| Cash Flows from Investing Activities | | | | |
| Cash received from: | | | | |
| Sale of Property or Equipment | | | | |
| Deposits received from developers | | | | |
| Collection of Principal on Loans | | | | |
| Cash paid for: | | | | |
| Purchase of Property and Equipment | | | | |
| Making loans to other entities | | | | |
| Net Cash Flow from Investing Activities | | | | |
| Cash Flows from Financing Activities | | | | |
| Cash received from: | | | | |
| Bond Proceeds | | | | |
| Borrowing | | | | |
| Cash paid for: | | | | |
| Repayment of Loans | | | | |
| Net Cash Flows from Financing Activities | | | | |
| Net Increase in Cash | | | | |
| | <u>XXX</u> | | | <u>XXX</u> |
| Cash at End of Year | | | | |
| | <u>XXX</u> | | | <u>XXX</u> |
| <p>(*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases.</p> <p>The accompanying notes are an integral part of the financial statements. Notes should include, at a minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statements.</p> | | | | |

Enclosure 3 – Example of Explanations Included in Notes to Financial Statements

NOTE X - ARMY LESS THAN FAIR MARKET VALUE ECONOMIC DEVELOPMENT CONVEYANCE PROPERTY

The Reuse Authority received XX acres of the former for \$XXX on XX Month 2011 in a less than fair market value economic development conveyance.

For the year ended XXXXX, the Reuse Authority earned \$XX million in revenue from the use of the property conveyed to the authority at less than fair market value by the Army. A breakdown of the revenue earned is:

\$XX million net proceeds from the sale of one parcel of property to XXXXX Company which plans to lease these buildings to industrial and office tenants.

\$XX million deferred revenue from a deposit made by XXXXX Company on another parcel of property, which plans to develop a retail shopping center on the site.

\$XX million net proceeds from an auction of personal and real property left by the Army as part of the property conveyed to the authority.

For the year ended XXXXX, the Reuse Authority incurred expenditures for:

- Extending an interstate to provide access road.
- Snow removal and grass cutting.
- Advertising with XXXX newspaper or real estate firm.
- Municipal services.
- Salary and wages.

The Reuse Authority also issued a bond [or obtained a loan] of \$XX on XX month 2011 that has a 5-year term at 5 percent interest, compounded annually. Proceeds of this bond [loan] were used for XXX and will be used for XXX.

The Reuse Authority plans to redevelop the property conveyed to them at less than fair market value by the Army by building an industrial park. As of the XXXXXX, the authority has sold (or leased) one of the parcel(s) and is in entering into agreements of sale for the other two parcels. The Reuse Authority has executed XXXX Promissory Notes/ Security Interest to the Army noting an obligation to pay the Army XXXX.

Enclosure 4 – Example of a Supplemental Schedule Detailing Sources of Revenue

Sale of Real Property

| xxx Authority Fort Anywhere, Texas | Years Ended June 2010 and 2011 | | | |
|---------------------------------------|-----------------------------------|------------------------|------------|----------------|
| | ABC College | XYZ Publishing | WE Mfg | EFG Mfg (1) |
| Gen Prop Description | Child Dev. Center | Print Plant Bldg.18 | Bldg 650 | Bldg. 65 & 66 |
| Date orig. created | 5/22/10 | 7/18/10 | 1/26/11 | 7/15/11 |
| Contract Amount | \$250K | \$625K | \$1,150K | \$1,450K |
| Adjustment to Contract | | \$25K | | \$35K |
| Collected in FY 2010 | (\$150K) | (\$50K) | | |
| Collected in FY 2011 | \$0 | (\$600K) | (\$1,150K) | (\$1,000K) |
| Uncollected Balance | \$100K | | | \$485K |
| Due to Authority | | | | |
| FY 2012 | \$100K | | | \$285K |
| FY 2013 | \$0 | \$0 | \$0 | \$200K |

Add any Notes Here

(1) Collection of future amounts could be accelerated

Enclosure 5 – Mailing Addresses for Annual Financial Statements

The NECDRA should mail its annual financial statements to the following.

To Army:

Office of Assistant Chief of Staff for Installation Management
ATTN: BRAC Division (DAIM-ODB)
600 Army Pentagon
Washington, DC 20310-0600

With a copy to:

U.S. Army Corps of Engineers
New York District
Chief, Real Estate Division (CENAN-RE-M)
26 Federal Plaza, Room 2007
New York, NY 10278

ADOPTED
October 17, 2012

Resolution Regarding
**Consideration of Approval of
Extension of the Independent Audit Services Engagement,
and the Additional Cost for Additional Work
to Certify FMERA's Economic Development Conveyance Reports**

WHEREAS, Governor Christie signed the Fort Monmouth Economic Revitalization Authority Act ("Act"), P.L. 2010, c. 51, to create the Fort Monmouth Economic Revitalization Authority ("FMERA" or "Authority"); and

WHEREAS, on August 31, 2010, the Fort Monmouth Economic Redevelopment Planning Authority (FMERPA), FMERA's predecessor authority, approved the engagement of Schneider & Company Certified Public Accountants, P.C., Parsippany, NJ as the Independent Auditor to perform the scope of services set forth in the Request for Proposal (RFP) issued August 13, 2010; and

WHEREAS, the terms of the engagement allows two (2) one (1) year extension options to be exercised at the sole discretion of FMERA for the fiscal years ending December 31, 2012 and December 31, 2013; and

WHEREAS, the Independent Audit Services engagement requires the auditors to perform in accordance with generally accepted government auditing standard ("GAGAS") and Government Accounting Standard Boards ("GASB"). In addition, a schedule of expenditures of federal awards is presented, as required by U.S. Office of Management and Budget Circular A-133. The independent auditor also attests to the fairness of the Authority's financial statements, evaluating the effectiveness of internal controls and through the issuance of management letters, if applicable, makes comments and recommendations which, when implemented, may improve the design or operations of internal control systems; and

WHEREAS, FMERA's 2012 audit will require procedures and supplemental reports in accordance with the requirements of the Economic Development Conveyance (EDC) Agreement for Phase 1 which has been approved during 2012; and

WHEREAS, the Department of the Army requires that FMERA submit annual financial statements, certified by an independent Certified Public Accountant (CPA). The audit report is to express an opinion on FMERA's financial position, results in operations, and whether the financial statements were presented fairly in all material respects, in conformity with generally accepted accounting principles (GAAP); and

WHEREAS, the work required by a CPA for the EDC Agreement is in addition to the work required under the Independent Auditor RFP; however, the RFP provided that FMERA could solicit a written cost estimate and schedule from the selected auditor for additional required work and activities; and

WHEREAS, Schneider and Company has submitted a proposed engagement letter in which they confirm their understanding of the services to be provided for FMERA for the year ended December 31, 2012 inclusive of performance of procedures and provision of a supplemental report in accordance with the Authority's requirements for compliance with the Economic Development Conveyance. The additional not to exceed fee, for the EDC Agreement compliance review, is not to exceed \$14,900. As required by the RFP, all billable time will be based on the all-inclusive hourly rates contained in the auditor's cost proposal; and

WHEREAS, an RFP will be prepared and issued for all required audits commencing with the fiscal year ending December 31, 2013; and

WHEREAS, the Audit Committee has reviewed the extension of the independent audit services engagement, and the additional cost for additional work to certify FMERA's Economic Development Conveyance Reports and recommends approval to the full Board of Directors.

NOW, THEREFORE BE IT RESOLVED THAT:

1. As expressed in the attached memorandum, the Board of Directors approves the exercise of a one-year extension option for independent audit services for the fiscal year ending December 31, 2012 and the additional cost not to exceed \$14,900 for the additional work to certify FMERA's Economic Development Conveyance Reports.

2. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor of the State of New Jersey for his approval, unless during such 10-day period the Governor of the State of New Jersey shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

ATTACHMENT
DATED: October 17, 2012

EXHIBIT 3



MEMORANDUM

TO: Members of the Board of Directors

FROM: Bruce Steadman
Executive Director

DATE: October 17, 2012

SUBJECT: Extension of Independent Audit Services Engagement

Request

Members of the Board of Directors are requested to consider approval of the exercise of a one-year extension of the Independent Audit Services engagement performed by Schneider & Company Certified Public Accountants, P.C., and the additional cost not to exceed \$14,900 for the additional work to certify FMERA's Economic Development Conveyance reports.

Background

On August 31, 2010, the Fort Monmouth Economic Redevelopment Planning Authority (FMERPA), the predecessor authority, approved the engagement of Schneider & Company Certified Public Accountants, P.C., Parsippany, NJ as the Independent Auditor to perform the scope of services set forth in the Request for Proposal (RFP) issued August 13, 2010.

Under the terms of the engagement, Schneider & Company conducted the FMERPA audits for the year ended June 30, 2010 and the period July 1, 2010 through September 30, 2010 at a cost of \$13,880 and \$5,440 respectively, and performed the audit services for Fort Monmouth Economic Redevelopment Authority (FMERA) for the period September 29, 2010 (inception) through December 31, 2010 and the year ended December 31, 2011 at a cost of \$5,440 and \$14,490. The terms of the engagement allows two (2) one (1) year extension options to be exercised at the sole discretion of FMERA for the fiscal years ending December 31, 2012 and December 31, 2013. The cost proposal for the fiscal year ending December 31, 2012 was \$15,100 and for the fiscal year ending December 31, 2013 was \$15,710. An extension of only one-year extension of the engagement is recommended.

The Independent Audit Services engagement requires the auditors to perform in accordance with generally accepted government auditing standard ("GAGAS") and Government Accounting Standard Boards ("GASB"). In addition, a schedule of expenditures of federal awards is presented, as required by U.S. Office of Management and Budget Circular A-133. The independent auditor also attests to the fairness of the Authority's financial statements, evaluating the effectiveness of internal controls and through the issuance of management letters, if applicable, makes comments and recommendations which, when implemented, may improve the design or operations of internal control systems.

FMERA's 2012 audit will require procedures and supplemental reports in accordance with the requirements of the Economic Development Conveyance (EDC) Agreement for Phase 1 which

has been approved during 2012. The Department of the Army requires that FMERA submit annual financial statements, certified by an independent Certified Public Accountant (CPA). The audit report is to express an opinion on FMERA's financial position, results in operations, and whether the financial statements were presented fairly in all material respects, in conformity with generally accepted accounting principles (GAAP). The financial statements must include a breakdown of the revenues and expenditures generated from the EDC parcel. In addition, the Army requires the notes to the financial statements and supplemental schedules to provide explanations of the sources of revenues and expenditures and its future plans for redeveloping the EDC property. The work required by a CPA for the EDC Agreement is in addition to the work required under the Independent Auditor RFP; however, the RFP provided that FMERA could solicit a written cost estimate and schedule from the selected auditor for additional required work and activities.


Schneider and Company has submitted a proposed engagement letter in which they confirm their understanding of the services to be provided for FMERA for the year ended December 31, 2012 inclusive of performance of procedures and provision of a supplemental report in accordance with the Authority's requirements for compliance with the Economic Development Conveyance. The additional not to exceed fee, for the EDC Agreement compliance review, is not to exceed \$14,900. As required by the RFP, all billable time will be based on the all-inclusive hourly rates contained in the auditor's cost proposal.

Additionally, an RFP will be prepared and issued for all required audits commencing with the fiscal year ending December 31, 2013.

The Audit Committee has reviewed the extension of the independent audit services engagement, and the additional cost for additional work to certify FMERA's Economic Development Conveyance Reports and recommends approval to the full Board of Directors.

Recommendation

In summary, I request members of the Board of Directors approval of the exercise of a one-year extension option for independent audit services for the fiscal year ending December 31, 2012 and the additional cost not to exceed \$14,900 for the additional work to certify FMERA's Economic Development Conveyance Reports.



Bruce Steadman

Prepared by: Beverlee Akerblom