

Erie Tobacco Asset Securitization Corporation
Audit Committee

Minutes of Meeting
Thursday, August 4, 2016

Erie County Division of Budget and Management Conference Room

Corporation Committee Members present: Chair Bryan Bingel, Peter Zaleski and Gerard Mazurkiewicz.

Also present: Robert Keating, Timothy Callan, Mark Cornell, Gregory Gach, and Frederick Wolf

I. CALL TO ORDER

Bryan Bingel called the Meeting of the Audit Committee to order at 3:04 PM. Quorum present.

II. MINUTES FROM PRIOR MEETING

Audit Committee meeting minutes from July 26, 2016 were reviewed aloud and official minutes were requested. Peter Zaleski provided his handwritten notes from that meeting and requested that Corporation Assistant Treasurer Mark Cornell transcribe them.

III. ITEMS DISCUSSED

The Committee discussed responses to the Audit Services RFP from the four respondents: EFPR, Drescher & Malecki, Bonadio Group and Amato Fox.

Committee members agreed that Amato Fox did not possess the necessary qualifications to serve as the TASC's auditor due to their lack of experience with TASCs and other government agencies and thus did not consider Amato Fox as a finalist. The members discussed the widely divergent fee and number of hours of work needed as proposed by three remaining respondents.

Mr. Mazurkiewicz noted that additional information was sought from EFPR and Drescher & Malecki via email under Mr. Bingel's signature regarding the breakdown of their quoted hours in their responses because each response deviated from what the Committee members viewed as the requisite number of hours necessary to complete their work.

Committee members were concerned that EFPR did not understand the scope of the project in quoting 68 hours of work and the emailed response from the firm detailing their quote was believed to be insufficient and thus their proposal was deemed not sufficient.

At this point the Committee agreed that Drescher & Malecki and Bonadio Group would be considered finalists and the merits of each proposal were discussed.

Drescher & Malecki's response indicated an acknowledgement of capital appreciation bonds (CAB) related work included in their quote which put their hours more in line with the Committee's view of what was necessary.

Greg Gach noted that Drescher & Malecki was recently retained as the Erie County outside auditor and their expertise and fee pricing was accepted by the Erie County Audit Committee.

Committee members engaged in a discussion about whether price was considered the most important factor in selecting a winner. Mr. Mazurkiewicz discussed his view that the cheapest quote isn't necessarily the best quote and whether a \$1,225 difference between Bonadio and Drescher & Malecki's proposed fees was a reasonable premium to pay for familiarity with the work and exceptional qualifications.

Fred Wolf returned to disqualified candidate EFPR to note that the TASC could hold them to their quoted number even if it turned out to be insufficient to complete the necessary work without incurring any additional cost. Mr. Mazurkiewicz indicated his concern about any firm auditing to the quoted hours and providing a grossly inferior product because of how greatly they undercut the hours actually necessary for the scope of this project.

Tim Callan noted that when a government considers RFP responses the requirement generally is to seek the lowest *responsible* bidder, not necessarily the lowest price, a point Mr. Wolf seconded. Mr. Callan also noted that if this were a County public works RFP, outlier bids (either extremely high or low) would be flagged.

Drescher & Malecki's response indicated an acknowledgement of capital appreciation bonds (CAB) related work included in their quote which put their hours more in line with the Committee's view of what was necessary.

It was noted that while the Bonadio quote was marginally cheaper on its face, there was a possibility it would end up more expensive due to the possible necessity of additional hours and the fees associated with those hours to complete CAB related work, which was not indicated within their response. It was also pointed out that Bonadio's per hour cost was actually higher than

Drescher & Malecki's and therefore any additional work necessary would very quickly make their total cost more expensive.

Tim Callan noted that in an email Comptroller Stefan Mychajliw indicated his preference for a selected respondent to have specific TASC experience, which both finalists possessed.

At the end of discussion, Mr. Mazurkiewicz said that the Audit Committee has done its due diligence to thoughtfully consider all RFP responses and weigh the merits of each proposal and that it was his recommendation to select Drescher & Malecki to remain as the TASC's auditor.

Mr. Mazurkiewicz made a motion to select Drescher & Malecki. Bryan Bingel seconded the motion.

While on the table for consideration, Mr. Mazurkiewicz asked Greg Gach about the term for Drescher & Malecki for the County's outside audit function because he believed there was value in mimicking the term. Mr. Gach indicated it was a three year term with options for two, one-year extensions. Mr. Mazurkiewicz asked for the motion to be changed to select Drescher & Malecki for a term congruent with that for the County's Outside Auditor which was unanimously accepted.

By a vote of 3-0 the Audit Committee approved its recommendation to the Full Board to retain Drescher & Malecki as TASC Auditor for the term noted above.

NOTE: The RFP for audit services specified a five year contract – not a three year contract with options for one-year extensions. Whether ETASC can award a contract for three years with extension options will be checked with legal counsel.

Peter Zaleski initiated a brief discussion regarding certain discrepancies within the Audit and Governance Committees charters that he would like to clear up. Gerard Mazurkiewicz agreed that they should be reviewed; however, it should be done as part of their yearly full review of their charters which should be added to the agenda for the fall meetings of both the Audit and Governance Committees. This was agreed to by all Committee members.

IV. ADJOURNMENT

Moved by Gerard Mazurkiewicz and seconded by Peter Zaleski to adjourn the Meeting of the Audit Committee at 3:54 PM. Motion approved 3-0.


Mark Cornell
Corporation Assistant Treasurer

ETASC RESOLUTION ADOPTING A NEW PROCUREMENT POLICY

BE IT RESOLVED, that the Board of Directors of the Erie Tobacco Asset Securitization Corporation hereby adopts as the Corporation's procurement policy the procurement policies adopted by and in effect for the County of Erie which, pursuant to New York State statutes, are applicable to the Corporation with the following modifications:

ETASC will maintain a \$20,000 annual procurement threshold for professional services. The Corporation is authorized to retain professional services firms and services such as, but not limited to outside legal counsel, outside auditor and outside accountant without conducting requests for proposals or bidding when such services will cost the Corporation less than \$20,000 in a fiscal/calendar year.

Notwithstanding the above, ETASC will review the arrangements with all professional service providers on an annual basis and request proposals for services where deemed appropriate regardless of the dollar amount being charged for the services.

Overview of County Procurement Policies

The County Procurement policies and guidelines are designed to follow New York State Municipal Law Sections 103, 104a, 104b, 175, and 184. Policies are also governed by the Erie County Charter and Code along with Local Law No. 5 establishing guidelines for minority and women owned business utilization.

Purchasing is conducted by informal and formal bid. Informal bids request quotations for goods and services with a projected cost of under \$10,000.00. Whenever possible, we wish to have at least three vendor quotations. Vendors are selected from the County's Vendor List.

Formal Bids request quotations for goods and services with a projected cost of over \$10,000.00. Formal bids are advertised in The Buffalo News classified section. Formal bids can be downloaded from the Internet by accessing the On-Line Bid Retrieval section.

Purchase orders are a contract between a vendor and the County for specified goods and services. No merchandise should be shipped nor any service performed without an authorized purchase order. In the case of telephone orders, a purchase order number is given. Purchase order numbers must appear on all shipments, delivery slips, and invoices. Orders are understood to be shipped FOB destination unless otherwise specified on the Purchase Order.