

DRAFT - SUBJECT TO COMMITTEE APPROVAL

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
AUDIT COMMITTEE MEETING
One World Financial Center – 24th Floor
New York, NY 10281
May 3, 2010

Members Present

Frank J. Branchini, Chairman
Robert J. Mueller, Member

Authority Staff in Attendance: William C. Thompson, Jr., Member
James E. Cavanaugh, President and Chief Executive Officer
Alexandra Altman, Executive Vice President and General Counsel
Lauren Bruggess, Administrative Assistant
Megan Churnetski, Assistant General Counsel and Assistant Corporate Secretary
Luis Garcia, Assistant Treasurer, Finance
Antigona Hajdaraj, Special Assistant to the President
Carl D. Jaffee, Senior Development Counsel and Corporate Secretary
Wilson Kimball, Senior Vice President, Operations
Karl Koenig, Controller
Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer
Roy Villafane, Director, Internal Audit

Others in Attendance: Brian Krapf, George Arzt Communications, Inc.

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 9:17 a.m.

Mr. Jaffee noted that this is not a regular quarterly Audit Committee meeting. He noted that the minutes of the March 29, 2010 meeting will be presented at the next regularly scheduled meeting.

The only item on the agenda was discussion of hiring and compensation of a certified independent accounting firm. Mr. Jaffee explained that it is the function of the Audit Committee to make a recommendation to the Authority Members regarding an accounting firm

Next, Mr. Serpico explained that the Authority, in accordance with its procurement guidelines, conducted a Request for Proposal Process (RFP) for accounting services. An advertisement was placed in the New York State Contract Reporter in November 2009, he said, requesting qualified firms to submit qualifications to receive RFP's.

Mr. Serpico reminded the Members that the firm of KPMG has been the Authority's public accountant for the past seven years, fiscal years 2003 through 2009. KPMG was awarded the contract at the conclusion of the competitive process after the previous two solicitations by the Authority, he explained. Management believes KPMG's services over the past seven years were excellent and cost effective, he stated.

A management selection committee was formed to interview the responding firms and evaluate the new proposals, Mr. Serpico continued. This committee included the Chief Financial Officer, Controller, Senior Accounting Manager, Vice President of Internal Audit, Internal Control Officer and the Director of Affirmative Action. Five firms were interviewed in February, 2010 and were evaluated on numerous criteria, he explained. After the interviews were completed, the Selection Committee ranked the firms based upon three predetermined weighted criteria: the total cost of services equaled 40%; firm resources/experience equaled 40%; and the M/WBE Program equaled 20%.

Mr. Serpico noted that historically, the Authority has always had a "Big Four" accounting firm. Last time the Authority solicited proposals for accounting services, Marks Paneth & Shron ("MPS") was a contender, but Management felt that as a fairly new firm at that time, it lacked public sector experience, notwithstanding a lower cost bid. This time, the committee felt that the experience and personnel of MPS has advanced to the point where they can handle the Authority's assignment. Taking into account an annual the cost differential of about \$73,000 below the next lowest proposal, he said, the Audit Committee was requested to recommend a three -year agreement with MPS.

Mr. Mueller asked whether anyone other than Mr. Serpico has had any prior experience in assessing the capability of a public accounting firm relative to an organization of this size. Ms. Kimball noted she has experience in procurement. Mr. Serpico noted that his own Finance staff has such experience, and Mr. Cavanaugh stated that every selection committee at the Authority is made up of people who are experienced in different fields to provide insight on particular aspects of the procurement process and the initiating department's recommendation.

In response to an inquiry from Mr. Thompson, Mr. Thompson, Mr. Serpico stated that MPS is now serving many public sector clients and that reference checks yielded favorable responses.

Mr. Serpico stated that if the bids were comparable in cost, he would have probably recommended a contract with one of the "Big Four" accounting firms, but in response to a question from Mr. Branchini, Mr. Serpico asserted his belief that MPS "can handle the job."

Upon a motion made by Mr. Mueller and seconded by Mr. Branchini, the Audit Committee unanimously approved to recommend to the Members the authorization of a three-year agreement with MPS in the amount of \$316,450 for the semi-annual review(s) and fiscal year-end audit(s) of the Authority's financial statements beginning with the six-month period ended April 30, 2010, through and including the completion of the audit for the fiscal year ending October 31, 2012 financial statements.

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There being no further business, the meeting thereupon adjourned at 9:42 a.m.

Respectfully submitted,

Carl D. Jaffee
Corporate Secretary