

**REQUEST FOR PROPOSALS FOR
ANNUAL INDEPENDENT AUDIT SERVICES**

ISSUING OFFICE

**Pennsylvania Turnpike Commission
Operations Review Department**

RFP NUMBER

RFP 10-10210-2800

DATE OF ISSUANCE

October 18, 2010

**REQUEST FOR PROPOSALS FOR
ANNUAL INDEPENDENT AUDIT SERVICES**

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ATTACHMENT - FISCAL 2010 BASIC FINANCIAL STATEMENT

PART I

GENERAL INFORMATION FOR PROPOSERS

I-1. Purpose. This request for proposals (RFP) provides interested Proposers with sufficient information to enable them to prepare and submit proposals for consideration by the Pennsylvania Turnpike Commission (Commission) to satisfy a need for annual independent audit services.

I-2. Issuing Office. This RFP is issued for the Commission by the Operations Review Department.

I-3. Scope. This RFP contains instructions governing the proposals to be submitted and the material to be included therein; a description of the service to be provided; requirements which must be met to be eligible for consideration; general evaluation criteria; and other requirements to be met by each proposal.

I-4. Problem Statement. The Pennsylvania Turnpike Commission desires to engage a qualified firm of certified public accountants (“Independent Auditor”) to audit its fiscal 2011, 2012 and 2013 financial and Other Post Employment Benefits (OPEB) Trust statements. The Commission’s fiscal year end is May 31. The selected firm will conduct the audits and provide the audited financial statements no later than August 15, 2011, 2012, and 2013 and the audited OPEB Trust statements no later than September 15, 2011, 2012 and 2013 respectively. The selected firm will perform related services such as assisting the Commission with its Comprehensive Annual Financial Report for each of the three fiscal years. A work statement is provided in Part V.

In addition to the services discussed above, the selected firm may also be requested under the terms of this agreement to provide additional auditing and related advisory services and guidance to the Commission. Examples of such additional services may include the performance of specific business and technology audits, providing guidance to the Operations Review, Toll Revenue Audit, Information Technology Security and Finance Departments relating to SAP and/or Toll Revenue system auditing and security as well as new accounting standards and best practices. The Commission’s aim is to select an Independent Auditor who demonstrates a strong record of experience in auditing similar type entities.

I-5. Type of Contract. It is proposed that if a contract is entered into as a result of this RFP, it will be a fixed fee contract. The Commission may in its sole discretion undertake negotiations with Proposers whose proposals as to price and other factors show them to be qualified, responsible, and capable of performing the work.

I-6. Rejection of Proposals. The Commission reserves the right to reject any and all proposals received as a result of this request, or to negotiate separately with competing Proposers.

I-7. Subcontracting. Any use of subcontractors by a Proposer must be identified in the proposal. During the contract period use of any subcontractors by the selected Proposer, which were not previously identified in the proposal, must be approved in advance in writing by the Commission.

A firm that responds to this solicitation as a prime may not be included as a designated subcontractor to another firm that responds to the same solicitation. **Multiple responses under any of the foregoing situations may cause the rejection of all responses of the firm or firms involved.** This does not preclude a firm from being set forth as a designated subcontractor to more than one prime contractor responding to the project advertisement.

I-8. Incurring Costs. The Commission is not liable for any costs the Proposer incurs in preparation and submission of its proposal, in participating in the RFP process or in anticipation of award of contract.

I-9. Mandatory Pre-proposal Conference. A **mandatory** pre-proposal conference will be held **Monday, November 8, 2010 at 10:00 a.m.** in the Large Board Room at the Commission's Central Administration Building located at 700 South Eisenhower Blvd., Middletown, PA 17057. The purpose of this conference is to clarify any points in the RFP, which may not have been clearly understood. Questions can be forwarded prior to the meeting to ensure sufficient analysis can be made before an answer is supplied. Written questions should be submitted by email to RFP-Q@paturndpike.com with **RFP 10-10210-2800** in the Subject Line to be received no later than **November 3, 2010, by 12:00 p.m.** In view of the limited facilities available for the conference, it is requested representation be limited to **three (3)** individuals per Proposer. The pre-proposal conference is for information only. Answers furnished during the conference will not be official until verified, in writing, by the Issuing Office. All questions and written answers will be issued as an addendum to and become part of this RFP.

FAILURE TO BE REPRESENTED AND SIGNED IN AT THIS MANDATORY PRE-PROPOSAL CONFERENCE WILL BE CAUSE FOR REJECTION OF PROPOSAL.

I-10. Addenda to the RFP. If it becomes necessary to revise any part of this RFP before the proposal response date, addenda will be posted to the Commission's website under the original RFP document. It is the responsibility of the Proposer to periodically check the website for any new information or addenda to the RFP.

The Commission may revise a published advertisement. If the Commission revises a published advertisement less than ten days before the RFP due date, the due date will be extended to maintain the minimum ten-day advertisement duration if the revision alters the project scope or selection criteria. Firms are responsible to monitor advertisements/addenda to ensure the submitted proposal complies with any changes in the published advertisement.

I-11. Response. To be considered, proposals must be delivered to the Pennsylvania Turnpike Commission's Contracts Administration Department, Attention: Wanda Metzger, on or before **12:00 p.m. on November 30, 2010.** The Pennsylvania Turnpike Commission is located at 700 South Eisenhower Boulevard, Middletown, PA 17057 (Street address). Our mailing Address is P. O. Box 67676, Harrisburg, PA 17106.

Please note that use of U.S. Mail delivery does not guarantee delivery to this address by the above-listed time for submission. Proposers mailing proposals should allow sufficient delivery time to ensure timely receipt of their proposals. If the Commission office location to which proposals are to be delivered is closed on the proposal response date, due to inclement weather, natural disaster, or any other cause, the deadline for submission shall be automatically extended until the next Commission business day on which the office is open. Unless the Proposers are otherwise notified by the Commission, the time for submission of proposals shall remain the same.

I-12. Proposals. To be considered, Proposers should submit a complete response to this RFP, using the format provided in PART II. Each proposal should be submitted in **eight (8)** hard copies and one **complete and exact** copy of the technical proposal on CD-ROM in Microsoft Office or Microsoft Office-compatible format. to the Contract Administration Department. No other distribution of

proposals will be made by the Proposer. Each proposal page should be numbered for ease of reference. Proposals must be signed by an official authorized to bind the Proposer to its provisions and include the Proposer's Federal Identification Number. For this RFP, the proposal must remain valid for at least 120 days. Moreover, the contents of the proposal of the selected Proposer will become contractual obligations if a contract is entered into.

Each and every Proposer submitting a proposal specifically waives any right to withdraw or modify it, except as hereinafter provided. Proposals may be withdrawn by written or telefax notice received at the Commission's address for proposal delivery prior to the exact hour and date specified for proposal receipt. However, if the Proposer chooses to attempt to provide such written notice by telefax transmission, the Commission shall not be responsible or liable for errors in telefax transmission. A proposal may also be withdrawn in person by a Proposer or its authorized representative, provided its identity is made known and it signs a receipt for the proposal, but only if the withdrawal is made prior to the exact hour and date set for proposal receipt. A proposal may only be modified by the submission of a new sealed proposal or submission of a sealed modification which complies with the requirements of this RFP.

I-13. Economy of Preparation. Proposals should be prepared simply and economically, providing a straightforward, concise description of the Proposer's ability to meet the requirements of the RFP.

I-14. Discussions for Clarification. Proposers who submit proposals may be required to make an oral or written clarification of their proposals to the Issuing Office to ensure thorough mutual understanding and Proposer responsiveness to the solicitation requirements. The Issuing Office will initiate requests for clarification.

I-15. Best and Final Offers. The Issuing Office reserves the right to conduct discussions with Proposers for the purpose of obtaining "best and final offers." To obtain best and final offers from Proposers, the Issuing Office may do one or more of the following: a) enter into pre-selection negotiations; b) schedule oral presentations; and c) request revised proposals. The Issuing Office will limit any discussions to responsible Proposers whose proposals the Issuing Office has determined to be reasonably susceptible of being selected for award.

I-16. Prime Proposer Responsibilities. The selected Proposer will be required to assume responsibility for all services offered in its proposal whether or not it produces them. Further, the Commission will consider the selected Proposer to be the sole point of contact with regard to contractual matters.

I-17. Proposal Contents. Proposals will be held in confidence and will not be revealed or discussed with competitors, unless disclosure is required to be made (i) under the provisions of any Commonwealth or United States statute or regulation; or (ii) by rule or order of any court of competent jurisdiction. All material submitted with the proposal becomes the property of the Pennsylvania Turnpike Commission and may be returned only at the Commission's option. Proposals submitted to the Commission may be reviewed and evaluated by any person other than competing Proposers at the discretion of the Commission. The Commission has the right to use any or all ideas presented in any proposal. Selection or rejection of the proposal does not affect this right.

In accordance with the Pennsylvania Right-to-Know Law (RTKL), 65 P.S. § 67.707 (Production of Certain Records), Proposers shall identify any and all portions of their Proposal that contains confidential proprietary information or is protected by a trade secret. Proposals shall include a written

statement signed by a representative of the company/firm identifying the specific portion(s) of the Proposal that contains the trade secret or confidential proprietary information.

Proposers should note that “trade secrets” and “confidential proprietary information” are exempt from access under Section 708(b)(11) of the RTKL. Section 102 defines both “trade secrets” and “confidential proprietary information” as follows:

Confidential proprietary information: Commercial or financial information received by an agency: (1) which is privileged or confidential; **and** (2) the disclosure of which would cause substantial harm to the competitive position of the person that submitted the information.

Trade secret: Information, including a formula, drawing, pattern, compilation, including a customer list, program, device, method, technique or process that: (1) derives independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; **and** (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The term includes data processing software by an agency under a licensing agreement prohibiting disclosure.

65 P.S. §67.102 (emphasis added).

The Office of Open Records has determined that a third party must establish a trade secret based upon factors established by the appellate courts, which include the following:

- the extent to which the information is known outside of his business;
- the extent to which the information is known by employees and others in the business;
- the extent of measures taken to guard the secrecy of the information;
- the value of the information to his business and to competitors;
- the amount of effort or money expended in developing the information; and
- the ease of difficulty with which the information could be properly acquired or duplicated by others.

See Crum v. Bridgestone/Firestone North Amer. Tire., 907 A.2d 578, 585 (Pa. Super. 2006).

The Office of Open Records also notes that with regard to “confidential proprietary information the standard is equally high and may only be established when the party asserting protection shows that the information at issue is either ‘commercial’ or ‘financial’ and is privileged or confidential, and the disclosure **would** cause substantial competitive harm.” (emphasis in original).

For more information regarding the RTKL, visit the Office of Open Records’ website at www.openrecords.state.pa.us.

I-18. Debriefing Conferences. Proposers whose proposals are not selected will be notified of the name of the selected Proposer and given the opportunity to be debriefed, at the Proposer’s request. The Issuing Office will schedule the time and location of the debriefing. The Proposer will not be compared with other Proposers, other than the position of its proposal in relation to all other proposals.

I-19. News Releases. News releases pertaining to this project will not be made without prior Commission approval, and then only in coordination with the Issuing Office.

I-20. Commission Participation. Unless specifically noted in this section, Proposers must provide all services to complete the identified work. The Commission will make on-site office facilities available for auditing personnel. Telephone(s) will be provided for work related use. A Commission

representative will be available to assist in the scheduling (via Microsoft Outlook) of Commission personnel and conference rooms for meetings if necessary. Personal Computers (PCs) and any project related software are the responsibility of the certified public accounting firm and will not be provided by the Commission.

The independent audit will occur at the Commission's Central Office Building. The Commission offers flexible working hours to its employees with starting times ranging from 7:00 AM – 9:30 AM and ending times from 3:00 PM – 5:30 PM. Core hours of operation are 8:30 AM – 4:30 PM Monday – Friday. The selected independent auditor will need to plan and staff the audit accordingly so Commission employees are available to assist and answer questions.

The Commission will complete certain schedules (client prepared schedules) as agreed upon by the Commission and the selected auditor. The selected firm must meet with Commission representatives and agree upon the client prepared schedules by April 15 of each year.

I-21. Cost Submittal. The cost submittal shall be placed in a separately sealed envelope within the sealed proposal and kept separate from the technical submittal. **Failure to meet this requirement may result in disqualification of the proposal.**

I-22. Term of Contract. The term of the contract will commence on the Effective Date (as defined below) and will end after three (3) years. The Commission shall fix the Effective Date after the contract has been fully executed by the Contractor and by the Commission and all approvals required by Commission contracting procedures have been obtained.

I-23. Proposer's Representations and Authorizations. Each Proposer by submitting its proposal understands, represents, and acknowledges that:

- a. All information provided by, and representations made by, the Proposer in the proposal are material and important and will be relied upon by the Issuing Office in awarding the contract(s). Any misstatement, omission or misrepresentation shall be treated as fraudulent concealment from the Issuing Office of the true facts relating to the submission of this proposal. A misrepresentation shall be punishable under 18 Pa. C.S. 4904.
- b. The price(s) and amount of this proposal have been arrived at independently and without consultation, communication or agreement with any other Proposer or potential Proposer.
- c. Neither the price(s) nor the amount of the proposal, and neither the approximate price(s) nor the approximate amount of this proposal, have been disclosed to any other firm or person who is a Proposer or potential Proposer, and they will not be disclosed on or before the proposal submission deadline specified in the cover letter to this RFP.
- d. No attempt has been made or will be made to induce any firm or person to refrain from submitting a proposal on this contract, or to submit a proposal higher than this proposal, or to submit any intentionally high or noncompetitive proposal or other form of complementary proposal.

- e. The proposal is made in good faith and not pursuant to any agreement or discussion with, or inducement from, any firm or person to submit a complementary or other noncompetitive proposal.
- f. To the best knowledge of the person signing the proposal for the Proposer, the Proposer, its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last four (4) years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding or proposing on any public contract, except as disclosed by the Proposer in its proposal.
- g. To the best of the knowledge of the person signing the proposal for the Proposer and except as otherwise disclosed by the Proposer in its proposal, the Proposer has no outstanding, delinquent obligations to the Commonwealth including, but not limited to, any state tax liability not being contested on appeal or other obligation of the Proposer that is owed to the Commonwealth.
- h. The Proposer is not currently under suspension or debarment by the Commonwealth, or any other state, or the federal government, and if the Proposer cannot certify, then it shall submit along with the proposal a written explanation of why such certification cannot be made.
- i. The Proposer has not, under separate contract with the Issuing Office, made any recommendations to the Issuing Office concerning the need for the services described in the proposal or the specifications for the services described in the proposal.
- j. Each Proposer, by submitting its proposal, authorizes all Commonwealth agencies to release to the Commission information related to liabilities to the Commonwealth including, but not limited to, taxes, unemployment compensation, and workers' compensation liabilities.

PART II

INFORMATION REQUIRED FROM PROPOSERS

Proposals must be submitted in the format, including heading descriptions, outlined below. To be considered, the proposal must respond to all requirements in this part of the RFP. Any other information thought to be relevant, but not applicable to the enumerated categories, should be provided as an appendix to the proposal. Each proposal shall consist of two (2) separately sealed submittals. The submittals are as follows: (i) Technical Submittal, in response to Part II-1 through II- 9 hereof; (ii) Cost Submittal, in response to Part II-10 hereof.

The Commission reserves the right to request additional information which, in the Commission's opinion, is necessary to assure that the Proposer's competence, number of qualified employees, business organization, and financial resources are adequate to perform according to the RFP.

The Commission may make such investigations as deemed necessary to determine the ability of the Proposer to perform the work, and the Proposer shall furnish to the Issuing Office all such information and data for this purpose as requested by the Commission. The Commission reserves the right to reject any proposal if the evidence submitted by, or investigation of, such Proposer fails to satisfy the Commission that such Proposer is properly qualified to carry out the obligations of the agreement and to complete the work specified.

II-1. Statement of the Problem. State in succinct terms your understanding of the problem presented or the service required by this RFP.

II-2. Management Summary. Include a narrative description of the proposed effort and a list of the items to be delivered or services to be provided.

II-3. Work Plan. Describe in narrative form your technical plan for accomplishing the work. Use the task descriptions in Part V of this RFP for the fiscal year 2011 audit as your reference point. Also explain your approach for subsequent audits (fiscal years 2012 and 2013) as well as you approach to the additional auditing services and guidance activities discussed in Section I-4. Highlight the differences between the initial engagement and subsequent engagements. Modifications of the task descriptions are permitted; however, reasons for changes should be fully explained. Indicate the number of personhours allocated to each task.

II-4. Prior Experience. Include a narrative description of audit experience and qualifications. Specific experience with similar organizations (proprietary-type component units, state and local governments, etc.), SAP Enterprise Resource Software (including ACL, Direct Link or other auditing software) and implementation of required GASBs should be included. Experience should be related to audits performed by individuals who will be assigned to this project as well as that of your company. Previous audit engagements referred to should be identified and the name of the customer shown, including the address, and telephone number of the responsible official of the customer, company, or agency who may be contacted. Include a minimum of three (3) references

II-5. Personnel. Include the number and names where practicable, of auditors (staff, in-charges, managers, partners, etc.) who will be engaged in the work. Indicate the responsibilities each will have in this audit and how long each has been with your company and in their current roles. Include a resume or

similar document indicating the level of education and experience for each auditor who will be assigned to this engagement. If you are unable to identify the personnel who will be assigned to this work, please provide a list of requirements (education and experience) needed to obtain each level (staff, in-charge, manager, partner, etc.) in your organization. Identify subcontractors you intend to use and the services they will perform.

II-6. Auditor Information.

All firms submitting proposals should state:

- Whether they meet applicable Pennsylvania State licensing requirements.
- Their policies regarding notification of changes in key personnel.
- Whether they are independent, as defined by applicable auditing standards.
- Any relationship your firm has with the Pennsylvania Turnpike Commission.
- Whether they have been the object of any disciplinary action in the Commonwealth of Pennsylvania during the past four years

II-7. DBE/MBE/WBE Participation. The Turnpike Commission is committed to the inclusion of disadvantaged, minority, and woman firms in contracting opportunities. Responding firms shall clearly identify DBE/MBE/WBE firms, expected to participate in this contract, in their Proposal. Proposed DBE/MBE/WBE firms must be certified by the Pennsylvania Department of General Services (www.dgs.state.pa.us) or the Pennsylvania Unified Certification Program (www.paucp.com) at the time of the submission of the proposal. While D/M/WBE participation is not a requirement for this RFP, inclusion of D/M/WBEs will be a factor in the evaluation determination. **If further information is desired concerning DBE/MBE/WBE participation,** direct inquiries to the Pennsylvania Turnpike Commission's Contract Administration Department by calling (717) 939-9551 Ext. 4241.

II-8. Locations. List your firm's total number of locations and employees and the number of locations and employees in Pennsylvania. Also, please list the business address(es) of the personnel who will be assigned to the engagement.

II-9. Peer Review. A copy of your firm's most recent peer review report should be provided with the technical submittal.

II-10. Cost Submittal. The information requested in this section shall constitute your cost submittal. **The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal, separate from the technical submittal.**

Proposers should **not** include any assumptions in their cost submittals. If the proposer includes assumptions in its cost submittal, the Issuing Office may reject the proposal. The cost submittal should list the proposed fixed fee for annual audit services which includes the audits of both the Pennsylvania Turnpike Commission's Annual Financial and OPEB Trust financial statements for the three fiscal years ending May 31, 2011, 2012 and 2013 respectively. The cost submittal should include a detailed itemization (costs for each audit for each year should be clearly listed) of the proposed fixed fee.

- a. Direct Labor Costs.** Itemize to show the following for each category of personnel with a different rate per hour:

- (1) Category: e.g., partner, project manager, analyst, senior auditor, research associate.
 - (2) Estimated hours.
 - (3) Rate per hour.
 - (4) Total cost for each category and for all direct labor costs.
- b. Labor Overhead.** Specify what is included and rate used. If there is no labor overhead rate in your proposal, so state.
 - c. Travel and Subsistence.** Itemize transportation, lodging and meals per diem costs separately. Travel and subsistence costs must not exceed current Conus rates and IRS approved mileage rates. If there are no travel and subsistence in your proposal, so state.
 - d. Cost of Supplies and Materials.** Itemize. If there are no supplies and materials in your proposal, so state.
 - e. Other Direct Costs.** Itemize. If there are no other direct costs in your proposal, so state.
 - f. Total Cost.** List the sum of the costs in a. – e. The sum should equal the proposed fixed fee for each fiscal year.

The Commission may seek guidance on accounting issues and may require additional services to be performed during the term of this engagement. Please describe guidance/services that are considered part of your fixed fee proposal and guidance/services that are out of scope, such as those additional services discussed in Section I-4 Problem Statement above. Guidance and services determined to be out of scope, will be compensated at the standard hourly rates set forth in **a.** above.

The cost submittal should describe your firm's standard progress billing policy/procedures. The Pennsylvania Turnpike Commission will determine if your standard procedure is acceptable. The Commission and the selected Proposer will agree upon final contract terms.

Any costs not provided in the cost proposal will be assumed as no charge to the Commission.

The selected Proposer shall only perform work on this contract after the Effective Date is affixed and the fully-executed contract sent to the selected Proposer. The Commission shall issue a written Notice to Proceed to the selected Proposer authorizing the work to begin on a date which is on or after the Effective Date. The selected Proposer shall not start the performance of any work prior to the date set forth in the Notice of Proceed and the Commission shall not be liable to pay the selected Proposer for any service or work performed or expenses incurred before the date set forth in the Notice to Proceed. No Commission employee has the authority to verbally direct the commencement of any work under this Contract.

PART III

CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, a proposal should be (a) timely received from a Proposer; (b) properly signed by the Proposer; and (c) formatted such that all cost data is kept separate from and not included in the Technical Submittal.

III-2. Proposals will be reviewed and evaluated by a committee of qualified personnel selected by the Commission. This committee will recommend for selection the proposal that most closely meets the requirements of the RFP and satisfies Commission needs. Award will only be made to a Proposer determined to be responsive and responsible in accordance with Commonwealth Management Directive 215.9, Contractor Responsibility Program.

III-3. The following criteria will be used, in order of relative importance from the highest to the lowest, in evaluating each proposal:

a. Understanding the Problem. This refers to the Proposer's understanding of the Commission needs that generated the RFP, of the Commission's objectives in asking for the services or undertaking the study, and of the nature and scope of the work involved.

b. Proposer Qualifications. This refers to the ability of the Proposer to meet the terms of the RFP, especially the time constraint and the quality, relevancy, and recency of studies and projects completed by the Proposer. This also includes the Proposer's financial ability to undertake a project of this size.

c. Personnel Qualifications. This refers to the competence of professional personnel who would be assigned to the job by the Proposer. Qualifications of professional personnel will be measured by experience and education, with particular reference to experience on studies/services similar to that described in the RFP. Particular emphasis is placed on the qualifications of the project manager.

d. Soundness of Approach. Emphasis here is on the techniques for collecting and analyzing data, sequence and relationships of major steps, and methods for managing the service/project. Of equal importance is whether the technical approach is completely responsive to all written specifications and requirements contained in the RFP and if it appears to meet Commission objectives.

e. Cost. While this area may be weighted heavily, it will not normally be the deciding factor in the selection process. The Commission reserves the right to select a proposal based upon all the factors listed above, and will not necessarily choose the firm offering the best price. The Commission will select the firm with the proposal that best meets its needs, at the sole discretion of the Commission.

f. DBE/MBE/WBE Participation. This refers to the inclusion of D/M/WBE firms, as described in Part II-7, and the extent to which they are expected to participate in this contract. Participation will be measured in terms of total dollars committed or percentage of total contract amount to certified D/M/WBE firms.

PART IV BACKGROUND INFORMATION

IV-1. Background.

The Pennsylvania Turnpike Commission was created as an instrumentality of the Commonwealth of Pennsylvania on May 21, 1937, with powers to construct, operate, and maintain the Turnpike System, and to issue Turnpike revenue bonds, repayable solely from tolls and other Commission revenues. The Commission is considered a proprietary-type component unit of the Commonwealth of Pennsylvania and presents its financial statements on the accrual basis with a capital maintenance measurement focus. There are no other entities that would potentially qualify for inclusion in the Pennsylvania Turnpike Commission's financial reporting entity under accounting principles generally accepted in the United States.

The Commission consists of five members, one of whom is the Commonwealth of Pennsylvania's Secretary of Transportation. The other four are appointed for four-year terms by the Governor with the approval of a two-thirds majority of the Senate.

A copy of the Commission's fiscal 2010 audited basic financial statements is attached to provide additional information to interested vendors.

IV-2. Financial Management System and Availability of Commission Accounting Records and Data.

All Commission generated accounting data will be made available to the Independent Auditor during the engagement. The Commission currently uses the SAP ERP (Enterprise Resource Planning) software suite (version ECC 6.0). The SAP ERP software suite includes the following modules:

- General Ledger
- Accounts Payable
- Accounts Receivable
- Fixed Assets
- Treasury
- Project Systems
- Cost Center Accounting
- Profit Center Accounting
- Materials Management
- Purchasing
- Supplier Relationship Management
- Enterprise Buyer Professional
- Plant Maintenance
- Fleet Management
- Employee Self- Service Workflow
- Business Warehouse
- Benefits
- Personnel Administration
- Personnel Development

- Payroll
- Time Entry
- Cross Application Timesheets
- Organization Management
- Leave Management
- Personnel Cost Planning and Simulation
- Cross Application Timesheet
- Employee Self- Service
- Manager Self-Service
- SAP Portals
- CRM- Call center and marketing
- Workflow

Pennsylvania Turnpike Commission OPEB Trust:

The Financial statements of the Pennsylvania Turnpike OPEB Trust are prepared in Excel using statements from the Custodian. Following is some additional information about the Trust.

The Pennsylvania Turnpike Commission (the “Employer/Plan Sponsor”) has established the Pennsylvania Turnpike Commission OPEB Trust (the “Trust”). The Trust is intended to provide for funding of non-pension postemployment benefits for employees who meet the age and service requirements outlined in the Employer plan documents.

The Pennsylvania Turnpike Commission maintains a welfare plan program (the “Plan”), the purpose of which is to provide medical benefits for eligible retirees and their dependents who are in need of medical care. The Plan is a single employer, defined benefit plan. The Plan is not included in the financial statements of a public employee retirement system.

Plan benefit provisions and employee contributions, which are retained by the Employer, are established and may be amended by the Employer. The Plan provides certain postemployment medical, prescription drug, dental and vision benefits to management employees who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older. The Plan provides certain postemployment medical and prescription drug benefits to union employees who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older.

Membership consists of the following as of March 1, 2010, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	957
Fully eligible active plan participants	576
Other active plan participants	1,049
Total participant count	2,582

The Commission approved a Retiree Medical Trust Funding Policy whereby the Commission anticipates approving an annual contribution to the Trust in the amount of the Annual Required Contribution as determined by the Commission’s actuary during the approval of each Operating Budget.

The Trust is administered by the Trustees. PNC Bank serves as custodian/third-party administrator of the assets of the Trust. Payments from the Trust are made by the custodian at the direction of the Trustees

The Pennsylvania Turnpike Commission OPEB Trust is accounted for as a fiduciary fund. Accordingly, the basic financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB). The Trust implemented GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in 2009 as part of its initial basic financial statement presentation.

Employer contributions to the Trust are recognized when due and the Employer has made a formal commitment to provide the contributions. Claims are recognized when due and payable in accordance with the terms of the Plan.

PART V

WORK STATEMENT

V-1. Objectives.

It is the intent of the Commission to procure the services of a qualified independent certified public accounting firm to audit the Commission's financial statements and perform related services for fiscal years ending May 31, 2011, 2012 and 2013.

V-2. Nature and Scope of the Project.

The selected Independent Auditor will perform annual financial audits of the Commission's records for the fiscal years ending May 31, 2011, 2012 and 2013.

The selected firm will ensure the Commission's financial statements, required supplementary information, and notes to the financial statements conform to all applicable GASB pronouncements and requirements and that all of the GFOA's comments and suggestions for improvement in financial reporting techniques from the previous year's CAFR have been appropriately incorporated into the financial statements.

The audits will be conducted in accordance with auditing standards generally accepted in the United States as set forth by the American Institute of Certified Public Accountants.

The Independent Auditor will express an opinion on the fair presentation of the Commission's financial statements. The auditor's opinion is to include the scope of the examination, the fact that the audit was performed in accordance with auditing standards generally accepted in the United States, an opinion as to whether the statements conform to generally accepted accounting principles and a statement on procedures applied to supplementary information required by the Government Accounting Standards Board.

A management letter is required and should include statements on audit findings and recommendations affecting the financial statements, internal control, accounting system, legality of actions, instances of noncompliance with laws and regulations and any other material matters. A draft of the letter is to be reviewed by the Pennsylvania Turnpike Commission's Director of Operations Review. The Independent Auditor will review and perform limited procedures on the Commission's Management's Discussion and Analysis and ensure it is prepared in accordance with GASB 34.

The Independent Auditor will assist the Commission in its preparation of the Comprehensive Annual Financial Report (CAFR) for submission to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. Assistance will include: reviewing the CAFR to ensure all GFOA requirements are met; reviewing the CAFR application; assisting with the preparation and reviewing responses to the GFOA's previous year's comments and suggestions for improvement in financial reporting techniques; completing final word processing and production of the CAFR.

The Independent Auditor shall present to the Commission's Audit Committee the results of the annual audit.

V-3. Time Requirements, Deliverables and Commission Resources.

Each fiscal year's audit shall include routine entrance and exit conferences. The selected Independent Auditor will develop an audit program at the beginning of each fiscal year's audit. The audit program will include a timeline and milestones for completing the audit. The timeline and milestones must be reviewed with and approved by the Commission's Director of Operations Review or his designee. For the initial audit (fiscal 2011), the timing of this meeting will be agreed upon at a later date by the selected vendor and the Commission, but it will occur no later than March 31, 2011. For subsequent years, the review meeting will occur on or before April 15th.

The Commission will make on-site office facilities available for auditing personnel. Telephone(s) will be provided for work related use. A Commission representative will be available to assist in the scheduling (via Microsoft Outlook) of Commission resources and conference rooms for meetings if necessary. Personal Computers (PCs) and any project related software are the responsibility of the auditing firm and will not be provided by the Commission.

- The independent audit will occur at the Commission's Central Office Building. The Commission offers flexible working hours to its employees with starting times ranging from 7:00 AM – 9:30 AM and ending times from 3:00 PM – 5:30 PM. Core hours of operation are 8:30 AM – 4:30 PM Monday – Friday. The selected Independent Auditor will need to plan and staff the audit accordingly so Commission employees are available to assist and answer questions.
- The Commission will complete certain schedules (client prepared schedules) as agreed upon by the Commission and the selected Independent Auditor. The selected auditor must meet with Commission representatives and agree upon the client prepared schedules no later than April 30 of each fiscal year. The Commission will complete the majority of the client prepared schedules by the first business day following the July 31 each year.
- The selected firm will complete preliminary fieldwork by May 31st of each fiscal year. The Commission is anticipating an April 1, 2011 start date for the fiscal 2011 audit. Due to fiscal year end closing, Commission employees will have limited availability during the month of June to address audit questions.

The Independent Auditor will conduct periodic meetings with the Director of Operations Review for the purpose of discussing the audit status and progress in relation to the audit program (timeline and milestones) as well as any issues identified during the performance of the audit. The Independent Auditor will also prepare written progress reports. The progress reports will address the audit timeline, preliminary findings, and any major audit issues that the firm believes to be material. The frequency of the progress reports will be determined during the entrance conference.

The Independent Auditor will complete the audit and provide the Commission with an electronic copy of the typed Audit Report (audited financial statements) no later than August 15th following the close of each fiscal year. The auditor will also provide 20 printed, bound copies of the Audit Report no later than August 22nd following the close of each fiscal year.

The Audit Report will include the following: title page; table of contents; scope, opinion and other necessary paragraphs, Management's Discussion and Analysis; basic financial statements and additional information required to conform to all applicable GASB pronouncements and requirements.

The basic financial statements will include: balance sheets; statements of revenues, expenses, and changes in net assets; statements of cash flows; notes to financial statements; and any additional information required to conform to all applicable GASB pronouncements and requirements.

The Independent Auditor will mail the completed CAFR package (application, responses to previous year's comments and suggestions, and CAFR) to the Commission no later than November 20th following the close of each fiscal year. The auditor will also provide the Commission with an electronic file copy and 20 printed, bound copies of the CAFR by November 20th following the close of each fiscal year.

The Independent Auditor will retain all working papers for a minimum of five (5) years after the issuance of the respective fiscal year Audit Report. Such working papers will be available for examination by authorized representatives of the Pennsylvania Turnpike Commission.

Addendum No. 1

RFP #10-10210-2800

Annual Independent Audit Services

Following are the answers to questions submitted in response to the above referenced RFP up to and including questions submitted during the Mandatory Pre-Proposal Conference on November 8, 2010. All of the questions have been listed verbatim, as received by the Pennsylvania Turnpike Commission.

1. *Who takes the lead in preparing the financial statements?*

The Commission's Accounting and Financial Reporting Office.

2. *Is there assistance provided to the audit firm from the internal audit group and if so how many hours and in what audit areas?*

Yes. The Commission does not, however, have an accurate estimate of hours available for internal audit staff assistance. During recent annual financial audits, Operations Review Department staff performed trust indenture compliance, cash disbursement, payroll and unrecorded liabilities testing while the Toll Revenue Audit Department performed internal audits of key processes in the E-ZPass Customer Service Center and Violations Processing Center that could impact the basic financial statement audit as determined by the Independent Auditor.

3. *Who is the Actuary for the OPEB Plan?*

Ernst & Young, LLP was the actuary for the March 1, 2010; March 1, 2008 and February 28, 2006 actuarial valuations for the OPEB Plan.

4. *How many audit adjustments were made in the prior audit?*

The Commission is not aware of any significant audit adjustments made in the prior audit.

5. *What were the prior year audit fees?*

The fees for the fiscal 2010 audit services are \$134,398. This amount does not include fees for the 2010 audit of the OPEB Trust. The fee for the initial OPEB Trust audit for FY09 was \$38,000.

6. *How is the Turnpike Commission addressing the going concern issue going forward?*

The FY10 audited financial statements provide disclosure regarding the Commission's various obligations in the Management Discussion and Analysis portion of the statements. In addition there is a detailed discussion in the commitments and contingencies section in the notes to the financial statements (Note 8) regarding the Commission's commitments under the Act 44 Lease and Funding Agreement. The audited statements address the Commission's current as well as projected financial obligations.

7. *Is there any new debt issued in the audit period?*

The Commission does plan to issue additional debt during the audit period.

8. *Who takes the lead in the implementation of new GASBs?*

The Commission's Accounting and Financial Reporting Office

9. *Is there a separate Actuary report for the self insurance liabilities?*

Yes, there will be separate actuarial reports for self insurance liabilities.

10. *What type of audits does the Operations Review Internal Audit Department perform?*

The Operations Review Department performs all non-toll revenue related financial, compliance, technology and performance audits. In addition, this department also performs a variety of internal consulting activities such as contingency planning and other projects as requested by senior management.

11. *Is there a SAS 70 report for TransCore?*

No.

12. *Is there any change in the status of making Rt 80 a toll road?*

Not at this time.

13. *What type of assistance does the engineering firm provided pertaining the recording of Capital Assets?*

The Accounting staff works with the Commission's Engineering Department and other Commission Departments to determine when construction of assets is substantially complete and should be placed in service.

14. Who are the Interest Rate Managers for the SWAP transactions?

The specific nature of this question is unclear. Public Financial Management (PFM) was the Commission's swap advisor during the FY10 audit period. Separately, the Commission currently has twenty-one interest rate swap agreements with various counterparties among three credits.

15. Can we do interim work in January and February?

The successful provider may begin work once the contract is executed.

16. Does the Turnpike Commission maintain narrative documentation for its processes (i.e. ticket toll collections expenditure cycle etc.)

The Commission maintains narrative documentation for its key financial processes.

17. Is there any material litigation against the Turnpike Commission?

The Commission is covered by Act 152 approved September 28, 1978 which provides for a limited waiver of sovereign immunity by the Commonwealth. Damages for any loss are limited to \$250,000 for each person or \$1,000,000 in the aggregate.

There are currently approximately 92 open cases for personal injury and/or property damage pending against the Commission, none of which individually or in the aggregate are deemed to expose the Commission to a material risk of loss.

18. Is there a physical inventory taken at year end?

No. Inventory cycle counts are performed on a periodic basis.

19. When will final trial balances be available?

The Commission will work with the successful provider to determine a schedule for providing a final trial balance and other client prepared schedules. Although the Commission can typically provide a preliminary trial balance fairly early, we continue to post entries throughout the audit. As a result, the final trial balance usually is not available until the end of the audit.

20. What have been the fees paid to your current auditors under the current contract?

Fiscal Year Ending May 31, 2008	\$134,883
Fiscal Year Ending May 31, 2009	\$168,483*
Fiscal Year Ending May 31, 2010	\$134,398

* includes 2009 OPEB Trust audit fee of \$38,000

21. Will there be any audit assistance from the Commission? Internal Audit?

Please refer to question number 2.

22. Who prepares the financial statements? The Commission or the auditors?

The Commission's Accounting and Financial Reporting group prepares the financial statements. However, the Commission looks to the auditors for guidance to make sure all GASB requirements are being met.

23. What is the timing of your hard close of books in order for the auditors to come in and perform their procedures timely?

Please refer to question number 19.

24. Have there been any management letter comments and can they be shared with the group?

The Commission has not received the management letter comments for the fiscal year 2010 audit. We have received management letter comments for audit periods prior to FY10 and will share these comments with the successful firm once the contract is executed.

25. What is the magnitude of adjustments brought to the attention of management by the auditors and are there adjustments that have been passed on?

Please refer to question number 4.

26. Any information with regard to the number of hours and people the current auditor employs to complete your audits?

The Commission does not have this information.

27. What were the fees paid for the 2009 and 2010 audit?

Please refer to question number 20.

28. Were any additional services provided by the audit firm during the last contract, besides the audits outlined in the RFP? Do you anticipate any additional services being requested during the contract term?

The audit firm is currently completing a Financial Process Risk Assessment. The Commission anticipates requesting supplemental and/or advisory services on an as-needed basis.

29. ***Please clarify the due dates for the financial statement audit. On page 15 of the RFP it states that the Audit Report is due no later than August 22nd, but on page 16 it state that the CAFR is not due until November 20th. Auditor's opinion date on the 2010 CAFR was in October.***

At this time, the Commission issues both Basic Financial Statements and a Comprehensive Annual Financial Report. The Basic Financial Statements are "inserted" into the CAFR. Therefore, the date of the audit opinion should be the same in both reports. The FY 2010 basic financial statements have an opinion date of October 14, 2010; the audit opinion in the FY 2010 CAFR (which will be issued in November 2010) will be dated October 14, 2010.

The due dates in the RFP are accurate as stated.

30. ***Is the current contract being subcontracted and what firm is providing those services? Also what percentage of the current contract is performed by the DBE?***

No.

31. ***Who will be the members of the committee reviewing the RFP?***

The Commission's Director of Operations Review, Chief Financial Officer, Assistant Chief Financial Officer, Manager of Investment and Debt Accounting, Director of Toll Revenue Audit and the Information Systems Security Officer. This committee will record the strengths and weaknesses of each proposal and will forward these findings, along with the price proposals to the Audit Committee. The Audit Committee, which consists of the four sitting Commissioners will then select the successful firm.

32. ***What are most significant factors that board/committee will rely on to make its decision regarding selection of auditors?***

Please refer to Part III, Section III-3 of the RFP.

33. ***Typically, how many weeks are the auditors on-site and how many staff are on-site during those weeks.***

Typically, on-site test work is performed between July and the end of August with 1 to 4 external audit staff members on-site.

34. ***How many adjustments did the prior auditor propose? What was the nature of the adjustments?***

Please refer to question number 4.

35. *Who is responsible for preparing the financial statements?*

Please refer to question number 22.

36. *How many years have they been performing this function?*

Please refer to question number 22.

37. *Has there been any turnover in the accounting function recently?*

No.

38. *Are there any significant economic risk areas management is currently concerned with?*

Please refer to question number 6.

39. *Where there any disagreements with the legacy auditors?*

No.

40. *What new or unusual transactions such as sales of capital assets, new financing structures, or transactions planned for 2011?*

No new or unusual transactions are currently contemplated for FY11. However, the Commission will be implementing new Accounting Pronouncements as required.

41. *When are the books closed and ready for audit?*

Refer to question number 19.

42. *When have interim procedures typically been performed?*

The Commission will work with the selected provider regarding a schedule for completing interim work. The successful provider may begin work once the contract is executed.

43. *Have information technology auditors typically been involved with the audit? What was the extent and timing of the IT specialist's work?*

Information Technology auditors have been involved to document existing electronic controls regarding SAP and Toll Revenue systems.

44. *What was the audit fee for the prior three years?*

Please refer to question number 20.

45. *Were there any prior year audit findings or management comments?*

Please refer to questions number 4 and 24.

46. *What, if any, additional work/projects were current auditors asked to perform in past 12-18 months? What was general scope and fees?*

Please refer to question number 28. The fixed fee for this Risk Assessment is \$100,000.

47. *How many new bond issues/refinancing/swaps have occurred/do you anticipate to occur during the audit period? What is the breakdown?*

To date, during the audit period, the PTC has issued one mainline senior refunding, one mainline senior new money issue and two mainline subordinate new money issues (including special revenue bonds). We anticipate one mainline senior refunding and one mainline subordinate new money issues during the remainder of the audit period. We may execute new interest rate swaps or amend existing interest rate swaps depending upon market conditions.

48. *Has a CAFR been prepared for 2010? 2009? 2008?*

The CAFR for 2010 is being prepared. The Commission is restating its 2009 CAFRs which include restatements for fiscal year 2008. The 2009 CAFR will be reposted to the website once it is restated. The Commission does not plan to repost the 2008 CAFR.

49. *When can we get copies of the OPEB Trust statements?*

The Commission will provide these statements to the successful firm once the contract is executed.

50. *Please clarify due dates. Part I- Section I-4 says 8/15 due dates for financial statements. Was the October opinion date due to unforeseen circumstances or is the 8/15 date a "stretch goal"?*

Since the successful firm may begin work in January/February and the Commission's fiscal year end date is May 31, we consider 8/15 to be a realistic date for completion of the audited financial statements.

51. *Since a SAS70 is not available for operations performed by TransCore, are controls assessments performed by either PTC or independent auditors?*

Control assessments are performed by the Toll Revenue Audit Department. In addition, an annual PCI assessment is performed by an outside vendor. Also, quarterly network scans are performed by an outside vendor.

52. *Copy of the 2009 OPEB Trust Statement.*

Please refer to question number 49.

All other terms, conditions and requirements of the original RFP dated October 18, 2010 remain unchanged unless modified by this Addendum.

SIGN-IN SHEET
PREPROPOSAL CONFERENCE RFP #10-10210-2800

DATE: November, 8, 2010
 TIME: 10:00 AM

	COMPANY NAME	REP NAME	ADDRESS	PHONE	EMAIL
1	TEB TETNO/SCHWABER DOWNS	TEB	1133 PENN AVE, PITTSBURGH, PA 15222	412-693-5334	TEB@SDCMA.COM
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SIGN-IN SHEET
PREPROPOSAL CONFERENCE RFP #10-10210-2800

DATE: November, 8, 2010
 TIME: 10:00 AM

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