

## NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (“Authority”) held at the Office of the Commissioner in the Main Office Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on August 29, 2017 at 10:00 AM (EDT).

The following Authority members were present:

- Richard Hammer, NJTTFA Chairperson (Commissioner, New Jersey Department of Transportation)
- Anthony Longo, NJTTFA Treasurer (Manager, Office of Public Finance, New Jersey Department of the Treasury / Designee for the Honorable Ford M. Scudder, New Jersey State Treasurer) – [Via Teleconference]
- Gregory Lalevee, NJTTFA Vice Chairperson – [Via Teleconference]
- Nelson Ferreira, NJTTFA Public Member – [Via Teleconference]

Constituting a quorum of the Members of the Authority.

There were also present:

- Gary J. Brune, NJTTFA Executive Director; CFO, NJDOT
- Thomas Huth, Associate Counsel, Governor’s Authorities Unit - [Via Teleconference – Joining at 10:02 AM]
- Joseph Bertoni, Deputy Commissioner, NJDOT
- Brian E. McGarry, Deputy Attorney General, NJDOL
- Samuel Braun, NJTTFA Comptroller; Division of Accounting & Auditing, NJDOT
- Nicholas Hansen, Administrative Analyst, Division of Budget, NJDOT
- Linda Davino, Secretary to the Authority, NJDOT
- Jackie Brown, Assistant Secretary to the Authority, NJDOT

Chairperson Richard Hammer presided at the meeting and Linda Davino, Authority Secretary, kept the minutes.

Chairperson Richard Hammer convened the meeting at 10:00 AM. He introduced himself and made the following statement:

*"I wish to announce that adequate notice of today's meeting of the New Jersey Transportation Trust Fund Authority has been provided in accordance with the Open Public Meetings Act. Notice was filed with the Secretary of State. This notice was also e-mailed to five [5] newspapers of general distribution (The Trentonian, Trenton Times, Courier Post, Star Ledger, and the Atlantic City Press); posted on the Authority's website, and posted in the main entrance of the New Jersey Department of Transportation's Headquarters."*

Secretary Linda Davino called the roll. The following acknowledged their presence: Richard Hammer, Gregory Lalevee, Nelson Ferreira, and Anthony Longo.

After acknowledging that a quorum was present, Chairperson Richard Hammer called the first order of business by requesting a motion to approve the minutes of the TTFA Board meeting held on June 21, 2017.

Mr. Lalevee moved the following resolution approving the Authority's June 21, 2017 meeting:

**WHEREAS**, Article II, Section 8 of the Bylaws of the New Jersey Transportation Trust Fund Authority provides that the minutes of actions taken at the meetings of the Authority be approved by the Authority.

**NOW, THEREFORE, BE IT RESOLVED**, that the minutes taken at the meeting of June 21, 2017 of the New Jersey Transportation Trust Fund Authority are hereby approved.

Chairperson Richard Hammer asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Richard Hammer declared said motion carried and said resolution adopted.

For the next order of business, Chairperson Richard Hammer called upon Executive Director Gary Brune to lead a discussion pertaining to the need to appoint an auditor for the annual audit of the Authority's financial statements.

Mr. Brune stated due to a delay in the renewal of the state contract for audit firm services which expired on June 30, 2017 but extended to August 31, 2017, the Authority's Request for Proposal (RFP) was distributed to qualifying firms later than usual. The RFP's were sent to seven (7) qualifying firms and only one (1) firm, Mercadien, responded. The previous contract with Mercadien, covering the Fiscal Year 2015 audit and optional Fiscal Year 2016 audit, ended during Fiscal Year 2017. The new contract, secured via Treasury's expiring current statewide contract, is for two (2) years with an option for a third year and would cover the audits for Fiscal Year 2017, Fiscal Year 2018, and Fiscal Year 2019. Mr. Brune also noted that the audit is key for the production schedule for Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) established by the Office of Management and Budget. The Authority will wait the fifteen (15) day estoppel period to notify Mercadien of the award, approximately the middle of September.

Chairperson Richard Hammer asked if there were any further discussion and hearing. none, then requested a motion to adopt the resolution entitled Appointment of Auditor for Annual Audit of Financial Statements.

Mr. Longo moved the following Resolution:

**APPOINTMENT OF AUDITOR FOR ANNUAL AUDIT OF FINANCIAL STATEMENTS**

**WHEREAS**, pursuant to Section 17 of the New Jersey Transportation Trust Fund Authority Act of 1984, as amended, N.J.S.A. 27:1B-1 et seq. (the "Act"), the New Jersey Transportation Trust Fund Authority (the "Authority") is required to conduct an annual audit of its affairs and deliver a written report with respect to such audit to the Governor and the Legislature; and

**WHEREAS**, the Authority requires the services of a professional accounting firm with respect to the preparation of such audit; and

**WHEREAS**, in accordance with Executive Order No. 122 (McGreevey 2004) and the By-laws of the Authority, the Audit Committee assists the Board in retaining an independent auditor to conduct the annual audit; and

**WHEREAS**, pursuant to the auditor selection process set forth in Executive Order No. 122 (McGreevey 2004) and the By-laws, the Evaluation Committee conducts a solicitation and evaluation of eligible auditors and provides a written report to the Audit Committee, which then evaluates the report and makes a recommendation to the Board; and

**WHEREAS**, on June 23, 2017, the Evaluation Committee distributed a request for competitive price quotes for an auditor ("RFP"), a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, to the approved Pool 1 firms under State Contract T2458, Auditing Services Contracted Financing Auditing Firms ("State Contract T2458"), which RFP provided for the selection of a firm to serve as auditor for the Authority for the two (2) year term of Fiscal Year 2017 and Fiscal Year 2018, which engagement shall be renewable, at the option of the Authority, for the one (1) year term of Fiscal Year 2019, including the performance of the annual audit for Fiscal Year 2017 and Fiscal Year 2018, respectively, at the rates set forth in the winning firm's proposal and in accordance with State Contract T2458; and

**WHEREAS**, the Evaluation Committee received one response to the RFP from Mercadien, PC ("Mercadien"), reviewed and evaluated the response from Mercadien, and made a written recommendation to the Audit Committee to accept Mercadien's proposal, a copy of which proposal is attached hereto as Exhibit "B" and incorporated herein by reference (the "Proposal"); and

**WHEREAS**, the Audit Committee met on August 22, 2017, considered the Evaluation Committee's report, a copy of which is attached hereto as Exhibit "C", and determined to recommend to the Authority that it award the contract for auditor to Mercadien, and a copy of the Audit Committee's Report is attached hereto as Exhibit "D".

**NOW THEREFORE, BE IT RESOLVED**, that

1. The Authority hereby acknowledges receipt of the recommendation of the Audit Committee, which recommends that the Authority award the contract for auditor to Mercadien.
2. The Authority hereby authorizes the engagement of the firm of Mercadien to serve as auditor for the Authority for the two (2) year term of Fiscal Year 2017 and Fiscal Year 2018 and to perform the annual audit for the Authority for Fiscal Year 2017 and Fiscal Year 2018, which engagement shall be renewable, at the option of the Authority, for the one (1) year term of Fiscal Year 2019, including the performance of the annual audit for Fiscal Year 2019, all at the rates stated in and in accordance with the terms and conditions of State Contract T2458, the RFP and the Proposal.

3. The Authority hereby authorizes the Executive Director to take and do any and all acts and things as may be necessary or desirable in connection with such selection.

This Resolution shall take effect upon adoption in accordance with the Act.

Chairperson Richard Hammer asked if anyone had any questions or further discussion.

The members did not have any questions or discussion on the motion. The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Richard Hammer declared said motion carried and said resolution adopted.

For the next order of business, Chairperson Richard Hammer requested the consideration of officers to serve the Authority effective through Fiscal Year 2018. Chairperson Hammer requested a nomination for the position of Vice Chairperson to the Board. Chairperson Hammer recommended that Mr. Gregory Lalevee serve as Vice Chairperson. Mr. Ferreira moved the following resolution electing Mr. Gregory Lalevee as Vice Chairperson of the Authority through Fiscal Year 2018:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of Vice Chairperson and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Vice Chairperson;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Mr. Gregory Lalevee to serve in the capacity of Vice Chairperson through Fiscal Year 2018.

The above resolution was seconded by Mr. Longo and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Hammer declared said motion carried and said resolution adopted.

Next, Chairperson Richard Hammer requested a nomination for the position of Treasurer to the Board and Chairperson Hammer recommended that Anthony Longo, Manager, Office of Public Finance, NJ Department of the Treasury (Designee for the Honorable Ford M. Scudder) serve in the capacity of Treasurer of the Authority through Fiscal Year 2018. Mr. Lalevee moved the following resolution:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of a Treasurer and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Treasurer;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Mr. Anthony Longo, Manager, Office of Public Finance, NJ Department of the Treasury, Designee for the Honorable Ford M. Scudder, to serve in the capacity of Treasurer through Fiscal Year 2018.

The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Hammer declared said motion carried and said resolution adopted.

Next, Chairperson Richard Hammer requested a nomination for the position of Assistant Treasurer to the Board and Chairperson Hammer recommended that David K. Moore, Manager, Office of Public Finance, NJ Department of the Treasury serve in the capacity of Assistant Treasurer of the Authority through Fiscal Year 2018. Mr. Longo moved the following resolution:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of an Assistant Treasurer and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Assistant Treasurer;



**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects David K. Moore, Manager, Office of Public Finance, NJ Department of the Treasury, to serve in the capacity of Assistant Treasurer through Fiscal Year 2018.

The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Hammer declared said motion carried and said resolution adopted.

Next, Chairperson Richard Hammer requested a nomination for the position of Comptroller to the Board and Chairperson Hammer recommended that Samuel Braun, Division of Accounting and Auditing, NJ Department of Transportation, serve in the capacity of Comptroller through Fiscal Year 2018. Mr. Ferreira moved the following resolution:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of Comptroller and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Comptroller;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Samuel Braun, to serve in the position of Comptroller of the Authority through Fiscal Year 2018.

The above resolution was seconded by Mr. Longo and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Hammer declared said motion carried and said resolution adopted.

Next, Chairperson Richard Hammer requested a nomination for the position of Secretary to the Board and Chairperson Hammer recommended that Linda Davino, be nominated to serve as Secretary of the Authority through Fiscal Year 2018. Mr. Ferreira moved the following resolution:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of Secretary and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Secretary;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Linda Davino to serve in the capacity of Secretary through Fiscal Year 2018.

The above resolution was seconded by Mr. Lavee and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Hammer declared said motion carried and said resolution adopted.

Next, Chairperson Richard Hammer requested a nomination for the position of Assistant Secretary to the Board and Chairperson Hammer recommended that Jackie Brown be nominated to serve as Assistant Secretary of the Authority through Fiscal Year 2018. Mr. Lalevee moved the following resolution:

**WHEREAS**, the Bylaws of the Authority provide for the annual election by the Authority of Assistant Secretary and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Assistant Secretary;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Jackie Brown to serve in the capacity of Assistant Secretary through Fiscal Year 2018.

The above resolution was seconded by Mr. Ferreira and adopted on a call of roll as follows:

AYE: 4

NAY:

ABSTAIN:

ABSENT:

Chairperson Hammer declared said motion carried and said resolution adopted.

There being no further business coming from the Authority, Chairperson Richard Hammer requested a motion to adjourn the meeting. Mr. Lalevee moved that the August 29, 2017 meeting of the New Jersey Transportation Trust Fund Authority be adjourned. Mr. Ferreira seconded the motion, which was carried by unanimous vote.

The August 29, 2017 meeting of the New Jersey Transportation Trust Fund Authority ended at approximately 10:10 AM.

Respectfully Submitted,



Linda M. Davino,

Secretary of the Authority

# Exhibit "A"

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

June 2017

### I. PURPOSE

The New Jersey Transportation Trust Fund Authority (the "Authority") was created by the State of New Jersey (the "State") in 1984 to provide a stable, predictable funding mechanism for transportation projects undertaken by the New Jersey Department of Transportation (the "Department"). Transportation projects financed by the Authority include expenditures for the planning, acquisition, design, construction, repair, and rehabilitation of public facilities for ground, water or air transportation of people or goods. The Authority also finances State aid to counties and municipalities for transportation projects. The Authority is governed by seven members including the Commissioner of the New Jersey Department of Transportation (the "Commissioner") and the State Treasurer who serve as ex-officio members.

Through this Request for Proposal (the "RFP"), the Authority is soliciting responses from accounting firms interested in serving as Auditor for the Authority for *fiscal year 2017 (July 1, 2016 through June 30, 2017) and fiscal year 2018 (July 1, 2017 through June 30, 2018), renewable at the option of the Authority for a one year period for the fiscal year ending June 30, 2019*. The primary purpose of this contract is to complete a full audit of the *Authority's fiscal year 2017 and fiscal year 2018 financial transactions (periods ending June 30, 2017 and June 30, 2018)*. Questions concerning this RFP may be directed to Samuel Braun, Comptroller, NJ Transportation Trust Fund Authority; PO Box 600; 1035 Parkway Avenue; Trenton, NJ 08625 at 609-530-2402 or 609-530-2405 (fax).

### II. BACKGROUND (for a comprehensive overview see [www.state.nj.us/ttfa](http://www.state.nj.us/ttfa))

#### A. History

The Authority is a body politic and corporate of the state of New Jersey, with corporate succession, constituted as an instrumentality of the State organized and existing under and pursuant to the New Jersey Transportation Trust Fund Authority Act (the "Act"). For the purpose of complying with Article V, Section IV, Paragraph I of the State Constitution, the Authority is allocated within, but is independent of any supervision or control by, the Department. The purpose of the Authority is to provide the payment for and financing of all or a portion of the costs incurred by the Department for the State transportation system, including, without limitation, (i) the State's share (which may include State advances with respect to any Federal share) under Federal Aid Highway Laws of the costs of planning, acquisition, engineering, construction, reconstruction, repair resurfacing and rehabilitation of public highways, (ii) the State's share (which may include State advances with respect to any Federal share) of the costs of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of public transportation projects and other transportation projects in the State, and (iii) State aid to counties and municipalities for public transportation projects.

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

The Authority must submit a financial plan to the State Legislature explaining the financing of the transportation system projects that the Department has proposed for the upcoming Fiscal Year. The financial plan must contain an enumeration of the Authority revenues, including (i) the proceeds of any anticipated bond issues, (ii) investment income, and (iii) State appropriations. Additionally, the financial plan must include an aggregation of project expenditures for the current Fiscal Year.

Pursuant to the Act, the Commissioner may from time-to-time (but not more frequently than monthly) certify to the Authority an amount necessary to fund payments, made, or anticipated to be made, by or on behalf of the Department. The Authority is obligated to provide such amount from its revenues or other funds, including proceeds from the sale of bonds. The Act directs the Authority, within fifteen (15) days of receipt of the Commissioner's certificate, to transfer funds to the State Treasurer for deposit in a special fund maintained by the State Treasurer (the "Special Transportation Fund") in an amount equal to the amount so certified by the Commissioner. Expenditures from the Special Transportation Fund may be made on behalf of the Department only pursuant to legislative appropriations or authorizations. The Department provides such certificates on a monthly basis, when cash is necessary for transportation system improvement disbursements to minimize the amounts maintained in the Special Transportation Fund.

*The Act was renewed during Fiscal Year 2017.* Debt service is provided for by the constitutionally dedicated revenues derived from all Motor Fuels Taxes and all revenues derived from the Petroleum Products Gross Receipts Tax in each applicable fiscal year, and an amount equivalent to the revenues derived from the tax imposed under the Sales and Use Tax Act on the sale of new motor vehicles of not less than \$200 million for each applicable fiscal year. Statutorily dedicated revenues are derived from Toll Road Authority Contributions, Heavy Truck Registration Fees, and Good Drivers Surcharges. Statutorily dedicated revenues are subject to annual appropriation by the Legislature.

The 2016 reauthorization legislation also authorized bonding of \$12 billion in fiscal years 2017- 2024, the debt service for which will be paid solely from constitutionally dedicated revenues. These funding sources, as well as future pay-as-you-go appropriations from revenue dedications, will satisfy Authority fiscal needs during the reauthorized period.

Fiscal Year 2016 ended with outstanding Transportation System Bond and Transportation Program bond balances of \$16,720,883,754. As of December 31, 2016 the Authority had issued 2016 Series A and 2016 Series B Federal Highway Revenue Reimbursement Notes (Indirect Garvee bonds) for the purpose of paying State Transportation System Costs. The outstanding Indirect Garvee bond balance to date is \$3,241,425,000. Bond proceeds are combined with Authority revenues to fund State transportation improvement projects and to defease or refund a portion of the Authority's outstanding bonds. "Revenues" under the Bond Resolution include (i) all amounts appropriated by the State Legislature and paid to the Authority by the State Treasurer from the Transportation Trust Fund Account in the State General Fund, (ii) any other amounts appropriated by the State Legislature and paid to the Authority by the State Treasurer, or received by the Authority from any other source and pledged by the Authority as security for the payment of bonds, and (iii) interest received on any moneys or securities held pursuant to the Bond Resolution.

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

### B. Flow of Funds

Pursuant to the Bond Resolution, all revenues shall be promptly deposited by the Authority as received into the Transportation Improvement Fund. The Authority shall transfer or credit to the Trustee, for deposit in the following Funds and Accounts, on the following date and in the following order of priority the amounts set forth below, but only to the extent the amount in the Transportation Improvement Fund shall be sufficient therefore:

1. On or before each Payment Date with respect to each Series of Bonds for deposit in the Trustee Debt Service Fund, the amount, if any, so that the balance in the Fund shall equal or exceed the amounts of Debt Service on all Series of Bonds coming due on such Payment Date.
2. On or before the due dates thereof, for deposit in the Debt Service Fund, the amount of any Financing Facility Payment Obligations, *if applicable*.
3. On or before the due dates thereof, and subject and subordinate at all times to the payments, credits or transfers required pursuant to paragraphs 1 and 2 above, for deposit in the Subordinated Debt Fund, the amount of any principal, prepayment or redemption price, interest or other amounts payable in connection with any Subordinated Debt.

### C. Systems, Records, and Procedure

1. The Authority maintains its records for the governmental fund financial statements on a modified accrual basis. The State of New Jersey has implemented the changes defined in GASB 34 and any subsequent guidance.
2. All records pertaining to the Authority's Funds are available at the Office of the Director, Division of Accounting and Auditing, New Jersey Department of Transportation.
3. State appropriations are paid to the Authority in accordance with an appropriation schedule established by the Office of Management and Budget.
4. All Transportation Improvement Fund expenditures are disbursed by wire to the State's Special Transportation Fund. All disbursements to the Special Transportation Fund must be audited. Monies disbursed from the Special Transportation Fund are not included in this audit.
5. All Authority Operating and Cost of Issuance Expense is disbursed by the Authority's trustee bank by check, wire, or ACH payments, using a disbursement order requiring two authorized signatures. Approximately 100 disbursements were made during the Fiscal Year, which ended *June 30, 2016*.
6. All securities held by the Authority are purchased through the State's Division of Investments.
7. The Authority's short-term investments are held in the State of New Jersey's Cash Management Fund (Money Market).



# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

8. The State staff that maintains the Authority's books and accounts will be available to assist the auditors.

### III. Scope of Services

The principal accounting and auditing activities required of the accounting firm will include:

#### A. Annual Audit

Perform an annual audit of all the Authority's books, records and annual financial statements prepared in accordance with Generally Accepted Accounting Principles and in accordance with Generally Accepted Audit Standards, within sixty (60) days of the end of the State Fiscal Year including:

1. Examining deposits, vendors' vouchers, receipted bills, statements and any other supporting documentation.
2. Examining all of the Authority's accounts, obtaining evidence as to the existence of the funds in each account, and determining that fund balances have been classified properly.
3. Verification of monies transferred between different Authority funds and accounts.

#### B. Signed Reports

The issuance of a signed report(s) of audit to the Authority and Trustee that includes at least (i) a statement of assets and liabilities of all funds (including operational and investments) held by the Authority and the Trustee as of the end of such Fiscal Year, (ii) a statement of revenues, expenses and changes in fund balance of the Authority for such Fiscal Year, (iii) a statement of cash receipts and disbursements of the Authority for such Fiscal Year, (iv) a statement whether the balance in the Debt Service Reserve Account satisfies the requirements of the Bond Resolution and the Grant Anticipation Bond Resolution, if any, and (v) an opinion that the statements fairly present the financial position of the Authority;

#### C. Accountants Certificate

The issuance of an accountant's certificate as required by the bond trustee banks, which shall state whether or not, to the knowledge of the signer, the Authority is in default with respect to any of the covenants, agreements or conditions on its part contained in the Bond Resolution and the Grant Anticipation Bond Resolution, if any, and if so, the nature of such default.

#### D. Internal Control Reports

The issuance of separate reports to the Authority assessing the effectiveness of the Authority's internal control procedures, and recommending any changes to those procedures. Internal control assessments should be prepared annually and findings must be discussed in detail with the Authority.

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

### E. Bond Document Review

The review of the Authority's bond documents for the issuance, when appropriate, of comfort and/or consent letters to facilitate subsequent bond issues of the Authority.

### F. Financing Analysis/Review

The review and analysis of traditional fixed rate synthetic fixed rate bonds (auction rate bonds swapped to a fixed interest rate) and Capital Appreciation Bonds.

## IV. Information to be Provided In Your Proposal

### A. Firm Description

Provide a brief description of your firm. Also, include the most recent Peer Review opinion of your firm with the proposal.

### B. Audit Engagement Manager

List the education and experience of the Project/Engagement Manager and Principal that will be responsible for managing the on-site staff and ensuring quality and schedule goals are met.

### C. Key Staff

List the on-site auditors that will be assigned to this audit and include their education and experience.

### D. Firm Experience

1. Provide a detailed summary of the firm's recent experience *during the prior three calendar years ending December 31, 2016*, as an Auditor to large non-profit public agencies that issue bonds. Include the following information:
  - a. Name a *minimum of three clients* for references with telephone numbers and contact person
  - b. Dates of engagements
  - c. Personnel assigned
2. Describe the firm's experience in developing and reviewing accounting systems for high levels of internal control.
3. Provide a description of any experience with the analysis of synthetic fixed rate bonds and capital appreciation bonds in the prior two calendar years.
4. Detail the number of *government- wide annual audits* performed in the last three calendar years *in accordance with Governmental Auditing Standards*.

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

### E. Cost Proposal

1. Please provide your Cost Proposal as follows:
  - a. Hourly rates for different categories of professionals and break out of work hours by job title for each year of the contract.
  - b. List and provide resumes of employees to be assigned to this project by name and category.
  - c. Provide an estimate of non-labor disbursements if included as an additional cost.
  - d. Compensation for auditing Fiscal Year 2017, ending June 30, 2017.
  - e. Compensation for auditing Fiscal Year 2018, ending June 30, 2018.
2. The Authority will require the invoices for each service to include a breakdown of billed hours by date, task description, and personnel assigned.

### V. Proposed Evaluation Criteria

The Authority has appointed a committee to review the proposals submitted in response to this request and to make recommendations to the Authority's Board. The committee will review all proposals in light of the major evaluation criteria generally set forth below, which are not in order of importance.

1. The bidder's detailed approach and plans to perform the services required by the Scope of Work Section of this RFP.
2. The bidder's documented experience in successfully completing contracts of a similar size and scope to those required by this RFP.
3. The qualifications and experience of the bidder's management, supervisory or other key personnel assigned to the contract, with emphasis on documented experience in successfully completing work on contracts of similar size and scope to those required by the RFP and a Peer Review with an unqualified opinion.
4. The overall ability of the bidder to mobilize, undertake and successfully complete the contract

### Contract Terms:

The Authority shall notify the contractor of the number of final copies to be delivered. One copy shall be unbound and an electronic (pdf) file. The distribution of these reports shall be conducted by the Authority.

Audit work papers must be retained for a period of not less than three (3) years from the date of receipt of the contractor's final payment and be made available to the State and/or Authority when requested.

Litigation support is not included in the bid price. The contractor shall provide expert testimony when necessary regarding any litigation resulting from audit work done as part of this contract. Expert testimony support shall be provided at the hourly rates and by the labor titles listed on the contractor's budget for litigation support. The Authority will not assume any liability for the cost of the contractor's legal counsel. If, subsequent to the award of any contract resulting from this Request for Proposal, the contractor shall merge with or be acquired by another firm, the following documents must be submitted to the Director, Division of Purchase & Property:

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

## REQUEST FOR PROPOSAL FOR AUDITING SERVICES

May 2015

- a. Corporate resolutions prepared by the awarded contractor and new entity ratifying acceptance of the original contract, terms, conditions and prices.
- b. State of New Jersey Bidders Application reflecting all updated information including ownership disclosure.
- c. Vendor Federal Employer Identification Number.
- d. Completed Ownership Disclosure Form. The documents must be submitted within thirty (30) days of completion of the merger or acquisition. It should include the names and addresses of all its owners and potential owners which hold or may acquire 10% or more of its stock or interest. Failure to do so may result in termination of contract.

If subsequent to the award of any contract resulting from this Request for Proposal, the contractor's partnership or corporation shall dissolve, the Director, Division of Purchase & Property must be so notified. All responsible parties of the dissolved partnership or corporation must submit to the Director in writing, the names of the parties proposed to perform the contract, and the names of the parties to whom payment should be made. No payment should be made until all parties to the dissolved partnership or corporation submit the required documents to the Director.

### **VI. Submission of Proposal**

One original and four copies of your proposal should be sent to Samuel Braun, Comptroller, NJ Transportation Trust Fund Authority, Division of Accounting & Auditing, New Jersey Department of Transportation, 1035 Parkway Avenue, PO Box 600, Trenton, NJ 08625. All proposals will be expected by 2:00 p.m. on **July 31, 2017**. Any proposals received after this date and time will not be given any consideration.

The Authority reserves the right to accept a bid for the first year audit only, to reject any and all proposals and to waive any minor irregularities in a bid. Should the Authority accept a multi-year contract, which is subject to annual appropriation, it reserves the right to terminate the contract after the completion of each annual audit.

## **Exhibit “B”**

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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Proposal for Professional Audit Services for the Year Ended  
June 30, 2017 and Year Ending June 30, 2018

**SUBMITTED BY:**

Warren A. Broudy, CPA, RMA, CGFM, CGMA, PSA, Principal  
wbroudy@mercadien.com | 609-689-2326

 ORIGINAL

**JULY 31, 2017**

 **MERCADIEN, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
*A Mercadien Group Company*

P.O. Box 7648, Princeton, NJ 08543 | 609-689-9700 | Fax 609-689-9720  
1515 Market Street, Suite 1200, Philadelphia, PA 19102 | 215-854-4059

*Leading by Example* | [Mercadien.com](http://Mercadien.com)

July 31, 2017

New Jersey Transportation Trust Fund Authority  
Samuel Braun, Comptroller  
1035 Parkway Avenue  
P.O. Box 600  
Trenton, NJ 08625

Dear Mr. Braun:

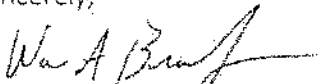
We welcome this opportunity to demonstrate why New Jersey Transportation Trust Fund Authority (the Authority) should engage Mercadien, P.C., Certified Public Accountants (Mercadien) to provide financial statement audit services for the year ended June 30, 2017 and year ending June 30, 2018. We believe the Authority will benefit from our expertise. Several factors uniquely qualify our firm:

- ^ Significant experience performing similar New Jersey state and local authority auditor services.
- ^ Half a century of experience and thought leadership in providing accounting, auditing and consulting services to numerous organizations, including over 20 years of experience in servicing various governmental entities.
- ^ Highly credentialed, knowledgeable team of professionals who understand state and federal laws, regulations and requirements for governmental financial reporting.
- ^ Delivering the Mercadien Client Experience.
- ^ Our long-term commitment to the governmental sector in not only being an auditor, but also an advisor throughout the year.

We will conduct the audit of the financial statements prepared in accordance with Generally Accepted Accounting Principles, in accordance with Generally Accepted Audit Standards, and Government Auditing Standards. Our audit process enables us to comply with our audit and professional standards, as well as allows the Authority to meet its objectives.

We look forward to your response and establishing an excellent working relationship with the Authority.

Sincerely,



Warren A. Broudy, CPA, RMA, CGFM, CGMA, PSA  
Principal

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### Attachments

- PEER REVIEW LETTER



## EXECUTIVE SUMMARY

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In response to your request for proposal, Mercadien is pleased to present this proposal to perform a financial statement audit and the issuance of other related certifications relative to debt issuance resolutions for the New Jersey Transportation Trust Fund Authority (the Authority) for the year ended June 30, 2017 and year ending June 30, 2018. Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. We propose to examine deposits, vendors' vouchers, receipted bills, statements and any other supporting documentation, as well as examine the Authority's accounts and determine that fund balances have been classified properly.

## FIRM DESCRIPTION

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MERCADIEN offers a full spectrum of accounting and advisory services, including traditional audit and financial reporting; federal, multi-state and international tax compliance and planning; compliance oversight, risk assessment and litigation support services; management and board consulting, as well as technology and wealth management solutions. Founded in 1963 and comprised of dedicated, experienced and highly credentialed professionals, the firm serves privately owned companies of nearly every type and industry, as well as financial institutions, nonprofit organizations, government entities, and wealthy individuals and families. The firm provides forward-thinking, relationship-driven financial and strategic services designed to maximize wealth and profitability, minimize taxes and risk, and evaluate systems and processes, while increasing efficiencies, for its many diverse and sophisticated clients.

**MERCADIEN P.C., CERTIFIED PUBLIC ACCOUNTANTS** - For more than 50 years, Mercadien has provided professional accounting services to numerous companies and organizations of varying industries, sizes and structures. In addition to audit and tax, we advise our clients on internal control procedures, accounting systems, cash flow management and budgeting, as well as routine financial operations and sophisticated management advisory issues. Our principals' professional memberships include the American Institute of Certified Public Accountants (AICPA), Pennsylvania Institute of Certified Public Accountants, New Jersey Society of Certified Public Accountants, The New York State Societies of CPAs, among numerous others. Our Government Services Group and Compliance Oversight Group are also affiliated with AICPA Government Audit Quality Center, Association of Government Accountants, Government Finance Officers Association, Public Company Accounting Oversight Board, Registered Municipal Accountants Association of New Jersey, and Association of Environmental Authorities of New Jersey.

A copy of our most recent 2016 external quality control review letter is attached, which included a review of specific government engagements. Mercadien received a rating of pass, with no deficiencies. There have been no federal or state desk reviews or field reviews of our audits in the past three years. In addition, there has been no disciplinary action taken and none is pending against the firm during the past three years with state regulatory bodies or professional organizations.

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Other Mercadien group companies include:

**MERCADIEN CONSULTING** – Uniquely designed problem prevention and solving methodologies assist entrepreneurs in increasing profitability. Through well-articulated, deliberate planning, we provide goal attainment strategies that enhance the entire breadth of your organization’s business operations.

**MERCADIEN TECHNOLOGIES** - Helps clients leverage technology in order to create new channels of revenue, lower cost structures, increase efficiencies, and provide increased value to customers and shareholders. Mercadien Technologies is a resource that enables your staff to concentrate on achieving strategic initiatives.

**MERCADIEN ASSET MANAGEMENT** - Provides personal and business financial planning to help clients attain their financial goals. Clients seek expert counsel to achieve wealth creation objectives through customized services tailored to meet their individual needs. Our strategic asset management offerings span the entire financial services spectrum, and we work in tandem with your CPA to integrate all of your business and personal goals.

**BDO ALLIANCE USA** - We are an independent member of the BDO Alliance USA, a nationwide association of independently owned local and regional accounting, consulting and service firms, with similar client service goals. The BDO Alliance USA presents an opportunity for firms to expand services to clients without jeopardizing our existing relationships or our autonomy by accessing the resources of BDO USA, LLP and other Alliance members. The BDO Alliance USA is a subsidiary of BDO USA, LLP, a Delaware limited liability partnership. We are able to offer several advantages to our clients, including the strength of a unified team of advisors in assurance, tax, financial advisory and consulting services, entrée to a network of professional advisors through our membership in the BDO Alliance USA, and access to the global BDO network with offices in over 150 countries.

Currently, our professionals by category are as follows:

STAFF LEVEL	TOTAL FIRM COUNT	TOTAL GOVERNMENT & COMPLIANCE SERVICES TEAM	TOTAL CPAS (PA, NJ, NY, NH, MO, CO)	ADDITIONAL CERTIFICATIONS
Principals (Partners)	19	6	15	RMA, CFF, CFE, CGMA, MST, MBA, PSA, CAMS, CCIFF, CGFM, PFS, CIA, PFS, CFMA
Directors	7	4	7	CGMA, CGFM, CAMS, PSA, MST, MBA, CRCM, CISA
Managers	9	2	5	PSA, CIRA, MST, CGMA, CRCM, CPM, MBA, CAMS
Supervisors/ Supervising Seniors	16	6	5	CFE, CGMA, CAMS
Seniors	15	4	1	EA, MACC
Staff/Entry/Associates	24	10	2	MBA, NP
Other Professionals	10	-	2	MBA, NP
Asset Management Group	4	-	-	CFP
Technology Group	12	-	-	
<b>Total</b>	<b>116</b>	<b>32</b>	<b>37</b>	

Additionally, Mercadien has a team of three technical and eight principal administrative assistants, as well as two floating assistants, to provide support to the professional teams. Both a technical and principal assistant would be assisting the team assigned to the Authority with clerical support.

#### Diversity at Mercadien

At Mercadien, we value diversity in the workplace. We feel the more diverse we are, the more successful we will be. We have a multilingual workforce, comprised of employees that speak over eleven different languages, which enables us to provide excellent service to all our clients, both at home and abroad. In addition, we are constantly growing and recruiting from a diverse pool of candidates.

## AUDIT ENGAGEMENT PRINCIPAL/MANAGER

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The Mercadien team assembled to meet the needs of the Authority possesses a wide range of skill sets, backgrounds, professional certifications and decades of hands-on experience.

Warren A. Broudy, CPA, RMA, CGFM, PSA, CGMA will lead the scoping and execution of this engagement, marshaling the appropriate professional resources within the Government Services Group. Warren is a managing director of The Mercadien Group and a principal with Mercadien, P.C., Certified Public Accountants. In his capacity at Mercadien he is responsible for the government services group's audit processes including but not limited to policies and procedures, resolving audit issues, training of staff, and evaluating and implementing internal control policies.

Digesh Patel, CPA, MBA, CGMA, PSA, a director/manager with Mercadien, P.C., Certified Public Accountants, will have day-to-day oversight responsibility. Digesh is a lead member of the Government Services Group with over ten years of experience and involved in the technical training of the firm's staff on new government, auditing and financial reporting pronouncements.

This is the same team that assisted the Authority in the past, therefore, we will bring unique efficiencies to the engagement with the Authority and the ability to hit the ground running upon appointment. This is the team that will ultimately ensure all quality and schedule goals are met.

Additionally, both Warren and Digesh are available to the Authority throughout the year to offer technical assistance as needed or to assist with implementing the most appropriate accounting pronouncements.

## KEY STAFF

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Mercadien believes that continuity is important in any engagement. We want our clients to feel confident knowing their engagements are managed by well-trained, committed, and passionate professionals year after year. We ensure staff consistency on all our engagements year to year, thereby creating efficiencies and further contributing to the value we provide our clients. From time to time, we may rotate engagement team members to bring a fresh set of eyes to the engagement. We take pride in the excellent service we provide our clients, and we pledge that the same superior quality of services will be extended to the Authority.

The engagement team will be finalized once we confirm your timetable and audit readiness. Primarily, the team will consist of Warren Broudy as the primary audit service partner, Digesh Patel as the manager, and Matthew Daly as the supervising senior. Because the Authority is a highly-valued client of ours, we will devote the necessary personnel to ensure your audit engagement goes smoothly and that the audit fieldwork is completed within about one week. As the principal ultimately responsible for your services at Mercadien, Warren will be personally involved in your audit engagement, and ensure it goes smoothly. We take pride in the excellent service we provide our clients, and we pledge that same superior quality of service will be extended to you and the Authority's team.

Mercadien believes that qualified, experienced staff members are integral to our audit philosophy. All of our accountants are graduates of major universities with degrees in accounting, and many are certified public accountants. It is our standard practice that a senior accountant assigned to a governmental audit will have at least three years of such experience.

Individuals working on your engagement will have satisfied the American Institute of Certified Public Accountants requirement of 120 continuing professional credit hours over a three-year period with a minimum of 20 credit hours per year, as well as United States General Accounting Office Requirements of 24 continuing professional credit hours in the governmental auditing area within the last two years. Resumes included in this section include:

Key Professionals	Position	Years Experience	Responsibilities
Warren A. Broudy, CPA, RMA, CGFM, PSA, CGMA	Principal	30+	Overall management of the audit engagement and financial reporting.
Digesh Patel, CPA, MBA, CGMA, PSA	Director/Manager	10+	Supervise fieldwork and initial review of annual financial statement.
Matthew Daly	Supervising Senior	5+	Fieldwork, including preparation of any necessary adjusting journal entries.
As needed	Staff	1+	Detailed audit testing.



Warren A. Broudy, CPA, RMA, CGFM, CGMA, PSA, Principal

Warren Broudy is a managing director of The Mercadien Group, principal with Mercadien, P.C., Certified Public Accountants, and chair of the firm's Compliance, Oversight and Government Services Groups. He brings over 30 years of professional experience in public accounting and the healthcare, government and commercial sectors to provide appropriate and beneficial audit, compliance, and risk management solutions to his clients.

Overseeing all facets of numerous and diverse engagements and leading knowledgeable and credentialed team members with a proven, consistent, proactive approach, Warren helps organizations meet their regulatory and contract compliance requirements; perform effective internal controls and fiscal and programmatic oversight; assess and remediate risks and exposures; improve business processes, reporting systems and decision-making abilities; ensure transparency and accountability; and achieve their financial and strategic objectives.

Highly regarded as an expert in audit program design and implementation, budgetary issues and financial reporting practices, Mr. Broudy specializes in performing financial statement and compliance audits, management and financial reporting, and agreed-upon procedures for state and local authorities, state agencies and commissions, municipalities, hospitals, and nonprofit and social service organizations throughout the Tri-State area. His experience encompasses services to all entities subject to Uniform Guidance, state and local reporting requirements, Government Auditing Standards, GAAP and other regulatory requirements, as well as services pertaining to EHR and Medicaid programs.

A Registered Municipal Accountant, Certified Government Financial Manager and Chartered Global Management Accountant, Warren is frequently sought out by major public and private entities to advise on financial and governance issues; review and provide official annual financial and debt statements, participate in budget and operational reviews, and provide documents required by counsel or banks in connection with bond compliance, debt offerings or financial statements.

Mr. Broudy is an active member the Association of Government Accountants, NJ Association of Counties and Association of Environmental Authorities, and the Government Finance Officers Association. He is a member of the American Institute and NJ Society of Certified Public Accountants, and is licensed to practice in NJ and PA.

Additionally, Warren earned a Bachelor of Business Administration degree in Accounting from Temple University; serves on the board as treasurer of the YMCA of Trenton and as president of the Meals on Wheels of Mercer County; and resides in Mount Laurel, NJ with his wife and their two children. Warren can be contacted at (609) 689-2326 or [wrbroudy@mercadien.com](mailto:wrbroudy@mercadien.com).



Digesh Patel CPA, MBA, CGMA, PSA, Director

Digesh Patel is a director with Mercadien, P.C., Certified Public Accountants with over ten years of experience. As a member of the Government Services Group, Digesh oversees financial, cost report and cost allocation, and compliance audits, as well as agreed-upon procedures and compilations, monitors bond compliance, evaluates internal controls, and monitors compliance with government auditing standards.

Digesh is the lead member of the firm's governmental practice and specializes in assisting clients with needs in the areas of internal control over financial reporting, budgeting, unaudited annual financial statements, cost allocation plans, annual and supplemental debt statements, bond ordinances and resolutions. He is also involved in the technical training of the firm with new audit and accounting pronouncements, local finance notices issued by the Division of Local Government Services, and hands-on training of professional staff in education and mentoring. In addition to performing financial audits, his expertise also includes audits in accordance with Uniform Guidance and New Jersey Circular Letter 15-08-OMB.

While attending Rider University, Digesh worked part-time for Mercadien as an auditor for the State of New Jersey Lottery Commission, where he observed the lottery drawings and performed agreed-upon procedures. He continues to work on this engagement as an auditor for the monthly and annual financial statement audit.

In May 2012, Digesh was awarded a Special Achievement Award by the Association of Government Accountants' Trenton Chapter for his contribution to government accounting and auditing.

Digesh is a member of the American Institute and New Jersey Society of Certified Public Accountants, as well as the Association of Government Accountants' Trenton chapter. He is also a board member, finance committee chair, and a member of the executive committee of CASA for Children of Mercer and Burlington counties; assistant treasurer of the Institute of Internal Auditors of Central Jersey and serves on the board of the Mercadien Foundation. Digesh is a graduate of Rider University with a Bachelor of Science degree in Accounting and a Masters of Business Administration. As an undergraduate, he was treasurer for the Asian Students at Rider organization. He resides with his wife and two sons in Bordentown Township, NJ. Digesh can be reached at (609) 689-2410 or at [dpatel@mercadien.com](mailto:dpatel@mercadien.com).



*Matthew Daly - Supervising Senior*

Matthew Daly is a supervising senior accountant at Mercadien, P.C., Certified Public Accountants, and a member of its Government Services Group. As an in-charge supervisor overseeing staff, he plans and performs audits and agreed-upon procedures for state and local authorities, state agencies and municipalities. Mr. Daly is also responsible for the evaluation of bond compliance and the completion of audit testing procedures for government client engagements.

Mr. Daly has experience assessing the effectiveness of clients' internal controls, as well as with financial reporting, disclosure and compliance issues of entities subject to Uniform Guidance, OMB 15-08, Government Auditing Standards, and state, local and municipal reporting requirements. Matthew is also an active member of the firm's Associate Advisory Committee.

He earned Bachelor of Science degrees in Accounting and Finance, with a minor in Psychology, from Lehigh University, where he was a member of several on-campus organizations, including the Accounting Club and Investment Management Group. He is a member of the Lehigh University Alumni Association, organizing and attending several charity and campus recruiting events annually.

Mr. Daly is also Treasurer for the Lady Margaret Animal Foundation and an active volunteer for CASA of Mercer County, NJ, as well as the Lymphoma Research Foundation. He is presently seeking his CPA certification and resides with his wife, Jill, in Doylestown, PA. Matt can be reached at (609) 689-2343 or at [mdaly@mercadien.com](mailto:mdaly@mercadien.com).



## FIRM EXPERIENCE

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### Government Services Group

A practice within the accounting firm, the Governmental Services Group was founded over 20 years ago and today serves nearly 40 clients, including numerous municipalities, state and local agencies and authorities, many of which are included in the reference section of this proposal. Mercadien remains at the forefront of the issues and trends affecting this unique sector of the national economy. Our highly-experienced and credentialed team of professionals are members of state associations and trade groups that serve governmental entities. We provide audit, accounting and advisory services on behalf of numerous municipal and government clients advising them on internal control procedures, accounting systems, cash flow management and budgeting, and statutory and regulatory compliance. Specific services provided are as follows:

- Accounting advisory services, including federal financial reporting disclosures
- Accounting policy and procedure recommendations and implementation
- Agreed-upon procedures engagements
- Annual audits
- Annual financial statement preparation
- Annual and Supplemental Debt Statements
- Arbitrage rebate calculations
- Attendance at rating agency conference calls
- Bond appendix preparation services
- Budget assistance
- Compilations and reviews
- Compliance oversight services
- Compliance reviews
- Compliance with federal, state and local government requirements
- Compliance with Local Bond Law
- Compliance with Local Budget Law
- Compliance with Local Public Contracts Law
- Compliance with New Jersey Administrative Code
- Compliance with local finance notices
- Compliance with requirements of audit
- Connection fee calculations
- Continuing disclosure requirement services
- Cost certification reviews
- Evaluation of trust funds
- Financial analysis
- Forensic reviews
- Grant compliance monitoring
- Indirect cost allocation plan
- Internal control procedure reviews
- Issuance of bond/consent letters for bond offerings
- Operational reviews
- Organizational and efficiency reviews
- Performance audits
- Refunding bond verification services

- Reviews for compliance with bond resolutions
- Single and Yellow Book audits
- Tax compliance services

**Operational and Management Reviews** - Members of our staff are experienced in performing operational and internal control reviews for a variety of organizations and businesses. These reviews include documentation of operations and development of suggestions that can be used to improve management and operational functioning within the organization. Additionally, staff members are involved in the development of long-range plans through the planning process, working with key individuals to examine current strengths and to develop long-term strategies. Our staff also works with the development of projections and long-range forecasts.

**Compliance Oversight Services** - From project oversight, contract and statutory compliance, budget monitoring, and risk assessment and remediation to governance, fraud control and technology programs, our professionals implement appropriate and effective audit, compliance and risk management solutions, and resultant valuable reporting systems, decision-making abilities and protection, for any type of entity subject to regulatory and contractual requirements. Mercadien's dedicated, highly experienced and credentialed teams develop programs and initiatives that provide proactive feedback, independent analysis, and proper transparency and accountability, that ensure compliance requirements and financial and strategic objectives are met. Compliance services include:

- Contract and Regulatory Compliance
- Risk Management
- Business Process and Control Improvements

Several of our principals and managers are recognized leaders in the area of compliance with government audit regulations. Organizations call upon them frequently to lecture and provide articles on the fundamentals of compliance issues such as various Governmental Accounting Standards Board (GASB) and Division of Local Government Services pronouncements and implementation issues, and related issues affecting governmental entities.

When, and as needed, we will make available to you our experts in various management consulting areas, who will respond to your financial and management needs.

#### Implementing Applicable Guidance

Over the years, we have assisted many governmental authorities, including the Authority in implementing the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 45- Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions;
- GASB Statement No. 53- Accounting and Financial Reporting for Derivative Instruments;
- GASB Statement No. 55- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;

- GASB Statement No 56- Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards;
- GASB Statement No 62- Codification of Accounting and Financial Reporting Guidance Contained in pre-November 30, 1989, FASB and AICPA Pronouncements;
- GASB Statement No. 63- Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;
- GASB Statement No. 64- Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53; and  
GASB Statement No. 65- Items Previously Reported as Assets and Liabilities.

### Unique Experience

As the prior auditor of the Authority, and the current auditor of the New Jersey Building Authority, the New Jersey Highlands Water Protection and Planning Council, and Tobacco Settlement Financing Corporation, we have an understanding of the unique requirements of government-wide and governmental fund financial statement audits, including the following:

- The basic financial statements consist of government-wide and governmental fund financial statements.
- The Authority, as a single program government, combines government-wide and governmental fund financial statements, which are linked together by a reconciliation.
- The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred.
- The governmental fund financial statements are prepared under current financial resources measurement focus and on the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recognized when the related liability is incurred. The exception to this rule is that principal and interest on long-term debt are recognized when due.

We are familiar with all the adjustments needed to convert the Authority's governmental fund financial statements to the government-wide financial statements as required under GASB Statement Number 34 and other applicable requirements per GASB pronouncements. We assisted the Authority in implementing GASB Statement No. 34 and comply with the standard in presenting government-wide financial statements.

For fiscal year ended June 30, 2017, the Authority audit will be subject to clarified standards under which the audit will be performed as a group audit since the Authority is a component unit of the State of New Jersey. The state auditor's office is involved in overseeing audit planning and fieldwork performed as part of this group audit. We have experience in working with the state auditor's office and are well aware of the process from other similar engagements.

### Our Experience with Developing and Reviewing Internal Control

Risk Assessment Standards (Statement on Accounting Standards Nos. 104 through 114) establish standards and provide guidance concerning the auditors' assessment of the risks of material misstatement (whether caused by fraud or error) in a financial statement audit; design and performance of tailored audit procedures to address assessed risks; audit risk and materiality; planning and supervision; and audit evidence.

### Our Experience with Analysis Related to Bonds

In the prior three calendar years, Mercadien P.C. has had three clients, New Jersey Healthcare Facilities Financing Authority, New Jersey Building Authority and New Jersey Transportation Trust Fund Authority, who currently have or have had financial instrument agreements, such as interest rate swap agreements, in relation to variable rate bonds to achieve a synthetic fixed interest rate. Thus, each entity pays a fixed rate of interest, based on each agreement, on a notional amount equal to the bond principal amount being hedged pursuant to such swap. The fair market value of the swaps was disclosed in each entity's notes to financial statements. Over the past five years, we have also audited capital appreciation bonds on the Authority audits, as well as the Mercer County Improvement Authority audits. Thus, we are familiar with all related financial reporting and disclosure requirements.

### Our Experience with Government-Wide Annual Audits

Over the past three calendar years, we have performed government-wide audits in accordance with Government Auditing Standards for the New Jersey Building Authority, New Jersey Highlands Water Protection and Planning Council, Tobacco Settlement Financing Corporation, and New Jersey Transportation Trust Fund Authority.

### Detailed Approach to Perform the Required Services

The following details our plans and approach to audit the Authority's financial statements:

- a. In the planning stage of your audit we will meet with the following to complete audit planning and internal control evaluation forms:
  - i. Audit Committee,
  - ii. Executive Director,
  - iii. Comptroller,
  - iv. Authority management, and
  - v. State auditors.
- b. We will then develop a planning memo that will include all schedules and documents needed to complete our audit. This planning memo will be sent to the Authority after the above meetings and before the beginning of audit fieldwork, and will include a timeline of the dates when each item will be needed.

- c. We will request that you provide us with the information necessary for the assembly of audit samples for testing internal controls and compliance, as well as the preparation of bank, bonds, legal and other confirmations. (We will provide you with lists of audit samples and confirmations prior to the start of fieldwork.)
- d. We will conduct “walk-throughs” of sample transactions in key audit areas to ensure our understanding of the way the Authority’s processes are supposed to be functioning and to serve as a guide for our evaluation of internal controls.
- e. Mercadien uses a risk-based approach for each of our audit engagements. This process allows us to focus our testing in areas where there may be heightened risk of material misstatement. These areas will be identified during the planning phase of the engagement. These standards require us to gain an even greater in-depth knowledge of the Authority and its operations, resulting in increased audit work relating to identified risk areas.
- f. We expect audit fieldwork to commence based on readiness of records and expect the audit fieldwork to be performed by a staff of two experienced in audits such as yours. Our fieldwork will consist of substantive tests of the Authority’s various accounts (e.g., cash, bonds, appropriations, and expenditures). It will also comprise of analytical procedures that may highlight unusual variations in account balances and “flag” areas for further examination. As required by Statement on Auditing Standards (SAS) 99, we will conduct interviews with members of management regarding their knowledge of any known or suspected fraud and/or noncompliance.
- g. Our audit procedures on any traditional fixed rate or synthetic rate bonds to determine correct account balances and financial statement disclosure will include:
  - i. Analysis of bond official statements to agree bond and bond issuance cost balances to Authority accounting records,
  - ii. Analysis of interest rate swap agreements to determine proper financial statement disclosures,
  - iii. Analysis of amortization on various bond related costs,
  - iv. Third-party confirmations, and
  - v. Audit of supporting documentation of bond principal and interest payments.
- h. During fieldwork, we will prepare the draft financial statements which will include:
  - i. Statement of Assets, Liabilities and Fund Balance for all funds,
  - ii. Statement of Revenues, Expenses and Changes in Fund Balance for all funds,
  - iii. Statement of Cash Receipts and Disbursements, and
  - iv. Notes to Financial Statements.

- i. We will issue the following reports:
  - i. Signed Independent Auditors' Report on the financial statements.
  - ii. Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with Government Auditing Standards. Any findings will be presented in accordance with the Government Auditing Standards and discussed with management.
  - iii. Accountants' certificate as required by the bond trustee bank and as noted in the scope of services in section III of the RFP.
  
- j. At the conclusion of the audit, we will meet with the Authority's management to discuss the financial statement and compliance audit results and any findings. We will also be available to meet with the Authority's Audit Committee to present audit results. If appropriate, we will provide you with a Management Advisory Letter commenting on any recommendations we have for improvements to your financial management and internal controls.
  
- k. Upon approval of the draft financial statements and related reports by management, we will finalize and bind the required amount of copies of the audited financial statements. We will also issue final Statement of Auditing Standards 114 (Audit Committee Communication Letter).

Other Audit Steps:

- Consistent with our reputation of providing an outstanding level of client service, our staff will be available to discuss any questions that the Authority's management may have throughout the audit (and beyond).
- As required by Generally Accepted Auditing Standards and Government Auditing Standards, management and the audit committee will be contacted immediately should fraud, suspicion of fraud, or un-auditable conditions be encountered.
- As is our practice, we will maintain clear audit working papers that will be organized in an easy-to-follow manner and that will demonstrate the appropriate levels of supervisory review. Those working papers will document the results of our analyses and testing and will support our audit conclusions.

We will also review the Authority's bond documents for the issuance of comfort and/or consent letters, as appropriate, to facilitate subsequent bond issues of the Authority.

All our working papers are titled (e.g., Cash, Accounts Payable, etc.) and show the names of the preparers and reviewers, as well as the dates in which they were prepared/reviewed. We will retain the papers for a minimum of three years and will retain ownership of them. We will make these workpapers available to the State or the Authority when requested.

**References**

<b>ORGANIZATION</b>	<b>CONTACT</b>	<b>DATES OF ENGAGEMENT</b>	<b>DESCRIPTION OF SERVICES</b>	<b>STAFF INVOLVED</b>
New Jersey Building Authority 50 West State Street 8th Floor PO Box 219 Trenton, NJ 08625-0219	Mike Jonas, Manager (609) 633-9082 michael.jonas@treas.state.nj.us	2004-2017	Annual financial statement audit; agreed-upon procedures- construction projects; agreed-upon procedure engagements to review contract expenditures; bond resolution compliance.	Warren Broudy Eugene Elias Digesh Patel Matthew Daly
Tobacco Settlement Financing Corporation, Inc. 33 West State St., 4th Floor Trenton, NJ 08625	Michele Ridge, Department of the Treasury Office of Management and Budget (609) 292-4242 Michele.Ridge@treas.nj.gov	2008-2010, 2013-Current	Annual financial statement audit; bond resolution compliance.	Warren Broudy Jill Ann Murphy Emily Hoffman
New Jersey Water Supply Authority 1851 Highway 31 PO Box 5196 Clinton, NJ 08809	Beth Gates, Executive Director (908) 638-6121 x252 bgates@njswa.org	2005-2014, 2017	Annual financial statement and single audits; agreed-upon procedures; arbitrage rebate calculations; bond resolution compliance.	Warren Broudy Emily Hoffman Kyle Need Digesh Patel Matthew Daly

## COST PROPOSAL

Our fees are based on the time expended by each of our staff and are calculated at their respective standard hourly rates. These rates are established on the basis of staff members' levels of experience and responsibilities, are quite fair, and very competitive with the rates of other CPA firms offering the types of services that we provide.

New Jersey Transportation Trust Fund Authority  
June 30, 2017-2018  
Cost Proposal

	Partner	Manager	Senior	Staff	Total
Hours	16	26	42	54	138
Hourly Rate	\$ 215	\$ 162	\$ 131	\$ 84	
Audit Cost	\$ 3,440	\$ 4,212	\$ 5,502	\$ 4,536	\$ 17,690
				Courtesy Discount	(2,690)
				Total Maximum Fee 2017	<u>\$ 15,000</u>
				Total Maximum Fee Optional - Year Ending June 30, 2018	<u>\$ 15,000</u>

Our fee is contingent upon the satisfactory condition of the books and records, the records being ready for audit by a mutually agreed-upon date, availability of underlying documentation, and the cooperation of staff in gaining access to the information we need. Should the Authority require additional accounting assistance we will discuss an additional fee arrangement with you before proceeding. We assure you that we will make every effort to hold our time to the absolute minimum necessary commensurate with the effort required. If our time is less than estimated on any engagement, we, of course, always bill you the lesser amount. If we encounter any unforeseen circumstances that may require significantly more time than anticipated, we will notify you promptly of the situation and the estimated added cost before proceeding with the services.

Any additional services will be provided at our standard hourly rates as follows:

STANDARD HOURLY RATES	
Principals	\$215
Senior Managers/Directors	\$162
Managers	\$131
Staff/Consultants	\$84



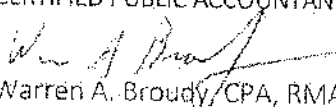
## CONCLUSION

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With our vast experience in serving the needs of many public bodies, we feel that Mercadien would be your best choice to provide the auditing services you require. Confident in our ability to assist the Authority in meeting its deadline at a manageable cost, we welcome the potential opportunity to work with you and the Governing Body. We are open to discuss any aspect of this proposal including the proposed engagement team, fee, and the opportunity to meet a competitor's price should you feel we are the most qualified firm. We look forward to your response and to the prospect of working with you.

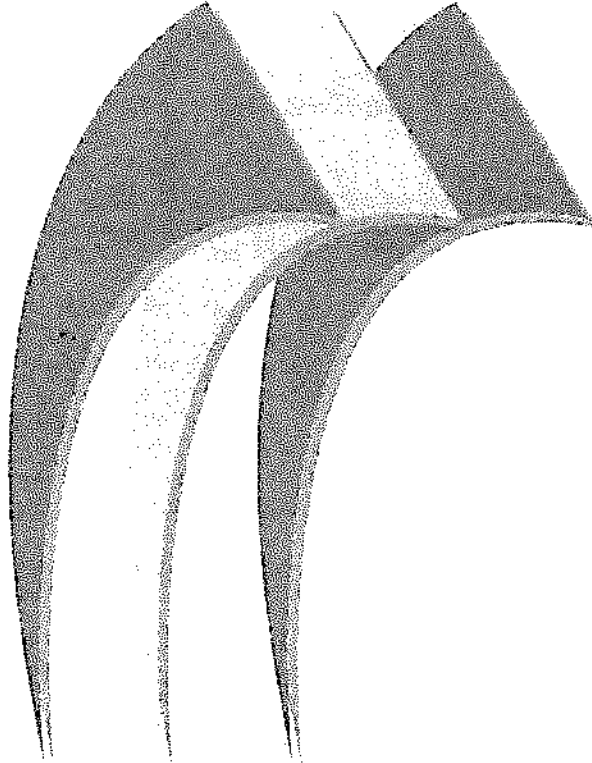
Sincerely,

MERCADIEN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

  
Warren A. Broudy, CPA, RMA, CGFM, PSA, CGMA  
Principal

# ATTACHMENTS

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**MARCUM**  
ACCOUNTANTS & ADVISORS

System Review Report

September 29, 2016

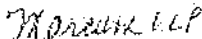
To the Partners of Mercadien, P.C., CPAs and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Mercadien, P.C., CPAs (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Mercadien, P.C., CPAs, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended May 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*.

Mercadien, P.C., CPAs has received a peer review rating of *pass*.



Marcum LLP



## Exhibit "C"



Chris Christie Governor | Kim Guadagno Lieutenant Governor

## NJ TRANSPORTATION TRUST FUND AUTHORITY

### Members:

The Honorable Ford M. Scudder  
The Honorable Richard T. Hammer, Chairman  
Gregory Lalevee, Vice Chairman  
Robert A. Briant, Jr.  
Nelson Ferreira

August 15, 2017

### **Report of the Evaluation Committee Meeting**

#### **Review of the Response to the Auditor Request for Proposal**

### In Attendance:

Anthony Longo, Member (Via Teleconference)  
Gregory Lalevee, Member (Via Teleconference)  
Nelson Ferreira, Member (Absent)

The Evaluation Committee (Committee) solicited responses from qualified audit firms in accordance with Executive Order #122 to perform the audit of the annual financial statements and other services for the New Jersey Transportation Trust Fund Authority (NJTTFA) for the fiscal year 2017 and fiscal year 2018.

The list of potential firms was solicited from the New Jersey Department of the Treasury, Division of Purchase and Property.

The Committee disbursed seven requests for proposal (RFP) and received one response. The responding firm was:

1. Mercadien, P.C.

The Committee members reviewed the response of the firm and determined the firm to be a qualified response. The response addressed all requirements of the RFP as established by the Committee and management of the NJTTFA

The firm submitted fees for the annual financial audit as follows:

1. Mercadien, P.C., \$15,000 for fiscal years 2017 and 2018.

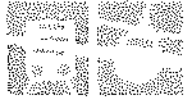
There are established fees for management advisory and consulting services in the response for future agreed upon procedures, if deemed necessary

The Committee hereby recommends Mercadien, P.C., to the Audit Committee as a qualified candidate to be the NJTTFA auditor for fiscal year 2017 and 2018, and potential recommendation to the board of Directors of the NJTTFA. The Committee met on Tuesday, August 15, 2017.

Respectfully submitted on behalf of the Evaluation Committee,

  
Gregory Lalevee, Member

## **Exhibit "D"**



Chris Christie, Governor | Kim Guadagno, Lieutenant Gov.



# NJ TRANSPORTATION TRUST FUND AUTHORITY

**Members:**

The Honorable Ford M. Scudder  
The Honorable Richard T. Hanimer, Chairman  
Gregory Lalevee, Vice Chairman  
Robert A. Briant, Jr.  
Nelson Ferreira

August 22, 2017

## **Report of the Audit Committee Meeting**

### **Review of the Evaluation Committee Recommendation for Auditor**

**In Attendance:**

Anthony Longo, Member  
Joseph Bertoni, Member  
Robert A. Briant, Jr., Member

The Audit Committee (the Committee) reviewed the recommendation for a qualified audit firm in accordance with Executive Order #122 to perform the audit of the annual financial statements and other services for the New Jersey Transportation Trust Fund Authority (NJTTFA) for Fiscal Year 2017 and Fiscal Year 2018, renewable at the option of the Authority for Fiscal Year 2019, as submitted by the Evaluation Committee on August 15, 2017.

The list of potential firms was solicited from the New Jersey Department of the Treasury, Division of Purchase and Property.

The Evaluation Committee disbursed seven requests for proposal (RFP) and received only one response. The responding firm was Mercadien, P.C.

The Evaluation Committee members reviewed the response of the firm and determined the firm to be a qualified response. The response addressed all requirements of the RFP as established by the Committee and management of the NJTTFA.

The firm submitted fees for the annual financial audit as follows: Mercadien, P.C., \$15,000 for fiscal years 2017 and 2018. There are established fees for management advisory and consulting services in the response for future agreed upon procedures, if deemed necessary



The Audit Committee hereby recommends Mercadien, P.C., to the Board as a qualified candidate to be the NJTTFA auditor for Fiscal Years 2017 and 2018 for approval by the Board of Directors of the NJTTFA. The Committee met on Tuesday, August 22, 2017.

Respectfully submitted on behalf of the Audit Committee,

  
Robert A. Briant Jr., Member