Erie I BOCES
Auditing Services for Internal Controls
Technical Proposal

May 9, 2011

Submitted by:
Hungerford Vinton, LLC
Timothy Hungerford, CPA, CIA, CFE
200 Buell Road, Suite B9
Rochester, NY 14624
585-426-2260 x202
timh@hvaudit.com
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5/9/2011

Mr. James Fregelette  
Board of Cooperative Educational Services  
First Supervisory District, Erie County  
355 Harlem Road  
West Seneca, NY 14224

Dear Mr. Fregelette, and Members of the Audit Committee and Board:

Hungerford Vinton, LLC is pleased to present this proposal to perform select internal auditing services for Erie 1 BOCES for the year ending June 2012, with the option to renew for four subsequent years through 2016. We believe our professional experiences and qualifications in working successfully with school districts and governmental agencies throughout Western New York makes us expressly capable to serve your needs.

We present this proposal as our offer of professional services in detail. If you require clarification regarding specifics addressed in this document we would thank you for the opportunity to address your concerns and to present our qualifications. It is our intention in this document to demonstrate our unique ability to further enhance the BOCES internal control environment by providing our independent certified public accounting firm as your best choice in providing internal auditing services.

Our professional staff is confident that we will provide quality services to Erie 1 BOCES that are both comprehensive and equitable. Through our diversified experiences we will provide vital independence to interpreting information, identifying potential exposures and recommending solutions. Historically, our clients view us as a ‘partner’, working with district staff to create, plan and manage operations within the constraints of the governmental environment, while remaining compliant with New York State standards.

Thank you for the opportunity to present this proposal. We look forward to partnering with BOCES and providing your professional staff with our knowledge base, accessibility and enthusiasm for internal audit and controls. Please feel free to contact us with your questions or comments.

Sincerely,

Timothy C. Hungerford, CPA, CIA, CFE, CGAP, CMA, CISA, CFF  
Hungerford Vinton, LLC
Independence Statement

Hungerford Vinton, LLC certifies that we are independent of the Erie 1 BOCES business operations as defined by generally accepted auditing standards, the U.S. General Accounting Office’s Government Auditing Standards (1994 Revision) and the Institute of Internal Auditors. Hungerford Vinton, LLC have no prior relationships with the Erie 1 BOCES in the last 5 years. Hungerford Vinton, LLC will give written notice to the Erie 1 BOCES if any changes to this independence statement arise.

Conflicts of Interest

To the best of our knowledge, NO member of Hungerford Vinton, LLC is in conflict with or has a relationship with Erie 1 BOCES, the Audit Committee, or the Board of Education.

Firm Profile

INTERNAL AUDIT FIRM AND FOCUS:

Hungerford Vinton, LLC (HVaudit) was established in 1997 to provide Internal and specialized audit services for municipalities, not-for-profits and corporations. Unlike any other CPA firm in New York State, Hungerford Vinton, LLC derives the majority of its revenues from Internal and specialized audit services. The benefits of working with our niche internal audit firm include:

- Experiencing NO tax season resource constraints that distract from clients needs
- Dealing with experienced staff with memberships and certifications that emphasize internal audit services, such as the Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and the Certified Government Auditing professional (CGAP)
- Working with experienced staff and consultants that have actually worked in an internal audit department, and participate in the regional and national organizations of Internal Auditors
- Eliminating the conflicts of interest associated with bidding on both internal and external auditing requests from clients
- Knowing that you are working with a niche firm that is still peer reviewed and meets the requirements of a New York State CPA firm

Hungerford Vinton, LLC currently consists of nine personnel. This includes four employees and five project-based certified public accountants. In accordance with Governmental Auditing, our staff and consultants responsible for planning, directing, conducting, or reporting on internal audits have completed eighty hours of continuing education and training in the past three years, at least twenty-four hours of which is directly related to the governmental environment and governmental auditing.
Peer Review

Rating of: PASS – Highest Rating

R. A. Mercer & Co., P.C.

Certified Public Accountants
6455 Lake Avenue
Orchard Park, New York 14127
(716) 675-4270 Fax (716) 675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA, 1931-1983
Cathie J. Briggs, CPA *
Kenneth S. Frank, CPA
Roger J. Liu, Jr., CPA *
Kathryn A. Larracuente, CPA
Julie L. Jagoda, CPA
Denise D. Voinski, CPA

Robert W. Irwin *
* Also Licensed in Pennsylvania

System Review Report
November 2, 2009

To the Partners of
Hungerford Vinton LLC
And the Peer Review Committee of the NYSSCPA

We have reviewed the system of quality control for the accounting and auditing practice of Hungerford Vinton LLC (the firm) in the effect of the year ended June 30, 2009. 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. 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/ps/summary.

As required by the standards, engagements selected for review included Government Auditing Standards.

In our opinion, the system of quality control for the accounting and auditing practice of Hungerford Vinton LLC in effect for the year ended June 30, 2009, 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. Hungerford Vinton LLC has received a peer review rating of pass.

R. A. Mercer & Co., P.C.

R. A. Mercer & Co., P.C.
Staff Profile

Individuals to perform services for the Erie 1 BOCES include:

**Timothy C. Hungerford, CIA, CPA, CMA, CFM, CFE, CISA, CGAP, MBA**

Tim has over 25 years of experience in public and industry accounting, auditing and management consulting. After gaining his CPA experience at a regional CPA firm, and prior to founding Hungerford Vinton, LLC, he spent seven years at Eastman Kodak in various financial positions including internal audit. He has a master’s degree in finance from Rochester Institute of Technology, and a bachelor’s degree in accounting from Niagara University. He has worked with all clients of Hungerford Vinton, LLC in some capacity, and will be the main individual in charge of meeting the expectation of Erie 1 BOCES. Tim is highly regarded in the Rochester community for his knowledge and experience in internal auditing and fraud. Currently, he is a member of the Board of Governors for the Rochester Chapter of the Institute of Internal Auditors (IIA) and a frequent lecturer on continuing professional education topics on internal audit.

**Mary Kay Star, MBA**

Mary Kay has been the Quality Manager of Internal Auditing services for Hungerford Vinton, LLC since 2007. She has a bachelor’s degree in economics from the State University of New York at Geneseo, and a master’s degree in business administration from the Simon School at the University of Rochester. She has over 25 years of experience that includes several years in the internal audit department of Xerox Corporation.

**Anne Wakeman, CPA, MBA**

Anne is a Senior Internal Auditor for Hungerford Vinton, LLC since 2010. She has over 20 years of business, internal audit and finance experience. She spent approximately seven years with the Eastman Kodak internal auditing department. Anne has a bachelor’s degree in finance from State University of New York, at Buffalo, and a master’s degree in finance from the Rochester Institute of Technology.

Continuing Professional Education

Utilizing the different resources within its Affiliations, Hungerford Vinton LLC typically exceeds the amount of CPE’s required for the certifications held. Specifically related to School District Internal Audit, we participate in the Foundation of Accounting Education’s School District Conference annually in Albany, NY.


We also regularly attend meetings and continuing professional education opportunities provided by our local Rochester chapters of the Institute of Internal Auditors, NYSSCPA’s, and Institute of Management Accountants. Tim Hungerford is also a presenter of various continuing education on fraud and internal auditing topics to each of these chapters.
Internal Audit & Related Experience

All staff profiled in this proposal have worked as, in, or with the following internal audit departments performing internal audit related services:

School Districts
- Lockport City School District
- Brockport Central School District
- Rochester City School District
- Victor Central School District
- Rush Henrietta School District

University
- Rochester Institute of Technology

Corporations
- Moog, Inc.
- Eastman Kodak
- Excellus Blue Cross / Blue Shield
- County of Monroe
- Frontier Communications
- Carestream Health
- Sun Chemical
- Fuji Medical Systems
- Xerox

Specific to the governmental environment and governmental auditing, our experience includes:

School Districts
- Lockport City School District
- Brockport Central School District
- Rochester City School District
- Victor Central School District
- Rush Henrietta School District

Local Governments
- County of Monroe
- Town of Parma
- Town of Clarendon
- Town of Newfane
- Town of Hamlin

Governmental Affiliates
- Kinship Family and Youth Services
- North Greece Fire Department
- Walker Fire Department
Affiliations

School District Internal Audit Alliance (SDIAA)
Rochester Chapter of the Institute of Internal Auditors (IIA)
American Institute of Certified Public Accountants (AICPA)
New York State Society of Certified Public Accountants (NYSSCPA)
Association of Fraud Examiners (ACFE)
Institute of Management Accountants (IMA)
Association of Airport Internal Auditors (AAIA)
Information Security and Controls Association (ISACA)

References

Deb Coder
Asst Supt for Finance & Mgt Services
Lockport City School District
130 Beattie Avenue
Lockport, NY 14094
716-478-4828

Jill Reichhart
Brockport Central School District
40 Allen St
Brockport, NY 14420
(585) 637-1810
jreichha@bcs1.org

Mary Gavigan
Director of Finance
Town of Parma
1300 Hilton Parma TL Road
Hilton, NY 14468
585-392-9462

Mark Harris
Vice President, Corporate Audit
Excellus Blue Cross/Blue Shield
585-453-6445
mark.harris@excellus.com

Scott Donovan
Director of Internal Audit
Carestream Health, Inc.
150 Verona Street
Rochester, NY 14608
585-627-6642
scott.donovan@carestreamhealth.com
Internal Audit Approach

We will utilize the following approach to satisfy the internal audit needs of Erie 1 BOCES school districts:

Development of the Audit Universe with Risk Assessment

An audit universe is comprised of all the auditable units or areas encompassed by the school districts. We use personal interviews, financial reports, policies, procedures and our knowledge of information systems to develop the audit universe. The audit universe and auditable units are based on functions or cycles (i.e. payroll processing, cash collections, etc.) and geographical areas (i.e. administrative offices, school buildings, etc.). The auditable units will be evaluated through our risk assessment and ranked by us based on their financial, transactional, personnel, political and other key impacts. These rankings are used to understand which auditable areas of the audit universe require immediate or more frequent audit reviews. The audit universe is reviewed annually with the Audit Committee and adjusted for the changing environment within the District.

Audit Plan Development

The audit plan is the guideline used to determine internal audit workload. Based on the audit universe risk assessment rankings and input from the Audit Committee, the audit plan will be developed and monitored regularly. It is expected that approximately 75% of the internal audit work will be derived from the audit plan. The remaining 25% of the workload will be special projects that arise, including areas targeted by the Audit Committee for intensive review. Any issues or tasks that arise outside of the audit plan that require immediate attention will be brought to the Audit Committee.

Internal Audit Work

We develop a customized planning memo, audit program, and audit report format for each audit engagement that will be used by our staff and reviewed, as required, and in the preferred format by the Audit Committee. The planning memo will be based on our initial meeting and review of the audit work planned. The objective is to outline the scope of the work to be performed based on the size of the operation, key contacts, expected exposures, timing of the audit and resources required.

We will use a combination of our specialized audit programs and generally accepted audit resources to develop the audit program. The audit program includes the detailed audit tests to be conducted during the audit to test the system of internal controls. The test work will determine if the controls are actually being followed, and if they are effective. In addition, we will perform random testing of internal controls throughout the year. We perform the internal audit, and include documentation on the financial systems in our work papers. HVaudit follows the guidelines of SAS No. 56 related to the use of analytical procedures.

Examples of such sources include the following:

- Financial information from comparable prior periods adjusted for any changes expected to affect the current-period balances
- Expected results based on budgets or projections of expected results
- Comparable information available from other school districts
- Nonfinancial information
All audit work papers will be stored at the office of Hungerford Vinton, LLC at our expense for reference as needed for a minimum of five years from the date of the audit report. They will be available for examination by authorized representatives of cognizant agencies, the Audit Committee, and independent auditors. We will regularly review our reports, findings, and recommendations with the Audit Committee.

Report Writing and Format

The audit report will be initially developed as a draft. The draft report will be issued to the Audit Committee for review. Based on the findings and the input of the Audit Committee, the final report will be issued. The report will include the results of the risk assessment, a prioritized list of identified risks, a description of the system tested, the results of the testing, a corrective action plan for improvement including timelines for implementation, and recommendations for further testing that would serve to mitigate the associated risk(s).

Issue Follow-Up

HVaudit will conduct quarterly meetings or conference calls with District business office personnel to review areas of focus and recommendations. These meetings will include updates and enhancements to the audit plan as well as a review of the audit issues identified and the status of corrective actions. These updates will be shared with the Audit Committee.

Typical Audit Issues

Based on our experience, the school district risk assessments usually result in the need for the following internal audits:

- Reporting and cash controls related to Extra Classroom Activities
- Information System security related to access controls
- Tracking of Inventory (especially non-fixed assets such as electronics)
- Booster clubs and proper record keeping
- Work order process
- Procurement authorizations, approvals and payment
- Cafeteria controls on inventory and procurement
- Abuse of travel and expense policies

We work to find a process that improves controls while minimizing the cost of adding the control. We determine whether the accountable individual can execute the change in process. Finally, we review the new process with the Business Office and Audit Committee for approval, administration and dissemination. Issues are reviewed on a regular basis to ensure that actions have occurred as planned and communicated to the Business Office and Audit Committee.
Insurance Requirements

All insurance requirements of the Erie 1 BOCES are met by Hungerford Vinton, LLC. Copies can be provided upon request.

Summary

We are pleased to have the opportunity to serve the Erie 1 BOCES and the associated school districts. Our firm is dedicated to the internal audit function, and we realize this unfunded mandate is a challenge in the current economical environment. As such, we are determined to make this a worthy and valued endeavor. Our focus will be on providing you meaningful results while being extremely cost conscious.

We trust this proposal covers the requirements of Technical Proposal. If you have any questions, or need clarification on anything presented within the proposal, please feel free to contact us. Thank you for providing us with the opportunity to serve you.

Very truly yours,

HUNGERFORD VINTON, LLC

Timothy C. Hungerford, CIA, CPA, CMA, CFM, CFE, CISA, CGAP, CFF
Dollar Cost Bid

Name of Firm
Hungerford Vinton, LLC

Certification
Timothy Hungerford, CPA, as President of Hungerford Vinton, LLC, is legally authorized and entitled to:

- Represent Hungerford Vinton, LLC
- Submit this bid on behalf of Hungerford Vinton, LLC
- Sign a contract on behalf of Hungerford Vinton, LLC

Total All-Inclusive Maximum Price
We estimate the segments of the audit approach will require the following time allotments:

- Annual Risk Assessment (including Audit Plan formulation)  80-100 hours
- One Required Internal Audit (depends on the area being audited)  20-100 hours
- Additional Services (usually 20% of the total internal audit time)  10-20 hours

The second year of service will result in less time required for the risk assessment, which can be used to enhance the hours used for internal audit(s).

Using the above time estimates, we have calculated the following Total All-Inclusive MAXIMUM* Price:

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<th>Fiscal Year</th>
<th>Fees</th>
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<tr>
<td>2011-2012</td>
<td>$ 22,000</td>
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<tr>
<td>2012-2013</td>
<td>21,000</td>
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<tr>
<td>2013-2014</td>
<td>21,000</td>
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<tr>
<td>2014-2015</td>
<td>21,000</td>
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<tr>
<td>2015-2016</td>
<td>21,000</td>
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*Note: Maximum is not the normal or typical fee cost. Fees will be based on the actual work as identified through the risk assessment process and audit plan. Usually the actual costs will be less than the Maximum by 25-30% based on our history of client service. This does not include any additional mandates or requirements imposed on the internal audit function.

Based on our past experiences, the Risk Assessment usually costs between $6,000 – 8,500 per year. The annual Audit Plan can vary depending on the needs and urgency of the issues. Since New York State only requires the performance of one internal audit based on the Risk Assessment results, the selection of that audit can affect the total audit costs depending on the size of the auditable unit. As a guide, our school district clients have been averaging between $10,000 – 18,000 per year in total internal audit costs when using our firm.
Additional Services

Additional services will always be scoped and estimated through our planning memo process. We will proceed with additional services upon pre-approval by the Audit Committee.

Using an expected rate of $100 per hour, the cost of 10 days of service assuming an eight-hour work day would be:

Cost: 8 hours X $100 per hour X 10 days = $8,000

Hourly Rates

Hungerford Vinton, LLC will use the following rate structure for all work related to this proposal:

Individual Hourly rates of:

- Partner: $130
- Manager: $110
- Senior: $100
- Staff: $75

Out-of-Pocket Expenses

Hungerford Vinton, LLC has included all additional normal costs in the rate structure. Therefore we will not seek reimbursement for travel, lodging, and subsistence or other out-of-pocket costs incurred in connection with the completion of the Risk Assessment and Internal Audits performed at the District.

Payment Method and Terms

Hungerford Vinton, LLC will submit an invoice monthly with all professional time incurred. Invoices are expected to be paid within 45 days of the invoice date. Please submit payment checks to: Hungerford Vinton, LLC at PO Box 25, Spencerport, NY 14559.

Summary

We are pleased to have the opportunity to serve the Erie 1 BOCES and the associated school districts. Our firm is dedicated to the internal audit function, and we realize this unfunded mandate is a challenge in the current economical environment. As such, we are determined to make this a worthy and valued endeavor. Our focus will be on providing you meaningful results while being extremely cost conscious.

Very truly yours,

HUNGERFORD VINTON, LLC

Timothy C. Hungerford, CIA, CPA, CMA, CFM, CFE, CISA, CGAP, CFF
NOTICE TO BIDDERS
REQUEST FOR PROPOSALS

The Erie 1 Board of Cooperative Educational Services ("Erie 1 BOCES"), First Supervisory District, County of Erie, State of New York, hereby invites the submission of sealed bids for the following BID CATEGORY:

AUDITING SERVICES FOR INTERNAL CONTROLS (IC-050911B)

Sealed bids will be received by the Erie 1 BOCES Purchasing Department no later than:

DATE: May 9, 2011
LOCATION: Erie 1 BOCES
355 Harlem Rd.
West Seneca, NY 14224
TIME: 10:00 a.m.

At which date, time, and location, all proposals will be publicly opened. The completed bid including all required documentation must be submitted in a sealed container and clearly marked with the Bid Category. Please forward your bid submittal to the Erie 1 BOCES Purchasing Department (Building C) at the location address listed above. Fax and/or electronically transmitted bid submittals will not be accepted.

NON-COLLUSIVE BIDDING CERTIFICATION

By submission of this bid proposal, the bidder certifies that:

a) this bid or proposal has been independently arrived at without collusion with any other bidder or with any competitor or potential competitor;

b) this bid or proposal has not been knowingly disclosed and will not be knowingly disclosed, prior to the opening of bids or proposals for this project, to any other bidder, competitor or potential competitor;

c) no attempt has been or will be made to induce any other person, partnership or corporation to submit or not to submit a bid or proposal;

d) the person signing this bid or proposal certifies that they have fully informed themselves regarding the accuracy of the statements contained in this certification and under the penalties of perjury, affirms the truth thereof, such penalties being applicable to the bidder as well as to the person signing in its behalf.

HUNGERFORD VINTON, LLC
Company Name

200 Buell Road, Suite B9
Rochester, NY 14624

Tim@HVaudit.com
Bidder’s Email Address

585-426-2260 x202
Telephone (include area code)

C.P.A., C.I.A.
Bidder’s Signature

Timothy C. Hungerford
Print Name

5/6/11
Date