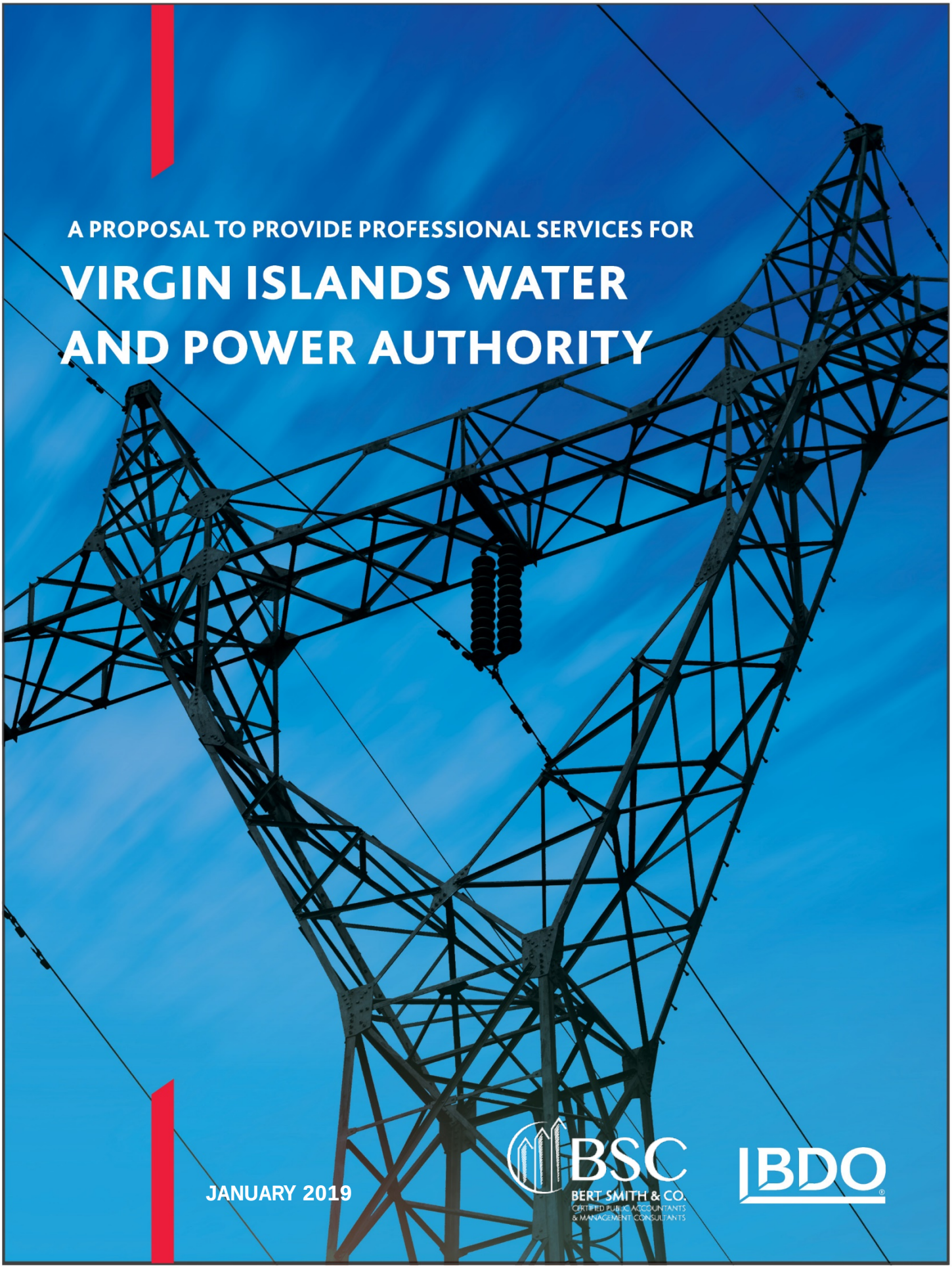

A PROPOSAL TO PROVIDE PROFESSIONAL SERVICES FOR

VIRGIN ISLANDS WATER AND POWER AUTHORITY

JANUARY 2019

BSC
BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

BDO

Table of contents

	Page number
Cover Letter	3
1. QUALIFICATIONS OF THE FIRM	
BDO is the distinctive choice	6
Our commitment to the U.S. Virgin Islands	7
Navigating disaster recovery programs	8
Depth of practice serving municipal clients similar to the Authority	9
Industry experience and client base	11
BDO alliance member and partner	19
2. EXPERIENCE, DEDICATION, AND REFERENCES OF THE SERVICE TEAM	
Team leaders serving the Authority	21
References for our team leaders	37
Involvement of the firm's senior executives	38
3. SERVICE PROCESS OVERVIEW	
Efficient service methodology	41
BDO service approach	42
Commitment to client satisfaction	52
4. QUALITY ASSURANCE	
BDO audit quality framework revisited	54
Quality assurance processes	55
Resolving accounting and financial reporting issues	58
5. INDEPENDENCE	
Compliance practices and confirmation	61
6. FEES	
Your investment	63

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Cover Letter

January 25, 2019

Ms. Delores Donovan
Contract Administration Manager
Virgin Islands Water and Power Authority
9720 Estate Thomas
Al Cohen Plaza
St. Thomas, V.I., 00802

Dear Ms. Donovan:

BDO USA, LLP (BDO) appreciates the opportunity to present our proposal to meet the financial statement audit needs of the **Virgin Islands Water and Power Authority** (the Authority). With a national footprint, broad international network, and extensive past experience delivering professional accounting services to the Authority, BDO is poised to address your immediate service needs and is ready to leverage our capabilities to support you in your growth strategies. We commit to providing an excellent level of client service to you, together with the necessary balance of challenge, support, and personal relationships to assist you in meeting your business objectives.

Through this statement of qualifications, we endeavor to show the Authority our continued commitment to your organization through our key value propositions:

- **Past Experience**. We have the benefit of having a strong team of seniors and managers who have worked with the Authority before and are ready to start the 2019 audit shortly after appointment. We are able to provide the Authority with continuity of staff so there is no loss of efficiencies that were gained in previous years including the understanding of the Authority's business, complexities, and communications. *There will be no learning curve*. In addition, our familiarity with the Authority allows us to refine and improve the audit process for 2019 and beyond, while maintaining the effectiveness and efficiency of the overall process.

- **Demonstrated Significant Experience and Commitment**. We have a national commitment to serving the public sector and serve over 2,000 such clients nationwide. This, combined with our broad base of understanding servicing multiple organizations in the U.S. Virgin Islands, allows us to deliver an engagement team that understands your sector and industry and will utilize their prior experience to ensure the Authority's services are handled in an efficient and timely manner.

- **Understanding of Disaster Recovery Programs**. BDO has supported the Federal Emergency Management Agency (FEMA) with its assessments of internal controls over financial reporting. Through these assessments, BDO has developed a unique headquarters perspective of FEMA and its various Grants Management and Insurance Management business processes and related internal controls. This unique perspective provides BDO with the understanding and insight to support the Authority with navigating the sources of recovery funds and development of processes, controls, and technologies in support of executing its recovery efforts.

- **Value for Fees**. We understand the importance of efficiencies and cost control and have specifically designed our methodology to provide our engagement teams with the tools they need to provide high quality services in a cost effective manner. Additionally, we have rigorous internal procedures to maintain our high professional standards while controlling the scope and cost of the engagement to provide value to our clients.

We highly value our past relationship with the Authority and a continued partnership is very important to us and you can be assured that your audit services will continue to have the involvement of partners and managers who have hands-on experience in delivering services to organizations of similar size and complexity.

The following response to your request for proposal outlines our understanding of the areas of specific interest to you and how BDO will continue to meet your service needs. We will furnish any additional information upon request. Again, we thank you for the opportunity to propose and we look forward to further demonstrating our capabilities and distinctly different service approach.

Sincerely,

Neena Masih, CPA
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QUALIFICATIONS OF THE FIRM

BSC
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& MANAGEMENT CONSULTANTS

BDO

BDO is the distinctive choice

BENEFITS TO THE AUTHORITY OF ENGAGING BDO

Together with the necessary balance of challenge, support, and personal relationships to assist in meeting your business objectives, **we will continue to provide an excellent level of client service to the Authority**. Through this proposal, we endeavor to show the Authority our continued commitment to your organization through our key value propositions:

As the Authority embarks on a new era of innovation, expansion, and business challenges, BDO will continue to serve the Authority through a long-term responsible relationship aligned with your needs.

KEY DIFFERENTIATORS

Coordinated continuity

- Seamless continuation of the audit process due to *no learning curve*. The Authority will continue to experience our most senior, knowledgeable, and technical industry practice professionals, who know your business and your industry to offer proactive guidance.
- Proven and past success as your auditors in resolving complex issues that may arise in municipal utility audits regarding regulatory assets and liabilities, internal control matters, and accounting rules changes.
- Leverage consistent client service team fee efficiencies.
- Efficiently and effectively address your immediate and long-term service needs.

Significant knowledge of and commitment to serving the U.S. Virgin Islands (USVI)

- Our experience lends perspective.
- Broad base of understanding servicing multiple organizations within the USVI.
- Understanding of the USVI's operating environment, including compliance with laws and regulations.
- Familiarity with the laws and regulations that govern the USVI, allowing for the ability to quickly mobilize and begin services, upon appointment.

Armed with knowledge of disaster recovery programs and procedures

- BDO has supported the Federal Emergency Management Agency (FEMA) with its assessments of internal controls over financial reporting.
- Through these assessments, BDO has developed a unique headquarters perspective of FEMA and its various Grants Management and Insurance Management business processes and related internal controls.
- This unique perspective provides BDO with the understanding and insight to support the Authority with navigating the sources of recovery funds and development of processes, controls, and technologies in support of executing its recovery efforts.

Significant experience and commitment to serving the public sector

- The BDO Team understands the public sector and will utilize their prior experience – with the Authority, the USVI, and with similar clients - to ensure the Authority's services are handled in an efficient and timely manner.
- Your entire team serves primarily public sector clients year-round.
- National technical and industry practitioners who offer broad-based experience, in-depth knowledge, and business savvy that can be critical to the Authority's success.

Personal attention, and world-class experience and service

- As one of the nation's leading public accounting firms and the U.S. partner of the world's fifth largest international accountancy network, BDO offers the depth of services, extensive technical expertise, and breadth of skills one expects from a national firm with world-class resources.
- Local service approach.
- Retain significant client relationships spanning in some cases more than 15 years.

Our commitment to the U.S. Virgin Islands

PAST AND CURRENT CLIENTS SERVICED

The BDO Team has a broad base of experience performing audit services in the USVI. Following are some of the clients serviced:

- Government of the U.S. Virgin Islands, including various services performed at:
  - Bureau of Internal Revenue
  - Department of Property and Procurement
  - Department of Labor
  - Department of Education
  - Department of Health
  - Department of Human Services
  - Department of Public Works
  - Department of Planning and Natural Resources
  - Office of Management and Budget
  - Department of Finance
- Virgin Islands Port Authority
- Virgin Islands Port Authority Passenger Facility Charges
- Virgin Islands Port Authority Official Statement(s) in connection with a bond offering
- Virgin Islands Government Employees' Retirement System
- Virgin Islands Housing Authority
- Virgin Islands Economic Development Authority
- Virgin Islands Waste Management Authority
- Virgin Islands Lottery
- St. Thomas East End Medical Center
- Sea View Nursing and Rehabilitative Facility

INVOLVEMENT IN THE LOCAL COMMUNITY

We believe it is important to help make the world a better place. With a long history of exemplary service to clients, we strive to bring that same dedication to the communities in which we live and work. Through *BDO Counts*, our national umbrella for corporate volunteerism, we build on efforts across the Firm and with our many partners, to make a greater collective difference.

In addition to supporting local charities, senior representatives of the BDO Team serve on the Board of Advisors of the ***University of the Virgin Islands School of St. Croix***. Further, recruiting and candidate interviews are conducted in coordination with the ***University of the Virgin Islands***.

By volunteering our time, talent, and resources, we are able to positively impact our communities and the people who live within them, while building a firm-wide culture of giving back that strengthens our business and inspires our people.

INTEGRATED SERVICES WITH A LOCAL PRESENCE

Our commitment to serve the Authority from our Public Sector practice office combined with significant resources from Bert Smith, our local BDO Alliance firm, will provide the Authority with a fresh evaluation and analysis of its financial reporting and compliance processes from our best people, supported by local knowledge in significant areas of its operations.

Navigating disaster recovery programs

BDO SUPPORTING FEMA HEADQUARTERS

BDO has supported FEMA with its assessments of internal controls over financial reporting. Specifically, BDO has assessed both the Grants Management and Insurance Management business processes through their respective annual Office of Management and Budget (OMB) Circular A-123 Assessments. As part of this assessment, BDO has assisted FEMA in documenting, establishing, and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

As part of this support, BDO performed the following tasks:

- Test of design (TOD). The BDO Team conducted business process interviews and walkthroughs with key process owners in the Grants Management and Insurance Management business processes. The outputs of this phase were detailed process narratives, process flowcharts, and internal controls documentation prepared for testing.
- Test of operating effectiveness (TOE). As part of TOE, BDO conducted internal controls testing procedures on the controls documented and established during TOD. This included developing testing procedures, drafting test plans, selecting samples, executing testing procedures, and documenting testing results for submission to the Department of Homeland Security (DHS).
- Corrective action planning and business process improvement. Upon documentation of the results of TOD and TOE, BDO assisted FEMA in the management of corrective action plans to remediate internal controls deficiencies. This support included conducting root cause analysis discussions with process owners, and documentation of the associated root causes.

BDO has gained an in depth knowledge of relevant FEMA operations:

GRANTS MANAGEMENT BUSINESS PROCESS

The Grants Management business process assessed at FEMA consisted of documenting the ***Public Assistance*** and ***Hazard Mitigation*** grant programs at both the Regional and Headquarters level, specifically conducting business process walkthroughs in Region II that the USVI will be dealing with over the course of managing its Grants with FEMA. The BDO Team assisted in documenting the process from the beginning of the Grants lifecycle (pre-award) through to management of grants (status reporting, i.e. SF-425) to the end of the process (grants close-out). BDO also documented the process of the compliance-based quarterly progress reports and project-level reports that the USVI will be required to complete over the life of the grants.

INSURANCE MANAGEMENT BUSINESS PROCESS

The Insurance Management business process that was assessed at FEMA included all processes that are covered under the ***National Flood Insurance Program*** (NFIP). Specifically, the team assessed the Claims Management process, giving insight into how FEMA manages claims for the NFIP. Also among the processes assessed were all of the headquarters and administrative functions of the NFIP such as monitoring and financial reporting controls over the NFIP and how FEMA administers the NFIP.

UNIQUE PERSPECTIVE

Through these assessments, BDO has developed a unique headquarters perspective of FEMA and its various Grants Management and Insurance Management business processes and related internal controls. This perspective provides BDO with the understanding and insight to support the Authority with navigating the sources of recovery and development of processes, controls, and technologies in support of executing its recovery efforts.

Depth of practice serving municipal clients similar to the Authority

BDO has a proven track record of success performing assurance engagements that have similar requirements and objectives as the proposed audits for the Authority. Our professionals serve a broad range of governments (federal, state, local and multi-jurisdictional), quasi-governmental, public utilities, energy generators and distributors, alternative energy generators, manufacturing, financial services, and other organizations in the public and private sectors. These include engagement performance and financial audits subject to AICPA standards, GAGAS requirements, as well as activities requiring the examination and analysis of rules and regulations.

Representative list of municipal electric and nonprofit or other utility clients:

- Artesian Resources
- Alaska Electric & Energy Cooperative
- Alaska Energy Authority
- Alaska Village Electric Cooperative
- Barrow Utilities & Electric Cooperative
- Buckeye Power
- Chugach Electric Association
- City of Grand Rapids, MI
- City of Homer, AK
- Golden Valley Electric Association
- I-N-N Electric Cooperative
- Inside Passage Electric Cooperative
- Kodiak Electric Association
- Kotzebue Electric Association
- Kwaan Electric Transmission Intertie Cooperative
- Municipality of Anchorage, AK
- Nome Joint utility System
- Nuvista Light & Electric Cooperative
- Philadelphia Authority for Industrial Development
- Public Gas Partners
- Sussex County, DE
- Utility Services of Alaska

Representative list of some of our larger publicly-held energy industry clients:

- Abraxas Petroleum Corporation
- Arclight Capital Partners
- Legacy Reserves LP
- Natural Gas Services Group
- First Reserve
- NTE Energy
- Olympus Power
- Panda Power Ends
- Retail Energy
- Rockland Capital
- GDF Suez Energy
- Tateswood

We also have substantial experience working through the following issues on behalf of our municipal utility clients:

- Renewable and alternative energy
- Asset retirement obligations
- Derivative financial instruments
- Emerging power trends
- Environmental costs
- Major maintenance & planned outages
- New competitions for energy service providers
- Operating agreements
- Reliability of electricity delivery

Depth of practice serving municipal clients similar to the Authority

ABILITY TO SUPPORT FINANCING NEEDS

BDO currently serves more than 360 domestic publicly traded clients and more than 100 international publicly traded entities. We have assisted many of these entities not only with their ongoing SEC filings, but also with their public offerings, private placements, and other financing initiatives.

For example, from 2006 through today, BDO has participated in over 100 public and private offerings. Proceeds from these offerings ranged from $14 million to more than $5 billion. We gave each one the same meticulous attention.

As such, we continue to bring to this engagement our in-depth knowledge of public and private bond offerings.

Below is a select list of underwriters involved in BDO client offerings:

- Aegis Capital Corporation
- Ascendiant Securities, LLC
- Avondale Partners, LLC
- Bank of America Merrill Lynch
- Barclays Bank PLC
- Barclays Capital
- BB&T Capital Markets
- BMO Capital Markets
- Bank of America Merrill Lynch
- Canaccord Genuity
- Cantor Fitzgerald & Co.
- Citigroup Global Markets
- Credit Agricole CIB
- Credit Suisse Group AG
- Credit Suisse Securities (USA) LLP
- Deutsche Bank Securities
- EarlyBirdCapital, Inc.
- FBR Capital Markets & Co.
- Goldman Sachs
- JP Morgan Securities, Inc.
- Jefferies & Company, Inc.
- JMP Securities, LLP
- Johnson Rice & Company, LLC
- KeyBanc Capital Markets Inc.
- Ladenburg Thalmann & Co. Inc.
- Lazard Capital Markets
- Liquidnet, Inc.
- Macquarie Capital
- Merrill Lynch & Co., Inc.
- Merrill Lynch, Pierce, Fenner & Smith
- Morgan Stanley
- Needham & Company, LLC
- Oppenheimer & Co.
- Pacific Crest Securities, Inc.

In particular, BDO has significant experience with respect to energy and utility projects and the professional reputation to support the Authority, should the need arise, and ensure that it meets all of the requirements commensurate with project funding process. We are well accepted by, and have worked successfully on all types of offerings with, small regional underwriters, as well as most of the major underwriters in the world.

Industry experience and client base

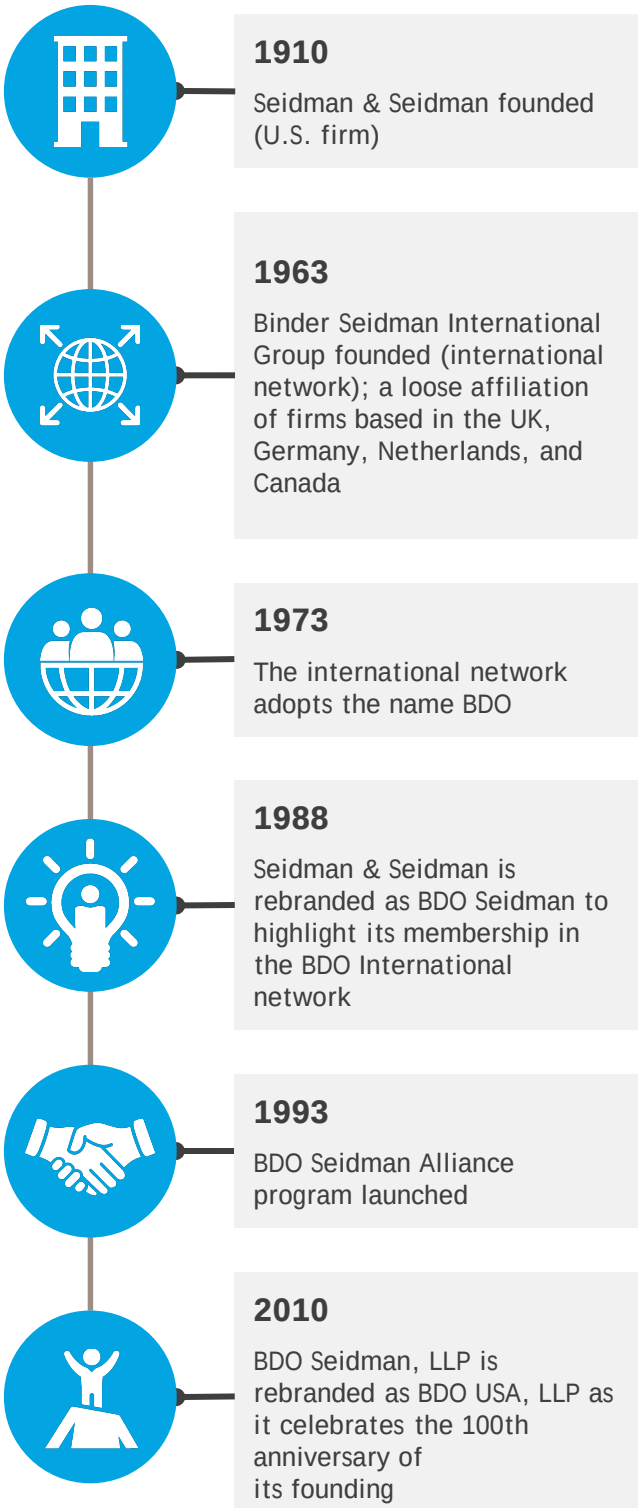
HISTORY OF BDO

Since our founding in 1910, the BDO story has been one of continuous response to our clients' and our people's ever-changing needs.

Our history reflects the continuity and stability of a network that has developed successfully over more than fifty turbulent years. Equally, our partners and staff know that they are working for a well-established organization that is built upon clear values and a successful past.

But for BDO, it does not stop there. We live and operate in a challenging environment characterized by an unpredictable global economy, ongoing political upheavals and the ever-present threat of terrorism. In common with all businesses, we must take strategic decisions to ensure that we can continue to attract global clients, enter new markets, improve performance and manage risk. We have invested in global infrastructure and technology and we are ready: this is what sets us apart from our competitors.

Above all, we will continue to deliver the exceptional client service for which we are known, because this is what differentiates us in our market. Technical excellence is a given, but our exceptional client service program is embedded in our strategy and undertaken on a truly global level.



Industry experience and client base

THE BDO NETWORK TODAY – WHERE YOU NEED US, WHEN YOU NEED US

About BDO internationally

Accounting and Audit
57%

Tax
22%

Consulting / Advisory
21%

10.7% revenues increase over 2017

162
Countries and Territories

1,591
offices

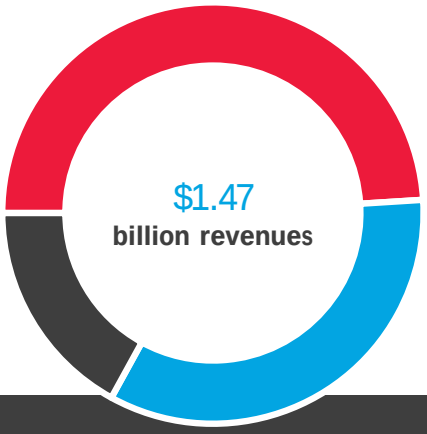
80,087
Total personnel

About BDO nationally

Accounting and Audit
49%

Tax
34%

Advisory
17%



4.2% increase over last year

60+
offices

650+
Alliance locations

6,592
Total personnel

International statistics as of and for the year ended 9-30-18; including exclusive alliances of BDO Member Firms.
National statistics as of and for the year ended 6-30-18.

Industry experience and client base

WHAT WE ARE PROUD OF – BDO CULTURE AND VALUES

BDO Knows Green

BDO is committed to protecting the planet and establishing itself as an environmentally conscious Firm.

Volunteerism

By volunteering our time, talent and resources, we are able to positively impact our communities, while building a firmwide culture of giving back that strengthens our business and inspires our people.

Women's Inclusion at BDO

Designed to increase the recruitment, retention, and advancement of women by fostering an environment rich with opportunities for personal and professional growth.

Best Places to Work For
Best and Brightest in Wellness

The National Association for Business Resources (NABR) has named BDO to both the 101 Best and Brightest Companies to Work For and the 101 Best and Brightest in Wellness multiple years in a row.

Top Entry Level Employers for 2018

CollegeGrad.com has included BDO on their list of Top 50 Entry Level Employers for 2018, recognizing our commitment to hiring and developing entry level candidates.

NAFE Top Company for Executive Women

The National Association for Female Executives (NAFE) has named BDO to their Top 50 list four years, recognizing businesses supporting the advancement of women.

Working Mother 100 Best

BDO has been recognized by Working Mother magazine for eight consecutive years as part of its annual 100 Best Companies list. We have also been recognized among 35 companies on Working Mother's new "Best companies for Dads" list for 2018.

Vault Accounting 50
Top Internship Program

BDO has been named to the Vault Accounting 50 list for six consecutive years and rose to the #4 ranking for 2019! We have also been recognized by Vault.com as one of the best internship programs in North America.

World at Work, Work-Life Seal of Distinction

Awarded multiple years for providing a variety of workplace policies, programs, and practices that support employees across all major aspects of work-life integration.

When Work Works Award

At BDO, flexibility is any change – big or small, short or long term – in where, when, or how you work. Thirty-five+ offices have been recognized 9 consecutive years, distinguishing us a top practitioner of workplace flexibility nationally.

International Accounting Bulletin's Network of the Year Award

IAB Network of the Year is awarded to networks that have demonstrated the execution of profitable growth strategies, and have excelled in key strategic and operational areas. Awarded 2015, 2018.

BDO's CEO: Top 100 Most Influential People List

Accounting Today named BDO's CEO, Wayne Berson, to its Top 100 Most Influential People list, which it describes as "a listing of the thought leaders and visionaries who are shaping the accounting profession."

Efficient service methodology

OVERVIEW

Designing an efficient and effective integrated audit is dependent on an early and accurate risk assessment. Our approach focuses on significant hands-on involvement of our most experienced professionals to promote a strong understanding of the relevant financial statement and control risks. Further, our methodology incorporates a unique risk-based framework to help our client service teams focus more audit effort in higher risk areas and less audit effort in the lower risk areas. In addition, BDO ensures full compliance with the PCAOB, AICPA and international auditing standards, and represents a robust, independent assessment of the financial statements.

BENEFITS TO YOU

- ***Familiarity with the Authority***. We have proven that our audit team members are experienced and can readily resolve any problems that may occur. Having a strong relationship with the Authority has enabled our team to provide the Authority with continuity of staff so there is no loss of efficiencies that were gained in previous years including the understanding of the Authority's business, complexities, and communications. *There will be no learning curve*. In addition, our familiarity with the Authority allows us to refine and improve the audit process for 2019 and beyond, while maintaining the effectiveness and efficiency of the overall process.
- ***Process efficiencies without sacrificing audit quality*.** We understand the importance of keeping the cost of our services affordable and our methodology has been specifically designed to provide your client service team with the tools they need to perform a high quality audit in a cost effective manner.
- ***Integrated and ongoing audit process with emphasis on internal controls*.** Financial statement and internal control testing is performed by the same individuals and our methodology is specifically designed to help plan and perform the integrated audit as a single audit, as opposed to separate and uncoordinated financial statement and internal control audits.

WHY BDO'S APPROACH IS DISTINCTIVE

- ***Scalable***. Every business we audit is unique, and obtaining a strong understanding of your business is essential to tailoring our services to your organization's unique risks and business needs, and avoiding a "one size fits all" approach. Our methodology has been specifically designed to be flexible and scalable so that your client service team can incorporate its understanding of your business into the audit approach to appropriately size our efforts to your operations.
- ***Technologically advanced*.** BDO commits substantial "R&D" resources each year to develop and improve our methodology to equip your client service team with the latest technology possible. For example, we employ proprietary software and our audit workpapers are fully networked and encrypted. This allows multi-location client service teams to collaborate in real time while maintaining our high standards of security and confidentiality of your data.
- ***Effective communications***. Effective listening and regular, proactive two-way communication throughout our audit process is an essential cornerstone of our audit quality and superior client service. This focus on communication allows your BDO audit team to gather information necessary to perform the audit and keep you up to date on the status of our services so that you can provide timely input and evaluate whether our services meet your high expectations.
- ***Early and continuous partner involvement***. Our professional staff to partner ratio is lower than our major competitors, enabling more time for partners to be actively involved in the audit. Your partners have considerable business and audit experience, and BDO believes the engagement partner should be actively involved throughout the audit process in a hands-on manner. Our methodology has been specifically designed to facilitate this level of partner involvement.
- ***Environmentally friendly***. Our networked electronic audit platform significantly reduces BDO's carbon footprint by reducing travel, work paper storage, and transportation costs.

BDO service approach

FINANCIAL STATEMENTS

SCOPING

We will undertake a preliminary analytical review of your results to develop our expectations for and plan the audit procedures. We will then determine a materiality level based on our professional judgement, including consideration of: your business, industry developments, financial stability, and financial statement reporting requirements. Our materiality level will assist in determining the audit scope and tests to be performed, as well as evaluating the effect of known and likely misstatements.

Key activities

- Submit 'prepared by client' information request
- Meet with the Authority to stay updated on your business and issues, which feeds into our risk assessment
- Consider staffing and structure of the audit
- Agree scope and submit engagement letter/contract
- Attend audit planning meeting with the Authority

IDENTIFY AND ASSESS RISK

We will focus on those areas of financial statements that may contain material misstatements as a consequence of the 'risks' you face. The higher the level of assessed risks of material misstatement (RMMs), the more assurance we will require. We will establish 'Reliability' (R) factors that feed into the audit response design, that numerically represent the assurance we require for each financial statement area and assertion. In parallel, we will apply knowledge on the latest economic/reporting issues into risk assessment/planning activities.

Key activities

- Identify potential RMMs for the Authority
- Obtain and explore an interim dataset from your general ledger
- Determine engagement and assertion level risks after discussing with management their processes around risk management, systems, accounting, and financial reporting
- Assess potential impact of these risks
- Design our response to these risks
- Establish R factors to help design audit response and help determine sample sizes

DESIGN AUDIT RESPONSE

In determining our audit strategy, we will be focused on meeting professional standards, effectiveness, and efficiency. We will design our approach from a range of procedures grouped as such:

- Test of Controls (TOCs). Determine the consistent and effective operation of the relevant internal controls
- Substantive Analytical Procedures (SAPs). Identify relationships that provide evidence about particular assertions related to account balances or classes of transactions
- Other Substantive Procedures (OSPs). Provide more conclusive evidence to support given assertions
- Data Analytics Tests (DATs). Incorporate technology to enhance our ability to obtain and evaluate audit evidence.

Key activities

- Scope our audit response to focus on the key risks identified and assessed in stage two
- Ensure that the audit outputs will provide you with constructive feedback/commercial insight
- Provide our interim samples for detailed testing to allow time for you to prepare info ahead of the audit
- Collaborate with IS audit to identify the key internal controls for testing
- Liaise with management to agree the format of year-end financial statements

BDO service approach

FINANCIAL STATEMENTS

OBTAIN AUDIT EVIDENCE

Our team will be on-site to perform audit procedures and obtain evidence to gain assurance that financial statements are not materially misstated. In performing the planned audit procedures, we will maintain an appropriate degree of professional skepticism. At the end of the audit we will want to demonstrate that it was performed in accordance with the firm's policies and procedures and regulatory requirements.

Key activities

- Manage onsite team's progress and raise issues
- Regular internal manager and partner reviews
- Work with you to agree pragmatic and workable solutions to critical issues ahead of clearance
- Our IT and financial audit teams collaborate to perform the required audit tests (agreed combination of TOCs, SAPs, OSPs, and DATs)
- Provide timely, open and relevant feedback to those charged with governance

FORM OPINION

We will evaluate whether we have sufficient evidence to conclude that the financial statements are free from material misstatement, and will consider the effect of any potential misstatements found. When evaluating whether a misstatement is material, we will consider the same factors we considered in determining our preliminary estimate of materiality. If our judgement as to what is material is markedly lower than what was set, we will consider additional audit procedures required.

Key activities

- Perform a final analytical review which may incorporate further elements of Audit Data Analytics
- Include appropriate responses in the management letter before it is issued to the Board
- Collaborate with those charged with governance to agree the style of reporting and communication required

REPORT

We will create an auditor's report that contains our opinion and details of those matters on which we are required to report including:

- Key areas of judgement around the material areas of the financial statements
- Quality of the year end close process
- Review of the systems and controls
- Recommendations for improvement
- Any other matters specifically requested during audit planning
- Debrief and continuous improvement

Key activities

- Annual clearance meeting with management to report/discuss audit findings and resolve issues
- Issue Management Letter which is a tailored response to circumstances and the situation of the Authority and audit findings
- Report to those charged with governance that sets out salient matters arising from the process, including key management letter points, audit adjustments, and key audit and accounting issues

BDO service approach

INFORMATION SYSTEMS INTEGRATED WITH THE FINANCIAL AUDIT

We will also perform a comprehensive assessment of the Authority's financial management systems to ascertain reliability. We will interview officers and managers for a better understanding, existing capabilities, issues the Authority has identified and both immediate and long-term electronic data processing objectives. From our assessment, we will formulate recommendations and shape innovative ideas and solutions that will help you attain your operational goals.

OUR MAJOR CONCENTRATION WILL FOCUS ON THE APPLICATION OF THE FOLLOWING:	
Logical Access Controls and System Files	1. Evaluate processes and selected controls for administration and monitoring of user access. 2. Evaluate controls in place to restrict access to sensitive data. 3. Evaluate whether controls are adequate to restrict users to defined activities and data files.
Change Management	1. Evaluate management's involvement in the design and approval of system changes. 2. Determine that changes are adequately tested. 3. Review adequacy of procedures for transferring changed programs from development to production.
Physical Security and Environmental Controls	1. Determine if controls exist to ensure that organizational resources are not misused or wasted. 2. Determine if controls are in place to mitigate fraud occurrences. 3. Determine if controls are in place to prevent, detect, and mitigate expensive and disruptive incidents.
Computer Operations, Back-Up, Disaster Recovery, and Contingency Planning	1. Determine if controls have been established for periodic back-up of files. 2. Review controls over back-up files to ascertain their security, location, etc. 3. Determine whether the Authority has a disaster recovery plan and review test results. 4. Evaluate actual or test recoveries to determine whether organizational ability to provide system availability is adequate.
System Development Life Cycle (SDLC)	1. Review policies pertaining to SDLC. 2. Examine project management reporting to determine implementations comply with SDLC policies. 3. Review testing documentation and results to verify implementation was complete and accurate.

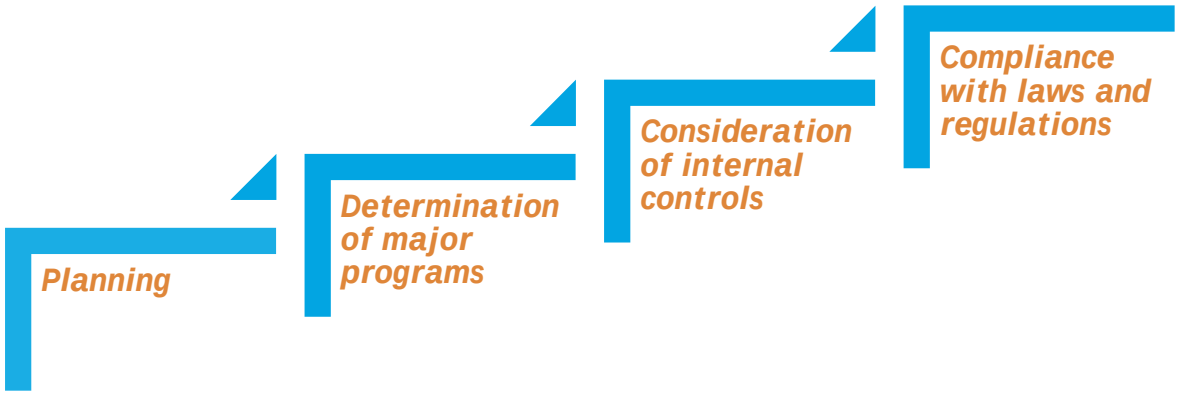
BDO service approach

SINGLE AUDIT

The Single Audit is an audit of an entity's financial statements and the reporting on the schedule of expenditures of federal awards in relation to those financial statements and a compliance audit of the federal awards expended during the fiscal year. The Single Audit process is a key factor in the achievement of the following accountability objectives:

- The receipts and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.

Our technical and management approach for the performance of the Single Audit will be performed in the following phases and as described more fully below and on the following pages. Given the significance of Federal funding that the Authority has received, this will be an area of special focus by the audit team and the various regulators.



Planning

During planning we will establish a proper foundation for the direction of the audit and to minimize costs and increase effectiveness. We will further enhance our planning assessments with respect to the Single Audit by performing the following procedures:

- Obtain schedule/report of federal programs by Catalog of Federal Domestic Assistance (CFDA) Number.
- Document understanding of the federal programs.
- Determine major programs to be selected for audit.
- Identify compliance requirements applicable to each of the Authority's major programs.
- Determine program sample sizes.
- Compare the schedule of expenditures of federal awards between the current and preceding periods and also the current year amounts to approved budgeted line-items and grants and contracts.
- Consider areas of risk that could result in an error to the schedule of expenditures of federal awards without being detected.

BDO service approach

SINGLE AUDIT

Determination of major programs

The provisions of Uniform Guidance require that the auditor use the risk-based audit approach to determine which federal programs administered by the Authority are major programs. BDO will achieve this objective by using the following approach:

1	**Determine Type A and Type B Programs. We will review the Authority's financial reports for expenditures of federal funds and summarize and review the grouping of expenditures according to their CFDA designation. Using the criteria established for Type A programs. We will determine which programs are considered Type A programs and which are considered Type B programs.**
2	The second step specified by Uniform Guidance requires the auditor to perform a risk assessment of each Type A program to identify those programs that are low-risk. Type A programs assessed as low-risk may be excluded from the major program category in the Single Audit. Those Type A programs that are assessed as being a high risk as determined by the federal requirements must be audited as major programs. Type A programs will be considered low-risk if they were audited in at least one of the two most recent audit periods and had no material weaknesses over internal control findings over the compliance requirements or material compliance findings, in the most recent Single Audit report.
3	**Determine High-Risk Type B Programs. If any Type A program is assessed as low-risk, the auditor must perform this third step. Uniform Guidance requires the performance of risk assessments on Type B programs to determine if any Type B programs need to be selected for testing.**
4	After completing steps one through three, Uniform Guidance requires the auditor to audit all of the Type A programs that are identified as being high-risk programs and all type B programs that have been identified in step three, and additional programs if needed to meet the 40% percent (or 20% for low-risk auditee) of total federal awards expended.

Upon identifying the major programs and compliance requirements, we will develop tailored audit programs to achieve audit objectives. The audit programs will reflect the identified areas of concern and will guide our work in such a manner as to help ensure that each major program and compliance requirement is afforded the proper degree of audit consideration.

BDO service approach

SINGLE AUDIT

Consideration of internal controls

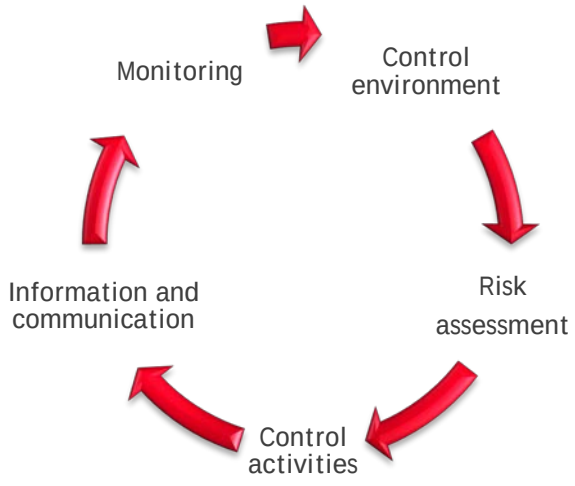
As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

Uniform Guidance requires auditors to obtain an understanding of a non-Federal entity's internal control over the compliance requirements for each of the major programs sufficient to plan the audit to support a low assessed level of control risk, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control are deemed likely to be ineffective, perform testing of internal control as planned.

THE OBJECTIVES OF INTERNAL CONTROL PERTAINING TO COMPLIANCE REQUIREMENTS FOR FEDERAL PROGRAMS ARE AS FOLLOWS:		
Transactions are properly recorded and accounted for to: ▶ Permit the preparation of Federal financial reports ▶ Maintain accountability over assets ▶ Demonstrate compliance with laws, regulations, and other compliance requirements.	Transactions are executed in compliance with: ▶ Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program ▶ Any other laws and regulations that are identified in the OMB *Compliance Supplement*.	Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Incorporated into the Uniform Guidance, is the *Internal Control-Integrated Framework* (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commissions which provides the framework for organizations to design, implement, and evaluate internal controls using five interrelated components as referenced.

The OMB *Compliance Supplement* describes these five components of internal control for each compliance requirement and describes the characteristics relating to each that should reasonably assure compliance with the requirements of federal laws, regulations, and program requirements. We will focus our efforts on performing an assessment of the Authority's internal control using this guidance.



BDO service approach

SINGLE AUDIT

Compliance with laws and regulations

The auditor performs tests of compliance with laws and regulations as part of the audit of the schedule of expenditures of federal awards. The auditor must also perform tests and obtain results in order to support the report on the internal control over compliance with certain provisions of laws, regulations, contracts, and grants. The Authority's management is responsible for compliance with the applicable laws and regulations.

This phase of the single audit will be based on the compliance requirements that we have determined to be direct and material to the major federal programs selected for audit. A compliance requirement is generally considered material if failure to comply with it would result in financial or other sanctions that would be material to the program.

There are 12 compliance requirements that are enumerated in the OMB *Compliance Supplement*. We will determine for each major federal program which of the 12 compliance requirements apply, to what extent, and how material it is to the major program(s). If the requirement applies, we will perform a risk assessment to determine inherent risk, control risk, fraud risk, and other risk to decide on the extent of compliance testing to be performed.

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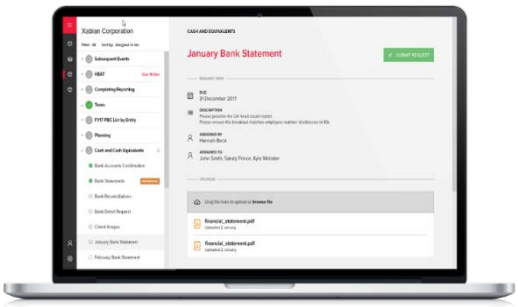
BDO service approach

TECHNOLOGY – BDO PORTAL

In addition to our proprietary software, sampling software tools, BDO can provide you with a secure client portal to support our relationship with robust web-based technology. This secure, encrypted web-based tool is designed to streamline the exchange of information and assist review and communication. For a number of our larger clients, the BDO Client Portal is used to exchange a significant amount of confidential electronic information between offices around the world. Your portal will only be accessed by registered, authorized users.

Users from the Authority, our Firms and, if necessary, any relevant third parties can contribute to the site. Different users are allocated access and editing rights appropriate to their role on this assignment. We will set up the portal to agreed requirements, reflecting the nature of the work we are carrying out for you.



The primary uses for the portal are:

- To support our relationship by providing ready access to all relevant data and documents.
- To assist with project management by tracking activities and milestones for the relevant processes.
- To provide a permanent record, if required, of the source information used for each process.
- To keep a record of other correspondence and our communications with you.

Project management with the portal

The use of the portal assists in the management of deadlines. We will agree to target deadlines with you for any tasks and these will trigger reminder emails when necessary. All of this will be supported by our discussions on the telephone and in person.

Key benefits of the portal

The role of the portal is to provide structured support for our personal communication channels and brings the following benefits:

- Accessibility, regardless of time or location.
- Speed and simplicity of communication; alternative to email when exchanging large files and/or sensitive client information.
- Sharing of information and documentation.
- Transparency and monitoring of progress by all team members.
- A permanent file of relevant information.

BDO service approach

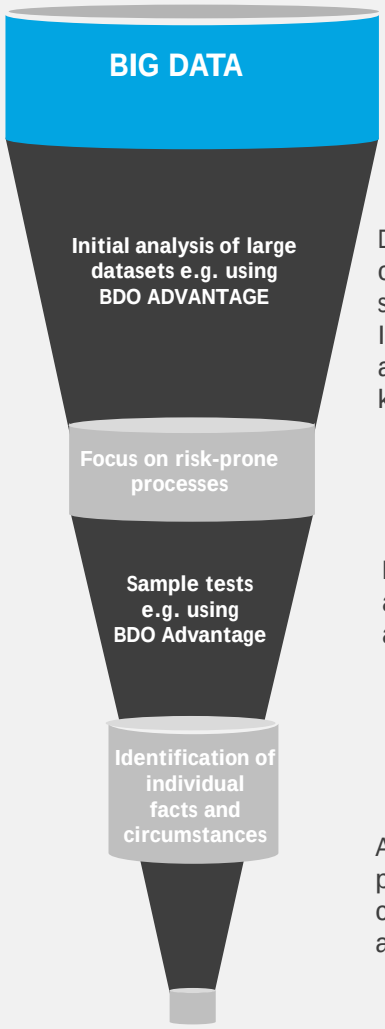
TECHNOLOGY - AUDIT DATA ANALYTICS STRATEGY

Our BDO Advantage strategy includes incorporating audit data analytics (ADA) into our overall global audit approach through a suite of standardized audit data analytics models, promoting highly specific client analysis. Doing so ensures consistent, high quality application of ADA across our audits. BDO Advantage combines the benefits of available technologies with our knowledge and understanding of our clients' businesses. We then use BDO Advantage to transform our audit approach through instant creation of visuals based on complete datasets to identify notable items and anomalies requiring the most attention, and conversely reducing our efforts on items that matter less. We are able to use ADA throughout our audit, which includes the following:

- ***Risk Assessment Data Analytics*** are exploratory in nature and used to identify attributes within a particular dataset that are of potential interest because they may represent a potential risk of material misstatement or have other implications in the audit, such as vendor pricing concessions or discounts outside of accepted ranges. The results of Risk Assessment Data Analytics may then be used, for example, in designing and performing further Audit Data Analytics audit tests such as regression analysis, or provide the basis for other types of audit procedures.
- ***Data Analytics Tests*** are those audit procedures that are designed to obtain evidence that either refutes or confirms certain expectations within the datasets, such as comparing gross margin variances at the individual item level to internally generated standard costing.

The advantages of using these technologies are:

- Potential provision of different insights into underlying transactions in the organization.
- Instant, timely, and a more targeted audit focus.
- Targeted sampling procedures on transactions and processes with indicators of risk.
- Effective sample sizes and targeted focus to promote efficient testing.



BDO service approach

SUPPLEMENTAL RESOURCES AVAILABLE TO ASSIGNED PERSONNEL

BDO commits significant resources to keep our Assurance professionals up-to-date on current and evolving accounting, reporting, and auditing developments. Our training includes monthly web-based programs covering current accounting and auditing topics. Managers and partners attend national conferences conducted by BDO's top technical professionals annually. Level-specific training sessions are conducted nationally and locally and address the needs of our professionals at various points in their careers. In addition, BDO provides access to a wide range of resources to its professionals and clients worldwide, including those listed below.

PUBLICATIONS & TECHNICAL UPDATES	DESCRIPTION
Technical Research Tools	BDO uses Accounting Research Manager™ (ARM) as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. ARM is updated daily and is considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to ARM, and a number of other research tools provide each professional the technical research capability to enable immediate response to client-specific technical issues.
EITF Matters	BDO's membership on the Emerging Issues Task Force (EITF) provides immediate interpretation of the consensus reached and open items from the EITF meetings. This guidance is readily available to our professionals and clients.
What's New	A quick listing of new accounting and technical developments maintained and easily accessible on the firm's intranet website.
GASB, OMB, FASB, and SEC Flash Reports	Information about selected developments and emerging issues are immediately e-mailed to BDO professionals for timely communication to clients.
Assurance Comments	Developed by BDO's National Assurance Committee, this publication provides guidance on comprehensive and complex accounting and auditing matters and is immediately available on the BDO intranet website.
BDO KNOWS: Financial Reporting Letter	Provide more in depth discussions and practical guidance on technical matters affecting both public and private entities.

Commitment to client satisfaction

CLIENT SATISFACTION, PERFORMANCE MEASUREMENT, AND CONTINUOUS IMPROVEMENT

Success begins and ends with the client service team and its management. Providing our clients with the highest level of professional service and ensuring their satisfaction with our performance are among our primary objectives. Our ability to select the right team of professionals to serve our clients has been a critical element of our past success.

The Authority will experience, first-hand, our client service philosophy. We combine the vast abilities of a large, international organization with a personal touch and significant partner involvement. One of the most important services we provide our clients is monitoring their needs on a continual and ongoing basis. This begins at the staff level and progresses all the way to the partners in-charge of your engagement. In selecting your service team, we reviewed carefully our understanding of the Authority's needs, as well as your plans, and identified the people whose credentials are ideal for your engagement.

PERFORMANCE MEASUREMENT

The BDO Team recognizes that the criteria required for the success of an audit is directly dependent on meeting the cost, technical, and delivery objectives. Our past success in achieving these objectives is due to our development and implementation of effective quality assurance standards and project management plans for all engagements. We manage all audit endeavors with complete awareness and adherence to our quality assurance standards and the engagement specific project plans. This system has enabled us to meet cost, technical, and delivery objectives for all of our engagements. We believe that the quality assurance standards and project management plans that we have established will be an integral and vital part in the conduct of the Authority's audit, as they have been on similar engagements with comparable complexity.

The BDO Team's execution plan for meeting cost, technical, and delivery objectives includes:

- Real time on-going management supervision over the technical quality of the product and its conformity with applicable auditing and accounting standards.
- Developing realistic budgets for engagements.
- Assignment of staff with the appropriate level of expertise, experience, and training.
- Periodic reporting of staff time and productivity to monitor and control costs.

CONTINUOUS IMPROVEMENT

Good quality, accurate, and open client feedback allows us to enhance our performance and gauge how well we are meeting our client's expectations. We take client service and satisfaction seriously, and continuously assess our clients' expectations and perceptions.

BDO recognizes that exceptional client service is achieved in the long term only if we provide a sustained level of superior service which is monitored throughout our relationship.

The feedback is gathered as follows:

- Regular client service team meetings to discuss the progress of our work and current issues encountered.
- Client service team and Authority management closing meeting at the conclusion of the annual audit to receive feedback and discuss opportunities for improvement.

The BDO Team prides itself on a reputation for a hands-on, service-oriented business philosophy and demonstrated commitment to quality, reliability, and responsiveness to client needs. The BDO Team's philosophy is to provide the Authority with a business partner who is available year-round to assist you and our audit approach emphasizes a thorough process.

QUALITY ASSURANCE

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BDO audit quality framework revisited

As the financial markets and global nature of business change, BDO's internal approach to audit quality focuses on the following key external factors:

- Business and regulatory environments in which we and our clients operate
- Accounting and reporting complexities
- Oversight of those charged with governance
- Expectations of investors and other stakeholders
- Market competition
- Innovation and sustainability needs that support capital market

With these external factors in mind, BDO employs an Audit Quality Framework based on five elements of internal focus ("pillars") unique to BDO's CLIMB strategy. Each element enables us to assess, prioritize, and adjust our investments of resources toward the most impactful activities to enhance the quality of the services we provide. Additionally, such focus furthers our ability to help define the future of the auditing profession in adapting to the changing landscape affecting our clients.

"Despite a dynamic business and political environment marked by post-election speculation as to the impact on the financial reporting regulatory environment and global markets, BDO is keeping our focus. We continue to promote a strategy committed to the delivery of high quality audits that meet the public's demand for compliance, transparency, and integrity of the financial statements on which we opine."

WAYNE BERSON / Chief Executive Officer, BDO USA, LLP

Quality assurance processes

The quality of our work is key to our success and we have made a number of investments to ensure our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards.

These quality control procedures have served us well on all of our engagements and we intend to use the same, should we become the successful awardee.

EXTERNAL QUALITY ASSURANCE

BDO is a national certified public accounting firm and is a member of the Center for Public Company Audit Firms Peer Review Program of the American Institute of Certified Public Accountants (AICPA) and, as such, we are subject to external peer reviews. The results of our most recent inspection follow. Additionally, we are subject to an annual Public Company Accounting Oversight Board (PCAOB) inspection.

INTERNAL QUALITY ASSURANCE

All BDO offices follow a uniform audit process and are subject to various quality control reviews. While we strongly encourage the individual character and close personal contact of our local offices, we also maintain a uniform standard approach to our technical disciplines.

The work of all offices is subject to an inspection performed on a cyclical basis ensuring that each office is inspected at least once every three years. These inspections of local offices are conducted by partners from other offices under the direction of the National Director of Quality Control. Overall results of the reviews are sent to the Chairman of the Board of Directors for formal reporting to the Board of Directors and to the National Director of Assurance.

Our local office's specific quality control procedures include the following:

- Assignment and training of personnel. We schedule professionals only to engagements for which they have the necessary background and training.
- Supervision. Our client service teams are subject to a "chain of supervision" over all the work performed. All audit work papers are reviewed by the person supervising the preparer of the work papers.
- Engagement manager and partner review. Managers and partners assigned to engagements review the audit work papers and reports. Specifically, the managers review all work papers supporting our reports and the engagement partners review work papers of critical audit areas as deemed appropriate.
- Pre-issuance review. All reports are reviewed before issuance by our Concurring or Technical Director who, along with the engagement partner, has extensive experience in the industry. This provides assurance that our reports conform to the latest developments in professional standards. Specifically, these reviewers carefully analyze financial statements to search out possible accounting, auditing, or reporting problem areas, and provide additional assurance that audit risk has been restricted to a level acceptable to the Firm.
- Client management review. Our engagement partner and/or manager review all draft reports with client management before finalizing the reports.

Quality assurance processes

PEER REVIEW REPORT

AICPA Peer Review Program
Administered by the National Peer Review Committee

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

December 13, 2018

Wayne Berson
BDO USA, LLP
8401 Greensboro Dr Ste 800
McLean, VA 22102-3599

Dear Wayne Berson:

It is my pleasure to notify you that on December 13, 2018, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is September 30, 2021. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

James W. Brackens, Jr., CPA, CGMA
VP - Ethics and Practice Quality - PA
nprc@aicpa.org +1.919.402.4502
National Peer Review Committee

cc: Jeffrey Gendreau, Michael Fawley

Firm Number: 900010063586 Review Number: 558020

T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

Quality assurance processes

PEER REVIEW REPORT

bakertilly

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225 S Sixth St, Ste 2300
Minneapolis, MN 55402-4661
United States of America

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bakertilly.com

Report on the Firm's System of Quality Control

December 4, 2018

To the Partners of BDO USA, LLP and the National Peer Review Committee:

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018. 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 Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, audits of broker-dealers, and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BDO USA, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018, 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. BDO USA, LLP has received a peer review rating of pass.

Baker Tilly Virchow Krause, LLP

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Resolving accounting and financial reporting issues

TECHNICAL ISSUES

Your client service team is comprised of our most experienced technical professionals in your industry, who have dealt with complex issues and who make it their business to respond to requests for assistance. The ability to make local decisions is balanced with our strong quality control program that helps ensure all significant decisions are reviewed and approved by the appropriate technical personnel.

The need for and level of technical consultation within or outside of the BDO Team depends upon the matter at hand and the expertise and experience of the client service team. Our primary objective is to provide the most technically correct guidance to our clients. We recognize, however, that it is also important to our clients that the process be timely and cost effective. As such, significant efforts are made to help ensure the local client service team has the expertise and experience necessary to serve the client based on its industry and complexity. Our process includes the necessary controls to help ensure the guidance is correct, yet does not overburden the client service team or client with unnecessary time and effort.

If the issue cannot be resolved within the immediate client service team of partner, concurring reviewer, and manager, the engagement leader discusses it first with the consulting partner if it is the type of engagement to which a consulting partner is assigned (e.g., highly complex company or issues, specialized industry, etc.). If further consultation is needed or if the engagement does not require the assignment of a consulting partner, the matter is discussed with the practice office Assurance Technical Director. Further need for consultation would require the involvement of a Regional Technical Director and then our National Director of Accounting, National Director of Audit Policy, or National Director of Assurance. If the matter demands that outside consultation is warranted, procedures are in place to help ensure involvement of the appropriate technical personnel as well as client personnel as needed or desired. While the client service team has the primary responsibility for decisions, it cannot override a technical decision made by a specialist with whom it consults.

Further, in the normal course of any audit, we review all recently issued or pending pronouncements to determine the impact to our clients. We will work with the Authority on key decisions and in determining significant financial accounting and reporting issues. This process works very smoothly at BDO as our technical consultative personnel are often already involved in the engagement and are easily accessible by us and our clients. Through constant communication and involvement with the Authority, we will help address issues early in the process before they develop into problems or “surprises” to management and the governing bodies.

REPORTING TIMELINES

Based on our past experience with engagements of similar magnitude as the Authority’s engagement, obtaining the required information and an accurate schedule of expenditures of federal awards, in a timely manner, can be challenging. We will work with the Authority’s personnel to actively monitor the progress in preparing the information as requested in our client assistance packages. We will also maintain a certain level of flexibility in our staff schedules and incorporate the necessary additional resources as may be applicable.

FINANCIAL REPORTS

Once again, based on our past experience with engagements of similar magnitude as the Authority’s engagement, the Authority may be reliant on various departments and separate consulting firms to forward the required information and draft audit reports to its accounting team, in order for the Authority to prepare its financial statements. We will maintain a flexible approach and schedule and work concurrently with the Authority’s financial reporting group by analyzing draft financial statements and utilizing a team approach to achieve final completion.

Resolving accounting and financial reporting issues

ROUTINE CONSULTATION AVAILABLE FOR THE AUTHORITY'S STAFF

As a client of BDO, you will have unlimited access to the many resources our Firm has to offer. Your complete client service team is available to consult with you throughout the year, whenever questions or issues arise. We encourage clients to call us with any questions or issues and we do not bill for routine calls and questions. We have found that this greatly improves communication with our clients and allows us a much better understanding of their operations.

Occasionally, your personnel may wish to seek advice and information regarding accounting systems, benefit packages, cost allocations, operating efficiencies, or other matters. If extended research is required, we will provide you with a fee estimate and request your approval before we begin.

COORDINATION WITH YOUR PERSONNEL

We believe in utilizing the work of internal staff to the fullest extent possible in order to minimize your costs. We will obtain an understanding of internal functions by gathering information about activities and considering the relevance of these activities to the audit process. In addition, we will assess the competency, objectivity, and effectiveness of the work performed by internal staff, and consider the effect on internal controls, risk assessment, and the types of substantive procedures we must perform. If, as a result of these procedures, we determine that we can use the work of the internal staff, we will coordinate our procedures with internal staff by scheduling audit work, holding periodic meetings, reviewing audit reports, and discussing accounting and auditing, issues.

We will utilize internal staff in preparing all necessary audit schedules. We will provide a list of the specific items needed well in advance, based on the planning we complete with you. In this manner, your staff will have sufficient time to complete the audit schedules. We will work with the Authority's personnel to actively monitor the progress in preparing the information as requested in our client assistance packages. We will also maintain a certain level of flexibility in our staff schedules and incorporate the necessary additional resources as may be applicable.

INDEPENDENCE
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Compliance practices and confirmation

Generally accepted auditing standards require that an auditor be independent in both fact and appearance. Independence is the cornerstone of the public accounting profession. The very integrity and credibility of the U.S. financial reporting process depends on our Firm and the rest of the profession complying with the independence rules. Our Firm meets the independence standards of the Code of Professional Ethics of the AICPA, the Government Accountability Office (GAO) Independence rules, and as defined by *Government Auditing Standards*. The specific staff assigned to do the work also meets the criteria for independence as defined by the AICPA Code of Ethics.

FIRM-WIDE INDEPENDENCE PROCEDURES

- Our Quality Control Manual relating to independence is readily accessible to all professionals on our intranet.
- Independence continuing professional education (CPE) is required of all professional employees.
- Annual confirmation of independence is required of all professional employees.
- On a sample basis, we test a professionals' compliance with the independence rules annually.
- A list of restricted securities is included on our intranet and is updated monthly. Professionals are required to check this list prior to purchasing any securities of publicly held companies.
- Independence guidance is provided to all professionals throughout the year.
- Firm management is committed to maintaining the highest level of compliance with the rules and sets a strong "Tone at the Top" environment.
- Violations of the rules or Firm policies (which are rare) are dealt with harshly.

ENGAGEMENT SPECIFIC INDEPENDENCE PROCEDURES

- All individual client service team members must sign a statement indicating independence from the Authority prior to the start of each year's audit.
- As part of the planning process, the engagement partners must sign an affirmation stating there are no violations of scope of services requirements.

CONFIRMATION STATEMENT

The BDO Team is independent of the Authority as defined by current professional standards. The BDO Team represents and covenants that our Firms currently have no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of our services under the contract. The BDO Team further covenants that, in the performance of the contract, no person having any such interests shall be employed.

OUR INDEPENDENCE REQUIREMENTS ARE FORMALLY STATED IN WRITING AND COMMUNICATED TO OUR PERSONNEL ON:

- Investments that are not to be held.
- Relationships that should not exist.
- Prohibited transactions.

FEES
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Your investment

QUALITY, VALUE-ADDED SERVICE

We understand the importance of efficiencies and cost control, and have specifically designed our audit methodology to provide your client service team with the tools they need to perform high quality services in as cost effective a manner as possible.

In addition, you may contact us at any time without additional charges. A collaborative relationship is important and the BDO Team is committed to investing the necessary time to discuss your changes, challenges, and potential issues which may impact you and your operations.

We believe in complete transparency, which means:

- It is not our practice to bill for routine telephone consultations or questions unless they require significant research. If you request special services outside the scope of services outlined in this proposal, we will discuss those services and provide management with a fee estimate related to such assistance.
- We will not allow concerns about fees to jeopardize a relationship based on mutual trust and respect.

The Authority is a valued BDO client. As part of the RFP process, the BDO client service team has performed the following:

- Analyzed the engagement to look for areas in which to create additional efficiencies in our audit procedures and hours spent on the engagement without jeopardizing audit quality.
- Reviewed the fee structure to ensure it correlated at the project level for all services provided and the overall engagement level.
- Reviewed the current fee structure to ensure that our pricing is competitive with the current market, considering the current fee structure was negotiated several years ago.

As a result, we are pleased to offer a 10% overall reduction as a direct result of our continued commitment to the Authority and improved efficiencies.

FEE ASSUMPTIONS

Our fee estimates are based on the facts and circumstances made available to us at the time the proposal was developed.

Our current fees are based on the following assumptions:

- No significant changes occur in the internal accounting controls, accounting systems, key personnel, or structure of the organization.
- Key documents are provided on the dates agreed and there are no significant delays outside of our control.
- Your personnel prepare schedules and analyses as requested and be available to assist us as needed.
- Financial statements and supporting schedules are prepared in-house by management.
- No material transactions, such as acquisitions or divestitures occur.
- The proposed fee is exclusive of the requisite audit procedures that may be necessary as a result of future standards promulgated by the Governmental Accounting Standards Board and/or other professional bodies.
- The proposed fee is exclusive of the requisite audit procedures that may be necessary as a result of the extraordinary and unusual circumstances which have transpired due to the 2017 hurricanes.

SERVICES TO BE PERFORMED	2019	2020
Annual audit services	$325,000	$330,000

Your investment

SCHEDULE AND OVERVIEW OF BILLINGS

We generally invoice for services as work progresses. Our monthly invoices are based on hours of work completed during the course of the engagement for the month. Reasonable out-of-pocket and travel expenses and our internal charges are not included in the estimates above. Our internal charges include certain flat-rate amounts that reflect an allocation of estimated costs, including those associated with general office services, such as computer usage, telephone charges, facsimile transactions, postage, and photocopying.

We have found that the best way to avoid service gap expectations or surprise billings is to maintain an open dialogue with key members of the Authority's staff. During the planning, performance, and reporting phase of the engagement, communication will be a critical component of the success formula. Our fee is subject to revision only if unforeseeable circumstances are encountered. In that unlikely event, we will discuss the matter with you before incurring any additional costs so that mutually acceptable revisions can be made.

FEE SCHEDULE FOR ADVISORY WORK

We encourage clients to call us with any questions or issues as they arise and we do not bill for routine calls and questions. We have found that this greatly improves communication with our clients and allows us a much better understanding of their operations.

Occasionally, your personnel may wish to seek more comprehensive advice and information regarding accounting systems, benefit packages, cost allocations, operating efficiencies, or other matters. If such extended research is required, we will provide you with a fee estimate and request your approval before we begin.

Below is our standard and discounted billing rate schedule by staff level. We are pleased to offer you our discounted rates as we work with our public sector clients in providing discounts from our standard hourly billable rates. Our billing rates have increased approximately 3% per year based on the standard cost of living over the last three years.

Level	Standard Rate	Discounted Rate
Partner	$550	$400
Director/Senior Manager	$400	$300
Manager	$370	$190
Senior	$250	$160
Staff	$160	$130

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