

**Lower Manhattan Development Corporation
Request for Proposals – Addendum 1
Auditing Services
May 6, 2002**

This Addendum 1 is intended to supplement the Request for Proposals for Auditing Services issued April 23, 2002 by the Lower Manhattan Development Corporation.

Acknowledgement of Addendum 1

Please acknowledge receipt of this addendum in your proposal submission.

Respondents' Questions and Answers

Please find below questions received from respondents and the answers.

What is LMDC's organizational structure and staffing?

LMDC is comprised of 25 employees, but is expected to grow to as many as 35-40 employees over the next year. LMDC's departments include Legal; Finance; Communications; Corporate Development; Planning, Design & Development; and Community & Government Relations. LMDC will not have an accounting department, but will rely upon ESDC's accounting department to make general ledger entries, process payroll and accounts payable, etc. LMDC will also rely upon ESDC to provide personnel support, facilities management and information technology support.

Will LMDC have its own separate accounting system?

LMDC is a subsidiary of ESDC. However, LMDC will maintain separate accounting records from ESDC.

What is the estimated number of transactions and dollar amount for all cash receipts to be received for the fiscal years ending March 31, 2003 and 2004?

ESDC is currently paying LMDC's start-up capital and operating expenses, prior to LMDC's ability to draw upon CDBG funds. It is anticipated that LMDC will be authorized to draw upon CDBG funds for operating and capital expenses in June, 2002.

Thereafter, LMDC will reimburse ESDC. In addition, LMDC will draw upon CDBG funds, as authorized, to make grants to recipients in accordance with its mission.

Furthermore, LMDC will enter into a cooperation agreement with The Port Authority of New York & New Jersey to coordinate efforts in connection with the redevelopment of lower Manhattan, including the World Trade Center site. In connection therewith, the Port Authority may reimburse LMDC for certain costs, including costs of consultants. LMDC does not expect to have any investment income, or other cash receipts.

It is anticipated that LMDC will draw upon CDBG funds for operating and capital expenses twice monthly or on a bi-weekly basis. The average draw, not including consultants and major capital expenses, is estimated at \$250,000 - \$300,000.

As mentioned above, LMDC will draw upon CDBG funds to make grants or administer grant programs. LMDC has adopted a Partial Action Plan, which has been submitted to HUD for approval, which will allow for up to \$277 million to be used to make grants to individuals committed to living in lower Manhattan. It is anticipated that LMDC would draw upon funds to make grants under this program once every week.

LMDC is currently reviewing proposals and evaluating other uses for the remainder of its grant funds. It is not possible to estimate the number or size of additional grants LMDC may approve or administer at this time.

What is the estimated number of transactions and dollar amount for all cash disbursements for the fiscal years ending March 31, 2003 and 2004?

The estimated number of transactions and dollar amount for all cash disbursements for each of the next two fiscal years is as follows:

1. Payroll – 25-40 employees, bi-weekly payroll, approximately \$350,000 per month.
2. Office and administrative expenses – Average 40 checks per month, approximately \$600,000 per month.
3. Grant disbursements – Under the currently proposed residential program, it is anticipated that as many as 30,000 one-time grants and up to 30,000 recurring grants may be made over the next two-three years. The one time grant payments will be for \$1,000. The recurring grant payments would be made monthly in varying amounts.

What is the number of bank accounts utilized for operating purposes?

LMDC expects to utilize one bank account for operating purposes. For its residential grant program, LMDC expects to utilize a separate bank account. LMDC may utilize additional accounts as it deems necessary.

What are the estimated capital expenditures for office equipment, furnishings, etc. for the fiscal years ending March 31, 2003 and 2004?

LMDC's current capital budget is approximately \$800,000, which includes \$150,000 for various equipment (computers, telephones, etc.) and \$650,000 for office renovations and furniture – all of which is in connection with the initial start-up of the operation. It is anticipated that LMDC's capital budget for FYE 3/31/03 will be dramatically less.

Please provide a copy of the budget for the fiscal years ending March 31, 2003 and 2004.

The proposed operating and capital budgets for the fiscal years ending March 31, 2003 and 2004 are currently being finalized, and are not available for distribution. The draft operating budget for FYE 3/31/2003 is approximately \$11.1 million, and includes appropriations for the following categories: payroll; travel & meals; occupancy expenses; telephone; seminars & conferences; dues & memberships; books & periodicals; services; marketing; insurance; office supplies; equipment; repairs & maintenance; and miscellaneous.

How much time will the ESDC internal auditors be able to allocate to the LMDC audit?

Respondents should not assume any direct involvement by ESDC's internal audit staff. ESDC's internal auditors focus predominantly on conducting government operational and performance audits, not financial statement audits. However, please indicate in your proposal if you require any involvement with the ESDC internal audit staff.