



**THE PORT AUTHORITY OF NY & NJ**

*A. Paul Blanco*  
Chief Financial Officer

August 1, 2005

Mr. David Hancox  
Director, State Audit Bureau  
Office of the State Comptroller  
State of New York  
110 State Street  
Albany, NY 12236

*RE: Office of the State Comptroller Awarding and Monitoring of Consultant  
Contracts (2004-S-7) dated May 2, 2005*

Dear Mr. Hancox:

Thank you for providing the Port Authority with this opportunity to comment on the final Audit Report 2004-S-7, "Awarding and Monitoring of Consultant Contracts." The Port Authority is, and always will be, committed to maintaining the highest standards of excellence and professionalism in carrying out its mission to serve the public in the region in which we operate. We have further institutionalized this commitment to excellence through the development of detailed policies and procedures that define the way this agency conducts business. These policies and procedures continue to evolve and develop to incorporate the latest industry best business practices and nationally recognized standards while at the same time, ensuring that a strong internal control environment is maintained.

With respect to the report's audit observations and conclusions, we strongly disagree with the overall characterization that "control weaknesses are prevalent throughout the consultant contract solicitation and award process". The Procurement Department has detailed policies and procedures in place designed to ensure the effective administration and control of the procurement function. Additionally, as previously noted in our formal response to the draft report, the audit failed to take into account that the contracts reviewed under this audit were established in the aftermath of the September 11, 2001 attacks, which is essential to the context of the audit.

Where appropriate, certain of the audit recommendations have been implemented. In those cases where recommendations have not been implemented, management has provided a detailed response demonstrating that adequate controls are in place.

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Mr. David Hancox

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August 1, 2005

Attached is the Port Authority's response to the final report covering the Office of the State Comptroller's review of the Awarding and Monitoring of Consultant Contracts.

Sincerely,

A. Paul Blanco  
Chief Financial Officer

attachment

**THE PORT AUTHORITY OF NEW YORK & NEW JERSEY**  
**Response to Report by the New York State Office of the State Comptroller**  
**Awarding and Monitoring of Consultant Contracts**  
**2004-S-7**

**1. Recommendation deleted.**

**2. Recommendation**

Maintain adequate records to account for all proposals received, and open all proposals received at one time on the deadline date.

**Response:** In order to enhance controls in this area, the Procurement Department has centralized the receipt of all bids and proposals, and has standardized procedures across the Procurement Department covering the receipt and opening of bids and proposals.

**3. Recommendation**

Ensure the methodology for evaluating proposals for all contracts is prepared before sending RFPs.

**Response:** As noted in the audit report, existing Port Authority guidelines recommend establishing the evaluation methodology prior to the issuance of an RFP. However, in line with industry best practices, which emphasize the use of flexibility and judgment in the RFP evaluation and review process, the Port Authority does not make this practice mandatory. We believe for purposes of maintaining process integrity, the methodology needs to be completed only before proposals are opened.

**4. Recommendation**

Ensure all contract proposals are evaluated in a consistent manner according to the methodology that was established prior to sending the RFPs. Adequately document any reasons for deviating from the established methodology, and receive the approval of the Procurement director.

**Response:** The Port Authority recognizes the importance of consistency in the evaluation process and has a policy in place designed to ensure the consistent review of all proposals. This policy has been reinforced with staff.

**5. Recommendation**

Document negotiations where there is a change in the ranking of firms, and provide all affected firms an equal opportunity to negotiate.

**Response:** The Port Authority's current practice is to document the negotiation process and we have further enhanced our procedures in this area and reinforced this policy with staff.

**6. Recommendation**

Ensure, for all call-in contracts, an adequate number of proposals from firms are obtained in order to achieve the best possible price for the required level of service. Prepare in-house estimates for comparison with the proposals.

**Response:** Competitive solicitation for the distribution of work under a call-in program where the number of work orders is few, the work is not of a repetitive type, and the initial selection process does not result in a ranked list is current Port Authority practice.

The initial RFP process is competitive and establishes a ranked list of firms based upon an evaluation of technical competence and cost. However, we do not believe that a second solicitation is required as a best procurement practice for those programs, which involve individual work orders. We do use independent cost estimates for such work orders, which allows us to ensure that fair and reasonable prices are being achieved.

**7. Recommendation**

Retain, for a reasonable period, the proposals of firms that do not receive a contract.

**Response:** As recommended, the proposals of firms that are not the successful bidder on a contract will be retained for 10 years, as is the practice for contracts in the Port Authority's Records Retention Manual.

**8. Recommendation**

Verify that all firms paid their employees the actual hourly rates billed to the Port Authority.

**Response:** All agreements between the Port Authority and supplemental staffing vendors contain an audit clause, which provides for verification by the Port Authority of rates billed by the vendor. The Port Authority's internal Audit Department routinely audits a number of these firms each year for purposes of verifying charges billed to the Port Authority. Firms are also audited if there have been complaints or questions about a vendor's performance or billing practices, or if a consultant's employee raises a complaint regarding underpayment of the wage stated in the agreement. We strongly believe that 100% verification of all vendors is neither warranted nor cost effective. We continue to believe that our procedures are consistent with best practices.