

COMMITMENT TO SERVE

**WORKFORCE**  
**West Virginia**

**RECEIVED**

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PURCHASING DIVISION  
STATE OF WV

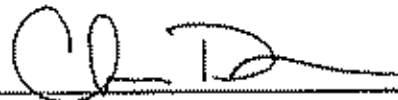
WORKFORCE West Virginia

Auditing Services

Response to Request for Quotation  
RFQ Number BEP06035

Suttle & Stalnaker, PLLC  
The Virginia Center, Suite 100  
1411 Virginia Street East  
Charleston, West Virginia 25301  
(304) 343-4126  
(800) 788-3844

Contact Person:

A handwritten signature in black ink, appearing to read 'CD', is written over a horizontal line.

Chris Deweese, CPA, Member

June 28, 2006

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TRANSMITTAL LETTER

June 28, 2006

WORKFORCE West Virginia  
5301A - FAM Administration  
Room 618  
112 California Avenue  
Charleston, West Virginia 25305-0112

We are pleased to submit our proposal to serve as independent Certified Public Accountants to perform the annual audit of the financial statements of WORKFORCE West Virginia for the year ending June 30, 2006. Suttle & Stalnaker, PLLC welcomes this opportunity to serve you. We are particularly well suited to serve you since our experience is especially strong in working with West Virginia State government and governmentally funded organizations.

The team which we have assembled to serve WORKFORCE West Virginia has a long-standing relationship with various State and local government organizations which means that we know and understand the difficult issues and how to address them. Our primary team members have extensive technical knowledge of and experience with Federal and State grants and will be available at your request. Your engagement member will be Chris Deweese. He has been engagement member for audits of West Virginia Bureau of Employment Programs, West Virginia Department of Transportation, and numerous other governmental organizations.

We will serve WORKFORCE West Virginia in a dedicated manner and you will be a top priority client of our office. We would appreciate the opportunity to meet personally to further discuss this written proposal. We possess all of the technical and professional qualifications to serve WORKFORCE West Virginia in the most effective manner. Please feel free to contact Horace Emery or Chris Deweese in respect to any questions you may have concerning this proposal. This proposal is a firm and irrevocable offer for ninety (90) days.

Very truly yours,

*Suttle & Stalnaker, PLLC*

## MANDATORY REQUIREMENTS

### 3.5.a INDEPENDENCE AND CONFLICTS OF INTEREST

All professional personnel must be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, the United States General Accounting Office, State statutes, and regulatory agencies under which we practice. In this regard, any transaction, event, or circumstance that would impair the Firm's independence on compilation, review, audit, forecast, projection, or attestation engagements is prohibited.

Suttle & Stalnaker, PLLC is independent of the WORKFORCE West Virginia, and related systems, the State of West Virginia, and any other component units of the State of West Virginia as defined by auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, United States General Accounting Office.

Suttle & Stalnaker, PLLC has no relationship with any known major vendors or contractors to WORKFORCE WV and related systems. In addition, Suttle & Stalnaker, PLLC agrees to give WORKFORCE WV written notice of any professional relationships entered into during the period of this agreement with any major contractors as defined in West Virginia code §29-22-23.

We affirm to the best of our knowledge and belief that neither the firm, nor any of its members, employees, or subcontractors presently have any interest and shall not acquire any interest, direct or indirect which would conflict or compromise in any manner or degree with the performance of its services hereunder. We further covenant that during the period of the contract, we shall periodically inquire of our members, employees and any subcontractors, concerning such interests. Any such interests discovered shall be promptly presented in detail to WORKFORCE WV.

### 3.5.b LICENSE TO PRACTICE IN WEST VIRGINIA

Suttle & Stalnaker, PLLC and all assigned key professional staff are properly licensed by the West Virginia Board of Accountancy to practice in West Virginia. We are in good standing with both the Workers' Compensation Division and the Unemployment Compensation Division as required by law. Please see the No Debt Affidavit at the last page of the Request for Quotation included as part of this proposal.

In addition, all assigned personnel have received adequate continuing professional education within the preceding two years to comply with AICPA and *Government Auditing Standards* (GAS). Suttle & Stalnaker, PLLC is a member in good standing with the American Institute of Certified Public Accountants (AICPA), the AICPA's Private Companies Practice Section, and the West Virginia Society of Certified Public Accountants (CPAs). All members proposed to serve on this engagement are members of the AICPA.

Suttle & Stalnaker, PLLC meets all requirements imposed by the State of West Virginia and other local laws, rules and regulations, and are registered resident vendors authorized to transact business with the State of West Virginia.

### 3.5.c QUALITY CONTROL

Suttle & Stalnaker, PLLC is a member in good standing of PKF/Polaris International and of the Private Companies Practice Section of the American Institute of Certified Public Accountants and as such is required to provide a minimum of 40 hours of continuing professional education for each professional on staff, have a complete quality control system in place which encompasses all five of the quality control elements established by the AICPA, and have a peer review at least every three years. The following is a brief summary of our policies as they relate to each quality control element.

*Independence, Integrity and Objectivity* - All personnel must maintain independence in all required circumstances, perform all professional responsibilities with integrity, and maintain objectivity in discharging professional responsibilities. All professional personnel must be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, the United States General Accounting Office, State statutes, and regulatory agencies under which we practice. In this regard, any transaction, event, or circumstance that would impair the Firm's independence on compilation, review, audit, forecast, projection, or attestation engagements is prohibited.

*Personnel Management* - Personnel Management encompasses hiring, assigning personnel to engagements, professional development, and advancement activities. Accordingly, policies and procedures have been established to provide the firm with reasonable assurance that-

- Those hired possess the appropriate characteristics to enable them to perform competently. Professional staff must normally have an accounting degree and a grade point average of at least 3.0 on a 4.0 scale.
- Work is assigned to personnel having the degree of technical training and proficiency required in the circumstances.
- Personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned. All professional personnel must comply with the continuing professional education requirements of the AICPA, the West Virginia State Board of Accountancy, and the U.S. General Accounting Office. Specifically, all professionals must obtain a minimum of 40 hours of continuing professional education per year. For persons involved in governmental auditing, at least 24 hours in any two-year period must be directly related to governmental accounting and auditing. All professional staff must maintain an adequate awareness and understanding of current developments in technical literature, and all professional staff must assist in the training and development of staff members under their supervision.
- Personnel selected for advancement must have the qualifications necessary for fulfillment of the responsibilities they will be called on to assume. These determinations are made based on periodic, objective evaluations of individual performances.



*Engagement Performance* - Engagement Performance encompasses all phases of the design and execution of the engagement. Our policies and procedures cover planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement. Our Firm recognizes the need for a constant exchange of ideas and opinions about technical issues on all professional engagements, and it is our policy that all professional personnel seek consultation whenever they are uncertain about the answer to a technical question, the application of a professional procedure or standard, the application of a rule, regulation or procedure of a tax or other regulating agency, or the application of a Firm policy.

*Acceptance and Continuance of Clients and Engagements* - It is the policy of our Firm that on all compilation, review, audit, forecast, projection, and attestation engagements, the acceptability of the client be evaluated to assess the Firm's abilities to perform the services and the risks associated with providing the services before the Firm agrees to provide professional services.

*Monitoring* - It is the policy of our Firm that our quality control system be monitored on an ongoing basis to determine whether the Firm complies with its stated quality control policies and procedures.

The specific procedures utilized to ensure compliance with the above policies are enumerated in our formal Quality Control Document, which is included as an appendix.

A review of the Firm's system of quality control was performed in 2005, in accordance with the AICPA's peer review program. This review included a review of selected governmental engagements. An unqualified opinion with no letter of comments was received as a result of this review. A copy of that report follows our Quality Control Document.

The Firm also has periodically had its workpapers and/or reports reviewed by federal and state agencies. The desk and/or field audits have uncovered no significant issues, and we have often been complemented by the reviewer on the quality of our work.

## **OTHER CERTIFICATIONS AND WARRANTIES**

### **3.4.1 Conflicts of Interest**

As a consequence of Suttle & Stalnaker, PLLC's strict policies regarding independence, it has no engagements that can or will in any way cause a conflict of interest, as set forth in West Virginia Code §29-22-23, with our proposed engagement for WORKFORCE WV.

### **3.4.2 Prohibition Against Gratuities**

Suttle & Stalnaker, PLLC has employed no company or person to assist with our services to WORKFORCE WV other than bona fide employees. Further, we have not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award of the contract with WORKFORCE WV.

### **3.4.3 Certifications Related to Lobbying**

No federal appropriated funds have been paid or will be paid, by or on behalf of Suttle & Stalnaker, PLLC or their employees, to any person for purposes of influencing or attempting to influence an officer or employee of any federal agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan, or cooperative agreement.

### **3.4.4 Vendor Relationship**

The relationship of Suttle & Stalnaker, PLLC to the State will be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by the parties to this contract. Suttle & Stalnaker, PLLC as an independent contractor is solely liable for the acts and omissions of its employees and agents.

Suttle & Stalnaker, PLLC is responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this RFQ and resulting contract. Neither Suttle & Stalnaker, PLLC nor any employees or contractors of Suttle & Stalnaker, PLLC shall be deemed to be employees of the State for any purposes whatsoever.

Suttle & Stalnaker, PLLC is exclusively responsible for the payment to his/her employees and contractors of all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, including but not limited to Workers' Compensation and Social Security obligations, and licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.

Suttle & Stalnaker, PLLC will hold harmless the State, and will provide the State and WORKFORCE West Virginia with a defense against any and all claims including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

Suttle & Stalnaker, PLLC will not assign, convey, transfer or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association or entity without expressed written consent of WORKFORCE West Virginia.

### **3.4.5 Indemnification**

Suttle & Stalnaker, PLLC agrees to indemnify, defend and hold harmless the State of West Virginia, WORKFORCE WV, its officers, and employees from and against:

- (A) Any claims or losses for services rendered by any subcontractor, person or firm performing or supplying services, materials or supplies in connection with the performance of the contract.
- (B) Any claims or losses resulting to any person or entity injured or damaged by Suttle & Stalnaker, PLLC, their officers or employees by the publication, translation, reproduction, delivery, performance, use or disposition of any data used under the contract in a manner not authorized by the contract, or by federal or state statutes or regulations;
- (C) Any failure of Suttle & Stalnaker, PLLC, their officers or employees to observe state and federal laws, including but not limited to labor and minimum wage laws.

### **3.4.6 Contract Provisions**

After the successful Vendor is selected, a formal contract document will be executed between the State and the Vendor. In addition, the RFQ and the Vendor's response will be included as part of the contract by reference. The order of precedence is the contract, the RFQ, and the Vendor's Quote in response to the RFQ.

### **3.4.7 & 3.4.8 Compliance with Governing Laws and Regulations**

Suttle & Stalnaker, PLLC abide with all laws, regulations, and ordinances of the United States. Suttle & Stalnaker, PLLC is licensed to do business in this state. It also complies with the Civil Rights Act of 1964 and all other applicable federal, state and local government regulations.

### **3.4.9 - 3.4.16 Various General Terms and Conditions**

Suttle & Stalnaker, PLLC will abide by and comply with these items as presented in the RFQ.

**Desk and Field Reviews**

Engagements performed by Suttle & Stalnaker, PLLC have been subjected to several federal desk and field reviews over the past three years. No significant issues were raised as a result of any of these reviews.

**Proposer's Warranty and Guarantee**

Suttle & Stalnaker, PLLC warrants that it will not delegate or subcontract its responsibilities under this agreement without the express prior written permission of WORKFORCE WV.

Suttle & Stalnaker, PLLC further warrants that all information provided by it, in connection with this proposal, is true and accurate.

Suttle & Stalnaker, PLLC certifies it can and will provide and make available, at a minimum, all services set forth herein.

|                                    |
|------------------------------------|
| FIRM QUALIFICATIONS AND EXPERIENCE |
|------------------------------------|

## **Section 1 - FIRM QUALIFICATIONS AND EXPERIENCE**

Suttle & Stalnaker, PLLC, Certified Public Accountants, is located at The Virginia Center, Suite 100, 1411 Virginia Street East, Charleston, West Virginia 25301. The Firm currently consists of the following full-time personnel of which 15 are certified public accountants: members - 6, managers, seniors and staff accountants - 17, support staff - 6. Suttle & Stalnaker, PLLC has 10 personnel dedicated to governmental auditing. Various members and employees of the Firm are members of the American Institute of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, Government Finance Officers' Association, and other professional organizations.

We are experienced in and perform a full range of activities. Our professionals are organized according to their functional discipline: accounting and auditing, tax and tax consulting, and management consulting. We consider ourselves business advisors who not only solve problems but also prevent them.

## **STATE OF WEST VIRGINIA AND BUREAU OF EMPLOYMENT PROGRAMS**

Suttle & Stalnaker, PLLC has audited WORKFORCE WV's, including the Workers Compensation Division's, financial statements for the last six years. In addition, Suttle & Stalnaker, PLLC has a long history of serving the State of West Virginia and WORKFORCE WV, having served virtually every major division and department in some capacity, including participating as a joint venturer/subcontractor in every Single Audit of the State of West Virginia. As part of the Single Audit, Suttle & Stalnaker, PLLC personnel have audited the major programs of WORKFORCE WV, including Unemployment Insurance, JTPA, WIA, and Employment Services. Suttle & Stalnaker, PLLC has performed the financial audit for WORKFORCE WV and WORKFORCE WV's component unit, the West Virginia Workers' Compensation Division for the last six years.

Other engagements with the State of West Virginia have included auditing component units, divisions or programs to be incorporated into the State of West Virginia's Comprehensive Annual Financial Reports. These engagements include the West Virginia Department of Transportation, West Virginia Division of Highways, West Virginia Public Employees Insurance Agency, West Virginia Lottery and the West Virginia Water Pollution Control Revolving Loan Fund. These engagements demonstrate our ability to meet the time parameters required by the Department of Administration's Financial and Reporting Section, as well as our ability to effectively and efficiently complete audits in the complex State environment.

## **GFOA CERTIFICATE OF EXCELLENCE EXPERIENCE**

Only a few entities in West Virginia have applied for and obtained a GFOA Certificate of Excellence in Financial Reporting. Our current clients, the West Virginia Division of Highways and the West Virginia Public Employee's Insurance Agency and our former client, WORKFORCE West Virginia obtained the GFOA Certificate of Excellence. In addition, the State of West Virginia, our client through joint ventures with Ernst & Young, LLP and Deloitte & Touche, LLP, obtained the GFOA Certificate of Excellence. As stated in the Suttle & Stalnaker, PLLC mission statement, we are continually striving to "provide world class professional services to quality clients by utilizing a team of dynamic individuals and advanced technology to achieve success for our clients and ourselves." If WORKFORCE WV wishes to pursue a GFOA Certificate of Excellence in Financial Reporting, we will be pleased to assist.

## **PKF NORTH AMERICAN NETWORK**

Suttle & Stalnaker, PLLC is a member of PKF North American Network, (PKF). PKF is a national and international association of independent certified public accounting firms, which provides its members with continuing professional education, quality control, technical support and marketing services.

Membership in PKF allows us to significantly broaden our Firm's representation and provides the technical support that is so critical in our ever-changing and expanding profession. With over 200 member firms throughout the United States, Canada, Mexico, Puerto Rico, the United Kingdom, Europe and the Far East, PKF offers a network of experience and expertise covering a wide range of industries and client services on a regional, national and international basis.

PKF North American Network (PKF) is an association of CPA firms dedicated to high standards of practice, and admission is by invitation only. Member firms must comply with a number of rigorous membership requirements, including a periodic "peer review" in which other CPAs inspect a sample of the Firm's working papers and evaluate its quality controls. The Association provides a national and international network from which the firms can draw upon for additional experience, consultation and personnel. PKF strengthens the practices of its member firms in a variety of ways:

- increased representation throughout the world
- access to specialized knowledge and expertise throughout the PKF North American Network of firms
- superior professional education
- marketing and practice development support
- a library of high-quality technical materials
- a network of international public accounting firms, through affiliation with PKF International, to meet their international needs

**PKF North American Network and PKF International as of December 1, 2005**

|                                | <u>PKF North American Network</u> | <u>PKF International</u> | <u>Combined</u> |
|--------------------------------|-----------------------------------|--------------------------|-----------------|
| Number of Firms                | 92                                | 160                      | 252             |
| Gross Fees (in millions, U.S.) | \$594                             | \$662                    | \$1,256         |
| Number of Partners             | 845                               | 720                      | 1,565           |
| Number of Staff                | 4,784                             | 6,500                    | 11,284          |
| Number of Countries            | 3                                 | 117                      | 120             |

**PKF North American Network Membership as of December 1, 2005**

|  |              |
|--|--------------|
| Number of Firms with One Office:       | 48           |
| Number of Firms with Multiple Offices: | 44           |
| Largest Firm Revenue:                  | \$26,800,000 |
| Smallest Firm Revenue:                 | \$531,000    |
| Average Firm Revenue:                  | \$6,384,300  |
| Locations:                             | 167          |
| Number of States:                      | 39           |
| Number of Canadian Provinces:          | 6            |
| Number of Mexican Provinces:           | 32           |

PKF North American Network is an association of independently owned accounting and consulting firms with offices throughout the world. Organized around regional networks, the purpose of the association is to improve the profitability of its member firms while helping them maintain local ownership.

**OUR GOVERNMENT AND NONPROFIT PRACTICE**

Suttle & Stalnaker, PLLC has specialized in governmental and nonprofit agency auditing and accounting for over 30 years. This segment currently makes up the largest industry concentration of our audit practice, with our professional staff spending well over 12,000 hours per year on audits of governmental and nonprofit entities and programs. Every member of our audit staff has both training and experience in governmental and nonprofit accounting and auditing.



The State of West Virginia and its departments, divisions, and component units are the cornerstone of our government practice. Through a joint venture, we participate in the audit of the State of West Virginia's financial statements, and perform extensive work related to the requirements of the Single Audit Act and Office of Management and Budget's Circular A-133. As part of the joint venture, we were also heavily involved in special work for the former Board of Investments with regard to the consolidated investment fund. In addition, Suttle & Stalnaker, PLLC personnel provided assistance with the State's GAAP conversion project and initial Comprehensive Annual Financial Report. Our Firm has served numerous other governmentally and nonprofit funded clients and similar entities requiring audits in accordance with *Government Auditing Standards*, developing a strong reputation for providing quality services in the West Virginia market. This preeminence in governmental and nonprofit services is not the result of casual experience acquired through an on-going accounting practice. Rather, it results from the commitment of our Firm to the highest standards of service in the governmental and nonprofit sector.

## EXTERNAL REVIEWS OF FIRM WORK

Our Firm's most recent peer review of our system of quality control performed by an independent CPA Firm in accordance with standards established by the American Institute of Certified Public Accountants was completed in 2005, and we received an unqualified opinion with no letter of comments. In accordance with peer review standards, the peer review included a review of selected specific governmental engagements. A copy of that report is included in this proposal.

## LITIGATION

The Firm has never had any litigation against it, and there is no pending litigation involving the Firm with any state regulatory bodies or professional organizations.

## ACCOUNTING AND AUDITING

We have a strong reputation as auditors and business consultants to small and middle market companies, assisting in the analysis of business opportunities and threats, operations improvement, profit management, and design and installation of computer accounting and statistical systems. We are especially well known and respected for our experience and expertise in governmental and nonprofit entities, programs and activities, including Federal financial assistance programs, and cost allocation plans.

Our professionals are skilled in the unique financial reporting, accounting and auditing, and tax concerns of our clients as well as assisting them in such specialized projects as business financing, and operational analysis and improvement.

## SPECIFIC CLIENTS SERVED

The following list illustrates Suttle & Stalnaker, PLLC's experience and diversity in serving governmental clients and similar entities:

- West Virginia Bureau of Employment Programs
- West Virginia Workers' Compensation Division
- Single Audit of State of West Virginia, including the following:
  - Bureau of Employment Programs
    - Unemployment Insurance Programs
    - Employment Services
    - JTPA Programs
    - WIA Programs
  - West Virginia Development Office
    - Community Development Block Grant Program
  - Department of Health and Human Resources
    - Temporary Assistance for Needy Families
    - Social Services Block Grant
    - Low Income Housing and Emergency Assistance
    - Women's, Infant's and Children's
    - Foster Care - Title IV
    - Child Care Development Fund
    - Substance Abuse
    - Child Support Enforcement
    - Medicaid
    - Food Stamp Cluster
  - Department of Education
    - Child Nutrition Cluster
    - Office of Special Education
    - Vocational Education
    - Title I - Grants to Local Education Agencies
  - Division of Environmental Protection
    - Office of Abandoned Mine Lands
    - Office of Surface Mining
    - Capitalization Grants for State Revolving Loan Funds
  - Division of Workers' Compensation - Employer Field Audits
  - West Virginia Department of Transportation
  - West Virginia Division of Highways
  - West Virginia Lottery - Drawing Auditors
  - West Virginia Lottery - Consultant regarding review of Video Lottery Licensees
  - West Virginia Lottery - Financial Statements Audit
  - Minnesota Lottery
  - Twelve County Boards of Education - Single Audit
  - Agreed-upon procedures regarding West Virginia Consolidated Investment Fund for Board of Investments
  - West Virginia PEIA

- West Virginia University
- Marshall University
- Fairmont State College
- West Virginia State College
- BCKP Regional Intergovernmental Council - Single Audit

# PRIOR ENGAGEMENTS WITH THE STATE OF WEST VIRGINIA

| Engagement  | Scope of Work   | Date              | Engagement Member               | Avg. Annual Hours | Client Contact   | Telephone Number |
|---|---|-------------------|---------------------------------|-------------------|--|------------------|
| Single Audit of the State of WV<br>Building 1, Room E-119<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0120        | Participation in financial and compliance auditing for several departments, including numerous federal award programs     | 1986 thru present | Chris Deweese /<br>Horace Emery | 2,800             | Ross Taylor/<br>Chris Storza   | 558-1321         |
| WV Department of Transportation<br>Building 5, Room A-109<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0440        | Annual Financial Statement Audit including assistance with CAFR and FARS forms, including numerous federal award programs | 2001 thru present | Horace Emery /<br>Chris Deweese | 3,000             | Fred Thomas  | 558-2841         |
| WV Division of Highways<br>Building 5, Room 109<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0403                  | Annual Financial Statement Audit including assistance with CAFR and FARS forms, including numerous federal award programs | 2001 thru present | Horace Emery /<br>Chris Deweese | 800               | Aaron Allred<br>Legislative Post Audit Division<br>Building 1, Room E-132<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0160 | 347-4800         |
| WV Bureau of Employment<br>Programs<br>Building 4, Room 610<br>112 California Avenue<br>Charleston, WV 25305-0112       | Annual Financial Statement Audit  | 2000 thru present | Chris Deweese /<br>Horace Emery | 300               | Mark Miller  | 558-2633         |
| WV Workers' Compensation<br>Division<br>4700 MacCorkle Avenue SE<br>Charleston, WV 25304-1964                           | Annual Financial Statement Audit  | 2000 thru present | Horace Emery                    | 1,250             | Melinda Ashworth Kiss  | 926-5047         |
| WV Public Employees Insurance<br>Agency<br>Building 5, Room 1001<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0710 | Plan Document Review  | 2000 thru 2002    | Horace Emery                    | 750               | Jason Haught /<br>Glenn Long   | 558-7850         |
| WV Public Employees Insurance<br>Agency<br>(see above)  | Annual Financial Statement Audit including assistance with CAFR and FARS forms  | 2001 thru 2002    | Horace Emery                    | 400               | Jason Haught   | 558-7850         |

PRIOR ENGAGEMENTS WITH THE STATE OF WEST VIRGINIA (Continued)

|  |   |                   |              |     |               |          |
|--|---|-------------------|--------------|-----|---------------|----------|
| WV Public Defender Corporations<br>Building 3, Room 330<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0730 | Annual Financial Statement Audit  | 2000              | Horace Emery | 800 | Jack Rogers   | 558-3905 |
| WV Lottery<br>312 MacCorkle Avenue SE<br>PO Box 2067<br>Charleston, WV 25327-2067                              | Annual Financial Statement Audit including<br>assistance with CARR and FARS forms | 1997 thru<br>1999 | Horace Emery | 500 | Virgil Helton | 558-0050 |

## SIMILAR PRIOR ENGAGEMENTS WITH THE STATE OF WEST VIRGINIA

| Engagement   | Scope of Work   | Date              | Engagement Member               | Avg. Annual Hours | Client Contact   | Telephone Number |
|--|---|-------------------|---------------------------------|-------------------|--|------------------|
| Single Audit of the State of WV<br>Building 1, Room E-119<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0120     | Participation in financial and compliance auditing for several departments, including numerous federal award programs     | 1986 thru present | Chris Deweese /<br>Horace Emery | 2,800             | Chris Sforza   | 558-1321         |
| WV Department of Transportation<br>Building 5, Room A-109<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0440     | Annual Financial Statement Audit including assistance with CAFR and FARS forms, including numerous federal award programs | 2001 thru present | Horace Emery /<br>Chris Deweese | 3,000             | Fred Thomas  | 558-2841         |
| WV Division of Highways<br>Building 5, Room 109<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0405               | Annual Financial Statement Audit including assistance with CAFR and FARS forms, including numerous federal award programs | 2001 thru present | Horace Emery /<br>Chris Deweese | 800               | Aaron Alford<br>Legislative Post Audit Division<br>Building 1, Room E-132<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0160 | 347-4800         |
| WV Bureau of Employment Programs<br>Building 4, Room 610<br>112 California Avenue<br>Charleston, WV 25305-0112       | Annual Financial Statement Audit  | 2000 thru present | Chris Deweese /<br>Horace Emery | 300               | Mark Miller  | 558-2633         |
| WV Workers' Compensation Division<br>4700 MacCorkle Avenue SE<br>Charleston, WV 25304-1964                           | Annual Financial Statement Audit  | 2000 thru present | Horace Emery                    | 1,250             | Melinda Ashworth Kiss  | 926-5047         |
| WV Public Employees Insurance Agency<br>Building 5, Room 1001<br>1900 Kanawha Blvd., E.<br>Charleston, WV 25305-0710 | Plan Document Review  | 2000 thru 2002    | Horace Emery                    | 750               | Jason Haught /<br>Gloria Long  | 558-7850         |
| WV Public Employees Insurance Agency<br>(see above)  | Annual Financial Statement Audit including assistance with CAFR and FARS forms  | 2001 thru 2002    | Horace Emery                    | 400               | Jason Haught   | 558-7850         |

PERSONNEL QUALIFICATIONS AND EXPERIENCE

## Section II - PERSONNEL QUALIFICATIONS AND EXPERIENCE

We firmly believe that the true quality of service can be linked directly to competent people dedicated to excellence. The professionals selected to serve WORKFORCE WV all have extensive governmental experience and prior Bureau experience. We will provide for an organizational structure that ensures ongoing and knowledgeable supervision by management already familiar with WORKFORCE WV to ensure maximum efficiency.

The following individuals will have responsibility to ensure that our services meet your requirements. Resumes and continuing professional education records are included on the following pages.

### Horace Emery, CPA

Horace Emery, Member, brings extensive governmental experience to this engagement with over 25 years of service to the government and governmentally funded entities. We are certain that this experience will be of great benefit to WORKFORCE WV in achieving the goals and benefits of this engagement. Horace will ensure that the services and deliverables to WORKFORCE WV meet the Firms high standards. Following is the specific information requested:

Name: Horace Emery, CPA  
 Address: Suttle & Stalnaker, PLLC  
 The Virginia Center, Suite 100  
 1411 Virginia Street East  
 Charleston, West Virginia 25301  
 Telephone: (304) 720-3103  
 Fax: (304) 343-8008  
 email: hemery@suttlecpas.com

### Chris Deweese, CPA

Chris Deweese will continue to serve as Engagement Member. He will be responsible for the direct supervision of the engagement, including ensuring that all professional standards are met. He will act as a direct liaison between Suttle & Stalnaker, PLLC and your personnel during the engagement and throughout the year. He has served as Suttle & Stalnaker, PLLC member responsible for ensuring the execution of the financial audit of WORKFORCE WV and of Suttle & Stalnaker's portions of the State of West Virginia's Single Audit, including West Virginia Bureau of Employment Programs, participating in planning, entrance and exit conferences, addressing issues, and review of workpapers and findings. He has also served as engagement member for the audit of the West Virginia Department of Transportation. He has over 11 years experience in governmental entities and programs. Chris served on the State of West Virginia GASB 34 implementation task force in both the fund financial statement committee and the infrastructure committee.



Kelly Shafer

Kelly Shafer, Staff Accountant, will be on site during the course of the audit of WORKFORCE WV, executing the audit plan. She has also had experience with auditing the major federal awards programs for WORKFORCE WV of Employment Programs and has worked on the financial audit of WORKFORCE WV over the last two years.

Thomas J. Tuniewicz, Wolf & Company, P.C.

Tom Tuniewicz, Supervisor in Wolf & Company, P.C.'s IT Assurance Group will be responsible for the EDP internal control review. Tom has performed the EDP internal control reviews for the past two years' audits of the West Virginia Department of Transportation and West Virginia Division of Highways. Tom has extensive experience with information systems and is a Certified Quality Engineer through the American Society for Quality.

Kevin Jones, MCSE

Kevin Jones, Computer Specialist, has over nine years experience in computer consulting, including assisting with various EDP related procedures. He will be available to assist in the EDP internal control review or to assist with computer assisted audit procedures.

**ADDITIONAL STAFF**

Additional staff will be assigned as necessary. Any professional staff will have at least a college degree from an accredited four-year college and be a true employee with at least one year's auditing experience. Suttle & Stalnaker, PLLC continually strives to hire the best personnel available to serve our clients. As outlined in the Quality Control Section of this proposal, we are committed to this effort in order to provide our clients with the high quality service they deserve.

## ABILITY TO MAINTAIN QUALITY OF STAFF

In preparing and planning for the future success of Suttle & Stalnaker, PLLC and in an effort to provide our clients with the highest quality professional services, Suttle & Stalnaker, PLLC has implemented the EXCEL<sup>®</sup> program. The EXCEL<sup>®</sup> program allows each individual the flexibility to establish personal work commitments, continuing education goals, and career goals while ensuring that our commitments to our clients are met. This flexibility in today's work environment has been an instant success in helping to attract dynamic career oriented personnel dedicated to achieving success for our clients. The direct results of this program for Suttle & Stalnaker, PLLC have been a significantly lower turnover than other firms in public accounting. This results in an increased ability to assign a core group of the same individuals to recurring engagements, thus improving client service, and audit effectiveness. However, over the course of the engagement, there may well be a need to change staff assigned to the engagement. We believe our hiring, promotion, and personnel assignment policies and practices will ensure the quality of staff assigned to the engagement. If any supervisory staff or specialists need to be changed during the engagement, we will provide the Deputy Commissioner of Administration for WORKFORCE WV a resume similar to the ones included in this proposal, to ensure that WORKFORCE WV agrees that the new person is suitable for the engagement based on their qualifications, experience and performance.

RESUMES

## **HORACE W. EMERY, CPA**

### **Member**

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#### Firm Responsibilities

Horace Emery is an audit partner whose responsibilities include providing technical assistance on all accounting and audit engagements, serving on the firm administration committee, and managing the Firm's continuing professional education program.

#### Experience

He has had over 28 years of diversified experience in public accounting with the firms of Suttle & Stalnaker, PLLC and Peat, Marwick, Main & Co. His extensive experience includes audits of nonprofit, governmental and healthcare entities as well as audits of retail wholesale, and manufacturing companies; reviews of accounting systems; and reviews of internal controls.

He has served as the engagement partner or independent partner during the past several years for numerous clients, including the following:

- West Virginia Bureau of Employment Programs
- West Virginia Workers' Compensation Division
- West Virginia PEIA - Financial and Compliance Audit
- West Virginia PEIA - Plan Document Compliance Review
- West Virginia Division of Highways
- West Virginia Department of Transportation
- West Virginia Lottery
- Minnesota Lottery
- West Virginia Water Pollution Control Revolving Fund - Enterprise Fund
- State of West Virginia - Single Audit
- Appalachian Community Health Center, Inc.
- Kanawha Hospice
- West Virginia Department of Education - Agreed-upon Procedures
- State of West Virginia - Internal control project for the State Treasurer's Office
- Boone County Board of Education - Single Audit
- Putnam County Board of Education - Single Audit
- Kanawha County Board of Education - Single Audit
- Pendleton County Board of Education - Single Audit
- Tyler County Board of Education - Single Audit
- Gilmer County Board of Education - Single Audit
- Doddridge County Board of Education - Single Audit
- Roane County Board of Education - Single Audit
- BCKP Regional Intergovernmental Council

**HORACE W. EMERY (Continued)**

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**Education**

Horace graduated from West Virginia University with a master's of business administration degree with an emphasis in accounting, and from Oberlin College with a Bachelor of Arts degree. He is a certified public accountant having received certificate number 1144 from the State of West Virginia.

**Professional Activities**

He is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, and the Government Finance Officers Association. He currently serves on the Peer Review Committee of the West Virginia Society of Certified Public Accountants, and is a past Chair of the West Virginia Society of Certified Public Accountants Peer Review Committee and the Committee on Cooperation with State and Local Governments. He also was a past president of the Charleston, West Virginia Chapter of the EDP Auditors Association. He has planned local office professional development training programs for several years and has instructed several technical seminars. Horace also served on the State of West Virginia GASB 34 implementation task force on both the entity wide financial statement committee and the oversight committee.

**CHRIS DEWEESE, CPA****Member**

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Firm Responsibilities

Chris is a member, and is responsible for helping develop and carryout the engagement plans for specific clients. These responsibilities include, but are not limited to, the development of the audit plan and audit program, communication with client during the course of the fieldwork, direct supervision of the audit staff and completion of the final audit report.

Experience

Chris has over 11 years of experience in public accounting during which time he has specialized in serving governmental entities. He has served as an auditor for the following clients:

- West Virginia Bureau of Employment Programs
- Bluefield State College
- Concord University
- Southern West Virginia Community & Technical College
- West Virginia School of Osteopathic Medicine
- BCKP, Regional Intergovernmental Council
- West Virginia Department of Transportation
- West Virginia Division of Highways
- West Virginia Public Employees' Insurance Agency
- Sixteen Public Defender Corporation, Authority
- State of West Virginia, Single Audit, including the following:
  - West Virginia Bureau of Employment Programs
  - West Virginia Department of Education
  - West Virginia Department of Environmental Protection
  - West Virginia Department of Health and Human Resources
  - West Virginia Development Office
  - West Virginia Division of Rehabilitative Services
  - West Virginia University
  - Marshall University
- West Virginia Department of Health and Human Resources, Office of Audits, Research, and Analysis - Agreed Upon Procedures
- Thirteen County Boards of Education - Single Audits

**CHRIS DEWEESE, (Continued)**

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**Education**

Chris graduated with a Bachelor's degree with a major in accounting from the University of Charleston. He is a certified public accountant having received certificate number 3961 from the State of West Virginia.

**Professional Activities**

Chris is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, the Government Finance Officers Association, the Association of School Business Officials, and the Charleston Chapter of the West Virginia Society of Certified Public Accountants. He currently serves on the Government Interest Committee of the West Virginia Society of Certified Public Accountants and is the President of the Board of Directors of the Charleston Chapter of the West Virginia Society of Certified Public Accountants. In addition, he currently serves on the Accounting Procedures Committee of the Association of School Business Officials, the Special Review Committee of the Government Finance Officers Association for the GFOA Certificate of Excellence in Financial Reporting and is an associate member of the Association of Certified Fraud Examiners. Chris was the 2004 recipient of the Young CPA of the Year Award from the West Virginia Society of Certified Public Accountants.

## KELLY SHAFER

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### Firm Responsibilities

Kelly Shafer is a staff accountant who works primarily in the audit and accounting areas of Suttle & Stalnaker, PLLC. Her responsibilities include, but are not limited to, carrying out audit plans, communication with clients during the course of the fieldwork, completion of final audit reports.

### Experience

Kelly has approximately two years of experience during which time she has worked on several audit engagements that are similar to the client being proposed on:

- West Virginia Bureau of Employment Programs
- State of West Virginia, Single Audit, including the following departments:
  - West Virginia Bureau of Employment Programs
  - Workforce Investment Act
  - West Virginia Department of Health and Human Resources
- Boone County Board of Education - Single Audit
- Roane County Board of Education - Single Audit
- Gilmer County Board of Education - Single Audit
- Tyler County Board of Education - Single Audit
- Southern West Virginia Community & Technical College
- Bluefield State College
- Concord University
- West Virginia School of Osteopathic Medicine

### Education

Kelly graduated from West Virginia University with a bachelor of science degree in accounting and a masters of professional accountancy. She is eligible to sit for the certified public accountants exam.

### Professional Activities

Kelly is a member of the West Virginia Society of Certified Public Accountants and the Charleston Chapter of the West Virginia Society of Certified Public Accountants.



## THOMAS J. TUNIEWICZ, Wolf & Company, P.C.

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### Responsibilities

Tom is a supervisor in Wolf & Company, P.C.'s IT Assurance Group. Mr. Tuniewicz provides systems planning and review, institution disaster recovery plan facilitation and testing, training, database design review, security reviews, and a wide variety of other services. With skills and experience in Novell and NT networking, banking, strategic planning, disaster recovery planning, user and management training and support, auditing, and statistical analysis, Tom is well suited to provide for a wide variety of the needs of Wolf clients.

### Experience

Tom has direct experience with the State of West Virginia, having performed the on-site internal control reviews for the past two years' audits of the West Virginia Department of Transportation and West Virginia Division of Highways.

For the past 13 years, Tom has worked in the Information Technology field in the positions of Systems Administrator, Information Systems Manager, and Auditor. He has acted as project manager for several major IT installations including multi-server LAN's, fiber-optic backbone installation, and data systems conversions.

Providing audit and survey work for the B-1B, Peacekeeper, SSTS (Space Shuttle Transport System), and Polaris government programs with Rockwell International Corporation and E G & G, Tom has a wealth of experience in highly technical procedural audit functions. This work is also regulatory in nature, being monitored by the United State Air Force, Department of Defense, and the Department of Energy.

### Education and Professional Activities

Beyond his M.A. from Anna Maria College, Tom has earned a Graduate Certificate in Administration and Management from Harvard University Extension. He is also a Certified Quality Engineer through the American Society for Quality (ASQ) and a member of the Information Systems Security Association (ISSA) and Information Systems Audit and Control Association (ISACA).

## KEVIN JONES, MCSE

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### Firm Responsibilities

Kevin Jones is Network Administrator for Suttle & Stalnaker, PLLC. His responsibilities include supervising and maintaining the firm wide computer network, all systems upgrades, all systems changes and the supervision of all hardware and software needs, problems and enhancements. Kevin also assists in audit engagements relating to computer system assessments. He also provides network administration services to several clients of Suttle & Stalnaker, PLLC and NetTek, Inc.

### Experience

Kevin has been with Suttle & Stalnaker, PLLC for over 12 years and previously worked for a computer consulting company. He has extensive experience in various computer installations. Kevin has previously provided services to West Virginia Lottery relative to tests of computer data for the Travel/Keno games, and the West Virginia Public Employee Insurance Agency, assisting with the execution of computer assisted audit techniques.

### Education

Kevin graduated from Tennessee Temple University with a bachelor of science degree in computer information systems. In May 1999, Kevin received certification as a Microsoft Certified System Engineer.

SPECIFIC WORKPLAN

## SERVICES TO BE PROVIDED

We understand that WORKFORCE West Virginia requires an audit of its financial statements including supplemental schedules required by the West Virginia Department of Administration, Financial and Reporting Section (FARS) and the Government Accounting Standards Board (GASB).

We believe that planning is the single most important ingredient in the conduct of a quality audit. Suttle & Stalnaker, PLLC will be prepared to begin the planning of the engagement within two weeks after receiving the signed contract and accordingly, we will schedule the work at a mutually agreeable time. Following is an outline of our audit plan for WORKFORCE West Virginia as a guideline for your understanding our process. This plan is flexible innovative and at the leading edge of technology and will be altered as necessary, ensuring that your needs are met.

- Planning and terms of engagement
- Knowledge of entity and risk assessment
- Identification of transaction types, sources of audit evidence and potential errors
- Systems descriptions and documentation
- Evaluation of internal controls
- Development of overall audit plan
- Coordination of client assistance
- Design internal control, compliance, and substantive procedures
- Perform testing of accounting and administrative internal controls
- Perform tests of transactions
- Design substantive procedures for year-end balances
- Perform substantive testing of year-end balances
- Trial balance and adjustments
- Report preparation
- Meetings with management to review results of audit

We understand that WORKFORCE West Virginia requires an audit for the fiscal year ended June 30, 2006, of its financial statements prepared on the *accrual basis of accounting*. We will audit the balance sheet of WORKFORCE West Virginia as of June 30, 2006 and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the year then ended.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

WORKFORCE West Virginia's financial report will include the following:

Government-wide Financial Statements

Statement of Net Assets (Deficit)

Statement of Activities

Fund Financial Statements

Balance Sheet- Governmental Funds (Includes Reconciliation to the Statement of Net Assets (Deficiency))

Statement of Revenues, Expenditures and Changes in Fund Balance (Deficiency) - Governmental Funds (Includes Reconciliation to the Statement of Activities)

Balance Sheet - Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds

Statement of Cash Flows - Proprietary Funds

Notes to the Financial Statements

In addition to our report on WORKFORCE West Virginia's financial statements, we will also issue the following reports or types of reports:

Report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the result of our tests of internal control.

Report on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements.

Our report on internal control will include any reportable conditions and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards identified above. Our report on compliance will address material errors, fraud; violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement of loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

If circumstances arise relating to the conditions of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets, or noncompliance which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

As you know, management is responsible for 1) the preparation of WORKFORCE WV's financial statements, 2) establishing and maintaining effective internal control over financial reporting and safeguarding assets, and for informing us of all significant deficiencies in the design or operation of such controls of which it has knowledge, 3) properly recording transactions in the records, 4) identifying and ensuring that Authority complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations, 5) the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements, 6) informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, regulators, or others, 7) making all financial records and related information available to us, 8) for adjusting the financial statements to correct material misstatements, and 9) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan. At the conclusion of our audit, we will request certain written representations from management about the financial statements and matters related thereto. We will also require that you affirm to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

WORKFORCE West Virginia is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity. We will also determine that certain matters related to the conduct of the audit are communicated to WORKFORCE West Virginia including 1) fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, 2) illegal acts that come to our attention (unless they are clearly inconsequential), 3) disagreements with management and other serious difficulties encountered in performing the audit, and 4) various matters related to the entity's accounting policies and financial statements.

The working papers for this engagement are the property of Suttle & Stalnaker, PLLC. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested workpapers will be provided under the supervision of Suttle & Stalnaker, PLLC audit personnel and at a location designated by our Firm.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, Authority agrees to the following:

WORKFORCE West Virginia will be accountable and responsible for overseeing the financial statement preparation and will approve all proposed adjustments.

WORKFORCE West Virginia will establish and monitor the performance of the preparation of financial statements and approval of the adjustments to ensure that they meet management's objectives.

WORKFORCE West Virginia will make any decisions that involve management functions related to the preparation of the financial statements and approval of the adjustments and accepts full responsibility for such decisions.

WORKFORCE West Virginia will evaluate the adequacy of services performed and any findings that result.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by organization personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with management. Specific information related to timelines, adjusting journal entries, draft financial statements and the timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Professional standards and our Firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts" in a document used in a public offering of debt securities. Our report on the financial statements is not to be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if you intend to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, you agree to provide us with printer's proofs or master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance system as a result of the above will be established with you at the time such services are determined to be necessary.

Our acceptance of this engagement is subject to our satisfactorily completing communication with and review of the working papers of your previous auditors (accountants). We will notify you promptly if we become aware of anything during that communication or review which results in our not being able to continue this engagement.

This proposal constitutes the complete and exclusive statement of agreement between Suttle & Stalnaker, PLLC and WORKFORCE West Virginia, superseding all proposals oral or written and all other communication, with respect to the terms of the engagement between the parties.

In addition, we will respond to reasonable inquiries by WORKFORCE West Virginia or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

### Reporting

Following the completion of the audit of the fiscal year's financial statements, we will issue our report on the fair presentation of the financial statements in conformity with generally accepted accounting principles. In addition, we will provide an "in-relation-to" report on the supplemental schedules to be submitted to the West Virginia Department of Administration, Financial and Reporting Section based on the auditing procedures applied during the audit of the general purpose financial statements.

We will also communicate in a letter to management any reportable conditions found during the audit. Reportable conditions involve matters coming to our attention that involve significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We will also report at a minimum, to WORKFORCE West Virginia Finance/Audit Committee the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments, accounting estimates and projections
4. Significant audit adjustments and significant revisions of past and current estimates and projections
5. Other information in documents containing audited financial statements and/or estimates and projections
6. Disagreements with management
7. Consultation with other accountants and actuaries
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

We will be available to meet in person with WORKFORCE West Virginia Finance/Audit Committee to present and discuss the results of our audit.



## **Other Considerations**

We understand that WORKFORCE West Virginia will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. We will provide necessary assistance to WORKFORCE West Virginia to meet the requirements of that program.

We understand that the financial statements of WORKFORCE West Virginia are to be included as a component unit of the financial statements of the State of West Virginia. We will also help prepare the reconciliation forms required by the West Virginia Department of Administration, Financial and Reporting Section.

## **Audit Workpapers**

The workpapers for this engagement are the property of Suttle & Stalnaker, PLLC and constitute confidential information. However, we may be requested to make certain workpapers available to other agencies pursuant to authority given to them by law or regulation. If requested, access to such workpapers will be provided under the supervision of Suttle & Stalnaker, PLLC personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to such agencies, which may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

All working papers and reports will be retained, for a minimum of five (5) years, unless the firm is notified in writing by WORKFORCE WV or the Division of the need to extend the retention period. We will make working papers available, upon reasonable request, under the supervision of Suttle & Stalnaker, PLLC personnel to the following parties or their designees:

Deputy Executive Director of Administration  
WORKFORCE West Virginia

Assistant Director of FAM Accounting Services  
WORKFORCE West Virginia

Director  
Financial Accounting and Reporting Section  
Department of Administration  
State of West Virginia

## SPECIFIC WORKPLAN

### Overview of Approach

Our approach to the audit of WORKFORCE WV's financial statements is driven by three overriding considerations:

- Public concern and perception regarding the integrity of operations
- Significance of estimates
- Extensive use of computer applications in processing financial and operating information.

Therefore, our approach will place a greater emphasis on review and evaluation of internal controls, especially relating to computer operations, and on the soundness of the approach to developing actuarial estimates. These considerations are further explained in the following overview of our approach.

Our audit approach consists of the following segments:

- Planning
- Consideration of the internal control structure, including the extent of computerization and related controls, and approach to developing estimates.
- Development of the audit plan
- Testing
- Overall Conclusions and Reporting

The following is a summary of estimated hours by segment. This summary demonstrates our commitment to quality through high commitments of member/partner, manager, and an EDP audit specialist time to the engagement.

| <u>Segment</u>                    | <u>Hours</u>               |                           |                                 |               |              | <u>Total</u> |
|-----------------------------------|----------------------------|---------------------------|---------------------------------|---------------|--------------|--------------|
|                                   | <u>Member/<br/>Partner</u> | <u>EDP<br/>Specialist</u> | <u>Manager/<br/>Supervisors</u> | <u>Senior</u> | <u>Staff</u> |              |
| Planning                          | 4                          | 2                         | 8                               | 8             | 10           | 32           |
| Consideration of Internal Control | 3                          | 2                         | 8                               | 4             | 4            | 21           |
| Review of Computer Controls       | 3                          | 6                         | 4                               | 0             | 0            | 13           |
| Development of Audit Plan         | 4                          | 0                         | 4                               | 8             | 8            | 24           |
| Testing                           | 4                          | 0                         | 10                              | 75            | 90           | 179          |
| Overall Conclusions and Reporting | 4                          | 2                         | 8                               | 3             | 3            | 20           |
| Exit Conferences                  | <u>2</u>                   | <u>0</u>                  | <u>2</u>                        | <u>2</u>      | <u>0</u>     | <u>6</u>     |
| Total hours                       | <u>24</u>                  | <u>12</u>                 | <u>44</u>                       | <u>100</u>    | <u>115</u>   | <u>295</u>   |

## Planning

During the planning phase of the engagement, we will perform the following activities:

- Expand and document our understanding of WORKFORCE WV's operating environment. This understanding will address both internal and external factors which significantly affect WORKFORCE WV, and will include a review of such things as:
  - Relevant portions of the West Virginia Constitution, and state statutes
  - Other relevant state statutes
  - Organizational structure of WORKFORCE WV
  - Long range plans of WORKFORCE WV
  - Internal operational and financial reports
  - Key operating statistics
  - Significant contractual agreements
  - Actuarial trends
- Preliminary Analytical Review - Preliminary analytical review is utilized to increase our understanding of WORKFORCE WV's operations and to help focus the audit effort on those areas which are most significant or critical to the fair presentation of the financial statements. Specific analytical procedures will include year to year comparisons, ratio analysis, and trend analysis.
- Approach to laws, regulations, contracts, and grants - Identifying and ensuring that WORKFORCE WV complies with laws and regulations is the responsibility of management. Our procedures will include appropriate inquiries of management to identify laws and regulations noncompliance with which could have a direct and material effect on financial statement amounts. We will also review relevant portions of the West Virginia Constitution, the West Virginia Code, and relevant regulations, as well as significant grants and awards, including Federal awards programs such as Unemployment Insurance, and Employer Services programs. We will test the provisions of those laws, regulations, grants and awards for noncompliance which could have a direct and material effect on financial statement amounts. We will use available materials, such as the Office of Management and Budget's Compliance Supplement to assist in the determination of provisions to be tested.
- Integration of the Audit Approach and the Separate Audit of the Workers' Compensation Division (Division) - During the initial planning phase of our engagement we propose to have a co-development meeting with the separate auditors of the Division. During this co-development meeting, we would discuss the overall engagement to help ensure that WORKFORCE WV's needs relating to the Division are met in the most effective manner, and to minimize the need for two sets of auditors to audit information or systems that apply to both the Division and WORKFORCE WV. For example, this could include certain procedures related to investments and internal control reviews, including the EDP control review. For the purposes of issuing the report on WORKFORCE WV's financial statements, we plan to rely on the separate audit report issued by the other auditors and accordingly, our report will refer to their issued report.

- Coordination with Bureau Personnel - During the planning phase we will meet with Bureau personnel to coordinate our planned activities and procedures with your needs and requirements. Preliminary timing of the various phases of the audit will be agreed upon. The planned time table for the audit follows. We are committed to meeting this timetable provided there are no significant delays in receiving required information from WORKFORCE WV, or other circumstances beyond our control interfere. If such circumstances arise, we will promptly notify you to obtain an appropriate extension of time.

| <u>Deliverables/Event</u>   | <u>Time Period</u>                    |
|---|---------------------------------------|
| Entrance Conference (Planning Event)  | Three (3) days after receipt of order |
| Detailed audit plan   | July 17, 2006                         |
| Field work to begin   | On or soon after July 17, 2006        |
| Draft of WORKFORCE WV reports and financial statements for review   | September 1, 2006                     |
| Revised draft with all requested changes and modifications of WORKFORCE WV reports and financial statements for review  | September 8, 2006                     |
| Draft submitted to the Financial Accounting and Reporting Section (FARS) of the Department of Administration with copies to the Deputy Commissioner of Administration of WORKFORCE WV | September 15, 2006                    |
| Unsigned final draft with all modifications to WORKFORCE WV management for final review   | October 9, 2006                       |
| Final signed report for WORKFORCE WV submitted to WORKFORCE WV and to the Financial Accounting and Reporting Section of the Department of Administration                              | October 16, 2006                      |

- Continuous Planning - We believe that planning is an ongoing process throughout the course of the audit. As the audit progresses, time estimates and decisions regarding critical areas and audit emphasis will be adjusted based on the results of procedures as they are performed. This process generally entails frequent communication among the staff, in-charge, manager, and member during the course of the engagement, thus assuring an effectively managed engagement.

### Consideration of Internal Control

The consideration of the internal control structure will consist of gaining an understanding of the control environment, evaluating the risk assessments made by management, understanding the information and communication systems (including the financial reporting systems), monitoring activities performed, and control activities, including internal controls over computer processing.

- Understanding the Control Environment - Our review of the control environment will encompass the organizational structure; management's philosophy and operating style, particularly regarding their approach to security and internal controls; policies and procedures adopted by WORKFORCE WV; and management and employee consciousness of and attitude toward internal controls.

The control environment sets the tone of an organization and influences the control consciousness of its people. The control environment is the foundation for all other components of internal control and provides structure and discipline. The control environment of an organization includes the following factors:

- Integrity and ethical values.
  - Commitment to competence.
  - Attention and direction provided by the governing body or audit committee.
  - Management's philosophy and operating style.
  - Organizational structure.
  - Manner of assigning authority and responsibility.
  - Human resource policies and procedures.
- Evaluating Risk Assessment - Risk assessment for financial reporting purposes refers to the client's identification, analysis, and management of risks relevant to the preparation of financial statements that are fairly presented in conformity with accounting principles generally accepted in the United States of America. More simply, it can be described as identifying types of potential misstatements and designing control activities to prevent or promptly detect those misstatements. An entity's risk assessment, on the other hand, is the process of identifying, analyzing, and managing risks that affect the entity's objectives.

A key step in the risk assessment process is identifying changed conditions and taking necessary actions. This involves identifying and communicating both external and internal events or activities that may affect the organization's financial reporting objectives and analyzing the associated risks. Risks relevant to the financial reporting process may arise due to the following:

- Changes in the organization's operating environment.
- New personnel.
- New or revised information systems.
- Rapid growth within the organization.
- New technology.
- New lines, products, or activities.
- Restructuring within the organization.
- New accounting pronouncements.

- Understanding of Information and Communication Systems - The information system relevant to financial reporting (the "financial reporting system") consists of methods established to identify, assemble, analyze, classify, record, and report transactions and conditions, and to maintain accountability for the organization's assets, liabilities, and equity. In addition, information systems generate information necessary to carry out many control activities. An information system may be computerized, manual, or a combination of the two, depending on the size and complexity of the entity.

Our review of the financial reporting system will include WORKFORCE WV's methods and procedures to:

- Identify and record all valid transactions.
- Provide, on a timely basis, sufficient detailed information about transactions to permit proper classification for financial reporting.
- Allow transactions to be recorded at their proper monetary value in the financial statements.
- Provide sufficient information to permit recording of transactions in the proper accounting period.
- Properly present the transactions and related disclosures in the financial statements.

Communication relates to providing a clear understanding of internal control over financial reporting, how it works, and the responsibilities of individuals within the entity related to internal control. We will review the effectiveness of WORKFORCE WV's communication tools including policy manuals, memorandums, oral communications, etc.

Communication also relates to the flow of information upstream in an entity. For control activities to be effective, individuals must be able to report exceptions to the appropriate levels of management. For upstream communication to occur, there must be open channels of communication and a willingness by management to deal with problems as they occur. We will also review the effectiveness of WORKFORCE WV's upstream communications.

- Understanding of Monitoring - Because of changes among personnel and changes within an organization, it is essential that internal controls be monitored over time to determine whether they continue to be relevant and able to address new risks of the organization. Monitoring is a process that assesses the quality of an organization's internal control over time and involves assessing the design and operation of controls on a timely basis and taking corrective actions as necessary. We will evaluate both the ongoing and periodic evaluations performed by staff, including any internal audit activities.
- Understanding of Control Activities - Control activities are the policies and procedures established to help ensure that management directives are carried out. Control activities may occur at all levels, and in all functions, of an entity. Control activities cover a range of activities and may include the following:
  - *Performance reviews*, such as comparison of actual results to budgets, forecasts, and prior period of performance.

- *Information processing controls*, such as controls to check the accuracy, completeness, and authorization of individual transactions. Information processing controls include automated as well as manual controls.
- *Physical controls*, such as physical security of assets, including adequate safeguards over access to assets and records, authorization for access to computer programs and data files, and periodic counting and comparison with amounts recorded in the accounting records.
- *Segregation of duties*, such as assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people within the organization.

Control activities usually involve two elements: (a) a policy that establishes what should be done and (b) the procedure that implements the policy. Policies may be communicated either orally or in writing. Also critical to control activities are the follow-up actions taken in response to identified discrepancies (for example, investigation by management of unexpected variances noted while comparing the budget to actual results).

Information Technology (IT) Assessments - We understand that WORKFORCE WV's computer system is an IBM 3090 600S mainframe. WORKFORCE WV's accounting system consists of the West Virginia Financial Information Management System (WVFIMS), which is the state government's accounting system. FAM processes and records all of the Division's administrative expenses, payroll and administrative accounts payable.

The Information Technology specialist assigned to this engagement is Tom Tuniewicz from Wolfe & Company, P.C. He is an experienced Information Technology audit specialist with previous experience with the State of West Virginia, having performed the review of EDP internal control review testing for the past 6 years' audits of the West Virginia Department of Transportation and the West Virginia Division of Highways. He will be assisted by Kevin Jones a Suttle & Stalnaker, PLLC professional. They are supported by professionals who deliver IT services to organizations using a variety of processing architectures in the Polaris/PKF International Network. These IT professionals are available to provide the information systems audit and security expertise that is necessary to address automated controls and exposures present in WORKFORCE WV's technically complex computer environment.

The IT audit review concentrates on both internal and external factors impacting WORKFORCE WV. Based on these risks, audit procedures to validate the integrity of your IT internal controls are developed to test the general controls and application controls. Some examples of controls to be tested are summarized as follows:

#### General Controls

- Management / administrative controls and procedures
- Program / major parameter change control
- Back-up and recovery controls
- IT related costs / budgeting
- Hardware / software acquisition and maintenance
- Controls over computer related forms

- Contingency planning
- Physical security - adequacy of protection of systems from environmental and other physical risks
- Logical security - adequacy of protection of systems from unauthorized access
- Operations - adequacy of day to day operating procedures
- Networking - controls over the use of networks

### **Controls over Selected Applications**

- Input controls ensuring accurate and complete data input
- Processing controls ensuring accurate and complete processing
- Output controls, including output distribution controls
- Logical security over selected applications

### **Development of the Audit Plan**

Based on the information gathered in the planning and internal control structure consideration stages, we will develop an audit plan taking into consideration the audit risk assessments developed for various transaction classes and accounts. Audit programs will be tailored to focus on testing of the specific key points in processing and/or controlling financial information. Each audit program step will be designed to specifically achieve certain audit objectives. After completion of the audit program, we will meet with Bureau personnel to discuss the specific timing of the procedures. The audit plan will include addressing the following:

- Sampling - Sample sizes will be determined based on sound sampling plans. Statistical sampling is used whenever it is determined to be cost effective. Sampling will include both substantive tests and tests of compliance. Samples for tests of compliance, including compliance with certain laws and regulations are generally based on attribute principles. Substantive sampling procedures would normally be weighted toward higher dollar items. When statistical sampling is considered to be cost effective, we will use a computer program to determine the samples based on the assessments of inherent/control risk and the evidence provided by other audit procedures.
- Extent of use of EDP Audit Software - We utilize the AuditVision program for our core trial balance and adjustment workpapers, for account groupings, and for certain analytical procedures and ratio analysis. We anticipate that certain financial information and schedules prepared for the auditors will be supplied on disk, which we will load on our computers and perform various tests. Other use of EDP software will be determined based on the results of the system reviews. We actively use other computer assisted audit techniques utilizing various programs such as Audit Command Language (ACL). Efficiency and effectiveness are often enhanced by computer assisted audit techniques, especially in WORKFORCE WV's sophisticated, on-line environment. Examples of EDP audit applications include:
  - Analytical review
  - Year to year and trend analyses
  - Importing general ledger
  - Sampling



- Data analysis, extraction, and manipulation
- Edits and computations

We have access to various specialized software. We plan to make use of ACL in this role, as necessary, to perform a significant number of computer assisted procedures in a short amount of time. We will also use email to communicate with WORKFORCE WV and other professionals assigned to the engagement; Microsoft EXCEL and WORD to perform analyses and document work on the engagement; and Tvalue to perform interest calculations and amortizations.

We also now make the financial statements available to our clients in a clean PDF format for posting to their website.

- Analytical Procedures - Analytical procedures can be powerful tools to anticipate and predict results. Therefore, actual results can be compared to these designs, and significant variances analyzed. Many expenses, such as commissions, wages and benefits, payroll taxes, rent, etc. are also susceptible to strong predictive analytical tests. The following section on Testing summarizes some of the various tests for the significant financial statement elements, demonstrating the extent to which analytical procedures are used to enhance the audit process.

### Testing

#### Overview of Audit Testing Strategy

The following chart depicts an overview of the various interrelated sampling and analytical procedures applied to significant financial statement elements during the audit of WORKFORCE WV.

|                           | Representative Sampling | Key Items | Analytical Procedures | Independent Confirmation |
|---------------------------|-------------------------|-----------|-----------------------|--------------------------|
| Planning                  |                         |           | ✓                     |                          |
| Tests of Controls         | ✓                       |           |                       |                          |
| Cash and Cash Equivalents |                         | ✓         | ✓                     | ✓                        |
| Receivables               | ✓                       | ✓         | ✓                     | ✓                        |
| Investments               |                         | ✓         | ✓                     | ✓                        |
| Payables and Accruals     |                         | ✓         | ✓                     |                          |
| Revenues                  | ✓                       | ✓         | ✓                     |                          |
| Expenses                  | ✓                       | ✓         | ✓                     |                          |
| Other Income and Expense  |                         | ✓         | ✓                     |                          |
| Compliance                | ✓                       | ✓         | ✓                     | ✓                        |
| Financial Reporting       |                         | ✓         | ✓                     |                          |

## **Preliminary Design of Audit Tests by Significant Audit Area**

In the previous section, we have discussed our overall general audit approach. This section is to describe in more detail how this will be utilized in auditing the various significant audit areas for WORKFORCE WV. We have leveraged from our previous experience with WORKFORCE WV in developing our approach. These procedures are not all inclusive.

### **Detailed Audit Approach by Key Financial Statement Element**

Cash and Cash Equivalents (Including Investments) - Our approach in auditing cash and cash equivalents will be primarily utilizing substantive auditing procedures. These procedures will include confirmation of cash and cash equivalents and testing the related reconciliations.

Our approach in auditing investments and the related investment income will primarily consist of confirmation of investments and related investment income. In addition, we will obtain an understanding of the Investment Management Board's (IMB) process regarding the allocation of investment principle and interest to WORKFORCE WV. This may include making inquiries of IMB personnel, performing walkthroughs, and performing a site visit, if deemed necessary. Any investment income that is not confirmable will be tested analytically by calculating an annual yield and comparing this calculation to the anticipated or market return on the investment.

Employer Accounts Receivable - We will obtain and test a reconciliation of the total per the detail aged accounts receivable to the balance recorded in the general ledger. The detail listing will also be tested, using ACL if practical, for clerical accuracy and proper aging. Since the majority of employer accounts receivable relate to payments for the quarter ended June 30, and are paid by September, our audit approach will include reviewing cash receipts subsequent to year end. Significant receivables not collected at the time of our fieldwork will be supported via independent confirmation or review of supporting documentation. Also, we will test the adequacy of WORKFORCE WV's allowance for doubtful accounts by reviewing the detail of significant delinquent accounts and discussing such delinquencies with management. This review will be corroborated by analytical procedures such as comparison of accounts receivable aging categories between the actual and prior year, historical bad debt analysis, and a hindsight analysis of the accuracy of the prior year reserve estimate.

Due to/from Other Governments - This account consists primarily of amounts due to/from the federal government as the result of WORKFORCE WV's administration of federal programs. We will obtain the Schedule of Expenditures of Federal Awards which represents a progression of the due to/from federal government and test the schedule by reviewing grant awards, drawdown documents from the federal government, and expenditure records.

Capital Assets and Related Accumulated Depreciation - We will obtain a progression of fixed assets by account for the year and test the schedule for clerical accuracy. We will review supporting documentation for significant additions or disposals. In addition, we will review the depreciation methods and capitalization policy utilized by WORKFORCE WV and will test a sample of computations for reasonableness.

Compensated Absences - We will obtain calculations made by WORKFORCE WV and test them by tracing significant inputs from the calculation to related payroll records, personnel policy and procedures manual, and statewide conversion rates for sick leave converted to retirement benefits.

Accounts Payable and Accrued Liabilities - We will obtain a detail listing of accounts payable and accrued liabilities and test for clerical accuracy. We also will perform a test for unrecorded liabilities by reviewing cash disbursed subsequent to year end and reviewing for significant unpaid invoices or open contracts.

Unemployment Compensation Benefits Payable - We will obtain WORKFORCE WV's calculation of benefits payable and update our understanding of the estimation process through interviews with Bureau personnel. Significant variables of the calculation will be traced to source documents, such as claims paid documents. The estimate is then recalculated by the auditors.

Unemployment Tax Revenue and Unemployment Insurance Benefits Expense - We will test unemployment tax revenues and benefits expense through testing of the Schedule of Expenditures of Federal Awards and related compliance procedures. We will obtain an understanding of WORKFORCE WV's procedures in compiling the Schedule. We will then test that compilation by tracing revenues and expenses into Bureau financial records, which will in turn be agreed to State Auditor's financial records. Also, we will test revenues and expenses reported to the federal government through monitoring reports. Samples are selected for both revenues and expenses and the individual items are traced to source documents such as employer returns and unemployment claims applications.

Finally, we will obtain a computer tape of all benefit payments for the year and, using ACL, test those payments for clerical accuracy, duplicate payments, or payments that exceed the expected benefit.

Grant Revenue and Grant Expense - General Fund - General fund grant revenue and expense will also be tested through the testing of the Schedule of Expenditures of Federal Awards. After obtaining an understanding of the procedures used in compiling the Schedule, we will test the compilation as noted above. In the past, there has been one significant program in the general fund, the Employment Services Cluster, which will also be subjected to additional testing.

Other Income - Our approach to auditing amounts reported as other income will be analytical in nature. Based on our understanding of the types of transactions reported within these classifications and our test of controls over the cash receipts processes, we will compare account balances to amounts reported in the prior year and investigate with management all significant, unexpected fluctuations.

### Overall Conclusions and Reporting

In this final phase of the audit, we perform certain general audit procedures, conduct an overall review of the financial statements, and draw overall audit conclusions based on the results of our work. The general audit procedures performed during this phase include obtaining management and legal representations, and reviews of subsequent events, among others.

Throughout the course of the audit, we will make inquiries of management about various facets of WORKFORCE WV's operations, commitments, contingencies, pending or actual suits and judgments, and obligations. Responses to our inquiries may be provided both orally and in writing. During this final phase, we will request written legal representation from the State Attorney General and representations from management to confirm the continuing appropriateness of earlier representations and to assure a mutual understanding of the subject matters relating to these representations.

Also, during this phase we will perform a review of events occurring subsequent to the date of the financial statements up to the date of our report that could have a direct and material effect on the financial statements. Our objective is to determine whether any significant direct or contingent liabilities or commitments have occurred, whether there have been any significant changes in the status of items accounted for in the financial statements on the basis of estimates or on the basis of tentative, preliminary, or inconclusive data, whether there have been any unusual adjustments to the accounts since the balance sheet date, and whether there have been any significant changes in the financial condition or operations since the balance sheet date.

We will perform an overall analytical review of the financial statements near or at the conclusion of our audit work. The purpose of this review is to satisfy ourselves that the numbers make sense in light of our understanding of your WORKFORCE WV, that we have obtained explanations of significant fluctuations between years, and that the financial statements meet generally accepted presentation and disclosure standards.

In addition, we will reevaluate our materiality judgments and the adequacy of our audit procedures. In the planning phase, we determined planning materiality based on preliminary information which was used to help determine the extent and timing of tests performed. Based upon the final assessment of risk and the audited materiality base, we will consider whether the extent of substantive auditing procedures was sufficient to form conclusions concerning the information contained in the financial statements, the effectiveness of internal controls, and compliance with laws and regulations.

We will meet with management to discuss developments in the audit and/or resolve accounting issues as they arise. Such meetings will be held regularly from the beginning of fieldwork until the final report is issued. Potential financial statement adjustments identified during the course of the audit will be formally documented and we will discuss with management the effects of these adjustments. We are confident that with the appropriate dialogue between management and our team, all reporting issues will have been identified and resolved well in advance of all final reports.

The reporting phase is divided into two distinct phases. The first phase encompasses a review of the financial statement format and presentation, and a review of the significant accounting policies utilized by WORKFORCE WV. This phase is accomplished early in the engagement, so that significant reporting issues can be addressed timely and effectively.

The second phase occurs at the end of the testing, when all information is accumulated and evaluated. Any proposed adjustments are agreed upon and financial statements finalized. At this point we will be in position to prepare our reports on the financial statements and on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. If a report other than an unqualified report would be necessary, we would fully discuss the reasons with you prior to issuance of the report. We understand that the initial draft reports including the required supplemental schedules should be available by September 1, 2006, and the final reports delivered by October 16, 2006.

#### SAS No. 99 Consideration

Statement on Auditing Standards (SAS) No. 99 - Consideration of Fraud in a Financial Statement Audit supersedes SAS No. 82 and provides new guidance to auditors and expands the extent of procedures designed to assist in the detection of material fraud. The new standard's goal is to blend the auditors' consideration of fraud into the audit process. That consideration is continually updated until the audit is completed. This standard increases the amount of time required to complete certain specified procedures compared to the previous standard. We believe that implementation of this standard provides management of WORKFORCE WV with enhanced quality. Accordingly, our fee and time estimate includes SAS No. 99 consideration for the year ended June 30, 2006.

COST

**COST QUOTE FOR AUDIT SERVICES**

June 28, 2006

WORKFORCE WV  
FAM Administration - 5301  
Room 618  
112 California Avenue  
Charleston, West Virginia 25305-0112

Req#: BEP06035  
Opening Date: 6/28/2006  
Opening Time: 1:30 p.m.

Name of Firm - Suttle & Stalnaker, PLLC

I, Chris Deweese, certify that I am entitled to represent Suttle & Stalnaker, PLLC, empowered to submit this bid and authorized to sign a contract with WORKFORCE WV.

---

Chris Deweese, Member

---

Date

## ATTACHMENT A

## COST QUOTE FOR AUDIT SERVICES

| <u>Classification</u>                 | <u>Hours</u> | <u>Hourly Rates</u> | <u>Total Cost</u> |
|---------------------------------------|--------------|---------------------|-------------------|
| Partners/Members                      | 24           | \$220               | \$ 5,280          |
| Managers                              | 22           | 165                 | 3,630             |
| Supervisors                           | 22           | 105                 | 2,310             |
| Seniors                               | 100          | 95                  | 9,500             |
| Staff                                 | 105          | 75                  | 7,875             |
| EDP Specialist                        | 12           | 185                 | 2,220             |
| Other Support/Clerical                | 10           | 65                  | <u>650</u>        |
| Subtotal                              |              |                     | 31,465            |
| Discount                              |              |                     | <u>(5,965)</u>    |
| Total all-inclusive fee for (project) |              |                     | <u>\$ 25,500</u>  |

## COST QUOTE FOR ADDITIONAL ACCOUNTING AND AUDITING CONSULTING SERVICES

| <u>Classification</u>  | <u>Hourly Rate</u> |
|------------------------|--------------------|
| Partner/Member         | \$220              |
| Manager                | 165                |
| Supervisor             | 105                |
| Senior                 | 95                 |
| Staff                  | 75                 |
| Other Support/Clerical | 65                 |
| Other - EDP            | 185                |

All hourly rates must include all travel and out-of-pocket expenses.



**COST QUOTE FOR ADDITIONAL AGREED UPON PROCEDURES  
SERVICES (Based upon Distance from Charleston, WV)**

| <u>Classification</u>  | <u>Hourly Rate</u>     |  |                        |
|------------------------|------------------------|--|------------------------|
|                        | Less than 100<br>Miles | At least 100 but<br>not more than 200<br>Miles | More than 200<br>Miles |
| Partner/Member         | \$220                  | \$230  | \$240                  |
| Manager                | 165                    | 175  | 185                    |
| Supervisor             | 105                    | 115  | 130                    |
| Senior                 | 95                     | 105  | 115                    |
| Staff                  | 75                     | 90   | 100                    |
| Other Support/Clerical | 65                     | 80   | 90                     |
| Other - EDP            | 185                    | 200  | 210                    |

These fees do not include services that fall outside the scope of the audit. For example, accounting assistance from us in resolving unreconciled differences in accounting records or supporting account balances would fall outside the scope of our audit, as would implementation of significant new technical standards.

Additionally, our fees are based on the current state of operation. Should significant changes occur (i.e., significant expansion in existing operations), we will need to reevaluate our scope and audit approach. In the event these types of situations arise, it is our practice to discuss these types of issues with management before we would proceed so as to obtain management's authorization and to develop the best approach to solve the problem.

We understand that no changes in scope to the project will be implemented by us until such time as an approved change order is received. Formal contract amendments and change orders will be negotiated with WORKFORCE WV, whenever necessary, to address changes to the terms and conditions, cost of, or scope of work included under the contract. An approved contract amendment means one approved by WORKFORCE WV, the Department of Administration, and all other applicable State agencies prior to the effective date of such amendment. An approved contract amendment is required whenever the change affects the payment provision and the scope of the work. Such changes may be necessitated by new and amended federal and state regulations and requirements. No changes in scope are to be conducted except at the approval of WORKFORCE WV.

We will submit invoices to WORKFORCE WV for all services provided pursuant to the terms of the contract. Progress payments will be made on a monthly basis based upon the percentage of work completed. We will work with WORKFORCE WV management to develop a mutually agreeable proposed billing work plan.

REQUEST FOR QUOTATION



State of West Virginia  
Department of Administration  
Purchasing Division  
2019 Washington Street East  
Post Office Box 50130  
Charleston, WV 25305-0130

# Request for Quotation

|            |
|------------|
| RFQ NUMBER |
| BEP06035   |

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| ADDRESS CORRESPONDENCE TO ATTENTION OF |
| KRISTA FERRELL                         |
| 304-558-2596                           |

\*709043333 304-343-4126  
SUTTLE & STALNAKER PLLC  
THE VIRGINIA CENTER SUITE 100  
1411 VIRGINIA STREET EAST  
CHARLESTON WV 25301

BUREAU OF EMPLOYMENT PROGRAMS  
5301A-FAM ADMINISTRATION  
ROOM 618  
112 CALIFORNIA AVENUE  
CHARLESTON, WV  
25305-0112 558-2634

| DATE PRINTED  | TERMS OF SALE | SHIP VIA                 | F.O.B.   | FREIGHT TERMS                     |            |        |
|---|---------------|--------------------------|----------|-----------------------------------|------------|--------|
| 06/07/2006  |               |                          |          |                                   |            |        |
| BID OPENING DATE: 06/22/2006  |               | BID OPENING TIME 01:30PM |          |                                   |            |        |
| LINE  | QUANTITY      | UOP                      | CAT. NO. | ITEM NUMBER                       | UNIT PRICE | AMOUNT |
| 0001  | 1             | JB                       |          | 946-20                            |            |        |
| AUDITING SERVICES   |               |                          |          |                                   |            |        |
| REQUEST FOR QUOTATION   |               |                          |          |                                   |            |        |
| THE WEST VIRGINIA PURCHASING DIVISION ON BEHALF OF THE AGENCY, WORKFORCE WEST VIRGINIA (FORMERLY THE BUREAU OF EMPLOYMENT PROGRAMS) IS SOLICITING BIDS TO PROVIDE THE AGENCY WITH AUDITING SERVICES FOR THE AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006 PER THE ATTACHED SPECIFICATIONS.   |               |                          |          |                                   |            |        |
| EXHIBIT 3   |               |                          |          |                                   |            |        |
| LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON UPON AWARD AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE. |               |                          |          |                                   |            |        |
| UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.  |               |                          |          |                                   |            |        |
| RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL   |               |                          |          |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS   |               |                          |          |                                   |            |        |
| Signature: Suttle & Stalnak, PLLC by [Signature]  |               | TELEPHONE: 304.343.4126  |          | DATE: 6/8/2006                    |            |        |
| Member  |               | FED: 55-0538163          |          | ADDRESS CHANGES TO BE NOTED ABOVE |            |        |

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



State of West Virginia  
Department of Administration  
Purchasing Division  
2019 Washington Street East  
Post Office Box 50130  
Charleston, WV 25305-0130

# Request for Quotation

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| RFQ NUMBER |
| BEP06035   |

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| ADDRESS CORRESPONDENCE TO ATTENTION OF: |
| KRISTA FERRELL                          |
| 304-558-2596                            |

\*709043333 304-343-4126  
SUTTLE & STALNAKER PLLC  
THE VIRGINIA CENTER SUITE 100  
1411 VIRGINIA STREET EAST  
CHARLESTON WV 25301

BUREAU OF EMPLOYMENT PROGRAMS  
5301A-FAM ADMINISTRATION  
ROOM 618  
112 CALIFORNIA AVENUE  
CHARLESTON, WV  
25305-0112 558-2634

|  |               |                          |          |                                   |            |        |
|--|---------------|--------------------------|----------|-----------------------------------|------------|--------|
| DATE PRINTED   | TERMS OF SALE | SHIP VIA                 | F.O.B.   | FREIGHT TERMS                     |            |        |
| 06/07/2006   |               |                          |          |                                   |            |        |
| BID OPENING DATE: 06/22/2006   |               | BID OPENING TIME 01:30PM |          |                                   |            |        |
| LINE   | QUANTITY      | UOP                      | CAT. NO. | ITEM NUMBER                       | UNIT PRICE | AMOUNT |
| <p>WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30) DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>QUANTITIES: QUANTITIES LISTED IN THE REQUISITION ARE APPROXIMATIONS ONLY, BASED ON ESTIMATES SUPPLIED BY THE STATE SPENDING UNIT. IT IS UNDERSTOOD AND AGREED THAT THE CONTRACT SHALL COVER THE QUANTITIES ACTUALLY ORDERED FOR DELIVERY DURING THE TERM OF THE CONTRACT, WHETHER MORE OR LESS THAN THE QUANTITIES SHOWN.</p> <p>ORDERING PROCEDURE: SPENDING UNIT(S) SHALL ISSUE A WRITTEN STATE CONTRACT ORDER (FORM NUMBER WV-39) TO THE VENDOR FOR COMMODITIES COVERED BY THIS CONTRACT. THE ORIGINAL COPY OF THE WV-39 SHALL BE MAILED TO THE VENDOR AS AUTHORIZATION FOR SHIPMENT, A SECOND COPY MAILED TO THE PURCHASING DIVISION, AND A THIRD COPY RETAINED BY THE SPENDING UNIT.</p> |               |                          |          |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS  |               |                          |          |                                   |            |        |
| SIGNATURE  |               | TELEPHONE                |          | DATE                              |            |        |
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WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



State of West Virginia  
Department of Administration  
Purchasing Division  
2019 Washington Street East  
Post Office Box 50130  
Charleston, WV 25305-0130

# Request for Quotation

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| RFQ NUMBER |
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| ADDRESS CORRESPONDENCE TO ATTENTION OF: |
| KRISTA FERRELL<br>304-558-2596          |

**VENDOR**

\*709043333      304-343-4126  
SUTTLE & STALNAKER PLLC  
THE VIRGINIA CENTER SUITE 100  
1411 VIRGINIA STREET EAST  
CHARLESTON WV 25301

**SHIP TO**

BUREAU OF EMPLOYMENT PROGRAMS  
5301A-FAM ADMINISTRATION  
ROOM 618  
112 CALIFORNIA AVENUE  
CHARLESTON, WV  
25305-0112      558-2634

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| 06/07/2006  |               |                          |         |                                   |            |        |
| BID OPENING DATE: 06/22/2006  |               | BID OPENING TIME 01:30PM |         |                                   |            |        |
| LINE  | QUANTITY      | UOP                      | CAT NO. | ITEM NUMBER                       | UNIT PRICE | AMOUNT |
| <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THIS CONTRACT IS AUTOMATICALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>REV. 04/11/2001</p> <p>EXHIBIT 6</p> <p>PRICE ADJUSTMENT PROVISION:<br/>THE STATE OF WEST VIRGINIA WILL CONSIDER BIDS THAT CONTAIN PROVISIONS FOR PRICE ADJUSTMENTS PRIOR TO THE ORIGINAL EXPIRATION OF THE CONTRACT, PROVIDED THAT SUCH PRICE ADJUSTMENT COVERS BOTH UPWARD AND DOWNWARD MOVEMENT OF THE COMMODITY PRICE, AND THAT ADJUSTMENT IS BASED ON THE "PASS THROUGH" INCREASE OR DECREASE OF RAW MATERIALS AND/OR LABOR, WHICH MAKE UP ALL OR A SUBSTANTIAL PART OF A PRODUCT. ADJUSTMENTS ARE TO BE BASED UPON AN ACTUAL DOLLAR FIGURE, NOT A PERCENTAGE. ALL PRICE ADJUSTMENT REQUESTS MUST BE SUBSTANTIATED IN A MANNER ACCEPTABLE TO THE DIRECTOR PURCHASING, E.G. GOVERNMENTAL BENCH MARKS, GENERAL MARKET INCREASE, PUBLISHED PRICE LISTS. SUCH REQUESTS FOR AND INCREASE SHOULD BE RECEIVED IN WRITING BY THE DIRECTOR OF PURCHASING AT LEAST 30 DAYS IN ADVANCE OF THE EFFECTIVE DATE OF THE INCREASE. ANY TIME THE VENDOR REQUESTS A</p> |               |                          |         |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS   |               |                          |         |                                   |            |        |
| SIGNATURE   |               | TELEPHONE                |         | DATE                              |            |        |
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| ADDRESS CORRESPONDENCE TO ATTENTION OF |
| KRISTA FERRELL<br>304-558-2596         |

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| DATE PRINTED   | TERMS OF SALE | SHIP VIA                 | F.O.B.   | FREIGHT TERMS                     |            |        |
| 06/07/2006   |               |                          |          |                                   |            |        |
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| LINE   | QUANTITY      | UOP                      | CAT. NO. | ITEM NUMBER                       | UNIT PRICE | AMOUNT |
| <p>PRICE ADJUSTMENT, THE PURCHASING DIVISION MAY EITHER ACCEPT THE PRICE ADJUSTMENT AND AMEND THE CONTRACT ACCORDINGLY OR REJECT THE ADJUSTMENT IN ITS ENTIRETY AND CANCEL THE CONTRACT.</p> <p>PREFERRED TERMS:<br/>IT IS PREFERRED THAT THE PRICES ON THIS CONTRACT ARE FIRM FOR LIFE OF THE CONTRACT, AS INDICATED IN THE LIFE OF CONTRACT CLAUSE CONTAINED HEREIN, NOT TO EXCEED ONE (1) YEAR.</p> <p>IF THE VENDOR CANNOT GUARANTEE A FIRM PRICE FOR THE LIFE OF CONTRACT, HE MUST INDICATE ONE OF THE PARAGRAPHS LISTED BELOW. FAILURE TO QUALIFY THE PREFERRED TERMS WILL BIND THE VENDOR TO A FIRM PRICE FOR THE LIFE OF THE CONTRACT.</p> <p>ALTERNATE TERMS:</p> <p>( ) THE PRICES ON THIS CONTRACT WILL REMAIN FIRM FOR ..... DAYS AFTER THE EFFECTIVE DATE OF THE CONTRACT. PRICES WILL REMAIN FIRM AFTER EACH PRICE ADJUSTMENT FOR A MINIMUM OF ..... DAYS.</p> <p>( ) THE VENDOR DOES NOT AGREE TO MAINTAIN A FIRM PRICE FOR THE LENGTH OF THE CONTRACT BUT OFFERS AN ALTERNATE PROPOSAL AS FOLLOWS:</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> |               |                          |          |                                   |            |        |
| VENDOR PREFERENCE CERTIFICATE  |               |                          |          |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS  |               |                          |          |                                   |            |        |
| SIGNATURE  |               | TELEPHONE                |          | DATE                              |            |        |
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# Request for Quotation

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ADDRESS CORRESPONDENCE TO ATTENTION OF:  
KRISTA FERRELL  
304-558-2596

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\*709043333 304-343-4126  
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| <p>CERTIFICATION AND APPLICATION* IS HEREBY MADE FOR PREFERENCE IN ACCORDANCE WITH WEST VIRGINIA CODE, 5A-3-37 (DOES NOT APPLY TO CONSTRUCTION CONTRACTS).</p> <p>A. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p> <p>( ) BIDDER IS AN INDIVIDUAL RESIDENT VENDOR AND HAS RESIDED CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR</p> <p>(X) BIDDER IS A PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR AND HAS MAINTAINED ITS HEAD-QUARTERS OR PRINCIPAL PLACE OF BUSINESS CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR 80% OF THE OWNERSHIP INTEREST OF BIDDER IS HELD BY ANOTHER INDIVIDUAL, PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR WHO HAS MAINTAINED ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR</p> <p>( ) BIDDER IS A CORPORATION NONRESIDENT VENDOR WHICH HAS AN AFFILIATE OR SUBSIDIARY WHICH EMPLOYS A MINIMUM OF ONE HUNDRED STATE RESIDENTS AND WHICH HAS MAINTAINED ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS WITHIN WEST VIRGINIA CONTINUOUSLY FOR THE FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION.</p> <p>B. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p> |               |                          |          |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS  |               |                          |          |                                   |            |        |
| SIGNATURE  |               | TELEPHONE                |          | DATE                              |            |        |
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ADDRESS CORRESPONDENCE TO ATTENTION OF:  
KRISTA FERRELL  
304-558-2596

VENDOR  
\*709043333 304-343-4126  
SUTTLE & STALNAKER PLLC  
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| DATE PRINTED<br>06/07/2006   | TERMS OF SALE            | SHIP VIA                          | FOB     | FREIGHT TERMS |            |        |
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| LINE   | QUANTITY                 | UOP                               | CAT NO. | ITEM NUMBER   | UNIT PRICE | AMOUNT |
| <p>(X) BIDDER IS A RESIDENT VENDOR WHO CERTIFIES THAT, DURING THE LIFE OF THE CONTRACT, ON AVERAGE AT LEAST 75% OF THE EMPLOYEES WORKING ON THE PROJECT BEING BID ARE RESIDENTS OF WEST VIRGINIA WHO HAVE RESIDED IN THE STATE CONTINUOUSLY FOR THE TWO YEARS IMMEDIATELY PRECEDING SUBMISSION OF THIS BID;</p> <p>OR</p> <p>( ) BIDDER IS A NONRESIDENT VENDOR EMPLOYING A MINIMUM OF ONE HUNDRED STATE RESIDENTS OR IS A NONRESIDENT VENDOR WITH AN AFFILIATE OR SUBSIDIARY WHICH MAINTAINS ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS WITHIN WEST VIRGINIA EMPLOYING A MINIMUM OF ONE HUNDRED STATE RESIDENTS WHO CERTIFIES THAT, DURING THE LIFE OF THE CONTRACT, ON AVERAGE AT LEAST 75% OF THE EMPLOYEES OR BIDDERS' AFFILIATE'S OR SUBSIDIARY'S EMPLOYEES ARE RESIDENTS OF WEST VIRGINIA WHO HAVE RESIDED IN THE STATE CONTINUOUSLY FOR THE TWO YEARS IMMEDIATELY PRECEDING SUBMISSION OF THIS BID.</p> <p>BIDDER UNDERSTANDS IF THE SECRETARY OF TAX &amp; REVENUE DETERMINES THAT A BIDDER RECEIVING PREFERENCE HAS FAILED TO CONTINUE TO MEET THE REQUIREMENTS FOR SUCH PREFERENCE, THE SECRETARY MAY ORDER THE DIRECTOR OF PURCHASING TO: (A) RESCIND THE CONTRACT OR PURCHASE ORDER ISSUED; OR (B) ASSESS A PENALTY AGAINST SUCH BIDDER IN AN AMOUNT NOT TO EXCEED 5% OF THE BID AMOUNT AND THAT SUCH PENALTY WILL BE PAID TO THE CONTRACTING AGENCY OR DEDUCTED FROM ANY UNPAID BALANCE ON THE CONTRACT OR PURCHASE ORDER.</p> <p>BY SUBMISSION OF THIS CERTIFICATE, BIDDER AGREES TO DISCLOSE ANY REASONABLY REQUESTED INFORMATION TO THE PURCHASING DIVISION AND AUTHORIZES THE DEPARTMENT OF TAX AND REVENUE TO DISCLOSE TO THE DIRECTOR OF PURCHASING APPROPRIATE INFORMATION VERIFYING THAT BIDDER HAS PAID THE REQUIRED BUSINESS TAXES, PROVIDED</p> |                          |                                   |         |               |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS  |                          |                                   |         |               |            |        |
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ADDRESS CORRESPONDENCE TO ATTENTION OF:  
KRISTA FERRELL  
304-558-2596

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\*709043333 304-343-4126  
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| <p>THAT SUCH INFORMATION DOES NOT CONTAIN THE AMOUNTS OF TAXES PAID NOR ANY OTHER INFORMATION DEEMED BY THE TAX COMMISSIONER TO BE CONFIDENTIAL.</p> <p>UNDER PENALTY OF LAW FOR FALSE SWEARING (WEST VIRGINIA CODE 61-5-3), BIDDER HEREBY CERTIFIES THAT THIS CERTIFICATE IS TRUE AND ACCURATE IN ALL RESPECTS; AND THAT IF A CONTRACT IS ISSUED TO BIDDER AND IF ANYTHING CONTAINED WITHIN THIS CERTIFICATE CHANGES DURING THE TERM OF THE CONTRACT, BIDDER WILL NOTIFY THE PURCHASING DIVISION IN WRITING IMMEDIATELY.</p> <p>BIDDER: <u>Suttle &amp; Stalnaker, PLLC</u></p> <p>DATE: <u>6/28/2006</u></p> <p>SIGNED: <u>Suttle &amp; Stalnaker, PLLC</u><br/><u>by CHD</u></p> <p>TITLE: <u>Member</u></p> <p>* CHECK ANY COMBINATION OF PREFERENCE CONSIDERATION(S) IN EITHER "A" OR "B", OR BOTH "A" AND "B" WHICH YOU ARE ENTITLED TO RECEIVE. YOU MAY REQUEST UP TO THE MAXIMUM 5% PREFERENCE FOR BOTH "A" AND "B".<br/>(REV. 12/00)</p> <p>NOTICE</p> <p>AN ORIGINAL, SIGNED BID MUST BE SUBMITTED TO:</p> <p>DEPARTMENT OF ADMINISTRATION</p> |               |                          |          |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS  |               |                          |          |                                   |            |        |
| SIGNATURE  |               | TELEPHONE                |          | DATE                              |            |        |
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# Request for Quotation

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ADDRESS CORRESPONDENCE TO ATTENTION OF:

KRISTA FERRELL  
304-558-2596

VENDOR

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| LINE  | QUANTITY  | UOP                      | CAT. NO. | ITEM NUMBER                       | UNIT PRICE | AMOUNT |
|   | PURCHASING DIVISION<br>BUILDING 15<br>2019 WASHINGTON STREET, EAST<br>CHARLESTON, WV 25305-0130 |                          |          |                                   |            |        |
| BID MUST CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED: |   |                          |          |                                   |            |        |
| SEALED BID  |   |                          |          |                                   |            |        |
| BUYER:  |   |                          |          | 21                                |            |        |
| RFQ. NO.:   |   |                          |          | BEP06035                          |            |        |
| BID OPENING DATE:   |   |                          |          | 6/22/2006                         |            |        |
| BID OPENING TIME:   |   |                          |          | 1:30 PM                           |            |        |
| PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:          |   |                          |          |                                   |            |        |
| 304-343-8008  |   |                          |          |                                   |            |        |
| CONTACT PERSON (PLEASE PRINT CLEARLY):  |   |                          |          |                                   |            |        |
| Chris Dewese  |   |                          |          |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS   |   |                          |          |                                   |            |        |
| SIGNATURE   |   | TELEPHONE                |          | DATE                              |            |        |
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# REQUEST FOR QUOTE

(WORKFORCE West Virginia - and RFQ# BEP06035)

## Part 1 GENERAL INFORMATION

### 1.1 Purpose:

The Acquisition and Contract Administration Section of the Purchasing Division "State" on behalf of WORKFORCE West Virginia, which consists of the Bureau of Employment Programs and the Governor's Workforce Investment Division is requesting quotes to provide the audit of the financial statements of WORKFORCE West Virginia for the year ended June 30, 2006. Also, WORKFORCE West Virginia would like to have a professional accounting firm available to provide management advisory services on accounting issues on an as needed basis and to provide the application of agreed upon procedures to federal or state subrecipient contract recipients on an as needed basis.

### 1.2 Project:

The mission or purpose of the project is to perform the audit in accordance with generally accepted auditing standards and other applicable laws and regulations. The auditors must issue an opinion as to whether the financial statements present fairly, in all material respects, the financial position of WORKFORCE West Virginia and the results of its operations in conformity with generally accepted auditing standards. The firm would also be available to provide advice on accounting issues to management and to provide the application of agreed upon procedures to federal or state subrecipient contract recipients on an as needed basis.

### 1.3 RFQ Format:

This RFQ has four parts. "Part 1" contains informational sections, "Part 2" describes the background and working environment of the project, "Part 3" is a statement of the specifications for the services requested pursuant to this RFQ, contractual requirements, and general terms/conditions.

### 1.4 Inquiries:

Additional information inquiries regarding specifications of this RFQ must be submitted in writing to the State Buyer with the exception of questions regarding Quote submission, which may be oral. The deadline for written inquiries is identified in the Schedule of Events, Section 1.16. All inquiries of specification clarification must be addressed to:

Krista Ferrell, Buyer  
Purchasing Division  
2019 Washington Street, East  
P.O. Box 50130  
Charleston, WV 25305-0130  
Fax: (304) 558-4115

E-Mail: kferrell@wvadmin.gov

Absolutely NO contact shall be made by the vendor with the requesting agency. Violation of this clause may result in rejection of the bid. The State Buyer named above is the sole contact for any and all inquiries after this RFQ has been released.

**1.5 Vendor Registration:**

Bidders participating in this process should complete and file a *Vendor Registration and Disclosure Statement* (Form WV-1) and remit the registration fee. Bidder is not required to be a registered Vendor in order to submit a quote, but the successful bidder must register and pay the fee prior to the award of an actual purchase order/contract. The Vendor Registration and Disclosure Statement can be downloaded at the following State web site: [www.state.wv.us/admin/purchase/vrc/pforms.htm](http://www.state.wv.us/admin/purchase/vrc/pforms.htm).

**1.6 Oral Statements or Commitments:**

Bidders must clearly understand that any verbal representations made or assumed to be made during any oral discussions held between the bidder's representatives and any state personnel are not binding. Only that information issued in writing via official addendum is binding.

**1.7 Economy of Preparation:**

Response to this RFQ should be prepared simply and economically, providing a straightforward, concise description of bidder's abilities to satisfy the requirements of the RFQ. Emphasis should be placed on completeness and clarity of content.

**1.8 Labeling of RFQ Sections:**

The sections within this RFQ contain instructions governing how the bidder's response is to be arranged, submitted and to identify the material to be included therein.

**1.8.1 Mandatory Requirements.**

The mandatory sections included in part 3 require a response, and they describe the minimum requirements requested in this RFQ. Any specification or statement containing the word must, shall, or will are mandatory. The bidder is required to meet the intent of the mandatory specifications in order to be eligible for consideration. A simple "yes" or "no" response to these sections is not adequate. Failure to meet mandatory items shall result in disqualification of the bidder's response. Decisions regarding compliance with the intent of a mandatory item shall be at the sole discretion of the State.

**1.8.2 Contract Terms and Conditions:**

Section 3 details the contractual terms and conditions under which the State of West Virginia will enter into a contract.

**1.8.3 Informational Sections:**

All information specifications do not require a response from the vendor. They are intended to aid the vendor in structuring an effective bid capable of meeting the needs of the issuing

agency, WORKFORCE West Virginia.

**1.9 Quote Format and Submission:**

1.9.1 Bidders must complete a response to all mandatory specifications in order to be considered. No other arrangement or distribution of the quote information may be made by the bidder. Failure on the part of the bidder to respond to specific requirements detailed in the RFQ may be basis for disqualification of the quote. The State reserves the right to request any information not provided and any needed clarification and the vendor must respond with 48 hours. The State reserves the right to waive any informalities in the quote format and minor irregularities.

1.9.2 State law requires that the original bid be submitted to the State. All copies must be submitted prior to the date and time stipulated in the RFQ as the opening date. All bids will be date and time stamped in each office to verify official time and date of receipt.

1.9.3 Bidders mailing bids should allow sufficient time for mail delivery to ensure timely arrival. The Purchasing Division can waive or excuse late receipt of a bid which is delayed and late for any reason according to State Code 5A-3-11. Any bid received after the bid opening date and time will be immediately disqualified in accordance with State law and the administrative rules and regulations.

**Submit:**

One original bid to:

Purchasing Division  
2019 Washington Street, East  
P.O. Box 50130  
Charleston, WV 25305-0130

The outside of the envelope or package(s) should be clearly marked:

Buyer: 21  
Req#: BEP06035  
Opening Date: 06/22/2006  
Opening Time: 1:30 pm

**1.10 Rejection of Bids:**

The State reserves the right to accept or reject any or all bids, in part or in whole at its discretion. The State reserves the right to withdraw this RFQ at any time and for any reason. Submission of, or receipt by the State of bids confers no rights upon the bidder nor obligates the State in any manner.

A contract, based on this RFQ and the bidder's response, may or may not be awarded. Any contract resulting in an award from this RFQ is not valid until properly approved and executed by the Purchasing Division and the Attorney General's Office.

1.11 **Incurring Costs:** The State and any of its employees or officers shall not be held liable for any expenses incurred by any bidder responding to this RFQ for expenses to prepare or deliver the bid.

1.12 **Addenda:**  
If it becomes necessary to revise any part of this RFQ, an official written addendum will be issued by the State to all bidders of record.

1.13 **Independent Price Determination:**  
A bid will not be considered for award if the price in the bid was not arrived at independently without collusion, consultation, communication, or agreement as to any matter relating to such prices with any other offer or with any competitor.

1.14 **Price Quotations:**  
The price(s) quoted in the bidder's response will not be subject to any increase and will be considered firm for the life of the contract unless specific provisions have been provided for adjustment in the original contract.

1.15 **Public Record:**  
1.15.1 All documents submitted to the State Purchasing Division related to purchase orders/contracts are considered public records. All bids, or offers submitted by bidders shall become public information and are available for inspection during normal official business hours in the Purchasing Division Records and Distribution center after the documents have been microfilmed.

1.15.2 All public information may be released with or without a Freedom of Information request; however, only a written request will be acted upon with duplications fees paid in advance. Duplication fees shall apply to all requests for copies of any document. Currently the fees are \$0.50/page, or a minimum of \$10.00 per request which ever is greatest.

1.15.3 The only exemptions to disclosure of information are listed in West Virginia Code 29B-1-4. Primarily, only trade secrets as submitted by a bidder are the only exemption to public disclosure. The submission of any information to the State by a Vendor puts the risk of disclosure on the Vendor. The State will make a reasonable effort not to disclose information that is within the guidelines of 29B-1-4 and is properly labeled "proprietary information not for public disclosure". The State does not guarantee non-disclosure of any information to the public.

1.16 **Schedule of Events:**

|  |            |
|--|------------|
| Release of the RFQ.....                              | 06/09/2006 |
| Vendor's Written Questions Submission Deadline. .... | 06/13/2006 |
| Addendum Issued .....                                | 06/15/2006 |

Bld Opening Date .....06/22/2006

- 1.17 **Debt Affidavit:**  
West Virginia State Code 5A-3-10a(3)(d) requires that all vendors submit an affidavit of debt to Certify that no debts are outstanding and owing to the State of West Virginia. The No Debt Affidavit can be downloaded at the following State web site:  
[www.state.wv.us/admin/purchase/vrc/pforms.htm](http://www.state.wv.us/admin/purchase/vrc/pforms.htm).
- 1.18 **Resident Vendor Preference:** West Virginia State Code §5A-3-37 provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the West Virginia State Code. A certificate of application is used to request this preference. Generally, a West Virginia vendor may be eligible for two 2.5% preferences in the evaluation process. The Purchasing Division will make the determination of the Resident Vendor Preference, if applicable.

## PART 2

## OPERATING ENVIRONMENT

- 2.1 **Location:**  
Most of the records for WORKFORCE West Virginia's administrative expenses, including Payroll and Purchasing, and federal grant-related activities are located at 112 California Avenue, Charleston, West Virginia. All Financial records must be reviewed and audit procedures on these records performed in these locations. No records may be removed from the premises by the auditors without the expressed written permission of management.
- 2.2 **Background:**  
The firm's principal contact with WORKFORCE West Virginia will be Mark S. Miller, Deputy Executive Director of Administration, or a designated representative, who will coordinate the assistance that WORKFORCE West Virginia will provide for the audit. Executive Order # 5-05 was issued combining the former Bureau of Employment Programs and the Governor's Workforce Investment Division to form the WORKFORCE West Virginia Division under the Department of Commerce.

The federally funded operations of WORKFORCE West Virginia is made up of four operating divisions: Research, Information, and Analysis, Employment Service, Unemployment Compensation, and the Workforce Development Division. WORKFORCE West Virginia also has two service divisions: Fiscal and Administrative Management and the Management Analysis Division.

The Employment Service Division is an affiliate of the U.S. Employment Service and operates

in local offices throughout the state to serve those seeking employment and those providing it. Most local offices are identified as Job Service. General services include outreach, interviewing, testing, counseling, and referral for placement; training; and other services designed to prepare individuals for employment.

The Research, Information, and Analysis Division consists primarily of a partnership with the United States Bureau of Labor Statistics to provide labor related statistical data for the State of West Virginia to be included in the national data produced by that agency. These activities are funded through a group of federal grants received from the United States Department of Labor. In addition, the Division is also responsible for all internal and external communication information dissemination activities for WORKFORCE West Virginia.

The Unemployment Compensation Division (UC) provides temporary income as partial compensation to unemployed workers. UC programs are administered jointly by the U.S. Department of Labor and the individual states. The federal government established guidelines and pays administrative costs from funds collected under provisions of the Federal Unemployment Tax Act. UC collects contributions from employers based upon gross wages paid and uses those funds for payment of temporary income to unemployed workers. A trust fund is maintained with the U.S. Treasury for funds held for future payments. The states have direct responsibility for operation of their UC programs.

Workforce Development Division (WDD) offers employment and training opportunities to people with barriers to employment and coordinates the efforts of state, educational, and service agencies.

The Fiscal and Administrative Management (FAM) Division has primary responsibility for all administrative accounting activities within WORKFORCE West Virginia including payroll, accounts payable, procurement, and equipment inventory, as well as maintaining the general ledger for all administrative expenses. The Division also is responsible for leasing and property management, personnel activities, and general organization oversight activities. This Division also includes the Legal Services unit for the agency.

The audited financial statements issued by Suttle & Stalnaker, PLLC for the year ended June 30, 2005 can be obtained at the following web site:  
<http://www.wvbep.org/bep/publicinfo/default.htm> These statements are an integral part of this RFQ and should be thoroughly reviewed by the proposer. They contain detailed information about the reporting entities, accounting procedures, and policies of WORKFORCE West Virginia.

#### **Component Units**

Although WORKFORCE West Virginia is not a component unit of the State of West Virginia, it is required by Section 5A-22-33 of the State code to prepare financial statements audited by



independent certified public accountants. It is anticipated that the financial statements will continue to be included in the CAFR of the State of West Virginia. Because of this requirement, the completed audited financial statements of WORKFORCE West Virginia for the year ending June 30, 2006 must be delivered to the State in accordance with the time frame as specified in Attachment B.

#### **Financial Operations and Technical Operations**

Mark S. Miller, Deputy Executive Director of Administration directs WORKFORCE West Virginia's accounting operations at 112 California Avenue in Charleston, West Virginia. WORKFORCE West Virginia's computer system consists of an IBM 9672 -R66 enterprise server and an IBM 9672-R32 enterprise server. There are also several applications running on smaller servers and/or web servers. WORKFORCE West Virginia's accounting system consists of the West Virginia Financial Information Management System (WVFIMS), which is the state government's accounting system. FAM processes and records all of WORKFORCE West Virginia's contracts, administrative expenses, payroll, personnel transactions, and administrative accounts payable.

## PART 3

## PROCUREMENT SPECIFICATIONS

## 3.1 General Requirements:

WORKFORCE West Virginia is soliciting the services of qualified firms of certified public accountants to audit the financial statements for WORKFORCE West Virginia for the fiscal year ending June 30, 2006, with the option to audit the financial statements for each of the two (2) subsequent fiscal years. The audit for fiscal year 2006 and forward must also be audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. These audits are to be performed in accordance with the provisions contained in this RFQ. WORKFORCE West Virginia is coordinating issuance of this RFQ as well as the selection of a firm.

## 3.2 Scope of Work:

3.2.1 *Scope:* The auditor shall issue an opinion on the fair presentation, in conformity with generally accepted accounting principles, of its general purpose financial statements that will include all WORKFORCE West Virginia Programs (the audit for fiscal year 2006 and forward must also be audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States). This work is to include providing technical assistance to WORKFORCE West Virginia's financial personnel for the continuation of GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and the continuation of SAS 99 which revises guidance on the consideration of fraud in financial statement audits.

WORKFORCE West Virginia desires the auditor to express an opinion on the fair presentation of its financial statements and schedules in conformity with generally accepted accounting principles.

The auditor is required to audit the additional financial information schedules required by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

All work under the proposed contract will be under the direction of the Deputy Executive Director of Administration of WORKFORCE West Virginia or his designated offices. Written reports must be submitted initially in draft form in order that any necessary changes may be discussed and agreed upon before final acceptance. Any public statements, which may be required, must be discussed with the Deputy Executive Director of Administration prior to the statements being made or released.

3.2.2 *Standards:* To meet the requirements of this RFQ, the audits shall be performed in accordance with generally accepted auditing standards. The audit for fiscal year 2006

and forward must also be audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

**3.2.3 Required Reports:** Following the completion of each audit of the fiscal year's financial statements, the auditor shall issue reports on the fair presentation of the financial statements in conformity with generally accepted accounting principles and in accordance with Government Auditing Standards. The firm shall be required to give to the Director of the Financial Accounting and Reporting Section (FARS) of the Department of Administration, 2101 Washington Street East, Building 17, 3<sup>rd</sup> floor, Charleston, WV 25305, under the authority of Section 5A-2-23 of the State Code an immediate, written report of all irregularities and illegal acts of which the firm becomes aware. Additionally, a copy of all such reports will be given to the Executive Director of WORKFORCE West Virginia, the Deputy Executive Director of Administration of WORKFORCE West Virginia, and to the Assistant Director of FAM Accounting Services. The firm must inform the Executive Director of WORKFORCE West Virginia, the Deputy Executive Director of Administration of WORKFORCE West Virginia, and the Assistant Director of FAM Accounting Services in writing of each of the following:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments, accounting estimates and projections.
4. Significant audit adjustments and significant revisions of past and current estimates and projections.
5. Other information in documents containing audited financial statements and/or estimates and projections.
6. Disagreements with management.
7. Consultation with other accountants and actuaries.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

Any issues that arise during the course of the audit that could cause delays in the issuance of the report or have an adverse impact on the audit opinion must be immediately communicated to the Deputy Executive Director of Administration of WORKFORCE West Virginia and to the Assistant Director of FAM Accounting Services. A written summary of the issue must also be provided within 24 hours.

**3.2.4 Management Communication:** WORKFORCE West Virginia's financial statements are to be included in the financial statements of the State of West Virginia. The auditor may be required to provide special assistance to WORKFORCE West Virginia's auditors, the State's auditors, and the Financial Accounting and Reporting Section of the West Virginia Department of Administration.

**3.2.5 Working Paper Retention and Access:** All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in

writing by WORKFORCE West Virginia of the need to extend the retention period. The firm will be required to make working papers available, upon request, to the following parties or their designees:

Deputy Executive Director of Administration  
WORKFORCE West Virginia

Assistant Director of FAM Accounting Services  
WORKFORCE West Virginia

Director  
Financial Accounting and Reporting Section  
Department of Administration  
State of West Virginia

In addition, the firm must respond to the reasonable inquiries of federal grantors and successor auditors and allow them to review working papers relating to matters of continuing significance.

*3.2.6 Assistance To Be Provided To The Auditor and Report Preparation:* The accounting staff of WORKFORCE West Virginia as well as management will be available during the audit to assist the auditors by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the auditor. In addition, an appropriate number of hours of clerical support will be made available to the auditor for preparation of routine confirmation/informational letters and memoranda.

No internal audit support will be available.

WORKFORCE West Virginia will provide the auditor with reasonable workspace, desks, and chairs. The auditor will also be provided with access to telephone lines, internet access, photocopying facilities, and FAX machines. The auditor will provide WORKFORCE West Virginia with an estimate of the number of personnel to be assigned to the audit in the detailed audit plan.

Final report preparation, editing, and printing shall be the responsibility of the auditor.

The firm must deliver 50 copies of the bound final audit report for WORKFORCE West Virginia to Room 618, 112 California Avenue, Charleston, West Virginia 25305-0112 by the delivery date specified in Attachment B. Also an electronic copy of the report must be provided in a PDF or similar format for public review on the agency's website.

The dates in the Schedule of Delivery Dates for Reports are required delivery deadlines. Failure to deliver the required reports by the dates specified will result in liquidated damages as

described in section 3.4.15 and will be considered ground for immediate termination of this contract at the discretion of WORKFORCE West Virginia as described in section 3.4.12. If renewal of this contract for services in subsequent years occurs, the contract change order will contain the delivery dates for the renewal period as specified in Attachment B.

WORKFORCE West Virginia requires that the accounting firm be available to the management of WORKFORCE West Virginia to assist in dealing with accounting issues and new reporting requirements as they arise on an as needed basis. The bid must include a firm fixed fee for the services discussed above as well as an hourly rate scale for accounting and auditing consulting services. Hourly rates must include all travel and out-of-pocket expenses. (See Cost Quote section below.)

WORKFORCE West Virginia requires that the accounting firm be available to the agency to provide the application of agreed upon procedures to the agency's records. Also such procedures may be applied to the records of selected federal or state program subrecipient contracts at their location. The bid must include a firm fixed fee for the services discussed above as an hourly rate scale for these services. Hourly rates must include travel and out-of-pocket expenses. All such work will be within the boundaries of the State of West Virginia.

### 3.3 **Special Terms and Conditions:**

#### *License Requirements:*

The firm must be in good standing with the Unemployment Compensation Division of WORKFORCE West Virginia as of the date of the Quote and throughout the term of this contract.

### 3.4 **General Terms and Conditions:**

By signing and submitting their bid, the successful Bidder herein after called Vendor agrees to be bound by all the terms contained in Section Three (3) of this RFQ.

#### 3.4.1 *Conflict of Interest:*

Vendor affirms that its officers, members, or employees presently have no interest and shall not acquire any interest, direct or indirect, which would conflict or compromise in any manner or degree with the performance of its services hereunder. The Vendor further covenants that, in the performance of the contract, the Vendor shall periodically inquire of its officers, members, and employees concerning such interests. Any such interests discovered shall be promptly presented in detail to WORKFORCE West Virginia.

#### 3.4.2 *Prohibition Against Gratuities:*

Vendor warrants that it has not employed any company or person other than a bona fide

employee working solely for the Vendor or a company regularly employed as its marketing agent to solicit or secure the contract and that it has not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award of the contract.

For breach or violation of this warranty, the State shall have the right to annul this contract without liability at its discretion, and/or to pursue any other remedies available under this contract or by law.

#### 3.4.3 *Certifications Related to Lobbying:*

Vendor certifies that no federal appropriated funds have been paid or will be paid, by or on behalf of the company or an employee thereof, to any person for purposes of influencing or attempting to influence an officer or employee of any Federal entity, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the Vendor shall complete and submit a disclosure form to report the lobbying.

Vendor agrees that this language of certification shall be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this contract was made and entered into.

#### 3.4.4 *Vendor Relationship:*

The relationship of the Vendor to the State will be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by the parties to this contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents.

Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this RFQ and resulting contract. Neither the Vendor nor any employees or contractors of the Vendor shall be deemed to be employees of the State for any purposes whatsoever.

Vendor shall be exclusively responsible for the payment to his/her employees and contractors

of all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, including but not limited to Workers' Compensation and Social Security obligations, and licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.

Vendor shall hold harmless the State, and shall provide the State and WORKFORCE West Virginia with a defense against any and all claims including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

The Vendor shall not assign, convey, transfer or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association or entity without expressed written consent of WORKFORCE West Virginia.

#### *3.4.5 Indemnification:*

The Vendor agrees to indemnify, defend and hold harmless the State and WORKFORCE West Virginia, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the contract in a manner not authorized by the contract, or by Federal or State statutes or regulations; (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws, including but not limited to labor and wage laws.

#### *3.4.6 Contract Provisions:*

After the successful Vendor is selected, a formal contract document will be executed between the State and the Vendor. In addition, the RFQ and the Vendor's response will be included as part of the contract by reference. The order of precedence is the contract, the RFQ, and the Vendor's Quote in response to the RFQ.

#### *3.4.7 Governing Laws & Compliance:*

This contract shall be governed by the laws of the State of West Virginia. The Vendor further agrees to comply with the Civil Rights Act of 1964 and all other applicable Federal, State, and local Government regulations.

#### *3.4.8 Compliance with Laws and Regulations:*

The contractor shall procure all necessary permits and licenses to comply with all applicable laws, Federal, State, or municipal, along with all regulations and ordinances of any regulating body.

The Vendor shall pay any applicable sales, use, or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract, the transaction, or the equipment, or services delivered pursuant hereto shall be borne by the contractor. It is clearly understood that the State of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract.

#### 3.4.9 *Subcontracts/Joint Ventures:*

The Vendor is solely responsible for all work performed under the contract and shall assume prime contractor responsibility for all services offered and products to be delivered under the terms of this contract. The State will consider the Vendor to be the sole point of contact with regard to all contractual matters. The Vendor may, with the prior written consent of the State, enter into written subcontracts for performance of work under this contract; however, the vendor is totally responsible for payment of the subcontractor.

#### 3.4.10 *Term of Contract & Renewals:*

This contract will be effective (date set upon award) and shall extend for the period of one (1) year, at which time the contract may, upon mutual consent, be renewed. Such renewals are for a period of up to one (1) year, with a maximum of two (2) one year renewals, or until such reasonable time thereafter as is necessary to obtain a new contract. The reasonable time period shall not exceed twelve (12) months. During the "reasonable time" period the vendor may terminate the contract for any reason upon giving WORKFORCE West Virginia ninety (90) days written notice. Notice by Vendor of intent to terminate will not relieve Vendor of the obligation to continue to provide services pursuant to the terms of the contract.

Any change in Federal or State law, or court actions which constitute binding precedent in West Virginia, and which significantly alters the Vendor's required activities or any change in the availability of funds, shall be viewed as binding and shall warrant good faith re-negotiation of the compensation paid to the Vendor by WORKFORCE West Virginia and of such other provisions of the contract that are affected. If renewal of this contract for services in subsequent years occurs, the contract change order will contain the delivery dates for the renewal period as specified in Attachment B. If such re-negotiation proves unsuccessful, the contract may be terminated by the State upon written notice to the Vendor at least thirty (30) days prior to termination of this contract.

#### 3.4.11 *Non-Appropriation of Funds:*

If WORKFORCE West Virginia is not allotted funds in any succeeding fiscal year for the continued use of the service covered by this contract by the West Virginia Legislature,



WORKFORCE West Virginia may terminate the contract at the end of the affected current fiscal period without further charge or penalty. WORKFORCE West Virginia shall give the vendor written notice of such non-allocation of funds as soon as possible after WORKFORCE West Virginia receives notice. No penalty shall accrue to WORKFORCE West Virginia in the event this provision is exercised.

#### *3.4.12 Contract Termination:*

The State may terminate any contract resulting from this RFQ immediately at any time the Vendor fails to carry out its responsibilities or to make substantial progress under the terms of this RFQ and resulting contract. The State shall provide the Vendor with advance notice of performance conditions which are endangering the contract's continuation. If after such notice the Vendor fails to remedy the conditions contained in the notice, within the time period contained in the notice, the State shall issue the Vendor an order to cease and desist any and all work immediately. The State shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

The contract may also be terminated upon mutual agreement of the parties with thirty (30) days prior notice.

#### *3.4.13 Changes:*

If changes in scope of the original contract become necessary, a formal contract change order will be negotiated by the State, WORKFORCE West Virginia, and the Vendor, to address changes to the terms and conditions, costs of, or scope of work included under the contract. An approved contract change order is defined as one approved by the State and the West Virginia Attorney General's Office prior to the effective date of such amendment. An approved contract change order is required whenever the change affects the payment provision and/or the scope of the work. New and amended Federal and State regulations and requirements may necessitate such changes. (No changes in scope are to be implemented except with the approval of the State.)

As soon as possible after receipt of a written change request from WORKFORCE West Virginia, but in no event more than thirty (30) days thereafter, the Vendor shall determine if there is an impact on price with the change requested and provide WORKFORCE West Virginia a written statement to identify any price impact on the contract or to state that there is no impact. In the event that price will be impacted by the scope change, the Vendor shall provide a description of the price increase or decrease involved in implementing the requested change.

**NO CHANGE SHALL BE IMPLEMENTED BY THE VENDOR UNTIL SUCH TIME AS THE VENDOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER.**

**THE VENDOR SHALL IMPLEMENT NO CHANGES IN SCOPE UNTIL SUCH TIME AS THE VENDOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER. TO PROCEED ON VERBAL APPROVAL ONLY IS TO DO SO AT THE VENDORS OWN RISK.**

#### *3.4.14 Invoices, Progress Payments, & Retainage:*

The Vendor shall submit invoices, in arrears, to WORKFORCE West Virginia at the address on the face of the purchase order labeled Invoice To pursuant to the terms of the contract. Progress payments may be made at the option of WORKFORCE West Virginia on the basis of percentage of work completed if so defined in the final contract. Any provision for progress payments must also include language for a minimum 10% retainage until the final deliverable is accepted.

Progress payments are permitted. Vendor is required to identify points in the work plan at which compensation would be appropriate. Progress reports must be submitted to WORKFORCE West Virginia with the invoice detailing progress completed or any deliverables identified. Payment will be made only upon approval of acceptable progress or deliverables as documented in the Vendor's report. Invoices may not be submitted more than once monthly and State law forbids payment of invoices prior to receipt of services. A 10% retainage until the final deliverable will be applied to all progress payments.

#### *3.4.15 Liquidated Damages:*

According to West Virginia State Code 5A-3-4(8), Vendor agrees that liquidated damages shall be imposed at the rate of \$ 2,500.00 per day for failure to provide the audit report by the delivery date as specified in the delivery schedule shown as Attachment B for reasons attributable to the Vendor. Vendor will not be subject to liquidated damages if the reasons for the failure are attributable to WORKFORCE West Virginia. This clause shall in no way be considered exclusive and shall not limit the State or WORKFORCE West Virginia's right to pursue to any other additional remedy to which the State or WORKFORCE West Virginia may have legal cause for action including further damages and penalties against the Vendor.

#### *3.4.16 Record Retention (Access & Confidentiality):*

Vendor shall comply with all applicable Federal and State of West Virginia rules and regulations, and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by Vendor. The Vendor shall maintain such records a minimum of five (5) years and make available all records to WORKFORCE West Virginia personnel at Vendor's location during normal business hours upon written request by WORKFORCE West Virginia within 10 days after receipt of the request. Vendor shall have access to private and confidential data maintained by WORKFORCE West Virginia to the extent required for Vendor to carry out the duties and responsibilities defined in this contract. Vendor agrees to maintain confidentiality and security of the data made available

and shall indemnify and hold harmless the State and WORKFORCE West Virginia against any and all claims brought by any party attributed to actions of breach of confidentiality by the Vendor, subcontractors, or individuals permitted access by Vendor.

### 3.5 Bid Requirements:

#### Mandatory Requirements

##### a. Independence

Governmental auditing standards as required by the governmental accounting office define independence in the second general standard for governmental auditing as follows:

"In all matters related to the audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance."

The firm must provide an affirmative statement that it is independent of WORKFORCE West Virginia and related systems as defined by general accepted auditing standards and the aforementioned governmental auditing standards as promulgated by United States General Accounting Offices. The firm must also provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity as defined by those same standards.

In addition, the firm will provide an affirmative statement that it will review the independence of all personnel within the firm assigned to this engagement to ensure that they are independent of WORKFORCE West Virginia and the State of West Virginia and its component entities.

In addition, the firm shall give WORKFORCE West Virginia written notice of any professional relationships entered into during the period of the agreement with any major contractors as defined in WV § 29.22.23. The firm will also notify WORKFORCE West Virginia in writing if any other matters come to its attention during the engagement, which may impair its independence.

##### b. License to Practice in West Virginia

The firm and all assigned key professional personnel and all associated and subcontracted firms must be licensed to practice in West Virginia. In addition, the firm and all associated and subcontracted firms are in good standing with the Unemployment Compensation Division of the

## State of West Virginia.

## c. Quality Control

The fourth general standard as set forth in governmental auditing standards is promulgated by the United States Governmental Accounting Office states that "each audit organization conducting audits in accordance with these standards should have an appropriate internal control system in place and undergo an external quality control review."

The firm and all associated and sub-contracted firms have in place an internal quality control system to provide reasonable assurance that an adequate quality standard will be maintained during the engagement. In addition, copies of the firm or firms internal control document should be attached to the RFQ as well as a copy of the most recent external quality control review or made available within 48 hours upon request of the agency. Should the written report of the most recent external quality control review disclose significant matters that would leave doubts as to the ability of the firm to maintain quality control, a written explanation should be attached to say what steps have been taken by the firm to improve their quality control procedures. The quality control review should have included a review of specific governmental engagements.

The firm should provide with the bid or make available within 48 hours request from the agency information on the results of any federal or state desk reviews or field reviews of its audits during the past three years.

## Section I Firm Qualifications and Experience

The firm must have been in business in West Virginia at least 10 years and have at least 5 years experience conducting governmental audits and audits under the Single Audit Act. The firm must currently have on staff at least 10 accounting professionals with at least half of those holding a CPA in West Virginia or similar certification. In addition, the firm should incorporate into the bid a list of those specific clients and engagements which they have performed within the last three years that are similar in nature to WORKFORCE West Virginia, including contact names and numbers where available and appropriate. The state of West Virginia reserves the right to contact these clients.

Should the firm intend to include any subcontracted firms the firm must provide the information for each subcontracted firm as for the primary firm; however, the primary firm will still be responsible for the results and deliverables of the contract.

## Section II Personnel Qualifications and Experience

The firm must identify the managing partner of the office from which the engagement will be performed. The contact information for the managing partner must include the name of the managing partner, his address, his direct dial telephone number, fax number, and email address. This information is intended for use in the unlikely event that WORKFORCE West Virginia is unable to obtain satisfactory responses from the audit team and need to have direct contact with management.

The firm must identify the principal supervisory and management personnel to be included in the engagement including the engagement partner, reviewing partners, managers, other supervisors and specialists. All personnel must hold a license to practice as a Certified Public Accountant in West Virginia.

The vendor must provide for each of the aforementioned personnel a resume outlining the qualifications and experience including years of experience in the auditing field and in the governmental sectors. Resumes should be attached to the bid response or made available within 48 hours upon request of the agency. As a minimum, each resume must include the following:

- Number of years of total experience
- Numbers of years of experience in specific specialties and a description of each specialty
- General certifications and qualifications obtained
- Listing of relevant continuing professional education courses within the last three years
- A list of those clients similar to WORKFORCE West Virginia for which the person has performed a significant amount of work within the last three years

A chief concern of WORKFORCE West Virginia is the ability of the successful firm to maintain the quality of staff assigned to the engagement over the term of agreement. The firm must clearly state what steps will be taken in order to ensure the quality of staff over the term of the agreement.

All personnel assigned to the engagement must have at least one year of auditing experience in public accounting or a similar environment.

Subcontracted and jointly associated firms can only be added, dropped, or changed with the expressed written permission of WORKFORCE West Virginia, which retained the right to approve and reject these changes. Personnel assigned to the engagement by subcontracted or jointly associated

firms must go through the same approval process as the primary firm's personnel discussed above. Any changes regarding a subcontractor must be made via a contract change order and subject to approval of the State Purchasing Division.

**COST QUOTE FOR AUDIT SERVICES**

Attachment A

Proposal ~~412~~

| <u>Classification</u> | <u>Estimated Hours</u> |   | <u>Hourly Rate</u> | <u>Cost</u> |
|-----------------------|------------------------|---|--------------------|-------------|
| Partner               | 20                     | X |                    |             |
| Manager               | 25                     | X |                    |             |
| Supervisor            | 15                     | X |                    |             |
| Seniors               | 85                     | X |                    |             |
| Staff                 | 78                     | X |                    |             |
| Clerical              | 10                     | X |                    |             |
| Other (identify)      | 15                     | X |                    |             |

Total all-inclusive fee for (project) \$

**COST QUOTE FOR ADDITIONAL ACCOUNTING AND AUDITING CONSULTING SERVICES**

| <u>Classification</u> | <u>Hourly Rate</u> |
|-----------------------|--------------------|
| Partner               |                    |
| Manager               |                    |
| Supervisor            |                    |
| Staff                 |                    |
| Clerical              |                    |
| Other                 |                    |

All hourly rates must include all travel and out-of-pocket expenses.

**COST QUOTE FOR ADDITIONAL AGREED UPON PROCEDURES SERVICES (Based upon Distance from Charleston, WV)**

| <u>Classification</u> | <u>Hourly Rate</u>  |  |                     |
|-----------------------|---------------------|--|---------------------|
|                       | Less than 100 Miles | At least 100 but not more than 200 miles | More than 200 miles |
| Partner               |                     |  |                     |
| Manager               |                     |  |                     |
| Supervisor            |                     |  |                     |
| Staff                 |                     |  |                     |
| Clerical              |                     |  |                     |
| Other                 |                     |  |                     |

## Attachment B

| BUREAU OF EMPLOYMENT PROGRAMS<br>TIMETABLE FOR COMPLETION OF AUDIT   |                                      |
|--|--------------------------------------|
| Required Submission or Event   | Required Completion/ Submission Date |
| Entrance conference  | Before June 23, 2006                 |
| Detailed audit plan  | July 17, 2006                        |
| Field work to begin  | On or after July 17, 2006            |
| Draft of WORKFORCE West Virginia reports and financial statements for review   | September 1, 2006                    |
| Revised draft with all requests changed and modification of WORKFORCE West Virginia reports and financial statements for review  | September 8, 2006                    |
| Draft submitted to the Financial Accounting and Reporting Section (FARS) of the Department of Administration with copies to the Deputy Executive Director of Administration of WORKFORCE West Virginia | September 15, 2006                   |
| Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review   | October 9, 2006                      |
| Final signed report for WORKFORCE West Virginia submitted to WORKFORCE West Virginia and to the Financial Accounting and Reporting Section of the Department of Administration                         | October 16, 2006                     |



**A F F I D A V I T**031**West Virginia Code §5A-3-10a states:**

No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owned is an amount greater than one thousand dollars in the aggregate.

**DEFINITIONS:**

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions.

"Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities.

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

**EXCEPTION:**

The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

**LICENSING:**

The vendor must be licensed in accordance with any and all state requirements to do business with the state of West Virginia.

**CONFIDENTIALITY:**

The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures and rules. Vendors should visit [www.state.wv.us/admin/purchase/privacy](http://www.state.wv.us/admin/purchase/privacy) for the Notice of Agency Confidentiality Policies.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), it is hereby certified that the vendor acknowledges the information in this said affidavit and are in compliance with the requirements as stated.

Vendor's Name: Suttle & Stalnaker, PLLC

Authorized Signature: Suttle & Stalnaker, PLLC Date: 6/28/2006

by CLD



State of West Virginia  
Department of Administration  
Purchasing Division  
2019 Washington Street East  
Post Office Box 50130  
Charleston, WV 25305-0130

# Request for Quotation

RFO NUMBER  
BEP06035

PAGE  
1

ADDRESS CORRESPONDENCE TO ATTENTION OF  
KRISTA FERRELL  
304-558-2596

\*709043333 304-343-4126  
SUTTLE & STALNAKER PLLC  
THE VIRGINIA CENTER SUITE 100  
1411 VIRGINIA STREET EAST  
CHARLESTON WV 25301

BUREAU OF EMPLOYMENT PROGRAMS  
5301A-FAM ADMINISTRATION  
ROOM 618  
112 CALIFORNIA AVENUE  
CHARLESTON, WV  
25305-0112 558-2634

| DATE PRINTED   | TERMS OF SALE | SHIP VIA                 | FOB    | FREIGHT TERMS                     |            |        |
|--|---------------|--------------------------|--------|-----------------------------------|------------|--------|
| 06/21/2006   |               |                          |        |                                   |            |        |
| BID OPENING DATE: 06/28/2006   |               | BID OPENING TIME 01:30PM |        |                                   |            |        |
| LINE   | QUANTITY      | UOP                      | CAT NO | ITEM NUMBER                       | UNIT PRICE | AMOUNT |
| ADDENDUM NO. 1   |               |                          |        |                                   |            |        |
| THIS ADDENDUM IS ISSUED TO EXTEND THE QUESTION AND ANSWER DEADLINE TO 06/22/2006. ANY VENDOR WISHING TO SUBMIT QUESTIONS OR CLARIFICATIONS MUST DO SO BY 2:00 PM IN WRITING TO KRISTA FERRELL AT THE WEST VIRGINIA STATE PURCHASING DIVISION. EMAIL ADDRESS KFERRELL@WVADMIN.GOV. ANY QUESTIONS OTHER THAN THOSE RELATED TO BID SUBMISSION, WILL NOT BE ANSWERED AFTER THE 06/22/2006 DEADLINE. THIS ADDENDUM ALSO ANSWERS QUESTIONS SUBMITTED PER THE ATTACHED PAGES. |               |                          |        |                                   |            |        |
| BID OPENING DATE IS EXTENDED FROM 06/22/06 TO 06/28/06<br>BID OPENING TIME REMAINS: 1:30 PM  |               |                          |        |                                   |            |        |
| ***** END ADDENDUM NO. 1 *****   |               |                          |        |                                   |            |        |
| 001  | 1             | JB                       |        | 946-20                            |            |        |
| AUDITING SERVICES  |               |                          |        |                                   |            |        |
| ***** THIS IS THE END OF RFO BEP06035 ***** TOTAL:   |               |                          |        |                                   |            |        |
| SEE REVERSE SIDE FOR TERMS AND CONDITIONS  |               |                          |        |                                   |            |        |
| SIGNATURE  |               | TELEPHONE                |        | DATE                              |            |        |
| FILE   |               | FERN                     |        | ADDRESS CHANGES TO BE NOTED ABOVE |            |        |

WHEN RESPONDING TO RFO, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

## Response to Question 2:

| Funds | Activity | YTD Revenue          | YTD Expenditures     |
|-------|----------|----------------------|----------------------|
| 608   | 71       | 0.00                 | 90,655.00            |
| 608   | 242      | 0.00                 | 2,339,974.55         |
| 608   | 878      | 0.00                 | 537,984.14           |
| 8888  | 96       | 0.00                 | 19,584,327.09        |
| 8888  | 553      | 129,338.79           | 0.00                 |
| 8888  | 700      | 20,080,487.51        | 0.00                 |
|       |          | <u>20,209,826.30</u> | <u>22,552,940.78</u> |

NOTE: There are no significant increases in assets and liabilities. These federal dollars are comprised primarily of WIA but it has others as well.

January 24, 2006

Ora S. Padgett, Grant/Contract Officer  
Division of Resolution and Appeals  
U. S. Department of Labor  
Employment and Training Administration  
200 Constitution Avenue, N.W.  
Washington, DC 20210

RE: Audit Report No: 21-05-531-03-390  
Audit Period: 7/1/03 through 6/30/04

Dear Ms. Padgett:

We have received and reviewed your initial determination for the findings related to the above referenced audit. After carefully review and consideration we have determined that we agree in part and disagree in part with this initial determination. We would like to attempt to resolve the remaining items through the informal resolution process. For the sake of clarity I am referring my responses below to the finding number references in your letter of November 18, 2005.

Finding No. 1 (2004-32) Grant Administration

Workforce West Virginia has now fully reconciled the SEFA schedule as of June 30, 2005 and has a financial system to ensure that it is fully reconciled on an on-going basis. We are attaching a copy of our work papers, which were provided, to our auditors documenting the reconciliation to the State of West Virginia statewide accounting system (WVFIMS). If you need additional documentation information, please give me a call. We have received the draft finding for the year ended June 30, 2005 and they consider this issue resolved.

Finding No. 2 (2004-33) Cash Management

We concur with the initial determination on this finding. Just to update you on our efforts, the WIA Fiscal Handbook, which contains the cash management policy, will be issued to all WIA subrecipients this week. We are in the process of scheduling WIA fiscal training in late April for all subrecipient fiscal officers.

Finding No. 3 (2004-34) Subrecipient Monitoring

Fiscal and Administrative Management Division  
112 California Avenue, Charleston, West Virginia 25305-0112  
<http://www.wvhrp.org/foia> • <http://www.workforcewv.org/>

*an equal opportunity/affirmative action employer and agency of the Department of Commerce*  
L. Thomas Bullock, Cabinet Secretary

We concur with the initial determination on this finding. We are prepared to make payment as soon as we are provided with remittance instructions. We are also in the process of establishing procedures to ensure that audits are received and reviewed in a timely manner and the issues raised in those reports are resolved in a timely manner. We have also begun making on-site monitoring visits to review both fiscal and programmatic operation in an effort to detect and resolve issue as early as possible.

Finding No. 4 (2004-35) Federal Performance Reporting

We concur with the initial determination on this finding.

In closing, let me apologize for the time that has elapsed in providing this response. We have had key fiscal staff retire recently and your correspondence was misplaced in the transition. If you have questions or need additional information, please do not hesitate to give me a call at 304-558-2631 or e-mail me at [mmiller@workforcewv.org](mailto:mmiller@workforcewv.org).

Respectfully Yours,

Mark S. Miller  
Deputy Executive Director of Administration

### Attachments

MSM/cg

January 24, 2006

Ora S. Padgett, Grant/Contract Officer  
Division of Resolution and Appeals  
U. S. Department of Labor  
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200 Constitution Avenue, N.W.  
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Fiscal and Administrative Management Division  
112 California Avenue, Charleston, West Virginia 25305-0112  
<http://www.wvgoe.org/bowd> • <http://www.workforcewv.org/>

*an equal opportunity/affirmative action employer and agency of the Department of Commerce*  
L. Thomas Bull's, Cabinet Secretary

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Respectfully Yours,

Mark S. Miller  
Deputy Executive Director of Administration

### Attachments

MSM/cg

BEP06035 Questions and Response

1. How will the lowest price under the RFQ be determined when you require a fixed fee quote for one service type and an hourly rate scale for a second and third service type when there is no estimated hours or scope of services provided for the second and third service types? For example, assume the hourly rate submitted by Firm A is higher on average than the hourly rate submitted by Firm B, but the audit fee services cost submitted by Firm B is higher than that submitted by Firm A. Given that no scope or estimate of hours is provided for the hourly rate services, who would be considered the lowest responsible bidder?

Response: Lowest price for this RFQ will be determined by the cost of the audit. The agency reserves the right not to use this award for other services but to bid for specific services if the agency deems necessary.

2. What is the anticipated audit scope impact (additional revenues, expenses, assets, and liabilities) during the fiscal year 2006? Furthermore, there were significant issues which resulted in a qualified opinion regarding compliance for the WIA federal program administered by the Governor's Workforce Investment Division in the prior year. What changes have been put into place by WORKFORCE West Virginia to begin correcting the significant issues which resulted in this qualification of the auditor's opinion?

Response: For the first part of this question, see Attachment 1. For the second part of this question, see Attachment 2.

3. Does the fixed fee requirement in section 3.2.6 above apply only to the audit services, or does it apply to the accounting and auditing consultations hourly rate scale?

Response: Fixed fee applies only to the audit. All other services shall be based upon the hourly rate proposed.

4. How will these dates be modified given that the proposals are not due until June 22, 2006 and under the State's purchasing regulations work cannot be started until we have received the signed final purchase order for services?

Response: Audit must be start ASAP after award.



**GENERAL TERMS & CONDITIONS  
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. All quotations are governed by the *West Virginia Code* and the *Legislative Rules* of the Purchasing Division.
4. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required registration fee. (Effective June 8, 2006, the fee will change from \$45.00 to \$125.00 pursuant to House Bill 4031.)
5. All services performed or goods delivered under State Purchase Orders/Contracts are to be continued for the term of the Purchase Order/Contract, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
6. Payment may only be made after the delivery and acceptance of goods or services.
7. Interest may be paid for late payment in accordance with the *West Virginia Code*.
8. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
9. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
10. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
11. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
12. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, this contract is automatically null and void, and is terminated without further order.
14. **HIPAA Business Associate Addendum** - The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, and available online at the Purchasing Division's web site (<http://www.state.wv.us/admin/purchase/vrc/hipaa.htm>) is hereby made part of the agreement. Provided that, the Agency meets the definition of a Covered Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.

**INSTRUCTIONS TO BIDDERS**

1. Use the quotation forms provided by the Purchasing Division.
2. **SPECIFICATIONS:** Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Complete all sections of the quotation form.
4. Unit prices shall prevail in cases of discrepancy.
5. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
6. **DUPLICATE BIDS:** All quotations must be delivered by the bidder to the respective offices listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications.

**ORIGINAL SIGNED BID TO:**

Department of Administration  
Purchasing Division  
2019 Washington Street East  
Post Office Box 50130  
Charleston, WV 25305-0130

**DUPLICATE BID TO:**

State Auditor's Office  
Bid Observer  
Building 1 Room W114  
1900 Kanawha Boulevard, East  
Charleston, WV 25305-0230

NOTICE: Beginning June 8, 2006, there is no need to submit a duplicate bid to the State Auditor's Office pursuant to House Bill 4031.

QUALITY CONTROL DOCUMENT

**SUTTLE & STALNAKER, PLLC**

Quality Control Document

Effective 2005

The firm's quality control policies and procedures for the five elements of quality control are presented on the following pages. All members of the firm are responsible for understanding, implementing, and adhering to these policies and procedures.

The firm is a member of the American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center (Center) and the AICPA Employee Benefit Plan Audit Quality Center (Center) and has agreed to establish policies and procedures specific to the firm's governmental audit practice (as defined in the membership requirements) and its ERISA employee benefit practice to comply with the applicable professional standards and the membership requirements of the respective Centers. These policies and procedures are documented and communicated by this document.

As required by the membership requirements of the respective Centers, it is the policy of the firm that all eligible audit partners be members of the AICPA. It is the responsibility of Director of Audit that each audit partner be advised annually that AICPA membership is mandatory. Also, as required by the membership requirements of the respective Centers, the partner group annually designates the Director of Audit which will assume firm-wide responsibility for the quality of the firm's governmental audit practice and the ERISA employee benefit plan audit practice.

Any questions, concerns, or recommendations about our quality control system should be communicated to the Director of Audit.

**I. Independence, Integrity, and Objectivity**

It is the policy of our firm that all professional personnel be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, and State statutes. Furthermore, it is the policy of our firm that, for engagements that are subject to *Government Auditing Standards* and other regulatory agencies, all professional personnel be familiar with and adheres to the independence rules included in those standards and that personnel will always act in the public interest. In this regard, any transaction, event, circumstance, or action that would impair the firm's independence or violates its integrity and objectivity policy, on a compilation, review, audit, or attestation (including forecast or projection) engagements is prohibited. Although not necessarily all inclusive, the following are considered to be prohibited transactions:

1. Investments by any owner or professional employee in a client's business during the period of a professional engagement.
2. An investment in an entity or property by any of the following individuals and the client (or the client's officers or directors, or any owner who has the ability to exercise significant influence over the client) that enables them to control (as defined by Accounting Principles Generally Accepted in the United States of America (GAAP) for consolidation purposes) the entity or property:

consolidation purposes) the entity or property:

- a. An individual on an attest engagement team (including an audit; Statement on Standards for Accounting and Review Services (SSARS) review; or examination, review, or agreed-upon procedures under the AICPA attestation standards).
  - b. An individual in a position to influence the attest engagement by doing any of the following:
    - i. evaluating the performance or recommending the compensation of the attest engagement owner,
    - ii. directly supervising or managing the attest engagement owner and all of that owner's superiors,
    - iii. consulting with the attest engagement team about technical or industry-related issues specific to the engagement, or
    - iv. participating in or overseeing quality control activities, including internal monitoring, with respect to the attest engagement.
  - c. An owner or manager who provides nonattest services to the attest client beginning once he provides ten or more hours of nonattest services to the client within any fiscal year and ending on the later of the date:
    - i. the firm signs the report on the financial statements for the fiscal year during which those services were provided or,
    - ii. he no longer expects to provide ten or more hours of nonattest services to the attest client on a recurring basis.
  - d. An owner in the office in which the lead attest engagement partner primarily practices with respect to the attest engagement.
3. Borrowing from or loans to a client, or client's personnel, during the period of a professional engagement by any of the individuals listed in items 2.a.-d.
  4. Accepting cash or gifts from a client (with the exception of noncash token gifts of nominal value.)
  5. Certain family relationships between professional personnel and client personnel. (Consult the Director of Audit for a ruling on these.)

Notwithstanding the preceding policy and list of prohibited transactions, at the Director of Audit's discretion, certain prohibitions can be waived if it is deemed to be in the best interest of the firm. However, in so doing, the engagement service performed for the client must be limited to that allowed by AICPA professional literature.

The procedures listed below should be followed to ensure compliance with this policy:

1. All professional personnel are required to sign a representation letter when hired (and annually thereafter) that acknowledges their familiarity with the firm's independence, integrity, and objectivity policy and procedures. Independence and ethics training is provided for all personnel, normally at least every three years. Such training covers the firm's independence and ethics policies and procedures and the independence and ethical requirements of all applicable regulators.
2. All professional personnel are required to notify the Director of Audit of any potential prohibited transaction or violation of an independence integrity, or objectivity rule as soon as they become aware of such a situation. To acknowledge that responsibility, all professional personnel are required when hired (and annually thereafter) to sign a representation letter and to list situations they know of that could impair our firm's independence or that violate its integrity and objectivity policy. (The firm library contains the authoritative rules on independence, integrity, and objectivity that govern our firm. That literature and the advice of the Director of Audit should be consulted when an employee is not sure if a transaction, event, circumstance or action should be reported.)
3. All professional personnel are required to review the firm's client list annually for possible violations. The list of clients is maintained by the Office Manager/Internal Accountant and additions to the list are communicated on a timely basis by a memorandum from the partner group. When hired (and annually thereafter), all professional personnel are required to sign a representation letter that confirms this responsibility.
4. If our firm is engaged as principal auditor and another firm is engaged to audit a subsidiary, branch, division, governmental component unit, or to perform procedures on an element or account grouping within a client's financial statement, the engagement team is required to obtain a written representation regarding the other firm's independence with respect to our client. The auditing manuals used by the firm contain examples of representation letters to use in such situations. Furthermore, in a review, forecast, projection, or attestation engagement, if another firm performs work on a segment of the engagement, a representation (either written or oral) regarding the other firm's independence is required. The engagement programs used by our firm should contain steps to ensure compliance with this procedure.
5. The engagement owner (or the in-charge accountant under that owner's supervision) has the primary responsibility for determining if there are unpaid fees on any of their clients that would impair the firm's independence. The engagement work programs and standard forms used by the firm contain steps to ensure compliance with this procedure. The firm's client accounts receivable listing and the engagement owner's knowledge of any unbilled fees should be considered in making this determination. In addition, the Director of Audit has the secondary responsibility to review the firm's accounts receivable listing on a periodic basis to identify potential independence problems.

6. The engagement owner has the primary responsibility to identify all nonattest services performed for an attest service client (including services performed by entities closely aligned through common employment) and for determining if such nonattest services impair independence with respect to that client. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in *Government Auditing Standards* for ongoing, planned, and future audits. Firm engagement work programs for all attest, as well as compilation, engagements, include steps to ensure compliance with this procedure.
7. The Director of Audit is responsible for obtaining the representation letters, reviewing for completeness, and for resolving questions relating to independence, integrity, and objectivity matters, (including questions from the representation letters and those from other sources) and is available to provide guidance. In so doing, the Director of Audit should, when necessary, consult the AICPA or the West Virginia Society of CPAs for assistance in interpreting independence, integrity, and objectivity rules. Documentation of the resolution of an independence, integrity, and objectivity matter should be filed in the client's permanent workpaper files. The Director of Audit is also responsible for determining the actions to be taken when professional personnel violate firm independence policies and procedures. The action for each incident is determined based on its unique circumstances and may include eliminating a personal impairment, additional training, reprimand letter, or termination.
8. The Director of Audit is also responsible for monitoring the firm's independence of attest clients at which owners or other senior personnel have been offered management positions or have accepted offers of employment. The independence, integrity, and objectivity questionnaire used by the firm and the client acceptance checklists used by the firm in attest engagements include questions to help ensure compliance with this engagement.
9. To ensure that our firm's independence is properly considered at the engagement level, the work programs and standard forms in the accounting and auditing manuals used by the firm contain steps that require a determination of independence on each new and recurring client. Furthermore, these manuals contain reporting guidance for those types of engagements where a lack of independence is allowed.
10. At least annually, the quality control director (Director of Audit) reviews our independence, integrity, and objectivity policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of the *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

## II. Personnel Management

#### A. Hiring

It is the policy of our firm that hiring decisions for our professional staff be based on an objective evaluation of our personnel needs, that hirees possess the appropriate characteristics to perform competently, and that new employees be adequately informed of the firm's policies and procedures. The procedures listed below are followed to ensure compliance with this policy:

1. Periodically, the owners assess the personnel needs of our professional staff by considering, among other things, criteria such as our current clientele, anticipated growth, personnel turnover, individual advancement, current staff workload, quality of life, and retirement.
2. In fulfilling our hiring plans, we seek to employ individuals with high levels of intelligence, integrity, motivation, and aptitude. In this regard, we normally hire college graduates whose academic training will enable them to take the CPA exam. However, we will hire paraprofessionals who do not possess a college degree, but whose accounting experience and personal qualifications indicate a likelihood of adequate abilities.
3. Determination of the techniques to be used to recruit potential hirees and actual employment decisions will be made by the owners. Other personnel who are involved in the hiring process will be informed of the techniques to be used.
4. When evaluating a prospective employee, we consider, among other things, an individual's grade point average, college course concentration in accounting and related courses, personal achievements, work experience, and personal interests. The degree to which college transcripts, work references, and other qualifications are investigated is left to the discretion of the owners, the true test being the individuals' performance under the supervision of a competent employee.
5. The firm's personnel policies and procedures relevant to applicants and new employees are communicated to them.
6. At least annually, the quality control director reviews our hiring policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

#### B. Assigning of Personnel

It is the policy of our firm that personnel (including owners) be assigned to engagements in an objective manner to achieve a proper blend of technical expertise, supervision, staff utilization, staff on-the-job training, and client satisfaction. The procedures listed below are followed to ensure compliance with this policy:

1. Periodically, the owners assesses the competencies that owners (or other persons) who are responsible for supervising attest engagement and signing (or authorizing other individuals to sign) attest engagement reports should possess. This assessment includes:
  - a. An understanding of the firm's system of quality control and the Code of Professional Conduct.
  - b. An understanding of the performance, supervision, and reporting standards at the level of service to be provided (i.e. audit, review, and compilation).
  - c. An understanding of the applicable accounting, auditing, and attestation professional standards, including those directly related to any special industries.
  - d. An understanding of applicable industries and each industry's organization and operating characteristics sufficient to identify high or unusual risk areas and to evaluate the reasonableness of industry-specific estimates.
  - e. Proficiency and seasoned judgment in discharging assigned responsibilities.
  - f. When applicable, an understanding of how an organization is dependent on or enabled by information technologies and how the information technology systems are used to record and maintain financial information.
2. Periodically, the audit owners and audit manager/supervisor assesses the staffing (including owner assignments) requirements of each client, and develops a staff assignment plan. Any considerations that emerge from this assessment that affect the hiring plans of the firm are communicated to those responsible for hiring. In making staff assignments, consideration is given to factors such as:
  - a. The engagement type, size, significance, complexity, and risk profile.
  - b. Special expertise and experience required for the engagement (familiarity with the industry).
  - c. New or emerging professional literature or regulations that may affect the engagement.
  - d. Recent continuing education relevant to the services to be provided and, if applicable, the industry. For example, staff who may have met the continuing education requirements of the Government Accountability Office's (GAO) *Government Auditing Standards*.
  - e. The timing and length of the engagement.
  - f. The continuity and periodic rotation of the staff.



- g. Opportunities for on-the-job training.
- h. Previously demonstrated competencies (including consideration of the results of monitoring, inspections, peer reviews, and recent evaluations).
- i. Personnel availability and the involvement of supervisory personnel.
- j. Situations where possible conflicts of interest, objectivity, or independence problems may exist, including where applicable, circumstances where the assigned staff is not independent under *Government Auditing Standards*. *Government Auditing Standards* precludes personnel who provided the nonaudit services from planning, conducting, or reviewing audit work of subject matter involving the nonaudit service under the overarching principle the auditors cannot audit their own work.)
- k. The degree of supervision required by each member.
- l. Non-CPA owners cannot be ultimately responsible for any financial statement attest or compilation engagement.

The staffing plan is circulated to all employees (or, alternatively the staff assignments are periodically posted on the firm intranet, or staff are made aware of their assignments by verbal communications from their immediate supervisor).

- 3. The firm recognizes that many modifications to the staff assignments schedule will be required because of changes in client circumstances that affect the competencies appropriate for the client engagement, ongoing consideration of competencies possessed by firm owners and personnel assigned to particular engagements, addition or loss of clients, staff turnover, delays in the timing of work, or other unforeseen events. Modifications are based on an informal meeting of the owners affected by the changes and after a reconsideration of the planning factors discussed in steps 1 and 2. Any disputes regarding assignment of personnel are resolved by the partner group. Members of the staff are informed orally of staffing changes and new assignments.
- 4. At least annually, the Director of Audit reviews our policy and procedures for assigning personnel, including the competencies and considerations listed at steps 1 and 2, to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control*. Changes, or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

#### C. Professional Development

It is the policy of our firm that all professional personnel comply with the continuing professional education requirements of the AICPA, the West Virginia State Board of

Accountancy, the Governmental Audit Quality Center, the Employee Benefit Plan Audit Quality Center, the U.S. Government Accountability Office, and other regulatory agencies if applicable; that all professional staff maintain an adequate awareness and understanding of current developments in technical literature; and that all professional staff assist in the training and development of staff members under their supervision. The procedures listed below are followed to ensure compliance with this policy.

1. Annually, the owners assess the firm's continuing professional education (CPE) needs and plan our professional development program (PD) after considering, among other things, CPE activities that interest each professional; the number of hours needed by each professional to comply with the CPE rules governing our firm; each professional's level of experience, client responsibilities, and prior CPE training; new or emerging technical literature; and the firm's needs for specialists or experts in a particular industry or service area.
2. The Owners monitor employee progress toward meeting the CPE plan.
3. Only CPE alternatives that qualify for credit under the CPE rules that govern our firm will be considered when planning our PD program. Such alternatives normally include seminars and conferences sponsored by the AICPA, state society, or other professional organizations; self-study courses; in-house seminars and programs; acting as an instructor or speaker; university or college courses; and published books and articles, and CPE courses. Specifically, when CPE hours are to be fulfilled by in-house seminars, workshops, or discussion groups, those in-house programs should comply with the following standards:
  - a. The program should maintain and/or increase the professional competence of participants.
  - b. The stated program objectives should specify the level of knowledge the participant should have attained or the level of competence he or she should be able to demonstrate upon completing the program.
  - c. The education and/or experience prerequisites for the program should be stated.
  - d. Participants should be informed in advance of pertinent course information.
  - e. Only those participants with the appropriate level of education and/or experience should attend the program.
  - f. The program should be developed by an individual qualified in the subject matter and knowledgeable in instructional design.
  - g. Program materials should be technically accurate, current, and sufficient to meet the program's learning objectives.
  - h. Before program materials are used, they should be reviewed to the extent

necessary by a qualified person(s) other than the preparer(s) to ensure the program's technical accuracy, currentness, and sufficiency to achieve learning objectives.

- i. The reviewer's technical competence and knowledge of instructional design should at least equal that of the developer.
  - j. Instructors should be qualified with respect to both program content and teaching methods used.
  - k. The number of participants and physical facilities should be appropriate with the teaching method(s) specified.
  - l. Each program should include an effective means for evaluating quality.
4. Individuals who work on audits subject to the *Government Auditing Standards*, must obtain at least 80 hours of CPE that directly enhances the auditor's professional proficiency to perform audits or attestation engagements every two years. Individuals responsible for conducting substantial portions of the fieldwork, planning, directing, or reporting on audits subject to *Government Auditing Standards* must obtain 24 of those hours in subjects and topics directly related to the government environment, government auditing or the specific or unique environment in which the audited entity operates. At least 20 of the 80 hours must be obtained annually.

Effective on June 30, 2005, the GAO provided additional interpretation of their 2003 CPE requirements. Under the new interpretation individuals assigned to planning, directing, performing fieldwork, or reporting on audits or attestation engagements subject to *Government Auditing Standards* should meet both the 80 hour and 24 hour CPE requirements. The terms "planning," "directing," "performing fieldwork," or "reporting" are defined in the GAO's *Guidance on GAGAS Requirements for Continuing Professional Education*. An exception to this rule is that individuals who are assigned to "performing fieldwork" but not involved in planning, directing, or reporting on audit or attestation engagements, and who charge less than 20 percent of their time annually to audits and attestation engagements conducted in accordance with GAGAS should comply with the 24 hour CPE requirement to take training in each two year period in subjects and topics directly related to government auditing, the government environment, or the specific, or unique environment in which the audited entity operates but are exempt from the remainder of the 80 hour CPE requirement. Additional non-routine exceptions are located in the GAO's *Guidance on GAGAS Requirements for Continuing Professional Education*.

- a. In accordance with the Governmental Audit Quality Center's membership requirements, the partner assigned firm-wide responsibility for the quality of the firm's governmental audit practice must meet both the 24 and 80 hour CPE requirements even if that partner would not otherwise be subject to those requirements. The partner must also participate in the annual Center-sponsored

webcast on recent developments in governmental auditing.

- b. Individuals who sign audit opinions and/or manage ERISA employee benefit plan audit engagements and individuals who work on ERISA employee benefit plan audit engagements must meet the CPE requirements of the Employee Benefit Plan Audit Quality Center.
5. To comply with the documentation requirements of the AICPA, the state board of accountancy, the U.S. Government Accountability Office, and other regulatory agencies for CPE credit, the firm maintains appropriate CPE records, among which are the following:
  - a. For each professional for the most recent five years, a worksheet is maintained that contains the following information for each credit hour claimed:
    - 1) Type of CPE activity (seminars, in-house program, independent study, etc.).
    - 2) Sponsor.
    - 3) Title of program and/or description of content.
    - 4) Dates attended or completed.
    - 5) Location of program.
    - 6) CPE hours claimed.
  - b. For each in-house CPE program sponsored by the firm, the following records are maintained for the most recent five years:
    - 1) A record of participation, indicating the number of hours of CPE contact hours claimed for each participant.
    - 2) An agenda or outline of the program, indicating name(s) and qualifications of the instructor(s), the date(s) and length of the program, learning objectives, prerequisites, level of knowledge of the program, program content, nature and extent of advance preparation, teaching methods, recommended CPE credit, and relevant administrative policies.
    - 3) The location(s) of the program.
    - 4) A copy of the program materials (reading materials, problems, case studies, visual aids, instructors' manuals, etc.).
    - 5) A summary of the participants' evaluations, the instructor's evaluation(s), and the sponsor's evaluation of the instructor(s).

- 6) If the course was developed in-house, a record of the name(s) and qualification(s) of the developer(s) and reviewer(s).
  - 7) If the course was acquired from another source, evidence that the course was developed and reviewed by qualified individuals.
- c. For all other CPE programs or activities, the following records are maintained for the most recent five years:
- 1) For group and independent study programs, a certificate or other verification supplied by the sponsor.
  - 2) For a university or college course that is successfully completed for credit, a record of the grade the person received.
  - 3) For a self-study program, a certificate of satisfactory completion of an examination provided by the sponsor.
  - 4) For a published book, article, or CPE program, evidence of publication (a copy of the book, journal, or course development documentation) that names the CPA as author or contributor, the writer's statement supporting the number of CPE hours claimed, and the name and contact information of the independent reviewer(s) or publisher.
6. Each professional in our firm must recognize his or her responsibility to comply with applicable CPE requirements to maintain technical competency. Accordingly, all professionals are encouraged to engage in self-development activities. To assist in this endeavor, the firm maintains a current library and circulates within the firm important news about new or emerging changes in professional literature or business activities. All professionals are encouraged to bring to the attention of the Director of Audit any news item that they believe should be circulated within the office.
  7. The firm recognizes the importance of on-the-job training and has adopted as a part of the firm's engagement performance QC system the use of work programs to assist professionals in performing their work. Also, as noted in the firm's QC system for assigning personnel, professionals are assigned to work on a variety of jobs and under different supervisors (to the extent practical) to maximize on-the-job training. Personnel with supervisory responsibility are reminded to be constantly aware of situations where they can provide on-the-job training.
  8. At least annually the Director of Audit reviews our PD policy and procedures (including CPE documentation) to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

#### D. Advancement

It is the policy of our firm that advancement and compensation decisions for professional personnel be based on a timely and objective evaluation of individual performance, that the professional personnel selected for advancement should have the necessary qualifications to fulfill their assigned responsibilities, and that compensation of personnel, including owners, be based on the quality of their work. The procedures listed below are followed to ensure compliance with this policy:

1. Personnel classification levels are used to designate experience, to evaluate individual performance, and to establish criteria for promotion and compensation. The following personnel levels and related performance criteria are used by the firm:

- a. Paraprofessionals and Interns - Individuals at this level normally have a basic understanding of accounting, bookkeeping, or tax preparation, but may not have obtained a college degree that includes a significant concentration of accounting or tax courses. Paraprofessionals are expected to:

- 1) Become familiar with the firm's policies and procedures.
- 2) Assist our professional staff in performing controllership and bookkeeping services for clients.
- 3) Assist our professional staff in preparing workpapers, trial balances, depreciation schedules, entering data for computer applications, and preparing engagement correspondence.
- 4) Assist our professional staff in gathering data for tax return preparation, maintaining our tax library, and maintaining our client tax files.

The job of paraprofessional is both challenging and rewarding, and with experience and supervision, individuals at this level can assume many of the responsibilities of staff accountants. However, advancements to higher levels of the professional staff normally will require the completion of a college degree with either a major in accounting or an equivalent number of accounting and business courses.

Interns are expected to become familiar with the firm's policies and procedures, perform duties as assigned, and obtain exposure to engagements assigned.

- b. Staff Accountant - Individuals at this level normally have a college degree with a major in accounting or other related business field and have from zero to three years' experience. Staff accountants are expected to:

- 1) Become familiar with the firm's policies and procedures.

- 2) Understand the rules, regulations, and code of professional conduct of the AICPA.
  - 3) Progress professionally by working toward passing the CPA exam as soon as possible.
  - 4) If assigned primarily to financial statement engagements:
    - a) Become familiar with pronouncements of the FASB, AICPA, and when assigned to governmental engagements, the GAO and GASB, and when assigned to employee benefit plan engagements, the applicable requirements of the USDOL and IRS.
    - b) Become proficient at preparing financial statements.
    - c) Obtain exposure to the types of financial statement engagements offered by the firm.
    - d) Assume responsibility for unaudited financial statement engagements or segments of audits under the supervision of more experienced staff.
  - 5) If assigned primarily to tax engagements:
    - a) Become familiar with pertinent IRC sections and regulations.
    - b) Obtain a working knowledge of research techniques and the various research sources in the firm library.
    - c) Become proficient in the preparation of corporate, individual, ownership, fiduciary and other tax returns prepared by the firm.
    - d) Assume responsibility for the completion of tax returns under the supervision of more experienced staff.
- c. Senior (In-charge)/Supervisor - Individuals at this level have had a minimum of two years' experience as a staff accountant and normally have passed the CPA exam. Seniors are expected to:
- 1) Know and understand the reason behind the firm's policies and procedures.
  - 2) Possess technical knowledge sufficient to supervise staff accountants.
  - 3) Begin acquiring the skills necessary to develop quality client relationships and loyalty.
  - 4) If assigned primarily to financial statement engagements:

- a) Begin to develop a command of GAAP, OCBOA, unique or specialized accounting principles, and financial statement presentations.
  - b) Obtain a thorough understanding of auditing standards generally accepted in the United States of America and common audit procedures and techniques.
  - c) Assume responsibility for efficiently supervising both audit and nonaudit engagements.
- 5) If assigned primarily to tax engagements:
- a) Begin developing a command of pertinent IRC sections and regulations.
  - b) Become proficient at tax research including knowledge of the reference sources available to the firm.
  - c) Assume responsibility for the supervision of tax return preparation engagements.
- d. Manager/Senior Manager - Individuals at this level are normally CPAs and have had a minimum of three to five years' experience as a senior (in-charge)/supervisor accountant (or equivalent experience as deemed appropriate by the owners) and have exhibited technical proficiency and the ability to supervise complete engagements. Managers are expected to:
- 1) Plan, supervise, and complete routine engagements.
  - 2) Supervise both staff accountants, seniors, and supervisors provide feedback to them, and evaluate their progress.
  - 3) Become experts in their assigned areas.
  - 4) Develop new client contacts and relationships beneficial to the firm.
  - 5) Assist in firm administrative functions as assigned by the owners.
  - 6) Recognize opportunities to provide additional services to existing clients.
- e. Owner - Individuals at this level are normally CPAs and have had a minimum of three years' experience as manager (supervisor or equivalent experience as deemed appropriate by the owners) and have exhibited superior technical competence, managerial abilities, and the ability to attract and develop new clients. Owners are expected to:
- 1) Provide firm leadership through example. Be ultimately responsible for all



engagements performed under them.

- 2) Attract and develop new clients.
  - 3) Perform assigned administrative duties.
  - 4) Be an asset to the firm through civic and community activities.
2. In addition to the evaluation criteria enumerated in the preceding staff classifications, each staff member will be evaluated on attributes such as, but not limited to, the following:
    - a. Technical knowledge.
    - b. Analytical and judgmental skills.
    - c. Communication skills.
    - d. Leadership and training skills.
    - e. Client relationships.
    - f. Professional demeanor and appearance.
    - g. Integrity.
    - h. Personal attitude.
  3. Firm personnel are provided copies of the advancement policy and procedures that include the criteria for advancement and consequences of failure to adhere to firm policies and procedures related to quality performance and ethical principles.
  4. Annually, staff members establish goals using the EXCEL program forms. At the end of each year, a meeting is held between the staff and the designated owner to discuss the individual achievements compared to their goals. Formal evaluations/counseling meetings are conducted as needed to provide appropriate feedback to staff. Staff may request a formal evaluation at any time by completing the self-evaluation portion of the evaluation form. These evaluation forms are submitted to the owner/manager/supervisor primarily responsible for that individual's supervision, who in turn conducts a counseling interview with that individual, normally within a few days. Comments and feedback obtained during these interviews, if any, are documented on the evaluation form by the supervising owner/manager, and the form is routed to the individual's personnel file. The counseling interview includes the evaluation(s) and may include other matters. A failure to adhere to firm policies and procedures related to quality performance and ethical principles may result in more training, additional time at the present level, or even dismissal for more egregious failures.

5. Annually each owner completes an owner self-evaluation form and goals sheet and submits to the owner group for review and approval. The owner group reviews each goals sheet and compares to actual performance.
6. At least annually, and on an ad hoc basis if necessary, the owners meet as a committee to discuss advancement, compensation, and termination decisions. In considering advancement and compensation decisions, staff performance evaluations and progress within staff classifications are given great priority; however, economic conditions such as profits and future growth potential must also be considered in each decision.
7. At least annually the Director of Audit reviews our advancement policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

### III. Acceptance and Continuance of Clients and Engagements

It is the policy of our firm that for all compilation, review, audit, and attestation (including forecast and projection) engagements, the acceptability of the client and the engagement be evaluated before the firm agrees to provide professional services and that the firm will accept only engagements that it believes can be completed with professional competence after considering the risk associated with providing professional services in the particular circumstances. The procedures listed below are followed to ensure compliance with this policy:

1. For each client (or existing tax or MAS client) that requests for the first time a compilation, review, audit, or attestation service, an engagement acceptance form is required to be completed. (The engagement acceptance form is located in the accounting and auditing manuals used by the firm.) That form documents, among other things, background information including financial information regarding the client and its operations; an assessment of the apparent integrity of management; possible independence problems or conflicts of interest; an assessment of the availability of staff; the adequacy of the firm's professional competence; known disagreements with the client's prior accountants and considerations of the risks associated with the engagement. The completed form is routed to the owners who decide whether to accept or reject the client, and who documents that conclusion on the form.
2. For existing clients, the owners annually review the firm's client list and reevaluate the acceptability of each client and engagement. Furthermore, the engagement work programs used by the firm (as documented in the engagement performance QC element of the firm's QC document) contain steps requiring the engagement team to consider whether the firm should discontinue providing services to a client. Reasons that might surface in either the firm-wide or individual engagement review that would cause the firm to consider discontinuing services include:

- a. Significant changes in the client, e.g., senior management, perceived integrity of management, ownership, financial stability, or the risks associated with the particular engagement.
- b. Changes in the nature or scope of the engagement, including requests for additional services.
- c. Significant unpaid fees that may cause an independence problem or create doubt about the collectibility of future fees.
- d. Significant changes in the composition of the firm, e.g., a change in the firm's professional competence (expertise) or the decision to discontinue client service in a particular industry.
- e. The existence of conditions that would have caused the firm to reject the client or engagement had such conditions existed at the time of the initial acceptance.
- f. The client is in the development stage or operates in a highly specialized or regulated industry, such as a financial institution, governmental entity, or employee benefit plan.
- g. More time is required to perform the engagement than the firm can provide.
- h. The client has ignored prior recommendations, such as recommendations addressing internal control deficiencies.

The owners are responsible for deciding whether to discontinue providing all or certain services to a client, or whether steps can be taken to mitigate the risk of continued services, e.g., requiring a down payment on fees before work commences, pay-as-you-go billing arrangements, alternative engagement procedures, etc.

3. If situations occur after the commencement of an engagement and while work is in process that indicate the firm should consider withdrawing from the engagement, the owners should be notified of the circumstances. Circumstances that may cause the firm to withdraw would include:
  - a. The client's unwillingness to make a material correction to the financial statements or accept a modified report or when a modification of the standard report will not adequately indicate the deficiencies in the financial statements taken as a whole.
  - b. Failure by the client to take remedial action with regard to an illegal act that might be discovered during the engagement.
  - c. The discovery of facts after the engagement commences that may have caused the firm to reject the engagement had those facts been known prior to starting the work, e.g., a significant risk of fraud.
  - d. The client provides information that is incorrect, incomplete, or otherwise

unsatisfactory and refuses to provide additional or revised information.

- e. The inability to perform the inquiry and analytical procedures considered necessary for a SSARS or attest review, and, for a SSARS review, it is inappropriate to issue a compilation report.
- f. The client's refusal to provide a representation letter in a SSARS or attest review, and, for a SSARS review, it is not appropriate to issue a compilation report.
- g. The client's refusal to allow the sending of a request for legal representation to legal counsel.
- h. In a review attest engagement, the client is the responsible party and does not provide a written assertion.
- i. Other information in a client-prepared document containing the firm's attest report is materially inconsistent with the information in the report, and the client does not revise the information to eliminate the inconsistency.

The Director of Audit is responsible for deciding whether to withdraw from an engagement.

- 4. If, based on the facts and circumstances identified in performing steps 2 and 3, the owners conclude that the firm should discontinue providing all or certain services to a client or withdraw from a current engagement, the Director of Audit and the engagement owner should determine how the client should be informed about that decision. Furthermore, the owner group should consider whether outside legal counsel should be consulted in making that decision. The engagement team will be notified by the owner group of the name of any client to which services are discontinued.
- 5. The engagement owner is responsible for ensuring that an engagement letter is obtained for each client. The engagement letter should document the firm's understanding with the client regarding the nature, scope, and limitations of the services to be provided.
- 6. At least annually the Director of Audit reviews our acceptance and continuance policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

#### IV. Engagement Performance

##### A. Engagement Performance

It is the policy of our firm that all compilation, review, audit, and attestation (including forecast and projection) engagements be properly planned, performed, supervised, reviewed, documented, and reported or communicated in accordance with the

requirements of professional standards, applicable regulatory authorities, and the firm. In this regard, the procedures listed below are followed by all personnel assigned to those engagements:

1. The firm's system of engagement performance quality control (QC) steps is documented in the attached engagement performance bridging documents.
2. The responsibilities of the owners and other members of our professional staff for implementing the firm's QC steps are indicated on the attached engagement performance bridging documents.
3. Certain steps in the firm's system of engagement performance QC steps are not applicable or are optional for some engagements. The attached engagement performance bridging document indicates the applicability of each step to each type of engagement.
4. The firm uses numerous checklists, work programs, report examples, and other practice aids to implement its engagement performance QC steps. These practice aids are documented on the attached engagement performance bridging document.
5. At least annually the Director of Audit reviews our engagement performance policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

The firm's quality control system encourages the use of certain portions of the RSM McGladrey's and PPC's accounting and auditing manuals and practice aids as more fully described in the attached engagement performance bridging documents. This QC document, the RSM manuals or PPC manuals and any other practice aids used by the firm are intended solely to assist us in achieving compliance with professional standards as covered by the AICPA Code of Professional Conduct. Accordingly, nothing within this QC document should be construed as requiring a higher level of performance or documentation than the minimum specifically required by our firm's QC policies and procedures nor to override the exercise of professional judgment.

## ENGAGEMENT PERFORMANCE BRIDGING DOCUMENT WITH QCM DESCRIBED FOR HISTORICAL FINANCIAL STATEMENTS

[illegible]

## ENGAGEMENT PERFORMANCE BRIDGING DOCUMENT WITH QCM DESCRIBED FOR ATTESTATION ENGAGEMENTS

| Engagement Performance Quality Control Steps  | Person or Group Responsible for Completing Step |    | Engagements Subject to QC |                      |                        |                             | Practice Aids (QC's) Used by Firm |   |                         |
|---|---|----|---------------------------|----------------------|------------------------|-----------------------------|-----------------------------------|---|-------------------------|
|   |   |    | Standards                 |                      | Standards              |                             |                                   |   |                         |
|   |   |    | Forecast and Projections  | Agreements           | Agreements             | Agreements                  |                                   |   |                         |
|   |   |    | Completions               | Explanations         | Agreed-upon Procedures | Agreed-upon Representations | Description of Practice Aid       | Location of Practice Aid                          |                         |
| Primary Responsibility  |   |    | Owner (O)                 | Engagement Team (ET) | ET                     | O                           | O                                 | AFI, CAR, ELD, FAP, NTE                           |                         |
| 1. Is there whether to accept/continue the engagement?  | O   | ET | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Engagement Letter                                 | AFI, CAR, ELD, FAP, NTE |
| 2. Obtain an engagement letter.   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Client Information and Planning Form              | AFI, CAR, ELD, FAP, NTE |
| 3. Plan the work and obtain background information about the company, officers, accounting practices, key factors affecting forecasts, etc. | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Forecasting Form/Step on Work Program             | AFI, CAR, ELD, FAP, NTE |
| 4. Gain an understanding of internal control.   | ET  | O  | No                        | No                   | No                     | No                          | No                                |   |                         |
| 5. Perform preliminary analytical procedures.   | ET  | O  | No                        | No                   | No                     | No                          | No                                |   |                         |
| 6. Evaluate materiality and risk.   | ET  | O  | No                        | No                   | No                     | No                          | No                                |   |                         |
| 7. Prepare a work program.  | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Planning and Evaluation Form/Step on Work Program | AFI, CAR, ELD, FAP, NTE |
| 8. Develop a time estimate.   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Summary of Program                                | AFI, CAR, ELD, FAP, NTE |
| 9. Obtain owner approval of work program and such assignments, and, if applicable, time estimates.  | O   | ET | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Step on Work Program                              | AFI, CAR, ELD, FAP, NTE |
| 10. Perform work (including work of other accountants).   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Work Program                                      | AFI, CAR, ELD, FAP, NTE |
| 11. Document method or complex consolidation.   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Consolidation Form                                | AFI, CAR, ELD, FAP, NTE |
| 12. Evaluate the possibility of a step down to a lower level of service.  | O   | ET | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 13. Evaluate any professional disputes.   | O   | ET | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 14. Draft the financial statements and report.  | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 15. Perform analytical procedures.  | ET  | O  | No                        | No                   | No                     | No                          | No                                | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 16. Complete a presentation and disclosure checklist.   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 17. Review for contingencies and obtain legal representation letters.   | ET  | O  | No                        | No                   | No                     | No                          | No                                | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 18. Obtain management representation letter.  | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 19. Review the workpapers.  | O, ET   | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 20. Evaluate the effect of audit differences.   | O   | ET | No                        | No                   | No                     | No                          | No                                | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 21. Obtain an independent internal review.  | O   | ET | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 22. Prepare required client communications.   | ET  | O  | No                        | No                   | No                     | No                          | No                                | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 23. Determine that all review points and open items have been cleared.  | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 24. Have owner sign the report or transmittal letter.   | O   | ET | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 25. Evaluate the staff's performance.   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |
| 26. File the workpapers (subject to monitoring review).   | ET  | O  | Yes                       | Yes                  | Yes                    | Yes                         | Yes                               | Not Applicable                                    | AFI, CAR, ELD, FAP, NTE |

QC - Owner

AFI - PFC's Guide to Audits of Financial Institutions, CAR - PFC's Guide to Forecasting and Review, ELD - PFC's Guide to Providing External Services, FAP - PFC's Guide to Forecasting and Review, NTE - PFC's Guide to Non-Financial Institutions.





# Engagement Performance Bridging Document with QCM Described for Attestation Engagements Utilizing RSM McGladrey

| Engagement Performance Quality Control Steps  | Person or Group Responsible for Completing Step |                          | Engagements Subject to QC Standards* |            |              |            |  | Practice Aids (QCM's) Used by Firm               |  |
|---|---|--------------------------|--------------------------------------|------------|--------------|------------|--|--|--|
|   | Primary Responsibility                          | Secondary Responsibility | Forecast and Projections             |            | Attestations |            | Description of Practice Aid                        | Location of Practice Aid                         |  |
|   |   |                          | Compliance                           | Procedures | Review       | Exemptions |  |  |  |
| 1. Evaluate whether to accept/continue the engagement.  | Owner (O)                                       | Engagement Team (ET)     | Yes                                  | Yes        | Yes          | Yes        | Acceptance Form/Step on Work Program               | MAPS - Attestation Manual                        |  |
| 2. Obtain an engagement letter.   | O   | ET                       | Yes                                  | Yes        | Yes          | Yes        | Attestation Letter                                 | AMM  |  |
| 3. Plan the work and obtain background information about the company, officers, accounting practices, key factors affecting forecasts, etc. | ET  | ET                       | Yes                                  | Yes        | Yes          | Yes        | Client Information and Planning Form               | Planning Manual or MAPS - Attestation            |  |
| 4. Gain an understanding of internal control.   | ET  | O                        | No                                   | No         | No           | No         | -  | -  |  |
| 5. Perform preliminary analytical procedures.   | ET  | O                        | No                                   | No         | No           | No         | -  | -  |  |
| 6. Evaluate materiality and risk.   | ET  | O                        | No                                   | Yes        | Yes          | Yes        | Planning and Evaluation Form/ Step on Work Program | MAPS - Attestation Manual                        |  |
| 7. Prepare a work program   | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Standardized Program                               | MAPS - Attestation Manual                        |  |
| 8. Develop a time estimate.   | ET  | O                        | Opt                                  | Opt        | Opt          | Opt        | -  | Use Excel spreadsheet using time code categories |  |
| 9. Obtain senior approval of work program and staff assignments, and, if applicable, time estimates.  | O   | ET                       | Opt                                  | Yes        | Yes          | Yes        | Step on Work Program                               | MAPS - Attestation Manual                        |  |
| 10. Supervise work (including work of other accountants).   | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Work Program                                       | MAPS - Attestation Manual                        |  |
| 11. Document methods of complex calculations.   | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Write a memo to file                               | Not Illustrated                                  |  |
| 12. Evaluate the propriety of a step down to a lower level of service.  | O   | ET                       | Opt                                  | N/A        | Opt          | N/A        | -  | Not Illustrated                                  |  |
| 13. Resolve any professional disputes.  | O   | ET                       | Yes                                  | Yes        | Yes          | Yes        | Write a memo to file                               | Not Illustrated                                  |  |
| 14. Draft the financial statements and report.  | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Numerous Illustrations                             | ASB or MAPS - Attestation Manual                 |  |
| 15. Perform analytical procedures.  | ET  | O                        | No                                   | Opt        | Opt          | Opt        | Step on Work Program                               | MAPS - Attestation Manual                        |  |
| 16. Complete a presentation and disclosure checklist.   | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Checklist  | MAPS - Attestation Manual                        |  |
| 17. Review for contingencies and obtain legal representation letters.   | ET  | O                        | No                                   | Opt        | No           | Opt        | -  | Not Illustrated                                  |  |
| 18. Obtain a management representation letter.  | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Representation Letter                              | AMM  |  |
| 19. Review the worksheets.  | O & ET  | ET                       | Yes                                  | Yes        | Yes          | Yes        | Step on Work Program                               | MAPS - Attestation Manual                        |  |
| 20. Evaluate the effect of audit differences.   | O   | ET                       | No                                   | No         | No           | No         | -  | Subs & Stakeholder, PLLC Form                    |  |
| 21. Obtain an independent internal review.  | O   | ET                       | Yes                                  | Yes        | Yes          | Yes        | Step on Document Cover Sheet                       | MAPS - Attestation Manual                        |  |
| 22. Prepare required client communications.   | ET  | O                        | N/A                                  | N/A        | N/A          | N/A        | Step on Document Cover Sheet                       | Subs & Stakeholder, PLLC Form                    |  |
| 23. Determine that all review points and open items have been cleared.  | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | Evaluation Form                                    | -  |  |
| 24. Have owner sign the report or transmission letter.  | O   | ET                       | Yes                                  | Yes        | Yes          | Yes        | File Examples                                      | See Separate Retention Policy                    |  |
| 25. Evaluate the staff's performance.   | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | -  | -  |  |
| 26. File the worksheets (subject to monitoring review).   | ET  | O                        | Yes                                  | Yes        | Yes          | Yes        | -  | -  |  |

a- Opt - Optional.  
b- AMM - RSM Attestation Methodology Manual; MAPS - RSM Manual for Audit Programs/Checklist; ASB - RSM Manual for Reports and Opinions

## B. Consultation

It is the policy of our firm that personnel refer to authoritative literature or other sources when appropriate. Our firm also recognizes the need for a constant exchange of ideas and opinions about technical issues on all professional engagements, and it is our policy that all professional personnel seek consultation, on a timely basis, within or outside the firm whenever they are uncertain about the answer to a technical question; the application of a professional procedure or standard; the application of a rule, regulation, or procedure of a tax or other regulatory agency; or the application of a firm policy. The procedures listed below are followed to ensure compliance with this policy:

1. The firm maintains or provides ready access to an adequate and up-to-date reference library that includes materials related to clients served and that should be consulted to assist professional staff in their research of technical issues.
2. While the firm recognizes that it is impossible to list all situations that might require referral to authoritative literature or other sources or that might require consultation, the following situations, due to their complexity, may require consultation:
  - a. Any engagement in which a qualified or nonstandard report is likely to be issued.
  - b. Any engagement involving material litigation.
  - c. Application for the first time, of new or complex technical pronouncements.
  - d. Industries with special accounting, auditing, or reporting requirements.
  - e. Emerging practice problems.
  - f. Choices among alternative accounting principles generally accepted in the United States of America upon initial adoption or when an accounting change is made.
  - g. Reissuance of a report, consideration of omitted procedures after a report has been issued, or subsequent discovery of facts that existed at the time a report was issued.
  - h. Filing requirements of regulatory agencies.
  - i. Meetings with regulators at which the firm is to be called on to support the application of accounting principles generally accepted in the United States of America or auditing standards generally accepted in the United States of America that have been questioned.
3. When an issue arises that requires consultation, the issue should first be discussed by the members of the engagement team. If, in the engagement owner's opinion,

the issue is resolved at this level of consultation, additional consultation is not necessary. However, if any member of the engagement team disagrees with the resolution, the procedure in step 7 should be followed.

4. If the engagement owner believes additional consultation beyond that of the engagement team is necessary, the issue should be discussed with an individual in the firm who has specialized knowledge or training that is appropriate for the issue in question. When the engagement team is unaware of the name of an individual in the firm who possesses such knowledge, the Director of Audit should be consulted for the name of such an individual. If, in the engagement owner's opinion, the issue is resolved at this level of consultation, additional consultation is not necessary. However, if any member of the engagement team or other individuals who consulted on the issue disagree with the resolution, the procedure in step 7 should be followed.
5. If the engagement owner believes that additional consultation beyond that available within the firm is necessary, the issue should be discussed with an outside specialist. Outside specialists include, but are not limited to, the AICPA technical information services and CPAs or tax attorneys in other firms. In determining the professional qualifications and reputations of the outside specialists, the firm should consider, among other things, the following matters:
  - a. The professional certification, license, or other recognition of the competence of the specialist in their areas of expertise, as appropriate.
  - b. The reputation and standing of the specialist in the views of his peers and others familiar with his capability or performance.
  - c. The relationship, if any, of the specialist to the client.

If, in the engagement owner's opinion, the issue is resolved, additional consultation is not necessary. However, if any member of the engagement team or other individual in the firm who consulted on the engagement disagrees with the resolution, the procedure in step 7 should be followed.

6. Certain accounting, audit, examination, attestation, tax, or consulting engagements may require the firm to consult with nonaccounting specialists such as actuaries, appraisers, attorneys, engineers, and geologists. The firm should follow the guidance in *AICPA Professional Standards* at AU Section 336 when such consultations are necessary. If any member of the firm or engagement team disagrees with the advice of a nonaccounting consultant, the procedure in step 7 should be followed.
7. If differences of opinion exist within the firm as to the resolution of a consultation issue, the matter should be brought to the attention of the Director of Audit and/or owner group. The Director of Audit and/or owner group will resolve any disputes as to the proper course of action taken by the firm on the issue in question. Any party to the consultation who disagrees with the conclusion has the option of

preparing a memorandum and filing it in the workpapers.

8. All technical research and consultations that are unusual, controversial, or complex and material in nature should be documented in a memorandum to the workpapers.
9. At least annually the Director of Audit reviews our consultation policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by completing the applicable section of the Monitoring Questionnaire in Chapter 12 of *PPC's Guide to Quality Control* or in minutes to the annual owners' meeting or in a separate memo. Changes, if necessary, to the system are made based on the results of the review.

## V. Monitoring

It is the policy of our firm that our quality control system be monitored on an ongoing basis to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements (including activities) of quality control are suitably designed and are being effectively applied. Monitoring procedures as they relate to the other elements (and activities) are included in the quality control procedures for each of the other elements. As part of the monitoring process, our quality control system is normally inspected annually to determine whether the firm has complied with its stated quality control policies and procedures. The procedures listed below are followed to ensure compliance with this policy:

1. Annually the owners select an individual or a team (hereafter referred to as "the inspector(s)") to review the firm's quality control system. The inspector(s) should possess adequate technical knowledge and experience; and when practical should not be directly involved in the administration, supervision, or performance of the QC procedures or engagements each will inspect. One inspector will be designated as the in-charge inspector. The inspection will include a review of the governmental audit practice and the ERISA employee benefit plan audit practice in accordance with the membership requirements of the respective audit quality centers.
2. The in-charge inspector is responsible for determining the scope of the inspection, developing the inspection procedures, and performing the inspection. The owners can require at their discretion that the inspection scope and procedures be approved by them before the inspection commences. The in-charge inspector should follow the guidelines listed below when determining the scope and designing the inspection procedures:
  - a. The inspection should be completed timely.
  - b. The inspectors will use the appropriate Monitoring Program such as in Chapter 12 of *PPC's Guide to Quality Control* as a work program. The inspection will cover all of the firm's stated quality control procedures and will include a representative sample of administrative files, personnel files, engagement workpapers, and other evidential matter. The engagement reviews will include a cross-section of the firms engagements. The criteria for engagement selection may include, but is not limited to, the following:

- 1) Specialized, complex and high-risk engagements (for example, employee benefit plans, Government Auditing Standards audits and financial institutions).
  - 2) A cross-section of the firm's governmental audit practice considering the number and types of governmental audits (e.g. single audits and program specific audits, as defined under OMB Circular A-133, and other compliance audits and attestation engagements performed under various federal, state, or local agency audit guides).
  - 3) A cross-section of the firm's ERISA employee benefit plan audit practice considering the number and types of plan audits (e.g. defined benefit, defined contribution, health and welfare, multicmployer, ESOPs, Limited and full scope).
  - 4) First-year engagements.
  - 5) A cross-section of engagements based on the level of service performed (e.g. audit, review, compilation, and attest).
  - 6) A cross-section of engagements from various owners and management level personnel having accounting and auditing responsibilities.
  - 7) Significant client engagements.
  - 8) Engagements for which there have been complaints or allegations from firm personnel, clients, or other third parties that the work performed by the firm failed to comply with professional standards, regulatory requirements, or the firm's system of quality control.
  - 9) Engagements in which there were significant disagreements between the quality review owner and the engagement owner.
- c. The inspection procedures should include inspection, observation, and inquiries to determine whether:
- 1) Checklists, forms, programs, or other documentation required by the firm's QC system have been properly completed.
  - 2) Administrative and personnel policies have been complied with.
  - 3) Procedures performed on engagements are in accordance with both the requirements of authoritative literature and firm policies.
  - 4) The engagement workpapers provide adequate evidence to support conclusions, opinions, and presentations resulting from that engagement.

- 5) The financial statements, reports, and other presentations resulting from the engagements conform to the measurement, presentation, and disclosure requirements of authoritative literature.
- d. The inspection scope, procedures, and findings will be documented in the work program.
3. At the conclusion of the inspection, the inspector is responsible for (a) discussing the results of the inspection with the supervisory personnel responsible for the engagements selected for review and (b) summarizing the deficiencies noted for each engagement reviewed. Once identified, the deficiencies are summarized and evaluated to determine whether:
  - a. Existing quality control policies and procedures should be modified.
  - b. Additional emphasis should be placed on specific industries or areas for future engagements.

The scope of the inspection, the findings, and the recommendations are then reported to the owner group.

4. In addition to the firm's annual inspection program, the firm is subject every three years to a peer review in accordance with the requirements of the AICPA and West Virginia State Board of Accountancy. The Director of Audit is responsible for scheduling and coordinating that review. The firm elects to have its peer review count as its inspection/review for each year in which a peer review is performed.
  - a. In accordance with the membership requirements of the Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center, the engagement letter covering our peer review will require that the governmental audits and ERISA employee benefit plan audits selected for review during the firm's peer review be reviewed by someone who is employed by a member firm of the respective Center. Also, information relative to the firm's most recently accepted peer review is available to the public in accordance with the membership requirements of the respective Centers.
  - b. The internal inspection results (including those specific to the firms' governmental audit engagements and ERISA employee benefit plan audit engagements selected for inspection) are made available to the firms' peer review team.
5. Based on the inspection report and, if appropriate, the peer review report, letter of comments, letter of response, and exit conference with the peer reviewer, the owners determine any corrective actions that should be pursued to improve, determine any corrective actions that should be pursued to improve, amend, or rectify the QC system.
6. The owners meet annually (or when needed) and discuss the results of the inspection and the monitoring of all of the quality control elements and the corrective actions determined to be needed by the Director of Audit. Based on the discussions at the

meeting, the Director of Audit determines any corrective actions that will be pursued to improve, amend, or rectify the QC system.

7. The Director of Audit is responsible for monitoring and documenting the implementation of, and compliance with, any corrective action plans.

PEER REVIEW





**Riney, Hancock & Co., PSC**  
Certified Public Accountants & Financial Advisors

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E-mail: info@rineyhancock.com

To the Members  
Suttle & Stalnaker, PLLC

We have reviewed the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC (the firm) in effect for the year ended May 31, 2005. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statement on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with the system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included, among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests; therefore it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control of future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Suttle & Stalnaker, PLLC  
Page Two

In our opinion, the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC in effect for the year ended May 31, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

*Riney, Hancock & Co., PSC*

Riney, Hancock & Co., PSC  
Owensboro, Kentucky 42303  
November 7, 2005

|             |
|-------------|
| CPE RECORDS |
|-------------|

## Continuing Professional Education Record

Chris Deweese

| SPONSOR                               | DATE          | DESCRIPTION  | HOURS |
|---------------------------------------|---------------|--|-------|
| <b>2003</b>                           |               |  |       |
| Suttie & Stalnaker, PLLC              | 1/6/2003      | Microsoft Outlook Training                                     | 2     |
| Suttie & Stalnaker, PLLC              | 1/6/2003      | Practical Loss Prevention for CPAs                             | 2     |
| Charleston Chapter, WVSCPA            | 2/18/2003     | The State of Our Economy                                       | 3     |
| Charleston Chapter, WVSCPA            | 3/23/2003     | Current Issues Facing Our Profession and Society               | 1     |
| Suttie & Stalnaker, PLLC              | 5/21/2003     | Auditing Medicaid Cost Reports Under GAO Standards             | 4.5   |
| Polaris North American Network        | 6/23-25/2003  | Leadership Development Program #3                              | 24.9  |
| WV Society of CPAs                    | 6/18-21/2003  | Annual Meeting   | 6     |
| West Virginia Department of Education | 7/10/2003     | Accounting and Auditing for County Boards of Education         | 4     |
| Charleston Chapter, WVSCPA            | 8/26/2003     | Sarbanes-Oxley - One Year Later                                | 1     |
| Suttie & Stalnaker, PLLC              | 9/8/2003      | SAS 99 - Implementation of SAS 99 for Governmental Entities    | 8     |
| Charleston Chapter, WVSCPA            | 9/16/2003     | Overview of Workers' Compensation System                       | 1     |
| Suttie & Stalnaker, PLLC              | 10/9/2003     | Going into Business in West Virginia Trainer's Manual          | 3     |
| Suttie & Stalnaker, PLLC              | 10/11/2003    | Sensitivity Training   | 2     |
| Polaris                               | 11/10-12/2003 | Leadership Development Program 2002-2003 Session #4            | 24    |
| Charleston Chapter, WVSCPA            | 12/11/2003    | Roundtable Discussion of Current Society Issues                | 1     |
| 2003 Total                            |               |  | 87.4  |
| <b>2004</b>                           |               |  |       |
| ProSystemfx Engagement                | 5/3/2004      | Engagement Training  | 8     |
| ProSystemfx Engagement                | 5/6/2004      | Engagement Training Workshop                                   | 8     |
| WV Department of Administration/PARS  | 6/10/2004     | GAAP Closing Process Training                                  | 2     |
| WV Society of CPAs                    | 6/16-19/04    | Federal Tax Update   | 6.3   |
| Suttie & Stalnaker, PLLC              | 6/4/2004      | Information Technology Training                                | 4     |
| McGladrey & Pullen, LLP               | 6/2/2004      | M & P Audit Approach   | 8     |
| Suttie & Stalnaker, PLLC              | 7/12/2004     | Wireless Access Point Update                                   | 1     |
| WV Dept. of Education                 | 7/22-23/2004  | GASB 34 Workshop   | 10    |
| West Virginia Department of Education | 7/15/2004     | School Board Auditors Workshop                                 | 4     |
| Suttie & Stalnaker, PLLC              | 8/3/2004      | Nonprofit A&A, AICPA & Industry Updates                        | 8     |
| Suttie & Stalnaker, PLLC              | 8/2/2004      | Issues and Changes in the GASB and GAO                         | 7.5   |
| Charleston Chapter of WVSCPA          | 8/26/2004     | Getting it Right - Know Your Fiduciary Responsibilities        | 3     |
| WV Society of CPAs                    | 9/24/04       | Forensic Accounting: Fraudulent Reporting and Concealed Assets | 8     |
| Suttie & Stalnaker, PLLC              | 9/1/2004      | Coaching for CPAs, a Workshop on Mentoring                     | 4     |
| Charleston Chapter of WVSCPA          | 10/6/2004     | Ethics Chapter Video Conference                                | 2.5   |
| Charleston Chapter of WVSCPA          | 12/9/2004     | Current Issues Facing Our Profession and the Society           | 1     |
| 2004 Total                            |               |  | 84.3  |
| <b>2005</b>                           |               |  |       |
| Suttie & Stalnaker, PLLC              | 1/17-18/2005  | Suttie & Stalnaker's Auditing Process                          | 16.5  |
| ProSystem FX Engagement               | 1/21/2005     | Engagement Custom Update                                       | 8     |
| WV Dept. of Administration PARS       | 5/11/2005     | GAAP Closing Process Training                                  | 3     |
| PKF North American Network            | 6/27-28/2005  | Passing the Torch - Meeting #1                                 | 17    |
| AICPA Webcasts                        | 6/30/2005     | 2005/2006 Employee Benefit Plan Strategic Briefing             | 1.7   |
| Suttie & Stalnaker, PLLC              | 6/13/05       | 2nd Annual Governmental Accounting & Auditing Update           | 7     |
| Suttie & Stalnaker, PLLC              | 6/14/2005     | 1st Annual Nonprofit Accounting & Auditing Seminar             | 7     |
| WV Dept. of Education                 | 7/21/2005     | School Board Auditors Workshop                                 | 4     |
| PKF North American Network            | 7/18-20/2005  | The Big Event  | 7     |
| PKF North American Network            | 7/18-20/2005  | The Big Event  | 12    |
| CAMICO                                | 8/26/05       | Loss Prevention In-Firm Presentation                           | 2     |
| Charleston Chapter, WVSCPA            | 8/30/05       | The AICPA's 360 Degrees of Financial Literacy                  | 1     |
| PKF North American Network            | 11/2/2005     | Passing the Torch, Part 2                                      | 9     |
| 2005 Total                            |               |  | 95.2  |
| Combined Total                        |               |  | 267.9 |

## Continuing Professional Education Record

Horace Emery

| SPONSOR                               | DATE         | DESCRIPTION  | HOURS |
|---------------------------------------|--------------|--|-------|
| <b>2003</b>                           |              |  |       |
| Suttle & Stalnaker, PLLC              | 1/6/2003     | Practical Loss Prevention for CPAs   | 2     |
| WV Society of CPAs                    | 1/23/2003    | An Update on Legal and Legislative Issues  | 4     |
| Suttle & Stalnaker, PLLC              | 4/10/2003    | SAS 99 - Consideration of Fraud in a Financial Statement Audit - Government/Non-Profit   | 1.5   |
| Suttle & Stalnaker, PLLC              | 5/21/2003    | Auditing Medicaid Cost Reports Under GAO Standards   | 4.5   |
| WV Society of CPAs                    | 6/18-21/2003 | Annual Meeting   | 6     |
| WV Society of CPAs                    | 6/18-21/2003 | Annual Meeting   | 1.5   |
| West Virginia Department of Education | 7/10/2003    | Accounting and Auditing for County Boards of Education   | 4     |
| Polaris                               | 7/13-16/2003 | A&A Track - Refrains for the Accounting and Auditing Profession  | 6     |
| Polaris                               | 7/13-16/2003 | The Changing Regulatory Environment of the Accounting Profession   | 6     |
| Polaris                               | 7/13-16/2003 | A&A Track - Instituting Practice Risk Management   | 6     |
| Charleston Chapter, WVSCPA            | 8/26/2003    | Sarbanes-Oxley - One Year Later  | 1     |
| Charleston Chapter, WVSCPA            | 9/16/2003    | Overview of Workers' Compensation System   | 1     |
| Suttle & Stalnaker, PLLC              | 9/8/2003     | SAS 99 - Implementation of SAS 99 for Governmental Entities  | 8     |
| Suttle & Stalnaker, PLLC              | 12/31/2003   | Government & Not-For-Profit CPE  | 4     |
| Charleston Chapter, WVSCPA            | 12/11/2003   | Roundtable Discussion of Current Society Issues  | 1     |
| 2003 Total                            |              |  | 56.5  |
| <b>2004</b>                           |              |  |       |
| WV Society of CPAs                    | 5/14/04      | Adv. Training Course for Reviewers: Current Issues in Practice Monitoring  | 8     |
| ProSystemfx Engagement                | 5/6/2004     | Engagement Training Workshop   | 8     |
| ProSystemfx Engagement                | 5/3/2004     | Engagement Training  | 8     |
| WV Department of Administration/FARS  | 6/10/2004    | GAAP Closing Process Training  | 2     |
| WV Society of CPAs                    | 6/7/2004     | Advanced Practice Issues & Solutions in Audits of Employee Benefits  | 8     |
| McGladrey & Pullen, LLP               | 6/2/2004     | M & P Audit Approach   | 8     |
| Suttle & Stalnaker, PLLC              | 6/4/2004     | Information Technology Training  | 4     |
| West Virginia Department of Education | 7/15/2004    | School Board Auditors Workshop   | 4     |
| PKF North American Network            | 7/12-14/2004 | Auditing Standards Update; Identify Processes and Internal Controls over Financial Reporting; A&A Wildcard - Fraud; A&A Roundtable | 7.5   |
| PKF North American Network            | 7/12-14/2004 | General Session - Evaluation of the Profession; Member Marketplace   | 5.5   |
| Suttle & Stalnaker, PLLC              | 8/3/2004     | Nonprofit A&A, AICPA & Industry Updates  | 8     |
| Suttle & Stalnaker, PLLC              | 8/2/2004     | Issues and Changes in the GASB and GAO   | 7.5   |
| Suttle & Stalnaker, PLLC              | 9/1/2004     | Coaching For CPAs: a Workshop on Mentoring   | 4     |
| Charleston Chapter of WVSCPA          | 12/9/2004    | Current Issues Facing Our Profession and the Society   | 1     |
| 2004 Total                            |              |  | 83.5  |
| <b>2005</b>                           |              |  |       |
| WV Society of CPAs                    | 1/7/2005     | WV Society Cabinet Meeting   | 5.5   |
| Suttle & Stalnaker, PLLC              | 1/17-18/2005 | Suttle & Stalnaker's Auditing Process  | 13.5  |
| ProSystem FX Engagement               | 1/21/2005    | Engagement Custom Update   | 8     |
| West Virginia Society of CPAs         | 2/24/2005    | An Update on Legal & Legislative Issues  | 2     |
| PKF North American Network            | 5/15-18/2005 | PKF NAN Firm Management Conference   | 11.5  |
| PKF North American Network            | 6/27-28/2005 | Passing the Torch - Meeting #1   | 17    |
| WV Society of CPAs                    | 6/22-25/2005 | 50 Frauds that Could Happen to Your Small Clients: Detection and Prevention; 21st Century Ethics for CPAs                          | 3.3   |
| WV Society of CPAs                    | 6/22-25/2005 | Professional Issues Update   | 1.8   |
| WV Society of CPAs                    | 6/22-25/2005 | Legislative Update, etc.; Federal Tax Update   | 4.5   |
| Suttle & Stalnaker, PLLC              | 6/14/2005    | 1st Annual Nonprofit Accounting & Auditing Seminar   | 7     |
| WV Dept of Administration, FARS       | 6/7/2005     | GAAP Closing Process Training  | 3     |
| Suttle & Stalnaker, PLLC              | 6/13/05      | 2nd Annual Governmental Accounting & Auditing Update   | 7     |
| CAMICO                                | 8/26/05      | Loss Prevention In-Firm Presentation   | 2     |
| Charleston Chapter, WVSCPA            | 8/30/05      | The AICPA's 360 Degrees of Financial Literacy  | 1     |
| PKF North American Network            | 11/2/2005    | Passing the Torch, Part 2  | 9     |
| McGladrey & Pullen, LLP               | 11/21/2005   | MCAP, MAPS, and Small Business Manual Update   | 1     |
| 2005 Total                            |              |  | 97.1  |
| Combined Total                        |              |  | 237.1 |

## Continuing Professional Education Record

Kelly Shafer

| SPONSOR                         | DATE         | DESCRIPTION  | HOURS |
|---------------------------------|--------------|--|-------|
| <b>2004</b>                     |              |  |       |
| McGladrey & Pullen, LLP         | 9/2/2004     | Introduction to M&P Assurance Manuals                | 2     |
| McGladrey & Pullen, LLP         | 9/2/2004     | Using MAPS   | 1     |
| McGladrey & Pullen, LLP         | 9/2/2004     | Introduction to Lotus Notes                          | 1     |
| ProSystem fx Engagement         | 9/17/2004    | Engagement Customer Training                         | 8     |
|                                 |              | 2004 Total   | 12    |
| <b>2005</b>                     |              |  |       |
| ProSystem FX Engagement         | 1/21/2005    | Engagement Custom Update                             | 8     |
| Suttle & Stalnaker, PLLC        | 1/17-18/2005 | Suttle & Stalnaker's Auditing Process                | 13.5  |
| WV Dept. of Administration FARS | 5/11/2005    | GAAP Closing Process Training                        | 3     |
| PKF North American Network      | 6/6-8/2005   | ASD Module A: Executing Audit Engagements            | 4     |
| PKF North American Network      | 6/6-8/2005   | ASD Module A: Executing Audit Engagements            | 20    |
| Suttle & Stalnaker, PLLC        | 6/14/2005    | 1st Annual Nonprofit Accounting & Auditing Seminar   | 7     |
| Suttle & Stalnaker, PLLC        | 6/13/05      | 2nd Annual Governmental Accounting & Auditing Update | 7     |
| CAMICO                          | 8/26/05      | Loss Prevention In-Firm Presentation                 | 2     |
| McGladrey & Pullen, LLP         | 11/21/2005   | MCAP, MAPS, and Small Business Manual Update         | 1     |
|                                 |              | 2005 Total   | 65.5  |
|                                 |              | Combined Total                                       | 77.5  |