

Proposal to Serve

West Virginia Water Pollution Control Revolving Fund

Year Ending June 30, 2007



RFQ Number: DEP 14100

Date: June 27, 2007

Contact Person: Robert R. Denyer

Phone No.: (304) 345-8400

Gibbons
& Kawash
Certified Public Accountants



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

DEP14100

PAGE

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ADDRESS CORRESPONDENCE TO ATTENTION OF

CHUCK BOWMAN
304-558-2157

*909132501 304-345-8400

GIBBONS & KAWASH
300 BANK ONE CENTER
707 VIRGINIA STREET EAST
CHARLESTON WV 25301

ENVIRONMENTAL PROTECTION
DEPARTMENT OF
OFFICE OF ADMINISTRATION
601 57TH STREET SE
CHARLESTON, WV

25304

304-926-0499

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS		
06/06/2007						
BID OPENING DATE: 06/21/2007		BID OPENING TIME 01:30PM				
LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		\$13,875
AUDITING SERVICES						
THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION, IS SOLICITING BIDS FROM QUALIFIED CPA FIRMS FOR A CONTRACT TO PROVIDE AUDITING SERVICES OF THE WEST VIRGINIA WATER POLLUTION CONTROL REVOLVING FUND, PER THE FOLLOWING SPECIFICATIONS, SCOPE OF WORK, BID REQUIRMENTS, AND TERMS & CONDITIONS.						
EXHIBIT 3						
LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON JULY 1, 2007 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 WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30)						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
SIGNATURE <i>Robert E. Denger</i>				TELEPHONE 304-345-8400		DATE 6/27/07
TITLE Partner		FEIN 85-0738985		ADDRESS CHANGES TO BE NOTED ABOVE		



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<p>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>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</p>						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
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	AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.					
	REV. 04/11/2001					
	VENDOR PREFERENCE CERTIFICATE					
	CERTIFICATION AND APPLICATION* IS HEREBY MADE FOR PREFERENCE IN ACCORDANCE WITH WEST VIRGINIA CODE, 5A-3-37 (DOES NOT APPLY TO CONSTRUCTION CONTRACTS).					
	A. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:					
	() 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					
	(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					
	() 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					
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WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED "VENDOR"



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<p>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> <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 & 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>						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
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<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 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: Gibbons & Kawash CPAs</p> <p>DATE: June 27, 2007</p> <p>SIGNED: <i>Robert H. Sawyer</i></p> <p>TITLE: Partner</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". (REV. 12/00)</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

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NOTICE						
A SIGNED BID MUST BE SUBMITTED TO:						
DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130						
THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:						
SEALED BID						
BUYER: CB-23						
RFQ. NO.: DEP14100						
BID OPENING DATE: 06/21/2007						
BID OPENING TIME: 1:30 PM						
PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:						
(304) 345-8400						
CONTACT PERSON (PLEASE PRINT CLEARLY): Bob Denyer						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE

TELEPHONE

DATE

TITLE

FEIN

ADDRESS CHANGES TO BE NOTED ABOVE



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***** THIS IS THE END OF RFQ DEP14100 ***** TOTAL: \$13,875						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE

Robert A. Dearyer

TELEPHONE

DATE

TITLE

FEIN

ADDRESS CHANGES TO BE NOTED ABOVE

June 27, 2007

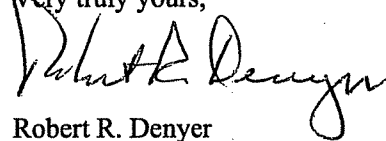
To the West Virginia Water Pollution
Control Revolving Fund

We are pleased to present our credentials to serve as your independent auditors to perform an audit of the West Virginia Water Pollution Control Revolving Fund (the Fund) for the year ended June 30, 2007, with optional renewals for June 30, 2008 and 2009. As a client of our firm, you can be sure of our total commitment to provide timely, responsive and quality service.

Gibbons and Kawash (G&K) is most qualified to perform auditing services for the Fund due to our extensive experience with State and local governmental entities **which includes performing auditing services for the Fund for the last six years.** Of particular importance is our experience with entities using proprietary funds and reporting business type activities. We have experience auditing several entities that operate capitalization grants similar to those used and operated by the Fund. **Our firm has experience with the specialized compliance and reporting requirements specific to U.S. Environmental Protection Agency capitalization grants.** Our experience with similar entities and preparing information required by FARS is further described throughout this document.

We have structured this quotation to communicate G&K's experience and qualifications to effectively and efficiently respond to the requirements and expectations of the Fund, and have made every effort to completely respond to all matters identified in your request for quotation. We would be pleased to meet with you and formally present our quotation upon your request. If you have any questions, please do not hesitate to contact me or John Galloway at 345-8400.

Very truly yours,



Robert R. Denyer
Partner

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PROFILE OF GIBBONS & KAWASH

OVERVIEW

The audit of the West Virginia Water Pollution Control Revolving Fund (the Fund) requires experience in serving government entities to properly respond to your needs. Our experience in serving government entities will enable us to effectively and efficiently meet the Fund's needs for quality and timely audit services.

GIBBONS & KAWASH'S PRACTICE

Gibbons & Kawash is a professional accounting firm which provides a full range of accounting and auditing, tax and management consulting services to clients throughout West Virginia, and is a leading firm in providing services to governmental clients. We currently employ a staff of 40 employees, of which 10 are certified public accountants. Our governmental services practice includes 20 professionals, of which 6 are certified public accountants. Our professionals have many years of experience in providing competent, high quality audit services to governmental entities throughout West Virginia. Our experience with governmental entities follows:

- West Virginia Lottery (A)
- West Virginia Parkways, Economic Development and Tourism Authority (A)
- West Virginia Solid Waste Management Board (A)
- West Virginia Economic Development Authority (A)
- West Virginia Water Development Authority (A)
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Jobs Investment Trust (A)
- West Virginia Board of Treasury Investments
- West Virginia Drinking Water Treatment Revolving Loan Fund (A)
- **West Virginia Water Pollution Control Revolving Loan Fund (A)**
- West Virginia Regional Jail and Correctional Facility Authority
- West Virginia School Building Authority
- West Virginia State Rail Authority (A)
- City of Charleston
- Central West Virginia Regional Airport Authority (A)
- Mid-Ohio Valley Regional Planning and Development Council

(A) Reported as an enterprise fund similar to the Fund

Obtaining a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) is a goal for many governmental entities. Gibbons & Kawash is well qualified to assist governments in obtaining and maintaining these certificates. Gibbons & Kawash has provided technical assistance to the West Virginia Department of Transportation, Division of Highways in obtaining the Certificate for eight years, the West Virginia Lottery for the past six years, the West Virginia Parkways, Economic Development and Tourism Authority for the past six years, the West Virginia Board of Treasury Investments for one year and the West Virginia Prepaid College Tuition Plan for one year.

PROFILE OF GIBBONS & KAWASH

AUDIT QUALITY

Gibbons & Kawash's foremost goal is to provide *superior quality service*. Everything else is secondary to that goal. Our approach to client service incorporates the necessity to meet client needs as the primary focus of service. We strive to identify, understand and satisfy governments' needs and expectations. This approach has helped Gibbons & Kawash build its extensive governmental and nonprofit practices.

The *Government Auditing Standards* (2003 Revision) promulgated by the U.S. General Accounting Office (GAO) outline requirements that must be met by certified public accounting firms that perform audits of governmental units. Two of these requirements are:

- CPAs performing audits of governmental units should have continuing professional education in programs directly related to government auditing and accounting.
- CPAs performing audits of governmental units must establish an internal quality control review program and participate in an external peer review program for audits of governmental units.

Gibbons & Kawash strongly supports the rendering of quality services to our governmental clients and meets or exceeds all requirements of *Government Auditing Standards*. The following few paragraphs demonstrate the Firm's dedication to each aspect of audit quality.

Peer and Audit Quality Review Gibbons & Kawash's quality control system includes independent partner reviews, in-house inspections and a peer review by another firm qualified to perform such reviews. Gibbons & Kawash is a member of the Center for Public Company Audit Firms and the Government Audit Quality Center of the AICPA which requires an independent review of our system of internal quality control every three years. We have quality control procedures designed specifically for use on government and nonprofit engagements.

CONTINUING PROFESSIONAL EDUCATION

One of the best measures of a firm's commitment to its audit practice is the depth of specialized training provided to its professionals. Gibbons & Kawash provides internal and external training on governmental accounting, auditing, reporting and operations in excess of the GAO requirements. We continually monitor the issuance of technical auditing and accounting pronouncements and provide our personnel with specialized training in these areas. Professionals at the in charge level and above receive specialized training in seminars and courses presented by nationally recognized experts in governmental and nonprofit accounting, auditing and financial reporting. Gibbons & Kawash professional staff has met all continuing professional education requirements within the proceeding two years. Our personnel have received extensive training on the implementation of GASB Statement 34 and 40 and the new risk based auditing standards as promulgated in SAS 103 through 112.

PROFILE OF GIBBONS & KAWASH

EXPERTISE IN COMPUTERIZED SYSTEMS

Computerizing the Audit

Gibbons & Kawash is committed to providing our auditors access to the latest technology in order to ensure optimum levels of efficiency in our engagements. Notebook computers are issued to all staff members, and are used in completing virtually every aspect of an audit engagement. Computerizing the audit process, enables our auditors to spend more time on judgment matters and in-depth analysis, rather than on “number crunching” and other mechanical aspects of auditing, and enhances efficiency by allowing for quick updating of audit applications from year to year. Our vast array of software and on-line resources includes:

Prosystem fx Engagement – Electronic Audit Documentation software utilized to prepare, review, store and maintain the resulting audit documentation. The use of this audit process allows the audit team to concentrate on evaluating audit evidence opposed to the traditional clerical tasks that are inherent in a paper based documentation environment.

RIA Checkpoint – Our subscription to this online service provides our professionals the most current accounting and auditing literature, including instant access to Government Auditing Standards, federal regulations, and all accounting pronouncements issued by the Governmental Accounting Standard Board.

PPC Single Audit Compliance Program Creator – Our auditors can generate a customized single audit compliance program for any client in a matter of seconds using this valuable on-line resource material.

Audit Sampling – Software used to implement a statistical sampling method which is highly efficient and relatively easy to apply.

CCH Internet Tax Research Network – Our subscription to this on-line service allows instant access to federal and state tax codes, regulations, publications, and court cases.

Statistical Auditing Techniques

Gibbons & Kawash uses an easy-to-use approach to statistical sampling in auditing that has been thoroughly field-tested and adapted for use on all audits. We will use statistically valid sampling techniques whenever it is considered to be cost-effective.

PROFILE OF GIBBONS & KAWASH

EXTERNAL QUALITY CONTROL REVIEW

Gibbons & Kawash is a member of the Center for Public Company Audit Firms (the Center) and the Government Audit Quality Center (the Center) of the American Institute of Certified Public Accountants. The Center's have established a self-regulatory process which includes requirements for periodic peer reviews of member firms. These reviews, which are performed by knowledgeable independent CPA's from other firms, periodically evaluate and test systems of quality control of member firms. Our system of quality control provides assurance that we maintain, on a continuing basis, the highest professional standards to which we are committed. Our most recent external quality control review is included as Appendix B.

This quality control review included governmental audit engagements.

MEMBERSHIP IN ASSOCIATION OF ACCOUNTING FIRMS



Gibbons & Kawash CPAs is a member of CPAmerica, an exclusive, worldwide association of independent, leading accounting firms founded to pursue and ensure excellence and quality in accounting, financial and business consulting services. Membership requirements dictate that a firm must meet association standards of excellence in service, management competence and all other aspects of practice. Members must commit to a significant continuing investment on behalf of clients to provide the highest quality professional service.

This membership affords us access to outstanding audit, tax and consulting professionals and their specialty niche expertise in over 50 major U.S. cities. We, as members, also have access to the services of a national tax attorney and governmental lobbyist in Washington, D.C.

CPAmerica International's international alliance partner is HORWATH International with over 90 firm members and 300 international affiliate offices located in countries around the world. Our clients, with a parent company or branch offices located in another country, will benefit from our connection with HORWATH.

With these benefits easily accessible to our firm, we remain autonomous so you are assured of a local presence of highly trained and knowledgeable experts with your needs in the forefront.

GIBBONS & KAWASH QUALIFICATIONS AND EXPERIENCE

ENGAGEMENT TEAM

The ultimate success and quality of our professional services to the Fund depends on our ability to provide an experienced and capable client service team. We have selected a group of individuals experienced in serving governmental and nonprofit entities.

Your client service team will include:

Engagement Partner - Robert R. Denyer, a partner with Gibbons & Kawash who has extensive experience in serving governmental and not-for-profit clients, as well as privately owned distributors, will serve as the engagement partner responsible for the audit. In this role Mr. Denyer will assume primary responsibility for the successful completion of the audit and will maintain contact with senior management of the Fund throughout the engagement to ensure that services and resources are provided to the Fund in a timely professional manner. Bob will also provide technical expertise to the audit team on accounting, auditing and financial reporting matters and perform certain on-site review and supervision procedures. Bob also has substantial experience with the GFOA's Certificate of Achievement for Excellence in Financial Reporting program, having provided technical expertise to five entities that have received the Certificate.

Independent Review Partner - John D. Galloway, a partner with Gibbons & Kawash who has extensive governmental and nonprofit entity experience will serve as independent review partner. The role of the independent review partner is an essential element of Gibbons & Kawash's quality control program over the delivery of audit services to a client. John will be available to consult with the audit team on accounting, auditing and reporting matters and provide technical expertise. John will be charged with the final review of the financial statements to evaluate the following criteria: clarity of presentation; adequacy of disclosures required by generally accepted accounting principles; and appropriateness of the auditors' report.

Manager - Robert E. Adams is an audit manager in Gibbons & Kawash's audit practice with many years of specialized audit experience with nonprofit organizations and governmental entities including the Fund. Rob will be responsible for the conduct of day-to-day activities of the audit engagement and will be in contact with you on a regular basis to ensure your deadlines are met and any technical issues get resolved.

The above individuals will be assigned to this engagement as set forth in the work plan which is detailed in Section 3.

See Appendix A for resumes of your client service team.

GIBBONS & KAWASH QUALIFICATIONS AND EXPERIENCE

GIBBONS & KAWASH'S GOVERNMENTAL AND NONPROFIT PRACTICES

This practice includes five partners and two managers/supervisors who have extensive experience serving government and nonprofit clients. The core engagement team for the Fund has been selected from this pool of highly qualified professionals. The team's public sector experience includes counties, cities, authorities and State of West Virginia agencies. The team has assisted clients in earning and maintaining GFOA certificates of achievement in financial reporting in addition to conducting general purpose audits including audits conducted under the Single Audit Act of 1984 and OMB Circular A-133.

AFFIRMATIVE STATEMENTS

Independence - Gibbons & Kawash is independent of the Fund, the State of West Virginia, and any component units of the State of West Virginia, as defined by generally accepted auditing standards and *Government Auditing Standards*.

License to Practice - Gibbons & Kawash, CPAs, and all assigned key professional staff are properly licensed to practice in West Virginia.

Federal or State Desk or Field Reviews - There have been no field reviews of Gibbons & Kawash audits during the past three years and all desk reviews have been accepted.

Disciplinary Action - No disciplinary action has been taken or is pending against Gibbons & Kawash, CPAs.

Workpaper Retention - We will retain all working papers and reports for a period of five years; unless we are notified by the Department of the need to extend the retention period.

GIBBONS & KAWASH APPROACH AND TIMING

OUR UNDERSTANDING OF YOUR REQUIREMENTS

From your request for quotation, we have obtained an understanding of your expectations for the public accounting firm with whom you will work in the future. Key among these is that your accounting firm should:

- Present a diversity of audit experience which demonstrates that the firm can meet your service needs.
- Have an experienced team of professionals with a proven record of providing high quality audit services and who will work closely with management. We would expect this experienced team of professionals to be utilized on a consistent basis from year-to-year.
- Have an audit approach that addresses areas of highest risk, concentrates its efforts in areas of most concern, and results in a smooth and efficient audit.
- Produce timely management letters which make specific, creative and practical suggestions, not only to strengthen internal controls, but also to improve operating performance and effectiveness.
- Provide ongoing communications with management regarding any accounting or financial reporting developments which may affect the Fund.

TIME REQUIREMENTS

We will design, plan, and perform our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, US Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and auditing standards generally accepted in the United States of America to meet the following time requirements:

We will design and plan our audit to meet the following time requirements:

Entrance Conference- Gibbons & Kawash will attend an entrance conference to be scheduled by the Fund within two weeks of notification to proceed

- Detailed Audit Plan - Gibbons & Kawash will provide the Fund both a detailed audit plan and a list of all schedules to be prepared by the Fund by July 31, 2007
- Field Work and Draft Financial Statements – Field work will be scheduled in relation to the obtainment of management's draft financial statements to be completed on or around August 31, 2007.
- Draft Reports and Exit Conference - Drafts of the audit report and recommendations will be submitted to management for their review by September 23, 2007. We will schedule an exit conference with management to discuss all questions and matters for resolution, the final signed report shall be delivered to management. It is anticipated that this process will be completed and the final report delivered by October 5, 2007.

GIBBONS & KAWASH APPROACH AND TIMING

PHASES OF THE AUDIT

The firm understands that time and money are important concerns for our clients. Our audit approach takes these concerns seriously. Therefore, we organize the audit process to yield a rate of return that is reflected in timeliness, effectiveness and cost efficiency.

Our audit approach for the Fund will consist of five phases:

- I. Comprehensive Planning Process
- II. System Evaluation
- III. Development of Audit Plan
- IV. Testing
- V. Reporting

We have separated the audit process into the above phases to emphasize certain significant aspects of each phase. However, the performance of phases I and II will occur concurrently due to the interrelationship of the various steps of these phases. Listed below is a brief description of all phases.

Phase I: A Comprehensive Planning Process

A comprehensive planning process is an important cornerstone in the process of adapting our audit approach to the special needs of the Fund. Effective and thorough planning allows for the early identification and resolution of audit issues, development of an agreed-upon audit timetable and required assistance from Fund personnel. We believe our prior experience with governmental entities will minimize time required of Fund personnel during the planning phase.

Gaining an Understanding of the Client's Business

Prior to commencing work on detailed audit procedures, we will develop our understanding of the Fund and the environments in which you operate. This will be completed through various techniques including interviews with employees, review of system documentation and review of employee job descriptions.

Time Management System

Beginning with the planning phase of each audit, each audit segment will be provided with a detailed time budget to perform the necessary audit tasks based on the audit planning memos and supporting audit programs. Under the direction of the engagement in-charge auditor, time incurred and progress made with respect to the audits will be accumulated twice monthly and entered into the time management system. This information and related explanations of variances from budget will be forwarded to the engagement partner and in-charge auditor for analysis. These estimates will be modified and resources redirected as necessary to ensure the successful completion of the engagement.

GIBBONS & KAWASH APPROACH AND TIMING

Planning Analysis

An analytical review of the Fund's accounts will then be performed. Based on these analytical reviews and our prior experience, we will identify accounts and information streams that are significant and which may require particular attention.

Risk Assessment

The critical first step toward ensuring that the audit approach is both innovative and prudent is determining risk assessment; that is the risk of material misstatement associated with a given objective, including the opinion on the financial statements of the Fund.

The ultimate risk of failure to identify a material error is the product of three risk components:

- a material error may occur;
- internal controls may fail to identify and correct that error; and
- the auditor's substantive procedures may fail to reveal the error.

Once risk has been assessed, the auditor then determines the quality and quantity of audit evidence required to limit that risk to an acceptable level.

We plan to concentrate our audit effort on those areas where the dollar volume of transactions is significant and the risk of material misstatement is greatest. We expect inventory and related shipments to receive a substantial amount of audit effort.

To minimize the level of audit effort, particularly in low-risk areas, we will make extensive use of analytical and quantitative techniques to support the opinion on the financial statements of the Fund. We view analytical procedures such as economic and ratio analysis, and statistical sampling as a continuum of techniques to be matched against a continuum of audit risk, ranging from low to high. The audit tools used in each audit area will be matched against the specific audit risks of that area.

To accomplish this audit approach, specialists from Gibbons & Kawash will be used. The engagement team members will perform the risk assessment based on their extensive prior experience with governmental entities and guide all audit efforts into the most cost-effective areas.

Laws, regulations, contracts and grants

Identifying and ensuring that the Fund complies with laws and regulations are the responsibility of management. We will include appropriate inquiries of management and staff of the Fund to identify laws and regulations in which noncompliance could have a direct and material effect on the financial statements. We will also review relevant portions of the West Virginia Code, code of State Rules, and relevant regulations, as well as significant grants and awards, including federal grants programs, if any. We will test the provisions of those laws, regulations, grants and contracts for noncompliance which could have a direct and material effect on the financial statements. Our sample for this testing will be drawn from the complete population of all transactions that are governed by the provision that is being tested. We will use our statistical sampling model that will allow us to form an opinion over the compliance with the test provision as a result of our tests.

GIBBONS & KAWASH APPROACH AND TIMING

Comprehensive Planning Memorandum

We will then write a comprehensive planning memorandum which will summarize the information gained in the planning phase of the audit. This memo will also include a detailed audit approach for the rest of the audit. This memo along with the final audit approach will be discussed with key Fund personnel at the beginning of our fieldwork.

Audit Approach Memo

Prior to the execution of any significant audit effort, the audit team will prepare a written audit approach memo supplemented by written, detailed audit programs. This information will be scrutinized by the engagement partner and engagement in-charge auditor to determine that the specific procedures developed are appropriate, efficient and reasonable in the circumstances. As a result, this process is a pre-audit quality control step which ensures that the audit team has a thorough understanding of the work allocated to them and that the efforts of all team members are coordinated and consistent.

The audit approach memos will be prepared in a consistent format and include a description of financial audit responsibilities (including footnote disclosures), the accounting systems underlying these amounts, the planned reliance on internal controls and the nature and scope of planned compliance and substantive procedures.

Phase II: System Evaluation

We will perform procedures to complete our understanding of the internal controls of the Fund. Assessment of the control policies, procedures, and environment will give us a general indication of the extent of reliance on the Fund's internal controls that may be possible. This will be done in conjunction with developing our understanding of the business of the Fund.

If our initial assessment indicates a possibility of reliance on specific controls, a sample of specific items will be chosen for detail testing, particularly for loan approval and documentation procedures. This sample will be chosen through use of our computerized sampling techniques.

Phase III: Development of Audit Plan

The planning and system evaluation phases of the audit culminate in the development of a detailed audit approach and the general audit plan.

Based on the information developed during the planning phase and an understanding of the Fund's significant accounting and control systems, we will develop a detailed audit approach for the Fund supported by tailored audit programs which will be used during the remainder of the audit.

Once prepared, the audit approaches are carefully reviewed to ensure that there is no duplication of efforts, that the approaches planned address all of our audit and client service objectives and are consistent and appropriate in the circumstances, and that the approaches are efficient and will be minimally disruptive to Fund personnel.

GIBBONS & KAWASH APPROACH AND TIMING

After the audit approaches have been finalized and approved by the senior members of the management team, the audit plan is developed. In addition to explaining the engagement objectives and providing a full audit perspective, the primary focus of the audit plan is to provide:

- The composition of the client service team;
- An explanation of known legislative or economic issues that may impact the audit process;
- A description of the audit procedures to be performed by each audit segment; and
- A final engagement procedures timetable.

Phase IV: Testing

After preparing the tailored audit programs for each entity, we will conduct two types of tests in addition to the specific audit requirements discussed later in this section.

- **Test Internal Controls (Compliance Tests)**

We will test compliance with established control procedures designed to verify that the significant strengths within the system are functioning as described to us. Generally, we will select and review transactions in sufficient detail to permit us to formulate conclusions regarding compliance with control procedures.

We will also test internal controls and compliance requirements designed to ensure the Fund complies with applicable laws and regulations as required by *Government Auditing Standards* and OMB Circular A-133.

- **Test Financial Data (Substantive Tests)**

These tests are designed to provide reasonable assurance as to the validity of the information provided by the accounting system; i.e., the accuracy and completeness of all transactions and account balances.

Such tests will include confirmation of a significant sample of loans receivable, review of invoices supporting payments, review of individual loan documentation and approvals, etc.

- **Tests of Compliance with Laws, Regulations and Grants**

We will identify and select transactions for testing in accordance with the requirements of *Government Auditing Standards* and OMB Circular A-133.

GIBBONS & KAWASH APPROACH AND TIMING

Phase V: Reporting

Upon completion of all compliance and substantive testing, the reporting phase begins. During this phase, all data necessary for completion of all reports will be collected. The reports will be completed in draft form and reviewed by the engagement in-charge, partner, and independent partner, prior to submission to Fund officials for their review. After any questions or concerns of Fund officials have been answered, the final reports will be issued.

We will issue our report on the fair presentation of the Fund's financial statements in conformity with accounting principles generally accepted in the United States of America. Additionally, we will report on internal controls and report on compliance with Title VI of the Clean Water Act.

In addition, we will make an immediate written report of all fraud and illegal acts of which we become aware, to the State Comptroller and the Financial Accounting and Reporting Section of the Department of Administration under the authority of Section 5A-2-33 of the State Code as well as to the Secretary of the Department, the Division Director of the Division of Water and Waste Management and the Department's Chief of Administration.

Finally, we will inform the Department's Secretary of each of the following:

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountant
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Significant abuse

AUDIT COSTS

The following are the hours for each staff classification:

<u>Classification</u>	<u>Rate</u>	<u>Planning</u>	<u>Field Work</u>	<u>Supervision and Review</u>	<u>Reporting</u>	<u>Total</u>	<u>Fee</u>
Partner	\$ 130	4	1	4	1	10	\$ 1,300
Manager	110	5	5	5	10	25	2,750
Senior	75	4	62	8	6	80	6,000
Staff	65	-	80	-	-	80	5,200
Administrative	35	-	-	-	5	5	175
		<u>13</u>	<u>148</u>	<u>17</u>	<u>22</u>	<u>200</u>	<u>15,425</u>
Less: fee adjustment							(1,550)
Total, all inclusive price, not to exceed (including meetings with the U.S. EPA)							<u>\$ 13,875</u>

APPENDIX A

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

APPENDIX A

Engagement Partner

Robert R. Denyer, CPA

Engagement Responsibilities

The engagement partner is the primary decision-maker with respect to a particular engagement. He has the ultimate responsibility for the planning, execution and review of the audit engagement. Specifically, the engagement partner directs the examination and is concerned with specialists, staffing, client involvement, field review, report preparation, and presentation of financial statements and other communications to management and the governing board.

Experience

Mr. Denyer has 29 years of professional experience. He has been responsible for review of accounting systems, review and evaluation of internal controls and consulting with clients regarding management and systems problems. He has supervised and managed audits of many privately-owned commercial companies, as well as large governmental entities, colleges and universities and other nonprofit organizations. His governmental experience includes the following:

- Kanawha Valley Regional Transportation Authority
- West Virginia Jobs Investment Trust
- West Virginia Lottery
- West Virginia Department of Transportation
 - Division of Highways
 - Division of Motor Vehicles
 - Division of Public Transit
- West Virginia Board of Treasury Investments
- West Virginia State Rail Authority
- West Virginia Parkways, Economic Development and Tourism Authority
- West Virginia Housing Development Fund
- West Virginia Consolidated Public Retirement Board
- West Virginia Racing Commission
- West Virginia Regional Jail and Correctional Facility Authority
- **West Virginia Water Pollution Control Revolving Fund**
- West Virginia School Building Authority
- West Virginia Solid Waste Management Board
- West Virginia Bureau of Employment Programs, including Worker's Compensation Division (performed in conjunction with KPMG Peat Marwick).
- West Virginia Water Development Authority
- West Virginia Infrastructure and Jobs Development Council
- City of Charleston
- Kanawha County, West Virginia
- Marion County, West Virginia

APPENDIX A

- West Virginia Economic Development Authority
- Mid-Ohio Valley Regional Planning and Development Council
- West Virginia Drinking Water Treatment Revolving Loan Fund
- Region VI Planning and Development Council

Professional Activities

Bob is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, Charleston Chapter of the West Virginia Society of CPAs, and the Government Finance Officers Association.

He is a board member and Past-president of the South Charleston Rotary.

Education

Bob graduated from West Virginia University with a Bachelor of Science degree in business administration.

Continuing Professional Education

Bob completed 61 and 69 hours of CPE in 2006 and 2005, respectively. Those hours included specific governmental auditing CPE totaling 33 hours over the two year period.

APPENDIX A

Independent Review Partner

John D. Galloway, CPA

Engagement Responsibilities

The role of the independent review partner is an essential element of Gibbons & Kawash's quality control program over the delivery of audit services to a client. He will consult with the audit team on accounting, auditing, and reporting matters including planning and risk assessment. He will provide technical expertise to the engagement team throughout the audit. He will be charged with reviewing the client's financial statements to evaluate the following criteria: clarity of presentation; adequacy of disclosures; and appropriateness of the auditor's report.

Experience

John's professional experience during the past 14 years has included significant audit responsibilities on numerous large governmental and nonprofit organizations. His governmental clients have included the following:

- Kanawha Valley Regional Transportation Authority
- West Virginia Department of Transportation - Division of Highways
- West Virginia Department of Transportation – Division of Public Transit
- West Virginia Board of Treasury Investments
- West Virginia Parkways, Economic Development, and Tourism Authority
- West Virginia Consolidated Public Retirement Board
- West Virginia Housing Development Fund
- West Virginia Racing Commission
- City of Charleston, West Virginia
- Kanawha County, West Virginia
- Marion County, West Virginia
- West Virginia Regional Jail and Correctional Facility Authority
- School Building Authority of West Virginia
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Educational Broadcasting Authority
- West Virginia Jobs Investment Trust
- Public Service Commission of West Virginia
- Central West Virginia Regional Airport Authority
- Mid-Ohio Valley Planning and Development Council
- Region I Planning and Development Council
- Region VI Planning and Development Council

APPENDIX A

Professional Activities

Mr. Galloway is a member of the American Institute of CPA's, the West Virginia Society of CPA's and the Charleston Chapter of the West Virginia Society of CPA's.

Education

John graduated from the University of Charleston with a Bachelor of Science degree in business administration.

Continuing Professional Education

John completed 61 and 99 hours of CPE in 2006 and 2005, respectively. Those hours included specific governmental auditing CPE totaling 40 hours over the two year period.

APPENDIX A

MANAGER

Robert E. Adams, CPA

Engagement Responsibilities

Rob will serve as audit manager responsible for, first and foremost, being present on-site throughout the course of the audit engagement; particularly in the audit planning process; ensuring that the day-to-day audit activities conform to our audit plan; coordinating and scheduling the activities of the audit team; and advising the engagement partner of the status of the engagement, including any accounting and auditing problems.

Experience

Rob's professional experience during the last 11 years has included managerial responsibilities for numerous public sector entities as follows:

- City of Charleston
- Kanawha County Parks and Recreation Commission
- Kanawha County, West Virginia
- Kanawha Valley Regional Transportation Authority
- Mid-Ohio Valley Regional Planning and Development Council
- West Virginia Board of Treasury Investments
- West Virginia Bureau of Employment Programs
- West Virginia Department of Transportation
- West Virginia Drinking Water Treatment Revolving Loan Fund
- West Virginia Economic Development Authority
- West Virginia Educational Broadcasting Authority
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Jobs Investment Trust
- West Virginia Water Development Authority
- **West Virginia Water Pollution Control Revolving Fund**
- West Virginia Lottery

Professional Activities

Rob is a member of the American Institute of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, and the Charleston Chapter of the West Virginia Society of CPA's.

Education

Rob graduated from West Virginia Wesleyan College with a Bachelor of Science degree in business administration and accounting.

APPENDIX A

Continuing Professional Education

Rob completed 57 and 66 hours of CPE in 2006 and 2005, respectively. Those hours included specific governmental auditing CPE totaling 41 hours over the two year period.

APPENDIX B

EXTERNAL PEER REVIEW

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

132 South Fourth Street
Marietta, OH 45750-3208
PH 740-373-7423
FAX 740-373-7492
www.reacpa.com

We're Ready For Your Future

November 30, 2006

To the Partners of
Gibbons & Kawash
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Gibbons & Kawash (the firm) applicable to non-SEC issuers in effect for the year ended February 28, 2006. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Gibbons & Kawash in effect for the year ended February 28, 2006, 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 complying with applicable professional standards.

Rea & Associates, Inc.

APPENDIX C

FEE QUOTATION

FEE QUOTATION

This contract not to exceed \$13,875 per year.

The following are the hours for each staff classification:

	HOURS	X	RATE	=	FEE
PARTNER	10		130		\$ 1,300
MANAGER	25		110		2,750
SENIOR	80		75		6,000
STAFF	80		65		5,200
SUPPORT	5		35		175

Subtotal 15,425

Less: fee adjustment (1,550)

Total, all inclusive price \$ 13,875

APPENDIX D

AFFIDAVIT

STATE OF WEST VIRGINIA
Purchasing Division

016

PURCHASING AFFIDAVIT

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: Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

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 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: Gibbons & Kawash CPAsAuthorized Signature: Date: 6/27/07