

**Proposal to Provide Statement of Auditing Standards No. 70 Compliance  
Services for the West Virginia Lottery Commission**

February 5, 2009

**Prepared by:**

George Fallon, CPA, CGFM, CISA  
Clifton Gunderson LLP  
Information Technology Partner  
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888-778-9588  
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[www.cliftoncpa.com](http://www.cliftoncpa.com)

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2009 FEB -5 A 10: 13

PURCHASING DIVISION  
STATE OF WV

February 5, 2009

Ms. Shelly Murray, Buyer  
Department of Administration  
Purchasing Division  
Building 15  
2019 Washington Street, East  
Charlestown, West Virginia 25305-0130

Dear Ms. Murray:

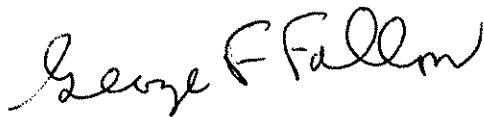
Clifton Gunderson is pleased to submit this proposal in response to solicitation number LOT448 to perform an examination of the controls regarding the West Virginia Lottery's (Lottery) service organization for instant and on-line lottery games in compliance with Statement of Auditing Standards No. 70 (SAS 70).

We are confident that our substantial experience providing audit, accounting and SAS 70 review services to state and local government entities, bolstered by our client-oriented philosophy and depth of resources, will make Clifton Gunderson the ideal candidate to fulfill the scope of your project. We have the knowledge, willingness and resources to complete the engagement described in the solicitation in an efficient and effective manner.

We appreciate the opportunity to respond to your solicitation and present our qualifications. We are looking forward to discussing this proposal with you in greater detail and appreciate your consideration.

Sincerely,

CLIFTON GUNDERSON LLP



George Fallon, CPA, CGFM, CISA  
Information Technology Partner



James Kreiser, CFSA, CISA  
Senior Information Security Manager



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  
 LOT448

PAGE  
 1

ADDRESS CORRESPONDENCE TO ATTENTION OF  
 SHELLY MURRAY  
 304-558-8801

RFQ COPY  
 TYPE NAME/ADDRESS HERE

SHIP TO  
 LOTTERY COMMISSION  
 312 MACCORKLE AVENUE, SE  
 CHARLESTON, WV  
 25314-1143 558-0500

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
12/23/2008				

BID OPENING DATE: 01/29/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		
<p>THE WV PURCHASING DIVISION, FOR THE AGENCY, THE WV LOTTERY, IS SOLICITING BIDS TO PROVIDE AUDITING SERVICES IN ACCORDANCE WITH SAS 70 REQUIREMENTS PER THE ATTACHED SPECIFICATIONS.</p> <p>TECHNICAL QUESTIONS MUST BE SUBMITTED IN WRITING TO SHELLY MURRAY IN THE WV PURCHASING DIVISION VIA MAIL AT THE ADDRESS SHOWN AT THE TOP OF THIS RFQ, VIA FAX AT 304-558-4115, OR VIA EMAIL AT SHELLY.L.MURRAY@WV.GOV DEADLINE FOR ALL TECHNICAL QUESTIONS IS 01/13/2008 AT THE CLOSE OF BUSINESS. ALL TECHNICAL QUESTIONS RECEIVED, IF ANY, WILL BE ANSWERED BY ADDENDUM AFTER THE DEADLINE.</p> <p>QUESTIONS CONCERNING THE ACTUAL PROCESS BY WHICH A VENDOR MAY SUBMIT A BID TO THE STATE OF WV ARE NOT CONSIDERED TO BE TECHNICAL QUESTIONS AND MAY BE SUBMITTED AT ANY TIME PRIOR TO THE RFQ OPENING DATE AND IN ANY FORMAT.</p> <p>AUDITING SERVICES</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE 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</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS			
SIGNATURE <i>George F Fallon</i>	TELEPHONE 888-778-6688	DATE 2/4/2009	
TITLE Partner	FEIN 37-0802863	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  
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PROPERTY

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 312 MACCORKLE AVENUE, SE  
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 25314-1143 558-0500

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<p>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.</p> <p>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.</p> <p>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) 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>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THIS CONTRACT IS AUTOMATI-</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
SIGNATURE <i>George F Fallon</i>			TELEPHONE 888-778-6688		DATE 2/4/2009	
TITLE Partner		FEIN 37-0802863		ADDRESS CHANGES TO BE NOTED ABOVE		

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LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>CALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSHDE 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>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p>DEPARTMENT OF ADMINISTRATION            PURCHASING DIVISION            BUILDING 15            2019 WASHINGTON STREET, EAST            CHARLESTON, WV 25305-0130</p> <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:</p> <p>SEALED BID</p> <p>BUYER: SHELLY MURRAY / FILE 31</p> <p>RFQ. NO.: LOT448</p> <p>BID OPENING DATE: 01/29/2009</p> <p>BID OPENING TIME: 1:30 PM</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS		
SIGNATURE <i>George F Fallon</i>	TELEPHONE 888-778-6688	DATE 2/4/2009
TITLE Partner	FEN 37-0802863	ADDRESS CHANGES TO BE NOTED ABOVE

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12/23/2008				

BID OPENING DATE: 01/29/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID: 301-931-1710 ----- CONTACT PERSON (PLEASE PRINT CLEARLY): George Fallon ----- ***** THIS IS THE END OF RFQ LOT448 ***** TOTAL: _____						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>George F Fallon</i>	TELEPHONE 888-778-6688	DATE 2/4/2009
TITLE Partner	FEIN 37-0802863	ADDRESS CHANGES TO BE NOTED ABOVE

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State of West Virginia  
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 25314-1143 558-0500

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
01/16/2009				

BID OPENING DATE: 01/29/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	GAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
ADDENDUM NO. 1						
THIS ADDENDUM IS ISSUED TO ADDRESS THE QUESTIONS SUBMITTED PRIOR TO THE QUESTION SUBMISSION DEADLINE OF 01/13/2008.						
ATTACHMENT: QUESTIONS AND RESPONSES						
THE BID OPENING DATE REMAINS: 01/29/2009						
0001	1	LS		946-20		
AUDITING SERVICES						
EXHIBIT 10						
REQUISITION NO.: LOT448						
ADDENDUM ACKNOWLEDGEMENT						
I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.						
ADDENDUM NO.'S:						
NO. 1 <input checked="" type="checkbox"/> .....						
NO. 2 .....						
NO. 3 .....						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>George F. Fallon</i>	TELEPHONE 888-778-6688	DATE 2/4/2009
TITLE Partner	FBN 37-0802863	ADDRESS CHANGES TO BE NOTED ABOVE

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01/16/2009				

BID OPENING DATE: 01/29/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
NO. 4						
NO. 5						
<p>I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS.</p> <p>VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p style="text-align: right;"> <i>George F Fallon</i>            .....            SIGNATURE            Clifton Gunderson LLP            .....            COMPANY            ..2/2/09.....            DATE         </p>						
REV. 11/96						
----- END OF ADDENDUM NO. 1 -----						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>George F Fallon</i>	TELEPHONE 888-778-6688	DATE 2/4/2009
TITLE Partner	FEIN 37-0802863	ADDRESS CHANGES TO BE NOTED ABOVE

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01/22/2009				

BID OPENING DATE: 02/05/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
ADDENDUM NO. 2						
THIS ADDENDUM IS ISSUED TO MODIFY A RESPONSE FROM A QUESTION IN ADDENDUM NO. 1.						
ATTACHMENT: QUESTION AND REVISED RESPONSE						
THE BID OPENING DATE IS CHANGED:						
FROM: 01/29/2009						
TO : 02/05/2009						
0001	1	LS		946-20		
AUDITING SERVICES						
EXHIBIT 10						
REQUISITION NO.: LOT448						
ADDENDUM ACKNOWLEDGEMENT						
I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.						
ADDENDUM NO.'S:						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>George F Fallon</i>	TELEPHONE 888-778-6688	DATE 2/4/2009
TITLE Partner	FEIN 37-0802863	ADDRESS CHANGES TO BE NOTED ABOVE

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DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
01/22/2009				

BID OPENING DATE: 02/05/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UQP	GAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
NO. 1	.....					
NO. 2	X .....					
NO. 3	.....					
NO. 4	.....					
NO. 5	.....					
<p>I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS.</p> <p>VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p style="text-align: center;"><i>George F. Fallon</i>            SIGNATURE</p> <p style="text-align: center;">Clifton Gunderson LLLP            COMPANY</p> <p style="text-align: center;">2/1/2009            DATE</p>						
REV. 11/96						
----- END OF ADDENDUM NO. 2 -----						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS			
SIGNATURE: <i>George F. Fallon</i>	TELEPHONE: 888-778-6688	DATE: 2/4/2009	
TITLE: Partner	FEIN: 37-0802863	ADDRESS CHANGES TO BE NOTED ABOVE	

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

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**Attachment A: Professional Resumes**

## 4.0 Required Details

### 4.1 Background and Management

#### 4.1.1 Business Name and Address

Clifton Gunderson, ranked as one of the nation's largest certified public accounting and consulting firms, provides a wide range of assurance, accounting, tax, and consulting services to clients in a variety of industries. Founded in 1960, Clifton Gunderson has a staff of more than 2,000 professionals serving clients from 45 offices across the country. The firm has been recognized as one of the country's best places to work.

You will be served by members of our local Information Security Services and Information Technology Assurance Team, staffed by professionals in our Mid-Atlantic Client Service Center. All reports will be issued from our Calverton, Maryland office located at 11710 Beltsville Drive, Suite 300, Calverton, Maryland 20705.

#### 4.1.1 a. c. Partnership

Clifton Gunderson is a limited liability partnership, and has no subsidiaries, nor is it the parent or affiliate of another firm. The firm's key principal officers of the partnership are as follows:

Carl R. George, Chief Executive Officer  
Clifton Gunderson LLP  
301 SW Adams Street, Suite 600  
Peoria, Illinois 61602  
309-671-4560 phone, 309-671-4576 fax  
Carl.George@cliftoncpa.com

David E. Bailey, Chief Operating Officer  
Clifton Gunderson LLP  
301 SW Adams Street, Suite 600  
Peoria, Illinois 61602  
309-671-4560 phone, 309-671-4576 fax  
David.Bailey@cliftoncpa.com

Krista M. McMasters, Chief Practice Officer and CEO-elect  
 Clifton Gunderson LLP  
 10001 Innovation Drive, Suite 201  
 Milwaukee, Wisconsin 53226  
 414-476-1880 phone, 414-476-7286 fax  
 Kris.McMasters@cliftoncpa.com

#### **4.1.2 – 4.1.3 Type of Business Entity and Place of Incorporation**

Clifton Gunderson is a limited liability partnership organized under the laws of the State of Delaware. The firm is duly licensed in the State of West Virginia to conduct business and provide the services outlined in the request for quotation (RFQ).

#### **4.1.4 Authorization**

Jim Kreiser, senior information technology manager, will act as the primary contact for the Lottery on all official notices concerning this solicitation, including clarifications. His contact information is as follows:

James Kreiser, CFSa, CISA  
 11710 Beltsville Drive, Suite 300  
 Calverton, Maryland 20705  
 888-778-9588  
 James.Kreiser@cliftoncpa.com

#### **4.1.5 Law Firm Representation**

Not applicable.

#### **4.1.6 Jurisdictions**

The firm has no contracts to supply gaming materials, equipment or services.

#### **4.1.7 – 4.1.9 Disciplinary Action**

Clifton Gunderson has not been convicted by a federal or any state court, nor has the firm been suspended or debarred from performing professional services, and has not been the object of any disciplinary action.

#### **4.1.10 Contract Termination**

Occasionally, we do lose clients, and this primarily takes place when a change of management occurs or when regulations require mandatory auditor rotation. We have also lost clients that no longer need the services of a firm our size due to downsizing, or because the client ceased operations. The following is a listing of the five largest clients served regionally that have left our firm in the past five years, along with the reasons for departure:

**Former Client**

Maryland Department of Health and Mental Hygiene  
 Division of Immigration Health Services  
 Department of Justice  
 District of Columbia Housing Authority  
 Howard County Community College

**Reason for Loss**

Contract Renewal/Fees  
 Project completed  
 One-time project completed  
 Contract Renewal/Fees  
 Contract Renewal/Fees

**4.1.11 Assessment of Penalties**

The firm has no penalties under any of its existing or past contracts.

**4.1.12 Federal Employer Identification Number**

The firm's Federal Employer Identification Number is 370802863. Our West Virginia Tax Identification Number is 2217-4057.

**4.2 Vendor Experience**

Currently, we serve more than 1,000 government entities across the country, including over 100 throughout the East Coast region and surrounding states. Our client base includes some of the largest and most complex governmental agencies in the Country, and our services range from serving entities similar to the Lottery and its service organization such as the Colorado Division of Lottery and Illinois State Lottery, but also includes federal, state and local agencies.

Relevant to this engagement, a sampling of the information technology services we provide to clients of a similar size and nature include:

- Statement on Auditing Standards No. 70 Attestation Services
- Risk Assessment Services
- Security Reviews
- Assessment of IT Controls for Financial Applications
- Payment Card Industry Compliance Services
- Business Continuity Planning
- Business Impact Analysis
- Business Resumption/Disaster Recovery Planning
- Emerging Technology Reviews
- Data Analysis and Forensic Services

### **More About Information Security Services**

Virtually all of our governmental clients have highly sophisticated computerized accounting systems and controls. Therefore, Jim Kreiser and Joel Eshleman, highly experienced information technology specialists, have been assigned to the engagement to lead the SAS 70 review of the Lottery's service provider internal controls and to lead the SAS 70 engagement requested in this RFQ. They will lead our team in performing a Type II SAS 70 examination to determine whether the service organizations controls (1) are properly designed and are implemented as of June 30, 2009, and (2) whether those controls are operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified have been achieved during the audit period (12 months). The involvement and experience of our team of professionals allows our audit team to utilize the most effective audit approach. Our team has extensive experience in auditing business process controls, IT controls such as general controls and application controls, and operational/compliance procedures. This experience will enable us to provide an efficient and comprehensive SAS 70 examination of the Lottery's service provider. Additionally, our team has experience with the audit and review of Lottery controls and service organizations in states like Pennsylvania as well.

### **Specific SAS 70 Experience**

Our experience with SAS 70 and IT controls spans across small organizations and large, including entities with systems comparable to the Lottery. Our team also has experience with state government outsourcers, including companies such as Unisys, EDS, and others. Our vast public sector experience has also included many state agencies, legislative entities, pension boards, counties, universities, and more.

Clifton Gunderson's well-trained team of professionals have provided SAS 70 services to a wide range of clients in the governmental and commercial sectors including:

- AdminaStar Federal, Inc.
- Amtote International, Inc.
- Blue Cross Blue Shield of Georgia
- Blue Cross Blue Shield of Nebraska
- Cahaba Government Benefits Administrators
- Colorado Lottery
- Connecticut General Life Insurance Company - Cigna Medicare
- Delaware Department of Transportation
- Dimension Data of North America
- Edge Web Hosting
- First Coast Service Options, Inc.
- HealthNow New York, Inc.
- HostMySite.com
- I-Bridge, LLC



- Maryland Motor Vehicle Administration
- National Heritage Insurance Company
- Noridian Administrative Services
- Pennsylvania Municipal Retirement System
- Riverbend Government Benefits Administrators
- State of Illinois Department of Human Services
- State of Maryland Department of Health and Mental Hygiene
- State of Texas Department of Human Services
- Transactive Corporation
- U.S. Department of Transportation

### **References Supporting our SAS 70 Work**

As requested in the RFQ, we have included the names and contact information for two comparable SAS 70 engagements in which we were engaged within the past five years. We encourage you to contact them to learn more about our experience and commitment to quality client services.

#### **Amtote International, Inc.**

11200 Pepper Road  
Hunt Valley, Maryland 21031  
Client contact: Mr. Michael Fuchek, General Counsel  
410-771-8940

Scope of Work: AmTote is a company that specializes in the development of wireless terminals, voice betting, Internet betting and instant racing. We were responsible for examining the accompanying description of controls related to AmTote International, Inc.'s application and general computer controls of its' parimutuel wagering system commonly referred to as "totalisator." As part of this process, we prepared a report on controls placed in operation and tests of operating effectiveness (SAS 70, Type II). The review was performed in accordance with the *SAS No. 70, Reports on the Processing of Transactions by Service Organizations*, and was in compliance with SAS 70 requirements.

#### **Colorado Lottery**

212 West 3<sup>rd</sup> Street, Suite 210  
Pueblo, Colorado 81003  
Client contact: Ms. Barb Aggson, Controller  
719-546-2400



Scope of Work: We were engaged to perform a financial and compliance audit for the Colorado Lottery. The Colorado Lottery uses Scientific Games as their service provider and part of the engagement was evaluating the SAS 70 performed on Scientific Games specific to the Colorado Lottery.

**HostMySite.com**

260 Chapman Road, Suite 205

Newark, Delaware 19702

Client contact: Mr. Lou Honick, CEO

866-918-4678 Ext. 1101

Scope of Work: We were engaged to perform a SAS 70 readiness test for HostMySite.com, a company that provides web hosting services. HostMySite owns and operates its own datacenters and currently hosts more than 40,000 websites. Our work efforts included assessing the evidence that supports the following control objectives:

- Control Objective 1: Controls placed in operation provide reasonable assurance that the Managed Services Division (MS Division) Corporate Security Plan is adequate to mitigate risks posed by potential threats and vulnerabilities.
- Control Objective 2: Controls placed in operation provide reasonable assurance that HostMySite's Help Desk Operations properly manage Application Software Development and/or Change Control for the HostMySite environment as well as for designated client-supported platforms.
- Control Objective 3: Controls placed in operation provide reasonable assurance that access controls to HostMySite Data Centers' computer resources (data, programs, equipment and facilities) are configured, thereby protecting these resources against unauthorized modification, loss and disclosure.
- Control Objective 4: Controls placed in operation provide reasonable assurance that application software development and change controls prevent implementation of unauthorized software programs or modifications to programs.
- Control Objective 5: Controls placed in operation provide reasonable assurance that HostMySite has established policies, procedures and implemented an organizational structure ensuring no one individual can control key aspects of computer-related operations and, thereby, conduct unauthorized actions or gain access to assets or records.

- Control Objective 6: Controls placed in operation provide reasonable assurance that when unexpected events occur, critical operations of HostMySite's Data Centers continue without significant interruption or is promptly resumed, and critical and sensitive data is protected.

### **U.S. Department of Transportation**

400 Seventh Street, SW

Washington, DC 20590

Client contact: Ms. Rebecca Lang, Assistant Inspector General for Financial and IT Audits

202-366-1407

Scope of Work: In 2005, 2006, 2007, and 2008 we performed a SAS 70 review of the U.S. Department of Transportation's Delphi Financial Management System. Delphi is an Oracle Enterprise Resource Planning (ERP) software solution wherein the functions for the purchasing, payables, receivables, general ledger, project costing and billing, and fixed assets modules are integrated into a single database instance with multiple-organization architecture. Our examinations determined the effectiveness of controls employed by the agency's Enterprise Service Center as it relates to Delphi for each year.

### **Approach to SAS 70**

Our SAS 70 approach will be designed to support our opinion on the design, existence, and operating effectiveness of controls performed by the service organization for Lottery. Our examination will be developed in order to provide an independent opinion of the validity, integrity, and reasonableness of the control environment

The specific procedures and tests will depend on the design and nature of the controls, procedures, and risks identified in the processes of Lottery game operations and support (including instant and online). Our procedures will include an overview of entity level controls such as organizational structure, monitoring and communication controls, and human resource processes. Our procedures will also include walkthroughs of the processing for each of the control objective areas specified by the Lottery and its service organization, as well as interviews with key personnel. We will also perform specific tests of each of the key controls identified during our walkthroughs for each control objective. Such control objectives may include areas such as:

- Pricing and billing
- Inventory management
- Compliance with contract, laws and regulations
- Validation of instant and online games
- Proceed remittance
- New Terminal Setup
- Physical access

- Environmental controls
- System software changes management
- Application development and management
- Logical access
- Operations (backup and scheduling)

The specific control objectives and wording would be determining jointly with Lottery and the service provider before proceeding with our examination.

### **More About our Approach**

It is common practice to discuss issues throughout the engagement as they come to our attention. We want to make sure that we work with the Lottery and its service provider in a manner that promotes teamwork. We also want to make sure any comments or suggestions we have for improvement are accurate well before the exit conference. We place a high degree of emphasis on communication to ensure the engagement runs smoothly.

The following is an overview of the approach we will use to perform these SAS 70 review services for the Lottery:

- Upon award of the contract, we will contact the Lottery and its service organization in regards to the preliminary information we will need. We will also arrange for an entrance conference and coordinate logistics and a time frame to assure the final report is issued before the target date.
- At the entrance conference, we will utilize a prepared agenda to cover subjects including the systems control environment, processing operations, transactions, significant controls, risks and key personnel regarding Lottery operations and transaction support.
- We will arrange to interview key personnel, including top management, the contract administrator, accounting and finance, information systems and program personnel. We will also gain an understanding of any significant changes in operations and identify significant computer-related controls. Based on our preliminary review of operations, we will take the necessary steps to prepare for an initial risk assessment of the controls placed in operation, as well as an overall assessment for each control category.
- Based on our walkthroughs and initial assessment of internal controls and procedures, we will design and execute tests of controls to validate the operating effectiveness of the controls placed in operation during the testing period.

- We will then coordinate with the service organization to obtain and review their system description, incorporate and draft our SAS 70 report, and issue our report accordingly.

#### **Audit Program and Test Plan**

Once we have received the updated control objectives and related policies and procedures for the examination, we will develop a strategy for the audit program and test plan. The testing performed during the SAS 70 review will include data, file and program security, system software, implementation of changes, file conversion controls, computer operations, system development and maintenance, among other areas.

#### **Effectiveness of General and Application Controls**

We will identify general and application controls that should be in place and the critical elements associated with them. The adequacy and completeness of these controls will be assessed during the SAS 70 review.

#### **Effectiveness of Business Processing Controls**

The operating effectiveness of the related business and operational controls will be determined during the SAS 70 review. The nature and extent of the tests of application controls will be determined by the initial walkthroughs and assessments performed against the transactions, processes, and workflows reviewed regarding Lottery transactions and operations supported by the service provider.

#### **Reporting**

We will prepare a report on controls placed in operation and tests of operating effectiveness (SAS 70, Type II). The report will comply with requirements specified in SAS 70, and will contain a description of the following:

- Applications, or services, provided by the Lottery and its service organization;
- Control activities performed by the Lottery and its service organization; and
- Controls that were tested, the objectives the controls were intended to achieve, the tests applied, and the results of the tests. This description will include an indication of the nature, timing, and extent of the tests, as well as sufficient detail to enable user auditors to determine the effect of such tests on their assessments of control risk.

We will provide both electronic and hard copies of the final report on or before the target date, and will comply with all standards and guidelines pertinent to this engagement.

### 4.3 Personnel

We have structured your engagement team to provide you with the most experience with issues related to SAS 70 audit services. Each proposed key engagement team member is well versed in attestation standards established by the American Institute of CPAs and *Statement of Auditing Standards No. 70, as amended by SAS No's. 78 and 88, Reports on Controls Placed in Operation and Tests of Operating Effectiveness*, and spends the majority of their time serving governmental information technology audit engagements.

The chart below outlines our proposed organizational structure which illustrates how the engagement will be managed, including reporting relationships. This chart includes the name of each principal supervisory and management staff and the amount of time that each will devote to the performance of this contract with the Lottery.

<u>Professional Staff</u>	<u>Position</u>	<u>Assigned</u>
George Fallon, CPA, CISA	Engagement Partner-in-Charge	Part-time
Bill Oliver, CPA	Unassociated Review Partner	Part-time
James Kreiser, CFSA, CISA	Senior Manager, Information Security	Part-time
Joel Eshleman, CISA, CIA	Manager, Information Security	Part-time
TBD	Supervisory Staff	Full-time
TBD	Audit Staff	Full-time

The following are detailed biographies of the principal supervisory and management staff assigned to your engagement team. We will also assign senior IT associates and associates with relevant experience as needed to assist in performing the assigned review tasks. These staff members will be determined based on the final scheduling of review tasks with management. Professional resumes for each supervisory member of the engagement team are included in Attachment A.

**George F. Fallon, CPA, CISA, Engagement Partner in-Charge, Information Technology Partner**

As the partner-in-charge of the Lottery's engagement team, George will oversee all engagement responsibilities for the SAS 70 review, including reviewing the audit program and all findings and recommendations, coordinating activities, and directing all meetings with you. He will be available to you throughout the engagement and at any time during the year.

George serves as an information technology partner in the firm's Mid-Atlantic region. He has over 29 years of experience and specializes in providing audit, SAS 70 consulting and IT applications services, and has performed countless systems internal control reviews and reviewed numerous computer applications. This includes the performance of SAS 70 reviews for federal and state agencies and private companies. In addition, he has reviewed security and data integrity controls operating under UNIX, Solaris, and WindowsNT Windows 2000 operating systems.

**James Kreiser, CFSA, CISA, SAS 70 Specialist, Senior Information Systems Audit Manager**

Jim will serve as our expert in charge of the SAS 70 examination. He is a Certified Financial Services Auditor and Certified Information Systems Auditor with over 12 years experience in the areas of information technology audit, business process and controls, third party reporting, and risk advisory services. Jim's experience also includes ten years experience with a Big 4 firm, over two years experience with Citibank and AMP, Inc. in the Business Systems Review groups, including reviews in Germany, Canada, Hong Kong, Japan, and Taiwan.

Relevant to this engagement, Jim has extensive SAS 70 experience, and has led and managed over 40 SAS 70 examinations, several focused on state agencies – including pension boards, and was the Third-Party Reporting (SAS 70) Service Leader for the Mid-Atlantic region of a Big 4 firm for over three years. He was also the senior manager in charge of various process and internal controls evaluations for the Commonwealth of Pennsylvania (including SAP, Lottery, MMIS/Promise, UC, etc.), audit related activities for the General Assembly of Pennsylvania, and has worked with the Pennsylvania Employees Benefit Trust Fund, Pennsylvania Municipal Retirement System, and the Public School Employees Retirement System. Jim has led various training seminars for the National Association of State Auditors Comptrollers and Treasurers and the Pennsylvania State Association of County Controllers in the areas of Enterprise Resource Planning (ERP) system implementation processes and impacts and privacy considerations such as HIPAA.

**Joel Eshleman, CISA, CIA, Information Systems Audit Manager**

Joel will serve as the manager overseeing the day-to-day activities related to the SAS 70 audit of the service organization's internal controls. In addition to being a Certified Information Systems Auditor, Joel is a Certified Internal Auditor with over eight years experience in the areas of information technology audit, business process and controls, third party reporting, and risk advisory services.

Also a new addition to Clifton Gunderson, Joel's experience includes four years with a Big 4 firm and four years in Internal Audit Operations for regional banks in the Mid-Atlantic area.

Relevant to this engagement, Joel also has extensive SAS 70 experience with application service providers (ASPs) and large hosting operations, including Unisys, Electronic Data Systems (EDS), and others. He has managed numerous SAS 70 examinations, and has managed process and internal control evaluations for the Commonwealth of Pennsylvania (including Lottery Operations, SAP, Promise, UC, etc).



### **Partner and Manager Commitment**

It is Clifton Gunderson's practice to actively involve senior level personnel on every engagement. The partner and managers assigned to your engagement team will spend a considerable amount of time with the Lottery's and its service organization's management. It is this close, personal attention from our senior level personnel, combined with our low partner-to-staff ratio, that sets Clifton Gunderson apart from many other CPA firms.

The partner assigned to your engagement will assume the ultimate responsibility for client service, and our managers will report directly to the partner. They are committed to the engagement and will stay closely involved with you throughout our services. In other words, your engagement will be handled with the highest degree of accuracy and professionalism.

We are dedicated to ensuring only the highest-quality staffing arrangements for each of our clients. Your engagement team has both the technical background and the practical business experience required to understand and contribute to your decision-making process.

### **4.4. Conflict of Interest**

Clifton Gunderson is independent of the West Virginia Lottery as defined by auditing standards generally accepted in the United States of America and the U.S. Government Accountability Office's *Government Auditing Standards*.

There is no potential conflict of interest relative to the performance of the requirements of the RFQ, nor does the firm have any employees who are former Lottery or Scientific Games employees.

### **4.5 Liability Insurance and Bond Coverage**

Clifton Gunderson maintains professional liability insurance at levels commensurate with our firm's professional practice requirements. It is our firm's policy not to disclose specific professional liability coverage details. If we are awarded the contract, we will provide evidence of coverage sufficient to meet the needs of the Lottery prior to the commencement of our work, including the issuance of a performance bond equal to the amount of bid.

### **4.6 Political Disclosure**

No contributions to any local, State, or Federal political candidate or political committee in West Virginia were made in the preceding three years.

## 4.7. Cost Proposal

We believe that Clifton Gunderson can utilize our extensive resources and experience in serving government entities to effectively and efficiently satisfy the needs of the Lottery. Therefore, we seek to establish a long-term relationship and, consequently, have a vested interest in **controlling costs**.

Our cost proposal is provided in the format provided in Attachment A of the RFQ.

PRICING: Flat Rate (consists of all charges and expenses including out-of-pocket travel, meals, and lodging) for work required by the RFQ.

SAS 70 REVIEW SERVICES: \$40,000

I, hereby, commit Clifton Gunderson LLP

To complete the tasks described in the Quotation for the SAS 70 Review of the Lottery's service organization as required in the Request for Quotation by the West Virginia Lottery.

Print Officer Name: George F. Fallon, CPA, CISA

Signature of Officer: *George F Fallon*

Title of Officer: Partner, Information Technology

Date: February 5, 2009

We have an open fee philosophy with our clients, and will work with you to establish a mutually acceptable fee arrangement for any future or special project engagements. We reiterate our strong interest in serving the Lottery, and do not want fees to be an issue. If at any time you have a question concerning our services or fees, please call it to our attention so that we can discuss it.



## The Clifton Gunderson Difference

We are unique in our hands-on approach to serving clients, our quality and timely service, and responsiveness to your needs. A sampling of qualities that set Clifton Gunderson apart includes:

- **Experience.** We have an unparalleled depth of experience serving similar entities with SAS 70 audit services. Our knowledge of key technology issues affecting government entities will result in more efficient procedures, *saving you time and money.*
- **Resources.** The Lottery is a growing entity, requiring both the resources of a large firm and the insight of local professionals experienced in serving the government sector. We will provide you with the best of both worlds – the service and understanding of our local information technology audit professionals, supplemented by the extensive, specialized knowledge of our Information Security Services Team and SAS 70 specialists. With nearly 2,000 professionals and more than 45 offices across the country, our extensive network of local and national resources will be available to provide you with exceptional depth in terms of specialized insight.
- **Personal Attention.** The close, personal attention from our senior level personnel, combined with our low partner-to-staff ratio, sets Clifton Gunderson apart from many other CPA firms. We assure you that our partners and supervisory staff will be committed to staying abreast of key issues at the Lottery.
- **Ability to Meet Deadlines.** We are well-balanced when it comes to workload issues, and have never had a problem meeting client deadlines. Our practice is well-rounded in terms of industries served and services provided, and therefore we do not experience the workload compression that other firms might experience during particular busy seasons. This means better client service and closer, personal attention for the Lottery.

We truly appreciate the opportunity to present this proposal, and look forward to establishing a long-lasting relationship with you. If you have any questions or comments, please contact George Fallon at 888-778-6688 or Jim Kreiser at 888-778-9588. George and Jim can also be reached at [George.Fallon@cliftoncpa.com](mailto:George.Fallon@cliftoncpa.com) or [James.Kreiser@cliftoncpa.com](mailto:James.Kreiser@cliftoncpa.com).

**Attachment A:  
Professional Resumes**

**George F. Fallon, CPA, CISA, CGFM**  
**Engagement Partner-in-charge**  
**SAS 70 Specialist**

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**Home Address and Phone**

- 1102 Longbrook Road, Lutherville, Maryland 21093
- Home: 410-321-9040
- Work: 301-931-2050 Ext. 27025

**Education**

- Bachelor of arts degree with a major in accounting, Loyola College, 1976
- Bachelor of arts degree with a major in mathematics, Loyola College, 1973

**Professional Certifications**

- Certified Public Accountant
- Certified Information Systems Auditor
- Certified Government Financial Manager

**Years of Experience**

- 29 years

**Areas of Specialization**

- Information systems auditing
- Information technology consulting
- Penetration testing
- Sarbanes-Oxley implementation

**Relevant Experience**

- Partner-In-Charge of review of input, processing and output controls of the Integrated Project Management (iPM) and TRNS\*PORT Site Manager applications for the Virginia Department of Transportation.
- Partner-In-Charge of SAS 70 - Type II internal control review of the fairness, design, and effectiveness of information system controls placed in operation at Delaware Department of Transportation's EZ-Pass Toll Operations.
- Partner-In-Charge of SAS 70 - Type II internal control review of the fairness, design, and effectiveness of information system controls placed in operation of Maryland Department of Transportation's vehicle excise taxes
- Serves or served as partner-in-charge on SAS 70 engagements for the following clients:
  - U.S. Department of Transportation, Enterprise Service Center

- U.S. Department of Transportation, Delphi Management System
- U.S. Department of Health and Human Services central payroll and personnel system
- Partner-in-charge on financial statement audits using GAO's FISCAM of the following federal government agencies:
  - U.S. Election Assistance Commission
  - U.S. Government Accountability Office, including the agency's Davis-Bacon Fund and International Journal of Government Accounting
  - Corporation for National and Community Service
  - Federal Election Commission
  - U.S. National Archives and Records Administration
  - U.S. Senate Restaurants Fund
  - U.S. Department of Transportation, Highway Trust Fund
  - U.S. Department of the Treasury's Financial Management Service
  - U.S. Department of the Treasury's Government-wide Cash, and Exchange Stabilization Fund
  - Federal Communications Commission
  - U.S. Department of Health and Human Services operating divisions, including the Administration for Children and Families, Administration on Aging, Center for Medicare and Medicaid Services (formerly the Health Care Financing Administration), Health Resources and Services Administration, Indian Health Service, Program Support Center, and Substance Abuse and Mental Health Services Administration
  - Pension Benefit Guaranty Corporation
  - U.S. Army Community and Family Support Center, Non-Appropriated Funds
  - U.S. General Accountability Office
  - The Library of Congress
  - U.S. Department of Agriculture Working Capital Fund
  - National Science Foundation
- Performed a targeted and focused assessment of data communications network, servers, routers, and workstations to assist in identifying vulnerabilities and implement safeguards within an enterprise security architecture using Internet Scanner from Internet Security Systems (ISS)
- Probed wireless networks using 802.11a and 802.11b wireless network cards and Net Stumper, Ethereal, and other open source products
- Probed for unauthorized modems using War Dialing software TeleSweep Secure. These unauthorized modems provide a means to bypass most or all of the security measures in place to stop unauthorized users from accessing a network
- Performed penetration testing on firewalls, NT servers, NT Web servers, routers and switches, UNIX servers, and UNIX Web servers using Internet Security Scanner penetration software

- Reviewed applications operating under AIX, AS400, CICS, DB2, MVS, NetWare, TSO, UNIX, and Windows NT systems
- Reviewed client/server applications with regard to business rules and deployability written in Oracle's CASE tools
- Reviewed access controls for ACF2, AIX, CICS, DEC VAX/VMS, Novell, RACF, TopSecret, TSO, and UNIX systems

**Professional Affiliations**

- Information Systems Audit and Control Association - member
- Association for Federal Information Resources Management - member
- American Institute of Certified Public Accountants - member
- Maryland Association of Certified Public Accountants – member
- Library of Congress, Open World Leadership Center Audit Committee - member

**Civic and Social Affiliations**

- Baltimore Chamber Orchestra – treasurer, 1995 - 2000

**James Kreiser, CFSA, CISA**  
**Senior Manager, Information Security Services**  
**SAS 70 Specialist**

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**Home Address and Phone**

- 1386 Fox Hill Drive, Palmyra, Pennsylvania 17078
- Home: 717-832-2103
- Work: 410- 453-0900

**Education**

- Bachelor of science degree with a major in managerial economics, Carnegie Mellon University
- Bachelor of science degree with a major in philosophy, Carnegie Mellon University

**Years of Experience**

- 12 years

**Areas of Specialization**

- Third Party Reporting
- Government
- Claims Administration
- Healthcare
- IT Internal Audit
- IT Assurance

**Relevant Experience**

- He has been the lead executive on a number of Statement on Auditing Standards No. 70 (SAS 70) engagements and/or Agreed Upon Procedures reviews. These reviews include data center and application processing outsourcers, claims processing/TPA organizations, several Medicaid (Title XIX) processors, and health insurance organizations (including disability insurers/processors, health plans, etc.).
- As Senior Manager in charge of Information Technology (IT) process and internal controls evaluations for the Commonwealth of Pennsylvania. He has reviewed the IT control assessments and procedures for the seven years for both the GAAP audit and Single Audit. During the SAP system conversion, Jim acted as Chair of

the SAP Audit Subcommittee for the Commonwealth. In the role of chairing the SAP Audit Subcommittee, Jim helped coordinate and facilitate training sessions for the Bureau of Audits, as well as the Auditor General. He also was directly involved in coordinating with the Deputy Auditor General and Audit Coordinating Partner relevant to established new audit programs and procedures under the SAP environment.

- He has developed and led multiple seminars for the National Association of State Auditors, Comptrollers and Treasurers (NASACT) regarding the impacts, benefits, risks, and implementation considerations associated with Enterprise Resource Planning (ERP), and specifically SAP, applications for government/public sector organizations.
- He was the Senior Manager in charge of audit related activities for the General Assembly of PA. These responsibilities include reviewing and assessing the controls and processes regarding the financial and administrative systems.
- He has led and/or is the primary IT contact for other various state related organizations, including the Pennsylvania Employees Benefit Trust Fund (PEBTF), Pennsylvania Municipal Retirement System (PMRS), Public School Employees Retirement System (PSERS), and others.
- He has been the lead manager in charge of Information Technology (IT) controls and evaluations for the University System of Maryland, Maryland Department of Transportation, Maryland Unemployment Insurance, and Maryland (proper). Also was responsible for coordinating specific Single Audit procedures related to UI and Food Stamps (EBT).
- He has led and participated on various Performance Audit engagements, including a review of the collections group and functions at PEBTF.
- Jim has reviewed and led the IT audit areas for other county and state governments, including Delaware, New Castle County, Lancaster County, York County, Cumberland County, and others.



**Joel Eshleman, CISA, CIA, CAP**  
**Manager, Information Security Services**  
**SAS 70 Specialist**

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**Home Address and Phone**

- 1804 Brubaker Run Road, Lancaster, Pennsylvania 127603
- Home: 717-393-2521
- Work: 410-453-0900

**Education**

- Bachelor of science degree with a major in accounting, York College of Pennsylvania, 2000

**Years of Experience**

- 8 years

**Professional Certifications**

- Certified Information Systems Auditor
- Certified Internal Auditor
- Certified Approva Professional

**Areas of Specialization**

- Information technology internal control reviews and system audits

**Relevant Experience**

- Managed 6,000 hours of audit activity including information technology controls audits, third-party servicer audits, business advisory projects, and data analytics.
- Identified potential opportunities to provide clients with additional services and assist in the pursuit and proposal of audit services.
- Communicated noted audit issues to client executive management and worked with management to identify appropriate corrective actions.
- Drafted communications to internal and client management detailing the results of the audit.
- Assisted clients with the implementation of Approva/BizRights rule books in conjunction with Sarbanes-Oxley Act activities.
- Performed business process and regulatory compliance audits.
- Performed internal fraud investigations.