

May 5, 2009

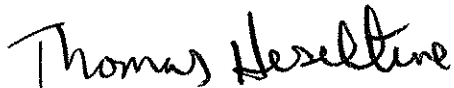
Department of Administration  
Purchasing Division  
Building 15  
2019 Washington Street, East  
Charleston, West Virginia 25305-0130

Dear Sirs:

Enclosed are the four copies of our proposal to provide annual audit services for the West Virginia Lottery Commission beginning with the fiscal year ending June 30, 2009. If you have any questions or would like additional copies of our proposal, please do not hesitate to contact me at 888-778-9588 or via email at [Tom.Heseltine@cliftoncpa.com](mailto:Tom.Heseltine@cliftoncpa.com).

Sincerely,

CLIFTON GUNDERSON LLP



Thomas G. Heseltine, CPA  
Partner

RECEIVED

2009 MAY -4 A 10: 17

PURCHASING DIVISION  
STATE OF WV

**Bid to Provide Annual Audit Services for the West Virginia State Lottery  
Commission**

**RFQ # LOT451**

**ORIGINAL**

May 5, 2009

*A proposal for professional services prepared by:*

**Clifton Gunderson LLP**

*Contact:*

Thomas G. Heseltine, CPA, Partner

888-778-9588

Tom.Heseltine@cliftoncpa.com

**[www.cliftoncpa.com](http://www.cliftoncpa.com)**

May 5, 2009

Department of Administration  
Purchasing Division  
Building 15  
2019 Washington Street, East  
Charleston, West Virginia 25305-0130

Dear Sirs:

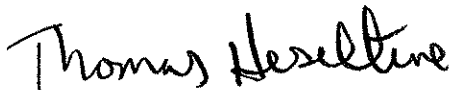
Clifton Gunderson is pleased to respond to your request for quotation to provide annual audit services for the West Virginia Lottery Commission (WVL) beginning with the fiscal year ending June 30, 2009.

We are confident that our substantial experience providing audit, accounting and consulting services to governmental entities, including state lottery agencies, bolstered by our client-oriented philosophy and depth of resources, will make Clifton Gunderson the ideal candidate to fulfill the scope of your audit. We are committed to performing this work within the desired time periods established by the WVL, and have the knowledge and resources to complete the engagement in an efficient and effective manner.

I welcome the opportunity to discuss our qualifications in greater detail or make a presentation to your organization as you prepare to select a CPA firm to serve your needs. Please contact me at 888-778-9588 or [Tom.Heseltine@cliftoncpa.com](mailto:Tom.Heseltine@cliftoncpa.com) with any additional questions.

Sincerely,

CLIFTON GUNDERSON LLP



Thomas G. Heseltine, CPA  
Partner



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:  
**LOT451**

PAGE:  
**1**

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

VENDOR

**RFQ COPY**  
 Clifton Gunderson LLP  
 9515 Deereco Road, Suite 500  
 Baltimore, Maryland 21093

SHIP TO

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

DATE PRINTED <b>04/15/2009</b>	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS		
BID OPENING DATE: <b>05/05/2009</b>		BID OPENING TIME <b>01:30PM</b>				
LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<b>0001</b>	<b>1</b>	<b>LS</b>		<b>946-20</b>		
<p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY,                  THE WEST VIRGINIA LOTTERY COMMISSION, IS SOLICITING                  BIDS TO PROVIDE ANNUAL AUDIT SERVICES PER THE ATTACHED                  SPECIFICATIONS.</p> <p><b>AUDITING SERVICES</b></p> <p><b>EXHIBIT 3</b></p> <p><b>LIFE OF CONTRACT:</b> THIS CONTRACT BECOMES EFFECTIVE ON                  07/17/2009 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.</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><b>RENEWAL:</b> 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>						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
SIGNATURE <i>Thomas Herdette</i>		TELEPHONE <b>410-453-0900</b>		DATE <b>May 5, 2009</b>		
TITLE <b>Partner</b>		FAX <b>37-0802863</b>		ADDRESS CHANGES TO BE NOTED ABOVE		

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



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

**Request for  
 Quotation**

RFQ NUMBER	PAGE
LOT451	2
ADDRESS CORRESPONDENCE TO ATTENTION OF	
SHELLY MURRAY 304-558-8801	

RFQ COPY  
 Clifton Gunderson LLP  
 9515 Deereco Road, Suite 500  
 Baltimore, Maryland 21093

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

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS		
04/15/2009						
BID OPENING DATE: 05/05/2009		BID OPENING TIME 01:30PM				
LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<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 AUTOMATICALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>REV. 04/11/2001</p> <p>WORKER'S COMPENSATION: VENDOR IS REQUIRED TO PROVIDE A CERTIFICATE FROM WORKER'S COMPENSATION IF SUCCESSFUL.</p> <p>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p>						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
SIGNATURE <i>Thomas Heveline</i>		TELEPHONE 410-453-0900		DATE May 5, 2009		
TITLE Partner		FIRM 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  
 Post Office Box 50130  
 Charleston, WV 25305-0130

**Request for  
 Quotation**

RFO NUMBER	PAGE
LOT451	3

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

REGISTERED

**RFQ COPY**  
 Clifton Gunderson LLP  
 9515 Deereco Road, Suite 500  
 Baltimore, Maryland 21093

REGISTERED

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

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS		
04/15/2009						
BID OPENING DATE: 05/05/2009		BID OPENING TIME 01:30PM				
LINE	QUANTITY	UQP	QAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
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: SHELLY MURRAY RFQ. NO.: LOT451 BID OPENING DATE: 05/05/2009 BID OPENING TIME: 1:30 PM  PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID: 410-453-0914  ----- CONTACT PERSON (PLEASE PRINT CLEARLY): Thomas G. Heseltine -----						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
SIGNATURE <i>Thomas Heseltine</i>		TELEPHONE 410-453-0900		DATE May 5, 2009		
TITLE Partner		FAX 37-0802863		ADDRESS CHANGES TO BE NOTED ABOVE		

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

## Table of Contents

Executive Summary .....	1
Work Plan to Fulfill the Scope of Work .....	4
Management Level and Key Personnel .....	11
References Supporting Our Work .....	15
Cost Bid .....	17
Conclusion .....	18

**Appendix A: License to Practice in West Virginia**

**Appendix B: Professional Resumes**

**Appendix C: Completed Bid and Other RFQ Forms**



## Executive Summary

Based on our knowledge of the West Virginia Lottery Commission (the WVLC), and our review of the Request for Quotation (RFQ), we understand that you are seeking a CPA firm to audit the WVLC's financial statements for the fiscal year ending June 30, 2009, with the option to renew for each of the two (2) subsequent fiscal years.

We understand that Scientific Games is your on-line and instant ticket vendor for the fiscal year ending June 30, 2009, and that thereafter, the vendor will be GTECH Corporation. We also understand that the WVLC had a SAS 70 audit for the year ending June 30, 2008, and plans to have the June 30, 2009 report issued prior to the completion of the current fiscal year end audited financial statements.

## Independence

Clifton Gunderson is independent of the West Virginia Lottery as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards.

The firm is also independent of the State of West Virginia and any other component units of that entity, as defined by those same standards.

## License to Practice

Clifton Gunderson is duly licensed in the State of West Virginia to conduct business and provide the services outlined in the request for quotation (RFQ). The firm's license to practice is included in Appendix A.

## Relevant Background and Experience

Clifton Gunderson is a leader in providing audit and financial management solutions to government entities at the federal, state, and local level. We are thoroughly capable of providing high-quality audit services and technical expertise to the WVLC.

Relevant to this engagement, our team proposed for this contract is accustomed to dealing with business-type governmental agencies including state lottery entities such as the Illinois State Lottery Commission, Colorado Division of Lottery, and lottery operations and IT controls for the Commonwealth of Pennsylvania. In addition, the firm also has professionals on staff with previous gaming experience serving such entities as the Desert Diamond Casino and Cliff Castle Casino in Arizona, as well as other gaming enterprises including Casino Omaha, Ohiya Casino, and Harvey's of Council Bluffs Iowa.

Following is more information on several of the firm's most recent engagements comparable to cash controls and engagement scope requested by the WVLC. These engagements were performed by members of the audit team that will serve you.



- **Colorado Division of Lottery**

We are currently 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.

- **Illinois Department of Revenue Lottery Division**

We were previously engaged to observe evening drawings for the Illinois Department of Revenue Lottery Division's on-line games. Specifically, we observed the WVL's evening drawings as the primary auditor, performed equipment selection procedures, and conducted pre-drawing and post-drawing test procedures for the WVL.

- **West Virginia University (NCAA Procedures)**

West Virginia University is the flagship land-grant, doctoral-degree granting research university in the State of West Virginia. We perform agreed-upon procedures for the President and Athletic Department Administration regarding NCAA reporting compliance and have an understanding of varsity sport elimination and its subsequent reporting impact to federal and state authorities.

- **West Virginia University (Construction Audit)**

In addition to the NCAA Procedures mentioned above, Clifton Gunderson has performed a construction audit of the Biomedical Science Resource Laboratory. The purpose of the construction audit is to review the contracts and contractor costs, including overhead rates, and provide an agreed-upon procedures report documenting any findings. In many cases, we are able to use our report to negotiate a mutually agreeable price between the contractor and client.

- **Washington Metropolitan Area Transit Authority (WMATA)**

WMATA, the metrorail and metrobus transit services in Washington, DC, Maryland and Virginia communities, has a significant cash collection and electronic processing operations in place supported by complex IT systems. We provide annual audit services to WMATA.

- **Maryland Transportation Authority**

The Maryland Transportation Authority, an independent agency responsible for managing, operating and improving Maryland's toll facilities, has significant parking operations, particularly the parking garage at BWI Airport in Baltimore. We currently provide annual audit services as well as IT audit assessments related to the internal controls for the Authority's EZ-Pass operator.

- **The Maryland-National Capital Park & Planning Commission (MNCPPC)**

MNCPPC is a body corporate of the State of Maryland. It is empowered to acquire, develop, maintain and administer a regional system of parks and to conduct recreation programs.

MNCPPC's operating sources are derived from a combination of property taxes, bond issuances and fees for services. We currently provide audit services for MNCPPC.

### **Ability to Successfully Perform the Proposed Effort**

Clifton Gunderson has earned a reputation for helping similar governmental clients meet their goals and fulfill their missions. With our hands-on approach to serving clients, our quality and timely service, and responsiveness to your needs, Clifton Gunderson can help you accomplish your goals. Your engagement team will not only meet, but exceed your expectations.

A sampling of qualities that sets Clifton Gunderson apart includes:

- **Extensive Knowledge of the Government Sector.** Our Governmental Services Team serves over 1,000 state and local governmental entities nationwide; over 100 in Virginia, Maryland and surrounding states alone, including a number of business-type component units similar to the WVL. Our extensive knowledge of issues critical to large governmental entities will reduce the burden on your staff and eliminate inefficient and ineffective audit procedures.
- **Experience with Lottery and Gaming.** Your Clifton Gunderson engagement team includes CPAs who have served public sector clients in the lottery and gaming industry with sophisticated cash operations. Their experience includes work performed for the:
  - Illinois State Lottery Commission
  - Colorado Division of Lottery
  - Commonwealth of Pennsylvania lottery operations and IT controls
  - Centaur Gaming, owner and manager of a recently expanded gaming and horse racing complex in Indiana and well-established casino and hotel in Colorado. This client is also developing strategies to launch a new horse track and gaming facility in western Pennsylvania

In addition, Clifton Gunderson's professionals have previous gaming experience serving such entities as the Desert Diamond Casino and Cliff Castle Casino in Arizona, as well as other gaming enterprises including Casino Omaha, Ohiya Casino, and Harvey's of Council Bluffs Iowa.

- **Commitment to Non-SEC Companies.** Our firm focuses solely on meeting the needs of non-SEC entities like the WVL. Unlike "Big 4" firms who are focused on meeting public companies' deadlines for Sarbanes-Oxley compliance, our focus on the governmental sector and privately-held entities will translate into less risk for Clifton Gunderson and lower fees for you, not to mention more attention from our senior level personnel.
- **Ability to Meet Deadlines.** Clifton Gunderson is well-balanced when it comes to workload issues, and has never had a problem meeting client deadlines. Our practice is very 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 for the WVU.

- **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. Our partners and managers will be available to you throughout the year, and will be committed to staying abreast of key issues at the WVU.

Clifton Gunderson has earned a justifiable reputation for helping similar governmental entities meet their goals and fulfill their missions – we can do the same for you.

## Work Plan to Fulfill the Scope of Work

At Clifton Gunderson, our audit objective extends beyond the issuing of an opinion on financial statements. We believe that a good audit should yield substantial information for management and be a valuable tool in recognizing opportunities and identifying areas that can be strengthened. An effective audit performed by our team and focused on the needs of the WVU will provide:

- An objective look at your policies and procedures
- Valuable suggestions for improvements in your financial operations and other areas
- An analysis of trends and unusual variations from year-to-year
- Protection for current and future resources through improved internal controls
- A deterrent to embezzlement and other fraudulent activities

We will communicate to you our observations surrounding these key areas. This communication will take place during and after the audit, as well as in the management letter. The information we provide is intended to help you to better manage your organization, and not just reside in a written report that is filed among your organization's records.

Our audit services are designed to protect the interests of management by concentrating on high-risk areas. Risk identification is the first step of the audit process, providing the basis upon which the overall plan is developed. Our risk assessment process involves consideration of the following types of risk:

- **Inherent risk** - the risk that an error in the accounting and reporting process may occur
- **Control risk** - the risk that internal control systems designed to prevent or detect errors may fail
- **Audit detection risk** - the risk that audit procedures may fail to detect errors

Through careful consideration of the above risks and their interrelationships, we will develop an audit plan and related programs that concentrate our efforts on the elements of your financial statements that involve the greatest risk. At the same time, we will avoid the unnecessary application of commonplace and traditional procedures to low-risk areas.

We expect that the majority of our audit hours will be concentrated in the high-risk audit areas. Our approach is not to overly critique every balance sheet account by performing extensive substantive testing. While substantive testing remains part of the process, we will first take an analytical approach, identify relationships, and truly learn about your operations.

### **Proposed Segmentation of the Audit Engagement**

We will conduct our audit in the following four primary phases:

- Phase 1 – Planning
- Phase 2 – Internal Control and Documentation
- Phase 3 – Testing and Review
- Phase 4 – Reporting

#### **Phase 1 - Planning**

The primary objective of the planning phase is to identify significant areas and design efficient audit procedures. Clifton Gunderson has made a significant investment in audit efficiency training in recent years. We have developed approaches for our audits that have allowed us to increase both efficiency and effectiveness.

We will accomplish our planning by the following methodology:

- Gain an understanding of the WV's operations, including the organization, management style, and internal and external factors influencing the operating environment. We will utilize reference materials such as budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.
- Review prior auditor workpapers to obtain an understanding of the scope of work performed in the prior year. We will critique that approach and determine, after consultation with the WV's accounting staff about its operations, the approach that is the most efficient means to audit the accounts.
- Identify significant accounts and accounting applications, critical audit areas, significant provisions of laws and regulations, and relevant controls over operations.
- Determine the likelihood of effective information technology (IT) - related controls. This includes evaluating the impact of SAS 70 opinions, exceptions, and controls relative to third party outsourcers, such as Scientific Games. We will also determine the effectiveness of any relevant User Control Considerations (UCCs) identified by third party providers in their SAS 70 reports.
- Perform a preliminary overall risk assessment.
- Determine protocol for requesting information from and meeting with the financial staff.
- Establish a timetable for the fieldwork phase of the audit.

- Determine a protocol for using Interactive Data Extraction and Analysis (IDEA), our data extraction and analysis software, to facilitate timely receipt and analysis of reports from management.
- Prepare an initial comprehensive list of items to be prepared by client, establish clear deadlines and review the listing with the client.

### **Phase 2 - Internal Control**

During the internal control phase, we will develop our understanding of the internal control structure for financial accounting and relevant operations through observation, discussion and inquiries with management and appropriate personnel. We will then identify control objectives for each type of control that is material to the financial statements. The next step is to identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. We will then determine the nature, timing and extent of our control testing and perform tests of controls. This phase of the audit will include extensive testing of controls over electronic data, including general and application controls reviews and various user controls; and over financial reporting and compliance with laws and regulations.

One of our audit efficiency initiatives is to rely heavily on internal controls when appropriate and to creatively look at internal control testing to maximize its efficiency. This approach relies on the routine performance of detailed tests of transactions using large samples. We will first identify key controls, and then identify possible testing through such alternative methods as observation, interviews and performance. Also, these tests serve not only to gather evidence about the existence and effectiveness of internal control for purposes of assessing control risk, but also to gather evidence about the reasonableness of an account balance.

We will also develop our internal control tests to assess compliance with certain provisions of laws, regulations, contracts and grants, for which noncompliance could have a direct and material effect on the determination of financial statement amounts. Our use of multi-purpose tests allows us to provide the most efficient audit with the highest level of quality.

Our information systems audit specialists are also key to the engagement and will be available to assist the team in performing a review of the information technology (IT) controls for the applications that are significant to financial statements to (1) conclude whether IT general controls are properly designed and operating effectively, and (2) consider application controls as part of the internal control assessment in the financial statement audit. This approach to evaluating additional levels of internal controls allows us the flexibility to further rely on IT reports, application processing, etc. in order to provide the most efficient audit approach. This also affords us the opportunity to provide management additional insight and perspective relative to IT internal controls and processing, and to provide indications of the impact of these controls on operations and compliance matters, as well.



**Phase 3 – Testing and Review**

The extent of our substantive testing will be based on the results of our internal control tests. We will employ audit programs specifically tailored for the WVJ and updated with the results of our tests of controls. We will employ analytical testing on smaller and/or lower risk accounts and cycles to maintain efficiency and to meet milestones.

Audit sampling will be used only in those situations where it is the most effective method of testing. Before deciding to sample, we will consider all possible approaches and audit techniques. Items where, in our judgment, acceptance of some sampling risk is not justified will be examined 100 percent. These items may include, for example, items for which potential misstatements could individually equal or exceed tolerable error, or any unusual items. After identifying individually significant or unusual items, we will decide on the audit approach for the remaining balance of items by considering tolerable error and audit risk. This could include (1) testing a sample of the remaining balance, (2) lowering the previously determined individually significant item to increase the percent of coverage of the account balance, or (3) applying analytical procedures to the remaining balance. When we elect to sample balances we will use IDEA to efficiently control and select our samples.

We will hold a progress meeting with management during this phase, and will be in constant communication with management to ensure that all issues that are identified are resolved in a timely manner. We will also hold a final exit conference with management to summarize the results of our fieldwork and to review significant findings.

**Phase 4 – Reporting**

Reports to management will include oral and/or written reports regarding audit scopes, changes in significant accounting policies or their application, unusual transactions, significant audit adjustments, disagreements with management, if any, and internal control reportable conditions.

Once final review of working papers and financial statements are completed, which is a process that actually starts while the fieldwork is in process, the financial statements and management letter are issued. Management will be provided a draft of any comments that we propose to include in the management letter. This will enable them to review the comments for accuracy prior to the release of the final document. Any items that come to our attention that we do not consider major will be discussed verbally with management and not included in the management letter. Our management letter will also include our analysis of your operations.

**Use of Technology During the Audit**

Throughout the audit we may employ the use of computer assisted audit techniques (CAATs) to increase efficiency and effectiveness. The key CAATs that we will use are as follows:



- **Interactive Data Extraction and Analysis (IDEA).** IDEA benefits the audit process through:
  - Built-in audit functionality including powerful, audit specific commands and a self-documenting audit trail
  - 100 percent data coverage, which means certain audit procedures can be performed on entire populations and not just samples
  - Unparalleled data access allows us to access and analyze data from virtually any computing environment
  - Eliminates the need to extrapolate information from errors (a common effort when manually auditing data) and allows for more precise conclusions
  
- **DataImport.** This data conversion software translates text-based data from virtually any source into nearly 40 database and spreadsheet formats, including Access, Excel, HTML tables, dBase applications and many others. We use DataImport to extract data out of mainframe reports and data dumps, print-to-disk files, downloaded information, e-mail or any other text file accessible on a PC.
  
- **Secure File Transfer Protocol (SFTP).** SFTP is a secure file transfer and secure message server that provides comprehensive, integrated standards-based solutions for secure handling of sensitive information. SFTP will safely and securely collect, store, manage and distribute sensitive information between our firm and the WVU. In addition, a web interface offers easy online administration and monitoring of SFTP activities while a programmable interface makes SFTP accessible to custom applications. Most importantly, all files received by SFTP are securely stored using FIPS 140-2 validated AES encryption, the U.S. Federal government encryption standard.
  
- **FX Engagement.** FX Engagement is our “paperless” audit product. This product allows us to file and save all of our audit work papers in an electronic storage capacity, allowing our firm to save time and resources associated with maintaining and storing paper files. FX Engagement also boasts a trial balance software program, which is utilized to produce financial statements, lead schedules and allows us to perform trend analysis utilizing our clients’ trial balances. With FX Engagement, our staff members are able to travel nationwide, carrying a minimal amount of paperwork with them to various client sites. This state-of-the-art technology will also allow us to more efficiently test for sampling purposes.

### More About Our Information Technology Audit Professionals

Clifton Gunderson brings significant experience in auditing IT systems and applications to the engagement, and has a wealth of skill in technology controls and processing. Virtually all of our government audit clients have highly sophisticated computerized accounting systems. Therefore, as part

of your project team, we have included George Fallon, Jim Kreiser, and Joel Eshleman, information technology specialists and members of the firm's Information Technology Security and Assurance Services Team, as key IT resources (*see pages 13 and 14 for information regarding their background and experience*).

The team, comprised of over 25 Mid-Atlantic professionals, is capable of fulfilling an array of information technology services, and is comprised of individuals who possess several of the major certifications available to IT professionals, including Certified Financial Services Auditor (CFSA), Certified Information Systems Auditor (CISA), Certified Data Processor (CDP), Certified Ethical Hacker (CEH), and Certified Internal Auditor (CIA). Members of the IT audit team are also vendor-trained and certified in the use of Internet Security Scanner, Nessus, and other vulnerability and penetration testing tools. Their knowledge and experience includes most operating environments, such as Windows 2000/NT, UNIX and OS/390; System Development Life Cycle (SDLC) controls; and data center operations.

Additionally, our IT team has been specifically identified due to their experience with similar operations and entities. For example, Jim Kreiser and Joel Eshleman, IT managers assigned to the WV, have worked specifically to audit the lottery operations and IT controls for the Commonwealth of Pennsylvania. Combined, these two professionals have over 10 years experience in evaluating Pennsylvania Lottery operations, related IT controls, and determining the impact of controls and User Control Considerations (UCCs) from Lottery providers such as Scientific Games, and others. Jim also has prior experience for several years in working on the State of Maryland's IT controls as it relates to the preparation of their CAFR and Single Audits.

Furthermore, our IT team has extensive experience providing services to entities of similar cash operations, all of which are large governmental or government affiliated. These organizations also have outsourcer relationships in several cases, which adds to our experience in evaluating and leveraging SAS 70 and other third-party reports and controls to provide the most effective and efficient audit approach overall. Our experience includes services and experience with organizations such as:

- **Maryland Transportation Authority** – includes not only the evaluation of the accounting and financial applications, but also the electronic toll revenue systems, collections, and the outsource systems and operations at Affiliated Computer Services (ACS).
- **Pennsylvania Turnpike Commission** – including the outsource operations of electronic toll collections with TransCore.
- **Maryland-National Capital Parks & Planning Commission** – including not only their annual audit related to IT, but additional engagements to provide procedures and services relative to Payment Card Industry (PCI) compliance and controls; and the enterprise security strategy/framework.

- **Delaware Department of Transportation** – procedures specifically related to providing SAS 70 services related to the outsourced operations of electronic toll collections and violations/ticketing to TransCore.
- **Electronic Data Systems** – services related to compliance reporting and SAS 70 as part of their outsourced claims processing and payment services for Medicaid claims, including Pennsylvania, Delaware, and others.

### **Commitment to Communication with Management**

Through all phases of the audit, we believe it is important to have regular meetings with management to discuss the status of the engagement. We will conduct periodic, scheduled meetings with State personnel for the purpose of discussing the audit status and progress in relation to the audit program, as well as any issues identified during the performance of the audit. The frequency of these meetings and the preparation of subsequent progress reports will be determined during the entrance conference.

Effective communication is critical to the success of the audit. It includes the exchange of ideas and advice as changes are considered or implemented by the WVL or the accounting profession. Through our client service focus, we emphasize developing a close professional working relationship with your representatives. In this way, accounting and reporting issues can be identified and resolved on a timely basis. Also, through the close contact maintained by our partners during the engagement, we are in a position to provide assistance and consultation in resolving any issues that may arise.

### **Auditor First Year Transitioning and Subsequent Year Efficiencies**

During the independent auditor's first year, management may be concerned about the potential disruption of its personnel during the transition period while the new firm becomes familiar with your operations. We have addressed this concern by structuring our transition process to gain a thorough understanding of your operations. Our approach to transition includes:

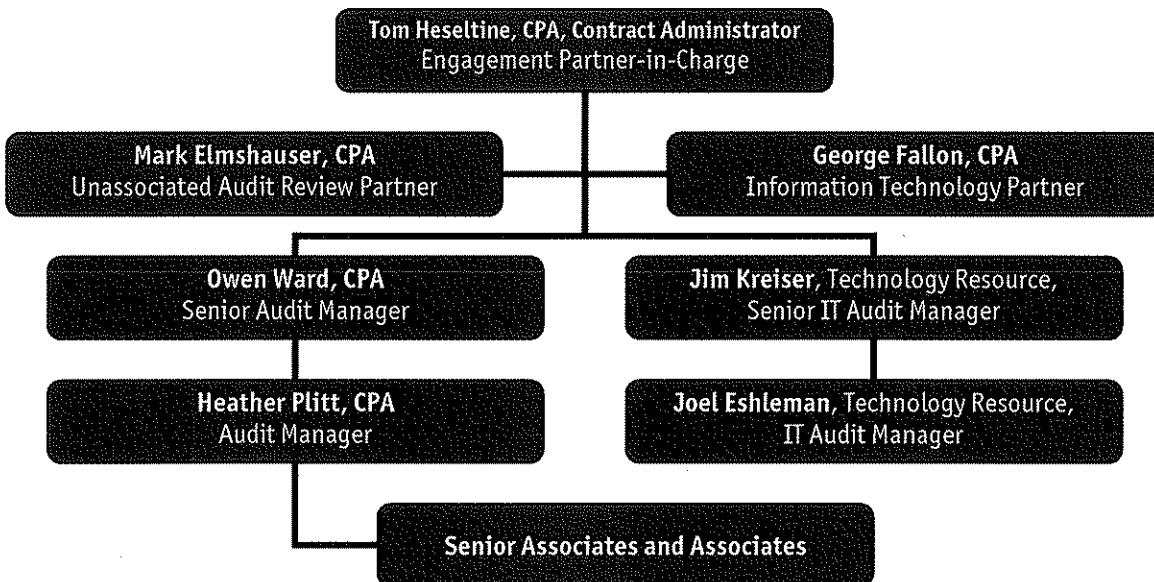
- A well-structured, experienced engagement team
- More intensive involvement by partners and managers in the transition year
- Careful and complete communications at all levels of the audit team to resolve issues and concerns
- User-friendly audit tools

Our significant experience with entities similar to the WVL, combined with our wealth of local and national resources, will allow us to take a very proactive approach to serving you. Our active involvement before, during and after services are rendered gives us an intimate knowledge of your organization, its strengths, weaknesses, and short- and long-term goals. If we see a gap in your organization that needs to be filled, we will make a recommendation to management on how to fill it.

Furthermore, it has been our experience that our intensive, first year transition process, combined with our wealth of governmental expertise, leads to increased efficiencies in subsequent engagement years. These factors will lead to reduced overall engagement hours, as well as resulting cost savings for the WVU.

### Management Level and Key Personnel

We have structured your client service team to provide you with the most experience with similar governmental entities. There will be three partners, two senior managers, an additional information technology specialist, an audit manager, and additional staff assigned to audit and organized as follows:



This team of professionals is knowledgeable about the changing rules, regulations, standards, and market trends you face, and they spend the majority of their time working with the government sector. Furthermore, our national network of CPAs and consultants means that if you need specialized help, we have a professional on staff who can provide it.

There will be no need for your management team to “re-educate” Clifton Gunderson’s audit team. You will benefit from our fresh perspectives, as well as focused industry and specialty service expertise relevant to adequately meet your needs.

The following team biographies highlight the specific responsibilities and tasks assigned to each key engagement team member. Detailed resumes are included in Appendix B.

**Thomas G. Heseltine, CPA, Primary Account Team Principal, Engagement Partner-in-Charge**

As the partner-in-charge of the engagement team, Tom will oversee all engagement responsibilities for the audit services, including reviewing the tasks and all findings and recommendations. He will also be available to the WVL throughout the engagement and at any time during the year.

Tom has more than 14 years of governmental audit and accounting experience and has directed a significant number of the local Government Services Team's similar engagements, including the Maryland Transportation Authority, Maryland-National Capital Park & Planning Commission, Easton Utilities Commission, Maryland Environmental Service, Pennsylvania Industrial Development Authority, Pennsylvania Tobacco Settlement Investment Board, Ohio Public Employees' Retirement System, State Retirement and Pension System of Maryland, Montgomery County, Maryland, Anne Arundel County, Maryland, Carroll County, Maryland, and Arlington County, Virginia. On the commercial side, Tom's clients include The Whiting-Turner Contracting Company, R.E. Michel, Barcoding, LaSalle Investment Management, and Rohde & Schwarz.

Tom is a technical reviewer for the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. In addition, he is a recipient of Clifton Gunderson's Joseph P. DeBruyn Growth of our Clients Award, and was recognized as a "SmartCPA" by *Baltimore SmartCEO Magazine*. Tom was also recognized as one of "40 Under 40" award recipients by *The Baltimore Business Journal*.

**Mark D. Elmshauser, CPA, Unassociated Audit Review Partner**

Mark will serve as the unassociated audit review partner. The purpose of the independent review is to ensure that all audit and accounting standards are met, and to have "another set of eyes" on the work. He will also be available throughout the engagement and at any time during the year.

Mark has over 23 years of public accounting experience with governmental auditing, including the Colorado Lottery, Colorado Housing and Finance Authority, CollegeInvest, Colorado Department of Education, Colorado Department of Labor, and Denver Public Schools as well as numerous other governmental entities.

**George F. Fallon, CPA, CISA, Information Technology Partner**

George will serve as the information technology partner for the engagement team and will coordinate our review of the information systems.

George leads our information technology audit practice and has extensive experience supporting our governmental audit clients. He has 30 years of experience primarily in information systems auditing, and has provided information technology review support services for the U.S. Department of



Transportation, Pension Benefit Guaranty Corporation, the State Retirement and Pension System of Maryland, Pennsylvania School District Liquid Asset Fund, Pennsylvania Public School Employees' Retirement System, Pennsylvania Municipal Retirement System, Colorado Pension System and the State Retirement, and the State Teachers Retirement System of Ohio.

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

Jim will serve as our expert in charge of the information technology portion of the audit. He is a Certified Financial Services Auditor and Certified Information Systems Auditor with over 13 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.

Jim helps lead our Commercial IT Assurance group, and has significant information system auditing 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 leading various IT engagements and projects 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.

**Owen Ward, CPA, Senior Assurance Manager**

As the senior audit manager, Owen will be responsible for the overall direction of the engagement and will be your primary day-to-day contact. He will also be available throughout the engagement and at any time during the year.

During his career of more than nine years, Owen has developed a specialty in governmental audit and accounting with an emphasis on state and local government agencies. His key clients currently include Maryland Environmental Service, the Pension Benefit Guaranty Corporation, and Ohio Public Employees' Retirement System. Owen is also thoroughly versed in governmental and private-sector pension plan auditing and currently serves as the senior manager assigned to a number of the firm's largest pension clients including Snyder's of Hanover, Inc., Barcoding, R.E. Michel, and Rohde & Schwarz.



**Heather Plitt, CPA, Audit Manager**

Heather will be the audit manager assigned to the engagement team and will assist Owen Ward in developing the audit work program, managing our fieldwork personnel, and resolving any technical and reporting issues. She will also be available throughout the engagement and at any time during the year.

Heather has over five years of auditing and accounting experience, specializing in governmental entities and is actively involved in the financial and compliance audits of a number of our governmental clients including the Federal Retirement Thrift Investment Board, New York State Deferred Compensation Plan, Maryland-National Capital Park & Planning Commission, and Washington Metropolitan Area Transit Authority.

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

Joel will serve as the manager overseeing the day-to-day activities related to information technology. In addition to being a Certified Information Systems Auditor, Joel is a Certified Internal Auditor with over nine years experience in the areas of information technology audit, business processes and controls, third party reporting, and risk advisory services.

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).

**Additional Staff Assigned to the Engagement Team**

In addition to these staff members, we will also assign experienced associates as deemed necessary with relevant governmental experience to assist in performing the assigned tasks. These staff members will be determined based on the final scheduling of engagement tasks with management.

**Quality of Staff during the Engagement**

We are dedicated to ensuring only the highest-quality staffing arrangements for each of our clients. Your Clifton Gunderson engagement team has both the technical background and the practical business experience required to understand and contribute to your decision-making process. Our practical business approach comes from our educational and business backgrounds, supplemented by years of experience with government organizations. Our firm requires all partners and staff to annually participate in a minimum of 40 hours of continuing professional education courses. This includes a minimum of 24 hours every two years directly related to governmental auditing in accordance with the standards set forth in the Yellow Book.

## References Supporting Our Work

Quality of service will be a key factor as you prepare to select a CPA and consulting firm to serve the WVL. We have included the following client references that are similar in scope to the WVL. We invite you to contact each client to learn more about our work and commitment to quality client service.

**Organization:** **State of Colorado Department of Revenue, Division of Lottery**

**Address:** Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203

**Scope of Work:** Financial statement audit

**Length of Service:** 2008 – present

**Client Contact:** Barb Aggson, Controller

**Telephone Number:** 719-546-2400

**Organization:** **Maryland Transportation Authority**

**Address:** 2400 Broening Highway, Suite 5  
Baltimore, Maryland 21224

**Scope of Work:** Financial statement audit and IT audit assessments related to the internal controls for the Authority's EZ-Pass operator.

**Length of Service:** 2008 – present

**Client Contact:** Deborah Sharpless, CFO

**Telephone Number:** 410-537-6767

**Organization:** **Maryland Environmental Service**

**Address:** 259 Najoles Road  
Millersville, Maryland 21108

**Scope of Work:** Financial statement audit

**Length of Service:** 2004 – present

**Client Contact:** Henry Cook, CFO

**Telephone Number:** 410-729-8200

**Organization:** **Maryland-National Capital Park & Planning Commission**

**Address:** 6611 Kenilworth Avenue  
Suite 300  
Riverdale, Maryland 20737

**Scope of Work:** Financial statement audit and PCI compliance

Length of Service: 2005 – present  
Client Contact: Al Warfield, Director of Accounting  
Telephone Number: 301-454-1600

**Organization: Washington Metropolitan Area Transit Authority**

Address: 600 5th Street, NW  
Washington, DC 20001-2651

Scope of Work: Financial statement audit  
Length of Service: 2008 – present  
Client Contact: Helen Lew, Inspector General  
Telephone Number: 202-962-2515

**Organization: West Virginia University Department of Athletics**

Address: One Waterfront Place  
Morgantown, West Virginia 26506

Scope of Work: NCAA Agreed Upon Procedures  
Length of Service: 2005 – Present  
Client Contact: Russ Sharp  
Telephone Number: 304-293-2101 ext. 5513

## Cost Bid

We have included our Cost Bid in the format provided in Attachment A of the RFQ. The completed form is also included in Appendix C of our proposal.

### COST BID

#### SCHEDULE OF TOTAL PROFESSIONAL FEES AND EXPENSES FOR THE ANNUAL FINANCIAL AUDIT

	Hours	Hourly Rates	Total
Partners, Members	<u>80</u>	<u>\$250</u>	<u>\$20,000</u>
Managers	<u>120</u>	<u>\$190</u>	<u>\$22,800</u>
Supervisory Staff	<u>300</u>	<u>\$135</u>	<u>\$40,500</u>
Staff	<u>160</u>	<u>\$100</u>	<u>\$16,000</u>
Other (specify)	<u>          </u>	<u>          </u>	<u>          </u>

Total all-inclusive maximum price  
for the annual audit and other services  
as required in this request for quotation \$ 99,300

Please note, if engaged, we will absorb the costs associated with the necessary start-up time to become familiar with your accounting and control systems.

If offered the options to renew the original contract, our fees would be based on five percent increase (rounded) over the previous year.

## Conclusion

We would like to be a part of your future success. Clifton Gunderson has earned a justifiable reputation for helping similar governmental entities meet their goals and fulfill their missions. With our hands-on approach to serving clients, the extensive experience of our Government Services Team, our wealth of local and national resources and responsiveness to clients' needs, Clifton Gunderson can help you accomplish your goals. Your engagement team will be dedicated to not only meeting, but exceeding, your expectations.

The West Virginia Lottery Commission faces challenges today that will undoubtedly affect the organization's future. Clifton Gunderson understands that these challenges require more than ordinary solutions; they require forward-thinking, creative solutions now that will help carry you into the future. We will take this proactive approach as we help meet your immediate needs and achieve your long-range goals.

We truly appreciate the opportunity to present this proposal, and look forward to establishing a long-lasting relationship with the WVLC. If you have any questions or comments, please contact Tom Heseltine at 888-778-9588 or [Tom.Heseltine@cliftoncpa.com](mailto:Tom.Heseltine@cliftoncpa.com).

**Appendix A:  
License to Practice in West Virginia**





State of West Virginia  
West Virginia Board of Accountancy  
100 Capitol Street, Suite 100  
Charleston, WV 25301  
(304) 558-3557

West Virginia Board of Accountancy  
100 Capitol Street, Suite 100  
Charleston, WV 25301  
(304) 558-3557

The entity listed below was issued a  
**FIRM PERMIT**  
for the period beginning  
July 1, 2008 through June 30, 2009

Your fee has been received for renewal of your firm permit. This registration may be detached from the perforation at left and used until the date indicated.

Any errors in the attached information should be reported to the Board office at 304/558-3557

F0347A  
CLIFTON GUNDERSON LLP  
301 SW ADAMS ST STE 600  
PEORIA IL 61602

*Robert A. Maust*  
Robert A. Maust, CPA, Board President  
*J. A. Walker*  
J. A. Walker, Executive Director

*Robert A. Maust*      *J. A. Walker*  
Robert A. Maust, CPA, Board President      J. A. Walker, Executive Director



State of West Virginia  
West Virginia Board of Accountancy  
100 Capitol Street, Suite 100  
Charleston, WV 25301  
(304) 558-3557

West Virginia Board of Accountancy  
100 Capitol Street, Suite 100  
Charleston, WV 25301  
(304) 558-3557

The entity listed below was issued an  
Authorization to Perform  
Attest and/or Compilation Services  
for the period beginning  
July 1, 2008 through June 30, 2009

Your fee has been received for your firm's Authorization to Perform Attest or Compilation Services in West Virginia. This Authorization may be detached and used until the date indicated.

Any errors in the attached information should be reported to the Board office at 304/558-3557

F0347A  
CLIFTON GUNDERSON LLP  
301 SW ADAMS ST STE 600  
PEORIA IL 61602

*Robert A. Maust*  
Robert A. Maust, CPA, Board President  
*J. A. Walker*  
J. A. Walker, Executive Director

*Robert A. Maust*      *J. A. Walker*  
Robert A. Maust, CPA, Board President      J. A. Walker, Executive Director

**Appendix B:  
Professional Resumes**

**Thomas G. Heseltine, CPA**  
**Engagement Partner-in-Charge**

**Education**

Bachelor of science degree with a major in business administration and a concentration in accounting, Rochester Institute of Technology

**Years of Experience**

14 years

**Areas of Specialization**

- Governmental auditing and accounting with an emphasis on local, state and federal agencies
- Employee benefit plans
- Commercial auditing and accounting with an emphasis on real estate and construction
- Tax planning and compliance with an emphasis on multi-state taxation
- Nonprofit auditing and accounting including OMB A-133 single audits
- Computer assisted auditing tools, including ACL
- Peer review services

**Relevant Experience**

- Serves as partner-in-charge or has managed the audits of the State of Florida Retirement System, New York State Deferred Compensation Board, Ohio Public Employees' Retirement System, State Teachers Retirement System of Ohio, Public Employees' Retirement System of Nevada, Anne Arundel County Retirement Pension System, State Retirement and Pension System of Maryland, Pennsylvania Municipal Retirement System, Pennsylvania Public School Employees' Retirement System, and Arlington County Employees' Retirement System.
- Serves as partner-in-charge for Pennsylvania Industrial Development Authority, Pennsylvania Commonwealth Financing Authority, Anne Arundel County, Maryland, Carroll County Maryland Board of Education, City of Bowie, Maryland, Town of Easton, Maryland, Easton Utilities Commission, Maryland Environmental Service and the Maryland-National Capital Park and Planning Commission

- Leads the State of Maryland Department of Health and Mental Hygiene agreed upon procedures engagements to evaluate the financial reporting and costs of managed care organizations participating in the State's Medicaid program.
- Served as senior audit manager for the Centers for Medicare & Medicaid Services, Medicaid and State Children's Health Insurance programs and the U.S. Department of Treasury's Financial Management Service.
- Developed a trend analysis manual to help strengthen financial reporting for the Centers for Medicare & Medicaid Services Division of Accounting.
- Developed an accounting procedures manual for the Centers for Medicare & Medicaid Services, Division of Accounting.
- Plans, performs, and evaluates single audit procedures conducted in audit engagements.
- Assists clients in various audit-related functions, including review of internal controls and analysis of operational procedures.
- Prepares workpaper templates to improve reconciliation procedures and to help improve interim financial reports prepared by clients' accounting personnel.

### **Professional Affiliations**

- American Institute of Certified Public Accountants - member
- Maryland Association of Certified Public Accountants - member
- Government Finance Officers Association - member

### **Civic and Social Affiliations**

- Government Finance Officers Association Special Review Committee for the Certificate of Achievement for Excellence in Financial Reporting Program
- Maryland Chamber of Commerce – business development council
- Construction Financial Management Association – treasurer

### **Honors and Awards**

- SmartCPA, *Baltimore SmartCEO* – 2007
- One of "40 Under 40" award recipients, *The Baltimore Business Journal* – 2007
- Recipient of Clifton Gunderson's Joseph P. DeBruyn Growth of our Clients Award - 2006

**George F. Fallon, CPA, CISA, CGFM**  
**Information Technology Partner**

**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

**Owen Ward, CPA**  
**Senior Audit Manager**

**Education**

Bachelor of science degree with a major in accounting, Towson University, 2000

**Years of Experience**

9 years

**Professional Certification**

Certified Public Accountant

**Areas of Specialization**

- Governmental audit and accounting
- Governmental and commercial employee benefit plan assurance services
- ERISA employee benefit plan assurance services
- Commercial assurance services with an emphasis on manufacturing, wholesale, and distribution
- Nonprofit auditing and accounting governmental auditing and accounting with an emphasis on local, state, and federal agencies
- Tax return preparation for various business entities

**Relevant Experience**

- Manages the financial statement audit for the Pension Benefit Guaranty Corporation, specializing on actuarial services.
- Involved in the planning, re-engineering, and performance of commercial audits, reviews, and compilations in various industries, including government, nonprofit, construction, manufacturing, educational institutions, and employee benefit plans.
- Audit manager on several large public employee benefit plans.

**Civic and Social Affiliations**

- Downtown Baltimore Childcare Center – finance committee member
- The Society of the Friendly Sons of St. Patrick of Baltimore, Inc.- treasurer

**James Kreiser, CFSA, CISA**  
**Senior Manager, Information Security Services**

**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**

**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.

**Heather Plitt, CPA**  
**Audit Manager**

**Education**

Bachelor of science degree with a major in accounting, University of Baltimore

**Years of Experience**

4 years

**Areas of Specialization**

- Governmental auditing and accounting with an emphasis on local, state, and federal agencies, including single audits in accordance with OMB Circular A-133
- Employee benefit plans audit and accounting services
- Commercial auditing and accounting
- Financial institutions – audit and accounting services

**Relevant Experience**

- Involved in the planning and performance of commercial audits and agreed-upon procedures in various industries, including government, nonprofit, financial institutions, and employee benefit plans
- Internal audit functions

**Professional Affiliations**

- Maryland Association of Certified Public Accountants- member
- MACPA Leadership Academy Participant- member

**Civic and Social Affiliations**

Viva House Soup Kitchen - volunteer



**Appendix C:  
Completed Cost Bid and Other RFQ Forms**

STATE OF WEST VIRGINIA  
Purchasing Division

## PURCHASING AFFIDAVIT

### VENDOR OWING A DEBT TO THE STATE:

*West Virginia Code* §5A-3-10a provides that: 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 owed is an amount greater than one thousand dollars in the aggregate.

### PUBLIC IMPROVEMENT CONTRACTS & DRUG-FREE WORKPLACE ACT:

If this is a solicitation for a public improvement construction contract, the vendor, by its signature below, affirms that it has a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the *West Virginia Code*. The vendor **must** make said affirmation with its bid submission. Further, public improvement construction contract may not be awarded to a vendor who does not have a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the *West Virginia Code* and who has not submitted that plan to the appropriate contracting authority in timely fashion. For a vendor who is a subcontractor, compliance with Section 5, Article 1D, Chapter 21 of the *West Virginia Code* may take place before their work on the public improvement is begun.

### ANTITRUST:

In submitting a bid to any agency for the state of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the state of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the state of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the state of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership or person or entity submitting a bid for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

### 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. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.

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

Vendor's Name: Clifton Gunderson LLP

Authorized Signature: Thomas Heseltine Date: May 4, 2009

*Purchasing Affidavit (Revised 01/01/09)* Thomas G. Heseltine, Partner

State of West Virginia  
**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). *West Virginia Code*, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the *West Virginia Code*. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Resident Vendor Preference, if applicable.

**1. Application is made for 2.5% resident vendor preference for the reason checked:**

n/a 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,

n/a Bidder is a partnership, association or corporation resident vendor and 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 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,

n/a Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; or,

**2. Application is made for 2.5% resident vendor preference for the reason checked:**

n/a 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; or,

**3. Application is made for 2.5% resident vendor preference for the reason checked:**

n/a 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 Bidder's 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; or,

**4. Application is made for 5% resident vendor preference for the reason checked:**

n/a Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; or,

**5. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked:**

n/a Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; or,

**6. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked:**

n/a Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years.

Bidder understands if the Secretary of 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) reject the bid; 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.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Division and authorizes the Department of 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.

**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.**

**Bidder:** Clifton Gunderson LLP

**Signed:** Thomas Heseltine

**Date:** May 4, 2009

**Title:** Thomas G. Heseltine, Partner

\*Check any combination of preference consideration(s) indicated above, which you are entitled to receive.