



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  
**PDS201110**

PAGE  
**1**

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

RFQ COPY  
 TYPE NAME/ADDRESS HERE

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

Post Office Box 687  
 Piketon, Ohio 45661

**PUBLIC DEFENDER SERVICES**

BUILDING 3, ROOM 330  
 1900 KANAWHA BOULEVARD, EAST  
 CHARLESTON, WV  
 25305-0730 558-3905

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
03/23/2011				

BID OPENING DATE: **04/28/2011** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		<i>\$74,000.00</i>
<p><b>AUDITING SERVICES FOR 17 PUBLIC DEFENDER CORPS</b></p> <p><b>REQUEST FOR QUOTATION (RFQ)</b></p> <p>THE WEST VIRGINIA STATE PURCHASING DIVISION FOR THE AGENCY, WEST VIRGINIA PUBLIC DEFENDER SERVICES, IS SOLICITING BIDS TO PROVIDE THE AGENCY WITH AUDITING SERVICES FOR THE FINANCIAL AND COMPLIANCE AUDIT OF SEVENTEEN (17) PUBLIC DEFENDER CORPORATIONS LOCATED THROUGHOUT THE STATE OF WEST VIRGINIA PER THE ATTACHED SPECIFICATIONS.</p> <p>TECHNICAL QUESTIONS CONCERNING THIS RFQ MUST BE SUBMITTED IN WRITING TO KRISTA FERRELL IN THE WEST VIRGINIA STATE PURCHASING DIVISION VIA MAIL AT THE ADDRESS SHOWN IN THE BODY OF THIS RFQ, VIA FAX AT 304-558-4115, OR VIA EMAIL AT KRISTA.S.FERRELL@WV.GOV. VENDORS SHOULD LIST THE RFQ NUMBER ON ALL INQUIRIES. IF SUBMITTING INQUIRIES VIA EMAIL, PLEASE LIST THE RFQ NUMBER IN THE SUBJECT LINE OF THE EMAIL.</p> <p>DEADLINE FOR ALL TECHNICAL QUESTIONS IS 04/08/2011 AT THE CLOSE OF BUSINESS. ANY TECHNICAL QUESTIONS RECEIVED WILL BE ANSWERED BY FORMAL ADDENDUM TO BE ISSUED BY THE PURCHASING DIVISION AFTER THE DEADLINE HAS LAPSED.</p> <p>VERBAL COMMUNICATION: ANY VERBAL COMMUNICATION BETWEEN THE VENDOR AND ANY STATE PERSONNEL IS NOT BINDING.</p>						

RECEIVED

2011 APR 28 PM 1:04

WV PURCHASING DIVISION

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE: *Michael A. Bales* TELEPHONE: *740-289-4151* DATE: *4-28-11*

TITLE: *Shareholder/ Director* FEIN: *31-1413363* ADDRESS CHANGES TO BE NOTED ABOVE

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



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SHIP TO

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<p>ONLY INFORMATION ISSUED IN WRITING AND ADDED TO THE RFQ SPECIFICATIONS BY AN FORMAL WRITTEN ADDENDUM IS BINDING.</p> <p>NO CONTACT BETWEEN THE VENDOR AND THE AGENCY IS PERMITTED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE STATE BUYER. VIOLATION MAY RESULT IN REJECTION OF THE BID. THE STATE BUYER NAMED ABOVE IS THE SOLE CONTACT FOR ANY ALL INQUIRIES AFTER THIS RFQ HAS BEEN RELEASED.</p> <p>EXHIBIT 10</p> <p>REQUISITION NO.: .....</p> <p>ADDENDUM ACKNOWLEDGEMENT</p> <p>I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.</p> <p>ADDENDUM NO.'S:</p> <p>NO. 1 <i>M. J. [Signature]</i></p> <p>NO. 2 .....</p> <p>NO. 3 .....</p> <p>NO. 4 .....</p> <p>NO. 5 .....</p> <p>I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS.</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>M. J. [Signature]</i>	TELEPHONE 790-289-4131	DATE 4-18-11
TITLE Shareholder / Director	FEIN 31-1413363	ADDRESS CHANGES TO BE NOTED ABOVE

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



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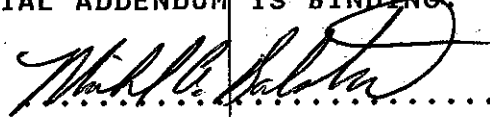
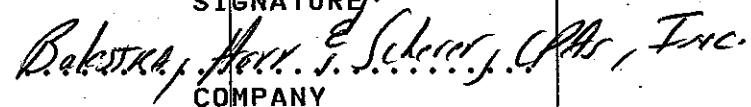
PURCHASER

SHIP TO

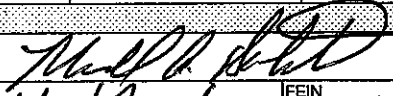
PUBLIC DEFENDER SERVICES  
  
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 CHARLESTON, WV  
 25305-0730 558-3905

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03/23/2011				

BID OPENING DATE: 04/28/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<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;">             SIGNATURE              COMPANY            4-28-11            DATE         </p> <p>NOTE: THIS ADDENDUM ACKNOWLEDGEMENT SHOULD BE SUBMITTED WITH THE BID.</p> <p>REV. 09/21/2009</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON AWARD AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
	790 289-4131	4-28-11
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
Shareholder / Director	31-141 3363	

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



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VENDOR

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SHIP TO

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**BUILDING 3, ROOM 330**  
**1900 KANAWHA BOULEVARD, EAST**  
**CHARLESTON, WV**  
**25305-0730 558-3905**

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
03/23/2011				

BID OPENING DATE: **04/28/2011** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>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, THE STATE MAY DEEM THE CONTRACT NULL AND VOID, AND TERMINATE SUCH CONTRACT 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</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Michelle A. ...</i>	TELEPHONE <i>790-289-4131</i>	DATE <i>4-28-11</i>
TITLE <i>Secretary/ Director</i>	FEIN <i>31-1413363</i>	ADDRESS CHANGES TO BE NOTED ABOVE

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



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**5**

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 TYPE NAME/ADDRESS HERE**

**VENDOR**

**SHIP TO**

**PUBLIC DEFENDER SERVICES  
 BUILDING 3, ROOM 330  
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 25305-0730 558-3905**

DATE PRINTED <b>03/23/2011</b>	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
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BID OPENING DATE: **04/28/2011** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>REV. 05/26/2009</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: KRISTA FERRELL-FILE 21</p> <p>RFQ. NO.: PDS201110</p> <p>BID OPENING DATE: 04/28/2011</p> <p>BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>M. P. Scholtz</i>	TELEPHONE <b>740-289-4131</b>	DATE <b>4-28-11</b>
TITLE <i>Procurement Director</i>	FEIN <b>31-1413363</b>	ADDRESS CHANGES TO BE NOTED ABOVE

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



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6

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

RFQ COPY  
 TYPE NAME/ADDRESS HERE

P.O. BOX 50130

P.O. BOX 50130

PUBLIC DEFENDER SERVICES  
 BUILDING 3, ROOM 330  
 1900 KANAWHA BOULEVARD, EAST  
 CHARLESTON, WV  
 25305-0730 558-3905

DATE PRINTED 03/23/2011	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
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BID OPENING DATE: 04/28/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
TO CONTACT YOU REGARDING YOUR BID: ----- 740-289-3639 ----- CONTACT PERSON (PLEASE PRINT CLEARLY): ----- Michael A. Balestra -----						
***** THIS IS THE END OF RFQ PDS201110 ***** TOTAL:						<del>\$74,000.00</del>

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Michael A. Balestra</i>	TELEPHONE 740-289-4121	DATE 4-28-11
TITLE <i>Director</i>	FEIN 31-1413363	ADDRESS CHANGES TO BE NOTED ABOVE

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

## REQUEST FOR QUOTATION

### Division of WV Public Defender Services

The Acquisition and Contract Administration Section of the Purchasing Division, on behalf of the Division of WV Public Defender Services, is soliciting quotations for a firm of certified public accountants to conduct a financial and compliance audit of each of the seventeen Public Defender corporations for the fiscal year ending June 30, 2011.

The Public Defender Corporations are component units which will be blended as a special revenue fund for the State of West Virginia in its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2011. The West Virginia Public Defender Services serves as the over-sight agency responsible for the Public Defender Corporations. Draft financial statements must be submitted to the Financial Accounting and Reporting Section of the Department of Administration no later than September 8, 2011 and final audited financial statements must be issued no later than October 7, 2011.

The audits must be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Procedures Manual for Procuring Division of the State Auditor's Office. The successful bidder must be an independent accounting firm who can demonstrate that 50 percent of their auditing staff are duly licensed to practice as certified public accountants in the state of West Virginia and can demonstrate that the firm has experience in auditing other component units of the State of West Virginia's Comprehensive Annual Financial Reports as well as experience with the reporting requirements of 501 (c) (3) non-profit corporations.

According to State Code Section §29021-11, Public Defender Corporation may apply to the executive director of the WV Public Defender Services for state financial assistance. The amount of state funding for the fiscal year ending June 30, 2011, for each Public Defender Corporation is currently contracted as follows:

1 <sup>st</sup> Judicial Circuit	Brook, Hancock, & Ohio	\$ 1,244,020
2 <sup>nd</sup> Judicial Circuit	Marshall, Tyler, & Wetzel	\$ 577,174
5 <sup>th</sup> Judicial Circuit	Calhoun, Jackson, Mason, & Roane	\$ 790,902
6 <sup>th</sup> & 24 <sup>th</sup> Judicial Circuit	Cabell & Wayne	\$ 1,919,055
7 <sup>th</sup> Judicial Circuit	Logan	\$ 690,333
8 <sup>th</sup> Judicial Circuit	McDowell	\$ 469,434
9 <sup>th</sup> Judicial Circuit	Mercer	\$ 1,036,292
10 <sup>th</sup> Judicial Circuit	Raleigh	\$ 1,135,974
11 <sup>th</sup> Judicial Circuit	Greenbrier & Pocahontas	\$ 665,145
12 <sup>th</sup> Judicial Circuit	Fayette	\$ 593,462
13 <sup>th</sup> Judicial Circuit	Kanawha	\$ 4,171,843
15 <sup>th</sup> Judicial Circuit	Harrison	\$ 1,210,253
18 <sup>th</sup> Judicial Circuit	Preston	\$ 479,094
23 <sup>rd</sup> Judicial Circuit	Berkeley, Jefferson, & Morgan	\$ 2,836,546
25 <sup>th</sup> Judicial Circuit	Boone & Lincoln	\$ 793,014
28 <sup>th</sup> Judicial Circuit	Nicholas	\$ 378,973
30 <sup>th</sup> Judicial Circuit	Mingo	\$ 606,944

**Vendor Relationship:**

The relationship of the Vendor to the State shall strictly be that of an independent contractor. The Vendor shall be exclusively responsible for the payment to his/her employees and contractors of all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, and licensing fees, etc. and the filing of all necessary documents, forms, and returns pertinent to all of the foregoing.

**Hold Harmless:**

Vendor shall not bring, shall hold harmless, and shall provide the State and Agency with a defense against any and all claims that the State is held responsible for, including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

**Assignment/Subcontracting:**

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

**Governing Law:**

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

**Record Retention & Confidentiality:**

Vendor shall comply with all applicable Federal and State of West Virginia rules and regulations, and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by Vendor. The Vendor shall maintain such records minimum of five (5) years and make available all records to Agency personnel at Vendor's location during normal business hours upon written request by Agency.

Vendor shall have access to private and confidential data maintained by the Public Defender Corporations and the Agency to the extent required for the successful Vendor to carry out the duties and responsibilities defined in this contract. Vendor agrees to maintain confidentiality and security of the data made available and shall indemnify and hold harmless the State and Agency against any and all claims brought by any party attributed to actions of breach of confidentiality by the Vendor, subcontractors, or individuals permitted access by Vendor.



**COST PROPOSAL:**

Breakdown by Circuit:

Brooke, Hancock & Ohio	\$ 4,000.00
Marshall, Tyler & Wetzel	\$ 4,000.00
Calhoun, Jackson, Mason, & Roane	\$ 4,000.00
Cabell & Wayne	\$ 5,000.00
Logan	\$ 4,000.00
McDowell	\$ 4,000.00
Mercer	\$ 4,000.00
Raleigh	\$ 4,000.00
Greenbrier & Pocahontas	\$ 4,000.00
Fayette	\$ 4,000.00
Kanawha	\$ 5,000.00
Harrison	\$ 6,000.00
Preston	\$ 4,000.00
Berkley, Jefferson, & Morgan	\$ 6,000.00
Boone & Lincoln	\$ 4,000.00
Nicholas	\$ 4,000.00
Mingo	\$ 4,000.00
<b>Total all-inclusive fee for all circuits.....</b>	<b>\$ 74,000.00</b>

The price(s) quoted in the bidder's proposal will not be subject to any increase and will be considered firm for the life of the contract.

**Invoicing, Progress Payments, & Retainage:**

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



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 KRISTA FERRELL  
 304-558-2596

VENDOR

\*A21093049 740-289-4131  
 BALESTRA HARR & SCHERER CPAS  
 PO BOX 687  
 528 SOUTH WEST ST  
 PIKETON OH 45661

SHIP TO

PUBLIC DEFENDER SERVICES  
 BUILDING 3, ROOM 330  
 1900 KANAWHA BOULEVARD, EAST  
 CHARLESTON, WV  
 25305-0730 558-3905

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
04/12/2011				

BID OPENING DATE: 04/28/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
ADDENDUM NO. 1						
THIS ADDENDUM IS ISSUED TO PROVIDE ANSWERS TO THE TECHNICAL QUESTIONS SUBMITTED IN ACCORDANCE WITH THE PROVISIONS OF THE ORIGINAL REQUEST FOR QUOTATION (PDS201110).						
BID OPENING DATE REMAINS: 04/28/2011						
BID OPENING TIME REMAINS: 1:30 PM						
0001	1	LS		946-20		
AUDITING SERVICES FOR 17 PUBLIC DEFENDER CORPS						
***** THIS IS THE END OF RFQ PDS201110 ***** TOTAL:						<u>\$74,000.<sup>00</sup></u>

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Mark D. Salata</i>	TELEPHONE 740-289-4131	DATE 4-28-11
TITLE Shareholder/Director	FEIN 31-1413363	ADDRESS CHANGES TO BE NOTED ABOVE

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

**1. Are any of the accounting records for individual PDS corporations maintained by the WV Public Defender Services (the Agency)? If yes, please provide a detailed description of the records.**

A1 - Yes. Selected records are maintained by WVPDS. WVPDS maintains a line-item budget, an office directory, board lists, funding contracts, and limited salary information. Additionally, some policies and procedures are maintained by WVPDS. The policies and procedures may be accessed on the website by selecting the Public Defender Corporation link on the website [www.wvpds.org](http://www.wvpds.org). From this, several links to governing documents and the FY 2010 audits are available.

**2. Is it possible for any audit procedures for individual PDS corporations to be performed centrally at the Agency location? Have any audit procedures been performed at the central Agency location in the past?**

A2 - Audit procedures cannot be performed centrally at WVPDS as the accounts are not maintained here. However, WVPDS can provide an overview of the budgetary process, chart of accounts, policies and procedures and general operating guidelines. Most Corporations use a version of QuickBooks Premier; thus, some portions of the audits may be done outside of the Corporation.

**3. Are the records for each PDS corporation centrally located? Please identify any PDS corporations for which the records are not located in one central location.**

A3 - No. Each Public Defender Corporation operates as a separate legal entity that acts in cooperation with fulfilling WVPDS mission guidelines according to WV Code §29-21 *et seq.* There are 18 Corporations (17 organizations as the 6th/24th Public Defender Corporation acts as a merged entity) having 22 separate sites. Addresses of offices may be found on the website.

**4. Who prepares the federal form 990 for each nonprofit corporation? Were any additional services provided by the prior audit firm under separate contracts to the nonprofit corporations?**

A4 - Each Public Defender Corporation files the FORM 990 individually. In some instances, a Public Defender Corporation contracts with a local CPA firm or they may choose to complete the FORM 990 internally. No other services were provided to the Corporations under separate contracts.

**5. Does the Agency (WV Public Defender Services) or the management of each individual PDS corporation prepare the Management's Discussion and Analysis (MD&A) included in the financial statements as required supplementary information?**

A5 - WVPDS does not take part in the preparation of the MD&A. For FY2010, the external auditor completed the MD&A.

**6. Do the individual PDS corporations prepare their financial statements? Or is the auditor expected to draft the financial statements?**

A6 - Each Public Defender Corporation usually prepares cash basis reports. From these reports, the financial statements are drafted with the auditor. FY2010 Audit reports are available on the website.

**7. Are payroll procedures centralized at the Agency or does each individual PDS corporation maintain its payroll records and write its payroll checks?**

A7 - WVPDS does not provide payroll services or support to any Public Defender Corporation. Each Corporation is responsible for its own policies, procedures, and maintenance. As such, Public Defender Corporations may have differing payroll schedules.

PROPOSAL  
FOR  
WEST VIRGINIA PUBLIC DEFENDER SERVICES  
FOR  
PROFESSIONAL AUDITING SERVICES  
JULY 1, 2010 THROUGH JUNE 30, 2011  
RFQ# PDS201110

SUBMITTED APRIL 28, 2011 BY  
BALESTRA, HARR & SCHERER, CPAs, INC.  
MICHAEL A. BALESTRA, SHAREHOLDER/DIRECTOR  
[balestra@bhscpas.com](mailto:balestra@bhscpas.com)

528 SOUTH WEST STREET  
PIKETON, OHIO 45661  
740-289-4131

204 PARK AVENUE  
IRONTON, OHIO 45638  
740-532-1005

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# ***Balestra, Harr & Scherer, CPAs, Inc.***

***ACCOUNTING, AUDITING, AND CONSULTING SERVICES***

***FOR FEDERAL, STATE, AND LOCAL GOVERNMENTS***

[www.bhscpas.com](http://www.bhscpas.com)

***528 SOUTH WEST STREET***

***PIKETON, OHIO 45661***

***(740) 289-4131***

***204 PARK AVENUE***

***IRONTON, OHIO 45638***

***(740) 532-1005***

April 28, 2011

WEST VIRGINIA PUBLIC DEFENDER SERVICES

Building 3, Room 330

1900 Kanawha Boulevard, East

Charleston, WV 25305-0730

In accordance with the State of West Virginia Purchasing Division and WEST VIRGINIA PUBLIC DEFENDER SERVICES's request for proposal (RFP), Balestra, Harr & Scherer, CPAs, Inc. is pleased to submit this proposal to perform the financial and compliance audit of the WEST VIRGINIA PUBLIC DEFENDER SERVICES 17 Public Defender Corporations for period July 1, 2010 through June 30, 2011, with option to audit financial statements for each of the two (2) subsequent fiscal years.

Balestra, Harr & Scherer, CPAs, Inc. is committed to perform the audit of the WEST VIRGINIA PUBLIC DEFENDER SERVICES 17 Public Defender Corporations for the period in question in accordance with the requirements of the "Request for Proposal."

Balestra, Harr & Scherer, CPAs, Inc. specializes in providing services to federal, state, and local governmental units. We believe our experience in providing auditing, accounting, and management consulting services for numerous government clients similar to the WEST VIRGINIA PUBLIC DEFENDER SERVICES 17 Public Defender Corporations makes us uniquely qualified to assist you with the proposed contract. As you will find the key personnel have the experience to perform this engagement in a timely and efficient manner.

We are very interested in doing business with the WEST VIRGINIA PUBLIC DEFENDER SERVICES and hope to be able to be your auditor for the period July 1, 2010 through June 30, 2011 for the 17 Public Defender Corporations. Thank you for the opportunity to present this proposal.

Sincerely yours,



Michael A. Balestra, CPA, CFE, CGFM, CISM

**AUDIT OF WEST VIRGINIA PUBLIC DEFENDER SERVICES'S BASIC FINANCIAL STATEMENTS**

**LICENSE TO PRACTICE IN WEST VIRGINIA/INDEPENDENCE/NONDISCRIMINATION**

Balestra, Harr & Scherer, CPAs, Inc. is a small business in accordance with the U.S. Small Business Administration, a Professional Corporation in the State of Ohio. We are currently authorized to engage in practice as a Certified Public Accountant pursuant to 4701.10, Revised Code. All assigned key professional staffs are properly licensed to practice in West Virginia. Balestra, Harr & Scherer, CPAs, Inc. will not use a subcontractor for this engagement.

The principal and all key professional staff have complied with the governmental qualification standards, including governmental continuing education. Included in the qualification and experience for the key personnel is a listing of continuing education courses attended over the past three years. The firm's most recent external quality review was conducted in January 2009 for which it received an unqualified opinion.

**AFFIRMATIONS**

The firm of Balestra, Harr & Scherer, CPAs, Inc. hereby affirms that all assigned key professional staffs who are indicated to be a licensed CPA, are properly licensed to practice in Ohio, have complied with the governmental qualification standards, including the governmental continuing education requirements, have undergone an external quality peer review.

The firm of Balestra, Harr & Scherer, CPAs, Inc. hereby affirms that the firm and all key professional staff are independent of the WEST VIRGINIA PUBLIC DEFENDER SERVICES and the State of West Virginia as defined by the U.S. General Accounting Office's Governmental Auditing Standards, Amendment Number 3 (2003).

The firm of Balestra, Harr & Scherer, CPAs, Inc. hereby affirms that they will not provide non-audit services to WEST VIRGINIA PUBLIC DEFENDER SERVICES during the term of the contract that would require the firm to perform management functions or make management decisions for the client, or would lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the IPA would be auditing their own work.

The firm of Balestra, Harr & Scherer, CPAs, Inc. hereby affirms that it will not discriminate against any employee or applicant for employment because of race, color, religion, sex, age, handicap, or national origin. The firm has complied with Presidential Executive Order 11246, "Equal Employment Opportunity," as amended by Presidential Executive Order 11375, and as supplemented by 41 CFR Part 60. The firm is committed to Affirmative Action.

## EXPERTISE AND EXPERIENCE

### FIRM QUALIFICATION AND EXPERIENCE

Balestra, Harr & Scherer, CPAs, Inc. is a certified public accounting firm with clients located throughout Ohio, Indiana, Kentucky, Michigan and West Virginia. Our firm was established in 1992 and has a proven history of service which serves a broad range of nonprofit, government, and private sector clients. We provide a broad range of services to our clients including auditing, accounting, management consulting, and tax preparation and planning. Our firm is registered with the American Institute of Certified Public Accountants, Ohio, Indiana, Kentucky, Michigan, and West Virginia State Accountancy Board, and the Auditor of State of Ohio - IPA Division. Our firm is classified as a Hub-zone small business in accordance with the U.S. Small Business Administration. We have five office locations in Circleville, Ironton, Worthington, Portsmouth and Piketon, Ohio. The location of the office from which the work on this engagement is to be performed is 204 Park Avenue, Ironton, Ohio 45638.

Balestra, Harr & Scherer, CPAs, Inc. is a member of the Private Companies Practice Sections (PCPS) of the American Institute of Certified Public Accountants. As members we subject ourselves to triennial peer reviews in an effort to ensure that the quality of work and our staff's education is maintained at the highest level of our profession. Membership in the PCPS also requires that our professional staff obtain at least forty hours of continuing education annually. In addition, we encourage our staff to become involved in professional and civic organizations. These organizations include the American Institute of Public Accountants, West Virginia Society of Certified Public Accountants, Association of Government Accountants, Government Finance Officers Association, Information Systems Audit and Control Association and many other organizations.

Our firm's membership in the Independent Accountant's International and other networks provides us with technical resources and manpower not only on a national level but a global level as well. Members of Independent Accountants International network are thoroughly screened to ensure that the quality of their work meets professional standards and the standards established by the network. When the need arises, we have a proven, quality contact in other cities across the nation as well as around the world that we can use for technical resources or provide help on a project in another part of the country or world.

Balestra, Harr & Scherer, CPAs, Inc. is a group of dedicated professionals. We employ 64 people full-time of which 60 are professional staff. Of this total, 15 are Certified Public Accountants, 2 are Certified Fraud Examiners, 2 are Certified Information System Auditors, 1 is Certified Information Technology Professional, 1 is a Certified Government Audit Professional, 1 is a Certified Information Security Manager and 2 is a Certified Government Financial Manager. All professional staff has a Bachelors Degree in Accounting. Our firm has a substantial audit and consulting practice of government clients, so we have 15 full-time and 2 part-time audit staff members dedicated to this important client base. The staffing for this engagement will entail the following; Engagement Partner, Director of Quality Assurance/Concurring Reviewer, Manager, Supervisor, staff auditors, and a systems auditor.

Experience and professionalism are the keys to our success. Members of the firm have worked in various entities including governmental and regulated industries. They understand the system from both sides of the equation. Maintaining the highest degree of independence, integrity, and competence, our staff treats all client matters with the utmost confidentiality. Consequently, every member of our firm is committed to providing a high level of service that is responsive to the needs and expectations of each individual client. The firm uses state of the art computerized equipment to insure accurate and timely preparation of reports.

One way we insure quality service is to have an effective quality control program. Our firm underwent a external review of its internal quality control program by an independent review team in January 2009 and received an unqualified opinion. This review process is a requirement of our professional organization, the American Institute of Certified Public Accountants, and is completed to insure that firms are meeting professional standards.

Balestra, Harr & Scherer, CPAs, Inc. is a firm registered with the Accountancy Boards in Ohio, Indiana, Kentucky, Michigan and West Virginia and has no record of outstanding complaints on file with the Boards during the past 3 years. The firm has no pending disciplinary action against it nor has it had any disciplinary action taken against it during the past 3 years with state regulatory bodies or professional organizations.



**ASSIGNED PARTNER QUALIFICATIONS AND EXPERIENCE**

**MICHAEL A. BALESTRA**

<b>Current position</b>	President/Director		
<b>Current employer</b>	Balestra, Harr & Scherer, CPAs, Inc.		
<b>Education</b>	B.B.A., Accounting, Ohio University		
<b>Professional certifications</b>	CPA, CFE, CGFM, CISM		
<b>Total years of experience</b>	25	<b>Years of audit experience</b>	25
<b>Proposed position</b>	Engagement Partner	<b>Years of Government experience</b>	25

**Relevant experience**

- Mr. Balestra served as the engagement partner on the fiscal years 1995 through 2009 Government engagements.

State and local government audit experience

- States of Ohio, West Virginia and Kentucky.** Mr. Balestra served as a engagement partner on financial statement and compliance audits of State Agencies, Counties, Cities, Villages, Townships, School District, Universities, PDS, and Not for Profits conducted in accordance with *Government Auditing Standards* and the Single Audit Act. These audits involved accounting and auditing principles and techniques that closely resemble those of the PDS. Mr. Balestra's responsibilities include supervising and reviewing all phases of field work.
- Also, Mr. Balestra worked for 13 years as a Senior Auditor Manager for the Auditor of State of Ohio and has experience with an international accounting firm. While at the Auditor of State's office he performed audits in a 10 PDS area which involved numerous PDS engagements.

**Professional accomplishments, affiliations, and other**

- |   |  |
|---|--|
| Member, Association of Government Accountants     | Member, Information Systems Audit and Control Association  |
| Member, Government Financial Officers Association | Member, American Institute of Certified Public Accountants |
| Member, WV, KY and Ohio Society of CPAs           | Member, Association of Certified Fraud Examiners           |

**Continuing professional education (last three years)**

Course	Participant (P)/ Instructor (I)	CPE Hours	Date
Uniform Cost Reporting	P	8	01/08
The Higher Education Accounting Forum: GFOA	P	18	04/08
Ohio Professional Standards and Responsibilities	P	3	12/08
Auditing Networked Computers	P	22	11/08
GASB Statement No.44 – The New Statistical Section	P	4	02/09
Core A&A Training – CCH	P	8	03/09
GASB #34 – CCH	P	8	03/09
Workshop – CCH	P	8	03/09
Compliance Issues and How to Design Policies to Avoid Them	P	2	03/09
Annual Update for Accountants and Auditors	P	8	03/09
Fraud Red Flags in Local Government	P	4	04/09
Training – Governmental Auditing – BHS	I	8	04/09
Fraudulent Payroll Schemes and Prevention	P	2	01/10
101 <sup>st</sup> Annual GFOA Conference	P	24	06/10
Community School Training	P	6	07/10
Government Accounting and Auditing Update Training	P	9	08/10

## MATT THOMAS

<b>Current position</b>	Audit manager		
<b>Current employer</b>	Balestra, Harr & Scherer, CPAs, Inc.		
<b>Education</b>	B.B.A., Accounting, The Ohio State University		
<b>Professional certifications</b>	CPA, CFE		
<b>Total years of experience</b>	16	<b>Years of audit experience</b>	16
<b>Proposed position</b>	Audit Manager	<b>Years of PDS experience</b>	16

### ***Relevant experience***

- Mr. Thomas served as the audit manager on the fiscal years 1997 through 2009 government engagements. Mr. Thomas's responsibilities include supervising and reviewing all phases of field work and completing field work.

State and local government audit experience

- **State of Ohio, Kentucky and West Virginia.** Mr. Thomas served as Audit manager on financial statement and compliance audits of Counties, Cities, Villages, Townships, School Districts, Special Districts and Not for Profits conducted in accordance with *Government Auditing Standards* and the Single Audit Act. These audits involved accounting and auditing principles and techniques that closely resemble those of the PDS. Mr. Thomas's responsibilities include supervising and reviewing all phases of field work and completing field work.

### ***Professional accomplishments, affiliations, and other***

Member, Association of Government Accountants  
 Member, American Institute of Certified Public Accountants  
 Member, Ohio Society of Certified Public Accountants  
 Member, Association of Certified Fraud Examiners

### ***Continuing professional education (last three years)***

<u>Course</u>	<u>Participant (P)/ Instructor (I)</u>	<u>CPE Hours</u>	<u>Date</u>
Fraud & the Financial Statement Audit (SAS 99) – AICPA	P	8	08/08
Audit Sampling – RSM McGladrey	P	3	08/08
SAS 99 and Identity Theft/ Forged Documents Seminar – Central Ohio AGA	P	4	09/08
Going Concerns Issues – RSM McGladrey	P	1	09/08
Consideration of Internal Controls in a Financial Statement Audit – RSM McGladrey	P	4	09/08
Audit Sampling Materiality & Risk – Video Education	P	8	09/08
Student Financial Aid Seminar – NASFFA	P	8	10/08
Accounting & Auditing for ADAMH – Franklin PDS ADAMH	P	8	12/08
The Revised Yellow Book – Government Auditing Standards – AICPA	P	8	01/09
Auditor of State Accounting, Auditing and Ohio Supplement Update	P	8	03/09
Central Ohio AGA Professional Development Conference	P	24	12/09
Ohio Professional Standards and Responsibilities	P	3	12/09
Uniform Cost Report Training	P	12	01/10
Emerging Trend In Fraud Investigation and Prevention Conference	P	12	05/10
The Higher Education Accounting Forum	P	18	04/10

## RICK GALLOWAY

<b>Current position</b>	Audit manager		
<b>Current employer</b>	Balestra, Harr & Scherer, CPAs, Inc.		
<b>Education</b>	B.B.A., Accounting, Ohio University		
<b>Professional certifications</b>	CPA		
<b>Total years of experience</b>	20	<b>Years of audit experience</b>	20
<b>Proposed position</b>	Audit Manager	<b>Years of PDS experience</b>	20

### *Relevant experience*

- Mr. Galloway has served as the audit manager on the fiscal years 1997 through 2009 government engagements. Mr. Galloway's responsibilities include supervising and reviewing all phases of field work and completing field work.

State and local government audit experience

- **State of Ohio, West Virginia and Kentucky.** Mr. Galloway served as Audit manager on financial statement and compliance audits of Counties, Cities, Villages, Townships, School Districts, Special Districts and Not for Profits conducted in accordance with *Government Auditing Standards* and the Single Audit Act. These audits involved accounting and auditing principles and techniques that closely resemble those of the PDS. Mr. Galloway's responsibilities include supervising and reviewing all phases of field work and completing field work.

### *Professional accomplishments, affiliations, and other*

Member, Association of Government Accountants  
 Member, American Institute of Certified Public Accountants  
 Member, Ohio Society of Certified Public Accountants  
 Member, West Virginia Society of Certified Public Accountants

### *Continuing professional education (last three years)*

Course	Participant (P)/ Instructor (I)	CPE Hours	Date
Fraud & the Financial Statement Audit (SAS 99) – AICPA	P	8	08/08
Audit Sampling – RSM McGladrey	P	3	08/08
SAS 99 and Identity Theft/ Forged Documents Seminar – Central Ohio AGA	P	4	09/08
Going Concerns Issues – RSM McGladrey	P	1	09/08
Consideration of Internal Controls in a Financial Statement Audit – RSM McGladrey	P	4	09/08
Audit Sampling Materiality & Risk – Video Education	P	8	09/08
Student Financial Aid Seminar – NASFFA	P	8	10/08
Accounting & Auditing for ADAMH – Franklin PDS ADAMH	P	8	12/08
The Revised Yellow Book – Government Auditing Standards – AICPA	P	8	01/09
Auditor of State Accounting, Auditing and Ohio Supplement Update	P	8	03/09
Central Ohio AGA Professional Development Conference	P	24	12/09
Ohio Professional Standards and Responsibilities	P	3	12/09
Uniform Cost Report Training	P	12	01/10
Emerging Trend In Fraud Investigation and Prevention Conference	P	12	05/10
The Higher Education Accounting Forum	P	18	04/10

## AVAILABILITY AND EXPERIENCE OF MANAGEMENT SUPPORT PERSONNEL

The following personnel are available support personnel for technical consultation during the audit and as needed throughout the term of the contract. They can be assessed daily by staff and client, either by email, cell phone or land phone. Also, they have the capabilities to review our electronic work papers while at another location or off the audit site.

### JEFF HARR, CPA

Jeff graduated from the Ohio State University with a BSBA in accounting in 1978. He is a shareholder and the firm's Director of Quality Control. Before starting the firm, he worked as an audit manager for an international accounting firm. He is a peer reviewer in the AICPA peer review program. Jeff has extensive experience in auditing government entities. He performs a stringent, independent technical review process of all opinion audits to ensure its accuracy and unbiased reporting. Also, he is available for consultation on technical matters, as needed. He meets the 40 hours CPE yellow book requirement every year.

### PAUL RENNICK, CPA

Paul graduated from Wilmington College with a BS in accounting in 1979. He is the firm's Director of Quality of Assurance/Accounting and Auditing Support and has held various other audit and accounting management positions in his 24+ years in the field. Prior to joining our firm, he was the Senior Deputy Auditor for Local Government Services with the Auditor of State and an audit manager for an international accounting firm. Paul has served on GASB Task Forces, is an annual reviewer for the AICPA's governmental sector Audit Risk Alert and is a member of the GFOA Certificate Special Review Committee. He has extensive experience in auditing government entities. Paul is trained in the implementation of new reporting and disclosure requirements for Counties. To assist with compliance in the complex and evolving regulatory environment, Paul monitors the activities of the Auditor of State and GFOA. He also monitors state agencies and others regarding government funding and audit requirements of government entities. He meets the 40 hours of CPE yellow book requirement every year.

### BRENDEN BALESTRA, CPA, CISA, CGAP, CGEIT

Brenden graduated from Liberty University with a BSBA in accounting in 1995. He is the firm's Director of Government Auditing and has 15 years experience. Brenden has extensive experience in auditing government entities and IT systems. His specialty is government audits and federal programs. Brenden is a member of the Institute of Internal Auditors, Association of Government Accountants and the Information Systems Audit and Control Association. He meets the 40 hours CPE yellow book requirement every year. He is available for consultation on technical matters, as and when needed.

### CHRIS GLEASON, CISA

Chris graduated from the Ohio State University with a BSBA in accounting in 1998. He is the firm's IT Director and has 15 years experience. Chris has extensive experience in auditing government entities and IT systems. His specialty is reviewing general and application controls for IT systems. Chris is a member of the Information Systems Audit and Control Association. He meets the 40 hours CPE yellow book requirement every year. He is available for consultation on technical matters, as and when needed.

All the above listed personnel have provided technical support on the firm's government audits.

## SIMILAR GOVERNMENT EXPERIENCE

WV EDUCATIONAL BROADCASTING AUTHORITY  
WV PUBLIC BROADCASTING FOUNDATION, INC.  
FRIENDS OF WV BROADCASTING, INC  
WV ALCOHOL BUREA CONTROL ADMINISTRATION  
WV DEPARTMENT OF EDUCATION  
FORT GAY, WV  
WAYNE, WV  
SPENCER, WV  
OHIO DOE  
OHIO DOT  
OHIO SCHOOL TO WORK  
OHSAA  
OHSAA FOUNDATION

PLEASE NOTE OUR FIRM PERFORMS OVER 100 GOVERNMENT AND NONPROFIT AUDITS ANNUALLY. THESE ARE TO LARGE TO SCHEDULE OUT BUT THE LIST CAN BE MADE AVAILABLE ON REQUEST.

## UNDERSTANDING OF THE SCOPE OF THE WORK AND AUDIT APPROACH

We understand that the WEST VIRGINIA PUBLIC DEFENDER SERVICES seeks and independent CPA firm to perform an audit of the PDS's basic financial statements for the fiscal year ending June 30, 2011, with the option for auditing the subsequent two fiscal years. We understand that the PDS's basic financial statements include the following:

- Management's Discussion and Analysis
- Financial Statements
  - Statement of Net Assets
  - Statement of Revenues, Expenses and Changes in Fund Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements
- Schedule of Budget to Actual Expenses – Cash Basis

We will conduct the audit in accordance with *Government Auditing Standards* issued by the comptroller general of the United States, and subsequent revisions. Our audits of the PDS will be performed in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Public Accountants, the standards for financial audits set forth by *Government Auditing Standards* issued by the comptroller general of the United States, and subsequent revisions (2003), and the provisions of the Single Audit Act Amendments of 1996. In addition, we will perform tests of compliance using the West Virginia Code to determine the audit steps to be performed. Upon completion of the audit of the financial statements of the West Virginia Public Defender Services we will issue the reports listed on page 22 for the 17 Public Defender Corporations.

We are also required to audit the additional financial information schedules required by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration. Also, limited procedures will be performed on RSI and OFI.

### Understanding of the WEST VIRGINIA PUBLIC DEFENDER SERVICES

The WEST VIRGINIA PUBLIC DEFENDER SERVICES serves as an oversight agency responsible for the Public Defender Corporations. There are 17 Public Defender Corporations required to be audited. The Public Defender Corporations are component units which will be blended as a special revenue fund for the State of West Virginia in its CAFR for the fiscal year ended June 30, 2011. State Code Section 29021-11 allows the Public Defender Corporations to apply to the executive director of the WV Public Defender Services for state financial assistance. All 17 corporations received this funding for 2011.

### Audit Methodology and Approach

Audit methodologies and technical approaches can vary significantly among CPA firms, even though auditing standards and accounting principles have been uniformly established. Balestra, Harr & Scherer, CPAs, Inc. has developed an approach to auditing financial statements that has proved effective in meeting both professional standards and the high expectations of the general community. This methodology incorporates the best practices of the Firm's Audit Service Manual with the unique applications and requirements of the PDS and government sector's own authoritative literature.

We have already successfully implemented this methodology on previous audits. This methodology integrates both the financial and EDP audit approached seamlessly. The traditional audit approach is based upon an important premise-financial statements are not an end unto themselves. They are only one result of numerous operational processes and other variables that ultimately contributed to the financial results. With this in mind, we recognize that PDS and government entities today expect more than a certification statement for their audit fee. Although the auditors' opinion as to whether the financial statements are free of material misstatements is a critical outcome, the most important outcome of PDS and government audits today is practical recommendations for improving controls and increasing efficiency.

### Technology-Enabled

Balestra, Harr & Scherer, CPAs, Inc. audit teams armed with proprietary applications that help to ensure that you receive a quality audit. Balestra, Harr & Scherer, CPAs, Inc.'s technology tools provide our teams with a structured, risk-focused workflow that puts industry information at their fingertips and enables team collaboration. These state-of-the-art tools are more than simple work papers; these tools help teams focus on the key risks of your business and drive concise analysis that is fundamental to the financial statement audit.

Given today's highly complex financial management systems, and evaluation of the IT control environment is a critical component of auditing the financial statements of most entities. Such an evaluation determines the degree of reliance an auditor can place on the internal controls of the systems that generate financial statements. Our IS auditors perform thorough reviews of the overall control procedures within the IT environment and of the specific controls unique to each client's application systems and transactions. The IT general control environment, combined with the specific applications controls unique to individual transaction cycles, will determine the reliability of data produced by computerized systems.

In determining our EDP audit approach, we use our technical expertise and understanding of the PDS and government agencies and its operating environments. Our EDP audits comply with Information Systems Audit and Control Association’s audit methodology, COSO and COBIT.

Our EDP audit approach and work plan are simple and straightforward. We deploy a methodology that evaluates general controls at the entity and installation levels, we evaluate general controls as they are applied to the applications being examined, and we assess applications controls, which are the controls over input, processing, output, and security of data associated with individual applications.

This methodology examines the effectiveness of general controls as a significant factor in determining the effectiveness of application controls. We realize that without effective general controls. Application controls may be rendered ineffective by circumvention or modification. Our methodology examines both general and application controls to examine their effectiveness and to help ensure the reliability, appropriate confidentiality, and availability of critical automated information.

**Balestra, Harr & Scherer, CPAs, Inc.’s Approach is Successful and Efficient**

Our comprehensive engagement approach is based on a clear understanding of the client. We take into consideration the mission, business and operating objectives, and business and operating processes unique to your organization. This enables us to provide you with tailored results that specifically address opportunities for improvement.

Balestra, Harr & Scherer, CPAs, Inc. has audited more government entities than most other firms. Because our audit approach has proved to be successful at numerous government entities, we will not have to create a new approach of the PDS’s, as any other firm would be required to do.

The chart below details the differences between traditional audits and Balestra, Harr & Scherer, CPAs, Inc.’s unique audit approach.

What You Should Expect	How Traditional Audits Respond	How Our Audit Responds
Understanding of your business, operations, and market challenges	Financial statement focus	Business approach built upon a foundation of understanding your mission and strategic operating objectives
Focus on compliance and controls	Internal control evaluation for interim test work	Continuous contact involving key members or our service team; integration with the audit objectives
The right team to match your operations	Functional audit team (auditors “borrowing” consultants	Multidisciplinary integrated team that works together, year-round
A firm that listens to your concerns	Responds to client-raised concerns; visits from a “sales partner”	Continuously asks how we can improve

Our audit methodology is founded on several key points:

- Consideration and use of existing documentation and related work products. We review the PDS’s strategic plans, annual reports, five-year plans, budgets, and audit reports, and make use of prior-year work papers to the maximum extent possible. These sources of information save us time and enable us to better understand the PDS’s business and operating environment, to assess control risk, and to plan the audit.
- Analytical review techniques in the planning phase or the audit to assess inherent risk and to identify account inter-relationships or results that may differ from expectations. This allows us to focus our audit effort on critical areas, providing an earlier and more effective identification of potential problems and areas most likely to result in material misstatement.
- Early consideration and discussion of the more contentious and often troublesome issues, such as the accounts most likely to require adjustment, most difficult to audit, or most difficult for which to obtain adequate audit evidence, and legal letters, management representation letters, and their ramifications.
- Maximum use of technology in the audit process, including the use of statistical sampling techniques to select and evaluate samples more efficiently and to minimize audit risk; extensive use of the PDS’s computers to automate the audit process; use of other technology-based audit tools and techniques to audit “through the computer” where practicable; and use of IS auditors experienced in PDS and government audit engagements.
- Assignment of experienced professionals with specialized knowledge and skills in auditing PDS and government entities in accordance with related authoritative guidance.
- Strong reliance on planning, communication, and coordination between all parties.
- Continuous consideration and updates on the status of any reportable conditions, communicated through progress meetings and notices of findings, so that there are no surprises at the audit’s completion.

Our audit methodology is risk-based and concentrates on areas that present a higher risk of financial statement loss or misstatement. Our approach focuses on planning, communicating, and coordinating with PDS's management and audit committee. Maintaining communication throughout the audit is critically important. Therefore, we will inform the audit committee and PDS's management of our progress as well as of potential audit issues and findings.

#### **Four-Phase Approach**

Our audit approach includes four phases: planning, internal control review, substantive testing, and reporting and is consistent with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The four phases and the work to be performed as part of each phase are summarized below. This summary does not limit the audit scope, as additional areas of focus may surface as the audit progresses.

#### **Planning Phase**

The primary purpose of this phase is to establish a proper foundation for the direction of the audit. The procedures performed during the planning phase will help ensure that the audit work performed is adequate and supports our opinion on the financial statements and our Report on Compliance and Internal Controls over Financial Reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.

**Step 1.1 – Hold an entrance conference.** We will hold an audit entrance conference with the PDS's management and Audit Committee to ensure all relevant concerns are incorporated into our procedures, to provide an overview of our objectives and planned approach, and to discuss administrative issues. We will provide at least five working days notice to PDS's management prior to the meeting. Topics we expect to address during the conference include:

- Identification of key contacts
- General audit approach
- Timeline
- Coordination with management regarding audit assistance needed
- Coordination of EDP and statistical specialist involvement
- Preliminary audit concerns
- PDS's management concerns
- Notification of findings and recommendations process (our "no surprises" audit technique)
- Content, format, and timing of progress and financial status reports
- Space and equipment needs

**Step 1.2 – Meeting with key PDS personnel.** We will meet with designated PDS personnel to discuss certain aspects of the overall audit planning process, including the following:

- Initial audit concerns
- Management concerns
- Fraud risk factors and management's response to such risk
- EDP general and application control environment
- Potential accounting and reporting issues
- Financial highlights
- Status of implementation of new GASB 34
- Any concerns not addressed in the entrance conference

We anticipate that the meeting described above will assist us in determining information needed for interim and final testing and establishing timetables. We believe that communication is vital for a successful audit; therefore, we will ensure that we discuss the information needed for the audit, the format of the information, and the due dates that will enable us to meet the deadlines.

**Step 1.3 – Plan for interim fieldwork.** We will design our audit so that we perform most of the detailed audit procedures throughout the year instead of after year-end. Example audit procedures that we will perform prior to year-end include:

#### **All Processes**

- Test the design and operating effectiveness of EDP controls
- Test the design and operating effectiveness of non-EDP internal controls, such as reconciliations and management review controls, for all audit processes

#### **Cash and Investment Management Processes**

- Test controls over cash and reconciliation activity

#### **Budget Management Process**

- Test controls over monthly budgetary statements



- Test a sample of appropriations and transfers approvals
- Test a sample of obligations incurred

**Revenue Management Process**

- Test controls and compliance with revenue policy and related laws and regulations

**Human Resources Management Process**

- Test controls over compliance with payroll and benefit related laws and regulations
- Test controls over payroll policy
- Substantively sample payroll

**Procurement Management Process**

- Test controls over compliance with procurement policy and laws
- Test controls over procurement policy
- Substantively sample vouchers

**Step 1.4 – Perform high-level review of organization, programs, controls, and risk.** We will obtain and review the following documentation as necessary:

- Enabling legislation
- Appropriations and related internal budgets
- Applicable laws and regulations
- Strategic plans
- Five year plans
- Accounting policies and procedures manuals
- Recent financial statements and annual reports
- Key statistical data
- Annual performance plans and related reports

Two key elements of our audit process are assessing business risks affecting the client and obtaining an understanding, sufficient to plan and execute the audit, of the key processes and controls in place to manage and mitigate those risks, including the use of information systems.

**Step 1.5 – Review prior year audit work papers.** We will review the prior year work papers and reports. We will also review any relevant internal audit reports that may have been issued that would affect PDS’s financial systems, internal controls, or operations. This will allow us to build upon prior work and avoid duplication of effort. Our review of prior year work papers will focus on:

- Background information on operations and policies
- Overall control environment, financial management systems, and control procedures
- Controls and systems to ensure compliance with laws and regulations
- Other work papers supporting prior year reports

**Step 1.6 – Make preliminary materiality determinations.** Materiality determinations help focus the audit on key areas. We will preliminarily determine materiality to identify significant line items, accounts, assertions, processes, and accounting applications. We will document these determinations in the work papers and include them in our planning document. We will also preliminarily determine materiality for analytical, internal control, and substantive testing purposes.

**Step 1.7 – Review sources of financial statement data.** We will review the flow of accounting data from the point of transfer or exchange to the general ledger. We will determine how the financial statement amounts are obtained from the general ledger and type of supporting documentation that supports the key general ledger activity. The information we obtain in this step will be used to prepare internal control cycle matrices.

**Step 1.8 – Identify significant line items, accounts, and assertions.** Based on our understanding of the source of financial statement data, we will begin to prepare an account risk analysis (discussed later in this section), in which we identify the material financial statement cycles, accounts, line items, components, and audit assertions. This will focus our attention on those financial statement elements that will require the most audit attention. Based upon our understanding of PDS’s operations, we will have identified the following significant processes and related financial statement accounts:

- Cash and investment management
  - a. Cash and Cash Equivalents – pooled and segregated
- Budget Management
  - a. Appropriations
  - b. Status of budgetary resources
  - c. Estimated resources

- d. Encumbrances and un-obligated balances
  - e. Transfers in and out, due to and from other funds
- Financial Reporting
    - a. Basic Financial statements
    - b. MD & A
    - c. Required supplementary information
    - d. Other financial information
  - Revenue Management Process
    - a. Unemployment Compensation Premiums and other receivables
    - b. Charges for services and operating grants, interest and other
    - c. Due from other governments
  - Procurement Management Process
    - a. Accounts payable and expenses
    - b. Material and supplies inventories
    - c. Capital assets, additions, deletions and depreciation
  - Human Resource Management Process
    - a. Salaries, Wages and Benefit expense
    - b. Employee Pension contributions
    - c. Employer Pension contributions
    - d. Salaries, Wages and Benefits Payable, intergovernmental payable
    - e. Compensation Absences due

**Step 1.9 – Identify significant internal control processes, cycles and accounting applications.** Based on our definition of material financial statement accounts, line items, and components, and our understanding of the flow of information from the original points of entry, through the accounting application, to the financial statements, we will identify significant internal control processes, cycles, and accounting applications. In this effort, we will focus on those key controls directly affecting each material financial statement item, as well as those controls over the reported performance measures. This will guide our work in the internal control phase of the audit, where we understand, document, and test internal controls for purposes of determining whether they are adequately designed and their overall effectiveness. We expect the significant internal control processes and cycles to be:

- Cash and Investment management
- Budget management
- Revenue management
- Procurement management
- Human Resource management
- Financial Reporting management
- Federal Programs Grant management

**Step 1.10 – Review general record keeping considerations.** For each financial statement line item, we will determine the methodology, frequency of activity, and personnel involved in maintaining the accounting records. For example, we will determine how PDS's ensures that salary and benefits for new employees are calculated and entered into the payroll system accurately and timely and whether approved wage adjustments are properly made.

**Step 1.11 – Assess adequacy of systems and procedures documentation.** We will determine whether the accounting systems and control procedures are documented. We will also determine whether available systems and procedures documentation have been updated for any significant changes in accounting applications.

**Step 1.12 – Perform preliminary analytical review procedures.** Analytical procedures included reviewing interim account balances for trends, fluctuations, and relationships. We will perform analytical procedures for selected financial information and discuss unusual relationships and trends with management.

**Step 1.13 – Identify major areas of audit concern and define the major audit objectives.** Based on areas important to PDS's management, auditor of state and the audit committee, our understanding of the operating environment, the results of our analytical reviews, and our other planning procedures, we will highlight areas to emphasize during the engagement. We will then define the engagement objectives, concentrating on identified areas of concern.

These objectives will form the basis for the design of the audit programs and procedures to be performed. We will design our procedures based on the nature and materiality of the information to be tested, the likelihood of misstatements, the information gathered in the planning process, prior engagement experience, and our overall pension and government experience. We will design our engagement procedures to ensure we neither omit required procedures nor perform unnecessary procedures.

**Step 1.14 – Identify significant provisions of laws and regulations.** We will perform the following to identify laws and regulations that could have a direct and material effect on the financial statements:

- Inquire of the PDS's management and audit committee to discuss laws and regulations that could have a direct and material effect on the financial statements.
- Review the Request for Proposal
- Review work done in the prior year, as documented in prior year reports and work papers
- Review applicable authorizing and enabling legislation and any related PDS's
- Request PDS's general counsel to identify laws and regulations that it believes could have a direct and material effect on the retirement funds
- Review Auditor of State's Ohio Compliance Supplement
- Review applicable grant agreements

**Step 1.15 – Determine preliminary risk assessments.** We will determine the preliminary risk assessments based on quantitative and qualitative risk factors. Quantitative risk factors are a function of size and volume, while qualitative risk factors are more subjective and can include:

- The nature of operations and operating environment
- The strength of the internal control structure
- Transaction procedures and systems
- Accounting capabilities and policies
- The degree of subjective judgment required in determining significant dollar amounts
- The size, volume, and nature of transactions
- The systems to ensure compliance with laws and regulations
- The level and degree of management review
- The integrity and experience of management

During the planning phase, we will make preliminary risk assessments for each assertion. We will update and refine risk assessments based on results of our internal control test work and our assessment of effectiveness of internal control procedures. This will help us to focus the procedures we will perform in the testing phase on critical objectives, consistent with our assessments of control risk. More significant risk areas will receive more attention in terms of the procedures performed.

**Step 1.16 – Identify uses for computerized audit applications.** Our team will have multiple personal computers on site to automate certain functions. Automation makes engagement process more efficient and allows our professionals more time to analyze data and solve problems. We will use personal computers to automate analytical reviews, audit programs, system documentation, and detailed work papers; calculate statistical sample sizes and select sample items; test down load files; and automate various other tasks to produce an efficient and professional work product. Our work papers will include planning memoranda, internal control memoranda, spreadsheets, analytical reviews, and internal and external memoranda in Microsoft Word and Excel (format). Our IS auditors have developed computer assisted auditing techniques (CAATs) using our computer tools. The use of computers and our audit software enables our staff to perform the following functions electronically:

- Directly load client files into our microcomputer systems
- Update financial analyses and benchmarking indices
- Prepare or revise internal control analyses
- Select and analyze statistical and non-statistical audit samples for use in compliance and substantive audit test
- Exchange data among our offices, using our email system
- Track audit adjustments and their effect on financial statement balances

We will use sampling software to select sample sizes for non-payroll and payroll area.

The following summarizes certain automated software available to our audit team.

Audit Software	Application	Benefits
CCH Prosystems FX	Documents and manages audit strategy and execution	Improves audit team communication and efficiency
CCH CorpSystem Workpaper Manager Software	Workpaer Manger and Financial Statement Preparation	Improves audit team workpaper quality and efficiency and integrates Financial Statement Preparation
CAATs Automation Tools (ACL Software)	Enables automated data extraction, analysis, and reporting	Increases the efficiency of the audit
Cobit (ISAACA)	Models for microcomputer and mainframe based internal control documentation and review	Provides customized documentation in accordance with the Committee on Sponsored Organizations (COSO)
PPC Librarian	Professional accounting and auditing literature retrieval	Provides up to date guidance and key word searches
IT Control Reviews	IT documentation tool designed specifically for evaluating IT controls	Increases audit efficiency; minimizes time in documenting the IT control environment
IT Risk Management Benchmarking	Benchmarks the organization's key IT risk and controls against other organizations	Provides an objective means of reviewing the risk faced by an organization in relation to its use of IT

**Step 1.17 – Assess work performed by other firms.** We will inquire of PDS's management and the Auditor of State to identify any audits, reviews, or agreed upon procedures performed by other firms. We expect to review the work of these firms.

**Step 1.18 - Review form and content of financial statements.** We will review the prior year financial report and provide suggestions for improving presentation of the financial statements and related disclosures, as necessary. We will meet with PDS's management to discuss these suggestions and any new reporting requirements.

**Step 1.19 – Review preparation of the MD & A.** We will review the process for preparing the MD & A, developing and documenting performance measures, determining source(s) of the information, and determining whether the information is appropriately supported by source documentation.

**Step 1.20 – Prepare the strategic audit plan.** We will document the results of the planning phase in the strategic audit plan. Our standard work papers include business understanding documents, risk analysis documents, significant issues and decision documents, process analysis documents, control risk matrices, and audit program guides. Our strategic audit plan will include the following:

- Entity Profile, which provides a background of the PDS's and describes our overall engagement approach. This information is documented in our standard work papers entitled Engagement Planning Memorandum.
- General Risk Analysis, which identifies the overall engagement risks, the impact of accounting and engagement issues, the significant accounting cycles, laws and regulations, preliminary analytical procedures, engagement plan, and the materiality levels. This information is documented in our standard work papers entitled Engagement Planning Memorandum.
- Cycle Matrix, which links each of the accounts to a cycle, an accounting application, and a financial statement line item. The cycle memorandum sill document significant cycles or processes that will then be used to help identity significant internal controls within the cycle. This information is documented in our standard work papers entitled Engagement Planning Memorandum.
- Account Risk Analysis, which will bridge the internal control procedures to the substantive procedures in a narrative and table format. This document will identify, by account or financial statement line item, the relationship between identified internal control risks and the planned substantive procedures and assertions. This information is documented in our standard work papers entitled Engagement Planning Memorandum.
- Cycle Memorandum, which identifies the cycle transactions, each significant accounting application, and each significant financial management system included in the cycle. It describes the interfaces with other cycles and identifies financial statement line items and general ledger accounts in the cycle. It also describes the operating policies and procedures relating to the processing of cycle transactions and major internal controls. This information is documented our standard work papers titled, Record of Application Controls, Record of Monitoring Controls, Assessment of the Control Environment, and Record of Computer Environment Controls.

- Special Control Evaluation Worksheet, which summarizes our evaluation of the effectiveness of the design and operation of specific control techniques for each significant accounting application or significant line item, including EDP controls. We will prepare a preliminary worksheet that will be updated in the internal control phase. This information is documented in our standard work papers entitled Engagement Planning Memorandum.
- Audit Programs, which document the specific objectives and procedures to be applied to each of PDS's significant financial statement line items and classes of transactions. These programs will help engagement staff organize planning procedures, perform system reviews and evaluations, perform sampling and computer assisted procedures, and summarize procedures by objective and applicable law and regulations.
- Sample Plans and Substantive Test of Details Worksheets will help determine the number of transactions to test in both statistical and non-statistical samples.

We will review the strategic engagement plan with PDS's management and audit committee and obtain approval of the strategic engagement plan.

**Section 1.21 – Prepare a list of information needed for the audit.** Based on past PDS and government audit experience and our understanding of WEST VIRGINIA PUBLIC DEFENDER SERVICES, we will prepare a preliminary list of information needed for the audit (i.e., the PBC list and Client Assistance Package). We will try to use information already available to minimize PDS's efforts in preparing information for the audit. We will meet with PDS's management to discuss the timing of the information needed. We will maintain and update this list as the audit progresses.

**Section 1.22 – Conduct periodic progress meetings.** We will regularly communicate with the PDS's management and audit committee. We emphasize communication in our audit process because it is an important part of avoiding surprises, resolving questions, and meeting deadlines. We will hold periodic briefings with PDS's management and audit committee to discuss the progress of the engagement during every other week that we work on the engagement. At the periodic meetings, we will discuss any concerns of PDS's management and audit committee and the following:

- Progress to date compared to our audit timetable included in our proposal
- Significant issues and discrepancies, including audit findings, audit issues, and potential scope limitations
- Matters that could impact the deliverable due dates
- Recommended audit adjustments

**Step 1.23 - Prepare monthly status or periodic meeting reports.** We will prepare monthly progress reports for every month that we work on the engagement. We will also prepare reports summarizing the results of periodic meetings. The written reports will include summaries of the periodic meetings and list of participants and the following:

- Progress to date compared to our audit timetable included in our proposal
- Significant issues and discrepancies, including audit findings, audit issues, and potential scope limitations, and the proposed resolution
- Matters that could impact the deliverable due dates
- Recommended audit adjustments

We will submit these monthly reports to PDS's Management and audit committee no later than five business days after the end of the month.

### **Internal Control Phase**

After completing the planning phase, we will begin the internal control phase. This phase will include reviewing, documenting, and testing internal controls, including EDP controls, as necessary. It will also, serves as the basis for our final risk assessments and lead to the development of our substantive and compliance test procedures.

Internal control is a process designed to provide reasonable assurance as to the reliability of financial information and compliance with applicable laws and regulations. During the planning phase, we will have obtained a preliminary understanding of the internal control policies and procedures that will enable us to develop audit procedures to assess and address control risk. Control risk is a factor that is used to determine the nature, timing, and extent of substantive procedures for the testing phase.

During the internal control phase, we will further our understanding of significant internal controls and procedures and determine whether internal control policies and procedures have been place in operation and are functioning properly. The specific procedures we will utilize to review and evaluate internal controls follow.

**Step 2.1 – Understand, document, and evaluate the general control environment.** We will use Balestra, Harr & Scherer, CPAs, Inc.'s control overview documents to gain an understanding of, document, and evaluate PDS's current control environment over financial reporting. Balestra, Harr & Scherer, CPAs, Inc.'s control overview documents address the following:

- Risk assessment. Management's process for identifying risk, entity-level objectives, and activity level objectives and managing change
- Control environment. Management's attitude toward ethical values, fraud prevention and detection, commitment to competence, philosophy and operating style, organizational structure, assignment of PDS's and responsibility, and human resources policies and procedures.
- Information and communication. Design of information systems and flow of communication
- Monitoring and control activities. Management review process, information system controls, physical controls, and internal controls.

**Step 2.2 – Document and understand the system of internal controls (including control objectives and related control techniques).** We will gain an understanding of internal controls and assess internal controls and related audit risk. We will examine the existing system documentation, written accounting policies and procedures, and any other related materials. We will also obtain and review the most recent reports in order to understand reported internal control weaknesses and corrective action plans.

We will interview the appropriate personnel involved in processing the data and study the systems to document the transactions cycles in the form of an overview of each accounting process. Specifically, we will trace the flow of financial information from its origination to its entry into the accounting system to the eventual reporting or use of the information. We will document the key internal controls for each accounting cycle and compliance process, considering the following controls:

- Financial reporting controls for each significant assertion in each significant process or accounting application
- Budget controls for each relevant restriction identified in the planning phase
- Compliance controls for each significant provision of materially applicable laws and regulations
- Cash and Investment management controls for each significant assertion in each significant process or accounting application
- Revenue management controls for each significant assertion in each significant process or accounting application
- Procurement management controls for each significant assertion in each significant process or accounting application
- Human Resource management controls for each significant assertion in each significant process or accounting application
- Federal Grants management controls for each significant assertion in each significant process or accounting application

In preparing the internal controls documentation, we will identify control objectives and determine the points in the process where a control should exist and which type of control. We will identify each significant accounting application included in the transaction cycles. We also will identify the significant EDP controls included in the transaction cycles. We will describe interfaces with other cycles and feeder systems, identify financial statement line items and general ledger accounts affected by the process, and describe the operating policies and procedures controlling the accuracy and completeness of transactions. We also will document our assessment of missing controls, if any.

PDS's management should have designed and implemented internal control policies and procedures that provide for the PDS's to (1) comply with significant provisions of laws and regulations and (2) monitor its overall compliance with such laws and regulations. We will obtain an initial understanding of the PDS's compliance with internal controls by interviewing appropriate PDS's management personnel.

**Step 2.3 – Review and document EDP general and application controls.** Our IS auditors will assist in conducting reviews of the overall EDP control environment and specific evaluations of application controls deemed significant to its financial statements. The results of our EDP controls assessment enables us to (1) determine whether general controls are properly designed and operating effectively and (2) consider application controls as part of the internal control assessment in the audit. We will document our understanding of EDP controls and systems and determine the extent of further audit procedures over EDP systems.

We will also review the following:

- | Management's attitude toward and awareness of EDP
- | Organization and structure of the EDP function
- | Assignment of responsibilities and PDS's
- | Management's ability to identify and respond to potential risk
- | Function and relationship of systems

As part of our EDP control assessment, we will consider the following general control categories:

- | **Entity wide security program and management.** These controls ensure a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of computer related controls.
- | **Access Controls.** These controls limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting these resources from unauthorized modification, loss, and disclosure. This includes controls to prevent unauthorized access to computer resources, including access control software, dial-in procedures, and controls over network interconnections.
- | **Application software development and change controls.** These controls ensure that processes exist that prevent unauthorized programs or modifications to an existing program from being implemented.

| **Segregation of duties.** Policies, procedures, and an organizational structure are established so that one individual cannot control key aspects of computer related operations and thereby conduct unauthorized actions or gain unauthorized access to assets or records.

| **System Software.** These controls limit and monitor access to powerful programs and sensitive files that (1) control the computer hardware and (2) secure applications.

| These controls ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected.

Our application control assessment will include certain application controls from the following categories:

| **Automated input controls.** These controls ensure that only complete data are processed; errors or other rejected data are properly corrected in the system; data are controlled when converting data to machine form; only authorized transactions are processed; transactions are received from authorized sources; and transactions are captured for processing into the application in an accurate, complete, and timely manner. This includes the records that the system will process and the associated processes from origination to storage in the computer (any internal or external interfaces).

| **Processing and storage controls.** These controls ensure that data are processed correctly; any errors detected during processing are properly reported and monitored; transactions are processed by the programmed calculations completely and accurately and in accordance with user specifications; and the electronic information maintained on files remain authorized, complete, and accurate. This includes all computer processing after input has been accepted by the system and before output has been created, including the processing that matches or merges files, modifies data, updates master files, and performs file maintenance.

| **Automated output controls.** These controls ensure that output data is complete and reasonable; output reports are distributed only to authorized personnel; sensitive output is controlled properly; and files and reports generated by the application are complete, accurate, and distributed to authorized recipients on a timely basis. This includes the preparation of output and reports produced by the system and the associated manual process (automated or manual reconciliation) from the computer to the user.

**Step 2.4 – Identify control objectives and evaluate internal controls.** We will evaluate each internal control determined to be properly designed and placed in operation, in order to determine whether it meets the objectives of the control procedure and whether it is likely to be effective when properly performed (i.e., whether it would prevent or detect errors in financial data).

We will inform management of controls and procedures that have not been properly designed or implemented and controls determined to be ineffective even when properly performed.

**Step 2.5 – Test of the PDS's Internal Controls.** We will determine the nature, timing, and extent of control testing necessary to ensure that controls are functioning as designed. We will test internal controls using a combination of non-sampling control tests (i.e., inquiry and observation) and sampling control tests (i.e., inspection and re-performance). We will determine appropriate sample sizes for internal control tests by considering the expected rate of error in the population, the desired confidence levels, and the desired precision limits in determining sample sizes.

We will develop and perform detailed test for testing the effectiveness of the internal control procedures. Test of internal controls will be designed to determine whether:

| Transactions are properly authorized, reviewed, and processed

| Source documentation exist to support transactions and assertions

| Assets are safeguarded against loss from unauthorized acquisition, use, or disposition

| Transactions are recorded in the proper accounts

| Transactions are summarized completely and properly in the financial statements

| Transactions are executed in accordance with (1) laws and regulations that could have a direct and material effect on determining on financial statements and (2) any other laws and regulations that the audit committee, PDS and Foundation management, or legal sources have identified as being significant, for which compliance can be objectively measured and evaluated

| Transactions are recorded in the proper budgetary accounts

**Step 2.6 – Update the specific control evaluations.** During the internal control phase, we will update the RCEC that we had preliminarily completed in the planning phase. Specifically, we will document the evaluation of control techniques and update other sections of the RCEC based on the procedures we performed in the internal control phase.

**Step 2.7 – Update control risk assessment.** After documenting and testing internal controls, we will reassess our preliminary control risk. We will use these control risk assessments to determine the nature, timing, and extent of substantive tests to be performed in the testing phase. We will document this assessment by updating the Engagement Planning Memorandum initial developed during the planning phase.

**Step 2.8 – Document findings.** Throughout the internal control phase, and continuing through the testing phase, we will continually document and discuss all findings with the key members of the engagement team, PDS’s management, and the audit committee. We will use our standard form titled “Notice of Findings and Recommendations (NFR)” to document findings.

We have found that the use of NFRs is an effective and efficient method for communicating our findings as we identify them. It also provides for early management feedback, to ensure that the facts in the findings are accurate and our recommendations reasonable before we draft our report.

The NFR document includes;

- | **Source of information.** The source is a description of how we discovered the findings as well as a cross reference to the related process and attestation guide.
- | **Condition.** The condition is a description of the area examined and issued noted.
- | **Cause.** The cause is the underlying reason why the condition occurred, if know.
- | **Criteria.** The criteria is the authoritative literature that we used to determine that a condition exists.
- | **Effect.** The effect is what has resulted or could result from the conditions noted.
- | **Recommendation.** The recommendation is our suggestion for correcting the condition.
- | **Management Response.** The management response states whether management agrees with the NFR and its plan.

We will work with PDS’s management and audit committee to confirm each finding and develop cost effective recommendations. After we incorporate suggestions into the NFRs, we will obtain management’s and the audit committee’s approval of each NFR.

Through the engagement we will maintain a summary of NFRs issued, management’s response, and the disposition of the NFRs. At the conclusion of the audit, we will categorize the NFRs into three broad categories:

- | **Material weaknesses.** Conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being examined, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
- | **Significant Deficiencies.** Significant deficiencies in the design or operation of the internal control structure that could adversely affect management’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
- | **Management issues.** Deficiencies not serious enough to be considered significant deficiencies, but that require corrective action. The conditions could also represent opportunities to improve effectiveness and efficiency.

Based on the categories of the NFRs, we will cross reference the NFRs to our report or management letter.

**Step 2.9 – Holding periodic progress meetings.** We will hold periodic progress meetings with PDS’s management and audit committee to discuss the results of interim testing and an assessment of the status of the audit, including whether the remaining due dates can be met. We will discuss any additional items.

### Testing Phase

The third phase of our engagement approach consists of performing substantive tests to determine the following:

- Accuracy of the amounts included in the financial statements
- Completeness and consistency of footnote data
- Compliance with the laws and regulations identified in the planning phase that could have a direct and material effect on the trust fund schedules

Substantive tests principally involve obtaining or examining corroborating evidence to verify the propriety of the PDS’s assertions related to the financial statements. The financial statement assertions include:

- **Existence or occurrence.** Assets and liabilities exist at a given date and recorded transactions have occurred during a given time period.
- **Completeness.** All transactions and accounts that should be presented in the financial statements are included.
- **Rights and obligations.** Assets represent rights of the entity at a given date and liabilities represent obligations of the entity at a given date.
- **Valuation or allocation.** Assets, liabilities, revenues, and expense components have been included in the financial statements in the appropriate amounts.
- **Presentation and disclosure.** Particular components of the financial statements are properly classified, described, and disclosed.



To ensure we meet the deadlines, we will perform certain testing-phase steps at the same time we perform certain internal-control-phase steps. For example, we will perform dual-purpose control and substantive testing of payroll and benefits.

The steps in the testing phase are summarized below.

**Step 3.1 – Update audit programs.** Based on our review and evaluation of the financial and EDP internal control structure and our resultant control-risk assessments, we will update our audit programs to include efficient substantive test procedures for each material financial statement account and line item. These audit programs will guide the tests of financial records and other source documents that provide evidence for the financial statement amounts.

**Step 3.2 – Perform substantive testing.** Using the audit program guides, we will perform the substantive tests, which will provide reasonable assurance as to the validity of the information provided by the accounting system. Substantive testing involves obtaining or examining corroborating evidence to verify the propriety of reported balances and the related management assertions that are embodied in the Schedules. The substantive test procedures generally include third-party confirmations and other balance verification procedures, recalculations and other re-performance procedures, inspection of supporting documentation, analytical reviews, and financial analysis. We will document our test work, including the nature, timing, and extent of tests performed, and the conclusions reached. Our documentation will include the following:

- For tests involving sampling:
  - The sampling method used and any key factors regarding the sample selection
  - The sample size and the method for determination (PPC and AICPA Guidance)
  - The audit procedures performed
  - The results of tests, including evaluations of sample results and conclusions
- For substantive analytical procedures:
  - The model used to develop the expectation and the basis for the model
  - The data used and the data sources
  - The assessment of the reliability of the data used and the procedures performed to establish or increase the amount of reliability, if applicable
  - The amount of the tolerable limit and the criteria for establishing the limit
  - Explanations for fluctuations considered significant, sources of these explanations, and corroborating evidence obtained
  - Any additional procedures performed and related conclusions where misstatements are detected or the initial procedures are not considered adequate
  - The conclusions regarding findings, including proper treatment of any misstatements detected and assessments of any other effects of these misstatements.

Based on our analysis of the PDS’s fiscal year 2010 audited financial statements for each corporation, we anticipate performing the following substantive procedures at a minimum for each corporation.

Process	Other Substantive Procedures
Cash, Investments and Cash Equivalents	Re-perform December reconciliations, perform fluctuation analysis, detail tests of receipts and disbursements
Prepaid Expenses, Fixed Assets and revenue	Obtain support documentation and analytically review for reasonableness, perform substantive analysis of revenue
Accrued Liability, Accounts Payable/ Expense, Debt and other liabilities	Obtain support documentation and analytically review for reasonableness, perform substantive analysis of expense
Changes in Restricted and Unrestricted Net Assets, Investments in Capital Assets, Net of related debt	Roll forward and perform fluctuation analysis

**Step 3.3 – Test compliance with laws and regulations.** The testing phase will also include tests to determine compliance with laws that could have a direct and material effect on the financial statements and any other laws/regulations that the audit committee, PDS’s management, or others have identified as being significant to PDS’s. We will have identified these applicable laws and regulations as part of the planning phase. Our substantive tests of compliance with laws and regulations will include the following:

- Inquiries and observations
- Review of previously issued reports on compliance
- Discussions with PDS’s management and general counsel
- Inspection and re-performance

**Step 3.4 – Review required supplementary information.** We will perform the procedures described in AU558, “Required Supplementary Information,” of the *Codification of Statements on Auditing Standards* for the MD&A. Our audit approach will include at least the following procedures:

- Inquire of management regarding the methods of preparing the MD&A
- Compare the information for consistency with the PDS’s responses to information inquiries, audited financial statements, and other knowledge obtained during the audit of the financial statements.

## Reporting Phase

Based on the work performed in the planning, internal control, and testing phases, we will form our final conclusions and prepare our reports.

**Step 4.1 – Perform the final analytical review.** We will perform a final overall analytical review. This will include comparing current-year amounts with comparative information and identifying and determining the reasons for significant fluctuations. These final analytical procedures will allow us to determine whether we have obtained from other procedures an adequate understanding of all fluctuations and relationships in the PDS's financial statements and whether our audit evidence is consistent with the analytical results.

**Step 4.2 – Review the MD&A and supplementary financial management information.** During the reporting phase, we will review the MD&A to ensure that it is not materially inconsistent with the information contained in the principal financial statements and related footnotes.

Regarding reported performance measures, we will verify the mathematical accuracy of any computations, ratios, and the presented percentage of financial and non-financial data, and determine if such measures are supported by source documentation. However, under current OMB guidance, we are not responsible for determining the accuracy of reported performance measures.

**Step 4.3 – Review the form and content of the comprehensive annual financial report.** We will agree the basic financial statements to the general ledger and verify the mathematical accuracy of the basic financial statements. We will verify that the amounts in the footnotes are consistent with the amounts reported in the Schedules. In addition, we will use Balestra, Harr & Scherer, CPAs, Inc. and PPC checklists to verify that the financial statements and related footnotes are in accordance with financial accounting and reporting standards.

**Step 4.4 – Determine the adequacy of audit procedures.** Because the scope and procedures were determined based on materiality determinations made during the planning phase, as well as preliminary assessments of risk, we will consider whether the extent of the procedures performed was adequate. We will also consider the final risk assessments made and the effects of any limitations on the scope of the procedures.

**Step 4.5 – Perform final audit steps.** Final audit steps consist of the following:

- **Evaluate materiality of misstatements.** We will discuss the differences resulting from procedures completed with the audit committee and PDS's management. We will encourage PDS's to record adjustments for known errors and other misstatements. We will summarize any differences that are not recorded and evaluate these differences in relation to the financial statements. The senior, manager, engagement partner, and concurring review partner will review and approve the summary of unrecorded differences prior to issuing the report.
- **Question attorneys.** We will send general counsel legal inquiries to address any litigation, claims and assessments, and known noncompliance.
- **Review subsequent events.** Subsequent events are those events or transactions that occur after the end of the fiscal period, but before the report is issued. We will perform the following:
  - Gain an understanding of management's procedures for identifying subsequent events
  - Read relevant reports and documents (i.e., financial reports, regulations, agreements, etc.)
  - Inquire of management as to the significant financial developments, internal actions, and external events impacting PDS's
  - Request that general counsel update our previous inquiries on litigation, claims and assessments, and known noncompliance
  - For subsequent events that are identified, consider the effect of the events on the financial statements and related footnotes
- **Obtain management representations.** We will request written representations from management.
- **Consider related-party transactions.** Parties are considered related if one party has the ability either to control the other party or to exercise significant influence over the other party in making financial and operating decisions. We will inquire of management and be alert for the existence of related-party transactions during the engagement. We will consider the purpose, nature, and extent of related-party transactions to evaluate the presentation of related-party transactions in the Schedules.

**Step 4.6 – Prepare summary of significant issues and decisions.** We will prepare a summary memorandum (titled Matters for Attention) that summarizes the engagement results and demonstrates the adequacy of the procedures and the reasonableness of the conclusions reached. The Matters for Attention document is intended to bring together the significant decisions made after the preparation of the engagement plan. The Matters for Attention document is an internal document that describes or refers to other work papers describing the following items:

- Significant changes in the planned procedures and the results of the procedures
- The critical objectives, the procedures completed, and the results of these procedures
- Conclusions on other significant and/or unusual accounting and reporting matters
- Conclusions related to the involvement of specialists
- Assessments and conclusions of any differences or findings discovered
- Assessment of overall financial statement presentation
- Evaluation of significant subsequent events

- Assessment of the risk of material misstatement on the financial statements due to any fraud or errors identified
- Conclusions on whether evidence obtained and our work papers are adequate to support our reports on the financial statements, internal control, and compliance with laws and regulations
- Conclusions on whether our procedures and our independent auditors' reports are in compliance with Firm and professional standards
- Statement acknowledging the responsibilities of each engagement team member
- Confirmation that the work papers were reviewed by the appropriate engagement personnel

**Step 4.7 – Complete our quality-control review of the work papers.** The audit manager, audit manager and engagement partner will review the work papers to ensure they meet professional standards and are sufficient to support our reports. The engagement partner will review all areas considered critical to the engagement prior to the issuance of the reports. In addition, the Director of Quality Assurance/AA will function as a concurring reviewer and will review selected work papers for quality-control purposes. In accordance with Balestra, Harr & Scherer, CPAs, Inc.'s policy, we will ensure that all work papers are reviewed by the preparer's supervisor. The audit manager, audit manager and engagement partner will supervise the team to verify that all review comments are addressed prior to issuance of the reports.

**Step 4.8 – Prepare and submit the draft reports.** We will prepare and submit the following draft reports:

- Report on whether the financial statements present fairly, in all material respects, in conformity with accounting principals generally accepted in the United States of America, the financial position, net costs and changes in net position, budgetary resources and reconciliation of nets costs to budgetary obligations for the fiscal year under audit
- Report on Compliance and Internal Controls Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

The audit manager, engagement partner, and the Director of Quality Assurance/concurring reviewer, who is not directly involved in the engagement but who also has experience with PDS and government audit engagements, will review the reports to verify they are in accordance with the reporting standards, Balestra, Harr & Scherer, CPAs, Inc. standards and professional standards. We will submit the draft and final reports to the PDS for review.

**Step 4.9 – Prepare the draft management letter.** We will also prepare a management letter, if necessary, that includes any findings/comments that are not required to be included in the reports noted above. For each comment we will include (1) a description of the comment; (2) the criteria used to assess the comment; (3) the cause of the comment; (4) any negative or potentially negative effects resulting from the comment; (5) Balestra, Harr & Scherer, CPAs, Inc.'s recommendation for correcting the comment; and (6) management's response, including action plan.

**Step 4.10 – Prepare and submit final reports.** We will prepare and submit the copies of the final reports to the Director of GAM. Also, an electronic copy of the report must be provided in a PDF or similar format for public review on the agency's website. We will complete the report production, binding, and delivery by the October 7<sup>th</sup> deadline.

**Step 4.11 – Hold an exit conference.** We will coordinate with the audit committee and PDS's management to schedule an exit conference to discuss engagement results and any pending matters.

**Step 4.12 – Maintain files.** We will develop complete and accurate work papers that document all work performed and support conclusions reached in accordance with document requirements included in the Yellow Book, Balestra, Harr & Scherer, CPAs, Inc. guidance, and AICPA standards, specifically Statement of Auditing Standards 96, *Audit Documentation*. We will provide the Auditor of State representatives easy access to our work papers during the course of the engagement. At the end of the engagement, we will store engagement work paper files and other pertinent reference documents under secured conditions for a minimum of five (5) years after the issuance of our final reports.

## IDENTIFICATION OF ANTICIPATED AUDIT PROBLEMS

Based on our review of the Request for Proposal and discussions with the PDS's personnel, Balestra, Harr & Scherer, CPAs, Inc. does not anticipate any audit problems at this time. While we currently do not anticipate any problems, should problems occur we will communicate them to the appropriate PDS personnel before proceeding. Under the authority of Section 5A-2-23 of the State Code, we will give the Director of the Financial Accounting and Reporting Section (FARS) of the Department of Administration, and immediate, written report of all irregularities and illegal acts of which we become aware.

### REPORTS TO BE ISSUED

Following the completion of each audit of the fiscal year's financial statements, we shall issue the following reports for each of the 17 Public Defender Corporations:

1. A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
2. A combined report on the Compliance and Internal Controls over Financial Reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. A management letter, separate from other electronically submitted reports.

Any issues that arise during the course of the audit that could cause delays in the issuance of the report or have an adverse impact on the audit opinion must be immediately communicated to the Executive Director of West Virginia Public Defender Services and the Director of FAM in writing within 24 hours.

### Management Communication

West Virginia Public Defender Services 17 Public Defender Corporations' financial statements are to be included in the financial statements of the State of West Virginia as a blended component unit. The auditing firm will provide special assistance to West Virginia Public Defender Services, the State's auditors, and Financial Accounting and Reporting Section of the West Virginia Department of Administration.

### PROPOSED ENGAGEMENT TIMETABLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS OF THE WEST VIRGINIA PUBLIC DEFENDER SERVICES FOR THE CONTRACT PERIOD OF JULY 1, 2010 TO JUNE 30, 2011

	Date
1. IPA and representatives of public office entrance conference	Before June 24, 2011
2. IPA provides detailed audit plan and list of schedules to be prepared by public office	July 18, 2011
3. IPA begins fieldwork at public office	July 18, 2011
4. Draft of financial statements for review	September 1, 2011
5. Revised Draft with all changes and modification for review	September 2, 2011
6. Draft submitted to FARS with copies to ED of PDS	September 8, 2011
7. Unsigned final draft with all modifications to PDS for final review	October 17, 2011
8. Final Signed Report submitted to PDS and FARS	October 7, 2011

We acknowledge the penalty for failure to deliver the required reports by the dates specified above in accordance with WV State code 5A-3-4(8).

PDS requires the accounting firm to be available to assist with accounting issues and new reporting requirements as they arise on as needed basis. The bid includes a firm fixed fee for the services discussed above as well as an hourly rate scale for accounting and auditing consulting services. The total cost submitted for bid includes all travel and out of the pocket expenses.

**Balestra, Harr & Scherer, CPAs, Inc.**

**Cost Bid**

TOTAL ALL-INCLUSIVE MAXIMUM FEE  
FOR THE AUDIT OF THE FINANCIAL STATEMENTS OF  
THE WEST VIRGINIA PUBLIC DEFENDER SERVICES

For the period July 1, 2010 Through June 30, 2011

Total all-inclusive fixed fee: \$ 74,000.00

I certify that I am entitled to represent this firm, empowered to submit the bid and authorized to sign a contract with the West Virginia Public Defender Services. Further, the total all-inclusive fixed fee for this audit engagement shall be seventy four thousand dollars.



Michael A. Balestra

Shareholder/Director

Title

April 28, 2011

Date



Ohio  
1100 Marquette Center  
120 East Fourth Street  
Cincinnati, Ohio 45202  
TEL 513-821-1188  
FAX 513-821-3337

Kentucky  
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2500 Chamber Center Drive  
Fort Mitchell, Kentucky 41017  
TEL 859-547-1479  
FAX 859-341-2827

January 30, 2009

To the Shareholders of  
Balestra, Harr & Scherer, CPAs, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Balestra, Harr & Scherer, CPAs, Inc. (the firm) in effect for the year ended May 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

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

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

In our opinion, the system of quality control for the accounting and auditing practice of Balestra, Harr & Scherer, CPAs, Inc. in effect for the year ended May 31, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

As is customary in a system review, we have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.

*J. D. Cloud & Co. L.L.P.*  
Certified Public Accountants

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# 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:**  
 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**,  
 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**,  
 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:**  
 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:**  
 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:**  
 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:**  
 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:**  
 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: Balestrea, Harr & Scherag, LLC, Inc Signed: Marshall A. Balestrea

Date: 4-28-11 Title: Shareholder Director

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



RFQ No. PDS 201110

STATE OF WEST VIRGINIA  
Purchasing Division

**PURCHASING AFFIDAVIT**

**West Virginia Code §5A-3-10a states:** No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

**DEFINITIONS:**

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

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

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

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.

**WITNESS THE FOLLOWING SIGNATURE**

Vendor's Name: Beckstead, Harry E. Scherer, CPAs, Inc.

Authorized Signature: [Signature] Date: 4-28-11

State of Ohio

County of Lawrence, to-wit:

Taken, subscribed, and sworn to before me this 28 day of April, 2011.

My Commission expires 12-24, 2011.

AFFIX SEAL HERE

NOTARY PUBLIC [Signature]