

Proposal to Provide Annual Auditing Services

WORKFORCE West Virginia

June 30, 2011

Buyer: 44
RFQ Number: WWV11869
Bid Opening Date: October 14, 2010
Bid Opening Time: 1:30 pm
Firm Name: Gibbons & Kawash, CPAs
Address: 300 Chase Tower
707 Virginia St., East
Charleston, WV 25301
Telephone: 304-345-8400
Fax: 304-345-8451
Contacts: John D. Galloway
Robert R. Denyer
Robert E. Adams

**Gibbons
& Kawash**
Certified Public Accountants

RECEIVED
2010 OCT 14 PM 1:13
WV PURCHASING
DIVISION

October 14, 2010

WORKFORCE West Virginia
112 California Avenue
Charleston, WV 25305-0112

We are pleased to present our credentials to provide professional auditing services to WORKFORCE West Virginia (the Agency). Gibbons & Kawash is a leader in providing services to state and local governments in West Virginia. As a client of our firm, you can be sure of our total commitment to provide timely, responsive and quality service.

We will perform an audit of WORKFORCE West Virginia's financial statements as of and for the year ended June 30, 2011, with the option of two additional one year renewals. Our audit will be performed in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As described in Appendix B, we have committed an engagement team with extensive experience serving governmental and similar entities.

Providing audit services to state and local governments is an important part of our practice and one in which we have extensive expertise. We have experience auditing 19 State of West Virginia component units. Our experience during the past three years includes 42 audits of 16 State of West Virginia component units. These component units individually range in size up to \$3 billion in assets and \$1.6 billion in revenue. Should we be appointed to serve as auditors, WORKFORCE West Virginia will receive high quality professional services from auditors that will plan, conduct, and report on the audit with competence, integrity, objectivity, and that are independent of WORKFORCE West Virginia in all respects.

Gibbons & Kawash (G&K) is one of only four auditing firms in West Virginia to have provided technical assistance and consulting services to State of West Virginia entities for the successful submission of a Comprehensive Annual Financial Report to receive the Certificate of Achievement for Excellence in Financial Reporting. We have assisted six component units with 29 successful submissions for the Certificate. Our experience with similar entities is further described on page 15 of this proposal.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "John D. Galloway", written over a horizontal line.

John D. Galloway
Partner

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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
WV11869

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF
**FRANK WHITTAKER
 304-558-2316**

RFQ COPY

TYPE NAME/ADDRESS HERE

SHIP TO


**WV BUREAU OF EMPLOYMENT PROGRA
 3701 MAC CORKLE AVENUE SE**

**CHARLESTON, WV
 25304 348-2634**

DATE PRINTED 09/09/2010	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
BID OPENING DATE: 10/06/2010 BID OPENING TIME 01:30PM				

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		
<p>AUDITING SERVICES</p> <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, WORKFORCE WEST VIRGINIA, IS SOLICITING BIDS FROM CERTIFIED PUBLIC ACCOUNTANTS TO PERFORM AN ANNUAL REVIEW OF THE AGENCY'S FINANCIAL STATEMENTS PER THE ATTACHED SPECIFICATIONS.</p> <p>ALL TECHNICAL QUESTIONS MUST BE SUBMITTED IN WRITING TO FRANK WHITTAKER IN THE WV PURCHASING DIVISION VIA EMAIL AT FRANK.M.WHITTAKER@WV.GOV OR VIA FAX AT 304-558-4115. DEADLINE FOR TECHNICAL QUESTIONS: 09/20/10 AT 4:00 PM. ALL TECHNICAL QUESTIONS WILL BE ADDRESSED BY ADDENDUM AFTER THE DEADLINE.</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE  TELEPHONE **304-345-8400** DATE **10/14/10**

TITLE **Shareholder** FEIN **55-0738985** ADDRESS CHANGES TO BE NOTED ABOVE

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



State of West Virginia
 Department of Administration
 Purchasing Division
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BID OPENING DATE: 10/06/2010		BID OPENING TIME 01:30PM				
LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<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 SERVICE SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</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 style="text-align: center;">NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p style="text-align: center;">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>						
SEE REVERSE SIDE FOR TERMS AND CONDITIONS.						
SIGNATURE			TELEPHONE 304-345-8400		DATE 10/14/10	
TITLE Shareholder		FEIN 55-0738985			ADDRESS CHANGES TO BE NOTED ABOVE	

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BID OPENING DATE: 10/06/2010		BID OPENING TIME 01:30PM				
LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
	SEALED BID					
	BUYER:			44		
	RFQ. NO.:			WWV11869		
	BID OPENING DATE:			10/06/10		
	BID OPENING TIME:			1:30 PM		
PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:						
----- 304-345-8451 -----						
CONTACT PERSON (PLEASE PRINT CLEARLY):						
----- John Galloway -----						
***** THIS IS THE END OF RFQ WWV11869 ***** TOTAL:						\$53,875
SEE REVERSE SIDE FOR TERMS AND CONDITIONS						
SIGNATURE			TELEPHONE 3304-345-8400		DATE 10/14/10	
TITLE Shareholder		FEIN 55-0738985			ADDRESS CHANGES TO BE NOTED ABOVE	

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09/30/2010				

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	BID OPENING TIME	UNIT PRICE	AMOUNT
BID OPENING DATE: 10/14/2010 BID OPENING TIME: 01:30PM							
***** *** ADDENDUM NO. 1 ***** THIS ADDENDUM IS ISSUED TO: 1) EXTEND THE BID OPENING DATE AND TIME TO: 10/14/2010 AT 1:30 PM 2) REPLACE THE ENTIRE SPECIFICATIONS WITH THE ATTACHED REVISED SPECIFICATIONS. 3) PROVIDE THE ATTACHED TECHNICAL QUESTIONS & ANSWERS. 4) PROVIDE THE ATTACHED 2009 WORKFORCE WEST VIRGINIA 2009 FINANCIAL STATEMENT. ***** END ADDENDUM NO. 1 *****							
0001	1	LS		946-20			
AUDITING SERVICES							

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE:

TITLE: Shareholder

FEIN: 55-0738985

TELEPHONE: 304-345-8400

DATE: 10/14/10

ADDRESS CHANGES TO BE NOTED ABOVE

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

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. XX 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: Gibbons & Kawash

Signed: [Signature]

Date: 10/14/10

Title: Shareholder

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

SPECIFIED ELEMENTS FOR REQUEST FOR QUOTATION

The *Government Auditing Standards* issued by the Comptroller General of the United States outlines requirements that must be met by certified public accounting firms that perform audits of governmental units. Three of these requirements are:

- Individual CPAs and CPA firms must be independent in fact and appearance from personal, external, and organizational impairments to independence.
- CPAs performing audits of governmental units should have continuing professional education in programs directly related to government auditing and accounting.
- CPAs performing audits of governmental units must establish an internal quality control review program and participate in an external peer review program for audits of governmental units.

INDEPENDENCE

The credibility of the audit results is critical for oversight by WORKFORCE West Virginia (the Agency) and in meeting public expectations. Gibbons & Kawash carefully evaluates all services provided to audit clients to ensure that the very detailed requirements for independence of *Government Auditing Standards* applicable to individual auditors and audit firms are satisfied. We are independent under the requirements of *Government Auditing Standards* and generally accepted auditing standards with respect to the Agency, the State of West Virginia and its component units, and will carefully guard and maintain our independence during the course of any audit services provided to the Agency and State of West Virginia.

We will review the independence of all personnel within the firm assigned to this engagement to ensure that they are independent of the Agency and the State of West Virginia and its component units. Additionally, we will give the Agency written notice of any professional relationships entered into during the period of the agreement with any major contractors as defined in WV §29.22.23. We will also notify the Agency in writing if any other matters come to our attention during the engagement, which may impair our independence.

LICENSE TO PRACTICE IN WEST VIRGINIA

All certified public accountants employed at Gibbons & Kawash are members of the AICPA, the West Virginia Society of CPAs, and are licensed to practice in West Virginia through the West Virginia Board of Accountancy.

GENERAL TERMS AND CONDITIONS

Gibbons & Kawash is in good standing with the Unemployment Compensation Division of the State of West Virginia.

Gibbons & Kawash has no conflict of interest with regard to any other work performed by Gibbons & Kawash for the State of West Virginia.

Gibbons & Kawash's professional personnel have met all continuing professional education requirements.

FIRM QUALIFICATIONS

GIBBONS & KAWASH'S PRACTICE

Gibbons & Kawash is a regional accounting corporation based in Charleston, West Virginia, with a staff of over 35 professionals who provide accounting, assurance, business advisory, and tax services to a broad spectrum of clients throughout West Virginia and surrounding states. We direct significant resources to serving the needs of governmental entities, and recognize this focus as a major factor in our past success and a key element in our strategy for continued growth. Within the public sector practice group, we have developed several highly specialized service niches, including audits of state government agencies and nonprofit organizations. Gibbons & Kawash's foremost goal is to provide **superior quality service**. Everything else is secondary to that goal. The primary focus of our service approach is to exceed client expectations. This approach has helped Gibbons & Kawash build its extensive governmental practice.

Gibbons & Kawash is a member of the three AICPA audit quality centers, including the Governmental Audit Quality Center. We are a registered firm with the Public Company's Accounting Oversight Board (PCAOB) and issue reports in accordance with PCAOB standards, as well as U.S. generally accepted auditing standards.

We have experience auditing 19 State of West Virginia component units. Our experience during the past three years includes 42 audits of 16 State of West Virginia component units. These component units range in size up to \$3 billion in assets and \$1.6 billion in revenue.

GOVERNMENTAL SERVICES PRACTICE

Within the public sector practice group, we have developed several highly specialized service niches, including audits of state government agencies and OMB Circular A-133 audits of governments and nonprofit organizations.

This practice includes five partners, a manager, and seven senior auditors who have extensive experience serving government clients. The core engagement team for the audit of WORKFORCE West Virginia has been selected from this pool of highly qualified professionals. The team's public sector experience includes cities, authorities, and State of West Virginia agencies and component units. The team has assisted clients in earning and maintaining GFOA certificates in addition to conducting financial and compliance audits and audits conducted under the Single Audit Act Amendments of 1996 and OMB Circular A-133. The specific supervisory engagement team to be employed during the audit of WORKFORCE West Virginia is discussed on page 13.

EXTERNAL QUALITY CONTROL REVIEW

Gibbons & Kawash is a member of the Center for Public Company Audit Firms (the Center) and the Government Audit Quality Center (the Center) of the American Institute of Certified Public Accountants. The Center's have established a self-regulatory process which includes requirements for periodic peer reviews of member firms.

These reviews, which are performed by knowledgeable independent CPAs from other firms, periodically evaluate and test systems of quality control of member firms. Our system of quality control provides assurance that we maintain, on a continuing basis, the highest professional standards to which we are

FIRM QUALIFICATIONS

committed. Our most recent external quality control review was performed by Rea & Associates, Inc., and their opinion is on file with the AICPA and is included as **Appendix C**.

There have been no field reviews of any Gibbons & Kawash audits by federal or state agencies during the past three years. All audits for which desk reviews have been completed have been accepted.

AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE.

Gibbons & Kawash is an independent member of the BDO Seidman Alliance, a nationwide alliance of local and regional accounting and consulting firms. Membership enables us to access a level of expertise in specialties which are usually available only from large national and international CPA firms, without the high overhead costs.

As a member, we have access to vast resources and technical expertise, outstanding audit, tax and consulting professionals, and their specialty niche expertise with BDO USA, LLC serving clients through 37 offices and more than 400 alliance firm locations across the United States.

As an independent member of the BDO Seidman Alliance we offer the resources of a national firm, yet we remain autonomous so you are assured of a local presence of highly trained and knowledgeable experts with your needs in the forefront.

CONTINUING PROFESSIONAL EDUCATION

One of the best measures of a firm's commitment to its audit practice is the depth of specialized training provided to its professionals. Gibbons & Kawash has developed a comprehensive professional development program to help our professionals enhance their proficiency in serving the unique needs of governmental entities. Our program includes intensive internal training, using course materials developed by the AICPA and our own experienced managers, as well as attendance at national conferences addressing specialized industry topics. All of our auditors must complete 40 hours of continuing education each year, with no less than 24 hours every two years in topics specifically related to governmental accounting and auditing. Some recent courses attended by our professionals include the following:

- Audit Risk SAS 103-114 Implementation
- GASB Statement No. 40: Disclosing Investment Risk
- Solving Complex Single Audit Issues for Governmental and Nonprofit Organizations
- Accounting and Auditing Workshop
- GASB 34 and Other Governmental Accounting and Auditing Issues
- Preparing a Comprehensive Annual Financial Report
- Tax Issues of Exempt Organizations
- Governmental and Nonprofit Accounting
- Auditing Local Governments Efficiently and Effectively

FIRM QUALIFICATIONS

LITIGATION AND INSURANCE

Gibbons & Kawash has had no litigation directed against it since its inception and has no pending or threatened litigation or regulatory complaints against the firm. We evaluate our level of insurance coverage annually and maintain a prudent amount of coverage, which is available upon request.

COMPUTERIZING THE AUDIT

Notebook computers are used by our auditors on every engagement to more efficiently complete a wide variety of audit activities. All staff members are permanently assigned a computer for completion of virtually every aspect of audit work. The benefit of this "computerization of the audit process," is that it enables our auditors to spend more time on judgment matters and in-depth analysis, rather than on "number crunching" and other mechanical aspects of auditing.

The Firm's commitment to Acomputerization of the audit process@ is demonstrated by the following:

- Computer training is included in the initial training of all staff and continues throughout all levels.
- State-of-the-Art computer applications are used to analyze accounting data.

Some of the computer applications used by Gibbons & Kawash auditors include:

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

Report Preparation Software - The financial statement preparation will be completed using the CorpSystem WorkPaper management software by CCH.

Prosystems Engagement TB - Prosystems Engagement TB allows the preparation of lead sheets and trial balances, allows flexibility in adapting to changes and expedites the gathering and processing of information. This program reduces the time needed to prepare schedules, trial balances, and related financial statement preparation.

Smart E-Practice - Allows the preparation of tailored audit programs for the various segments of audits in direct response to audit risks. Tailored general and specific audit programs will greatly increase audit effectiveness.

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

Other tools used in the audit process include:

A vast collection of templates used to accomplish various audit administrative tasks and common audit analyses and to expedite the confirmation and communication process.

Third party support products for spreadsheet applications, word processing, access to private and public data bases for accounting, tax research, and electronic mail.

FIRM QUALIFICATIONS

COMPUTERIZED SYSTEM ANALYSIS

To demonstrate our commitment to the U.S. Comptroller General's efforts to emphasize the importance of internal control and computer controls in particular, Gibbons & Kawash utilizes an experienced in-house information technology analyst to assist our experienced auditors in performing evaluations of auditee's controls over computerized systems. We use a detailed system evaluation process that includes documentation of computer controls through the use of system schematics and flow charting. From this documentation, we will determine the controls that are effective and design tests of these controls as appropriate in completing our audit of the financial statements. We will make recommendations to develop and implement any controls we identify as deficient or not in place.

STATISTICAL AUDITING TECHNIQUES

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

SERVICE APPROACH

Gibbons & Kawash understand that time and money are important concerns for our clients. We take these concerns seriously, and have designed our approach to yield a rate of return that is reflected in timeliness, effectiveness, and cost efficiency.

The following paragraphs describe some of the most significant elements of the Gibbons & Kawash service approach.

A SERVICE PHILOSOPHY BASED ON VALUE

We reject the notion that our service is just a commodity. First and foremost, we are in business to serve our clients, to help them solve their problems, achieve their objectives, and to make a solid contribution to their success. Our people work to identify and respond to our clients' needs. We believe that in the course of conducting an engagement, your accounting firm should generate information and develop insights that, in the hands of professionals who combine competence with judgment, maturity, and creativity, will result in greater efficiencies and procedures. It is this value-added philosophy to client service that has molded our approach to engagement management and distinguishes us from other firms.

CLEAR COMMUNICATION

We value the candid exchange of ideas and opinions with our clients, and we strive to maintain an open door with management and WORKFORCE West Virginia. From our initial planning meeting to our final exit conference, communication is perhaps the most important tool for maximizing efficiency and effectiveness. Our key team members will meet with management during the engagement to keep you apprised of our progress, to discuss any issues that may arise, and to solicit feedback regarding our performance. We also encourage contact throughout the year, and your client service team will be ready to consult with you any time you have a question. To demonstrate this commitment to meaningful dialogue, we do not bill for brief phone calls throughout the year. Of course, if a question requires extensive research, we will let you know and arrive at a fee estimate in advance.

EMPHASIS ON PLANNING

We recognize that every engagement is unique. Effective and thorough planning is the key to ensuring that our approach is tailored to meet your specific needs and is the cornerstone of successful engagement management. Our comprehensive planning process includes interviewing key employees, reviewing systems documentation, and analyzing preliminary financial records for relational activity. Our goal here is to get beyond the numbers, to develop a clear understanding of your grant program, your goals and objectives, and the environment in which you operate. From this understanding emerges a written plan which are road maps used by the engagement team to execute field work.

STAFFING CONTINUITY

Over the years, we have heard a number of prospective clients raise questions about accounting staff turnover and scheduling policies. We understand their apprehension.

Our staffing and scheduling policies have historically been very successful in maximizing team continuity from year to year. Effective staff recruiting and retention is a top priority for our firm, because we realize that our most valuable investment is our people. We recruit only those who have achieved a high academic standing and have demonstrated commitment, ambition, and leadership skills, and offer them a

SERVICE APPROACH

proactive approach to staff development that includes a mentoring program, comprehensive training at every level, and performance evaluations after every significant engagement.

We view continuity of engagement teams to be in the best interest of the Firm and our clients. Staff repetition enhances effectiveness and efficiency, and is our guiding principle in scheduling. When personnel changes are unavoidable, the depth of our pool of experienced public sector professionals gives us the ability to select a replacement with relevant experience.

PARTNER AND SUPERVISORY STAFF QUALIFICATIONS AND EXPERIENCE

ENGAGEMENT TEAM

The ultimate quality of our professional services to WORKFORCE West Virginia depends on our ability to provide an experienced and capable client service team. We have selected a group of individuals experienced in serving governmental entities. **Gibbons & Kawash's managing partner is Valerie R. Ellis and she can be reached by phone at (304) 345-8400 or email at vellis@gandkcpas.com.**

Your client service team will include:

Engagement Partner

John D. Galloway, CPA, is an audit partner in Gibbons & Kawash's audit practice with 16 years of specialized audit experience with governmental entities and OMB Circular A-133 audits. John will serve as the engagement partner responsible for the audit. In this role John will assume primary responsibility for the successful completion of the audit and will maintain contact with senior management of WORKFORCE West Virginia throughout the engagement to ensure that services and resources are provided to the Agency in a timely, professional manner. John will also provide technical expertise to the audit team on accounting, auditing and financial reporting matters and perform certain on-site review and supervision procedures. John serves as the audit partner on nine State of West Virginia component unit audits ranging in size up to \$2.4 billion in assets. His experience also includes assisting two entities with 20 successful submissions under the GFOA's Certificate of Achievement program.

Engagement Quality Control Review Partner

Robert R. Denyer, CPA, a partner with Gibbons & Kawash with over 30 years experience in serving governmental clients, will serve as engagement quality control review partner (EQCRP). The role of the EQCRP is an essential element of Gibbons & Kawash's quality control program over the delivery of services to a client. Bob will be available to consult with the audit team on accounting, auditing and reporting matters and provide technical expertise. Bob will be charged with the final review of the financial statements to evaluate the following criteria: clarity of presentation; adequacy of disclosures required by generally accepted accounting principles; and appropriateness of the auditors' report. Bob also has substantial experience with the GFOA's Certificate of Achievement for Excellence in Financial Reporting program having assisted five entities with over 25 successful submissions for the certificate. His extensive experience with State of West Virginia entities will be of substantial benefit on this engagement.

Senior Audit Manager

Robert E. Adams, CPA, is a senior audit manager with 14 years of experience. He currently manages audits of seven State of West Virginia component units, including the five enterprise funds, ranging in size from \$340 million in assets to \$1.4 billion in revenues. The State of West Virginia component units audited by Rob collectively include a myriad of investments, revenue bonds and general obligation bonds, loans receivable, and revenue bonds receivable. His experience also includes assisting two entities with 13 successful submissions under the GFOA's Certificate of Achievement program.

See **Appendix B** for resumes of our client service team.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

Engagements performed in the last five years that are similar to WORKFORCE West Virginia are as follows:

	<u>Scope of Work</u>	<u>Years Served</u>	<u>Engagement Partner</u>	<u>Principal Client Contact</u>	<u>Phone Number</u>
West Virginia Parkways Authority	GAS	2010, 2009, 2008 2007, 2006	John D. Galloway	Greg Barr	304-926-1900
West Virginia Housing Development Fund	GAS/ OMB - A133	2010, 2009, 2008 2007, 2006	John D. Galloway	Erica Boggess	304-926-1900
West Virginia Consolidated Public Retirement Board	GAS	2010, 2009, 2008 2007, 2006	John D. Galloway	Mark Miller	304-558-3570
West Virginia Infrastructure and Jobs Development Council	GAS	2010, 2009, 2008 2007, 2006	Robert R. Denyer	Chris Jarrett	304-558-3612
West Virginia Water Development Authority	GAS	2010, 2009, 2008 2007, 2006	Robert R. Denyer	Chris Jarrett	304-558-3612
West Virginia Drinking Water Treatment Revolving Loan Fund	GAS/ OMB - A133	2010, 2009, 2008 2007, 2006	Robert R. Denyer	Chris Jarrett	304-558-3612
West Virginia Racing Commission	GAS	2009, 2008, 2007 2006	John D. Galloway	Linda Lacy	304-558-2150
West Virginia Jobs Investment Trust	GAS	2010, 2009, 2008 2007, 2006	John D. Galloway	Andy Zulauf	304-345-6200
West Virginia Regional Jail and Correctional Facility Authority	GAS	2008, 2007, 2006	John D. Galloway	Tony Davis	304-558-2110
West Virginia Solid Waste Management Board	GAS	2010, 2009, 2008 2007, 2006	Robert R. Denyer	Dick Cooke	304-926-0448
West Virginia School Building Authority	GAS	2010, 2009, 2008 2007, 2006	John D. Galloway	Garry Stewart	304-558-2541
West Virginia Lottery Commission	GAS	2010, 2009, 2008 2007, 2006	Robert R. Denyer	James Toney	304-558-0500
West Virginia Board of Treasury Investments	GAS	2010, 2009, 2008 2007, 2006	Robert R. Denyer	Kara Brewer	304-340-1564
West Virginia Department of Transportation	GAS/ OMB - A133	2010, 2009	John D. Galloway	Keith Chapman	304-558-2811
Tobacco Settlement Finance Authority of West Virginia	GAS	2009, 2008	John D. Galloway	Christine Sforza	304-558-4083
West Virginia Alcohol Beverage Control Administration	GAS	2010	John D. Galloway	Frank Ciordia	304-558-2481

All of the above audits were performed in accordance with *Government Auditing Standards* and/or OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

Gibbons & Kawash has provided technical assistance to the following state agencies in connection with obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting:

- West Virginia Department of Transportation, Division of Highways (9)
- West Virginia Parkways, Economic Development and Tourism Authority (9)
- West Virginia Lottery Commission (10)
- West Virginia Prepaid College Tuition Fund (1)
- West Virginia Housing Development Fund (5)
- West Virginia Board of Treasury Investments (4)

AUDIT APPROACH

REQUIREMENTS OF THE ENGAGEMENT

Gibbons & Kawash will perform for WORKFORCE West Virginia (the Agency) the professional auditing services required by the request for quotation thereto. Specifically these services will consist of an independent audit of its financial statements and records as it relates to assets, liabilities, receipts, disbursements, contracts, and other matters concerning its financial operations; and annual financial and compliance audits in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*, for the fiscal year ending June 30, 2011, with options to renew for two additional years.

Gibbons & Kawash will perform the audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in the Government Accountability Office's (GAO) *Government Auditing Standards (2007 revision)*, and other applicable laws, rules, regulations and policies. Additionally, Gibbons & Kawash personnel will perform all aspects of the audit and no subcontracted firms or personnel will be utilized.

REPORTS TO BE ISSUED

Gibbons & Kawash will express an opinion on the financial statements based on our audit procedures performed in accordance with all applicable auditing standards. We will also prepare a report on internal control and compliance as required by *Government Auditing Standards*.

In the required reports on compliance and internal controls, we will communicate any significant deficiencies found during the audit. Significant deficiencies that are also material weaknesses shall be identified as such in the report. Other control deficiencies identified by the auditor shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls.

The reports on compliance and internal controls will include all material instances of noncompliance. All immaterial instances of noncompliance will be reported in a separate management letter, which will be referred to in the report on compliance and internal controls.

In addition to the financial statements we will report on the following, as applicable:

Fraud and Illegal Acts. We will make an immediate, written report to the Agency of any fraud and illegal acts of which we become aware.

Abuse and Other Matters. If abuse or other matters are identified which have a significant effect on financial statement amounts or disclosure, we will include the matters as an audit finding in our report, as required by *Government Auditing Standards*. Any other potential abuse will be reported to the Agency in the management letter.

AUDIT APPROACH

Reporting to those Charged with Governance. We will discuss and inform those charged with governance of each of the following areas, as applicable before and after the audit:

- Discussion of risk and its effect on materiality in conducting an audit
- The auditors' responsibility under generally accepted auditing standards
- Significant accounting policies
- The qualitative and quantitative factors included in financial statements and disclosures
- Management judgments and accounting estimates and projections
- Significant audit adjustments and significant revisions of past and current estimates and projections
- Other information in documents containing audited financial statements and/or estimates and projections
- Disagreements with management
- Consultation with other accountants and actuaries
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Communication of identified significant deficiencies and material weaknesses

WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

All working papers and reports will be retained, at our expense, for a minimum of five years, unless we are notified in writing by the Agency of the need to extend the retention period. In addition, we will respond to the reasonable inquiries of any successor auditor and allow the successor auditor to review working papers relating to matters of continuing accounting significance.

TIMING

Upon notification of our successful proposal we will schedule our services to comply with your reporting deadline. We will schedule an entrance conference, risk planning, and meetings with those charged with governance prior to the commencement of field work, to describe the audit plan and schedule of audit events.

AUDIT APPROACH

OVERVIEW

We will audit the financial statements of WORKFORCE West Virginia as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In connection with our audit, we will also prepare a management letter which contains our comments and recommendations regarding opportunities for strengthening internal control and improving operational performance and will prepared all required schedules and in relation reporting necessary to comply with the state of West Virginia's Financial Accounting and Reporting Section requirements.

AUDIT OBJECTIVES AND REPORTING

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The objective also includes reporting on:

Internal control over financial reporting and compliance with laws, regulations, provisions of contracts or grant agreements, and other matters of noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.

AUDIT PROCEDURES - GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

AUDIT PROCEDURES - INTERNAL CONTROL

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the Agency's financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an

AUDIT APPROACH

opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify control deficiencies. However, we will inform the Authority of any matters involving internal control and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls.

We will also inform you of any immaterial instances of noncompliance or other matters involving internal control, if any, as required by *Governmental Auditing Standards*.

AUDIT PROCEDURES - COMPLIANCE

Our audit will be conducted in accordance with the standards referred to in the section entitled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Agency's compliance with applicable laws and regulations and the provisions of contracts and grant agreements, and other matters. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

PHASES OF THE AUDIT

Our audit approach in performing the Agency's audit will consist of the following phases:

- I. Comprehensive Planning and Risk Assessment Process
- II. Internal Control Evaluation, including evaluation of information technology and related controls
- III. Development of Audit Plan, including preparation of tailored audit programs
- IV. Testing of Financial Data and Compliance Matters
- V. Reporting

The performance of phases I and II will occur concurrently due to the interrelationship of the various steps of these phases and prior to the commencement of comprehensive fieldwork.

AUDIT APPROACH

Phase I: Comprehensive Planning and Risk Assessment Process

A comprehensive planning and risk assessment process is an important cornerstone of adapting our audit approach to the Agency. Effective and thorough risk assessment allows for the early identification and resolution of audit issues. It also requires the auditor to become familiar with business risks and operational issues that could affect financial reporting. We would expect to incorporate appropriate management and other accounting and operational personnel in our planning and risk assessment activities related to consideration of business, reporting, and fraud risks.

Understanding of Internal Control

We will obtain an understanding of internal controls to plan the audit and determine the nature, timing and extent of tests to be performed. Internal control is comprised of the following five components; control environment, risk assessment, control activities, information and communication, and monitoring.

Control Environment - This component sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the following:

- a. Integrity and ethical values
- b. Commitment to competence
- c. Board of directors (or other oversight organization) or audit committee participation.
- d. Management's philosophy and operating style.
- e. Organizational structure

We will obtain our understanding of the control environment through the use of inquiry and observation procedures. We will inquire of Agency Management and the key individuals in sensitive areas of the various transaction classes. Concentrating on the substance of the controls rather than their form is a key factor in evaluating the control environment.

Risk Assessment - This component for financial reporting purposes is the auditee's identification, analysis, and management of risk relevant to the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles.

Risks relevant to financial reporting include external and internal events and circumstances that may adversely affect the auditee's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Risk can arise or changes due to circumstances such as the following:

- Changes in operating environment
- New personnel
- New or revamped information systems
- Rapid growth
- New technology
- Organizational restructuring
- New accounting pronouncements.

AUDIT APPROACH

We will obtain sufficient knowledge of the Agency's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides about actions to address those risks. We will obtain this understanding in conjunction with our inquiry and observations regarding the control environment.

Control Activities - This component includes the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the Agency's objectives. Control activities, whether automated or manual, have various objectives and are applied at various organizational and functional levels. Generally, control activities that may be relevant to an audit may be categorized as policies and procedures that pertain to the following:

- Performance reviews
- Information processing
- Physical controls
- Segregation of duties

We will obtain an understanding of how information technology affects control activities that are relevant to planning the audit and any areas that have been identified as areas of concern. We view the information technology control activities in terms of application controls and general controls. Application controls apply to the processing of individual applications. Accordingly, application controls relate to the use of information technology to initiate, record, process, and report transactions and other financial data. These controls help ensure that transactions occurred, are authorized, and are completely and accurately recorded and processed. General controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping ensure the continued proper operations of information systems. General controls commonly include controls over data center and network operations; system software acquisition and maintenance; access security; and application system acquisition, development, and maintenance.

Information and Communication - This component is relevant to the financial reporting objectives, which includes the accounting system, consists of procedures, whether automated or manual, and records established to initiate, record, process, and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities, and equity. The quality of system-generated information affects management ability to make appropriate decisions in controlling the Agency's activities and to prepare reliable financial reports.

We will obtain sufficient knowledge of the information system relevant to financial reporting to understand the following:

- The classes of transactions in the Agency's operations that are significant to the financial statements.
- The procedures, both automated and manual, by which transactions are initiated, recorded, processed, and reported from their occurrence to their inclusion in the financial statements.
- The related accounting records, whether electronic or manual, supporting information, and specific accounts in the financial statements involved in initiating, recording, processing, and reporting transactions.
- How the information system captures other events and conditions that are significant to the financial statements.

AUDIT APPROACH

- The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures

We will obtain sufficient knowledge of the means the entity uses to communicate financial reporting roles and responsibilities and significant matters relating to financial reporting.

Monitoring - An important management responsibility is to establish and maintain internal control. Management monitors controls to consider whether they are operating as intended and that they are modified as appropriate for changes in conditions.

Monitoring is a process that assesses the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. This process is accomplished through ongoing activities, separate evaluations, or a combination of the two. In many entities such as the Agency, internal auditors or personnel performing similar functions contribute to the monitoring of an entity's activities. Monitoring activities may include using information from communications from external parties such as customer complaints and regulator comments that may indicate problems or highlight areas in need of improvement. In many entities, much of the information used in monitoring may be produced by the entity's information system. If management assumes that data used for monitoring are accurate without having a basis for that assumption, errors may exist in the information, potentially leading management to incorrect conclusions from its monitoring activities.

We will obtain sufficient knowledge of the major types of activities the entity uses to monitor internal control over financial reporting, including the source of the information related to those activities, and how those activities are used to initiate corrective actions.

Understanding of Computer Controls

In conjunction with obtaining our understanding of internal controls in planning the audit we will concentrate significant audit effort in the area of computer controls. With the assistance of our information technology specialist, we will evaluate the general controls and application controls. Examples of areas that will be evaluated are as follows:

General Controls

- Organizational controls
- Access controls
- Application development controls
- System software controls
- Operational controls
- Disaster recovery/contingency planning

Applications Controls

- Input controls
- Processing controls
- Output controls
- Security

AUDIT APPROACH

Time Management System

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

Planning Analysis

An analytical review of the Agency's preliminary account balances will then be performed. We will identify accounts and information streams that are significant and which may require particular attention, as a result of our understanding of business risks, operational risks, understanding of controls, and fraud risks identified.

Laws, regulations, contracts, agreements, and grants

We will consult with management to assist in the identification of provisions of laws, regulations, contracts, agreements, and grants to be tested. Identifying and ensuring that the Agency complies with laws and regulations is the responsibility of management. We will include appropriate inquiries of management to identify laws and regulations for which noncompliance could have a direct and material effect on the financial statements. We will also review relevant portions of the West Virginia Code and relevant regulations. We will test the provisions of those laws, regulations, contracts, agreements, and grants for noncompliance which could have a direct and material effect on the financial statements.

Risk Assessment

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

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

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

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

We plan to concentrate our audit effort on those areas where the dollar volume of transactions is significant, transactions are of a more complex nature, and the risk of material misstatement is greatest.

We will make extensive use of analytical and quantitative techniques to support the opinion on the financial statements of the Agency. We view analytical procedures such as economic and ratio analysis, and statistical sampling as a continuum of techniques to analyze transaction classes for unusual or unexpected activity for further testing and be matched against a continuum of audit risk, ranging from low

AUDIT APPROACH

to high. The audit tools used in each audit area will be matched against the specific audit risks of that area.

The engagement team members will perform the risk assessment based on their extensive experience and ensure audit efforts address areas of the highest risk of material misstatement in the financial statements, noncompliance with applicable provisions of laws, regulations, contracts, agreements, and grants and/or abuse.

Development of Tailored Audit Programs

Upon completion of obtaining our understanding of the internal controls and all related risks of the Agency, we will develop audit programs for each audit area and transaction class that may be material to the Agency's financial statements, pose increased risk of noncompliance with laws and regulations, abuse, or has been identified as an area of concern by management. Our audit programs contain detailed audit procedures which are developed to achieve specific audit objectives in obtaining sufficient evidential matter to allow us to form an opinion over the financial statements of the Agency.

Comprehensive Planning Summary

We will then compile planning documentation which will summarize the information gained in the planning and risk assessment phase of the audit. This documentation will include a detailed audit approach for the audit fieldwork. This documentation along with the final audit approach will be discussed with the entire audit team before beginning fieldwork.

Phase II: Internal Control Evaluation

We will perform procedures to obtain an understanding of the internal controls, including controls over information technology, and computer system controls, of the Agency. Assessment of the control environment will give us a general indication of the extent of reliance on the Agency's internal control policies and procedures that may be possible. This will be done in conjunction with obtaining our understanding of the operating environment of the Agency.

Phase III: Development of Audit Plan

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

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

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

AUDIT APPROACH

After the audit plan has been finalized and approved by the senior members of the engagement management team, the planning summary is developed. The planning summary addresses the following:

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

Phase IV: Testing of Financial Data and Compliance Matters

These tests are designed to provide reasonable assurance as to the validity of the information provided by the accounting system; i.e, the accuracy and completeness of all transactions and account balances. Such tests will include confirmations of account balances, review of invoices supporting payments, review of individual contract documentation and approvals, predictive analytical tests and fluctuation analysis, for example.

We will test compliance with significant applicable provisions of laws, regulations, contracts, and grant agreements. Generally, we will select and review transactions in sufficient detail to permit us to formulate conclusions regarding compliance.

At the conclusion of our compliance testing over laws, regulations, contracts and grant agreements, and abuse and established control procedures, we will review the results of our testing to determine what changes should be made, if any, to our audit plan. If noncompliance with laws, regulations, contracts and grant agreements, or abuse is noted during our testing, we will notify Board members and management regarding the nature and scope of the noncompliance or abuse before modifying our audit approach.

Phase V: Reporting

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

In addition, we will follow the financial requirements of the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration including responding to specific requests for information, expression of an "in relation to" opinion on supporting schedules required by the Department of Administration for the preparation of the State's Comprehensive Annual Financial Report (CAFR), and attending conferences, meetings, or seminars held or presented by FARS regarding their requirements for report preparation, presentation, deadlines, etc.

During the entire audit process, we will be alert for any recommendations for improvement in your system of internal control and your operating and administrative procedures. If we find areas where improvements can be made, we will discuss the recommendation with those employees responsible for the area noted. This input is valuable to determine if the suggestion is reasonable and practical to implement. We will summarize our suggestions and recommendations in a letter addressed to the management of the Agency. This letter would be in preliminary draft form to obtain your comments before any final draft is released.

AUDIT APPROACH

Approach for Determining Laws and Regulations that will be Subject to Audit

We will determine the laws and regulations that will be tested through inquiry of management, inquiry of the Agency's legal counsel, and review of the West Virginia Code, the Agency's enabling legislation, and other regulatory or statutes that may apply.

Certification of Signatory of Proposal

John D. Galloway is entitled to represent the firm of Gibbons & Kawash and is empowered to submit this proposal/bid and is authorized to sign a contract with the Agency.

APPENDIX A

COST BID

APPENDIX A

**STATE OF WEST VIRGINIA
WORKFORCE WEST VIRGINIA
REQUISITION For QUOTATION WWV11-869
COST SHEET**

DELIVERABLES	
Phase I	Phase I
Entrance Conference	
Detailed Audit Plan	\$ 13,469
Draft of WORKFORCE West Virginia Reports and financial statements for review	
Phase II	Phase II
Revised draft with all requests changed and modification of WORKFORCE West Virginia reports and financial statements for review	\$ 13,469
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WORKFORCE West Virginia and Director of FAM	
Phase III	Phase III
Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review	\$ 26,937
Final signed report submitted to WORKFORCE West Virginia and FARS	
GRAND TOTAL	\$ 53,875

APPENDIX B

PARTNER AND SUPERVISORY STAFF QUALIFICATIONS AND EXPERIENCE

APPENDIX B



John D. Galloway, CPA

PARTNER
304-345-8400 ph
304-345-8451 fax
jgalloway@gandkcpas.com

Experience

John has 16 years of professional experience providing audit, tax, and consulting services to public sector entities, including state agencies, local governments and nonprofit organizations.

His in-depth industry knowledge includes such areas as governmental financial reporting, federal grant compliance, indirect cost reimbursement, and internal control and operational matters. His service to nonprofit organizations and governmental entities includes the following:

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

Professional Activities

John is a member of the American Institute of CPAs, the West Virginia Society of CPAs, and past-president of the Charleston Chapter of the West Virginia Society of CPAs. John is also a member of the Charleston Vandalia Rotary Club.

Education

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

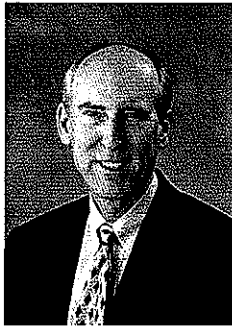
APPENDIX B

Continuing Professional Education

John's relevant continuing professional education courses within the last three years:

Identifying, Assessing, and Responding to Risk
Panel Discussion on the Risk Assessment Standards
Susan Longo: Risk Assessment Training
Latest Revisions to Auditing Standards
Understanding Internal Control Sufficient to Plan Effective Audits
Plain English Accounting & Auditing Update - Part I
Plain English Accounting & Auditing Update - Part II
Year 2 - Risk Assessment and Internal Control
The Revised Yellowbook: Governmental Auditing Standards
2009 Accounting & Auditing Update
State & Local Government Audits: An Audit Issues Rundown
World's Liveliest Accounting and Auditing Update
Partner's Audit Engagement Documentation

APPENDIX B



Robert R. Denyer, CPA

PARTNER

304-345-8400 ph
304-345-8451 fax
rdenyer@gandkcpas.com

Experience

Bob has over 30 years of experience in providing audit, tax, and consulting services to public sector entities, including state agencies, local governments and nonprofit organizations. His in-

depth industry knowledge includes such areas as federal grant compliance, indirect cost reimbursement, employee benefit plan issues, and internal control and operational matters. He has supervised and managed audits of many privately-owned commercial companies, as well as large governmental entities, colleges and

universities and other nonprofit organizations. His service to nonprofit organizations and governmental entities includes the following:

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

Professional Activities

Bob is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, and the Charleston Chapter of the West Virginia Society of CPAs. Bob is a past board member and past president of the South Charleston Rotary Club and a member of the South Charleston Chamber of Commerce.

Education

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

APPENDIX B

Continuing Professional Education

Bob's relevant continuing professional education courses within the last three years:

Identifying, Assessing, and Responding to Risk
Panel Discussion on the Risk Assessment Standards
Susan Longo: Risk Assessment Training
Latest Revisions to Auditing Standards
Understanding Internal Control Sufficient to Plan Effective Audits
Plain English Accounting & Auditing Update - Part I
Plain English Accounting & Auditing Update - Part II
Year 2 - Risk Assessment and Internal Control
The Revised Yellowbook: Governmental Auditing Standards
2009 Accounting & Auditing Update
State & Local Government Audits: An Audit Issues Rundown
World's Liveliest Accounting and Auditing Update

APPENDIX B



Robert E. Adams, CPA

SENIOR MANAGER

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304-345-8451 fax
radams@gandkcpas.com

Experience

Rob's professional experience during the past 14 years has included significant responsibilities providing audit, tax, and consulting services to numerous public sector entities. Rob has supervised and managed audits of several large state governmental entities, local governments, and nonprofit organizations. His service to governmental and nonprofit organizations includes the following:

- Charleston Urban Renewal Authority
- City of Charleston, West Virginia
- Kanawha County, West Virginia
- Kanawha County Parks and Recreation Commission
- Kanawha Valley Regional Transportation Authority
- Mid-Ohio Valley Area Development Corporation
- Mid-Ohio Valley Planning and Development Council
- West Virginia Board of Treasury Investments
- West Virginia Department of Transportation
- West Virginia Certified Development Corporation
- West Virginia Drinking Water Treatment Revolving Loan Fund
- West Virginia Economic Development Authority
- West Virginia Educational Broadcasting Authority
- West Virginia Independent Colleges and Universities
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Jobs Investment Trust
- West Virginia Lottery Commission
- West Virginia Regional Jail and Correctional Facility Authority
- West Virginia Solid Waste Management Board
- West Virginia Water Development Authority
- West Virginia Water Pollution Control Revolving Fund

Professional Activities

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

Education

Rob graduated from West Virginia Wesleyan College with a bachelor of business administration in accounting.

APPENDIX B


Continuing Professional Education

Rob's relevant continuing professional education courses within the last three years:

Identifying, Assessing, and Responding to Risk
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APPENDIX C

EXTERNAL PEER REVIEW



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

System Review Report

May 12, 2009

To the Partners of Gibbons & Kawash CPAs
and the Peer Review Committee of the American Institute of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Gibbons and Kawash CPAs (the firm) applicable to non-SEC issuers in effect for the year ended February 28, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable 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 therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Gibbons & Kawash CPAs applicable to non-SEC issuers in effect for the year ended February 28, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Gibbons & Kawash CPAs has received a peer review rating of *pass*.

Rea & Associates, Inc.

APPENDIX D

QUALITY CONTROL DOCUMENT

APPENDIX A

GIBBONS & KAWASH, A.C. QUALITY CONTROL DOCUMENT Amended and Restated Effective August 1, 2010

The firm's quality control policies and procedures for the six elements of quality control are presented below. All employees of the firm are provided copies and are responsible for understanding, implementing, and adhering to these policies and procedures.

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

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

Any questions, concerns, or recommendations about the firm's quality control system should be communicated to the managing director.

LEADERSHIP RESPONSIBILITIES FOR QUALITY

It is the firm's policy to promote a culture of quality that is pervasive throughout the firm's operations through the development of its system of quality control. Firm management, under the direction of the managing director, assumes responsibility for the firm's system of quality control and designs the system (a) to emphasize the importance of performing work that complies with professional standards and regulatory and legal requirements and (b) to issue reports that are appropriate in the circumstances. In maintaining a culture of quality, the firm emphasizes the importance of ethics and integrity in every decision that personnel make, particularly at the engagement level. The firm ensures compliance with this policy by implementing the following procedures:

1. The firm dedicates sufficient and suitable resources to its quality control system and quality initiative and assigns the operational responsibility for the firm's quality control system to individuals with the experience, ability, and authority to identify, develop, and implement the necessary QC policies and procedures. The firm appropriately communicates clear, consistent, and frequent actions and messages that emphasize the firm's quality control policies and procedures. Such actions and messages include:
 - Providing a copy of the firm's system of quality control document to all new professional employees and reviewing the document and its importance with them.
 - Reviewing the firm's quality control policies and procedures, especially in areas where questions or problems have arisen, with personnel during firm training sessions.
2. The partners evaluate client relationships and engagements to ensure that commercial considerations are not placed ahead of the firm's commitment to quality control. Additionally, the

firm's compensation and advancement policy and procedures (covered in the human resources QC document) do not place commercial considerations ahead of the quality of work performed.

3. The partners in the firm demonstrate the importance of quality by their actions. Such actions include:
 - Making decisions with a focus on the public interest and emphasizing that personnel do the same.
 - Demonstrating the importance of creating and maintaining a good public reputation.
 - Ensuring partners and staff have sufficient time and resources to solve engagement challenges.
 - Following the spirit, as well as the letter, of professional, regulatory, and legal standards.
 - Displaying enthusiasm and sincerity in communicating its commitment to a quality initiative.
 - Demonstrating consistency.
4. The firm establishes and maintains a positive work environment by combining the firm's quality objectives with the personnel's needs to be valued and appreciated.
5. The firm hires, compensates, and promotes individuals who possess and exhibit high levels of integrity, as covered in the human resources QC policies and procedures.
6. The firm does not allow unethical behavior to occur unchallenged and addresses instances of noncompliance with the firm's quality control system through swift disciplinary action or, in extreme cases, termination of the offending employee.
7. At least annually, the firm's leadership responsibilities policy and procedures are reviewed to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

RELEVANT ETHICAL REQUIREMENTS

It is the firm's policy that all professional personnel be familiar with and adhere to relevant ethical requirements of the AICPA, contained in the *Code of Professional Conduct*, the State of West Virginia Board of Accountancy, and the West Virginia Society of CPAs in discharging their professional responsibilities. Furthermore, it is the policy of our firm that, for engagements subject to *Government Auditing Standards*, Public Company Accounting Oversight Board (PCAOB) standards, and other applicable regulatory agencies, all professional personnel be familiar with and adhere to the relevant ethical requirements included in those standards and that personnel will always act in the public interest. Any transaction, event, circumstance, or action that would impair independence or violate the firm's relevant ethical requirements policy on an audit, attestation, review, compilation engagement, or other service subject to the standards of the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee (as required under Rules 201 and 202) is prohibited. Additionally, when the firm and its professional personnel encounter situations that raise potential independence threats but such situations are not specifically addressed by the independence rules of the AICPA *Code of Professional Conduct*, the situation will be evaluated by referring to the *Conceptual Framework for AICPA Independence Standards* and applying professional judgment to determine whether an independence breach has occurred. The firm will take appropriate action to eliminate those threats or mitigate them to

an acceptable level by applying safeguards. If effective safeguards cannot be applied, the firm will withdraw from the engagement or take other corrective actions as appropriate to eliminate the breach.

Although not necessarily all-inclusive, the following are considered to be prohibited transactions and relationships:

1. Investments by any partner or professional employee in a client's business during the period of a professional engagement, including a commitment to acquire any direct or material indirect financial interest in a client.
2. An investment in an entity or property by any of the following individuals and the client (or the client's officers or directors, or any partner who has the ability to exercise significant influence over the client) that enables them to control (as defined by GAAP for consolidation purposes) the entity or property:
 - a. An individual on an attest engagement team.
 - b. An individual in a position to influence the attest engagement by doing any of the following:
 - evaluating the performance or recommending the compensation of the attest engagement partner,
 - directly supervising or managing the attest engagement partner and all of that partner's superiors,
 - consulting with the attest engagement team about technical or industry-related issues specific to the engagement, or
 - participating in or overseeing quality control activities, including internal monitoring, with respect to the attest engagement.
 - c. A partner or manager who provides nonattest services to the attest client beginning once he or she provides ten or more hours of nonattest services to the client within any fiscal year and ending on the later of the date:
 - the firm signs the report on the financial statements for the fiscal year during which those services were provided, or
 - he or she no longer expects to provide ten or more hours of nonattest services to the attest client on a recurring basis.
 - d. A partner in the office in which the lead attest engagement partner primarily practices with respect to the attest engagement.
 - e. The firm and its employee benefit plans.
3. Borrowing from or loans to a client, or client's personnel during the period of a professional engagement by any of the individuals listed in items 2. a.-e., except as grandfathered or permitted.
4. Accepting or offering gifts or entertainment from or to a client unless reasonable in the circumstances and approved by the managing director.

5. Certain family relationships between professional personnel and client personnel. (Consult the managing director for a ruling on such relationships.)

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

The firm ensures compliance with this policy by implementing the following procedures:

1. All professional personnel are required to sign a representation letter when hired (and annually thereafter) that acknowledges their familiarity with the firm's relevant ethical requirements policy and procedures, particularly with regard to independence. Such signed representation letters are also required from part-time, seasonal, and contract professionals and any other individuals who work on accounting and auditing engagements and are required to be independent.
2. All professional personnel review the firm's current client list in conjunction with completing the representation letter for identification of threats to, or breaches of, independence. The current client list is maintained by the Chief Operating Officer (COO) and changes to the list are communicated on a timely basis by a memorandum from the COO. When hired (and annually thereafter), all professional personnel are required to sign a representation that confirms this responsibility. To ensure that independence is properly addressed at the engagement level, the engagement partner will consider relevant information about client engagements and evaluate the overall effect, if any, on independence requirements as part of the engagement and acceptance decision. The work programs and forms in the accounting and auditing manuals used by the firm contain steps requiring an evaluation of independence on each new and recurring engagement. Furthermore, those manuals contain reporting guidance for the types of engagements where a lack of independence is allowed.
3. All professional personnel are required to promptly notify the managing director or director of assurance services of any circumstances or relationships that may create a potential threat to independence (such as a potential prohibited transaction) or an independence breach, so that appropriate action can be taken. To acknowledge that responsibility, professional personnel are required when hired (and annually thereafter) to sign a representation letter and to list known circumstances and relationships that may create a potential threat to independence or violate the firm's relevant ethical requirements policy. The representation letter references the professional standards of relevant ethical requirements that govern the firm. Professional standards, including the AICPA's *Conceptual Framework for AICPA Independence Standards*, and the advice of the managing director may be consulted if an employee is unsure if a threat to independence should be reported to firm management.)
4. If a potential threat to independence is identified, the managing director accumulates and communicates relevant information to appropriate personnel so (a) firm management and the engagement partner can determine whether they satisfy independence requirements, (b) the engagement partner can take appropriate action to address identified threats to independence, and (c) the firm can maintain current independence information.
5. If the firm is engaged as principal auditor and another firm is engaged to audit a subsidiary, branch, division, governmental component unit, or to perform procedures on an element or account grouping within a client's financial statement, the engagement team is required to obtain a written representation regarding the other firm's independence with respect to the client. The auditing manuals used by the firm contain examples of representation letters to use in such situations. Furthermore, in a review or attestation engagement, if another firm performs work on a segment of the engagement, a representation (either written or oral) regarding the other firm's

independence is required. The engagement programs in the accounting and auditing manuals used by the firm contain steps to ensure compliance with this procedure.

6. The engagement partner (or the accountant in charge under the partner's supervision) has the primary responsibility for determining if there are unpaid fees on any of his clients that would impair the firm's independence. The engagement work programs and standard forms used by the firm contain steps to ensure compliance with this procedure. The firm's client accounts receivable listing and the engagement partner's knowledge of unbilled fees should be considered in making this determination. In addition, the managing director has secondary responsibility to review the firm's accounts receivable listing on a periodic basis to identify potential independence problems.
7. The engagement partner has the primary responsibility to identify all nonattest services performed for an attest service client and for determining if such nonattest services impair independence with respect to that client. Reviewing nonattest services performed for attest clients includes obtaining and documenting an understanding with the client regarding the client's responsibilities for the nonattest services performed by the firm. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in *Government Auditing Standards* for ongoing, planned, and future audits. Firm engagement work programs for all attest and compilation engagements include steps to ensure compliance with this procedure.
8. The engagement partner has the primary responsibility for determining whether actual or threatened litigation has an effect on the firm's independence with respect to the client. The firm's independence could be impaired by litigation (a) between the client and the firm, (b) with the client company's securities holders, and (c) from other third parties.
9. If the firm is engaged as principal auditor to report on the basic financial statements of a financial reporting entity, all professional personnel must be independent of the financial reporting entity. If the firm is engaged as principal auditor to report on a major fund, nonmajor fund, internal service fund, fiduciary fund, or governmental component unit of the financial reporting entity, all professional personnel must be independent of the fund or entity the firm reports on. The engagement partner has the primary responsibility for determining whether the firm's relationship with entities in the governmental financial statements has an effect on independence.
10. The managing director has the primary responsibility for determining whether the firm was a party to a cooperative arrangement with a client that was material to the firm or the client.
11. The managing director is responsible for obtaining the representation letters, reviewing them for completeness, and accumulating relevant information relating to identified threats to relevant ethical requirements matters (including questions from the representation letters and those from other sources). In determining a resolution, firm management should consider the AICPA's *Conceptual Framework for AICPA Independence Standards* and, when necessary, consult the AICPA or the West Virginia Society of CPAs for assistance in interpreting independence, integrity, and objectivity rules. Documentation of the resolution of a relevant ethical requirements matter should be filed in the client's permanent workpaper files. Firm management is also responsible for determining actions to be taken when professional personnel violate firm independence policies and procedures. The action for each incident is determined based on its unique circumstances and may include eliminating a personal impairment, requiring additional training, drafting a reprimand letter, or even termination.
12. The managing director is responsible for monitoring the firm's independence of attest clients at which partners or other senior personnel have been offered management positions or have accepted offers of employment. The independence, integrity, and objectivity questionnaire used

by the firm and the client acceptance checklists used by the firm in attest engagements include questions to help ensure compliance with this requirement.

13. If a breach of independence is identified, the firm promptly communicates the breach and the required corrective actions to (a) the engagement partner, who (along with the firm) has the responsibility to address the breach and (b) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action. The engagement partner confirms to the firm when required corrective actions related to the breach and noncompliance with these policies and procedures have been taken.
14. At least annually, the managing director reviews the firm's relevant ethical requirements policy and procedures to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

ACCEPTANCE AND CONTINUANCE OF CLIENTS AND ENGAGEMENTS

It is the firm's policy that, for all compilation, review, audit, and attestation engagements, the acceptability of the client and the engagement be evaluated before the firm agrees to provide professional services and that the firm will accept only engagements where it has considered the integrity of the client, and believes the engagement can be completed with professional competence after considering the risks associated with providing professional services in the particular circumstances. The firm ensures compliance with this policy by implementing the following procedures:

1. For each prospective client (or existing tax or consulting client) that requests for the first time a compilation, review, audit, or attestation service, the partner making initial contact with the client is required to complete an engagement acceptance form. (The engagement acceptance form is located in the accounting and auditing manuals used by the firm.) That form documents, among other things, background information including financial information regarding the client and its operations; an assessment of the apparent integrity of management or its officers based on contacts or discussions with others; possible independence problems or conflicts of interest; an assessment of the firm's competence, capabilities, and resources; the results of communications with the client's prior accountants (if applicable); and consideration of the risks associated with the engagement. The completed acceptance documentation and engagement letter are routed to the concurring partner who evaluates whether to accept or reject the prospective client and who documents that conclusion on the form.
2. For existing clients, a committee of partners meets at least annually and reviews the Firm's client list and reevaluates the acceptability of each client and engagement. Furthermore, the engagement work programs used by the firm (as documented in the engagement performance QC element of the firm's QC document) contain steps requiring the engagement team to consider whether the firm should discontinue providing all or certain services to a client. In making the continuance decision, the firm considers whether any significant issues have arisen during the course of the relationship with the client and how such issues affect the ongoing client relationship. Reasons that might surface in either the firm-wide or individual engagement review that would cause the firm to consider discontinuing services if the information had been available earlier include the following:
 - a. Significant changes in the client and its operations, such as retirement of senior management, other ownership changes, a decline in the perceived integrity of management, a decline in financial stability, or specific risks associated with the particular engagement.
 - b. Changes in the nature or scope of the engagement, including requests for additional services the firm may not be adequately prepared to render.

- c. Significant changes in the composition of the firm, such as a change in the firm's professional competence (expertise) or the decision to discontinue client services in a particular industry.
 - d. Significant unpaid fees that may cause an independence problem or create doubt about the collectability of future fees.
 - e. The existence of conditions that would have caused the firm to reject the client or engagement had such conditions existed at the time of the initial acceptance.
 - f. The client is in the development stage or operates in a highly specialized or regulated industry.
 - g. More time is required to perform the engagement than the firm can provide.
 - h. The client has ignored prior firm recommendations, such as recommendations regarding the interpretation of accounting standards or the correction of internal control deficiencies.
3. A committee of partners, consisting of the managing director, director of assurance services, and the engagement partner, is responsible for deciding whether to discontinue providing all or certain services to a client, or whether steps can be taken to mitigate the risk of continued services, for example, requiring a down payment on fees before work begins, pay-as-you-go billing arrangements, alternative engagement procedures, etc.
4. The engagement partner documents how issues identified during the acceptance and continuance process were overcome and resolved so that the firm decided to accept or continue the client relationship or specific engagement. Such documentation includes discussion of significant issues, consultations, conclusions, and the basis for the conclusions.
5. If situations occur after the commencement of an engagement and while work is in progress that indicates the firm should consider withdrawing from the engagement, the managing director and director of assurance services should be notified of the circumstances. In this situation, the firm should consider any professional or legal responsibilities of the firm to the client, in addition to the possibility of withdrawing from the engagement or even discontinuing the client relationship, if appropriate. Circumstances that may cause the firm to withdraw would include:
 - a. The client's unwillingness to make a material correction to the financial statements or accept a modified report, or when a modification of the standard report will not adequately indicate the deficiencies in the financial statements taken as a whole.
 - b. Failure by the client to take remedial action with regard to an illegal act that might be discovered during the engagement.
 - c. The discovery of facts after the engagement commences that may have caused the firm to reject the engagement, had those facts been known prior to starting the work, e.g., a significant risk of fraud or significant deficiencies in the entity's internal control.
 - d. The client provides information that is incorrect, incomplete, or otherwise unsatisfactory and refuses to provide additional or revised information.

- e. The inability to perform the inquiry and analytical procedures considered necessary for a SSARS or attest review, and, for a SSARS review, it is inappropriate to issue a compilation report.
 - f. The client's refusal to provide a representation letter in an audit or a SSARS or SSAE review and, for a SSARS review, it is not appropriate to issue a compilation report.
 - g. The client's refusal to allow the sending of a request for legal representation to legal counsel.
 - h. In an SSAE review engagement, the client is the responsible party and does not provide a written assertion.
 - i. Other information in a client-prepared document containing the firm's attest report is materially inconsistent with the information in the report, and the client does not revise the information to eliminate the inconsistency.
6. If, based on the facts and circumstances identified in performing procedures 2 and 4, the committee concludes that the firm should discontinue providing all or certain services to a client or withdraw from a current engagement, the committee should determine how the client should be informed about that decision. Furthermore, the committee should consider whether outside legal counsel should be consulted in making that decision. The engagement team will be notified by the committee of the name of any client to which services are discontinued. Significant issues, consultations, conclusions, and the basis for the conclusions should be documented when withdrawal from an engagement or from both the engagement and the client relationship occurs.
 7. The engagement partner is responsible for ensuring that an engagement letter is obtained for each client. The engagement letter should document the firm's understanding with the client regarding the nature, scope, and limitations of the services to be performed, as well as the identification of the engagement partner and his or her role.
 8. If the firm discovers a potential conflict of interest during the acceptance and continuance decision, the managing director, the director of assurance services, and the engagement partner determine whether it is appropriate to accept the engagement. If the engagement is accepted, the ethical requirements under AICPA Interpretation No. 102-2, "Conflicts of Interest," under Rule 102, *Integrity and Objectivity*, are considered.
 9. At least annually, the quality control director reviews the firm's acceptance and continuance of client relationships and specific engagements policy and procedures to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

HUMAN RESOURCES

Overall

The success of the firm is dependent upon its professional staff. It is the firm's intent to succeed in the marketplace by having partners and staff who possess the capabilities, competence, and commitment to ethical principles to assure that engagements performed by the firm are in accordance with professional standards and regulatory and legal requirements and that appropriate reports are issued. Having effective QC policies and procedures over the human resources element will help ensure the proficiency of its personnel. The activities of a comprehensive human resources QC system include:

1. Recruitment and hiring.

2. Determining capabilities and competencies.
3. Assignment of personnel to engagements.
4. Professional development.
5. Performance evaluation, compensation, and advancement.

Policies and procedures for these activities are described below. At least annually, the managing director reviews the firm's human resources policies and procedures to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

Recruitment and Hiring

It is the firm's policy that recruitment and hiring decisions for the professional staff be based on an objective evaluation of the firm's personnel needs, that candidates possess the appropriate characteristics to perform competently, and that new employees are adequately informed of the firm's policies and procedures. The firm ensures compliance with this policy by implementing the following procedures:

1. Periodically, a committee of partners assesses the personnel needs of the professional staff by considering, among other things, firm criteria such as ability to service clientele, anticipated growth, personnel turnover, individual advancement, staff workload, quality of life, and succession plans.
2. In fulfilling the firm's recruitment and hiring plans, the firm seeks to employ individuals with high levels of integrity, competence, intelligence, maturity, and motivation. In this regard, the firm normally hires college graduates whose academic training will enable them to take the CPA exam. However, paraprofessionals who do not possess a college degree, but whose accounting experience and personal qualifications indicate a likelihood of adequate abilities, may also be hired.
3. Determination of the techniques to be used to recruit candidates and actual employment decisions will be made by the managing director. Other personnel who are involved in the recruitment and hiring process will be informed of the techniques to be used.
4. When evaluating a prospective employee, the firm considers, among other things, the candidate's work experience, grade point average and college course concentration in accounting and related courses (with more emphasis given to them for candidates who are new graduates), personal achievements, work experience, and personal interests. The degree to which college transcripts, work references, and other qualifications are investigated is left to the discretion of the managing director.
5. The firm's personnel policies and procedures relevant to applicants and new employees are communicated to them.

Determining Capabilities and Competencies

It is the firm's policy to determine whether individual members of the professional staff possess the requisite capabilities and competencies. In making this determination, the firm primarily considers qualitative measures, as opposed to quantitative ones. The firm ensures compliance with this policy by implementing the following procedures:

1. Periodically, a committee of partners assesses the capabilities and competencies of engagement partners to help assure proper engagement performance. The following capabilities and competencies are assessed based on the characteristics of the particular client, industry, and service provided:

- a. An understanding of the role of the firm's QC system and the *Code of Professional Conduct*.
 - b. An understanding of the performance, supervision, and reporting aspects of the service to be performed.
 - c. An understanding of the applicable accounting, auditing, and attestation professional standards, including those directly related to any special industries. An understanding of applicable industries and each industry's organization and operating characteristics, sufficient to identify high or unusual risk areas and to evaluate the reasonableness of industry-specific estimates.
 - d. Proficiency and seasoned judgment in discharging assigned responsibilities.
 - e. An understanding of how an organization is dependent on or enabled by information technologies and how the information technology systems are used to record and maintain financial information.
2. The firm considers other engagement partner capabilities and competencies as needed in the circumstances, which may include:
 - a. Various personal attributes, such as integrity and ethics, professionalism, project management skills, etc.
 - b. Leadership qualities, including strategic thinking and planning, negotiating and persuading, teamwork, problem solving, coaching and empowerment, etc.
 - c. Perspective on business issues, such as managing and developing people, marketing and selling, knowledge of best practices, business advisory skills, etc.
 3. The firm determines how engagement partners and other personnel can best obtain additionally needed capabilities and competencies.
 4. Performance evaluations are conducted, at least quarterly, to determine the capabilities and competencies possessed by each professional staff other than partners.

Assignment of Engagement Teams

It is the firm's policy that each engagement be supervised by an engagement partner with appropriate authority. Additionally, staff assigned to engagements (including partners) should possess the necessary capabilities, competence, and available time to (a) perform engagements that comply with professional standards and regulatory and legal requirements and (b) enable the firm to issue reports that are appropriate in the circumstances. The firm ensures compliance with this policy by implementing the following procedures:

1. In addition to assessing the engagement partner's capabilities and competencies (see the *Determining Capabilities and Competencies* section), a committee of partners clearly defines and communicates the responsibilities and authority of an engagement partner to the partner, and evaluates the partner's work load to ensure that he or she has the time to adequately perform the role.
2. The identity and role of the engagement partner are communicated to client management and those charged with governance through a written engagement letter.

3. Periodically, the directors of assurance services and tax and consulting services assess the staffing (including partner assignments) requirements of each client and engagement and develop a partner and staff assignment plan for their respective departments. Any considerations that emerge from this assessment that affect the hiring plans of the firm are communicated to those responsible for recruitment and hiring. In making assignments, consideration is given to factors such as:
 - a. The engagement type, size, significance, complexity, and risk profile.
 - b. Special expertise and experience required for the engagement.
 - c. New or emerging professional standards that may affect the engagement.
 - d. Recent continuing education relevant to the service to be provided and, if applicable, the industry (for example, staff who have met the continuing education requirements of the GAO's *Government Auditing Standards*).
 - e. The timing and length of the engagement.
 - f. The continuity and periodic rotation of the staff.
 - g. Opportunities for on-the-job training.
 - h. Previously demonstrated competencies (including consideration of the results of monitoring, inspections, peer reviews, and recent performance evaluations).
 - i. Personnel availability and the involvement of supervisory personnel.
 - j. Situations where possible conflicts of interest, objectivity, or independence problems may exist, including, where applicable, circumstances where the assigned staff is not independent under *Government Auditing Standards*. (*Government Auditing Standards - July 2007 Revision* preclude personnel who provided the nonaudit services from planning, conducting, or reviewing audit work of subject matter involving the nonaudit service under the overarching principle that auditors cannot audit their own work.)
 - k. The extent of supervision required by each member.
 - l. Non-CPA partners cannot be ultimately responsible for any compilation, review, attestation, or audit engagement.

The staffing schedules for each department are available to all employees via the firm's network.

4. The firm recognizes that many modifications to the staffing schedule will be required because of changes in client circumstances that affect the competencies appropriate for the client engagement, ongoing consideration of competencies possessed by firm partners and personnel assigned to particular engagements, addition or loss of clients, staff turnover, delays in the timing of work, or other unforeseen events. Modifications are made based on an informal meeting of the partners and managers affected by the changes and after a reconsideration of the planning factors discussed in Assignment of Engagement Teams, Procedures 1–3. Any disputes regarding assignment of personnel are resolved by the directors of each department. Members of the staff are informed of staffing changes and new assignments either orally or by reviewing the posted staffing schedule.

Professional Development

It is the firm's policy that all professional personnel (including non-CPA partners) comply with the continuing professional education requirements of the AICPA, the West Virginia State Board of Accountancy, the AICPA Governmental Audit Quality Center, the AICPA Employee Benefit Plan Audit Quality Center, the U.S. Government Accountability Office, and other regulatory agencies if applicable; that all professional staff maintain an adequate awareness and understanding of current developments in professional standards; that all non-licensed professional staff work toward passing the CPA exam; and that all professional staff assist in the training and development of staff members under their supervision. The firm ensures compliance with this policy by implementing the following procedures:

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

- i. The reviewer's technical competence and knowledge of instructional design should at least equal that of the developer.
 - j. Instructors should be qualified with respect to both program content and teaching methods used.
 - k. The number of participants and physical facilities should be appropriate for the teaching method(s) specified.
 4. Each program should include an effective means for evaluating quality.
 5. Individuals who work on audits and attestation engagements subject to the *Government Auditing Standards*, including planning, directing, performing fieldwork, or reporting, should complete at least 24 hours of CPE every two years that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. In addition, auditors who do any amount of planning, directing, or reporting on Yellow Book assignments and auditors who are not involved in those activities but charge at least 20% of their time annually to Yellow Book assignments are required to also obtain at least another 56 hours (for a total of 80 hours) of CPE that enhances their professional proficiency to perform audits or attestation engagements. In other words, everyone working on a Yellow Book engagement has to meet the 24-hour requirement. However, auditors who do not do any planning, directing, or reporting on a Yellow Book engagement, or who do not spend at least 20% of their time annually on Yellow Book engagements are not required to obtain an additional 56 hours of CPE to comply with the 80-hour requirement.
 - a. In accordance with the membership requirements of the AICPA Governmental Audit Quality Center's membership requirements, the partner assigned firmwide responsibility for the quality of the firm's governmental audit practice must meet both the 24-hour and 80-hour CPE requirements even if that partner would not otherwise be subject to those requirements. The partner must also participate in the annual Center sponsored webcast on recent developments in governmental auditing.
 - b. Individuals who sign audit opinions and/or manage ERISA employee benefit plan audit engagements and individuals who work on ERISA employee benefit plan audit engagements must meet the CPE requirements of the AICPA Employee Benefit Plan Audit Quality Center.
 6. To comply with the documentation requirements of the AICPA, the state board of accountancy, the U.S. Government Accountability Office, and other regulatory agencies for CPE credit, the firm maintains appropriate CPE records, among which are the following:
 - a. For each professional for the most recent five years, a worksheet is maintained that contains the following information for each credit hour claimed:
 - Type of CPE activity (seminar, in-house program, self-study, independent study, etc.).
 - Sponsor.
 - Title of program and description of content.
 - Dates attended or completed.

- Location of program.
 - CPE contact credit hours claimed.
- b. For each in-house CPE program sponsored by the firm, the following records are maintained for the most recent five years:
- A record of participation, indicating the number of CPE hours claimed for each participant.
 - An agenda or outline of the program, indicating name(s) and qualifications of the instructor(s), the date(s) and length of the program, learning objectives, prerequisites, level of knowledge of the program, program content, nature and extent of advance preparation, teaching methods, recommended CPE credit, and relevant administrative policies.
 - The location(s) of the program.
 - A copy of the program materials (reading materials, problems, case studies, visual aids, instructors' manuals, etc.).
 - A summary of the participants' evaluations, the instructor's evaluation(s), and the sponsor's evaluation of the instructor(s).
 - If the course was developed in-house, a record of the name(s) and qualification(s) of the developer(s) and reviewer(s).
 - If the course was acquired from another source, evidence that the course was developed and reviewed by qualified individuals.
- c. For all other CPE programs or activities, the following records are maintained for the most recent five years:
- For group and independent study programs, a certificate or other verification supplied by the program sponsor.
 - For a university or college course that is successfully completed for credit, a record of the grade the person received.
 - For a self-study program, a certificate of satisfactory completion of an examination provided by the program sponsor.
 - For a published book, article, or CPE program, evidence of publication (a copy of the book, journal, or course development documentation) that names the CPA as author or contributor, the writer's statement supporting the number of CPE hours claimed, and the name and contact information of the independent reviewer(s) or publisher.
7. Each professional in the firm must recognize his or her responsibility to comply with applicable continuing professional education requirements to maintain technical competency. Accordingly, all professionals are encouraged to engage in self-development activities. To assist in this

endeavor, the firm maintains a current library and disseminates within the firm important news about new or emerging changes in professional literature or business activities. All professionals are encouraged to bring to the attention of the managing director any news item that they believe should be disseminated within the office.

8. The firm recognizes the importance of on-the-job training and has adopted, as a part of the firm's engagement performance QC system, the use of work programs to assist professionals in performing their work. Also, as noted in the firm's QC system for assigning personnel professionals are assigned to work on a variety of jobs and under different supervisors (to the extent practical) to maximize on-the-job training. Personnel with supervisory responsibility are reminded to be constantly aware of situations where they can provide on-the-job training.
9. The firm recognizes the benefit of other professional development activities and encourages personnel at each staff level to participate in PD activities such as completing external professional development programs, becoming members of professional organizations, serving on professional committees, writing for professional publications, and speaking to professional groups.

Performance Evaluation, Compensation, and Advancement

It is the firm's policy that performance evaluation, compensation, and advancement decisions for professional personnel be based on a timely and objective evaluation of individual performance, that the professional personnel selected for advancement should have the necessary qualifications to fulfill their assigned responsibilities, and that compensation of personnel, including partners, be based on the quality of their work. The firm ensures compliance with this policy by implementing the following procedures:

1. Personnel classification levels are used to designate experience, to evaluate individual performance, and to establish criteria for promotion and compensation. The following personnel levels and related performance criteria are used by the firm.
 - a. **Paraprofessionals and Interns** -Individuals at this level normally have a basic understanding of accounting, bookkeeping, or tax preparation, but may not have obtained a college degree that includes a significant concentration of accounting or tax courses. Paraprofessionals are expected to:
 - Become familiar with the firm's policies and procedures.
 - Assist the firm's professional staff in performing controllership and bookkeeping services for clients.
 - Assist the firm's professional staff in entering data for computer applications and preparing workpapers, trial balances, depreciation schedules, and engagement correspondence.
 - Assist the firm's professional staff in gathering data for tax return preparation, maintaining the tax library, and maintaining the client tax files.
 - The job of paraprofessional is both challenging and rewarding and, with experience and supervision, individuals at this level can assume many of the responsibilities of staff accountants. However, advancement to higher levels of the professional staff normally will require the completion of a college degree with either a major in accounting or an equivalent number of accounting and business courses.

- b. **Staff Accountant** - Individuals at this level normally have a college degree with a major in accounting or other related business field and have from zero to three years' experience. Staff accountants are expected to:
- Become familiar with the firm's policies and procedures.
 - Understand professional standards and regulatory and legal requirements.
 - Progress professionally by working toward passing the CPA exam as soon as possible.
 - If assigned primarily to financial statement engagements:
 - Become familiar with pronouncements of the FASB, AICPA, and other accounting and auditing regulatory bodies, as applicable.
 - Become proficient at preparing financial statements.
 - Obtain exposure on the types of financial statement engagements offered by the firm.
 - Assume responsibility for segments of audits under the supervision of more experienced staff.
 - If assigned primarily to tax engagements:
 - Become familiar with pertinent IRC sections and regulations.
 - Obtain a working knowledge of research techniques and the various research sources in the firm library.
 - Become proficient in the preparation of corporate, individual, partnership, fiduciary, and other tax returns prepared by the firm.
 - Assume responsibility for the completion of tax returns under the supervision of more experienced staff.
- c. **Senior** - Individuals at this level have had a minimum of two years' experience as a staff accountant and normally have passed the CPA exam. Seniors are expected to:
- Know and understand the reasons behind the firm's policies and procedures.
 - Possess technical knowledge sufficient to supervise staff accountants.
 - Begin acquiring the skills necessary to develop quality client relationships and loyalty.
 - If assigned primarily to financial statement engagements:
 - Begin to develop a command of GAAP, OCBOA, unique or specialized accounting principles, and financial statement presentations.

- Obtain a thorough understanding of generally accepted auditing standards and common audit procedures and techniques.
 - Assume responsibility for efficiently supervising both audit and nonaudit engagements.
- If assigned primarily to tax engagements:
 - Begin developing a command of pertinent IRC sections and regulations.
 - Become proficient at tax research, including a knowledge of the reference sources available to the firm.
 - Assume responsibility for the supervision of tax return preparation engagements.
- d. **Manager** - Individuals at this level are CPAs and have had a minimum of three years' experience as a senior accountant (or equivalent experience as deemed appropriate by the partner) and have exhibited technical proficiency and the ability to supervise complete engagements. Managers are expected to:
- Plan, supervise, and complete routine engagements.
 - Supervise both staff accountants and seniors, provide feedback to them, and evaluate their progress.
 - Become experts in their assigned areas.
 - Develop new client contacts and relationships beneficial to the firm.
 - Assist in firm administrative functions as assigned by the partners.
 - Recognize opportunities to provide additional services to existing clients.
- e. **Senior Manager** - Responsibilities of senior managers are similar to those of partners. Most senior managers have primary client responsibilities in addition to administrative responsibilities. Individuals at this level are CPAs and have exhibited technical proficiency, managerial abilities, and the ability to attract and develop new clients. Senior Managers are expected to:
- Manage multiple complex engagements.
 - Perform assigned administrative duties.
 - Develop new client contacts and relationships beneficial to the firm.
- f. **Partner** - Individuals at this level are normally CPAs and have had a minimum of three years' experience as manager (or equivalent experience as deemed appropriate by the partners) and have exhibited superior capabilities and competencies, such as superior technical expertise, managerial abilities, and a commitment to quality. Partners are expected to:

- Provide firm leadership through example.
 - Be ultimately responsible for all engagements performed under them.
 - Perform assigned administrative duties.
 - Represent the firm through civic and community activities.
2. In addition to the evaluation criteria enumerated in the preceding personnel classifications, each firm member will be evaluated on attributes such as, but not limited to, the following:
- a. Commitment to quality.
 - b. Competency and technical knowledge.
 - c. Integrity.
 - d. Personal attitude.
 - e. Analytical skills and professional judgment.
 - f. Communication skills.
 - g. Leadership and training skills.
 - h. Client relationships.
 - i. Professional demeanor and appearance.
3. Firm personnel are provided copies of the performance evaluation, compensation, and advancement policy and procedures, which include the criteria for their compensation and advancement. The policy and procedures address performance, quality, adhering to ethical principles, and the consequences of failure to adhere to firm policies and procedures related to quality performance and ethical principles.
4. At the completion of engagements to which a professional staff member contributed 80 or more hours or at least every quarter [or more frequently at the discretion of the engagement partner], professional staff are evaluated by their supervisors using evaluation forms. These evaluation forms are submitted to the partner primarily responsible for that individual's supervision, who in turn conducts a counseling interview with that individual if deemed necessary. Comments and feedback obtained during these interviews, if any, are documented on the evaluation form by the supervising partner, and the form is routed to the individual's personnel file. The counseling interview includes the evaluation(s) and may include other matters. A failure to adhere to firm policies and procedures related to quality performance and ethical principles may result in more training, additional time at the present level, or even dismissal for more egregious failures.
5. At least annually, and on an *ad hoc* basis if necessary, the partners meet as a committee to discuss advancement, compensation, and termination decisions. In considering advancement and compensation decisions, staff performance evaluations and progress within staff classifications are given great priority; however, economic conditions, such as profits and future growth potential, must also be considered in each decision.

ENGAGEMENT PERFORMANCE

Overall

Engagement performance encompasses many aspects of performing an engagement, from the initial planning stages to the issuance of the report and assembly of the workpapers. Additionally, it is not uncommon for the firm's engagement teams to occasionally encounter complex or contentious issues that result in the need for consultation or that create differences of opinion. The firm believes in a strong

quality control system and supports frequent engagement quality control review. While all of these activities are part of the engagement performance element of the QC system, the firm has chosen to differentiate certain activities within this section of the QC document for ease of understanding. The activities are segregated as follows:

- Engagement performance and documentation.
- Engagement quality control review.
- Consultation and differences of opinion.

Policies and procedures for these activities are described below. At least annually, the managing director reviews the firm's engagement performance policies and procedures to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

Engagement Performance and Documentation

It is the firm's policy that all compilation, review, audit, and attestation (including forecast and projection) engagements be properly planned, performed, supervised, reviewed, documented, and reported or communicated in accordance with the requirements of professional standards, regulatory and legal requirements, and the firm. In this regard, the procedures listed below are followed by all personnel assigned to those engagements:

1. The firm's engagement performance quality control steps are documented in the firm's engagement performance bridging documents. The firm maintains separate bridging documents for audit, attestation, and compilation and review services, which are attached as an appendix to this document. The use of such bridging documents facilitates consistency in the quality of engagement performance and application of engagement procedures.
2. The responsibilities of the engagement partner and engagement team for implementing the firm's QC steps are indicated on the engagement performance bridging documents.
3. Certain steps in the firm's system of engagement performance QC steps are not applicable or are optional for some engagements. The engagement performance bridging documents indicate the applicability of each step to the particular type of engagement.
4. The firm uses numerous checklists, work programs, report examples, and other practice aids to implement its engagement performance QC steps. These practice aids are documented on the engagement performance bridging documents.
5. The firm complies with time limits established by professional standards, and laws and regulations that address the assembly of final engagement files for specific types of engagements.
6. The firm retains engagement documentation for a period of time sufficient to meet the needs of the firm, professional standards, and laws and regulations. Any uncertainties regarding the retention of engagement documentation are addressed by the firm's managing director, with the assistance of firm legal counsel and insurance carriers, as appropriate.
7. The firm protects the confidentiality, custody, integrity, accessibility, and retrievability of engagement documentation through staff training regarding client confidentiality rules and adequate and appropriate controls over the custody, integrity, accessibility, and retrievability of the firm's engagement documentation.

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

Engagement Quality Control Review

It is the firm's policy to evaluate all engagements against criteria established by the firm to determine whether an engagement quality control review should be performed, and to perform an engagement quality control review for all engagements that meet these criteria. Engagement quality control reviews are completed before the report is released. The firm ensures compliance with this procedure by implementing the following procedures:

1. The firm establishes criteria for performance of an engagement quality control review (EQCR). In establishing such criteria the firm considers:
 - a. The structure and nature of the firm's practice.
 - b. The nature of the engagement, including whether it involves a matter of public interest.
 - c. Whether unusual circumstances or risk have been identified relating to the engagement, engagement service type, or industry.
 - d. Whether laws or regulations require an engagement quality control review to be performed.
2. The firm establishes criteria for each major type of service provided (i.e., compilations, reviews, audits, and attestation engagements). All engagements are evaluated against the established criteria. An engagement quality control review is performed for all engagements that meet the established criteria. If no engagements meet the criteria established by the firm for EQCR, no reviews are required to be performed.
3. The firm has currently determined that EQCR will be performed for full-disclosure compilations, reviews, audits, and attestation engagements. The firm may periodically make changes to the established criteria based on changes in the firm's practice.
4. Performing an engagement quality control review includes the following procedures:
 - a. An objective evaluation of significant judgments made and the conclusions reached in formulating the report.
 - b. Reviewing for appropriateness the resolution and conclusions reached regarding differences of opinion and matters requiring consultation.
 - c. Considering the evaluation of the firm's and the engagement team's independence in relation to the specific engagement.
 - d. Reading the financial statements or other subject matter information and the report and considering whether the report is appropriate.

- e. A review of selected engagement documentation relating to the significant judgments and the conclusions reached.
 - f. A discussion with the engagement partner about significant findings and issues.
 - g. The EQCR may be conducted at various stages throughout the engagement to ensure that significant issues may be resolved to the reviewer's satisfaction before the report is released.
 - h. The extent of the EQCR may depend upon, among other things, the complexity of the engagement and the risk that the report might not be appropriate in the circumstances.
5. If differences of opinion occur between the engagement partner and the engagement quality control reviewer, appropriate differences of opinion procedures will be followed (see the Consultation and Differences of Opinion section of this QC document), and documentation of the resolution of conflicting opinions will be finalized before the release of the report.
6. The firm prepares appropriate documentation of the engagement quality control review, including documentation that reflects:
- a. The engagement quality control review procedures required by firm policies have been performed.
 - b. The engagement quality control review was completed before the report was released.
 - c. The reviewer was not aware of any unresolved matters that would have caused him or her to believe that significant judgments made and conclusions reached were not appropriate.
7. The firm addresses the appointment of engagement quality control reviewers and the technical qualifications required to perform the role, including the necessary experience and authority. In selecting appropriate engagement quality control reviewers, the following criteria are followed:
- a. The engagement quality control reviewer has sufficient and appropriate experience, technical expertise, and authority for the particular engagement to be reviewed.
 - b. Engagement quality control reviewers maintain appropriate ethical requirements, such as objectivity, due professional care, and independence. The engagement quality control reviewer satisfies the independence requirements relating to the engagement reviewed.
 - c. The engagement quality control reviewer does not participate in the performance of the engagement except in a consulting role, for example, the engagement partner may consult the engagement quality control reviewer during the engagement to establish that a judgment made by the engagement partner will be acceptable to the engagement quality control reviewer. Both the engagement quality control reviewer and the engagement team are careful to maintain the reviewer's objectivity.
8. When a firm does not have qualified personnel to perform the engagement quality control review, the firm contracts with qualified external individuals or other firms to perform the review. The criteria in Procedure 7 are followed in selecting qualified external engagement quality control reviewers.

Consultation and Differences of Opinion

It is the firm's policy that personnel refer to authoritative literature or other sources when appropriate. The firm also recognizes the need for a constant exchange of ideas and opinions about technical issues on all professional engagements, and it is the firm's policy that all professional personnel seek consultation, on a timely basis, within or outside the firm whenever differences of opinion occur or uncertainty exists about the answer to a technical question; the application of a professional procedure or standard; the application of a rule, regulation, or procedure of a tax or other regulatory agency; or the application of a firm policy. The firm ensures compliance with this policy by implementing the following procedures:

1. The firm maintains or provides ready access to an adequate and up-to-date reference library that includes materials related to clients served and that should be consulted to assist professional staff in their research of technical issues.
2. While the firm recognizes that it is impossible to list all situations that might require referral to authoritative literature or other sources or that might require consultation, the following situations, due to their complexity, may require consultation:
 - a. Any engagement in which a qualified or nonstandard report is likely to be issued.
 - b. Any engagement involving material litigation.
 - c. Application, for the first time, of new or complex technical pronouncements.
 - d. Industries with special accounting, auditing, or reporting requirements.
 - e. Accounting for complex or unusual transactions.
 - f. Emerging practice problems.
 - g. Choices among alternative generally accepted accounting principles upon initial adoption or when an accounting change is made.
 - b. Reissuance of a report, consideration of omitted procedures after a report has been issued, or subsequent discovery of facts that existed at the time a report was issued.
 - c. Filing requirements of regulatory agencies.
 - d. Meetings with regulators at which the firm is to be called on to support the application of generally accepted accounting principles or generally accepted auditing standards that have been questioned.
3. When an issue arises within the engagement team or between the engagement partner and the engagement quality control reviewer (if applicable), the issue is first discussed by the members of the engagement team and the partners. If engagement partner and engagement quality control reviewer agree that the issue is resolved at this level, additional consultation is not necessary. However, if any member of the engagement team disagrees with the resolution, Procedure 8 should be followed.
4. If the engagement partner or engagement quality control reviewer believes additional consultation is necessary, the issue should be discussed with an individual in the firm who has specialized knowledge or training that is appropriate for the issue in question. When the engagement team is unaware of the name of an individual in the firm who possesses such knowledge or experience, the director of quality control should be consulted for the name of such an individual. The

engagement team provides all relevant facts known to those consulted. If, in the opinion of the engagement quality control reviewer, the issue is resolved at this level of consultation, additional consultation is not necessary. However, if any member of the engagement team or other individuals who consulted on the issue disagree with the resolution, Procedure 8 should be followed.

5. If the engagement partner and/or engagement quality control reviewer believes that additional consultation beyond that available within the firm is necessary, the issue should be discussed with an outside specialist. Outside specialists include, but are not limited to, the AICPA technical information services and CPAs or tax attorneys in other firms. The engagement team provides all relevant facts known to those consulted. In determining the professional qualifications and reputations of the outside specialists, the firm should consider, among other things, the following matters:
 - a. The professional certification, license, or other recognition of the competence of the specialist in his or her areas of expertise, as appropriate.
 - b. The reputation and standing of the specialist in the views of his or her peers and others familiar with the specialist's capability or performance.
 - c. The relationship, if any, of the specialist to the client.

If, in the opinion of the engagement quality control reviewer, the issue is resolved, additional consultation is not necessary. However, if any member of the engagement team or other individual in the firm who consulted on the engagement disagrees with the resolution, Procedure 8 should be followed.

6. Certain accounting, audit, or attestation engagements may require the firm to consult with nonaccounting specialists such as actuaries, appraisers, attorneys, engineers, and geologists. The firm should follow the guidance in AICPA *Professional Standards* at AU Section 336 when such consultations are necessary. If any member of the firm or engagement team disagrees with the advice of a nonaccounting consultant, Procedure 8 should be followed.
7. All consultations involving unusual, contentious, unfamiliar, or difficult issues should be sufficiently documented to facilitate understanding of the issue for which the consultation was needed, the results of the consultation, the decisions made and the basis for those decisions, and how those decisions were implemented.
8. If a difference of opinion occurs within the engagement team, between the engagement partner and the engagement quality control reviewer, or with those consulted within or outside the firm, that difference be resolved using Procedures 4, 5, and 6, if possible. If not, the matter should be brought to the attention of the managing director. The managing director (with the assistance of other practitioners or regulatory entities if desired) will resolve the dispute regarding the proper course of action to be taken by the firm on the issue in question. The conclusion reached to resolve the matter of disagreement and how that conclusion was implemented should be documented. The firm will not release the report until any differences of opinion are resolved. In addition, any party to the consultation/difference of opinion who disagrees with the final conclusion may document his or her disassociation from the resolution of the matter.

MONITORING

It is the firm's policy that the quality control system be monitored on an ongoing basis to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the elements of quality control are relevant, adequate, operating effectively, and being effectively applied.

Monitoring activities include engagement quality control review (EQCR), inspection, and postissuance review. EQCR, performed prior to completion of the engagements, assists in providing ongoing consideration and evaluation of the firm's QC system. The policy and procedures relating to EQCR are addressed in the ENGAGEMENT PERFORMANCE section of this document. The retrospective monitoring activities performed by the firm relate to inspection and postissuance review (collectively referred to as *inspection/review*) and are the primary activities addressed in these monitoring policy and procedures.

As an integral part of the monitoring process, inspection/review procedures are performed on all elements of the firm's quality control system at least annually to determine whether the firm has complied with applicable professional standards and its stated quality control policies and procedures. The firm ensures compliance with this policy by implementing the following procedures:

1. At least annually, the managing director selects a team (hereafter referred to as "inspectors") to perform inspection/review procedures on the firm's quality control system. The inspectors should possess adequate technical knowledge and experience and, when practical, should not be directly involved in the administration, supervision, or performance of the QC procedures or engagements each will inspect/review. The director of assurance services will normally be designated as the in-charge inspector. The inspection/review will include a review of the governmental audit practice and each type of plan in the firm's ERISA employee benefit plan audit practice in accordance with the membership requirements of the respective audit quality centers.
2. The in-charge inspector is responsible for determining the scope of the inspection/review, developing the inspection/review procedures, and performing the inspection/review. The managing director can require at his or her discretion that the inspection/review scope and procedures be approved by him or her before the inspection/review commences. The in-charge inspector should follow the guidelines listed below when determining the scope and the inspection/review procedures:
 - a. The inspection/review should be completed timely.
 - b. The inspectors will use the appropriate monitoring checklists in *PPC's Guide to Quality Control* as a work program. The inspection will cover all of the firm's stated quality control procedures and will include a representative sample of administrative files, personnel files, engagement workpapers, and other documentation. The inspection engagement reviews will include a cross-section of the firm's engagements. The criteria for engagement selection may include, but are not limited to, the following:
 - A cross-section of the firm's governmental audit practice considering the number and types of governmental audits (e.g., single audits and program-specific audits, as defined under OMB Circular A-133, and other compliance audits and attestation engagements performed under various federal, state, or local agency audit guides) and the numbers of each in the practice.
 - A cross-section of the firm's ERISA employee benefit plan audit practice considering each of the types of plan audits (e.g., defined benefit, defined contribution, health and welfare, multiemployer, ESOPs, limited and full scope).
 - A cross-section of PCAOB engagements.
 - Other specialized, complex, and high-risk engagements.

- First-year engagements. □ A cross-section of engagements based on the level of service performed (e.g., audit, review, compilation, and attestation).
 - A cross-section of engagements from various partners and management level personnel having accounting and auditing responsibilities.
 - Significant client engagements.
 - Engagements for which there have been complaints or allegations from firm personnel, clients, or other third parties that the work performed by the firm failed to comply with professional standards, regulatory or legal requirements, or the firm's system of quality control.
 - Engagements involving complex issues requiring consultation.
 - Engagements in which there were significant disagreements among team members or between the engagement quality control reviewer and the engagement partner.
- c. The inspection/review procedures should include inspection, observation, and inquiries to determine whether:
- The firm's guidance materials and practice aids are appropriate and checklists, forms, programs, or other documentation required by the firm's QC system have been properly completed
 - Administrative and personnel policies have been complied with and are appropriately documented.
 - Procedures performed on engagements are in accordance with the requirements of professional standards, regulatory and legal requirements, and firm policies.
 - The engagement workpapers provide adequate evidence to support conclusions, opinions, and presentations resulting from that engagement.
 - The financial statements, reports, and other presentations resulting from the engagements conform to the measurement, presentation, and disclosure requirements of professional standards.
- d. The inspection scope, procedures, and findings will be documented in the work program.
3. At the conclusion of the inspection/review, the inspectors are responsible for (a) identifying and summarizing the deficiencies noted for each engagement reviewed, and (b) discussing the results of the inspection/review with the supervisory personnel responsible for each of the engagements selected for review and determining whether any corrective action needs to be taken or improvements made with respect to those specific engagements. Once identified, deficiencies are summarized and evaluated to determine whether:
- a. Existing quality control policies and procedures should be modified.
 - b. Additional emphasis should be placed on specific industries or areas for future engagements.

4. The firm pursues one or more of the following actions resulting from its evaluation of the deficiencies noted during inspection:
 - a. Remedial action directed toward the individual engagement or person.
 - b. Revise the firm's quality control policies and procedures.
 - c. Discipline individuals who fail to follow the firm's QC policies and procedures.
 - b. Communicate the findings to those responsible for training and professional development.
5. At least annually, the firm prepares and distributes a formal inspection/review report to all professional personnel. This annual monitoring communication provides a description of (a) the monitoring procedures performed, (b) the conclusions reached from such procedures, and (c) any systemic, repetitive, or other significant deficiencies noted and the corrective actions taken to resolve them.
6. In addition to the firm's inspection/review and other monitoring procedures, the firm is subject every three years to a peer review in accordance with the requirements of the AICPA and the West Virginia Board of Accountancy. The managing director is responsible for scheduling and coordinating that review. The firm may elect to have its peer review count as its inspection for each year in which a peer review is performed.
 - a. In accordance with the membership requirements of the AICPA Governmental Audit Quality Center and the AICPA Employee Benefit Plan Audit Quality Center, the engagement letter covering our peer review will require that the governmental audits and ERISA employee benefit plan audits selected for review during the firm's peer review be reviewed by someone who is employed by a member firm of the respective Center. Also information relative to the firm's most recently accepted peer review is available to the public in accordance with the membership requirements of the respective Centers.
 - b. The internal inspection/review results (including those specific to the firm's governmental audit engagements and ERISA employee benefit plan audit engagements selected for inspection/review) and monitoring communication are made available to the firm's peer review team.
7. Based on the results of the inspection/review, the annual monitoring communication, and, if appropriate, the peer review report, letter of comments, letter of response, and exit conference with the (peer) reviewer, the managing director and director of assurance services determine any corrective actions that should be pursued to improve, amend, or revise the QC system.
8. The partners meet annually (or more frequently as needed on an interim basis) and discuss the monitoring process, the results of the inspection/review, and the corrective actions determined to be needed by the committee of partners and consider the implications for the firm.
9. The managing director is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions.
10. Complaints and allegations may be received from within or outside the firm related to the (a) failure to comply with professional standards and regulatory and legal requirements, and (b) noncompliance with the system of quality control, and as a result of investigation into such matters, deficiencies in the design or operation of the firm's quality control policies and

procedures, or noncompliance therewith may be identified. The managing director periodically reminds personnel during staff meetings that any concerns regarding complaints or allegations may be communicated to the firm without fear of reprisals. The firm appropriately addresses complaints and allegations by:

- a. Establishing channels of communication for complaints and allegations and communicating that information to employees.
 - b. Investigating complaints and allegations (whether originating from within or outside the firm) and involving legal counsel if considered necessary. The firm assigns individuals to this process who are trained and knowledgeable about firm procedures and who are not otherwise involved in the engagement relating to the complaint or allegation.
 - c. Documenting all complaints and allegations, and the responses to them.
11. The firm documents the performance of each element of its QC system on an ongoing basis, as well as in conjunction with documenting its monitoring of the system.
12. The firm retains monitoring documentation for a time sufficient to allow those monitoring the QC system, including peer reviewers, to evaluate the firm's compliance with its system. The firm generally retains such documentation until the next peer review report has been completed. Documentation includes:
- a. Evidence of the monitoring procedures performed, including how engagements were selected for review.
 - b. Evaluation of the firm's adherence to professional standards and regulatory and legal requirements.
 - c. Evaluation of whether the QC system is appropriately designed and effectively implemented.
 - d. Evaluation of whether QC policies and procedures are operating effectively so that reports issued are appropriate in the circumstances.
 - e. Identification of deficiencies noted, an evaluation of their effect on the QC system, and the basis for determining what further actions were necessary, if any.

Engagement Performance Bridging Document with QCM Described for Historical Financial Statements

Engagement Performance Quality Control Steps	Person or Group Responsible for Completing Step		Historical Financial Statements			Practice Aids (QCM's) Used By Firm	
	Primary Responsibility	Secondary Responsibility	Completions	Reviews	Audits	Description of Practice Aid	Location of Practice Aid
1. Evaluate whether to accept/continue the engagement.	Owner (O)	Engagement Team (ET)	Yes	Yes	Yes	Acceptance Form/Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
2. Obtain an engagement letter.	O	ET	Yes	Yes	Yes	Engagement Letter	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
3. Plan the work and obtain background information about the company, officers, accounting practices, etc.	ET	O	Yes	Yes	Yes	Client Information and Planning Forms	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
4. Gain an understanding of internal control.	ET	O	No	No	Yes	Planning and Evaluation Forms	AFI, ALG, ASB, CON, EBP, HUD, NPO, PCAOB
5. Perform preliminary analytical procedures	ET	O	No	No	Yes	Step on Work Program	AFI, ALG, ASB, CON, EBP, HUD, NPO, PCAOB
6. Evaluate materiality and risk, including risk of fraud.	ET	O	No	No	Yes	Planning and Evaluation Forms/Step on Work Program	AFI, ALG, ASB, CON, EBP, HUD, NPO, PCAOB
7. Prepare a work program.	ET	O	Yes	Yes	Yes	Standardized Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
8. Develop a time estimate.	ET	O	Opt	Opt	Opt	Budget Form	AFI, ALG, ASB, CON, EBP, HUD, NPO, PCAOB
9. Obtain owner approval of work program and staff assignments, and, if applicable, time estimates.	O	ET	Opt	Yes	Yes	Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB

Engagement Performance Quality Control Steps	Person or Group Responsible for Completing Step		Historical Financial Statements			Practice Aids (QCM's) Used By Firm	
	Primary Responsibility	Secondary Responsibility	Completions	Reviews	Audits	Description of Practice Aid	Location of Practice Aid
10. Supervise work (including work of other accountants).	ET	O	Yes	Yes	Yes	Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
11. Document material or complex consultations.	ET	O	Yes	Yes	Yes	Consultation Form	GQC
12. Evaluate the propriety of a step down to a lower level of service.	O	ET	Yes	Yes	N/A	Step-down Checklist/Step on Work Program	CAR, CON, EBP, NPO, PCAOB
13. Resolve any professional disputes.	O	ET	Yes	Yes	Yes	Write a memo to files	Not illustrated
14. Draft the financial statements and report.	ET	O	Yes	Yes	Yes	Numerous illustrations	AFI, ALG, CAR, CON, EBP, GAR, GFS, HUD, NFS, NPO, PFS, PCAOB
15. Perform analytical procedures.	ET	O	No	Yes	Yes	Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
16. Complete a presentation and disclosure checklist.	ET	O	Yes	Yes	Yes	Checklist	AFI, ALG, ASB, CAR, CON, EBP, GFS, HUD, NFS, NPO, PFS, PCAOB
17. Review for contingencies and obtain legal representation letters.	ET	O	No	No	Yes	Legal Representation Letter	AFI, ALG, ASB, CON, EBP, HUD, NPO, PCAOB
18. Obtain a management representation letter.	ET	O	Opt	Yes	Yes	Representation Letter	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
19. Review the workpapers.	O & ET	-	Yes	Yes	Yes	Supervision, Review, and Approval Form or Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, PCAOB
20. Evaluate the effect of audit differences.	O	ET	No	No	Yes	Audit Difference Evaluation Form	AFI, ALG, ASB, CON, EBP, HUD, NPO, PCAOB

Engagement Performance Quality Control Steps	Person or Group Responsible for Completing Step		Historical Financial Statements			Practice Aids (QCM's) Used By Firm	
	Primary Responsibility	Secondary Responsibility	Completions	Reviews	Audits	Description of Practice Aid	Location of Practice Aid
21. Obtain an independent internal review. For PCAOB engagements, obtain concurring partner review.	O	ET	Yes	Yes	Yes	Supervision, Review, and Approval Form, Technical Reviewer Checklist, or Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
22. Prepare required client communications.	ET	O	N/A	N/A	Yes	Step on Work Program	AFI, ALG, ASB, CON, EBP, GAR, HUD, NPO, PCAOB
23. Determine that all review points and open items have been cleared.	ET	O	Yes	Yes	Yes	Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
24. Have owner sign the report or transmittal letter.	O	ET	Yes	Yes	Yes	Supervision, Review, and Approval Form or Step on Work Program	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB
25. Evaluate the staff's performance.	ET	O	Opt	Opt	Yes	Evaluation Form	GQC
26. File the workpapers (subject to monitoring review).	ET	O	Yes	Yes	Yes	Filing Examples	AFI, ALG, ASB, CAR, CON, EBP, HUD, NPO, PCAOB

Notes:

a. Opt - Optional.

b. AFI - PPC's Guide to Audits of Financial Institutions, ALG - PPC's Guide to Audits of Local Governments, ASB - PPC's Guide to Audits of Small Businesses, CAR - PPC's Guide to Compilation and Review, CON - PPC's Guide to Construction Contractors, EBP - PPC's Guide to Audits of Employee Benefit Plans, GAR - PPC's Guide to Auditor's Reports, GFS - PPC's Guide to Preparing Governmental Financial Statements, GQC - PPC's Guide to Quality Control, HUD - PPC's Guide to HUD Audits, NFS - PPC's Guide to Preparing Nonprofit Financial Statements, NPO - PPC's Guide to Audits of Nonprofit Organizations, PFS - PPC's Guide to Preparing Financial Statements, PCAOB - PPC's Guide to PCAOB Audits.

c. See discussion at paragraph 1004.12.

Engagement Performance Bridging Document with QCM Described for Attestation Engagements

Engagement Performance Quality Control Steps	Person or Group Responsible for Completing Step		Engagements Subject to QC Standards						Practice Aids (QCM's) Used By Firm		
			Forecasts and Projections			Attestations					
			Completions	Examinations	Agreed-upon Procedures	Reviews	Examinations	Agreed-upon Procedures			
1. Evaluate whether to accept/continue the engagement.	Owner (O)	Engagement Team (ET)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Acceptance Form/Step on Work Program	AFI, CAR, FAP, NTE
2. Obtain an engagement letter.	O	ET	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Engagement Letter	AFI, CAR, FAP, NTE
3. Plan the work and obtain background information about the company, officers, accounting practices, key factors affecting forecasts, etc.	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Client Information and Planning Forms	AFI, CAR, FAP, NTE
4. Gain an understanding of internal control.	ET	O	No	No	No	No	No	No	No	-	-
5. Perform preliminary analytical procedures	ET	O	No	No	No	No	No	No	No	-	-
6. Evaluate materiality and risk.	ET	O	No	Yes	No	Yes	Yes	Yes	No	Planning and Evaluation Forms/Step on Work Program	AFI, FAP, NTE
7. Prepare a work program.	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Standardized Program	AFI, CAR, FAP, NTE
8. Develop a time estimate.	ET	O	Opt	Opt	Opt	Opt	Opt	Opt	Opt	-	Not Illustrated
9. Obtain owner approval of work program and staff assignments, and, if applicable, time estimates.	O	ET	Opt	Yes	Yes	Yes	Yes	Yes	Yes	Step on Work Program	AFI, CAR, FAP, NTE
10. Supervise work (including work of other accountants).	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Work Program	AFI, CAR, FAP, NTE
11. Document material or complex consultations.	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Consultation Form	GQC

Engagement Performance Quality Control Steps	Person or Group Responsible for Completing Step		Engagements Subject to QC Standards						Practice Aids (QCM's) Used By Firm			
			Forecasts and Projections			Attestations						
			Completions	Examinations	Agreed-upon Procedures	Reviews	Examinations	Agreed-upon Procedures				
12. Evaluate the propriety of a step down to a lower level of service.	O	ET	Opt	N/A	Opt	Opt	Opt	N/A	N/A	-	Not Illustrated	Location of Practice Aid
13. Resolve any professional disputes.	O	ET	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Write a memo to files	Not illustrated	
14. Draft the financial statements and report.	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Numerous illustrations	AFI, CAR, FAP, GAR, NTE	
15. Perform analytical procedures.	ET	O	No	Opt	No	Yes	Yes	Opt	No	Step on Work Program	AFI, CAR, NTE	
16. Complete a presentation and disclosure checklist.	ET	O	Yes	Yes	Opt	N/A	N/A	N/A	N/A	Checklist	CAR, FAP	
17. Review for contingencies and obtain legal representation letters.	ET	O	No	Opt	No	No	No	Opt	No	-	Not Illustrated	
18. Obtain a management representation letter.	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Representation Letter	AFI, CAR, FAP, NTE	
19. Review the workpapers.	O & ET	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Step on Work Program	AFI, CAR, FAP, NTE	
20. Evaluate the effect of audit differences.	O	ET	No	No	No	No	No	No	No	-	-	
21. Obtain an independent internal review.	O	ET	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Supervision, Review, and Approval Form, Technical Reviewer Checklist, or Step on Work Program	AFI, CAR, FAP, NTE	
22. Prepare required client communications.	ET	O	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	
23. Determine that all review points and open items have been cleared.	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Step on Work Program	AFI, CAR, FAP, NTE	

Engagement Performance Quality Control Steps	Person or Group Responsible for Completing Step		Engagements Subject to QC Standards						Practice Aids (QCM's) Used By Firm		
			Forecasts and Projections			Attestations					
			Completions	Examinations	Agreed-upon Procedures	Reviews	Examinations	Agreed-upon Procedures			
24. Have owner sign the report or transmittal letter.	O	ET	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Description of Practice Aid	Location of Practice Aid
25. Evaluate the staff's performance.	ET	O	Opt	Opt	Opt	Opt	Opt	Opt	Opt	Supervision, Review, and Approval Form or Step on Work Program	AFL, CAR, FAP, NTE
26. File the workpapers (subject to monitoring review).	ET	O	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Evaluation Form	GQC
										Filing Examples	AFL, CAR, FAP, NTE

Notes:

a. Opt - Optional.

b. AFL - PPC's Guide to Audits of Financial Institutions, CAR - PPC's Guide to Compilation and Review, FAP - PPC's Guide to Forecasts and Projections, GAR - PPC's Guide to Auditor's Reports, GQC - PPC's Guide to Quality Control, NTE - PPC's Guide to Non-traditional Engagements.

APPENDIX E

NO DEBT AFFIDAVIT

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 exceeds five percent of the total contract amount.

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

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: Gibbons & Kawash

Authorized Signature: [Signature] Date: 10/14/10

State of West Virginia

County of Kanawha, to-wit:

Taken, subscribed, and sworn to before me this 14th day of October, 2010.

My Commission expires April 24, 2018.

AFFIX SEAL HERE

NOTARY PUBLIC April D. Mason

