

PROPOSAL IN RESPONSE TO  
***RFQ Number: FAR140001***

05/20/14 10:56:56AM  
West Virginia Purchasing Division

RFQ Subject: *Single Audit and Financial Audit of the  
CAFR for the State of West Virginia*

**TECHNICAL**

BDO USA, LLP  
7101 Wisconsin Avenue  
Suite 800  
Bethesda, MD 20814

Tel: 301-654-4900  
Fax: 301-654-3567

May 20, 2014

Contact Person  
William Eisig, CPA  
Regional Managing Partner  
National Practice Leader  
Governmental and Nonprofit Services  
Tel: 301-634-4923  
Fax: 301-654-3567  
Email: [weisig@bdo.com](mailto:weisig@bdo.com)

 **GIBBONS & KAWASH**  
Certified Public Accountants

 **DIXON HUGHES GOODMAN** LLP

**BDO**



TECHNICAL – TABLE OF CONTENTS

	Page
TRANSMITTAL LETTER .....	2
TAB I: FIRM WITH STATEWIDE AUDITING EXPERIENCE .....	5
TAB II: QUALIFIED AUDIT STAFF, SPECIALISTS, OR OUTSIDE CONSULTANTS.....	26
TAB III: QUALIFIED SENIOR AUDIT STAFF .....	36
TAB IV: COMPLETED CAFR AUDIT AND SINGLE AUDIT .....	57
TAB V: MANDATORY SPECIFICATION CHECKLIST .....	90





Tel: 301-654-4900  
Fax: 301-654-3567  
www.bdo.com

7101 Wisconsin Avenue  
Suite 800  
Bethesda, MD 20814

## TRANSMITTAL LETTER

May 20, 2014

Mr. Guy Nisbet  
Financial Accounting and Reporting Section  
2101 Washington Street, East  
Charleston, West Virginia 25305-1510

Dear Mr. Nisbet:

Thank you for giving **BDO USA, LLP** ("BDO"), in partnership with **Gibbons & Kawash, A.C.** ("Gibbons & Kawash") and **Dixon Hughes Goodman, LLP** ("DHG"), (collectively, the "BDO Team"), the opportunity to present our proposal to meet the auditing needs of the **State of West Virginia** (the "State"). Based on our collective substantial experience, we can contribute significantly to the continued success of the State.

The firm selected to serve the State must demonstrate that it has the depth of resources required to perform this engagement in a timely fashion; experience in performing audits of the size and complexity of the State's; familiarity with the laws and regulations that govern State contracts; and the ability to understand and test internal controls, including compliance with laws and regulations.

The BDO Team offers unmatched experience in relation to the services required by the State. While every firm claims to be unique, the BDO Team truly is distinctive. We offer:

***Personal Attention and World-Class Experience and Service.*** As one of the nation's leading public accounting firms and the U.S. partner of the world's fifth largest international accountancy network, BDO offers the depth of resources, extensive technical experience, and breadth of skills one expects from a national firm with world-class resources. Combined with a personalized approach to client service and a commitment to extensive partner and senior manager involvement in all of our engagements, the BDO Team is able to offer the State unparalleled service at the best value available in the accounting profession.

***Extensive Experience Serving Governmental Institutions.*** The BDO Team has substantial experience including performing financial statement audits as required for this engagement. In addition to satisfying all the requirements defined in the Request for Quotation/Proposal Number FAR140001 ("RFP" or "RFQ"), BDO prides itself on serving its governmental audit clients as a valued business advisor, providing the type of sound advice and recommendations they need to manage their programs and organization in an effective manner. As such, the BDO Team is uniquely able to support the State in carrying out its fiscal responsibilities and, in doing so, contribute significantly to the State's continued success.

***Extensive Experience in Performing OMB Circular A-133 Audits.*** The BDO Team's depth of resources will be complemented with the extensive experience gained from performing hundreds of OMB Circular A-133 audits for governmental entities and other public sector organizations. Our experience and knowledge will provide the State's management with significant benefits including continuity, efficiency, and less disruption to personnel.

***Seamless Transition.*** BDO has emerged as the firm of choice for many organizations transitioning from local service providers as well as "Big 4" firms. Among our core competencies is auditor transition management. We are experienced in taking steps to carefully and efficiently transition the State to the BDO Team.



Some of the public sector organizations that have found value changing from the "Big 4" to BDO recently include:

- ▶ Government of the District of Columbia
- ▶ Blue Cross Blue Shield Association
- ▶ Public Broadcasting Service
- ▶ Paralyzed Veterans of America
- ▶ Howard University
- ▶ The John F. Kennedy Center for the Performing Arts
- ▶ World Wildlife Fund
- ▶ National Wildlife Federation
- ▶ National Council of La Raza
- ▶ National Trust of Historic Preservation
- ▶ United States Golf Association
- ▶ United States Holocaust Memorial Museum
- ▶ United States Tennis Association
- ▶ Virgin Islands Port Authority
- ▶ Virgin Islands Water and Power Authority

Further, our engagement team includes personnel who have serviced the State's engagement previously. This familiarity with the state-wide audit process and key personnel will further facilitate a seamless transition process.

***Commitment to Perform.*** We are sensitive to the mandates that the State must comply with regarding the issuance of its reports and the importance of maintaining its high standard of performance for financial reporting. The BDO Team understands the work to be performed and will deliver your reports by your due dates. Through proper coordination and planning, we will co-develop a plan with managers to complete our work within your specified time frame.

With dedicated personnel experienced in serving the governmental sector, we will focus quickly on the key issues that affect the State and help you plan new activities, as well as review current activities to ensure the proper approach. All of our personnel will work together to provide you with a full service team to ensure that we address your needs.

***Closing.*** The State will be a valuable client to the BDO Team and will receive the full attention of senior resources in our local offices. In this proposal, we have detailed our qualifications as the best choice for the State. We have a team of professionals who will work with the State to bring you value-added services. We are confident that our proactive service delivery approach, and our open communication style, all of which have helped us establish long-term relationships with hundreds of organizations similar to the State, are suitably matched to your needs.

It is our sincere interest to work with you and we are energized by the prospect of serving the State on such an important engagement. If you have any questions regarding our proposal, please feel free to call.

Sincerely,

William Eisig, CPA  
Regional Partner & National Practice Leader  
Governmental and Nonprofit Services  
301-634-4923  
weisig@bdo.com

Neena Masih, CPA  
Partner  
Governmental and Nonprofit Services  
301-634-4912  
nmasih@bdo.com

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

## REQUEST FOR PROPOSAL

### Finance, DOA and RFP FAR140001

### Attachment A: Vendor Response Sheet

*Provide a response regarding the following: firm and staff qualifications and experience in completing similar projects; references; copies of any staff certifications or degrees applicable to this project; proposed staffing plan; descriptions of past projects completed entailing the location of the project, project manager name and contact information, type of project, and what the project goals and objectives where and how they were met.*

*List project goals and objectives contained in Section 4, Subsection 4:*

**Section 4, Subsection 4.1:** List audits that have been completed that demonstrate the ability to manage an audit engagement of this magnitude.

Vendor Response:

Please refer to our response in Tab I of this submission.

**Section 4, Subsection 4.2:** List proposed audit staff with degrees, qualifications, and experience also describe aspects of the engagement which may require the services of specialists or involve consultation outside the engagement

Vendor Response:

Please refer to our response in Tab II of this submission.

**Section 4, Subsection 4.3:** List prior government experience (description of past projects completed entailing the location of the project, project manager name and contact information, type of project, and what the project goals and objectives were and how they were met) and continuing education of senior audit staff, partners, managers, and supervisors.

Vendor Response:

Please refer to our response in Tab III of this submission.

**Section 4, Subsection 4.4:** Describe specific audit work plan including; subcontractors; the firm's responsibilities under the applicable auditing standards and federal regulations; and how the firm's approach to this engagement will demonstrate that all requirements are met. Also describe specific audit work plan for any potential problems in performing all services described in this RFP including; the effects of GASB standards; the firm's approach to resolving these problems; and any special assistance that will be requested of the Agency or the State agencies.

Vendor Response:

Please refer to our response in Tab IV of this submission.



# FIRM WITH STATEWIDE AUDITING EXPERIENCE

BDO USA, LLP .....	6
A National Firm .....	6
The BDO Century: Our Culture and Values - What We Are Proud Of .....	7
Integrated Services with a Local Presence .....	8
STATEWIDE AUDITING EXPERIENCE .....	9
Serving the Public Sector...We Understand Your Needs .....	9
Experience with State and Local Governments ....	11
Experience with Single Audits Pursuant to OMB Circular A-133 .....	12
Ability to Support the State's Possible Financing Needs .....	14
Performance on Engagements of Similar Size and Scope.....	14
BDO ALLIANCE AND SUBCONTRACTORS .....	18
Overview .....	18
Gibbons & Kawash, A.C. ....	18
Dixon Hughes Goodman, LLP .....	19
Direct and Relevant Experience with the State .....	21
Subcontracting Plan .....	24
SECTION HIGHLIGHTS .....	25

## BDO USA, LLP

### A NATIONAL FIRM

For more than 100 years, BDO USA has been recognized as a premier accounting, tax and consulting organization for our exceptional client service; experienced, accessible service teams; focus on quality and efficiency; and our ability to adapt to, and navigate successfully in, a changing marketplace.

Founded as Seidman & Seidman in New York City in 1910, the firm has grown to serve clients through 52 offices and more than 450 independent alliance firm locations nationwide. Today, BDO USA, LLP, a Delaware limited liability partnership, is the U.S. Member of BDO International Limited, a UK company limited by guarantee, which forms part of the international BDO network of independent member firms, the world's 5th largest accountancy network.

BDO has earned a reputation for providing superior client service in performing financial statement and performance audits for a wide range of clients. This is due in large part to several distinct benefits we offer:

- ▶ We are a leading provider of financial statement audit services to several thousand government and industry clients annually.
- ▶ We combine the depth and breadth of skills of an industry-leading international organization with the personal touch of a smaller regional firm.
- ▶ Our ratio of partners to staff is one of the lowest in the profession.
- ▶ Our partners, directors, and senior managers are directly and personally involved in and concerned with the services provided to our clients. They do not rely on less experienced staff to address critical matters.

#### BDO USA, LLP Statistics

\*As of and for the year ended June 30, 2013

# 1

Collaborative team of service line leaders and industry practice specialists aligned to meet your needs

# \$683

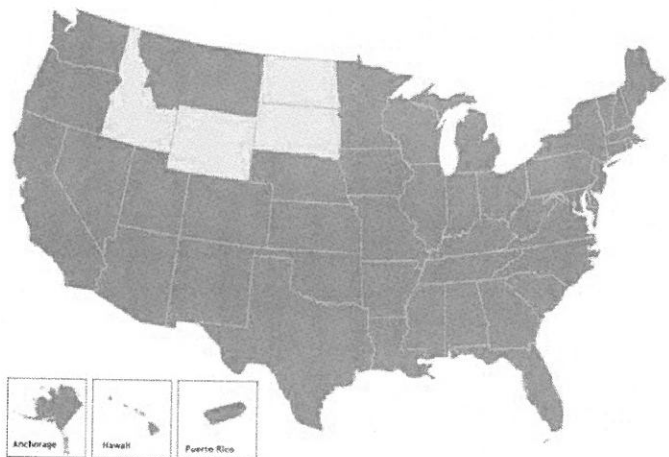
Million in U.S. revenues\*

# 52

52 offices across the country

# 3,248

Dedicated partners and professional staff\*



*Where You Need Us, When You Need Us.*



## THE BDO CENTURY: OUR CULTURE AND VALUES - WHAT WE ARE PROUD OF

BDO's culture and core values establish a set of standards embodied by our work, our relationships and our professionals, the results of which are reflected in our accomplishments and recognition in the marketplace. With a reputation for quality and foundation built on timeless values, BDO is a sound choice for our clients.

100  
YEARS



Proud Past.  
Bold Future.

SINCE 1910

### Accomplishments and Recognition

- ▶ Alfred P. Sloan Awards for Business Excellence in Workplace Flexibility (winner, multiple locations, and multiple years)
- ▶ Alliance for Work-Life Progress, Work-Life Seal of Distinction
- ▶ BDO Counts! And 100 Good Deeds Volunteerism Programs
- ▶ BDO Green, sustainability & corporate social responsibility initiative
- ▶ BDO USA centennial anniversary (1910-2010)
- ▶ BDO Women's Initiative
- ▶ Best and Brightest Companies to Work For (winner, multiple years)
- ▶ Best Places to Work for Recent Grads, Experience, Inc.
- ▶ Tax Adviser of the Year, International Accounting Bulletin (winner, multiple years)
- ▶ Vault Accounting 50 List
- ▶ Working Mother 100 Best Company (winner, multiple years)



## INTEGRATED SERVICES WITH A LOCAL PRESENCE

As a priority client, the State will be served by our National Governmental Services practice headquarters in Bethesda, Maryland. What this means for the State is that the engagement team will have direct and immediate access to the BDO National Governmental and Nonprofit Practice leader, **William Eisig**, who is also located in this office, to provide prompt resolution to any reporting or auditing issue that may arise. With several daily direct nonstop 40 minute flights to Charleston, available from three major Washington, D.C. airports, your engagement executives can quickly be on site in Charleston, as necessary.

Our two BDO subcontracting firms will play significant roles as part of the overall BDO Team. As engagement partner, **Neena Masih** will be coordinating and assigning personnel, including personnel from the two West Virginia BDO subcontracting firms, to take advantage of prior experience with West Virginia State agencies and with major programs to be audited during the Single Audit.

As such, we can deliver an integrated team using our own personnel, as supplemented by our subcontractors. We utilize the full resources of our subcontractors on key elements of an engagement including significant input at the partner and manager level. Personnel from our subcontracting firms will be an integral part of our audit process and their invaluable experience will be utilized in all phases of our process. They will provide auditors at various levels for the State's engagement.

This approach enables us to offer a more efficient solution with better controls over quality and timing of performance and delivery of the work-product.

Our commitment to serve the State of West Virginia from our National Governmental Services practice office combined with significant resources from our local BDO subcontracting firms will provide the State with a fresh evaluation and analysis of its financial reporting and compliance processes from our best people, supported by local knowledge in significant areas of its operations.



## STATEWIDE AUDITING EXPERIENCE

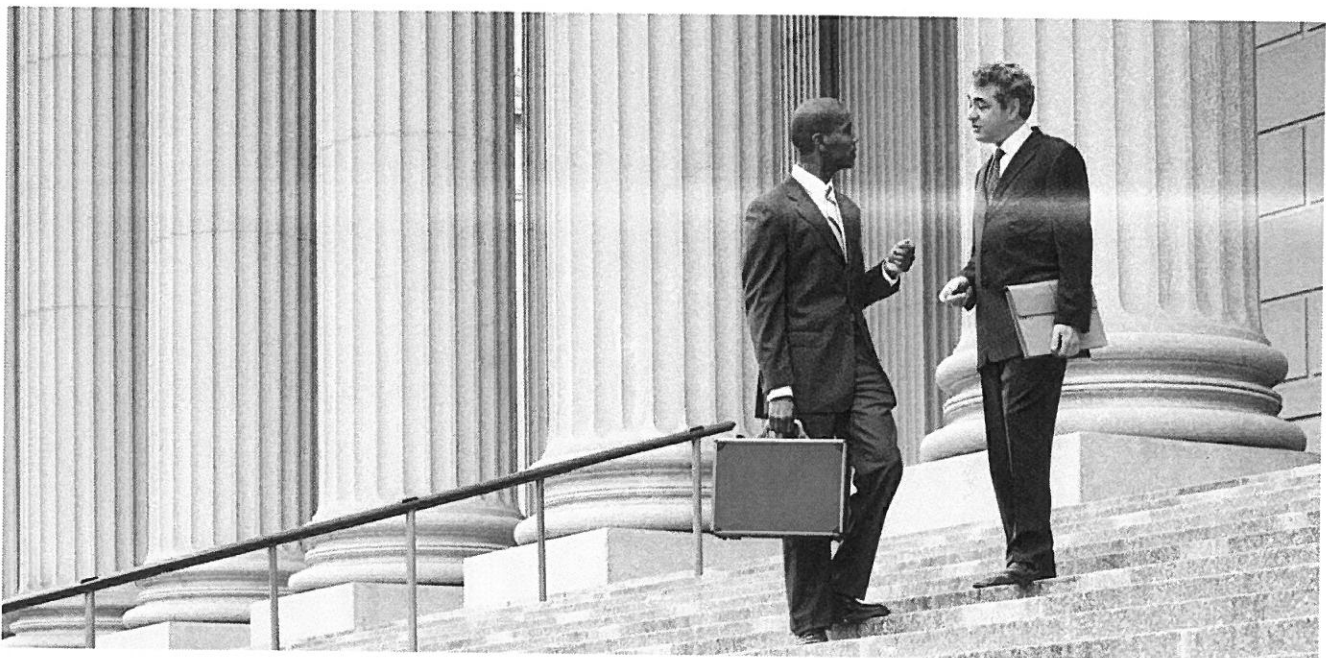
### SERVING THE PUBLIC SECTOR...WE UNDERSTAND YOUR NEEDS

BDO's Government Services professionals have an in-depth knowledge and understanding of applicable state and local government rules and regulations, federal and industry accounting and auditing standards and requirements, financial management rules and requirements, information technology system auditing standards, and economic stimulus program and reporting requirements. Our methodologies and program management approach are designed to deliver repeatable and reliable processes that help clients achieve their goals, facilitate communications, assure accurate and timely reporting, and enable effective operations.

BDO is a valued business advisor to approximately 2,000 agencies in the public sector. These include governmental and tax-exempt programmatic, membership, social welfare, charitable, educational, religious, cultural, and research organizations with asset sizes ranging from \$500,000 to approximately \$10,000,000,000. Our professionals deliver hands-on experience and technical skills to address each of our clients' distinctive needs. BDO's National Governmental and Nonprofit Practice and the National Institute for Governmental and Nonprofit Excellence (the "Institute") are housed in our office in Bethesda, Maryland.

As described on **pages 14-17** and further on **pages 21-23**, we have extensive experience in auditing activities and programs similar to the State and directly for the State. We have performed all of the required tasks and all aspects of the services outlined in the RFP for numerous government and tax-exempt entities. Our team of professionals offers the hands-on experience and technical skill you can rely upon to serve the distinctive needs of the State. We operate under a national set of systems and procedures. While we strongly encourage the individual character and close personal contact of our local offices, we also maintain a uniform standard approach to our technical disciplines. Our offices vary considerably in size but they do not vary whatsoever in their technical approach to their work. Thus, wherever clients are located, they receive the best service.

BDO is also an industry leader in providing Office of Management and Budget (OMB) Circular A-133 audits to organizations that have federal funding. Our experience includes auditing compliance under numerous non-U.S. government awards, The World Bank, multilateral donor agreements, and federal appropriations. Based on our past successes and experience, we are prepared and are well-qualified to perform the State's financial statement audit and Single Audit, and prepare all of the reports required by the State in a coordinated and integrated manner that meets your needs for accurate reporting and prompt delivery.



### *Breadth of Experience*

BDO offers a breadth of services tailored to meet your needs. Our core services include:

#### Assurance, Accounting, and Financial Reporting

- Financial Audit
- Performance Audit
- Single Audit pursuant to OMB Circular A-133
- Audit Readiness Support and Remediation
- Accounting Procedures Design and Implementation
- Outsourced CFO Act Accounting Support
- Budget and Performance Integration
- Cost Accounting Advisory Services
- Financial Statement Compilation
- Loan and Securities Evaluation and Advisory Services

#### Inspector General Support Services

- Management and Evaluation of Use of Public Expenditures
- Audits and Reporting on Use of Public Expenditures
- Assessment of Internal Controls
- Forensic and Investigatory Projects
- Performance Audits and Reviews

#### Technology Governance and Portfolio Management

- Information Technology Security, Risk Evaluation, and Management
- General and Application Controls Internal Audit
- Information Technology and Business Process Alignment
- IT Controls Assessments/SAS-70

#### Compliance, Risk Advisory, and Crisis Management

- Regulatory and Statutory Compliance Reviews
- Program and Contract Compliance Reviews
- Risk Assessment and Remediation
- Internal Control Audit/Evaluation per OMB Circular A-123
- Internal Control Design and Improvement
- OMB Program Review and Submissions
- Information Technology Controls and Audit/Evaluation
- Business Process Improvement and Reengineering
- Technology Audit and Support

#### Enterprise Risk Management and Internal Audit

- Enterprise Risk Management (ERM)
- Financial and Operational Audits
- Quality Assurance Reviews
- Risk Assessment
- Controls Optimization
- Audit Readiness Transformation
- Strategic Partnering and Staffing
- Procurement, Vendor, Royalty, and Construction Audits
- Corporate Governance Assessments



**Fraud Detection/Prevention,  
Investigations, and Litigation Support**

- Fraud and Misconduct Risk Assessment and Investigations
- Investigative Due Diligence
- Complex Damages Analysis
- Electronic Discovery (eDiscovery)
- Financial Instruments Analysis and Dispute Prosecution/Resolution
- Post-Acquisition Dispute Prosecution/Resolution
- Gap Analysis
- Benchmarking
- Forensic Data Analysis
- Compliance Testing, Audit, and Monitoring
- Intellectual Property Valuation and Dispute Prosecution/Resolution
- Evaluations of Stock Option Grants/Awards
- Securities Litigation Services
- Fraud Awareness and Prevention
- Anti-Corruption Compliance and Investigations (e.g. FCPA)
- Anti-Money Laundering
- Large-Scale Data Recovery and Analysis
- Computer Forensics
- Corporate Investigations

**Business Process Enhancement**

- Operational Performance Assessments and Improvements
- Business Processes Integration
- Project Management Office
- Financial Analysis and Modeling
- Special Accounting Projects
- Business Continuity Plans
- Controls Optimization

## EXPERIENCE WITH STATE AND LOCAL GOVERNMENTS

We perform hundreds of financial statement and OMB Circular A-133 audits each year and engage in efforts to design, direct, or recommend corrective action programs to assist governmental and other public sector agencies remediate deficient practices and establish effective accounting protocols, systems, and procedures. Many of these have been complex and comprehensive projects requiring coordination of multiple tasks for numerous entities within short timelines. We are, therefore, prepared and are well-qualified to perform the comprehensive set of required audits and prepare all of the reports required by the State in a coordinated and integrated manner that meets your needs for accurate reporting and prompt delivery.

Our personnel have worked with various governmental entities in both **Anne Arundel County, Maryland** and **Prince George's County, Maryland**. Our national practice office also recently performed the Comprehensive Annual Financial Report ("CAFR") audit and Single Audit for the **Government of the District of Columbia**. We have also previously served the **Prince George's County, Maryland Public Schools**.

Members of our team have worked with the **City of Grand Rapids, Kalamazoo County, Muskegon County, and Kent County, Michigan, City of Wilmington, Diamond State Port Corporation, Wilmington Parking Authority, New Castle County, and Kent County, Delaware**. Additionally, our West Michigan and Anchorage, Alaska offices serve as auditors for over 50 governmental units, including state agencies, cities, and counties.



Collectively, we have encountered a variety of issues over the years and helped governments resolve them. When GASB Statement No. 34 became effective, we assisted several governments in early implementing the pronouncement. Our governmental clients get regular advice from us about emerging accounting and tax issues. Many of these clients annually submit their CAFR to the Government Finance Officers Association ("GFOA") for a *Certificate of Achievement for Excellence in Financial Reporting*.

Further, BDO professionals have been certified by leading organizations dedicated to education, research, and professional standards. This commitment to quality and continuous professional development enables us to deliver seamless services to your world. As part of our Total Client Satisfaction® program, our national Governmental Services Group consists of approximately 300 audit, tax, and consulting professionals. We hold quarterly conference calls and host an annual national conference in the Greater Washington, D.C. Metro area to discuss issues, learn from outside speakers, and share ideas and experiences in working with our many governmental clients.



**WE ARE ARMED WITH  
SIGNIFICANT KNOWLEDGE AND  
EXPERIENCE:**

- |                             |                             |
|-----------------------------|-----------------------------|
| ▶ CAFR Review / Disclosures | ▶ Pooled Cash / Investments |
| ▶ Capital Assets            | ▶ Procurement               |
| ▶ Central Coordination      | ▶ Proprietary Fund          |
| ▶ Convention Center         | ▶ Public Schools            |
| ▶ Debt / Financing          | ▶ Public Works              |
| ▶ Economic Development      | ▶ Retirement Plans / OPEB   |
| ▶ Fiduciary Fund            | ▶ Risk and Insurance        |
| ▶ General Fund              | ▶ Sports Commission         |
| ▶ Grants Management         | ▶ Taxes and Revenue         |
| ▶ Health / Medicaid         | ▶ Tobacco Settlement        |
| ▶ Housing Finance           | ▶ Authority                 |
| ▶ Information Systems       | ▶ Transportation            |
| ▶ Lottery                   | ▶ Unemployment              |
| ▶ Nursing Homes             | ▶ Compensation              |
| ▶ Parks and Recreation      | ▶ Universities              |
| ▶ Payroll                   | ▶ Water/Sewer               |

## EXPERIENCE WITH SINGLE AUDITS PURSUANT TO OMB CIRCULAR A-133

Our depth of resources will be further complemented with the extensive experience gained from performing hundreds of OMB Circular A-133 audits for governmental and tax-exempt entities. BDO provides audits to numerous organizations which must comply with the various OMB Circulars. Over the past several years, our national office has performed hundreds of audits in compliance with OMB Circular A-133. We are also intimately familiar with OMB Circulars A-21, A-87, A-110, A-122, and federal acquisition regulations.

We have in-depth knowledge and experience with cost accounting standards, cost allowability and allocability, budgeting and forward pricing, and time reporting and labor distribution systems. In addition, we have assisted clients in developing their indirect cost rates and structuring their indirect cost pools. These studies focus on establishing a structure to maximize the indirect cost recovery for the organization while ensuring that it complies with all government requirements.

BDO has also performed numerous in-depth reviews of clients' internal controls to assess whether controls required by government regulations are in place and identify areas where controls could be strengthened and procedures established to accomplish this goal.

Included is a partial listing of the OMB Circular A-133 audits of various size and magnitude which BDO has performed recently for other similar public jurisdictions. Further, we will be available to assist the State in implementing the provisions of the *Uniform Grant Guidance*.

### GOVERNMENT-WIDE A-133 AUDITS

- ▶ Alaska Aerospace Corporation
- ▶ Alaska Housing Finance Corporation
- ▶ Alaska International Airport System
- ▶ Alaska Mental Health Trust Authority
- ▶ Alaska Municipal Bank Authority
- ▶ Anchorage Community Development Authority
- ▶ City of Homer
- ▶ City of Kenai
- ▶ City of Grand Rapids, Michigan
- ▶ City of Wyoming, Michigan
- ▶ City of Wilmington, Delaware
- ▶ Government of the District of Columbia
- ▶ Kalamazoo County, Michigan
- ▶ Vicksburg Community Schools

### ENTITY-WIDE A-133 AUDITS

- ▶ Anne Arundel Community College
- ▶ Prince George's County Public Schools
- ▶ Interurban Transit Partnership (City of Grand Rapids)
- ▶ Kentwood Public Schools
- ▶ Forest Hills Public Schools
- ▶ Ionia Public Schools
- ▶ Holland Public Schools
- ▶ Howard Community College
- ▶ Jenison Public Schools
- ▶ Virgin Islands Port Authority
- ▶ Virgin Islands Water and Power Authority

### AGENCY LEVEL A-133 AUDITS

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>▶ D.C. Department of Transportation</li> <li>▶ D.C. Department of Human Services</li> <li>▶ D.C. Homeland Security / Emergency Management Agency</li> <li>▶ D.C. Department of Housing and Community Development</li> <li>▶ D.C. Department of Employment Services</li> <li>▶ D.C. Metropolitan Police Department</li> <li>▶ D.C. Child and Family Services Agency</li> <li>▶ D.C. Office of the State Superintendent of Education</li> </ul> | <ul style="list-style-type: none"> <li>▶ D.C. Public Schools</li> <li>▶ D.C. Office of the Attorney General</li> <li>▶ D.C. Department of Health</li> <li>▶ D.C. Department of Health Care Finance</li> <li>▶ D.C. Department of Disability Services</li> <li>▶ D.C. Office on Aging</li> <li>▶ D.C. Department of the Environment</li> <li>▶ D.C. Department of Disability Services</li> <li>▶ University of the District of Columbia</li> </ul> |
|--|---|

**In addition, clients of the BDO Team's senior level personnel who will lead your engagement have experience working with federal funding from the following federal agencies:**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>▶ Agency for International Development</li> <li>▶ Department of Agriculture</li> <li>▶ Department of Commerce</li> <li>▶ Department of Defense</li> <li>▶ Department of Education</li> <li>▶ Department of Energy</li> <li>▶ Department of Health and Human Services</li> <li>▶ Department of Homeland Security</li> <li>▶ Department of Housing and Urban Development</li> <li>▶ Department of the Interior</li> <li>▶ Department of Justice</li> <li>▶ Department of Labor</li> </ul> | <ul style="list-style-type: none"> <li>▶ Department of State</li> <li>▶ Department of Transportation</li> <li>▶ Department of Treasury</li> <li>▶ Environmental Protection Agency</li> <li>▶ General Services Administration</li> <li>▶ National Aeronautics and Space Administration</li> <li>▶ National Endowment for the Arts</li> <li>▶ National Endowment for the Humanities</li> <li>▶ National Science Foundation</li> <li>▶ Nuclear Regulatory Commission</li> <li>▶ Social Security Administration</li> </ul> |
|--|--|

## ABILITY TO SUPPORT THE STATE'S POSSIBLE FINANCING NEEDS

BDO currently serves more than 360 domestic publicly traded clients and more than 100 international publicly traded entities. We have assisted many of these entities not only with their ongoing SEC filings, but also with their public offerings, private placements, and other financing initiatives. For example, from 2006 through today, BDO has participated in 100 public and private offerings. Proceeds from these offerings ranged from \$14 million to more than \$5 billion. In particular, BDO has the professional reputation to support the State, should the need arise, and ensure that it meets all of the requirements commensurate with project funding process. We are well accepted by, and have worked successfully on all types of offerings with, small regional underwriters, as well as most of the major underwriters in the world.

## PERFORMANCE ON ENGAGEMENTS OF SIMILAR SIZE AND SCOPE

Our personnel are experienced in performing audits of governmental and tax-exempt entities and are very familiar with the authoritative guidance. Our extensive experience and in-depth understanding of governmental entities will enable us to efficiently design, perform, and complete the unique aspects of this engagement in a timely fashion, with little disruption to the State's operations.

Following are summarized examples that indicate our suitability to provide the required services to the State:

### GOVERNMENT OF THE DISTRICT OF COLUMBIA

#### Annual audit services

Best practice features – process management, strong central team coordination across multiple agencies and departments, and Congressional deadlines.

The Bethesda, Maryland office, including members of the team that will be assigned to perform our engagement for the State, was engaged to audit the Government of the District of Columbia (the "District") from 2005 to 2009. As part of this 30,000-hour engagement, we performed an audit of the District's CAFR and an audit in accordance with OMB Circular A-133. The financial reporting entity included the primary government, which consisted of approximately 100 agencies, boards, commissions, and other departments along with numerous component units. The CAFR was submitted to the Congress of the United States, the President of the United States, the Mayor of the District, and the Council of the District. The District's CAFR has a Congressionally mandated deadline which is only four months after its fiscal year-end.

The District expends nearly \$2.5 billion in federal funding that is subject to an audit in accordance with OMB Circular A-133. Further, as a recipient of ARRA funding, the District not only had to account for ARRA transactions in accordance with generally accepted accounting principles, it also had to comply with the specific expenditure and financial requirements mandated by ARRA and other applicable Federal regulations and reporting requirements.

- Our audit also encompassed oversight of the financial statements and fund balances for the following organizational units which issued separate reports: (1) D.C. Public Schools; (2) D.C. Sports Complex and Entertainment Commission; (3) D.C. Lottery and Charitable Games Control Board; (4) Department of Employment Services' Unemployment Compensation Trust Fund; (5) Washington Convention Center Authority; (6) University of the District of Columbia; (7) Home Purchase Assistance Program; (8) Disability Compensation Fund; (9) Section 529 College Savings Plan; (10) Tobacco Asset Securitization Corporation; and (11) the Nursing Home Enterprise Funds.



GOVERNMENT OF THE  
DISTRICT OF  
COLUMBIA  
(continued)

- BDO issued an Independent Auditor's Report on the Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- BDO performed specific procedures related to the conversion of the District's personnel administration and payroll system covering approximately 34,000 employees to PeopleSoft in fiscal year 2008. BDO also performed audits of the District's Annuitant's Health and Life Insurance Employer Contribution Trust Fund ("OPEB"). We also have experience auditing and reviewing the District of Columbia Retirement Board. This plan, with over \$4 billion in assets, included teachers, police officers, and firefighters. As such, we have experience in evaluating business and audit risks for large volumes of investments, benefit payments, contributions, actuarial analyses and assumptions, required minimum contributions, funded status, eligibility, and GASB disclosures.
- BDO reviewed the internal control processes surrounding the significant activities of the following entities for the year ended September 30, 2008 which were folded into the District effective October 1, 2007:
  - National Capital Revitalization Corporation
  - The Redevelopment Land Agency Revitalization Corporation
  - The District of Columbia Economic Development Finance Corporation
  - Anacostia Waterfront Corporation
- We communicated and consulted throughout the engagement via our bi-weekly meetings with the CAFR Oversight Committee which included representatives from the Government Accountability Office, the District's Office of Inspector General, the Finance Office, the Mayor's Office, the City Administrator's Office, and various departmental executives.



**BLUE CROSS  
BLUE SHIELD**

Washington, D.C. and Illinois based public sector organization with multi-location, federal regulation, and governance considerations

Best practice features – strong central coordination, process management to meet critical Federal Government deadlines, and project management.

Since 2005, BDO has been responsible for performing an independent annual audit of the financial operations of the Blue Cross and Blue Shield Federal Employee program (“FEP” or the “Program”) in accordance with generally accepted auditing standards, as set forth by the American Institute of Certified Public Accountants (“AICPA”), and generally accepted government auditing standards, as set forth by the U.S. General Accounting Office. The FEP has over 9 million registered federal employees as participants.

- In addition to the above financial statements, BDO audits the financial statements of the (1) Blue-Davis Vision Program, (2) the Blue Cross and Blue Shield Service Charge Account, (3) the CVS-Caremark Managed Retail Pharmacy Prescription Drug Benefit Program, (4) the Medco Managed Mail Pharmacy Prescription Drug Benefit Program, and (5) Agreed Upon Procedures for annual statements required by the Federal Government’s Office of Personnel Management (“OPM”).
- BDO issues an Independent Auditor’s Report on the Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- BDO conducts a comprehensive assessment of the general controls over the IT systems, and reviews the internal control processes surrounding the significant activities of all of the above entities and Programs that are included in the FEP Program.
- BDO evaluates separate internal control and compliance findings in the areas of (1) the FEP Program controls; (2) the controls over the Blue Vision Program exercised by an outside agent, Davis Vision; (3) the controls at CVS-Caremark; (4) the controls at Medco; and (5) the controls at the central operations center.
- BDO performs specific procedures related to a large number of participating Plans (nationwide) of the Blue Cross and Blue Shield Program.

Revenues of the Program exceed \$20 billion. Over 20 million claims are managed by the Program each year. The Blue Cross and Blue Shield FEP Program is easily one of the largest, if not the largest, insurance programs nationwide.

The performance of this engagement requires approximately 30 team members (partners, directors, senior managers, managers, senior accountants, and staff accountants) and approximately 5,000 personnel hours from our Bethesda, Maryland and Chicago, Illinois offices. The audit is incredibly challenging and involves travelling to several different plan locations across the nation to complete the tasks. Timelines are extremely tight and no deadline can be missed as it would result in delays in the Federal Government’s audit.



**VIRGIN ISLANDS PORT  
AUTHORITY****Annual audit services**

Best practice features – process improvement, central team coordination, and project management.

Recently, the Virgin Islands Port Authority appointed BDO as its service provider. The Authority manages two airport facilities and is responsible for the maintenance and operation of marine cargo and passenger facilities. The audit encompasses funding generated from operating revenue related to marine and aviation operations, which includes charges to cruise ship lines, charges to cargo lines, property rental operations, user agreements, tariffs, parking operations, capital improvements, and various bond indentures.

- BDO conducted a comprehensive assessment of the general controls over the IT systems and reviewed the internal control processes surrounding the significant activities.
- BDO issued an Independent Auditor's Report on the Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- BDO issued an Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- The airlines that use the Authority's airport facilities collect a Passenger Facility Charge (PFC) from travelers leaving the Authority's premises. BDO performed procedures over the various and required program criteria. Such criteria and assurances are in accordance with the Federal Aviation Administration's respective audit guide for public agencies.
- The audit team has been active in providing audit results that highlight opportunities for progress in achieving the Authority's mission and financial reporting goals.

## BDO ALLIANCE AND SUBCONTRACTORS

### OVERVIEW

The BDO Alliance (the "Alliance") is a nationwide association of independently owned local and regional accounting, consulting, and service firms with similar client service goals. By accessing the resources of BDO and each other, the Alliance presents an opportunity for these accounting and consulting, and business and technology firms to expand services to their clients – without jeopardizing their existing client relationships or their autonomy. The Alliance firms are also called upon as necessary to provide experience in their specific service or industry. This provides our clients with the technical resources and manpower of one of the largest accounting firms combined with specific knowledge of the local alliance firms as required.



The Alliance was developed to provide member firms with an alternative strategy for gaining competitive advantage in the face of a changing business landscape. For BDO, the Alliance represents an opportunity to enhance our relationships with reputable firms that share a mutual business understanding, while expanding our national and international network. Through the Alliance, we aim to bring these and numerous other benefits to member firms and clients.

For the State's engagement, we are partnering with **Gibbons & Kawash, A.C.** ("Gibbons & Kawash"), a member of the Alliance, and **Dixon Hughes Goodman** ("DHG"). Both firms have served numerous clients in the public sector and have developed a strong reputation for providing quality services in the West Virginia market. Key members of our team have direct and relevant experience with the State.

### GIBBONS & KAWASH, A.C.

Gibbons & Kawash A.C. is a regional accounting corporation with a team of 30 professionals who provide accounting, assurance, business advisory, and tax services to a broad spectrum of clients throughout West Virginia and surrounding states. Gibbons & Kawash was founded on a commitment to provide clients with the highest quality services and professional guidance. That commitment remains paramount and is deeply rooted in every aspect of their practice. It is the reason Gibbons & Kawash has become one of the area's leading accounting and consulting firms.



Gibbons & Kawash exercises great care in selecting and training professionals because it is the talent and integrity of their people that ensures their clients receive the high quality service they deserve.

The dynamic, complex environment in which the firm operates demands that their professionals stay abreast of changes in the accounting profession as they occur. Gibbons & Kawash partners and staff participate in a comprehensive professional development program designed to help them maintain proficiency in accounting, auditing, tax, and consulting, and to develop expertise in specialized fields and industries. The firm's partners and staff work to advance the profession through active membership and committee involvement in the AICPA and the West Virginia Society of Certified Public Accountants. In addition, the firm is a member of the Center for Public Company Audit Firms of the AICPA Division for Firms and is a registered firm with the Public Company Accounting Oversight Board.

Gibbons & Kawash has a broad base of experience with state and local government operations. **Attachment D** of the State of West Virginia's RFP lists 31 entities that are audited on a stand-alone basis. Of these 31 entities, Gibbons & Kawash has audited 22 entities, including 12 of these entities for the year ended June 30, 2013.

These entities include the West Virginia Department of Transportation, which expended federal assistance of approximately \$475 million. The West Virginia Lottery Commission, West Virginia Board of Treasury Investments, West Virginia Consolidated Public Retirement Board, and West Virginia Housing Development Fund are significant entities, all with total assets or revenues of \$1 billion or greater. Following is a listing of West Virginia State government entities audited by Gibbons & Kawash:

- ▶ West Virginia Department of Transportation
- ▶ West Virginia Alcohol Beverage Control Administration
- ▶ West Virginia Board of Treasury Investments
- ▶ West Virginia Consolidated Public Retirement Board
- ▶ West Virginia Drinking Water Treatment Revolving Loan Fund (Loan funds and Set-aside funds)
- ▶ West Virginia Economic Development Authority
- ▶ 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 Lottery
- ▶ West Virginia State Rail Authority
- ▶ West Virginia Solid Waste Management Board
- ▶ West Virginia Tobacco Settlement Finance Authority
- ▶ West Virginia Regional Jail and Correctional Facility Authority
- ▶ School Building Authority of West Virginia
- ▶ West Virginia Water Pollution Control Revolving Fund
- ▶ West Virginia Educational Broadcasting Authority
- ▶ West Virginia Racing Commission
- ▶ West Virginia Water Development Authority
- ▶ West Virginia Municipal Pensions Oversight Board

Obtaining a *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association ("GFOA") is a goal for many governmental entities. Gibbons & Kawash is well qualified to assist governments in obtaining and maintaining these certificates. They provided technical assistance to the following state agencies in connection with obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting.

- ▶ West Virginia Board of Treasury Investments (8)
- ▶ West Virginia Department of Transportation, Division of Highways (10)
- ▶ West Virginia Parkways, Economic Development and Tourism Authority (10)
- ▶ West Virginia Lottery (14)
- ▶ West Virginia Prepaid College Tuition Fund (1)
- ▶ West Virginia Housing Development Fund (9)
- ▶ West Virginia Consolidated Public Retirement Board (2)

Gibbons & Kawash provided technical assistance to four of the above entities with their submissions for the certificate for the year ended June, 30, 2013.

### DIXON HUGHES GOODMAN, LLP

Headquartered in Charlotte, North Carolina, Dixon Hughes Goodman ("DHG") is a privately held, limited liability partnership nationally recognized for extensive resources in the delivery of audit, tax and advisory services. It combines profound industry experience with commitment to personal service. Ranked the 16th largest CPA firm in the United States, DHG has a team of more than 1,800 employees located in 11 states (two offices in West Virginia), and 230+ Partners and Principals who direct these resources to your best advantage.

### *Commitment to the West Virginia Market*

You will be served locally by an industry-knowledgeable team. Dixon Hughes Goodman is a registered vendor in the State of West Virginia and is qualified to practice as Certified Public Accountants in good standing with the West Virginia Board of Accountancy.

### *Commitment to Governmental Entities*

For more than 40 years, DHG professionals have served as trusted advisors to governmental entities. As one of the region's largest providers of services for governmental units, DHG currently serves more than 175 governments. Dixon Hughes Goodman has followed the standards of GASB financial accounting and reporting for state and local governmental clients since 1984 (when GASB was founded), leading to numerous successful implementations of GASB requirements.

### *GFOA Certificate of Achievement*

Dixon Hughes Goodman also routinely assists governmental units in the successful attainment or retention of the *GFOA Certificate of Achievement for Excellence in Financial Reporting*. Norman Mosrie is a GFOA special review committee member who assists the GFOA in evaluating submissions for the certificate of achievement. As a result, professionals understand the complexities and unique reporting issues facing governments today and are prepared to consult with management on accounting and financial reporting matters. As he did when he served as the coordinating partner on the State audit engagement in the past, he will review the State's CAFR with FARS personnel prior to submission and provide suggested revisions.

### *A Highly Credentialed Team of Professionals Dedicated to Governments*

DHG's commitment to the governmental sector is demonstrated by the professionals brought together to form the firm's Governmental Services Team. DHG has a Government/Not-For-Profit Services leadership team of 23 with an average of more than 20 years of experience. In addition to this partner group, DHG employs more than 40 professionals dedicated to serving this sector. By performing numerous governmental audits, in accordance with Generally Accepted Government Auditing Standards, audits under the Single Audit Act of 1996 and in accordance with OMB Circular A-133, and successful implementations of GASB and FASB pronouncements, DHG's governmental team has hands-on experience in all facets and levels of local government. With a team that understands the complexities of governmental operations, DHG is able to provide effective and innovative resolutions to problems that will enable the State to operate more efficiently and help meet your financial objectives.

Moreover, the firm has a dedicated director of our Governmental Service Practice, Mitchell Crisp, who has overall responsibility for governmental clients for Dixon Hughes Goodman. He has been a partner with the firm since 1976 and has been directly involved with services to governmental clients for his entire career.

### *DHG Governmental Clients*

Below is a select list of DHG's governmental clients:

- |   |   |
|---|---|
| ▶ West Virginia Offices of the Insurance Commissioner | ▶ City of Asheville, NC   |
| ▶ West Virginia Office of Technology                  | ▶ City of Danville  |
| ▶ West Virginia School Building Authority             | ▶ Haywood County  |
| ▶ West Virginia Waste Management Board                | ▶ Jackson County  |
| ▶ Beaufort County Schools                             | ▶ James City County   |
| ▶ Cherokee Boys Club, Inc./Cherokee Central Schools   | ▶ Memphis Shelby County Airport Authority (a component unit of the City of Memphis) |
| ▶ Charlotte Mecklenburg Board of Education            | ▶ Town of Collierville Winston-Salem/Forsyth County Schools                         |

We believe it is critical to associate with the right professional services firm that shares similar values concerning technical competency, customer service, candid and timely communication, responsiveness, integrity, relationships, and execution.



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors



## DIRECT AND RELEVANT EXPERIENCE WITH THE STATE

WEST VIRGINIA  
DEPARTMENT OF  
TRANSPORTATIONAnnual financial  
statement audit and  
Single Audit

## Subcontractor Experience: Gibbons &amp; Kawash

Gibbons & Kawash has audited the West Virginia Department of Transportation (the "Department") for a total of 16 years, including the fiscal years ended June 30, 2009 and 2010. These audits were conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* established by the Comptroller General of the United States, and OMB Circular A-133.

- The Department presented combined total assets of \$8.7 billion and combined total expenditures of \$1.3 billion.
- Gibbons & Kawash issued an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Gibbons & Kawash issued an Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. The Department's federal program expenditures exceed \$475 million with four major programs in fiscal year 2010.

WEST VIRGINIA  
LOTTERYAnnual financial  
statement audit

## Subcontractor Experience: Gibbons &amp; Kawash

Gibbons & Kawash has audited the West Virginia Lottery (the "Lottery") for the past five years. These audits were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* established by the Comptroller General of the United States.

The Lottery is a special purpose entity engaged in business type activities with responsibility for operating the state-wide lottery. The Lottery has total assets of over \$350 million and total revenues in excess of \$1.3 billion.

The performance of this engagement requires approximately five team members (directors, managers, senior auditors, and staff auditors) and over 600 personnel hours.

WEST VIRGINIA  
CONSOLIDATED  
PUBLIC RETIREMENT  
BOARDRetirement plan  
audits

## Subcontractor Experience: Gibbons &amp; Kawash

Gibbons & Kawash has audited the West Virginia Consolidated Public Retirement Board (the "Board") for the past five years. These audits were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* established by the Comptroller General of the United States.

The Board has nine Pension Trust Funds with total assets over \$12 billion.

The performance of this engagement requires approximately six team members (directors, managers, senior auditors, and staff auditors) and over 650 personnel hours.



**WEST VIRGINIA  
OFFICES OF THE  
INSURANCE  
COMMISSIONER**

 Annual financial  
statement audit

**Subcontractor Experience: Dixon Hughes Goodman**

Dixon Hughes Goodman has audited the financial statements of the West Virginia Offices of the Insurance Commissioner ("OIC") for the past two years. These audits were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* established by the Comptroller General of the United States.

- The OIC is a special revenue fund and enterprise funds of the State responsible for regulation and oversight of insurance activity in the State. Additionally, the OIC is responsible for administration and oversight of the former West Virginia Workers' Compensation fund. The OIC has total assets of \$1.5 billion and total revenue approximating \$380 million.
- Dixon Hughes Goodman issued an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

The performance of this engagement requires approximately ten team members (partners, directors, senior managers, managers, senior associates, associates, and actuaries) and over 600 personnel hours.

**WEST VIRGINIA  
SCHOOL BUILDING  
AUTHORITY and the  
WEST VIRGINIA SOLID  
WASTE MANAGEMENT  
BOARD**

 Annual financial  
statement audit and  
Single Audit

**Subcontractor Experience: Dixon Hughes Goodman**

Dixon Hughes Goodman was recently selected as auditors for the West Virginia School Building Authority (the "SBA") and the West Virginia Solid Waste Management Board (the "SWMB") and the fiscal year 2014 audits are in process. These audits are being conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* established by the Comptroller General of the United States, and OMB Circular A-133, if applicable.

- The SBA and SWMB have total assets > \$300 total revenue > \$90 million.
- Dixon Hughes Goodman will issue an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Dixon Hughes Goodman will issue an Independent Auditor's Report on Compliance with Requirements That Could Have a Direct And Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, if applicable.
- The performance of these engagements is expected to require approximately five team members (partners, managers, senior associates, and associates) and will take approximately over 250 personnel hours.

## STATE OF WEST VIRGINIA

### Annual financial statement audit and Single Audit

**Individual Subcontractor Experience:** Norman Mosrie, Partner at Dixon Hughes Goodman

Prior to joining Dixon Hughes Goodman, Norman Mosrie, was a partner with Ernst & Young. While at Ernst & Young, Norman served as the partner in charge of the State of WV Financial Statement and Single Audit for many years. Thus, he has significant experience with not only the technical requirements of the State-wide audit, but also with overall administration and coordination with the audit team, including subcontractors, various state entities and other component unit auditors. Norman also has significant experience with audits of State entities including the Board of Risk and Insurance Management, the Public Employees Insurance Agency, the Retiree Benefits Trust Fund, the Housing Development Fund, and the Offices of the Insurance Commissioner. A government finance officer association (GFOA) special review committee member, Norman assisted the State and several component units with attaining and retaining the GFOA certificate of achievement for excellence in financial reporting.

The performance of the aforementioned State related audit engagements required >20 team members (partners, directors, senior managers, managers, senior associates, associates, and actuaries) and over 10,000 personnel hours.



## SUBCONTRACTING PLAN

## Name and Address of Subcontractors

Gibbons & Kawash, A.C.  
 Certified Public Accountants  
 300 Chase Tower  
 707 Virginia Street, East  
 Charleston, West Virginia 25301

Dixon Hughes Goodman, LLP  
 Certified Public Accountants and Advisors  
 707 Virginia St. E #1700  
 Charleston, WV 25301

## West Virginia Board of Accountancy License Number

F0152A

F0473A

## Scope of Work

As part of our commitment to the State, BDO has partnered with two local West Virginia firms on this contract. Gibbons & Kawash and Dixon Hughes Goodman will provide auditors and information systems specialists at all levels for the State's engagement. These individuals will include partners, managers, seniors, and staff.

Both of these local firms have worked with the State on several projects, including previous financial statement and OMB Circular A-133 audits and their combined experience is invaluable to the State. Having Gibbons & Kawash and Dixon Hughes Goodman perform a significant amount of the work will eliminate any transition issues for the State.

## Clause Flowdown

BDO agrees that the clauses will be flowed down to Gibbons & Kawash and Dixon Hughes Goodman and that the plans will be reviewed against the minimum requirements for such plans. Once the plans are negotiated, approved, and implemented, the plans will be monitored through the submission of periodic reports.

## Reporting and Cooperation

BDO will maintain records that demonstrate procedures adopted to comply with subcontracting requirements and will make such records available for review upon the State's request. The types of records will include the following:

- Records to support subcontract award data, including the name, address, and business size of the subcontractors and the agreed duties and responsibilities.
- Periodic status and monitoring reports of contracted services that were performed by area of responsibility.

## SECTION HIGHLIGHTS

### STRONG HISTORY OF SERVICE

BDO USA, LLP is a national CPA firm with 52 offices nationwide and over 450 independent alliance firms. Our core values, which include *People First*, *Empowerment Through Knowledge*, *Exceptional Every Day Every Way*, *Embrace Change*, and *Choose Accountability* have guided our business for 100 years and embody our work, our relationships and our professionals, of which are reflected in our accomplishments and recognition in the marketplace.

### PUBLIC SECTOR FOCUS

Our Mid-Atlantic Regional Office houses the firm's National Public Sector Practice, which is led by William Eisig. A majority of our staff regularly serve clients in the public sector (including governments such as the State of West Virginia), which is an industry focus for BDO.

### SUBCONTRACTOR RELATIONSHIP AND EXPERIENCE SERVING THE STATE

Our subcontractors, Gibbons & Kawash and Dixon Hughes Goodman, have previously served various State of West Virginia agencies. Both firms are respected service providers in the State of West Virginia with a combined 80+ years of experience serving local businesses and public sector entities.





## QUALIFIED AUDIT STAFF, SPECIALISTS, OR OUTSIDE CONSULTANTS

DEPTH OF RESOURCES AVAILABLE .....	27
Commitment to Client Service.....	27
Commitment to Continuity and Quality of Staff over the Term of the Agreement .....	27
Emphasis on Education .....	28
Staffing Approach and Management Style .....	29
Engagement Management Roles .....	30
Key Personnel.....	30
RESOURCES AVAILABLE TO THE BDO TEAM .....	32
National Thought Leadership.....	32
Commitment to Professional Development.....	32
Supplemental Resources Available to Assigned Personnel.....	33
Assistance from Specialists .....	34
SECTION HIGHLIGHTS.....	35

## DEPTH OF RESOURCES AVAILABLE

### COMMITMENT TO CLIENT SERVICE

Success begins and ends with the engagement team and its management. Providing our clients with the highest level of professional service and ensuring their satisfaction with our performance are among our primary objectives. Our ability to select the right team of professionals to serve our clients has been a critical element of our past success.



The BDO Team prides itself on a reputation for a hands-on, service-oriented business philosophy and demonstrated commitment to quality, reliability, and responsiveness to client needs. The BDO Team's philosophy is to provide the State with a business partner who is available year-round to assist you and our audit approach emphasizes a thorough process.

The State will experience, first-hand, our client service philosophy. We combine the vast abilities of a large, international organization with a personal touch and significant partner involvement. One of the most important services we provide our clients is monitoring their needs on a continual and ongoing basis - not just during the audit. This begins at the staff level and progresses all the way to the partners in-charge of your engagement. In selecting your service team, we reviewed carefully our understanding of the State's needs, as well as your plans, and identified the people whose credentials are ideal for your engagement. We pay close attention to establishing an engagement team that has the necessary experience and experience to provide superior service, a team that works well with the State's management and each other, and has the enthusiasm and commitment to get the job done.

### COMMITMENT TO CONTINUITY AND QUALITY OF STAFF OVER THE TERM OF THE AGREEMENT

We believe there are significant benefits to BDO and to our clients in maintaining diversity and quality of staffing, and we do whatever we can to achieve that objective. Our historic turnover has been considerably lower than industry standards. Because of the benefits to both BDO and to our clients, we do not accept the theory that high turnover in our profession is inevitable. We believe that our rates of turnover will continue to be lower than industry standards due to:

- ▶ Our focus on a better work-life balance for our professionals;
- ▶ Our lower staff to partner ratio, which facilitates greater personal interaction between staff and partners;
- ▶ Our high growth rate, which translates to greater career opportunities for our professionals;
- ▶ Our entrepreneurial culture, which allows us to be creative in tailoring career opportunities and compensation to individual needs; and
- ▶ Our distributed decision-making, which translates to empowering our professionals locally.

While some staff turnover is inherent in the public accounting profession, our close partner involvement minimizes the impact to our clients. The hallmark of BDO's client service remains the same – to provide active, personal, and high level partner involvement. This means that our partners and managers are more involved in serving you. We find that the partner review of our staff's work at our clients' offices minimizes the time spent in the review process, increases the supervision of our staff, results in fewer hours, increases the partners' understanding of the issues and, most important, provides opportunity for increased partner-client interaction.

The Greater Washington, D.C. office has received the award for “Workplace Excellence Seal of Approval” every year since 2006 as recognition of our innovative employee-centered programs, which are aligned with enhancing recruitment and retention of our highly qualified personnel.



As a matter of policy, our BDO offices do not require systematic staff rotation, eliminating the concern about repeated learning curves. It is our goal, however, to foster career growth, encouraging staff members to take on increasing levels of professional responsibility within the scope of each engagement. As promotions occur, we try to maintain staff assignments within the engagement team in order to assure the client of continuity and consistency.

### EMPHASIS ON EDUCATION

Our commitment to education spans both the learner’s and teacher’s perspectives. We believe in providing training to employees and partners who work in specialized disciplines. People are our biggest resource. We believe well-trained personnel better represent our Firm and differentiate us in their industry specialization.

The current individuals assigned to the State will continue to receive specialized training on relevant issues. Many other personnel throughout the office and the Firm also receive related training and will be called on first in situations where they are needed.

Not only do we emphasize and encourage staff training at all levels, our senior personnel are often called upon to present workshops and seminars. While the AICPA’s professional standards require 40 hours of continuing professional education (“CPE”) annually, many of our staff members had in excess of 60 hours last year, predominantly concerning issues facing the tax-exempt and governmental community.

Credits are obtained through a variety of venues, including in-house seminars, outside conferences and classes, and self-study courses. Attendance at the annual conferences sponsored by the American Society of Association Executives (“ASAE”), Greater Washington Society of Certified Public Accountants, Maryland Association of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, and the American Institute Certified Public Accountants is strongly encouraged. *We also extend an invitation to our clients to attend our in-house CPE seminars whether live or via webinar.*



## STAFFING APPROACH AND MANAGEMENT STYLE

BDO has performed audit, advisory, compliance, and investigative services for government and other organizations since its founding 100 years ago. Through those years of experience we have developed audit practices and procedures and a project management approach that delivers a highly effective and efficient solution.

We have also developed a management plan and approach for performing the work required by the State that will deliver the highest quality services at the best value. Our staffing approach is premised on our assigning seasoned experts and trained professionals with the skills, education, and experience needed to implement effectively a comprehensive and integrated set of proven processes tailored to achieve the State's goals and requirements for the performance of the audits.

To perform and manage the engagement, we have developed an organizational structure that provides the following benefits:

**1** Draws on the BDO Team's significant depth and breadth of experience providing services for government agencies that are relevant to the proposed engagement.

**2** Provides key personnel with the experience, knowledge, and leadership abilities necessary to manage and perform multiple tasks at multiple agencies, provide technical experience/support, and deliver the required work product of the highest quality within the strict time parameters established by the State.

**3** Includes a large number of highly skilled professionals with significant relevant industry experience and who are available on short notice.

Decision making at BDO filters down to the local office and, most important, into the hands of our client service professionals. We recognized long ago that our clients need prompt and decisive answers to their questions and providing that kind of service requires strong people at the engagement management level. Your client service team is comprised of our technical professionals in government accounting, who have dealt with complex issues unique to government entities and who make it their business to respond to requests for assistance. Senior management will be actively involved in project planning, identifying key issues, developing strategy, and day-to-day project execution.

The ability to make local decisions is balanced with our strong quality control program that helps ensure all significant decisions are reviewed and approved by the appropriate technical personnel.



Engagement staff will consist of professionals with prior successful experience on similar projects that will be dedicated solely to the engagement during the project's critical phases. Our engagement work plan will be developed to ensure that each deadline is met. Reviews will be performed on-site during fieldwork so that any questions or issues can be addressed and resolved on a timely basis.



## ENGAGEMENT MANAGEMENT ROLES

As is true for all of our engagements, our performance of the State's audits will be led by experienced partners who will be heavily involved in the engagement, and staffed by professionals with the appropriate skill levels and industry knowledge to perform the requirements in an exemplary manner. Prior engagements rendering financial statement and OMB Circular A-133 audit services to governmental entities have given us substantial experience in engagement planning and execution.

### Responsibilities of the Engagement Partners

The engagement partners will maintain an intimate knowledge of the engagement – its objectives, requirements, and processes – so that the management review and deliverables can be completed in a timely manner. They will perform the partner reviews and will be working actively with you and the engagement team to ensure the success of the engagement. They will also be available to assist the engagement team in resolving technical issues.

### Responsibilities of the Quality Control Reviewer

The Quality Control Reviewer will ensure compliance of the audit with various applicable standards developed by the AICPA and *Government Auditing Standards* issued by OMB and the Government Accountability Office, and provide additional support throughout the engagement. If management review is determined deficient, the Quality Control Reviewer will consult with the engagement partners to determine how to correct the noted deficiency. The managers responsible for the fieldwork will correct the deficiency.

### Responsibilities of the Managers

The managers will assist the engagement partners by directly supervising the audit teams. These individuals will be primarily responsible for the compliance with applicable regulations and applicable auditing standards. The managers will perform on-site reviews, as well as office reviews. In addition, the managers will ensure that the audit is completed promptly in accordance with the scheduled completion dates.

### Responsibilities of the Seniors and Staff

Audit seniors and staff will have experience in performing audits of governmental and tax-exempt entities and internal control and compliance reviews. Audit seniors will also have the technical skills to perform any of the audit steps independently, as well as conduct entrance and exit conferences. Both groups will be on-site daily to coordinate daily requests and oversee the teams, as applicable.

## KEY PERSONNEL

As indicated earlier, we pay close attention to establishing an engagement team that has the necessary experience and experience to provide superior service, a team that works well with the State's management and each other, and has the enthusiasm and commitment to get the job done. We have assembled such a team for the State's engagement and our proposed staffing is designed to exceed the State's expectations.

The team of professionals we have assembled has significant related experience with the State of West Virginia, as well as other state agencies, educational agencies, retirement plan systems, and OMB Circular A-133. Therefore, we understand what you do and the systems and controls that support your operations.

We plan on establishing a "central" team which will be the overall operational and focal team and will be involved in the State-wide audit coordination, scheduling, assignments, communication, review, and reporting phases. The central team will review any past issues, conduct a risk assessment, and then assign various teams to oversee key elements of the engagement. We also plan on integrating into the team an information systems specialist to review the systems in place. In all our teams, the key factor will be that a partner and manager will be leading the way throughout the engagement.

We have included below and on the following page our allocation of personnel with respect to the State's engagement. Additionally, in **Tab 3**, we have provided relevant supplementary governmental project specific experience for these individuals, who represent our lead personnel.

BDO	Labor Category	Degree(s)	CPA, CA, CISA	CAFR Audit Experience	OMB Circular A-133 Experience	Relevant Industry Experience
William Eisig	Partner	B.S., Accounting	✓	✓	✓	✓
Neena Masih	Partner	B.S., Accounting	✓	✓	✓	✓
Dan Grossberg	Director, Information Systems	M.S., Accounting; B.S., Accounting	✓	✓	✓	✓
Patricia Duperron	Quality Control Director	B.B.A., Accounting	✓	✓	✓	✓
Andy Afuang	Senior Manager	B.S., Accountancy	✓	✓	✓	✓
John Griffin	Senior Manager	B.S., Accounting	✓	✓	✓	✓
Lorelie Vergara	Manager	B.S., Accountancy	✓	✓	✓	✓

Gibbons & Kawash	Labor Category	Degree(s)	CPA, CA, CISA	CAFR Audit Experience	OMB Circular A-133 Experience	Relevant Industry Experience
Robert Denyer	Director	B.S., Accounting	✓	✓	✓	✓
Robert Adams	Director	B.S., Accounting	✓	✓	✓	✓
Anthony Carpenter	Manager	B.S., Accounting	✓	✓	✓	✓

Dixon Hughes Goodman	Labor Category	Degree(s)	CPA, CA, CISA	CAFR Audit Experience	OMB Circular A-133 Experience	Relevant Industry Experience
Norman Mosrie	Partner	B.B.A., Accounting	✓	✓	✓	✓
Rodney Murray	Principal	B.S., Accounting	✓	✓	✓	✓
D. Cole Malcolm	Manager	M.B.A., Business Administration B.S., Accounting	✓	✓	✓	✓
Rob Steward	Manager	M.S., Accountancy B.S., Accounting	✓	✓	✓	✓

## RESOURCES AVAILABLE TO THE BDO TEAM

### NATIONAL THOUGHT LEADERSHIP: BDO'S NATIONAL INSTITUTE FOR GOVERNMENTAL AND NONPROFIT EXCELLENCE

BDO is proud to be the only national accounting firm with a strategic commitment to the public sector. That commitment has led to the development of the Institute, which specializes in meeting the needs of the nation's public sector.

The Institute also serves as a resource, studying and disseminating information pertaining to public sector accounting and business management. It also supports and collaborates with BDO offices around the country to develop innovative and practical accounting and operational solutions for the Public Sector practice. The Institute provides monthly in-person (Washington, D.C. area) or Internet based informational sessions for its clients and other interested parties in the latest aspects of issues impacting the public sector. The Institute also sponsors educational seminars locally or via webcasts on issues such as new Governmental Accounting Standards Board (GASB) implementation and compliance, new Financial Accounting Standards Board (FASB) implementation and compliance, tax planning, alternate revenue streams, and management and governance topics.

Many BDO professionals are recognized as key thought leaders within the public sector. Our professionals believe in the power of industry participation and in the importance of staying on top of new trends, issues, and regulations. Doing so requires membership in trade associations, presenting at industry conferences and seminars, and authoring articles in and serving as a resource for trade publications. **William Eisig**, one of your engagement partners and BDO's National Practice Leader for the Governmental and Nonprofit Practice, is the National Director for the Institute.

### COMMITMENT TO PROFESSIONAL DEVELOPMENT

In cultivating an environment that emphasizes a collaborative style of management and service delivery, there are many ways that BDO encourages employees to develop their full potential and to apply their knowledge and skills for the benefit of our clients.

A key component of the employee development process stems from our strong client service approach that is characterized by senior level partner involvement in client relationships. This exposes other team members to a flexible, involved, participatory engagement style that distinguishes BDO from other accounting and consulting firms that may rely on more of an assembly line approach to client service. The importance of this "on-the-job" aspect of professional development cannot be overstated. Coupled with this unique engagement style is a more formal program of professional development that:

- ▶ Begins with a rigorous performance evaluation process;
- ▶ Links to the creation of learning plans, supported by a rich curriculum of technical, management development, and client relationship training courses; and
- ▶ Is reinforced by a number of incentive-based compensation plans designed to reward top technical performance.

As far as training is concerned, BDO is committed to the mandate within the accounting profession to build and maintain the highest possible level of professional competence. As suggested, it serves that objective with defined technical and professional curricula, the development of annual learning plans, the sponsoring of a large number of training offerings at the local, regional, and national levels, and continuous evaluation and improvement efforts.



Over the last few years, as technology has advanced, BDO, in recognition of the value of time and the importance of instructional effectiveness, has championed a “blended” approach to training delivery, combining the best that the e-learning and live learning venues have to offer.



## SUPPLEMENTAL RESOURCES AVAILABLE TO ASSIGNED PERSONNEL

BDO commits significant resources to keep our Assurance professionals up-to-date on current and evolving accounting, reporting, and auditing developments. Our training includes monthly web-based programs covering current accounting and auditing topics. Managers and partners attend national conferences conducted by BDO’s top technical professionals annually. Level-specific training sessions are conducted nationally and locally and address the needs of our professionals at various points in their careers. In addition, BDO provides access to a wide range of resources to its professionals and clients worldwide, including those listed below.

PUBLICATIONS & TECHNICAL UPDATES	DESCRIPTION
Technical Research Tools	BDO uses Accounting Research Manager™ (ARM) as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. ARM is updated daily and is considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to ARM, and a number of other research tools provide each professional the technical research capability to enable immediate response to client-specific technical issues.
EITF Matters	BDO’s membership on the Emerging Issues Task Force (EITF) provides immediate interpretation of the consensus reached and open items from the EITF meetings. This guidance is readily available to our professionals and clients.
What’s New	A quick listing of new accounting and technical developments maintained and easily accessible on the firm’s intranet website
GASB, OMB, FASB, and SEC Flash Reports	Information about selected developments and emerging issues are immediately e-mailed to BDO professionals for timely communication to clients.
Assurance Comments	Developed by BDO’s National Assurance Committee, this publication provides guidance on comprehensive and complex accounting and auditing matters and is immediately available on the BDO intranet website.
BDO KNOWS: Financial Reporting Letter	Provide more in depth discussions and practical guidance on technical guidance affecting both public and private entities.



## ASSISTANCE FROM SPECIALISTS

BDO has established consultation procedures that are effective and efficient. Our specialists are heavily integrated into the audit approach and are frequently consulted by our governmental clients. If an issue cannot be resolved within the immediate engagement team of partner, quality control reviewer, and manager, the engagement director discusses it first with the consulting partner if it is the type of engagement for which a consulting partner is assigned (e.g., highly complex organization or issues and specialized industry). If further consultation is needed or if the engagement does not require the assignment of a consulting partner, the matter is discussed with the practice office Assurance Technical Director. Further need for consultation would require the involvement of a Regional Technical Director and then the National Director of Accounting, National Director of Audit Policy, or National Director of Assurance. Examples of aspects of the engagement which may require the service of specialists or involve consultation outside the engagement team are as follows:

- ▶ Evaluation of information systems internal control and security.
- ▶ Actuarial assistance in evaluating the adequacy of the Medicaid and environmental liabilities.

BDO has assembled a team of professional Information Systems ("IS") auditors, situated in metropolitan locations across the country. These experienced technical auditors provide specialized information systems audit services to all our clients. Our IS audit professionals have in-depth skills in a wide variety of computer systems and broad experience in many industries. To support the audit of the State's financial statements, members of the IS Assurance group will assist financial auditors by providing an assessment of general control risks in the State's information systems environment. These risk assessments will enable financial auditors to understand the impact of specifically identified risks on their audit and the potential to place reliance on controls in the State's environments. The shift to a control reliance strategy can reduce the overall audit effort and improve the level of audit assurance.

Our IS Assurance group can also support the financial auditors by providing risk assessments and tests of computerized application controls in the State's automated accounting systems. Tests of automated application controls include the use of Computer Assisted Audit Techniques ("CAATs") such as test deck utilization, real-time data inquiry and analysis, or source code inspection. Like the general control risk assessments, these control related activities will enable financial auditors to perform tests of controls in automated (i.e., paperless) environments and potentially reduce less efficient audit procedures and spread audit procedures more effectively between interim and year-end work. Further, Information Systems Control Related Special Services Members of our group can also perform information systems control related special service engagements for our clients. Included in these special services are the following:

- |   |  |
|---|--|
| ▶ Information systems control reviews               | ▶ Disaster recovery and business continuity planning review and performance services |
| ▶ Application control reviews                       | ▶ Web assurance services   |
| ▶ Information protection / security reviews         | ▶ Enterprise application review services   |
| ▶ Network reviews and network vulnerability reviews | ▶ Internal audit services  |
| ▶ SSAE 16 (SOC 1) Reports                           |  |

Your engagement team has the experience in performing assessments and evaluations of the general and application systems controls to ensure the integrity and reliability of data, network security, electronic commerce, and disaster recovery plans. Team members are versed in numerous financial accounting systems, have experience auditing computerized systems, and are knowledgeable of CAATs. We are confident that our knowledge and experience will drive efficiencies through the audit process.

**William Eisig**, BDO's National Practice Leader for the Governmental and Nonprofit Practice, will assist the audit team in testing and evaluating the adequacy of the year-end Medicaid liability. **Patricia Duperron**, as your Quality Control Director, will provide the audit team with direct insight on governmental financial reporting matters. All of our specialists will work closely with and at the direction of the engagement team. While the engagement team has the primary responsibility for decisions, it cannot override a technical decision made by a specialist with whom it consults.

## SECTION HIGHLIGHTS

### EXCEPTIONAL SERVICE DELIVERY

Our hands-on, service-oriented approach to client services means the State will have access to the BDO Team year-round. We pride ourselves on monitoring our clients' needs on an ongoing and continual basis to minimize surprises and issues.

### RESOURCES AVAILABLE TO THE STATE / EMPHASIS ON EDUCATION AND TRAINING

BDO is proud to be the only national accounting firm with a strategic commitment to the public sector. Our Mid-Atlantic Regional Office is the headquarters of our National Institute for Governmental and Nonprofit Excellence. The Institute provides timely and vital information to our public sector clients and staff through newsletters/updates and seminars. In addition to the Institute, BDO provides up-to-date training on current and evolving issues relevant to our business and clients' industries.



# QUALIFIED SENIOR AUDIT STAFF

THE BDO TEAM.....37

    Overview..... 37

    Supervision of Subcontractors ..... 37

    Staff Qualifications and Experience ..... 38

THE BDO TEAM – A DISTINCTIVE  
CHOICE .....55

SECTION HIGHLIGHTS.....56

## THE BDO TEAM

### OVERVIEW

We recognize the complexity that surrounds the State's management operations and have developed our plan for conducting the services accordingly. All our audits are led by experienced partners who are heavily involved in the engagement and staffed by professionals with the appropriate skill level and industry knowledge matched to our client's operations. Our lead personnel will be supplemented with seasoned senior and staff auditors. These individuals will have a minimum of two-six years of audit experience, and will have experience in performing audits of governmental and tax-exempt entities, and performing internal control and compliance reviews. They will also have the technical skills to perform any of the audit steps independently, as well as conduct entrance and exit conferences.

### SUPERVISION OF SUBCONTRACTORS

The subcontractors we have selected to support our performance of this engagement have unique strengths and abilities and will be integrated into our audit teams to perform the tasks described in the RFP.

This allows us to gain the benefit of our subcontractors' skills and experiences while performing close oversight and supervision of the work they perform.

This is also critical to our ability to maintain our high standards of performance and allows us to ensure strict compliance with all work requirements for the engagement, as well as applicable accounting and performance standards applicable to performance of the RFP requirements.

To guarantee timely identification of performance issues and developing trends, the subcontractors will be required to provide a weekly account of hours spent and tasks accomplished.

We will ensure that subcontractor deliverables are subjected to their own quality control reviews while the work is in process, and BDO will conduct its own quality control review of subcontractor work and project deliverables using our own rigorous quality control processes, as BDO will be the signing audit firm.



#### WE INTEND TO USE OUR SUBCONTRACTORS AS A MEANS OF:

- ▶ Complementing our staff with additional specialized experience.
- ▶ Providing additional capacity.
- ▶ Controlling costs.
- ▶ Helping carry out our commitment to support and build the capabilities, experience, and capacity of small, minority-owned, small-disadvantaged, women-owned, service-disabled, and veteran-owned businesses.



## STAFF QUALIFICATIONS AND EXPERIENCE

William Eisig, CPA BDO USA, LLP	
Firm Position	Regional Managing Partner and National Practice Leader Governmental and Nonprofit Services
Years with the Firm	19
Education	B.S., Accounting, University of Maryland
Experience Overview	

Mr. Eisig oversees ten BDO offices as the Atlantic Regional Managing Partner including the Greater Washington, D.C. office, where he oversees over 120 professionals. Mr. Eisig runs the third largest office within BDO, overseeing approximately 120 professionals. He is responsible for all aspects of the office's operations, including complete responsibility over the auditing and accounting departments, office strategy, marketing, administration, recruiting and human resources, financial operations, and business development. His responsibilities also include all phases of financial and compliance audits, analyzing internal controls and policies, development of audit plans and programs, supervision of personnel, technical research, reviewing financial statements, and providing recommendations for improving operations. Mr. Eisig has significant expertise handling governmental component units and organizations with multiple for-profit and nonprofit subsidiaries.

Mr. Eisig has done a significant amount of teaching and training for a variety of groups and is the co-author of the ASAE publication, *Association Audits from A to Z*. He has presided over 150 presentations in the past five years to Audit Committees and Boards of Directors.

## Relevant Experience

Among others, Mr. Eisig has served a wide variety of public sector organizations, including state and local governments (**Government of the District of Columbia**), school systems (**Prince George's County Public Schools** and **District of Columbia Public Schools**), associations, foundations, membership organizations, professional societies, and universities and colleges (**Anne Arundel Community College**). He has performed compliance auditing for organizations receiving significant federal funding from many different agencies in accordance with OMB Circular A-133 and has audited a wide variety of employee benefit plans. He has consulted with clients on internal control reviews, GASB and FASB compliance, business process reengineering, fraud investigations, budgeting, forecasts and projections, audits by federal and private grantors, indirect cost studies, mergers and due diligence, fulfillment house operations, cash flow management, and alternate revenue streams.

Mr. Eisig is well versed in the accounting and auditing concepts covering the following areas: economic development and regulation, public safety and justice, public education systems, human support services, public works, and public transportation. He also has an in-depth knowledge of governmental fund financial statements, proprietary funds, fiduciary funds, and presentation/inclusion of component units.

**Government of the District of Columbia.** As the lead partner in-charge of BDO's activities for the District, Mr. Eisig was responsible for the scheduling and performance of all audit services performed by BDO for this 30,000-hour audit. In addition to supervising the audit teams and directing the overall engagement performance, he also oversaw the preparation of financial statements and recommendations regarding the District's internal controls. He was the primary point of contact for the engagement and led various meetings and discussions with key District officials from the Inspector General's Office, the Mayor's Office, and the CFO's Office. These meetings also included representatives from the U.S. Government Accountability Office.

**William Eisig, CPA  
BDO USA, LLP**

Mr. Eisig has extensive knowledge of Medicaid provider programs and claims and was involved in supervising and reviewing the District's Medicaid program. He also has an in-depth understanding of third party liability calculations, nursing home reimbursements, Medicaid recordkeeping and documentation, audits of Medicaid cost reports, claims disallowances, and other related issues. He was also integrally involved in overseeing the audit process over the District's procurement system. This involved extensive reviews of statutes, directives, and orders governing procurement actions. He was further responsible for the oversight and establishment of quality control over the audit processes covering the District's various component units/funds. As such, Mr. Eisig maintains an active knowledge of these varied business operations. Among others, examples of component/funds include the following:

- Water and Sewer Operations
- Sports, Entertainment, and Convention Center Operations
- Housing Finance, Development, and Debt Operations
- University of the District of Columbia
- Lottery and Games
- Pension Trust Funds, including the District of Columbia's pension plans for its police and firefighters and its teachers

Mr. Eisig has also recently serviced an operational review of the District's Office of Finance and Treasury. The focus of this review was to identify opportunities for process redesign, assess the internal control structure, and develop recommendations which would result in efficient and timely reconciliations of bank and investment accounts.

**Anne Arundel Community College.** Mr. Eisig led BDO's audit of Anne Arundel Community College. For this engagement, as well as other audits of schools of higher learning, he has developed considerable experience and in-depth knowledge of tuition revenue, enrollment audits, amounts due from students, student loans, scholarship discounts and allowances, and auxiliary enterprise revenues (i.e. bookstore, dining services, and athletics).

**Professional Licenses, Memberships, and CPE**

**Professional Licenses**

Licensed CPA, Maryland and the District of Columbia

**Continuing Professional Education (2012-2013)**

130.5 total hours (85.0 Yellow Book)

**Professional Memberships**

Greater Washington Board of Trade - Board of Directors

University of Maryland Robert Smith School of Business Advisory Board Member

Leukemia and Lymphoma Society "Light the Night Walk" - Executive Committee Member

Maryland Association of Certified Public Accountants

American Society of Association Executives

American Institute of Certified Public Accountants

BDO's representative for the Governmental Audit Quality Center

Greater Washington Society of Certified Public Accountants - 2009-2013 Board of Directors

Montgomery County Chamber of Commerce - 2009-2010 Board President

SmartCEO Magazine 2009 CPA Innovator of the Year

Co-author of the ASAE publication "Association Audits from A to Z"

**Neena Masih, CPA  
BDO USA, LLP**

<b>Firm Position</b>	Partner, Governmental and Nonprofit Services
<b>Years with the Firm</b>	19
<b>Education</b>	B.S., Accounting, University of Maryland

#### **Experience Overview**

Ms. Masih is a Partner with BDO's Assurance Division and has extensive experience with governmental and tax-exempt organizations, performing a number of audits, accounting, and consulting services. She started as an intern and was hired directly after her internship was completed.

Among others, Ms. Masih has serviced the Comprehensive Annual Financial Report Audit (CAFR) and the Single Audit of the **Government of the District of Columbia**. She has also provided service to the **Prince George's County Public Schools** and to the **District of Columbia Public Schools**. Some of the other private sector and tax-exempt organizations that she has served include: *United Negro College Fund, Inc.*, *Dallas Area Chapter of the American Red Cross*, *Blue Cross Blue Shield Association*, *Washington National Cathedral*, *Marine Spill Corporation*, and *Washingtonian Magazine*.

#### **Relevant Experience**

Ms. Masih's relevant experience includes:

- Auditing a wide variety of tax-exempt organizations including school systems, state and local governments, associations, foundations, membership organizations, and professional societies.
- Significant experience handling organizations with multiple for-profit and nonprofit subsidiaries and governmental component units.
- Experience with both Federal and non-Federal grants and a wide variety of employee benefit plans.
- Compliance auditing for organizations receiving significant federal funding from many different agencies in accordance with OMB Circular A-133.
- Performing and reviewing program specific federal audits, other compliance audits, and agreed-upon procedures engagements.
- Presenting audit reports and management letters to Boards of Directors and Audit Committees.
- Consulting with clients on internal control reviews, policies and procedures manuals, GASB and FASB compliance, indirect cost analyses, trend and ratio analyses, and audits by federal and private grantors.
- As engagement partner, she also oversees the preparation of financial statements and recommendations regarding her clients' internal controls and meets with clients' management personnel.
- Ms. Masih has also provided service on several internal quality control inspection teams of other BDO offices.

**Government of the District of Columbia.** Ms. Masih was integrally involved in the District's CAFR Audit. She functioned as a partner in the Central team, which involved responsibilities in all phases of the audit process, including overall project management, management and supervision of key personnel, meeting with the District's management personnel, review of reports and/or submissions, and establishment and implementation of quality controls.



**Neena Masih, CPA  
BDO USA, LLP**

In addition, she led certain key areas of the District's primary government, primarily cash and investments, fixed assets, budgetary controls, taxes and revenue, compliance with laws and regulations, coordination of the information technology effort, and formulation of deficiencies for communication to the oversight bodies.

The District's Single Audit, which Ms. Masih oversaw, consisted of reviews of activities performed by agencies participating in more than 30 major federal programs, including those sponsored by the Departments of Transportation, Education, Health and Human Services, Labor, Homeland Security, Agriculture, and the Environmental Protection Agency.

As part of her work with the District, Ms. Masih maintains a vast knowledge of economic development initiatives, revitalizations, renovations, procurement mechanisms, contracting methods, construction and development, trust funds, debt management, and District Highway Administration requirements.

**District of Columbia's Other Post-Employment Benefits (OPEB) Plan.** Over her career, Ms. Masih has audited a wide variety of employee benefit plans, including defined contribution and defined benefit plans. Most recently, she served as the engagement partner of the District's OPEB plan, which is a single employer defined benefit plan and is jointly administered by two District agencies. She is familiar with the related GASB 40, GASB 43, and GASB 45 disclosures for financial statement reporting. The engagement included testing of plan assets, employer contributions, benefit payments, administrative expenses, and participant eligibility.

**District of Columbia Unemployment Compensation Fund.** As past engagement partner for this entity, Ms. Masih is familiar with enterprise fund accounting and auditing and presentations under GASB 34 and GASB 20.

**Prince George's County Public Schools.** Ms. Masih is well versed in auditing school systems, including self-insured programs, financial transactions pertaining to food authorities, county and state appropriations, capital improvements, and contracting.

**Professional Licenses, Memberships, and CPE**

**Professional Licenses**  
Licensed CPA, Maryland

**Continuing Professional Education (2012-2013)**  
89 total hours (80.5 Yellow Book)

**Professional Memberships**

American Institute of Certified Public Accountants

Involved with two AICPA committees which formulated and issued changes in professional standards for Single Audits

Maryland Association of Certified Public Accountants

Government Finance Officers Association

The Foundation Schools, Board Member



**Daniel Grossberg, CISA, CPA  
BDO USA, LLP**

<b>Firm Position</b>	Director, Information Systems
<b>Years with the Firm</b>	1
<b>Education</b>	M.S., Accounting, University of North Carolina B.S., Accounting, Miami University

**Experience Overview**

Mr. Grossberg has over 20 years of experience providing assurance and advisory services. Leading with superior communication and leadership abilities, Mr. Grossberg is focused on identifying and developing opportunities that will benefit from his knowledge of Information Technology (IT), financial reporting, business process, and internal controls.

Working most recently as a Portfolio Manager in Ernst & Young's global IT Service transformation program, he had a leadership role in shaping new processes that facilitated strategic alignment and significant cost savings for the firm. At the conclusion of the transformation, Mr. Grossberg left Ernst & Young to work as an independent advisor on internal controls to the US Department of Agriculture.

In his free time, Mr. Grossberg serves on the board of directors and as an officer of Sigma Alpha Mu international fraternity and teaches Accounting Information Systems (part-time) at the University of Maryland University College.

**Relevant Experience**

- IT Control Support for Financial Statement Audits of Large and Complex Organizations
- Internal Audit Special Projects Including Risk Assessment
- Internal Control Testing & Evaluation
- Sarbanes-Oxley (SOX) Compliance
- Risk Management (including fraud)
- Compliance Audits/Testing - both Regulatory & Contractual
- Performance Audits/Testing including GAGAS Performance Audit Requirements
- Investigations & Contract Dispute Resolution Including DCAA Response
- Audit Readiness
- ERP Implementation and Program Risk Management
- IT and Enterprise Governance

**Professional Licenses, Memberships, and CPE**

**Professional Licenses**  
Licensed CPA, Virginia  
Certified Information Systems Auditor (CISA)

**Continuing Professional Education (2012-2013)**  
164.5 CPE (99 Yellow Book)

**Professional Memberships**  
American Institute of Certified Public Accountants  
Institute of Internal Auditors, Northern Virginia Chapter  
ISACA  
Sigma Alpha Mu Board Director

Patricia Duperron, CPA  
BDO USA, LLP

Firm Position	Quality Control Director, Governmental and Nonprofit Services
Years with the Firm	19
Education	B.B.A., Accounting, University of Michigan

#### Experience Overview

Ms. Duperron is a Director with the Grand Rapids office of BDO. She has over 20 years of experience in public accounting and has worked extensively with townships, cities, counties, schools, and other governmental entities, as well as various businesses and nonprofit organizations.

She also has vast experience with transit authorities, public utilities, airports, convention/arena authorities, biosolids authorities, governmental pension plans, and various tax increment financing authorities.

Ms. Duperron is the technical A & A lead for BDO's *National Public Sector Industry Group*. She is also a member of the AICPA's *State and Local Government Expert Panel* and a member of the *Michigan Department of Education's (MDE) A-133 Referent Group* which annually reviews and updates the Michigan School Auditing Manual and the *MDE GASB 68 Implementation Committee* for school districts to help with implementation issues.

#### Relevant Experience

Ms. Duperron's relevant experience includes:

- Auditing of a wide variety of tax-exempt organizations including public school systems (*Coopersville Public Schools, Holland Public Schools, Ionia Public Schools, Jenison Public Schools, Kentwood Public Schools, and Forest Hills Public Schools*), state and local governments (*Kalamazoo County, Kent County, City of Grand Rapids, City of Wyoming*), associations, foundations, membership organizations, professional societies, and various others (*Gerald R. Ford International Airport, Algoma Township, Grand Rapids / Kent County Convention Arena Authority, Interurban Transit Partnership (the Rapid), Kent County CMH Authority, and Michigan Transit Pool*).
- Significant experience reviewing annual reports submitted to the Association of School Business Officials for the *Certificate of Excellence in Financial Reporting Program*.
- Assisting several cities and counties with submitting their reports to the Government Finance Officers Association for their *Certificate of Excellence in Financial Reporting Program*.
- Reviewing various governmental reports for several of BDO's offices and alliance firms across the country to ensure consistency and compliance with reporting requirements.

**Federal Programs and Single Audit Compliance.** Ms. Duperron also has experience in federal programs and Single Audit compliance and is the leader of the **Governmental Services Group** in West Michigan. She instructs annually at local and national firm seminars. At two national seminars each year, she provides an update regarding new developments from GASB, OMB, and other pronouncements that affect governmental accounting, auditing, and reporting.

She also conducts a half-day session for her local office each year to provide the GASB/OMB update, as well as a school auditing update.

**Government of the District of Columbia.** Ms. Duperron served as the Quality Control and Concurring Director for five consecutive years.

Patricia Duperron, CPA  
BDO USA, LLP

**Professional Licenses, Memberships, and CPE**

**Professional Licenses**  
Licensed CPA, Michigan

**Continuing Professional Education (2012-2013)**  
118 total hours (54 Yellow Book)

**Professional Memberships**

American Institute of Certified Public Accountants

Michigan Association of Certified Public Accountants

Government Finance Officers Association

Certificate of Achievement, Completion of the AICPA's 64 hour Governmental Accounting and Auditing Program

Michigan School Business Officials



Robert R. Denyer, CPA  
Gibbons & Kawash, A.C.

<b>Firm Position</b>	Director
<b>Years with the Firm</b>	27
<b>Education</b>	B.S., Accounting, West Virginia University

#### Experience Overview

Mr. Denyer is a firm Director serving primarily with the Gibbons & Kawash Assurance Department. He has extensive experience with governmental and tax-exempt organizations and has served as Director in charge of audit services for 19 State of West Virginia agencies and component units. Mr. Denyer also has served as the director in charge of issuer (SEC) audits.

Significant component units served by Mr. Denyer in his role as engagement Director include the Comprehensive Annual Financial Report (CAFR) Audits of the **West Virginia Department of Transportation, Division of Highways**, as well as the **West Virginia Board of Treasury Investments**, the **West Virginia Lottery**, and the **West Virginia Consolidated Public Retirement Board**. He has also served as engagement Director of the Single Audits of the **West Virginia Department of Transportation**, the **West Virginia Water Pollution Control Revolving Fund** (federal clean water program), the **West Virginia Drinking Water Treatment Revolving Fund** (federal drinking water program), and the **West Virginia Housing Development Fund**.

#### Relevant Experience

Mr. Denyer's relevant experience includes:

- Auditing state and local governments and a wide variety of tax-exempt organizations including foundations, membership organizations, and health care entities.
- Experience with both Federal and non-Federal grants and a wide variety of employee benefit plans.
- Compliance auditing for organizations receiving significant federal funding from many different agencies in accordance with OMB Circular A-133.
- Performing and reviewing program specific federal audits, other compliance audits, and agreed-upon procedures engagements.
- Consulting with clients on internal control reviews, policies and procedures manuals, GASB and FASB compliance, indirect cost analyses, trend and ratio analyses, and audits by federal and private grantors.

#### Professional Licenses, Memberships, and CPE

**Professional Licenses**  
Licensed CPA, West Virginia

**Continuing Professional Education (2012-2013)**  
101 total hours (66 Yellow Book)

**Professional Memberships**  
American Institute of Certified Public Accountants (AICPA)  
West Virginia Society of Certified Public Accountants  
Government Finance Officers Association



Robert E. Adams, CPA, CGMA  
Gibbons & Kawash, A.C.

<b>Firm Position</b>	Director
<b>Years with the Firm</b>	18
<b>Education</b>	B.S., Accounting, West Virginia Wesleyan College

#### Experience Overview

Mr. Adams is the Assurance Department Director at Gibbons & Kawash, A.C. and is the Firm's audit quality director for the AICPA's Governmental Audit Quality Center. He has extensive experience with governmental and tax-exempt organizations and has provided audit services to 23 State of West Virginia agencies and component units.

Significant component units served by Mr. Adams include the Comprehensive Annual Financial Report (CAFR) Audits of the West Virginia Department of Transportation, Division of Highways, the West Virginia Board of Treasury Investments, West Virginia Lottery, West Virginia Consolidated Public Retirement Board, and the West Virginia Housing Development Fund. He has also served the engagement teams of the Single Audits of the West Virginia Housing Development Fund, West Virginia Department of Transportation, the Water Pollution Control Revolving Fund (federal clean water program), and the Drinking Water Treatment Revolving Fund (federal drinking water program).

#### Relevant Experience

Mr. Adams's relevant experience includes:

- Auditing state and local governments and a wide variety of tax-exempt organizations including foundations, membership organizations, and health care entities.
- Experience with both Federal and non-Federal grants.
- Compliance auditing for organizations receiving significant federal funding from many different agencies in accordance with OMB Circular A-133.
- Performing and reviewing program specific federal audits, other compliance audits, and agreed-upon procedures engagements.
- Consulting with clients on internal control reviews, policies and procedures manuals, GASB and FASB implementation, financial reporting, and evaluation of compliance with applicable professional standards, indirect cost analyses, trend and ratio analyses, and audits by federal and private grantors.

#### Professional Licenses, Memberships, and CPE

**Professional Licenses**  
Licensed CPA, West Virginia  
Licensed CGMA, AICPA

**Continuing Professional Education (2012-2013)**  
102 total hours (74 Yellow Book)

**Professional Memberships**  
American Institute of Certified Public Accountants (AICPA)  
West Virginia Society of Certified Public Accountants

Norman C. Mosrie, CPA, CHFP, FHFMA  
Dixon Hughes Goodman LLP

Firm Position	Partner
Years with the Firm	4.5; prior to that 24 years with Ernst & Young
Education	Bachelor of Business Administration, Accounting, Marshall University, <i>summa cum laude</i>

#### Experience Overview

Mr. Mosrie serves as Partner-in-Charge of Assurance for the West Virginia Region of Dixon Hughes Goodman, LLP. Mr. Mosrie has more than 28 years of public accounting experience and prior to joining Dixon Hughes Goodman he was a partner with Ernst & Young. While at Ernst & Young, he served as the lead engagement partner on the State of West Virginia's CAFR and single audit for many years.

#### Relevant Experience

A certified healthcare financial professional, Mr. Mosrie has been involved with providing a wide variety of audit and business advisory services to clients, including having served as the coordinating partner on the State of West Virginia's Single Audit for many years, as well as various other governmental financial statement audits, including the WV Offices of the Insurance Commissioner, the WV Office of Technology, the WV Board of Risk and Insurance Management, the WV Public Employees Insurance Agency, the WV Retirement Benefit Trust, and the WV Housing Development Fund. He has significant experience performing audits in accordance with *Government Auditing Standards* and OMB Circular A-133, including Medicaid.

Mr. Mosrie has also assisted clients, including the State, in filing for the GFOA *Certificate of Achievement for Excellence in Financial Reporting*, and has developed and led government and A-133 training programs at the local, area, and national levels.

#### Professional Licenses, Memberships, and CPE

##### Professional Licenses

Licensed CPA, West Virginia  
Licensed CPA, New York  
CHFP: Certified Healthcare Financial Professional  
FHFMA: Fellow of Healthcare Financial Management Association

Continuing Professional Education (2013 - Present)  
82 total hours (24.50 Yellow Book)

##### Professional Memberships

American Institute of Certified Public Accountants (AICPA), Former Council Member and Healthcare Expert Panel Member, National Healthcare Conference Chairman  
West Virginia Society of Certified Public Accountants (WVSCPA), Past President and Board of Directors  
Charleston Chapter of WVSCPAs, Past President  
Financial Accounting Standards Board (FASB), Not-for-Profit Advisory Committee  
Government Finance Officers Association, Special Review Committee Member  
Fund for the Arts, Board of Directors  
Marshall University College of Business Advisory Board, President  
Healthcare Financial Management Association, Past Board Member  
Marshall University Alumni Association, Past Board Member  
Rotary Club, Past President and Paul Harris Fellow

Rodney V. Murray, CISA, CRISC  
Dixon Hughes Goodman LLP

**Firm Position** Principal

**Years with the Firm** 11

**Education** University of North Carolina at Chapel Hill, Bachelor of Science

#### Experience Overview

Mr. Murray is based out of the Charlotte office and leads the firm's IT Advisory Services practice. Mr. Murray has more than 25 years' experience in information technology and business applications, including providing internal audit and risk management services. His risk and advisory experience includes managing and performing technology risk and controls assessments, Sarbanes-Oxley compliance, HIPAA and GLBA privacy compliance, business process analysis, SOC Reporting (formerly SAS 70 attestation) and assistance to internal audit functions.

Mr. Murray's client base includes financial institutions, hospitals and health care providers, state and local governments, manufacturers, technology companies, and third party services providing financial transaction processing. His SOC Reporting client base includes banking, insurance, software development, logistics, marketing and advertising, application service providers, and data center hosting facilities that utilize a variety of infrastructure and systems, including mainframe, client / server, and cloud.

#### Relevant Experience

Prior to joining Dixon Hughes, Mr. Murray worked for a Big Four accounting firm for over six years delivering IT risk and advisory services across all industry segments. His client base included community, regional and national banks, third party service providers to financial institutions, manufacturers, retailers, and state and local governments.

Mr. Murray worked for Bank of America (formerly NationsBank) in the areas of computer operations, telecommunications, system conversion, and internal audit of corporate information systems before entering public accounting.

#### Other Service Areas

- IT Risk & Advisory
- Internal audit resource assistance
- IT & operational risk assessment & consultation
- Information technology audits
- IT privacy compliance exams
- Assistance with documenting & testing SOX-related IT controls
- SOC Reporting & Agreed Upon Procedures
- Cybersecurity / network vulnerability assessments
- Merger & acquisition IT due diligence

#### Professional Licenses, Memberships, and CPE

##### Professional Licenses

CISA: Certified Information Systems Auditor  
CRISC: Certified in Risk & Info Systems Control

**Continuing Professional Education (2013 - Present)**  
53.5 total hours (20 Yellow Book)

##### Professional Memberships

Information Systems Audit and Control Association  
Institute of Internal Auditors

Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia Bankers Associations



Andy Afuang, CPA  
BDO USA, LLP

Firm Position	Senior Manager, Governmental and Nonprofit Services
Years with the Firm	10
Education	B.S., Accountancy, Philippine School of Business Administration

#### Experience Overview

Mr. Afuang is a Senior Manager with BDO's Assurance Division with extensive experience in several industries, including government, tax-exempt, real estate, hospitality, manufacturing, pharmaceuticals, telecommunications, and construction.

In 2003, he relocated to the United States from the Philippines. Prior to joining BDO, he worked at PricewaterhouseCoopers in Singapore for two years. He also worked at a national firm in the Philippines for five years.

Among others, his current representative clients include the *Pacific Institute for Research and Evaluation*, *Reston Association*, and the **Government of the District of Columbia**.

#### Relevant Experience

Mr. Afuang's relevant experience includes:

- Planning, performing, and supervising a wide variety of financial statement and pension plan audits.
- Analyzing internal controls and policies.
- Working with organizations with multiple tax-exempt and for-profit entities.
- Experience in compliance auditing of organizations receiving federal financial funding in accordance with OMB Circular A-133.

**Government of the District of Columbia.** Mr. Afuang has served as the team leader managing the reporting process for the District's Comprehensive Annual Financial Report ("CAFR"). As such, he maintains a working knowledge of the numerous presentation and disclosure standards. He has experience in auditing various debt instruments as they are issued by government agencies to finance, refinance, and reimburse for development projects (i.e., general obligation bonds, tax increment financing notes, tobacco bonds, revenue bonds, and qualified zone academy bonds).

Mr. Afuang also has experience reviewing and auditing various client initiatives that oversee economic development, revitalization, and renovation. He was involved in auditing various lease agreements and analyzing their presentation in financial reports. As such, he brings knowledge of equipment financing programs, lease purchase arrangements, capital leases, and operating leases.

With respect to Single Audits, he maintains a working knowledge of the many different Department of Health and Human Services and Department of Education grants and programs. Mr. Afuang audited the complex Medicaid program for the District for four consecutive years, ending in 2009.

Mr. Afuang also functioned as part of the Central team on the District engagement. As such, he worked closely with the engagement partners in monitoring the status of the engagement and assisted in ensuring that the reporting mechanisms were conducted in a timely manner.

#### Professional Licenses, Memberships, and CPE

**Professional Licenses**  
Licensed CPA, District of Columbia  
Licensed CPA, Virginia

**Continuing Professional Education (2012-2013)**  
95 total hours (86.5 Yellow Book)

**Professional Memberships**  
American Institute of Certified Public Accountants



**John Griffin, CPA**  
**BDO USA, LLP**

<b>Firm Position</b>	Senior Manager, Governmental and Nonprofit Services
<b>Years with the Firm</b>	9
<b>Education</b>	B.S., Accounting, University of Maryland

**Experience Overview**

Mr. Griffin is a Senior Manager with BDO's Assurance Division who has performed all aspects of engagements, including audit fieldwork, drafting financial statements, and supervision of staff. He has over ten years of experience and was an audit senior with a local firm in Bethesda, Maryland for four years prior to joining BDO USA, LLP.

Some of the clients that he has worked with include: **Government of the District of Columbia**, *Anne Arundel Community College*, *United States Naval Institute*, *National 4-H Council*, *Living Cities*, and the *Washington Educational Telecommunications Association ("WETA")*.

**Relevant Experience**

Mr. Griffin's relevant experience includes:

- Various phases of financial statement audits including planning, performing, and reviewing audit field work.
- Preparation of financial statements, including referred disclosures to ensure they are in accordance with Generally Accepted Accounting Principles and other regulatory requirements.
- Reviewing systems for compliance with various governmental granting agencies including OMB Circular A-133 audit compliance.
- Presenting audit reports and business advisory letters to audit committees.

**Government of the District of Columbia.** Mr. Griffin has experience with OMB Circular A-133 audits and has assisted in managing the disability compensation plan audit of the District. As such, he brings audit knowledge of compensation for lost wages, medical expenses, rehabilitation expenses, work-related injuries, and the review and analysis of actuarially determined liabilities for financial statement inclusion.

Mr. Griffin was also involved with both the CAFR and Single Audits of the University of the District of Columbia. He maintains a working knowledge of student financial aid and the respective OMB Circular A-133 compliance requirements. He is further knowledgeable of GASB 35 and financial reporting and has experience auditing related foundations and presentation of such entities in accordance with GASB 39. Mr. Griffin has led his audit teams in working through tuition revenue, enrollment audits, and amounts due from students, student loans, scholarship discounts and allowances, and auxiliary enterprise revenues (i.e., bookstore, dining services, and athletics).

**Professional Licenses, Memberships, and CPE**

**Professional Licenses**  
Licensed CPA, Maryland

**Continuing Professional Education (2012-2013)**  
118.5 total hours (83.5 Yellow Book)

**Professional Memberships**  
American Institute of Certified Public Accountants

Lorelie Vergara, CPA  
BDO USA, LLP

Firm Position Manager

Years with the Firm 7

Education B.S., Accountancy, Polytechnic University of the Philippines

#### Experience Overview

Ms. Vergara is an Manager with BDO's Assurance Division and has over eight years of extensive experience in several industries, including government, nonprofit, private associations, private schools and universities, publishing, and retirement plans.

Most recently, Ms. Vergara has served the following organizations: **Government of the District of Columbia**, *Reston Association*, *National Tooling and Machining Association*, *Wesley Theological Seminary*, and *University of Virginia Law School Foundation*.

#### Relevant Experience

Ms. Vergara's relevant experience includes:

- Planning, performing, and supervising financial statement and employee benefit plan audits.
- Significant experience leading engagement teams in auditing a variety of entities that administer federal funds to various organizations.
- Reviewing systems for compliance with various governmental granting agencies and performing audits in accordance with OMB Circular A-133.
- Analyzing internal controls and policies, reviewing accounting policies and procedures manuals, and suggesting value added improvements.
- Preparing financial statements, including required disclosures to ensure that they are in accordance with generally accepted accounting principles and other regulatory requirements.

**Government of the District of Columbia.** As part of the CAFR engagement, Ms. Vergara was the lead senior accountant servicing the Office of Tax and Revenue, which results in a working knowledge of the following revenue streams: property taxes; sales and use taxes; income and franchise taxes; and gross receipts taxes. Ms. Vergara is also knowledgeable of and has experience in working with Business Improvement Districts and various economic tax incentives. She has also carried out the audit process over the grants management effort, the financial reporting phase, and the University of the District of Columbia.

Ms. Vergara has also serviced the District's Single Audits and has significant experience working with Department of Health and Human Services grants, including the various HIV-related programs. As such, she maintains a working knowledge of eligibility requirements, level of effort and earmarking analyses, and reporting mechanisms, along with the required testing techniques.

#### Professional Memberships and CPE

**Professional Memberships**  
Filipino American Institute of Accountants of Metro  
D.C., Inc.  
Philippine Institute of Certified Public Accountants

**Continuing Professional Education (2012-2013)**  
83.0 total hours (80.0 Yellow Book)

Anthony Carpenter, CPA Gibbons & Kawash, A.C.	
Firm Position	Manager
Years with the Firm	7
Education	B.S., Accounting, West Virginia State University
<b>Experience Overview</b>	
<p>Mr. Carpenter is a Manager serving primarily with the Gibbons &amp; Kawash Assurance Department. He has extensive experience with governmental and tax-exempt organizations and has served on engagement teams for 10 State of West Virginia agencies and component units.</p> <p>Significant component units served by Mr. Carpenter include the Comprehensive Annual Financial Report (CAFR) Audits of the <b>West Virginia Board of Treasury Investments</b>, the <b>West Virginia Consolidated Public Retirement Board</b>, and the <b>West Virginia Lottery</b>. He has also served on the Single Audits of the <b>West Virginia Housing Development Fund</b> and the audit of the <b>West Virginia Parkways Authority</b>.</p>	
<b>Relevant Experience</b>	
<p>Mr. Carpenter's relevant experience includes:</p> <ul style="list-style-type: none"> <li>• Auditing state and local governments and a wide variety of tax-exempt organizations including foundations, membership organizations, and health care entities.</li> <li>• Experience with both Federal and non-Federal grants.</li> <li>• Compliance auditing for organizations receiving significant federal funding from many different agencies in accordance with OMB Circular A-133.</li> <li>• Performing and reviewing program specific federal audits, other compliance audits, and agreed-upon procedures engagements.</li> <li>• Consulting with clients on internal control reviews and indirect cost analyses.</li> </ul>	
<b>Professional Licenses, Memberships, and CPE</b>	
<b>Professional Licenses</b> Licensed CPA, West Virginia	<b>Continuing Professional Education (2012-2013)</b> 117 total hours (74 Governmental)
<b>Professional Memberships</b> American Institute of Certified Public Accountants (AICPA) West Virginia Society of Certified Public Accountants Charleston Chapter of West Virginia Society of Certified Public Accountants	



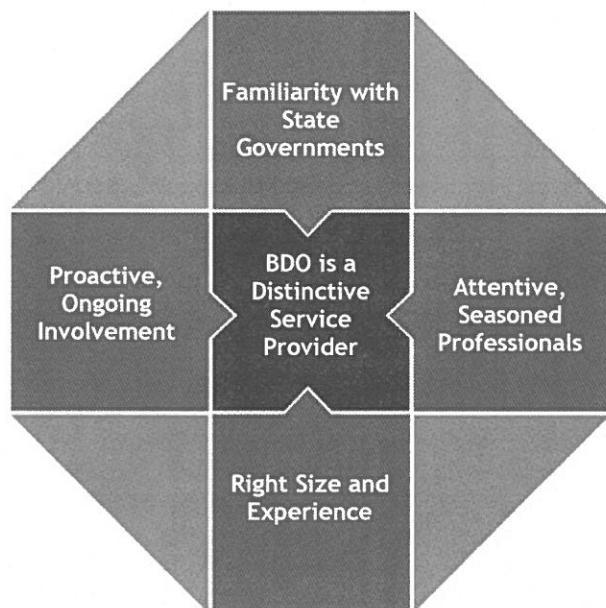
<b>D. Cole Malcolm, CPA</b> <b>Dixon Hughes Goodman LLP</b>	
<b>Firm Position</b>	Manager
<b>Years with the Firm</b>	<1; Previously with Ernst & Young for > 6 years
<b>Education</b>	Concord University, Bachelor of Science in Business Administration, Accounting & Finance, <i>magna cum laude</i> Morehead State University, Master of Business Administration
<b>Experience Overview</b>	
Mr. Malcom is a manager in the Firm's assurance practice in the West Virginia region. Prior to joining DHG, Mr. Malcom was with Ernst & Young for over six years and served both public and private clients in the not-for-profit, manufacturing, government and healthcare sectors.	
<b>Relevant Experience</b>	
Mr. Malcom has experience with several technical accounting and financial reporting requirements of both non-profit and government entities. He has previous experience working on the <b>State of West Virginia</b> Single Audit while with Ernst & Young, including testing the State's environmental obligations and other areas. He has helped clients with the reporting requirements of pension and post retirement obligation accounting including single employer and multi-employer benefit plans.	
Having clients with SEC, GAAP and GASB reporting requirements has given Mr. Malcom the experience to lead engagement teams and clients in the public and governmental reporting arena along with specific client activities like public equity offerings, private placement debt transactions and other complex technical accounting situations.	
Additionally, Mr. Malcom has participated in the instructor's excellence program and led internal training sessions for new and experienced associates in the assurance practice. He has also led educational accounting sessions at major colleges and universities throughout West Virginia. In addition, he provided a training program for the Financial Accounting & Reporting Department of the State of West Virginia.	
<b>Professional Licenses, Memberships, and CPE</b>	
<b>Professional Licenses</b> CPA: Certified Public Accountant WV LIC #004753	<b>Continuing Professional Education (2013 - Present)</b> 146.50 total hours (27 Yellow Book)
<b>Professional Memberships</b> American Institute of Certified Public Accountants, Member West Virginia Society of Certified Public Accountants, Member Charleston Chapter of WVSCPA's, Board Member Advisory Council to the School of Business at Concord University, Board Member Advisory Council to the School of Business at Glenville State College, Board Member Fund for the Arts, Board Member Generation Charleston, Member South Hills Youth Soccer Association, Treasurer & Board Member	



Rob Stewart, CPA, FAFI Dixon Hughes Goodman LLP	
Firm Position	Manager
Years with the Firm	6
Education	Bachelor of Science, Accounting, <i>cum laude</i> , West Virginia University Masters of Professional Accountancy, West Virginia University
<b>Experience Overview</b>	
Mr. Stewart is a member of the Firm's assurance practice where he has provided assurance and advisory services to a diverse range of industries ranging from closely held businesses to large government and non-profit organizations.	
<b>Relevant Experience</b>	
His primary focus has been with the planning, execution, and conclusions of audits for a variety of clients, including healthcare, not-for-profit organizations, and governmental entities, including the WV Offices of Insurance Commissioner. He has several years of experience in GASB audits and audits conducted in accordance with <i>Government Auditing Standards</i> and OMB Circular A-133.	
He is also experienced with employee benefit plan audits, providing services for 401k, pension, ESOP and health and welfare plans.	
<b>Professional Licenses, Memberships, and CPE</b>	
<b>Professional Licenses</b> CPA: Certified Public Accountant WV LIC #002156 FAFI: Forensic Accounting and Fraud Investigation Certificate	<b>Continuing Professional Education (2013 - present)</b> 54 total hours (18.50 Yellow Book)
<b>Professional Memberships</b> American Institute of Certified Public Accountants	

## THE BDO TEAM – A DISTINCTIVE CHOICE

In addition to our breadth and depth of resources, it's our people, the knowledge they bring to engagements, their commitment to exceeding expectations, and the candid relationships they develop with clients that has made BDO the distinct choice for clients of all types and sizes.



*Our commitment is to serve the State through a long-term responsible relationship matching your needs.*

### Familiarity with Similar Engagements

- ▶ BDO has previously serviced similar CAFR and Single Audit engagements as the State.
- ▶ Our subcontractors have previously serviced the State.
- ▶ We are poised to address your immediate and long-term service needs.
- ▶ Proven experience with resolving complex issues that may arise.

### Right Size and Experience

- ▶ Experienced business and technical professionals.
- ▶ Significant industry experience.
- ▶ Delivery of quality services.
- ▶ Streamlined, accessible organizational structure.
- ▶ Fewer conflicts and hierarchies inherent in larger firms.

### Attentive, Seasoned Professionals

- ▶ Excellent staff-to-partner ratio.
- ▶ Continuous access to experienced service teams.
- ▶ Commitment to staff continuity.
- ▶ National technical and industry practitioners who offer broad-based experience, in-depth knowledge, and business savvy that can be critical to your success.

### Proactive, Ongoing Involvement

- ▶ High level of partner involvement.
- ▶ Swift responsiveness and issue resolution.
- ▶ Hands on, service-oriented business philosophy.
- ▶ Flexible approach and methodology to manage the engagement efficiently.
- ▶ Open, candid, constructive communications.
- ▶ "No surprises" approach.
- ▶ Proactive creative solutions.
- ▶ Ideas for business improvement.

## SECTION HIGHLIGHTS

### THE BDO TEAM'S DEPTH OF EXPERIENCE

All of the partners and a majority of the managers and seniors on our proposed BDO Team have previously provided the required services to entities similar to the State of West Virginia. The BDO Team partners we propose to serve you are intrinsically experienced in handling these types of audits on an agency level, entity-wide level, and government-wide level. As such, we will provide the State with field-tested best practices using a "Best-in-Class" approach when performing your audits.

### VALUE-ADDED SERVICES

The BDO Team has an exemplary track record of providing value to our engagements. Our clients trust us to put their needs at the forefront and look to us as business advisors rather than vendors providing a service to them.



# COMPLETED CAFR AUDIT AND SINGLE AUDIT

UNDERSTANDING OF SERVICES TO BE PERFORMED .....	58
Overview .....	58
Schedule for Performance and Deliverables .....	59
KNOWLEDGE OF AND APPROACH TO CAFR AUDITS .....	60
Overview .....	60
Central Planning and Administration .....	62
Information Systems and Internal Controls .....	64
SOC 1 Experience .....	66
Engagement Audits and Management .....	67
New Accounting Standards for Considerations for Current and Future Year .....	73
KNOWLEDGE OF AND APPROACH TO OMB CIRCULAR A-133 AUDITS .....	76
Overview .....	76
Planning .....	77
Determination of Major Programs .....	78
Consideration of Internal Controls .....	79
Compliance with Laws and Regulations	
Governing Federal Contracts and Grants .....	81
Considerations of the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award, Final Rule" (the Uniform Grant Guidance) on Future Audits .....	85
COMMUNICATION AND REPORTING .....	86
SECTION HIGHLIGHTS .....	89



## UNDERSTANDING OF SERVICES TO BE PERFORMED

### OVERVIEW

BDO, Gibbons & Kawash, and Dixon Hughes Goodman (collectively referred to as the "BDO Team") are prepared to perform this engagement and understand the services required to be provided as described in the RFP. We also understand the timeframes and the required deadlines for delivery of the required reports and written products and are prepared to meet each deadline, communicating and coordinating our activities with State personnel throughout our performance of the contract.

Further, the BDO Team is comfortable working in an environment involving significant oversight by third parties and possesses the ability to audit multiple government agencies at the same time.

We understand that, at this time, the State requires an independent Certified Public Accounting firm to conduct a Single Audit of the State and a financial audit of the basic financial statements of the State's CAFR for the fiscal year ending June 30, 2014, in accordance with generally accepted auditing standards, the Single Audit Act of 1996, the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the most current OMB pronouncements for "stimulus grants" awarded under the American Recovery and Reinvestment Act ("ARRA"), Governmental Accounting Standards Board pronouncements, other applicable laws, and federal and governmental regulations, such as the upcoming *Uniform Grant Guidance*.

To adequately perform these services, the auditor must be sufficiently knowledgeable of various requirements and capable of auditing complex, large dollar, programs and processes and be able to handle any areas which operate separately under decentralized administration.














**WE WILL WORK WITH THE STATE IN ISSUING THE FOLLOWING REPORTS:**

- Whether the Basic Financial Statements in the State's CAFR present fairly the State's financial position and results of financial operations in conformity with generally accepted accounting principles.
- Whether the SEFA is fairly presented in relation to the basic financial statements.
- Internal control related to the financial statements and major programs.
- Compliance with laws, regulations and the provisions of contracts or grant agreements, noncompliance with which could have a material effect upon the State's financial statements.
- Compliance with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.
- Findings and questioned costs.
- A summary of the auditor's results.
- Any irregularities, fraud, or illegal acts of which we become aware.
- Any additional requirements under OMB Circular A-133 or future federal OMB circulars that may become effective during this audit contract.
- SOC 1 and the State Rail Reports

## SCHEDULE FOR PERFORMANCE AND DELIVERABLES

Based on Attachment E of the RFP, which delineates the timetable for completion of work for the State engagement, we present the following projected schedule for completion of the State's financial statement and Single Audits. Upon issuance of the contract award, we will meet with the State to setup a milestone chart. These timetables will be reviewed and actual dates discussed to ensure a mutually agreeable timeframe.

TASK	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Task 1: Entrance Conferences									
Task 2: Interim Work									
Task 3: Detailed Audit Plan									
Task 4: Field Work (Federal Awards & CAFR)									
Task 5: Test of Federal Awards									
Task 6: Closing Conferences with Agencies									
Task 7: Draft CAFR Audit Report									
Task 8: Draft Single Audit Findings and Other Management Comments									
Task 9: Final CAFR Audit Report									
Task 10: Final Single Audit Findings									
Task 11: Final Single Audit Reports									

We possess the capability to support this contract and with proper coordination and planning, we will complete all work within your specified time frame.

## KNOWLEDGE OF AND APPROACH TO CAFR AUDITS

### OVERVIEW

The State has an organizational structure encompassing a vast array of functions and some of these are provided by several component units comprising the financial entity whose financial statements are included in the CAFR. Our approach will also take into consideration that the State's operations may be decentralized and several of the components units or funds may have separate accounting systems and reporting requirements. Further, our approach to your audit will take into account the following strategies:

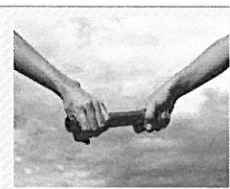
- ▶ Seamless transition.
- ▶ Communication throughout the year to understand your issues and risks.
- ▶ Advance planning of the audit and compliance processes to ensure there are no surprises.
- ▶ Performance of interim fieldwork.
- ▶ Detailed examination of your internal controls.
- ▶ Performance of year-end fieldwork and address key issues identified.
- ▶ Extensive quality control procedures.
- ▶ Full understanding of governmental and other relevant issues.

This approach fosters an active understanding of the State's strategic direction, particular business risks, control strengths and weaknesses, and other significant matters pertaining to the audit cycle, which is critical to audit quality.

### *Seamless Transition*

We appreciate that, for many of our clients, the transition to a new advisor is not a regular occurrence and can give rise to concerns and present you with significant challenges. Our team members are significantly experienced with the transition of new clients especially with those transitioning from the Big 4 and can readily resolve any problems that may occur during this change. We are committed to client satisfaction and to a smooth and seamless transition from your current advisor to the BDO Team. We have extensive experience working with outgoing providers and clients to define transition plans and timelines and can begin your engagement immediately after finalizing our client acceptance procedures and after State's approval to proceed.

We assure you that we will devote the highest priority to the careful and thoughtful planning required to ensure a smooth transition to the BDO Team with the least possible disruption to your personnel and your operations.



Upon engagement, we request that management write a letter to the previous auditor, requesting that BDO be allowed access to the prior year's audit workpapers. This assists in substantiating opening balances as required under generally accepted auditing standards. At a minimum, we need to examine the balance sheet accounts and the related supporting workpapers, the final trial balance, and the adjusting journal entries for the last year audited. Our experience indicates most firms cooperate as a matter of professional courtesy.

Some allow us to visit their office and examine all files (including permanent and planning files) while others prefer to mail only the required workpapers that will substantiate the opening balances. The more thorough review is advantageous as it decreases the State's staff time in the gathering of required documents.

### *Proposed Segmentation and Work Plan*

We will perform the services in segments. Specifically, the preliminary segments are as follows:

#### *Central Planning and Administration*

The purpose of establishing a single, blended team is to lay out a proper foundation for the direction of the audits, minimize costs, and increase effectiveness. This team, which will operate from a central location, will schedule and assign auditors for each segment of the audit, coordinate and be responsible for the entire audit effort, and perform the general procedures pertaining to the audit (i.e., legal letters, review minutes, attend meetings, and provide status of engagement). This team will also design and discuss the sampling approach and performing test work over certain State-wide functions.

#### *Information Systems*

The IS Assurance audit team will be responsible for assessing and evaluating the State's financial management and reporting systems, including the various modules that have been implemented, the payroll systems, and the other accounting and data processing systems. Their procedures will include documenting and testing the systems' general and application controls to determine the integrity and reliability of the financial data. Our suite of general and application controls will be evaluated at various levels, including the operating systems, application systems, database systems, and network levels.

#### *Internal Controls*

We document our understanding of internal controls through observation, inquiry, inspection, and performance of specific procedures. We will ask your staff to fill out questionnaires and prepare narratives prior to our arrival for interim procedures. We will evaluate controls and, among others, perform transaction tests of payroll, procurement, cash disbursements, and cash receipts. Based on our assessment of the control environment, we will determine if there are audit assertions where we can assess control risk at less than maximum in order to perform audit tasks more effectively.

#### *Engagement Audits and Management*

Separate auditors, under common supervision, will be responsible for carrying out audit procedures as delineated by the State's engagement categories as referenced in the RFP. These groups will audit these areas using various tests of controls and substantive tests.

#### *Reporting and Close Out*

During this phase, we will conclude on all areas of the audit, summarize the results, and communicate them accordingly. We will perform the technical and content review of the draft audit reports and we will prepare, distribute, and obtain management representation letters.

In addition, any significant opportunities to improve internal controls and accounting procedures, budgeting and financial projection processes, and financial reporting styles, which will increase the reliability of accounting records and financial statements, will be discussed. We consider the management letter to be an integral part of the audit process. A notable effort is spent formulating ideas that will help the State operate more efficiently and effectively.

We will hold exit conferences with the State to discuss relevant matters. The completion of the audit determines the fairness of presentation of the financial statements, including footnote disclosures, and the reasons for any deviations from current trends and historic and industry norms. The workpapers and financial statements will undergo a final quality control review during this phase after which the financial statements will be issued.



### ***Coordination with Your Personnel***

We believe in utilizing the work of internal staff to the fullest extent possible in order to minimize your costs. We will obtain an understanding of internal functions by gathering information about activities and considering the relevance of these activities to the audit process. In addition, we will assess the competency, objectivity, and effectiveness of the work performed by internal staff, and consider the effect on internal controls, risk assessment, and the types of substantive procedures we must perform.

If, as a result of these procedures, we determine that we can use the work of the internal staff, we will coordinate our procedures with internal staff by scheduling audit work, holding periodic meetings, reviewing audit reports, and discussing accounting and auditing issues. We will utilize internal staff in preparing all necessary audit schedules. We will provide a list of the specific items needed well in advance, based on the planning we complete with you. In this manner, your staff will have sufficient time to complete the audit schedules.

## **CENTRAL PLANNING AND ADMINISTRATION**

The tasks in this phase will enable us to gain an understanding of the financial systems and to tailor the audit to the State's needs. The planning phase includes performing the following functions:

### ***Meet with Key Members of the State's Management***

It is our policy to hold an initial planning meeting with key members of management. The agenda will include, but will not be limited to, discussion of the topics below. This planning meeting will help to establish priorities and provide proper initial direction up front.

- ▶ Initial audit concerns.
- ▶ Report requirements and deadlines.
- ▶ Initial audit approach and dates.
- ▶ Assistance by State personnel.
- ▶ Nature and types of documents and/or accounting records maintained.

### ***Communicate with Predecessor Auditors***

Upon assignment of the audit to BDO and its subcontractors, we will obtain permission from the State to communicate with the predecessor auditors of any audited reporting entity. This is necessary to comply with the requirements of substantiating opening balances as required under generally accepted auditing standards in addition to reviewing prior year's workpapers in key audit areas.

### ***Document our Understanding of the Operating Environment and Internal Controls***

The first step we perform in approaching the audit of any reporting entity assigned to us is to develop a full understanding of the objectives and operations of the entity. This understanding will be obtained through discussions with management and reading of pertinent background information. The information and/or documents that we will request will include, but will not be limited to, the following:

- ▶ Organizational structure of the reporting entities.
- ▶ Operating budgets including budget restrictions.
- ▶ A description of financial and other information systems.
- ▶ Provisions of laws and regulations.
- ▶ Locations of operations.

This information will enable us to identify significant cycles and accounting applications, evaluate the control environment, and identify significant provisions of laws and regulations affecting the reporting entity.

### *Document our Understanding of the Financial and Operational Systems*

We will obtain an understanding of the accounting systems and information systems used for processing significant financial statement items, and the related internal accounting controls sufficient to determine our audit approach.

A preliminary understanding as to how transactions are recorded and processed will be accomplished when the audit strategy is finalized. The degree of understanding and extent of further documentation required to enable subsequent audit procedures to be carried out depends on the audit strategy adopted.

### *Perform Preliminary Analytical Review*

We will perform preliminary analytical review to gain insight into operating results by comparing the financial statement amounts between the current and preceding periods and also the current year amounts to approved budgeted line-items. We will be looking for unusual variances.

### *Consider Engagement Risk*

We will consider account balances or classes of transactions that could result in an error to the financial statements without being detected. Devoting attention to such accounts or classes of transactions, we ensure they receive proper audit coverage. This lessens the possibility that the financial statements might be misleading.

### *Make Preliminary Judgment about Materiality*

We will make a preliminary judgment about materiality by assessing a dollar amount which, in our judgment, would render the reporting entity's financial statements misleading should errors in the financial statements exceed this amount. This will guide us during the audit process when proposing adjustments or selecting items for testing.

### *Assess Control Risk*

We will assess control risk for account balances or classes of transactions at either below maximum or at maximum based upon our understanding of the accounting system and the control environment. Assessment of risks involves determining procedures in effect to prevent or detect misstatements in the financial statements.

### *Identify Significant Audit Areas and Develop Tailored Audit Programs*

Based on the understanding we acquire during our documentation of the above procedures, we will determine areas that might significantly affect the timing and completion of the audit. We will review such areas in depth to obtain an early understanding and resolution of any problems that might impede our progress. Upon identifying the significant audit areas and compliance requirements, we will develop tailored audit programs. The audit programs will reflect the identified areas of concern and will guide our work in such a manner as to help ensure that each area is afforded the proper degree of audit consideration. At the conclusion of the planning phase, we will prepare the following documents relevant to the information obtained or gathered during the process:

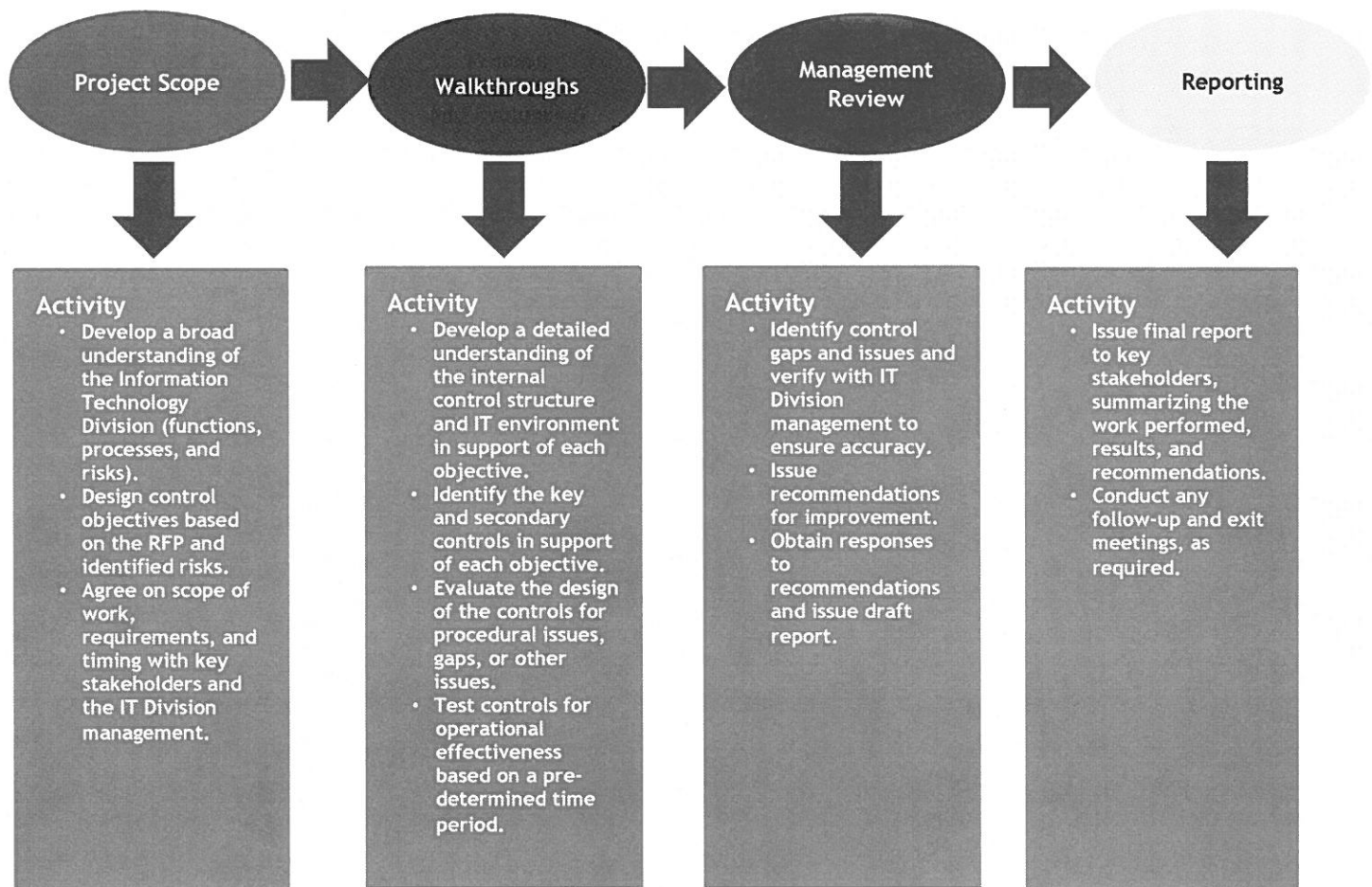
- ▶ Client Profile.
- ▶ General Risk Analysis.
- ▶ Account Risk Analysis.
- ▶ Cycle Matrix.
- ▶ System narratives and/or flowcharts.
- ▶ Tailored audit programs.

## INFORMATION SYSTEMS AND INTERNAL CONTROLS

Internal control assessments for significant business processes and the IT environment is a specialty of the IS Assurance practice. Our internal control audit methodology is based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), taken from the perspective of business and operational risks.

Internal control evaluations over business processes focus on the "what can go wrong scenarios" and will evaluate manual and automated control activities, while evaluating each transaction stream from all points of potential misstatement.

Furthermore, we can identify procedural issues and provide insight for process optimization. Our methodology will also include base line testing of system generated reports for completeness and accuracy. Our overall approach to your audit will take into account the phases outlined below.



We will also perform a comprehensive assessment of the State's financial management systems to ascertain reliability. We will interview officers and managers for a better understanding, existing capabilities, issues the State has identified and both immediate and long-term electronic data processing objectives. From our assessment, we will formulate recommendations and shape innovative ideas and solutions that will help you attain your operational goals.

### Our major concentration will focus on the application of the following:

Logical Access Controls and System Files	<ol style="list-style-type: none"> <li>1. Evaluate processes and selected controls for administration and monitoring of user access.</li> <li>2. Evaluate controls in place to restrict access to sensitive data.</li> <li>3. Evaluate whether controls are adequate to restrict users to defined activities and data files.</li> </ol>
Change Management	<ol style="list-style-type: none"> <li>1. Evaluate management's involvement in the design and approval of system changes.</li> <li>2. Determine that changes are adequately tested.</li> <li>3. Review adequacy of procedures for transferring changed programs from development to production.</li> </ol>
Physical Security and Environmental Controls	<ol style="list-style-type: none"> <li>1. Determine if controls exist to ensure that organizational resources are not misused or wasted.</li> <li>2. Determine if controls are in place to mitigate fraud occurrences.</li> <li>3. Determine if controls are in place to prevent, detect and mitigate expensive and disruptive incidents.</li> </ol>
Computer Operations, Back-Up, Disaster Recovery, and Contingency Planning	<ol style="list-style-type: none"> <li>1. Determine if controls have been established for periodic back-up of files.</li> <li>2. Review controls over back-up files to ascertain their security, location, etc.</li> <li>3. Determine whether the State has a disaster recovery plan and review test results.</li> <li>4. Evaluate actual or test recoveries to determine whether organization's ability to provide system availability is adequate.</li> </ol>
System Development Life Cycle (SDLC)	<ol style="list-style-type: none"> <li>1. Review policies pertaining to SDLC.</li> <li>2. Examine project management reporting to determine implementations comply with SDLC policies.</li> <li>3. Review testing documentation and results to verify implementation was complete and accurate.</li> </ol>



## SOC 1 EXPERIENCE

BDO provides SOC examination services to more than 80 entities on an annual basis. We understand the AICPA SOC attestation standards and the procedures that companies must follow to comply with those standards; as a result, we have the experience and knowledge to advise you accordingly.

Our National SOC Working Group represents the Firm on the AICPA's SAS 70/SOC Task Force and closely monitors any changes in the standard and any reporting requirements and keeps our SOC Working Group informed of any changes.

Each SOC engagement is unique and BDO prides itself on being flexible enough to adapt to any environment. We will work directly with the resources that management has identified for this project to develop a specific project plan and timeline that will meet the State's needs and ensure the successful completion of the project.

Typically our SOC engagements follow a project plan similar to the one below:

- ▶ **Kick-Off Meeting and Educational Session** - BDO will schedule a planning and kick-off meeting to meet with management, introduce the members of our audit team, and educate key process owners on the importance of the SOC reporting process to the organization. In our experience we have found that the SOC reporting process goes much more smoothly when all key process owners and members of management have a complete understanding of the reporting process, testing, and control responsibilities that will be documented in the report.
- ▶ **Defining the Scope and Timeframe** - BDO will work with management to assess the scope of the report and provide management the necessary resources to prepare their description of the system as well as their assertion. At this point, we will define the roles that management will play in the reporting process, as well as those portions of the report that BDO will be responsible for. We will also define a timeframe of key milestones and deliverables of each phase.
- ▶ **Evaluation of Management's Description** - BDO will work with management to refine their description of the system to ensure that all key processes, control objectives, and control activities have been included. Once management has finalized their description, BDO will evaluate it to determine if it meets the requirements under the guidance and provide timely feedback where appropriate.
- ▶ **Testing** - BDO will define test procedures for each of the identified key controls to be included in the report. During this phase we will perform any interim and final testing that will need to be completed and report to management any exceptions or deficiencies that have been identified through the process of our testing.
- ▶ **Report Review and Finalization** - Once we are completed with the testing phase and have incorporated any sections of the report that management is responsible for completing, we will provide all key process owners and members of management a draft of the report to review. At this time we will also begin our internal review process which consists of a detailed partner review by the engagement partner and a general review performed by the concurring technical SOC partner as part of our quality control process. We strive to issue a draft report approximately 3-4 weeks after we have finished our field work in the testing phase. This assumes that BDO has received all necessary documents and information on a timely basis from the State.

## ENGAGEMENT AUDITS AND MANAGEMENT

### *Design Sampling Approach*

In the testing phase, we design our sampling methodology using selective testing. Audits conducted in accordance with generally accepted auditing standards, *Generally Accepted Government Auditing Standards*, and attestation standards include the concept of selective testing of data to be examined, thus involving judgment on the part of the auditor as to the number of transactions to be examined and the areas to be tested. The concept of audit sampling refers to the application of audit procedures to less than 100% of the items within an entity's account balances or classes of transactions, for the purpose of reaching a conclusion about entire individual balances or classes of transactions.

The use of representative sampling will be an integral part of our audit approach. We use audit sampling when the objective is to project the results of the procedures to the entire population of items within an account balance or class of transactions. Our sampling approach provides for sample sizes large enough that any chance of departure from representations is small.

The following are examples of common statistical sampling techniques we utilize for audits and other engagements:

#### *Attribute sampling:*

A sampling methodology utilized when compliance tests are being performed. Sample selection is generally based on computer generated random numbers.

#### *Monetary unit sampling:*

A sampling methodology utilized when substantive tests of balances are being performed. Sample selection is based on dollars and determining a computer generated interval to be sampled. This methodology provides for larger dollar items to have a proportionately larger probability of selection than smaller items.

#### *Strata sampling:*

A sampling methodology similar to monetary unit sampling. The population is segregated into "like" categories of items and then sampled.

The determination of sample sizes will depend on several factors, including the reliance that can be placed on existing controls, the population size and make-up, routine or non-routine type of transactions, the number of significant items comprising the population, and the results of substantive analytical procedures. To the extent possible, we will use attribute sampling for tests of controls and compliance. This type of sampling will be effective for tests of payroll expenditures, non-payroll expenditures, and procurement. BDO uses its own sampling tables - based on guidance promulgated by the Auditing Standard Board of the AICPA - which are useful for estimating sample sizes when the size of the population is large (i.e., the population is comprised of 500 or more items, balances, or transactions) and the calculated sample size does not begin to approach a significant proportion of the population (i.e., greater than ten). In addition, a simple formula is provided to assist our auditors in estimating the sample size in near-zero or zero expected misstatement situations. This approach is valid only for attribute samples or probability proportional to size (PPS) samples.

BDO also uses the *IDEA* software for sample selections. *IDEA* contains a number of sample size determination programs and is our preferred software for both non-statistical and statistical sample selection. The *IDEA* program also properly evaluates attributable sample results, as well as stratified random (using classical variables analysis) samples.



### *Perform Tests of Controls*

In the planning phase, we identify significant accounting cycles and accounting applications and document control procedures. We determine appropriate sample sizes using our sampling methodology and select sample items for testing to determine whether controls are functioning in accordance with the reporting entity's policies throughout the audit period. Additionally, we will follow up on the status of the implementation of prior year's recommendations contained in the management letter(s) issued by the predecessor auditor.

### *Perform Tests of Compliance*

As applicable, we identify significant provisions of laws affecting the reporting entity and perform compliance tests to ensure that the reporting entity is operating in accordance with applicable laws and regulations. Some compliance tests are transaction based from which we select sample transactions for testing. We use inquiry and observation procedures to verify non-transaction based compliance features.

The State's non-compliance with laws and regulations could materially affect the financial statements. We will discuss with management and legal counsel how they identify, comply, and monitor compliance in this area. We will also determine the laws and regulations that affect the State's operations by researching and reviewing ordinances, state statutes, federal contracts and grants and related laws, governing body minutes, correspondence with regulatory authorities, federal legislation, annual appropriations bill, and debt instruments. We will develop a document that lists all of the applicable laws and regulations, determine those that require testing, and perform the procedures. As mentioned previously, we will review the prior reports and management letter(s) noting any non-compliance and determine their current status.

### *Perform Substantive Tests*

The substantive tests will include "substantive detail tests" and "substantive analytical procedures." For substantive detail tests, we will review details of account balances by inspecting underlying documentation and determining whether the balances are properly stated. Substantive analytical procedures will be used in every phase of the audit. Initially, we will use the procedures to perform comparison of data in documents and reports, fluctuation analyses to identify significant changes in information reported in prior periods, and to determine the variances and potential issues that could affect the nature, timing, and extent of our audit.

During the substantive phase of the audit, we will perform budgetary to actual analyses of revenues and expenditures, changes in investment vehicles and yields, analyze payroll cost and full time equivalent personnel by agency/department and entity-wide, and perform various trend analyses of accounts to determine unusual or abnormal relationships and results that may require investigation and resolution.

When selecting and designing substantive tests, attention will be directed to specific audit objectives such as included in the following table:

Financial Statement Assertion	Effect on the State's Audit
<i>Completeness</i>	All account balances and transactions that should be included in the financial information are included.
<i>Accuracy</i>	Recorded transactions and accounts balances are mathematically accurate, are based on correct amounts, have been classified in the proper accounts, and have been accurately summarized and recorded in the general ledger.
<i>Existence</i>	Recorded assets and liabilities exist as of the balance sheet date; recorded transactions have occurred and are not fictitious.
<i>Cut-off</i>	Transactions are recorded in the proper accounting period.
<i>Valuation</i>	Generally accepted accounting measurements and recognition principles are properly selected and applied.
<i>Rights and Obligations</i>	Recorded assets are rights of the State and recorded liabilities are obligations of the State.
<i>Presentation and Disclosure</i>	Financial information components are properly classified and described; appropriate disclosures are made.

We will also employ analytical procedures in the review of the financial information presented in the CAFR and as a quality control review tool. We will determine whether the explanations and corroborating evidence provide sufficient evidence for the desired level of substantive assurance. If we are unable to obtain a sufficient level of substantive assurance from the analytical procedures, we will perform additional procedures, such as tests of details and consider whether the difference represents a misstatement.





### *Specific Audit Approach*

Our specific audit approach for certain significant areas is highlighted below:

#### Budget and Appropriations

- Obtain and review copies of the published notices. Review board minutes from the date of the hearing(s). Determine if the required public hearings on the budget and proposed tax increases were properly advertised and subsequently held.
- Compare adjusted appropriations and expenditures in each fund and determine whether disbursements were made in excess of appropriations.
- Inquire of the State officials concerning the use of interim budget-to-actual comparisons.
- Inspect explanation of budget variances and evidence of corrective action taken.
- Test modifications and other changes made to the budget from authorized sources.
- Determine whether the Treasurer has appropriate internal controls to ensure cash is available in the bank for all checks issued.
- Determine whether appropriate internal controls are in place to ensure the Treasurer has sufficient funds available for bank warrants and drafts.

#### Fixed/Capital Assets and Expenditures

- Observe physical safeguarding controls.
- Inquire about apparently idle assets noted during observation.
- Inquire about results of reviews of depreciation, useful lives, salvage values, and allowance accounts.
- Select a sample of additions and review for account distribution, agreement of recorded amount with supporting documents, and proper period.
- Evaluate whether remaining useful lives are reasonable and net carrying value is recoverable.
- Determine whether capital assets held for sale or investment purposes have been properly classified.

#### Debt

- Determine whether the State issued debt during the year and whether it complied with all relevant provisions.
- Read the minutes of the governing body for authorization to issue debt or enter into debt agreements and trace proceeds and obligations to recording in the accounting records and bank deposits.
- Review documentation of monitoring of compliance with debt restrictions, compliance with sinking fund requirements, and classification of leases as capital or operating.
- Consider the reasonableness of interest expenditures by comparing the amount to the computation of average rate multiplied by the average debt outstanding.

### Payroll and Related Liabilities

- Reasonable assurance that payroll (wages, salaries, and benefits) disbursements are made only for all work authorized and performed.
- Payroll is computed using rates and other factors in accordance with contracts and relevant laws and regulations.
- Payroll and related liabilities are recorded correctly as to amount and period and distributed properly by account, fund, and budget category.
- We will consider the reasonableness of accrued payroll at the end of the period by performing a predictive test such as comparing it to the subsequent payroll run and investigate unexpected variations.

### Procurement

- We will consider the risk of material misstatements resulting from direct and material noncompliance when conducting the audit.

### Receivables and Revenue

- Compare the balance in receivables with the balance for prior years and investigate unusual variations.
- Compute the ratio of the receivables balance to related revenue for the current and prior years and investigate any unexpected results.
- Review a reconciliation of the aged receivables balance to the general ledger account balance, and document an explanation for any unusual reconciling items. Consider whether it is necessary to review documentation supporting the reconciling items and explanations.
- Scan the trial balance for unusual items, such as large credit balances, unusual names, receivables from known related parties and propose reclassifications, if necessary.
- Confirm selected receivables.
- Test the adequacy of the allowance for uncollectible accounts by inquiring about the State's process for estimating the allowance, performing analytical procedures, and investigating any unusual results.
- Compare revenues for the last month of the year to the rest of the year and to the first month after year-end.
- Compare credit memos for the last few months of the year to the first few months after year-end to test cut-off.
- Obtain understanding of the State's major revenue resources, revenue recognition policies, and significant or unusual transactions occurring at or near year-end. Review laws, regulations, and agreements for compliance requirements and evaluate compliance.
- Inspect reconciliations of interfund balances, examine authorization, compare to budgeted transfers, and investigate unexpected results.

### Accounts Payable and Expenditures

- Agree or reconcile accounts payable listing to the general ledger.
- Scan for large and unusual transactions and identify matters that should be disclosed.
- Inquire about unrecorded liabilities, trace receiving information into accounting records, and determine whether liabilities are recorded in the proper period.
- Scan the listing of accruals and other liabilities, evaluate the reasonableness of accruals and other liabilities, evaluate the reasonableness of the balances, and consider any missing accruals.

### Cash and Investments

- Obtain a listing of all banks and savings and loans used by the State during the year.
- Obtain a listing of all petty cash funds maintained by the State. We will examine the board resolution establishing the fund(s).
- Mail written confirmations to all banks and savings and loans identified in the previous steps. Determine whether the accounts are properly identified as holding public funds.
- Test bank reconciliations and investigate significant and unusual items.
- Obtain a listing of all investments held by the State during the year and determine whether investments constitute legal investments.
- We will document the State's internal controls for authorizing, executing, and monitoring investment activity. We will document the State's internal controls over drawing down bond proceeds. We will determine how the State prevents unauthorized transfers.
- Select a sample of investment transactions during the period and examine for indications of compliance with controls and investment policy.
- Read minutes of meetings authorizing investment transactions and compare to recorded activity.
- Inspect interim reports on investment yield and consider investigations made, if any, of significant fluctuations.
- Compare recorded investment income to income calculated by applying average rate to average investments and consider reasonableness.
- We will review the most recent arbitrage report to determine if the State is properly managing arbitrage and if there is any necessity for financial statement reporting and/or disclosure.
- As may be applicable, for Individually Managed Portfolios, we will consider the State's methodology and procedures to determine whether they are appropriate for managing spending requirements and arbitrage.

## NEW ACCOUNTING STANDARDS FOR CONSIDERATIONS FOR CURRENT AND FUTURE YEAR

### New Governmental Accounting Standards Board Pronouncements (GASB)

The GASB has issued several pronouncements that will be effective in the current year and future years that will be required to assess and the impact on the State's financial statements to be determined. The pronouncements are as follows:

*GASB Statement No. 66, Technical Corrections 2012- an amendment of GASB Statements No. 10 and 62* amends Statement No. 10 by removing provision that limits fund-based reporting of an entity's risk financing activities to the general fund and internal service fund types. Risk financing activities can now be reported in any fund type based on the nature of the activity to be reported. Some states authorize local governments to assess a dedicated tax levy for tort liabilities, which would qualify this activity to be reported in a special revenue fund.

The pronouncement amends Statement No. 62 by modifying the guidance on accounting for operating lease payments that vary from straight-line and clarifies how to apply Statement No. 13. The pronouncement also amends paragraph 442 of Statement 62 to specify that a purchased loan or group of loans should include the amount paid to the seller plus any fees paid or less any fees received.

Paragraph 460 of Statement 62 is amended related to service fees to remove the provision that the sales price should be adjusted, for purposes of determining any gain or loss on the sale, to provide for the recognition of a normal servicing fee in each subsequent year. This eliminates the conflict with GASB 48. The pronouncement will be effective for years ending December 31, 2013.

*GASB Statement No. 67, Financial Reporting for Pension Plans* addresses reporting for state and local government pension plans that are administered through trusts and replaces GASB Statement No. 25 for those plans. While the financial statements will be very similar to current statements, the pronouncement provides for enhanced note disclosures and new Required Supplementary Information (RSI) schedules. The new RSI consists of (1) schedule of changes in net pension liability and related ratios; (2) schedule of employer contributions (if actuarially determined); and (3) schedule of investment returns. Each schedule should be for the most recent 10 years.

The pronouncement also requires the net pension liability to be measured as the total pension liability less the amount of the plan's net position and specifies the approach to measuring the liability (entry age normal as a level percent of pay). The discount rate will be the long-term rate to extent there is plan net position and the bond rate once net position is depleted. However, one blended rate is used. To do this, governments will need to project future revenues and payments. The pronouncement will be effective for years ending June 30, 2014.

*GASB Statement No. 69, Government Combinations and Disposals of Government Operations* applies to mergers, acquisition or transfers of operations but doesn't apply to acquisition of another organization that continues to exist as a separate entity or acquisition of an equity interest in a separate entity.

A government merger is a combination of legally separate entities where no significant consideration is exchanged and either two or more governments cease to exist as legally separate entities and are combined to form one new government, or one or more legally separate governments cease to exist and their operations are absorbed into one or more continuing governments. If a new government is created the assets, liabilities, deferred inflows/outflows are measured at the carrying values of merging entities. Continuing governments will report carrying values as if the combination occurred at beginning of the continuing government's fiscal year. Adjustments might be needed to bring accounting principles into alignment and capital asset impairment should be considered.



A government acquisition is a combination in which one government acquires another (or the operations of another) in exchange for significant consideration. The acquired entity becomes part of the acquiring government and is measured at acquisition value, except compensated absences, OPEB, pensions, termination benefit obligations, landfill closure costs and derivatives must follow GASB standards. Acquisition value is a market-based entry price defined as one based on orderly transaction and represents price that would be paid for acquiring similar assets as the acquisition date. The acquiring government cannot recognize acquired goodwill. Consideration may be financial and nonfinancial and may exceed the net position acquired, in which case the difference is reported as deferred outflow and amortized in rational systematic manner. If consideration is less than net position acquired, the acquisition values of noncurrent assets are reduced. A contribution can be recognized when the seller intends to accept lower price to provide economic aid to acquiring government. Acquisition costs are expensed.

A transfer of operations is a government combination involving the operations of a government with no significant consideration exchanged. The transfer of operations could be through annexation, redistricting or shared service arrangements (for example - public safety). It could be a transfer of operations to a new government, such as formation of a library district or governments combining operations and transferring assets and liabilities to a new government. The transferee government reports net fund balance received as a special item in the statement of revenue, expenditures and changes in fund balance. An example of an operation would be an entire fire department but not a single truck. The transferred operation must continue to provide essentially the same services as prior to transfer.

For disposals of government operations the disposing government recognizes gain or loss as a special item. Only costs directly associated with the disposal are included in the calculation. The pronouncement will be effective for years ending December 31, 2014.

*GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees* requires a liability to be recognized for certain guarantees. A nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity, including component units, which requires the guarantor to indemnify a third-party holder under specified conditions. It does not apply to special assessment debt. A government will be required to recognize a liability when there are qualitative factors that make it more likely than not (more than 50%) that the government will make a payment on the guarantee. The term "more likely than not" differs from GASB 62 and FASB 5 definition with regard to contingencies which require a liability if its "probable" that a liability has been incurred.

Some qualitative factors to consider include entering into bankruptcy, failure to meet debt covenants or financial difficulty such as making late payments, drawing on a reserve fund to make debt payments or loss of major revenue source.

The amount recognized is the best estimate of the present value of future outflows. If only a range is available use minimum amount of the range. The government will recognize expense and liability in full accrual statements but it's subject to expenditure recognition criteria in modified accrual statements (must be due and payable). The pronouncement is effective for years ending June 30, 2014.

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions* establishes requirements for governments that provide their employees with pensions through a trust and replaces GASB Statement No. 27 for those government employers. The most significant change is that governments will now be required to recognize their net pension liability (NPL), which is the difference between the total pension liability (the portion of the present value of projected benefit payments that is attributed to past periods) and the value of pension assets available to pay pension benefits. Additional note disclosure and the first two RSI schedules from GASB 67 will be required. This requirement also applies to cost sharing, multiple-employer plans and will be a significant change for those plans. The statement requires immediate recognition of more pension expense than is currently required. Most changes in the NPL will be included in current period expense. Other components, such as changes in economic assumptions will be recognized over a closed (not open) period equal to the expected remaining service lives of all employees that are provided benefits.

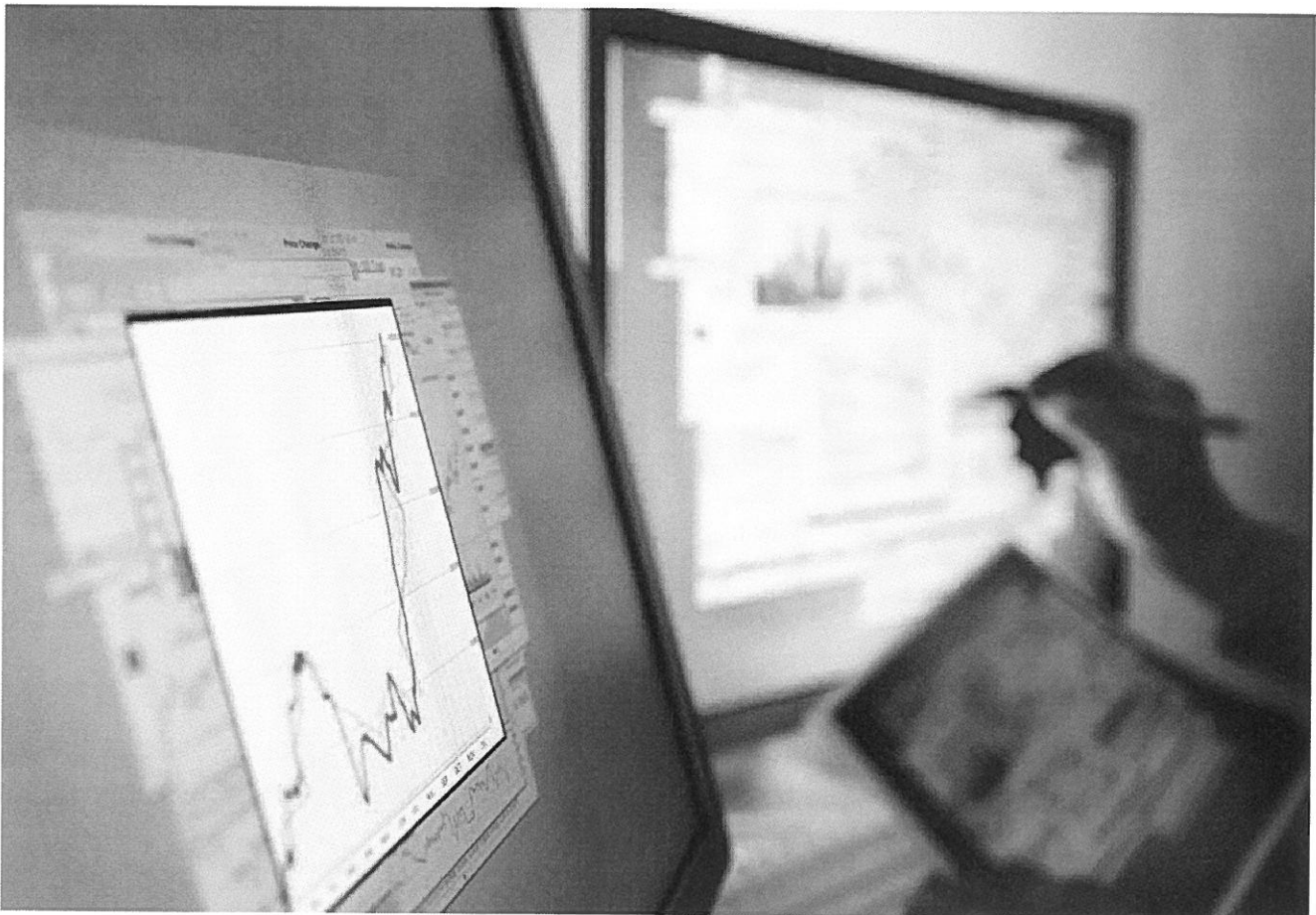
Differences between expected and actual investment rate of return will be recognized in expense over a closed five year period. All governments must use the entry age, as a level percent of payroll allocation method. The discount rate will continue to be based on the long-term expected rate of return but only to the extent that projected plan net position exceeds the projected cash payments. Once the assets are depleted, governments must use the 20-years tax exempt AA or higher municipal bond rate. The pronouncement will be effective for years ending June 30, 2015.

## Current GASB Projects

### *Other Postemployment Benefit Accounting and Financial Reporting*

The GASB Board is consider the possibility of improvements to the existing standards of accounting and financial reporting for other postemployment benefits (OPEB) by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. One objective of this project is to improve *accountability* and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB. Another objective of this project is to improve the *usefulness* of information for decisions or judgments of the various users of the general-purpose external financial reports of governmental employers and OPEB plans. This project also will address accounting and financial reporting for postemployment benefits that are not provided through a qualified trust (as defined in paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*). The GASB is projecting issuance of the exposure draft in May 2015 with a 60 day comment period and subsequent re-deliberations and projected issuance of the final statement in June of 2015 with implementation date yet to be determined.

BDO's public sector groups monitors the various projects at the GASB and provides ongoing information through newsletters, webinars, client specific trainings to keep you undated on what to expect in the future.



## KNOWLEDGE OF AND APPROACH TO OMB CIRCULAR A-133 AUDITS

### OVERVIEW

The Single Audit is an audit of an entity's financial statements and the reporting on the schedule of expenditures of federal awards in relation to those financial statements and a compliance audit of the federal awards expended during the fiscal year. The Single Audit process is a key factor in the achievement of the following accountability objectives:

- i. The receipts and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- ii. Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.

Under OMB Circular A-133, the auditor has additional testing and reporting responsibilities for compliance, as well as internal control over compliance, beyond a financial statement audit performed in accordance with *Government Auditing Standards* and Generally Accepted Auditing Standards.

OMB Circular A-133 specifically states that the auditor should determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each major program.

The principal tool for this purpose is the *Compliance Supplement*. This document serves to identify existing important compliance requirements that the Federal Government expects to be considered as part of a Single Audit. This tool allows Federal agencies to effectively communicate items that they believe are important to the successful management of the respective programs and the related legislative intent.

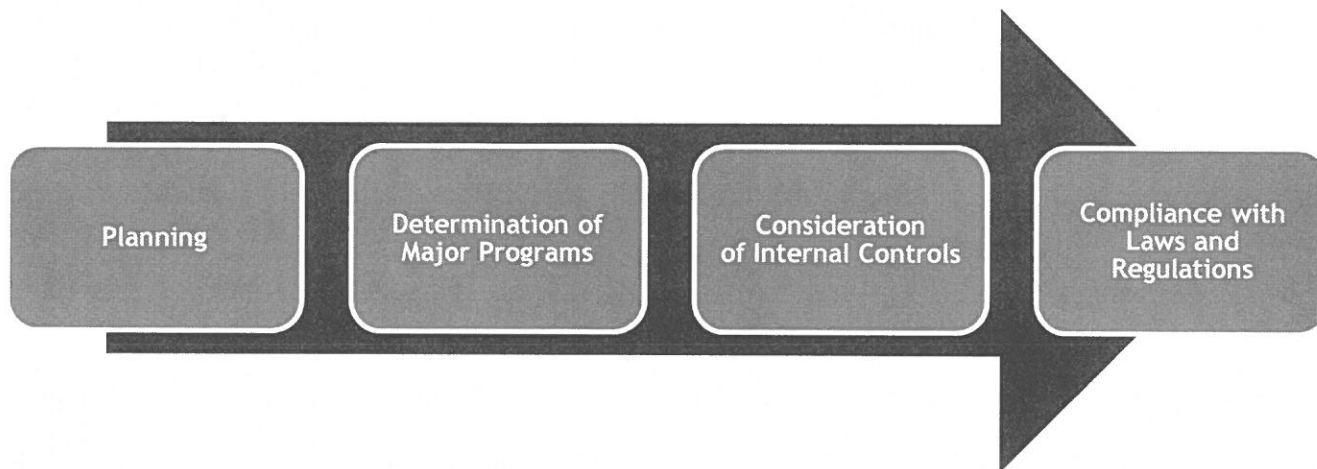
Further, the American Recovery and Reinvestment Act of 2009 (also known as the "Stimulus Act") was signed into law on February 17, 2009, to stimulate the national economy by investing in programs and activities that will provide long-term economic strength and stability.

As a recipient of ARRA funding, the State must not only account for ARRA transactions in accordance with generally accepted accounting principles, it must also comply with the specific expenditure and financial requirements mandated by ARRA, as well as other applicable Federal regulations and reporting requirements.

In addition to the actual OMB Circular A-133 and the related *Compliance Supplement*, we will utilize, but not be limited to, the following types of available guidance throughout our audit process:

- ▶ OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.
- ▶ U.S. Department of the Treasury regulations at 31 CFR part 205, which implements the Cash Management Improvement Act of 1990 ("CMIA").
- ▶ A-102 Common Rule.
- ▶ AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, and the related Audit Risk Alerts.
- ▶ Statement on Auditing Standards No. 117, *Compliance Audits*.
- ▶ Other OMB Circular A-133 Advisories.
- ▶ Uniform Grant Guidance.

Our technical and management approach for the performance of the State's Single Audit will be performed in the following phases and as described more fully below and on the following pages. Each phase will also incorporate the steps necessary to address ARRA requirements.



## PLANNING

The purpose of the planning phase is to establish a proper foundation for the direction of the audit and to minimize costs and increase effectiveness. The tasks in this phase will coincide with our overall planning tasks of the financial statement audit as described on **pages 62 - 63** and will enable us to gain and in future years to update our understanding of the financial systems of the State and to tailor the audit.

We will further enhance our planning assessments with respect to the Single Audit by performing the following procedures:

- ▶ Obtain schedule/report of federal programs by Catalog of Federal Domestic Assistance ("CFDA") Number.
- ▶ Document understanding of the federal programs.
- ▶ Identify compliance requirements applicable to each of the state major programs.
- ▶ Determine program sample sizes.
- ▶ Review the State's centralized controls over payroll expenditures, non-payroll expenditures, procurement activities, and sub-recipient monitoring.
- ▶ Review the State's indirect cost allocation plan.
- ▶ Compare the schedule of expenditures of federal awards between the current and preceding periods and also the current year amounts to approved budgeted line-items and grants and contracts.
- ▶ Consider areas of risk that could result in an error to the schedule of expenditures of federal awards without being detected.



## DETERMINATION OF MAJOR PROGRAMS

The provisions of OMB Circular A-133 require that the auditor use the risk-based audit approach to determine which federal programs administered by the State are major programs. BDO will achieve this objective by using the following approach:

- 1 Determine Type A and Type B Programs.** We will review the State's financial reports for expenditures of federal funds and summarize and review the grouping of expenditures according to their CFDA designation. Using the criteria established for Type A programs – expenditures that are the greater of 0.3% of total federal expenditures– we will determine the larger Type A programs. All other federal programs are Type B programs.
- 2 Determine High-Risk Type A Programs.** The second step specified by OMB Circular A-133 requires the auditor to perform a risk assessment of each Type A program to identify those programs that are low-risk. Type A programs assessed as low-risk may be excluded from the major program category in the Single Audit. Those Type A programs that are assessed as being a high risk as determine by the federal requirements must be audited as major programs.  
  
Type A programs will be considered low-risk if they were audited in at least one of the two most recent audit periods and had no material internal control findings or material compliance findings, in the most recent Single Audit report.
- 3 Determine High-Risk Type B Programs.** If any Type A program is assessed as low-risk, the auditor must perform this third step. OMB Circular A-133 only requires the performance of risk assessments on Type B programs that exceed the larger of or 0.3% of federal awards expended when total federal expenditures are less than or equal to \$100 million. Additionally, it provides two options for identifying high-risk Type B programs. The auditor may choose either one in their assessment.
- 4 Determination of Major Programs to be Audited.** After completing steps one through three, OMB Circular A-133 requires the auditor to audit all of the Type A programs that are identified as being high-risk programs and all type B programs that have been identified using either of the two options identified in step three, and additional programs if needed to meet the 50 percent (or 25 percent for low-risk auditee) of total federal awards expended, as applicable.

Upon identifying the major programs and compliance requirements, we will develop tailored audit programs to achieve audit objectives. The audit programs will reflect the identified areas of concern and will guide our work in such a manner as to help ensure that each major program and compliance requirement is afforded the proper degree of audit consideration.

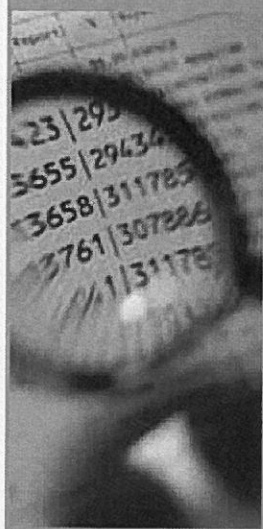
## CONSIDERATION OF INTERNAL CONTROLS

As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

OMB Circular A-133 requires auditors to obtain an understanding of a non-Federal entity's internal control over the major programs sufficient to plan the audit to support a low assessed level of control risk, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control are deemed likely to be ineffective, perform testing of internal control as planned.

### THE OBJECTIVES OF INTERNAL CONTROL PERTAINING TO COMPLIANCE REQUIREMENTS FOR FEDERAL PROGRAMS ARE AS FOLLOWS:

<p>Transactions are properly recorded and accounted for to:</p> <ul style="list-style-type: none"> <li>▶ Permit the preparation of reliable financial statements and Federal financial reports;</li> <li>▶ Maintain accountability over assets; and</li> <li>▶ Demonstrate compliance with laws, regulations, and other compliance requirements.</li> </ul>	<p>Transactions are executed in compliance with:</p> <ul style="list-style-type: none"> <li>▶ Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and</li> <li>▶ Any other laws and regulations that are identified in the <i>Compliance Supplement</i>.</li> </ul>	<p>Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.</p>
---	---	---



Incorporated into the OMB A-133, is the *Internal Control-Integrated Framework* ("COSO Report"), published by the Committee of Sponsoring Organizations of the Treadway Commissions which provides the framework for organizations to design, implement, and evaluate internal controls using five interrelated components:

- ▶ Control environment.
- ▶ Risk assessment.
- ▶ Control activities.
- ▶ Information and communication.
- ▶ Monitoring.

The *Compliance Supplement* describes these five components of internal control for each compliance requirement and describes the characteristics relating to each that should reasonably assure compliance with the requirements of federal laws, regulations, and program requirements. We will focus our efforts on performing an assessment of the State's internal control using this guidance.

The characteristics of the five interrelated components are as follows:

Control Environment	<p>Sets a tone influencing the control consciousness of the State's personnel. It is the foundation for all other components of internal control and provides discipline and structure.</p> <ol style="list-style-type: none"> <li>Integrity and ethical values.</li> <li>Management's philosophy and operating style.</li> <li>Organizational structure.</li> <li>Oversight committee involvement.</li> <li>Commitment to competence.</li> <li>Assignment of authority and responsibility.</li> <li>Human resources policies and practices.</li> <li>The State's risk assessment.</li> <li>Monitoring activities.</li> </ol>
Risk Assessment	<p>The State's identification and analysis of risks relevant to achievement of its objectives to determine how risks should be managed.</p> <ol style="list-style-type: none"> <li>The State's ability to identify and analyze risks.</li> <li>Identification and assessment of operations and programs.</li> <li>Personnel understanding of compliance requirements.</li> <li>The State's ability to identify risks of program non-compliance.</li> <li>Awareness of identified risks and corrective action plan.</li> <li>Implementation of processes to address changes in objectives.</li> </ol>
Control Activities	<p>The policies and procedures that help to ensure that management's directives are carried out.</p> <ol style="list-style-type: none"> <li>Review established policies and procedures.</li> <li>Assess potential for management override.</li> <li>Determine adequate segregation of duties.</li> <li>Ensure computer and program controls exist.</li> <li>Knowledge assessment and supervision of management and program staff.</li> <li>Safeguarding of assets.</li> </ol>
Information and Communication	<p>The State's means to identify, capture, and exchange information in a form and time frame that enable people to carry out their responsibilities.</p> <ol style="list-style-type: none"> <li>System in place for identifying and allocating federal transactions.</li> <li>Source documents maintained and available.</li> <li>Information is available and accessible.</li> <li>Employees are aware of duties and responsibilities.</li> <li>Reports are generated in a timely manner for management review.</li> <li>Reconciliation and reviews are conducted to ensure accuracy of reports.</li> <li>Internal and external communication channels are established.</li> </ol>
Monitoring	<p>This process assesses the quality of internal control performance over time.</p> <ol style="list-style-type: none"> <li>Independent management reviews, reconciliations, etc.</li> <li>Internal and external program evaluations.</li> <li>Site visits to decentralized locations.</li> <li>Internal audit reviews of program operations.</li> <li>Adequate management and supervision.</li> <li>Periodic review of program performance.</li> </ol>

## COMPLIANCE WITH LAWS AND REGULATIONS GOVERNING FEDERAL CONTRACTS AND GRANTS

The auditor performs tests of compliance with laws and regulations as part of the audit of the schedule of expenditures of federal awards. The auditor must also perform tests and obtain results in order to support your report on the internal control over compliance with certain provisions of laws, regulations, contracts, and grants. The State's management is responsible for compliance with the applicable laws and regulations.

The State's non-compliance with laws and regulations could materially affect the schedule of expenditures of federal awards. We will discuss with management and legal counsel how they identify, comply, and monitor compliance in this area.

This phase of the single audit will be based on the compliance requirements that we have determined to be direct and material to the major federal programs selected for audit.

### Perform Tests of Compliance

A compliance requirement is generally considered material if failure to comply with it would result in financial or other sanctions that would be material to the program.

There are 14 compliance requirements that are enumerated in the *Compliance Supplement*. We will determine for each major federal program which of the 14 compliance requirements apply, to what extent, and how material it is to the major program(s). If the requirement applies, we will perform a risk assessment to determine inherent risk, control risk, fraud risk, and other risk to decide on the extent of compliance testing to be performed.





We will also discuss program requirements, new regulations, and program changes with the program administrators during the planning phase of the engagement to identify additional or new material compliance requirements that are specific to the federal grants and contracts. At a minimum, our tests plans will include the following, as applicable:

#### Activities Allowed or Unallowed and Allowable Costs / Cost Principles

- Identify and evaluate common systems used to capture costs.
- Determine allowable costs for the programs.
- Test allocation of personnel service costs to the programs.
- Test direct costs charged to the programs.
- Test disbursements to sub-recipients charged to the programs.
- Test indirect costs charged, bases used, and methods of allocation.
- Test beneficiary payments.

#### Cash Management

- Evaluate and test systems and procedures used for drawdown of funds.
- Document controls used to monitor drawdown of funds.
- Document process for advances and reimbursements to sub-recipients.
- Test to determine that sub-recipients do not maintain excess federal cash.
- Test compliance with federal cash management reporting requirements.

#### Davis-Bacon Act

- Identify major federal programs with construction projects/contracts.
- Review contract language to determine the inclusion of prevailing wage rates.
- Ascertain the prevailing wage rates in effect at time of construction.
- Test payroll submissions and certifications for payment of prevailing wage rates.

#### Eligibility

- Identify computerized systems that determine eligibility.
- Evaluate and test systems processing eligibility determinations and benefit payments.
- Determine the eligibility requirements, period of eligibility, and recertification.
- Test participant/recipient files and records to determine eligibility (non-computerized).
- Test payments/benefits to determine that proper amounts were calculated and paid.
- Determine eligibility requirements performed for and/or at sub-recipients.

**Equipment and Real Property  
Management**

- Determine physical inventory performed within two years and reconciled to equipment records.
- Test equipment purchased with federal funds and verify that they were identified and recorded.
- Inspect equipment purchased with federal funds and determine whether safeguarded and maintained properly.
- Determine whether real property purchased with federal funds was disposed of in accordance with federal approval.

**Matching, Level of Effort, Earmarking**

- Test to determine that the matching requirement amount was satisfied.
- Test to determine that the funds used for matching purposes were allowable.
- Test to determine value of in-kind contributions used for matching purposes.
- Verify that the maintenance of effort requirement was satisfied.
- Determine that only allowable expenditure categories were used to meet the requirement.
- Determine consistent use of expenditure categories in meeting maintenance of effort.
- Ascertain that non-monetary maintenance of effort was adequately supported.
- Determine dollar amount or percentage that is required for this purpose.
- Verify that the required amount or percentage was allocated and recorded.
- Verify that the amounts recorded satisfied the requirements.
- Test for proper classification of amount or percentage.
- Test matching funds to determine compliance with allowable costs.

**Period of Availability of  
Federal Funds**

- Determine requirements for period of availability of federal funds.
- Test transactions to determine that they occurred during the period of availability.
- Test expenditures charged to the federal program subsequent to the period of performance to determine proper period.
- Test selected adjustments and determine whether they were for the period of availability.

**Procurement, Suspension, and  
Debarment**

- Review procurement policies to determine compliance with federal requirements.
- Determine whether geographical preferences are allowed for the federal program.
- Test contracts to determine compliance with the federal requirements.

Program Income

- Review award agreements and determine whether program income is generated, and evaluate accounting and use of such income.
- Test to determine the amount of program income and the recording and use of the income in accordance with the requirements of OMB Circulars A-102 and A-110.

Real Property Acquisition and Relocation Assistance

- Review and document the process for compliance with real property acquisition and relocation assistance requirements.
- Test replacement housing payments, business locations, rental or down payment assistance.
- Test acquisitions to determine compliance over appraisals, negotiations, and residential relocations.

Reporting

- Determine the process for report preparation.
- Identify the source of information included in the report.
- Determine applicability and reliability of source documents.
- Test accuracy of information and trace to source documents.
- Reconcile program expenditures to the federal financial reports.

Sub-Recipient Monitoring

- Document the process for monitoring sub-recipients.
- Determine whether sub-recipients submitted the required A-133 audit reports.
- Review audit reports to determine audit findings and questioned costs.
- Determine whether site visits were performed and files reviewed.
- Determine corrective action taken for findings.

Special Tests and Provisions

- Determine which special tests and provisions are required for the program.
- Develop audit procedures tailored to address the requirements.
- Perform tests to determine compliance with special tests and provisions.

## CONSIDERATIONS OF THE “UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARD, FINAL RULE (THE UNIFORM GRANT GUIDANCE)” ON FUTURE AUDITS

The Council of Financial Assistance Reform’s (“COFAR”) whose purpose is to streamline the guidance and requirements related to federal awards while at the same time easing the administrative burden and strengthen the federal oversight on over \$500 billion of federal funds expensed annually by the Federal government to non-federal organizations.

In December 2013, the Office of Management and Budget (“OMB”) based on the recommendations of the COFAR and due process, published in the Federal Register. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award, Final Rule* (the Uniformed Grant Guidance). This guidance supersedes the requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, and A-133, and the guidance in Circular A-50 on the Single Audit follow-up. The Uniform Grant Guidance consolidates the guidance in all the superseded OMB circulars to improve both the clarity and accessibility of the guidance. In addition, the Uniform Grant Guidance includes revisions and modifications to existing rules and requirements considered to be outdated, ineffective, or excessively burdensome. All guidance previously found in the superseded circulars and other documents will now be located in the Uniform Grant Guidance in the United States Code of Federal Regulations 2CFR 200.

As it relates to the existing cost principles, the Uniform Grant Guidance consolidates the cost principles (other than those related to hospitals) into a single document with some variation by type of entity.

The final guidance applies to federal agencies making federal awards, grants and contracts, non-federal entities (including state and local governments, Indian tribes and nonprofit organizations) receiving federal awards and pass-through entities. The Uniform Grant Guidance will be effective for non-federal entities for all federal awards or funding increments provided after December 26, 2014.

The final guidance contains multiple changes and consolidations that include but are not limited to the following:

- ▶ Makes explicit in a single resource what requirements apply to all recipients, and which are uniquely needed to address specific needs, eliminating the requirements to cross-reference between multiple sources to determine the applicable guidance and compliance requirements.
- ▶ Includes new measures designed to ensure merit-based awards and identify issues early in the process.
- ▶ Introduces new requirements for formal certification of grant submissions.
- ▶ Attempts to streamline and standardize the cost principles in many ways, including new options for the recovery of indirect costs.

It is important to note that combining these various circulars and requirements will necessitate revisiting the State’s policies and procedures around administrative requirements and cost principles for all new federal awards and for additional funding to existing awards. Additionally, as more information becomes available related to the new guidance later this year from the COFAR and OMB, the effect on the State’s single audit will need to be reevaluated from an audit approach because of the possible changes:

- ▶ Number of programs that will be required to be audited.
- ▶ Changes to the State’s policies and procedures related to federal awards due to changes in the administrative requirements and cost principles.
- ▶ The number of compliance requirements that will need to be audited.



## COMMUNICATION AND REPORTING

This final phase is essentially the culmination of the audit effort. During this phase, we will conclude on all areas of the audit, summarize the results, and upon approval by management and the proper authority within the State, issue the required reports and deliverables.

### ENTRANCE, EXIT, AND PROGRESS REPORTING CONFERENCES

We encourage regular meetings to ensure that we contribute meaningful ideas, strategies, and plans to address your financial challenges. Such substantive and frequent contact makes it possible to define and prioritize goals, define timetables, and designate responsibility to appropriate individuals. We commit to maintaining a consistent level of communication with the State. We also understand that your staff has schedules and other matters to deal with, and that organizations must conduct business with minimum disruption. Accordingly, it is our policy to schedule meetings in advance to keep the State informed of the progress being made on the audit. We will discuss areas critical to the management of your organization and focus our attention on those areas.

We are very interested in meeting with your staff and board governance. We feel this is a very important interaction and are well versed in communicating financial results to those who are not financial experts.

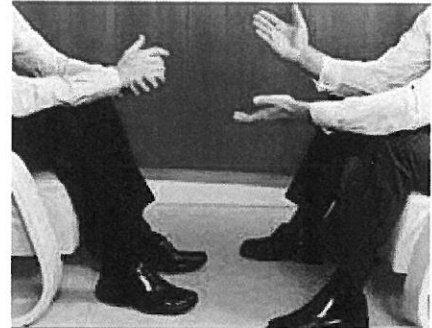
### POTENTIAL PROBLEMS AND RESOLUTION

Through constant communication and involvement with the State, we will help address issues early in the process before they develop into problems or "surprises" to management and the governing bodies.

#### *Technical Issues*

The need for and level of technical consultation within or outside of the BDO Team depends upon the matter at hand and the experience and experience of the engagement team. Our primary objective is to provide the most technically correct guidance to our clients. We recognize, however, that it is also important to our clients that the process be timely and cost effective. As such, significant efforts are made to help ensure the local engagement team has the experience and experience necessary to serve the client based on its industry and complexity. Our process includes the necessary controls to help ensure the guidance is correct, yet does not overburden the engagement team or client with unnecessary time and effort.

In the normal course of any audit, we review all recently issued or pending pronouncements to determine the impact to our clients. We will work with the State on key decisions and in determining significant financial accounting and reporting issues. This process works very smoothly at BDO as our technical consultative personnel are often already involved in the engagement and are easily accessible by us and our clients.



ADDITIONALLY, WE WILL INFORM THE CABINET SECRETARY OF THE DEPARTMENT OF ADMINISTRATION AND THE STATE COMPTROLLER IN WRITING OF EACH OF THE FOLLOWING:

1. The auditor's responsibility under GAAP.
2. Significant accounting policies.
3. Management judgments and significant revisions of past and current estimates and projections.
4. Significant audit adjustments and significant revisions of past and current estimates and projections.
5. Other information in documents containing audited financial statements or estimates and projections.
6. Disagreements with management.
7. Consultation with other accountants and actuaries.
8. Difficulties encountered in performing the audit.
9. Any additional requirements or any other related requirements that are currently in effect or may become effective during this audit contract.

### *Reporting Timelines*

Based on our past experience with engagements of similar magnitude as the State's engagement, obtaining the required information and an accurate schedule of expenditures of federal awards from certain agencies or departments, in a timely manner, can be challenging. We will work with the State's personnel to actively monitor the progress in preparing the information as requested in our client assistance packages. We will also maintain a certain level of flexibility in our staff schedules and incorporate the necessary additional resources as may be applicable.

### *Component Unit Financial Reports*

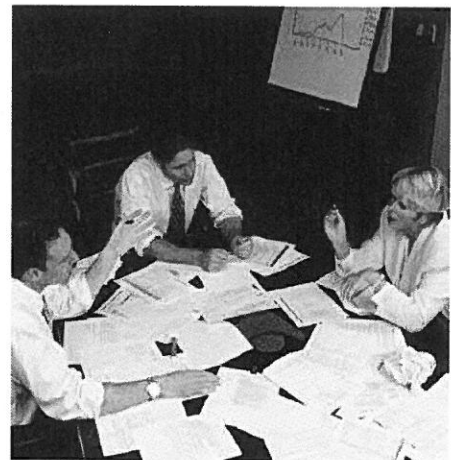
Once again, based on our past experience with engagements of similar magnitude as the State's engagement, the State may be reliant on various agencies and separate audit firms to forward the required information and final audit reports to its CAFR reporting group, in order for the State to compile its CAFR. We will maintain a flexible approach and schedule and work concurrently with the State's CAFR reporting group by analyzing draft financial statements of the separately audited reporting units and utilizing a team approach to achieve final completion.

## ARRA CONSIDERATIONS

### *Schedule of Expenditures of Federal Awards*

To maximize the transparency and accountability of ARRA spending required by Congress and in accordance with 2 CFR 215 "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations" and the A-102 Common Rule provisions, the State will be required to maintain records that identify adequately the source and application of ARRA funds. This shall be accomplished by identifying expenditures for Federal awards made under ARRA separately on the Schedule of Expenditures of Federal Awards.

The State will also have to separately identify to each of its sub recipients, and document at the time of sub-award and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When ARRA funds are sub-awarded for an existing program, the information furnished to sub-recipients shall distinguish the sub-awards of incremental ARRA funds from regular sub-awards under the existing program. The State will further be required to inform its subrecipients to include on their Schedule of Expenditures of Federal Awards information to specifically identify ARRA funding similar to the requirements for the State's Schedule of Expenditures of Federal Awards described above. This information is needed to allow the State to properly monitor subrecipient expenditures of ARRA funds, as well as for oversight by the Federal awarding agencies, Federal Offices of Inspector General, and the Government Accountability Office.



We, as auditors, will consider these requirements when performing procedures for the purpose of providing the in-relation-to reporting on the Schedule of Expenditures of Federal Awards, as well as when performing other procedures on the Schedule of Expenditures of Federal Awards in conjunction with our compliance test work.

## COMMITMENT TO MEETING COST, TECHNICAL, AND DELIVERY OBJECTIVES

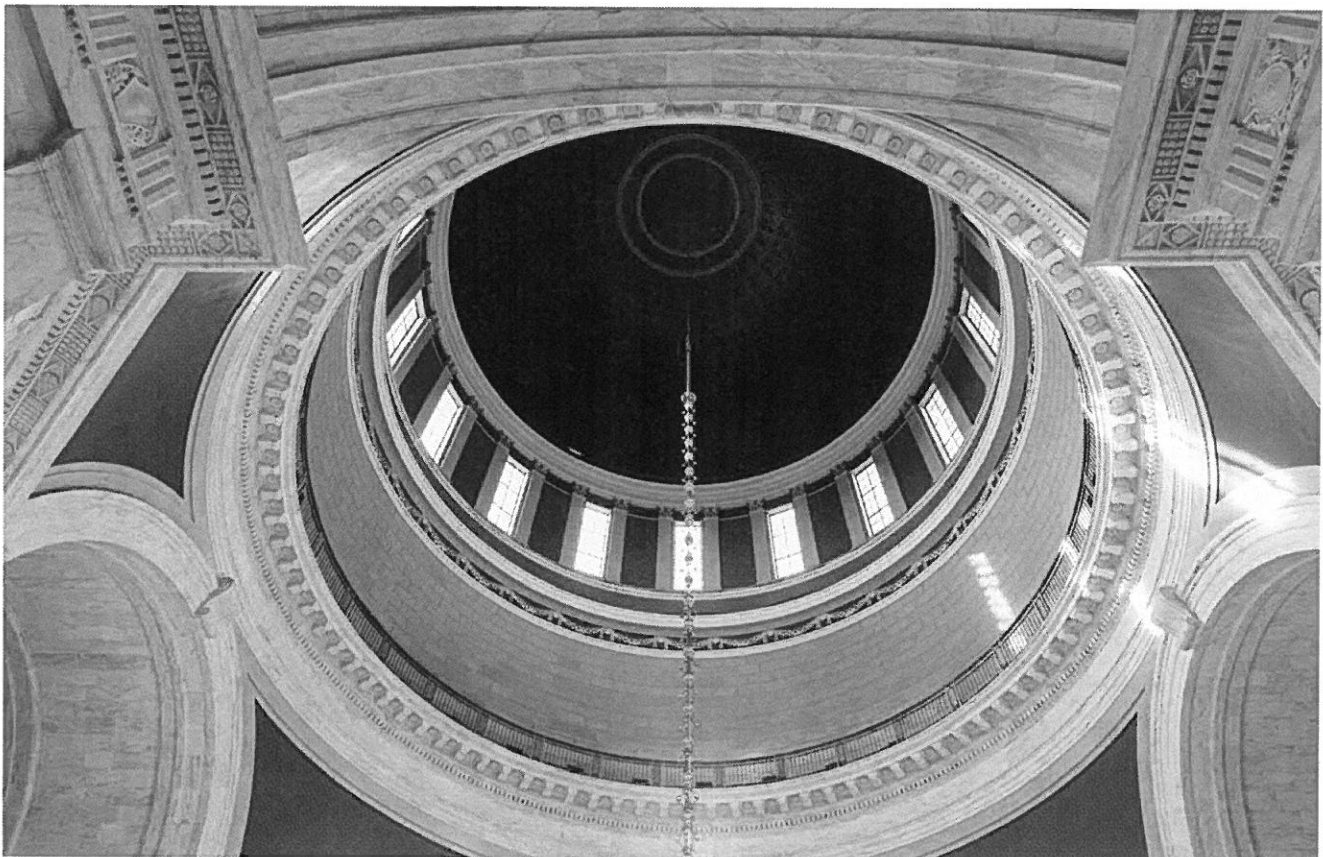
The BDO Team recognizes that the criteria required for the success of an audit is directly dependent on meeting the cost, technical, and delivery objectives. Our past success in achieving these objectives is due to our development and implementation of effective quality assurance standards and project management plans for all engagements.

We manage all audit endeavors with complete awareness and adherence to our quality assurance standards and the engagement specific project plans. This system has enabled us to meet cost, technical, and delivery objectives for all of our engagements.

We believe that the quality assurance standards and project management plans that we have established will be an integral and vital part in the conduct of the State's audits, as they have been on similar engagements with comparable complexity.

The BDO Team's execution plan for meeting cost, technical, and delivery objectives:

- ▶ Real time on-going management supervision over the technical quality of the product and its conformity with applicable auditing and accounting standards.
- ▶ Developing realistic budgets for engagements.
- ▶ Assignment of staff with the appropriate level of experience, experience, and training.
- ▶ Periodic reporting of staff time and productivity to monitor and control costs.



## SECTION HIGHLIGHTS

### STREAMLINED APPROACH

BDO's tested approach takes into account the State's complex structure. The BDO Team is comfortable working in an environment involving significant oversight by third parties and we possess the ability to audit multiple government agencies at the same time, ensuring there is no loss of efficiencies.

### DISTINCT SERVICE PROVIDER

The BDO Team is the distinctive choice for clients of all types of sizes. We provide the right size and experience with our attentive, seasoned professionals who provide proactive and ongoing involvement.





# MANDATORY SPECIFICATION CHECKLIST

INDEPENDENCE .....	92
FIRM LICENSES TO PRACTICE IN WEST VIRGINIA.....	93
LICENSURE AND EDUCATION OF SENIOR LEVEL PERSONNEL .....	93
QUALIFICATION STATEMENT - SINGLE AUDIT .....	93
REPORT SAMPLE .....	93
QUALITY ASSURANCE .....	93
SUBMISSION OF REQUIREMENTS FOR JOINT PROPOSERS.....	94
APPENDICES .....	95
Appendix A - West Virginia State Licenses.....	95
Appendix B - Peer Review Reports .....	100
Appendix C - Purchasing Affidavits.....	107
Appendix D - Acknowledgement of Receipt of Addendum .....	111
Appendix E - Certificate of Insurance .....	112

## **REQUEST FOR PROPOSAL**

### **Finance, DOA and RFP FAR140001**

## **Attachment B: Mandatory Specification Checklist**

*List mandatory specifications contained in Section 4, Subsection .5:*

**Section 4, Subsection 5.1:** The firm must be independent and licensed to practice in West Virginia.

**Vendor Response:** Please refer to our response on pages 93 of this document.

**Section 4, Subsection 5.2:** The principal supervisory and management staff shall be certified public accountants with the required continuing professional education within the preceding two years. Once awarded, the Agency must be informed in writing of any changes in staffing at of the supervisory level and above. Also, the Agency retains the right to approve or reject replacements based upon their qualifications, experience, or performance.

**Vendor Response:** Please refer to our response on page 93 of this document.

**Section 4, Subsection 5.3:** The firm and its staff must meet the qualifications to perform audits in accordance with the requirements of the Single Audit Act of 1996 and OMB Circular A-133.

**Vendor Response:** Please refer to our response on page 93 of this document.

**Section 4, Subsection 5.4:** The firm shall submit a copy of one (1) report issued in the last five (5) years that is similar to the engagement described in this RFP.

**Vendor Response:** Please refer to our response on page 93 of this document.

**Section 4, Subsection 5.5:** The firm shall submit a copy of its most recent external quality control review report.

**Vendor Response:** Please refer to our response on Appendix B of this document.

**Section 4, Subsection 5.6:** All requirements must also be met by joint proposers.

**Vendor Response:** Please refer to our response on page 93 and Appendix B of this document.

## MANDATORY SPECIFICATION CHECKLIST

### INDEPENDENCE

Generally accepted auditing standards require that an auditor be independent in both fact and appearance. Independence is the cornerstone of the public accounting profession. The very integrity and credibility of the U.S. financial reporting process depends on our firms and the rest of the profession complying with the independence rules. Our firms meet the independence standards of the Code of Professional Ethics of the AICPA, the Government Accountability Office ("GAO") Independence rules, and as defined by *Government Auditing Standards* with respect to the State. The specific staff assigned to do the work also meets the criteria for independence as defined by the AICPA Code of Ethics.

Further, the BDO Team represents and covenants that our firms currently have no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of our services under the contract. The BDO Team further covenants that, in the performance of the contract, no person having any such interests shall be employed.

#### *Firm-wide Independence Procedures*

- ▶ Our Quality Control Manual relating to independence is readily accessible to all professionals on our intranet.
- ▶ Independence continuing professional education (CPE) is required of all professional employees.
- ▶ Annual confirmation of independence is required of all professional employees.
- ▶ On a sample basis, we test a professionals' compliance with the independence rules annually.
- ▶ A list of restricted securities is included on our intranet and is updated monthly. Professionals are required to check this list prior to purchasing any securities of publicly held companies.
- ▶ Independence guidance is provided to all professionals throughout the year.
- ▶ Firm management is committed to maintaining the highest level of compliance with the rules and sets a strong "Tone at the Top" environment.
- ▶ Violations of the rules or Firm policies (which are rare) are dealt with harshly.

#### *Engagement Specific Independence Procedures*

- ▶ All individual engagement team members must sign a statement indicating independence from the State prior to the start of each year's audit.
- ▶ As part of the planning process, the engagement partners must sign an affirmation stating there are no violations of scope of services requirements.



**OUR INDEPENDENCE REQUIREMENTS ARE FORMALLY STATED IN WRITING AND COMMUNICATED TO OUR PERSONNEL ON:**

- Investments that are not to be held.
- Relationships that should not exist.
- Prohibited transactions.

## FIRM LICENSES TO PRACTICE IN WEST VIRGINIA

Our firms are licensed to practice in the state of West Virginia. Please refer to Appendix A of this response for a copy of our state licenses. Further, if we are the successful bidder, we will ensure that all assigned key professional staff and all associated and subcontracted firms are or will be properly licensed to practice in the State of West Virginia. Additionally, we will submit the Vendor Registration and Disclosure Statement (Form WV-1) and remit the registration fee prior to beginning any work for the State's engagement.

## LICENSURE AND EDUCATION OF SENIOR LEVEL PERSONNEL

BDO and its subcontractors, Gibbons & Kawash and Dixon Hughes Goodman, affirm that the principal supervisory and management staff to be assigned to the State's engagement hold certified public accountant designations and have completed the required continuing professional education within the preceding two years. Refer to Tab III of this response document for our staff qualifications and experience.

Further, the BDO Team agrees to inform the Agency in writing of any changes in staffing at the supervisory level and above and understand that the Agency retains the right to approve or reject replacements based upon their qualifications, experience, or performance.

## QUALIFICATION STATEMENT - SINGLE AUDIT

As we have shown through this Technical response and in our response to Attachment A and Attachment B of the RFP, we affirm that our firms and staff meet the qualifications to perform audits in accordance with the requirements of the Single Audit Act of 1996 and OMB Circular A-133.

## REPORT SAMPLE

BDO performed the CAFR and Single Audits for the Government of the District of Columbia for the years ended September 30, 2005 to 2009. Please refer to the Annual Financial Reports page listed at <http://cfo.dc.gov/page/comprehensive-annual-financial-report-cafr-2009> on the District's Office of the Chief Financial Officer's website for a copy of the CAFRs submitted to the United States Congress. Also refer to pages 14-15 for similarities of the District's engagement to the State's engagement.

Please refer to the Annual Financial Reports page list at <https://www.wvretirement.com/Forms/2013-CAFR.pdf> for the State of West Virginia as performed by G&K.

## QUALITY ASSURANCE

We have a number of mechanisms in place to ensure that our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards. These mechanisms include:

### *External Reviews*

BDO is a national certified public accounting firm and is a member of the Center for Public Company Audit Firms Peer Review Program of the AICPA and, as such, we are subject to external peer reviews. Additionally, we are subject to an annual PCAOB inspection.

BDO's latest peer review report (which included reviews of governmental entities), as well as those of our subcontractors, are included in Appendix B of this document. Our local office has also been subject to federal and state reviews. While we have had desk reviews in the past three years, we are not aware of any resulting in disciplinary action.



### *Internal Reviews*

All BDO offices follow a uniform audit process and are subject to various quality control reviews. While we strongly encourage the individual character and close personal contact of our local offices, we also maintain a uniform standard approach to our technical disciplines.

The work of all offices is subject to an inspection performed on a cyclical basis ensuring that each office is inspected at least once every three years. These inspections of local offices are conducted by partners from other offices under the direction of the National Director of Quality Control. Overall results of the reviews are sent to the Chairman of the Board of Directors for formal reporting to the Board and to the National Director of Assurance. Our local office's specific quality control procedures include the following:

- ▶ **Pre-Issuance Review** - All reports are reviewed before issuance by our Concurring or Technical Director who, along with the engagement partner, has extensive experience in the industry. This provides assurance that our reports conform to the latest developments in professional standards. Specifically, these reviewers carefully analyze financial statements to search out possible accounting, auditing, or reporting problem areas, review audit work papers to obtain reasonable assurance that the engagement team addressed all critical areas, and provide additional assurance based on all the relevant facts and circumstances about which the concurring reviewer has knowledge, that audit risk has been restricted to a level acceptable to the Firm.
- ▶ **Assignment and Training of Personnel** - We schedule professionals only to engagements for which they have the necessary background and training.
- ▶ **Supervision** - Our engagement teams are subject to a "chain of supervision" over all the work performed. All audit work papers are reviewed by the person supervising the preparer of the work papers. The reviewers write review comments, as appropriate, for the preparers to clear. The reviewers have to agree with the manner in which such comments are cleared.
- ▶ **Engagement Manager and Partner Review** - Managers and partners assigned to engagements review the audit work papers and reports. Specifically, the managers review all work papers supporting our reports and the engagement partners review work papers of critical audit areas as deemed appropriate.
- ▶ **Client Management Review** - Our engagement partner and/or manager review all draft reports with client management and the audit committee before finalizing the reports.

These quality control procedures have served us well on all of our engagements and we intend to use the same, should we become the successful awardee.

### **SUBMISSION OF REQUIREMENTS FOR JOINT PROPOSERS**

We have provided information and materials in this Technical response to meet all requirements detailed in the RFP for our joint proposers, Gibbons & Kawash and Dixon Hughes Goodman.

## APPENDIX A

### WEST VIRGINIA STATE LICENSES

PROPOSAL IN RESPONSE TO RFQ NUMBER: FAR140001

RFQ Subject: Single Audit and Financial Audit of the CAFR for the State of West Virginia

west virginia



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

*The entity listed below was issued an  
Authorization to Perform  
Attest and/or Compilation Services  
for the period beginning  
July 1, 2013 through June 30, 2014*

F0269A  
BDO USA LLP  
770 KENMOOR SE STE 300  
GRAND RAPIDS MI 49456

Board President

Executive Director



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

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

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

Board President  
  
Executive Director



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

*The entity listed below was issued a  
FIRM PERMIT  
for the period beginning  
July 1, 2013 through June 30, 2014*

F0269A  
BDO USA LLP  
770 KENMOOR SE STE 300  
GRAND RAPIDS MI 49456

Board President

Executive Director



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

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

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

Board President  
  
Executive Director

PROPOSAL IN RESPONSE TO RFQ NUMBER: FAR140001

RFQ Subject: Single Audit and Financial Audit of the CAFR for the State of West Virginia



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

*The entity listed below was issued an  
Authorization to Perform  
Attest and/or Compilation Services  
for the period beginning  
July 1, 2013 through June 30, 2014*

F0152A  
GIBBONS & KAWASH CPAS  
707 VIRGINIA ST E STE 300  
CHARLESTON WV 25301-2710

Board President

Executive Director



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

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

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

Board President  
  
Executive Director



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

*The entity listed below was issued a  
FIRM PERMIT  
for the period beginning  
July 1, 2013 through June 30, 2014*

F0152A  
GIBBONS & KAWASH CPAS  
707 VIRGINIA ST E STE 300  
CHARLESTON WV 25301-2710

Board President

Executive Director



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

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

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

Board President  
  
Executive Director





**STATE OF WEST VIRGINIA**  
**State Tax Department, Revenue Division**  
**P. O. Box 2666**  
**Charleston, WV 25330-2666**

Earl Ray Tomblin, Governor



Craig A. Griffith, Tax Commissioner

DIXON HUGHES GOODMAN LLP  
707 VA ST E STE 1700  
CHARLESTON WV 25301

Letter Id: L1714735488  
Issued: 05/07/2012  
Account #: 1048-4116



**RE: Business Registration Certificate**

The West Virginia State Tax Department would like to thank you for registering your business. Enclosed is your Business Registration Certificate. This certificate shall be permanent until cessation of business or until suspended, revoked or cancelled. Changes in name, ownership or location are considered a cessation of business; a new Business Registration Certificate and applicable fees are required. Please review the certificate for accuracy.

This certificate must be prominently displayed at the location for which issued. Engaging in business without conspicuously posting a West Virginia Business Registration Certificate in the place of business is a crime and may subject you to fines per W.Va. Code § 11-9.

When contacting the State Tax Department, refer to the appropriate account number listed on the back of this page. The taxes listed may not be all the taxes for which you are responsible. Account numbers for taxes are printed on the tax returns mailed by the State Tax Department. Failure to timely file tax returns may result in penalties for late filing.

Should the nature of your business activity or business ownership change, your liability for these and other taxes will change accordingly.

To learn more about these taxes and the services offered by the West Virginia State Tax Department, visit our web site at [www.wvtax.gov](http://www.wvtax.gov).

Enclosure

atL006 v.4

Revenue Division ■ P. O. Box 2666 ■ Charleston, WV 25330-2666  
(304) 558-8683 ■ Fax (304) 558-8685 ■ [www.wvtax.gov](http://www.wvtax.gov)

Save a stamp and your time. You can now view, file and pay taxes at <https://mytaxes.wvtax.gov>  
More taxes will be available for online access in the future.

<b>TAX</b>	<b>FILING FREQUENCY</b>	<b>ACCOUNT NUMBER</b>
Business Registration Tax		1048-4116
Combined Sales & Use Tax	Annual	2203-6462
Non Resident Composite Tax	Fiscal	2184-3822
Pass Through Entity Tax	Fiscal	2030-2134
Withholding Tax	Quarterly	1048-4119

# WEST VIRGINIA STATE TAX DEPARTMENT BUSINESS REGISTRATION CERTIFICATE

ISSUED TO:  
**DIXON HUGHES GOODMAN LLP**  
**707 VIRGINIA ST E 1700**  
**CHARLESTON, WV 25301-2724**

**BUSINESS REGISTRATION ACCOUNT NUMBER: 1048-4116**

This certificate is issued on: 05/7/2012

*This certificate is issued by  
the West Virginia State Tax Commissioner  
in accordance with Chapter 11, Article 12, of the West Virginia Code*

*The person or organization identified on this certificate is registered  
to conduct business in the State of West Virginia at the location above.*

This certificate is not transferrable and must be displayed at the location for which issued.

This certificate shall be permanent until cessation of the business for which the certificate of registration was granted or until it is suspended, revoked or cancelled by the Tax Commissioner.

Change in name or change of location shall be considered a cessation of the business and a new certificate shall be required.

**TRAVELING/STREET VENDORS:** Must carry a copy of this certificate in every vehicle operated by them.  
**CONTRACTORS, DRILLING OPERATORS, TIMBER/LOGGING OPERATIONS:** Must have a copy of this certificate displayed at every job site within West Virginia.

## APPENDIX B

### PEER REVIEW REPORTS



Baker Tilly Virchow Krause, LLP  
225 S Sixth St, Ste 2200  
Minneapolis, MN 55402-4661  
tel 612 876-4300  
fax 612 238-8900  
bakertilly.com

## SYSTEM REVIEW REPORT

To the Partners of BDO USA, LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 2012. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of BDO USA, LLP applicable to non-SEC issuers in effect for the year ended March 31, 2012, 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. BDO USA, LLP has received a peer review rating of pass.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
November 27, 2012





**Peer Review Program**

Administered by the National Peer Review Committee

American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

December 10, 2012

Wayne Berson, CPA  
BDO USA, LLP  
130 E Randolph St Ste 2800  
Chicago, IL 60601

Dear Mr. Berson:

It is my pleasure to notify you that on December 6, 2012 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2015. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Betty Jo Charles  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402-4502

cc: Jeffrey John Gendreau

Firm Number: 10063586

Review Number 334237

Letter ID: 754236



Rea & associates *a brighter way*

### System Review Report

July 10, 2012

To the Partners of Gibbons & Kawash, A.C.  
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Gibbons & Kawash, A.C. (the firm) in effect for the year ended February 29, 2012. 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](http://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, A.C., in effect for the year ended February 29, 2012, 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, A.C. has received a peer review rating of *pass*.

*Rea & Associates, Inc.*



American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

September 20, 2012

Valerie Grounds Ellis, CPA  
Gibbons & Kawash, A.C.  
707 Virginia St E Ste 300  
Charleston, WV 25301

Dear Ms. Ellis:

It is my pleasure to notify you that on September 19, 2012 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is August 31, 2015. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in cursive script that reads "Betty Jo Charles".

Betty Jo Charles  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402-4502

cc: Melissa A. Price; James E Hensler

Firm Number: 10097479

Review Number 333676

Letter ID: 733367



### System Review Report

To the Partners of Dixon Hughes Goodman LLP  
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Dixon Hughes Goodman LLP (the firm) applicable to non-SEC issuers in effect for the year ended February 28, 2011. 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](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Dixon Hughes Goodman LLP in effect for the year ended February 28, 2011, 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*. Dixon Hughes Goodman LLP has received a rating of *pass*.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 6, 2011





AICPA Peer Review Program  
Administered by the  
National Peer Review Committee

December 9, 2011

Charles E Sams Jr, CPA  
Dixon Hughes Goodman LLP  
1829 Eastchester Dr  
High Point, NC 27265

Dear Mr. Sams:

It is my pleasure to notify you that on December 8, 2011 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is August 31, 2014. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Betty Jo Charles  
Chair—NPRC  
nprc@aicpa.org 919 402-4502

cc: Candace Wright, CPA

Firm Number: 10017108 Review Number: 319553

## APPENDIX C

### PURCHASING AFFIDAVITS

RFQ No. FAR140001STATE OF WEST VIRGINIA  
Purchasing Division**PURCHASING AFFIDAVIT**

**MANDATE:** Under W. Va. Code §5A-3-10a, 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: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

**EXCEPTION:** The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. 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.

**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.

**"Employer default"** means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

**"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.

**AFFIRMATION:** By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (W. Va. Code §61-5-3) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

**WITNESS THE FOLLOWING SIGNATURE:**Vendor's Name: BDO USA, LLPAuthorized Signature: [Signature] Date: May 19, 2014State of MarylandCounty of Montgomery, to-wit:Taken, subscribed, and sworn to before me this 19<sup>th</sup> day of May, 2014.My Commission expires January 10, 2015.**AFFIX SEAL HERE****NOTARY PUBLIC**[Signature]

Purchasing Affidavit (Revised 07/01/2012)

Beth S. Levy  
Notary Public  
Montgomery County, Maryland  
My Commission Expires 1/10/15

RFQ No. FAR140001STATE OF WEST VIRGINIA  
Purchasing Division**PURCHASING AFFIDAVIT**

**MANDATE:** Under W. Va. Code §5A-3-10a, 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: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

**EXCEPTION:** The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. 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.

**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.

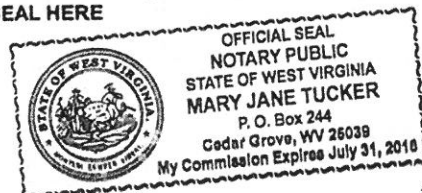
**"Employer default"** means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

**"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.

**AFFIRMATION:** By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (W. Va. Code §61-5-3) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

**WITNESS THE FOLLOWING SIGNATURE:**Vendor's Name: Gibbons & Kawash, A.C.Authorized Signature: [Signature] Date: 5/13/2014State of WVCounty of Kanawha, to-wit:Taken, subscribed, and sworn to before me this 13 day of May, 2014.My Commission expires July 31, 2016

AFFIX SEAL HERE



NOTARY PUBLIC

[Signature]

Purchasing Affidavit (Revised 07/01/2012)



RFQ No. FAR140001

STATE OF WEST VIRGINIA  
Purchasing Division

**PURCHASING AFFIDAVIT**

**MANDATE:** Under W. Va. Code §5A-3-10a, 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: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

**EXCEPTION:** The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. 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.


**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.

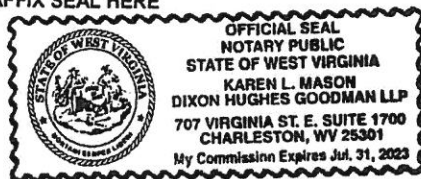
"Employer default" means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

"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.

**AFFIRMATION:** By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (W. Va. Code §61-5-3) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

**WITNESS THE FOLLOWING SIGNATURE:**Vendor's Name: Dixon Hughes Goodman LLPAuthorized Signature:  Date: May 9, 2014State of West VirginiaCounty of Kanawha, to-wit:Taken, subscribed, and sworn to before me this 9 day of May, 2014.My Commission expires July 1, 2023.

AFFIX SEAL HERE



NOTARY PUBLIC



Purchasing Affidavit (Revised 07/01/2012)

## APPENDIX D

### ACKNOWLEDGEMENT OF RECEIPT OF ADDENDUM

# REQUEST FOR PROPOSAL

Finance, DOA and RFP FAR140001

56

By signing below, I certify that I have reviewed this Request for Proposal in its entirety; understand the requirements, terms and conditions, and other information contained herein; that I am submitting this proposal for review and consideration; that I am authorized by the bidder to execute this bid or any documents related thereto on bidder's behalf; that I am authorized to bind the bidder in a contractual relationship; and that, to the best of my knowledge, the bidder has properly registered with any State agency that may require registration.

BDO USA, LLP

(Company)

Neena Masih, Partner

(Representative Name, Title)

301-634-4912

(Contact Phone/Fax Number)

May 19, 2014

(Date)

**ADDENDUM ACKNOWLEDGEMENT FORM**  
**SOLICITATION NO.: FAR140001**

**Instructions:** Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

**Acknowledgment:** I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

**Addendum Numbers Received:**

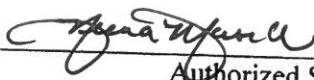
(Check the box next to each addendum received)

<input checked="" type="checkbox"/> Addendum No. 1	<input type="checkbox"/> Addendum No. 6
<input checked="" type="checkbox"/> Addendum No. 2	<input type="checkbox"/> Addendum No. 7
<input checked="" type="checkbox"/> Addendum No. 3	<input type="checkbox"/> Addendum No. 8
<input checked="" type="checkbox"/> Addendum No. 4	<input type="checkbox"/> Addendum No. 9
<input type="checkbox"/> Addendum No. 5	<input type="checkbox"/> Addendum No. 10

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

BDO USA, LLP

\_\_\_\_\_  
 Company

  
 \_\_\_\_\_  
 Authorized Signature

May 15, 2014

\_\_\_\_\_  
 Date

**NOTE:** This addendum acknowledgment should be submitted with the bid to expedite document processing.





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

# Solicitation

NUMBER
FAR140001

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
GUY NISBET 304-558-2596

RFQ COPY

TYPE NAME/ADDRESS HERE

V  
E  
N  
D  
O  
R

DEPARTMENT OF ADMINISTRATION  
FINANCIAL ACCOUNTING AND  
REPORTING SECTION  
2101 WASHINGTON ST E  
CHARLESTON, WV  
25305-1510 304-558-4083

S  
H  
I  
P  
T  
O

DATE PRINTED

04/03/2014

BID OPENING DATE:

05/15/2014

BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		
AUDIT OF STATE CAFR						
REQUEST FOR PROPOSAL (RFP)						
THE WEST VIRGINIA PURCHASING DIVISION FOR THE AGENCY, WEST VIRGINIA DIVISION OF FINANCE, IS SOLICITING PROPOSALS FROM QUALIFIED FIRMS TO PERFORM THE "SINGLE AUDIT" OF THE STATE OF WEST VIRGINIA AND THE FINANCIAL AUDIT OF THE BASIC FINANCIAL STATEMENTS OF THE STATE'S COMPREHENSIVE ANNUAL FINANCIAL REPORT "CAFR" FOR THE FISCAL YEAR ENDING: JUNE 30, 2014, PER THE ATTACHED SPECIFICATIONS AND TERMS & CONDITIONS.						
***** THIS IS THE END OF RFQ FAR140001 ***** TOTAL:						

SIGNATURE

TELEPHONE

DATE

TITLE

FEIN

ADDRESS CHANGES TO BE NOTED ABOVE

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

# REQUEST FOR PROPOSAL

Finance, DOA and RFP FAR140001

## TABLE OF CONTENTS

1. Table of Contents
2. Section 1: General Information and Instructions
3. Section 2: Instructions to Vendors Submitting Bids
4. Section 3: General Terms and Conditions
5. Section 4: Project Specifications
6. Section 5: Vendor Proposal
7. Section 6: Evaluation and Award
8. Certification and Signature Page

## SECTION ONE: GENERAL INFORMATION

1. Purpose: The West Virginia Department of Administration, Purchasing Division (hereinafter referred to as the "Purchasing Division") is soliciting proposals pursuant to **West Virginia Code §5A-3-10b** for the Department of Administration, Finance Division (hereinafter referred to as the "Agency,") to provide an audit on the Single Audit of the State of West Virginia and the State's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014, in accordance with generally accepted auditing standards, the Single Audit Act of 1996, OMB Circular A-133, Governmental Accounting Standards Board (GASB) pronouncements, other applicable laws, and federal and governmental requirements.
2. By signing and submitting its proposal, the successful Vendor agrees to be bound by all the terms contained in this Request for Proposal ("RFP").

An RFP is generally used for the procurement of services in situations where price is not the sole determining factor and the award will be based on a combination of cost and technical factors (Best Value). Through this proposal, the bidder offers a solution to the objectives, problem, or need specified in the RFP, and defines how it intends to meet (or exceed) the RFP requirements.

3. Schedule of Events:

Vendor's Written Questions Submission Deadline .....	04/22/14
Mandatory Pre-bid Conference .....	04/16/14
Addendum Issued .....	TBD
Bid Opening Date .....	05/15/14
Cost Opening .....	TBD

## APPENDIX E

### CERTIFICATE OF INSURANCE



# CERTIFICATE OF LIABILITY INSURANCE

 DATE(MM/DD/YYYY)  
04/01/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Aon Risk Services Northeast, Inc. New York NY Office 199 Water Street New York NY 10038-3551 USA		<b>CONTACT NAME:</b> PHONE (A/C. No. Ext): (312) 381-1000 FAX (A/C. No.): (312) 381-7007 E-MAIL ADDRESS:															
<b>INSURED</b> BDO USA, LLP 770 Kenmoor SE Suite 300 Grand Rapids MI 49546 USA		<b>INSURER(S) AFFORDING COVERAGE</b> <table border="1"> <tr> <th>INSURER</th> <th>NAIC #</th> </tr> <tr> <td>INSURER A: National Fire Ins. Co. of Hartford</td> <td>20478</td> </tr> <tr> <td>INSURER B: Valley Forge Insurance Co</td> <td>20508</td> </tr> <tr> <td>INSURER C: Continental Insurance Company</td> <td>35289</td> </tr> <tr> <td>INSURER D: Continental Casualty Company</td> <td>20443</td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </table>		INSURER	NAIC #	INSURER A: National Fire Ins. Co. of Hartford	20478	INSURER B: Valley Forge Insurance Co	20508	INSURER C: Continental Insurance Company	35289	INSURER D: Continental Casualty Company	20443	INSURER E:		INSURER F:	
INSURER	NAIC #																
INSURER A: National Fire Ins. Co. of Hartford	20478																
INSURER B: Valley Forge Insurance Co	20508																
INSURER C: Continental Insurance Company	35289																
INSURER D: Continental Casualty Company	20443																
INSURER E:																	
INSURER F:																	

Holder Identifier :

COVERAGES CERTIFICATE NUMBER: 570053333337 REVISION NUMBER:


THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Limits shown are as requested

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:			GL 6012318939 General Liability	03/31/2014	03/31/2015	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
B	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			BUA 6012318956 Automobile	03/31/2014	03/31/2015	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
D	<input checked="" type="checkbox"/> UMBRELLA LIAB EXCESS LIAB <input type="checkbox"/> DED <input type="checkbox"/> RETENTION			L 6011229941 Umbrella Policy	03/31/2014	03/31/2015	EACH OCCURRENCE \$7,000,000 AGGREGATE \$7,000,000
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N	WC 6012388280 WC 6012388294 Workers' Compensation	03/31/2014	03/31/2015	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE-EA EMPLOYEE \$1,000,000 E.L. DISEASE-POLICY LIMIT \$1,000,000

 DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
 Evidence of Insurance

**CERTIFICATE HOLDER**
**CANCELLATION**

BDO USA, LLP 770 Kenmoor SE Suite 300 Grand Rapids MI 49546 USA	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
--	---

Certificate No : 570053333337



